

PART II

YEARLY INFORMATION STATEMENT

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THE METROPOLITAN GOVERNMENT

Organization

On June 28, 1962, the voters of Nashville and Davidson County approved the Charter of the Metropolitan Government. The Tennessee Supreme Court upheld the validity of the Charter in October 1962. On April 1, 1963 the governments of the City of Nashville and of Davidson County were consolidated to form "The Metropolitan Government of Nashville and Davidson County," under which the boundaries of Nashville and Davidson County are co-extensive.

The executive and administrative powers are vested in the Metropolitan Mayor (the "Mayor"), who is elected at-large for a four-year term. The Mayor is authorized to administer, supervise and control all departments and to appoint all members of boards and commissions created by the Metropolitan Charter or by ordinance enacted pursuant to the Metropolitan Charter unless otherwise accepted. A two-thirds vote of the Metropolitan Council is required to override the Mayor's veto. The Charter also provides for a Vice Mayor, who is elected at large for a four-year term and is the presiding officer of the Metropolitan Council. The Metropolitan Council is the legislative body of the Metropolitan Government and is composed of 40 members who are elected for four-year terms: 35 are elected from council districts and five are elected at large.

The Charter provides a framework for local government in Nashville to serve the needs of two service districts: (i) the General Services District ("GSD") and (ii) the Urban Services District ("USD"). The GSD embraces the entire area of Davidson County and is taxed to support those services, functions and debt obligations, which are deemed properly chargeable to the whole population. Such services include general administration, police, fire protection, courts, jails, health, welfare, hospitals, streets and roads, traffic, schools, parks and recreation, auditoriums, public housing, urban renewal, planning and public libraries. The original USD conformed to the corporate limits of the City of Nashville as they existed on April 1, 1963, the date of consolidation. The residents of the USD are charged an additional tax to support those services, functions and debt obligations, which benefit only the USD. Such services include additional police and fire protection, storm sewers, street lighting and refuse collection. The Charter provides: "The area of the Urban Services District may be expanded and its territorial limits extended by annexation whenever particular areas of the General Services District come to need urban services, and the Metropolitan Government becomes able to provide such services within a reasonable period which shall be not greater than one year after ad valorem taxes in the annexed area become due." Since April 1, 1963, the area of the USD has been expanded from 27 square miles to 170 square miles.

Fiscal Year

The Metropolitan Government operates on a fiscal year, which commences July 1 and ends June 30.

Budgeting Procedures

Operating Budget. The Charter requires the Director of Finance to obtain information necessary to compile the annual operating budget of the Metropolitan Government from all officers, departments, boards, commissions and other agencies for which appropriations are made by the Metropolitan Government or which collect revenues for the Metropolitan Government.

The Mayor reviews the operating budget submitted by the Director of Finance, and may make such revisions in the budget deemed necessary or desirable before it is submitted to the Metropolitan Council for consideration. In no event can the total appropriations from any fund exceed the total anticipated revenues plus the estimated unappropriated fund balance and applicable reserves. After the Metropolitan Council has passed the budget ordinance on first reading, it will hold public hearings. After the conclusion of the public hearings, the Metropolitan Council may amend the operating budget prepared by the Mayor. The budget as finally amended and adopted, however, must provide for all expenditures required by law or by provisions of the Charter and for all debt service requirements for the ensuing fiscal year as certified by the Director of Finance.

The Charter requires that following the adoption of the Metropolitan Government's annual operating budget, an annual tax is to be levied on all taxable property within the GSD and an additional annual tax on all taxable property within the USD. These annual taxes must be at rates sufficient to finance the GSD and USD budgets adopted for their respective service districts.

Capital Improvements Budget. As provided by the Charter, the capital improvements budget and program for the Metropolitan Government is prepared annually to "include a program of proposed capital expenditures for the ensuing fiscal year and the five fiscal years thereafter..." The Mayor submits the capital improvements budget, based on information from all officers, departments, boards, commissions and other agencies requesting funds from the Metropolitan Government for capital improvements, to the Metropolitan Council and recommends those projects to be undertaken during the ensuing fiscal year and the method of financing them. The Mayor's recommendation notes the impact of proposed projects on the debt structure of the Metropolitan Government and includes in the appropriate current operating budget any projects to be financed from current revenues for the ensuing fiscal year.

The Metropolitan Council has the power to accept, with or without amendment, or reject, the proposed program and proposed means of financing. The Metropolitan Council cannot authorize an expenditure for the construction of any building, structure, work or improvement, unless the appropriation for such project is included in its capital improvements budget, except to meet a public emergency threatening the lives, health or property of the inhabitants, when passed by two-thirds vote of the membership of the Metropolitan Council.

The following information identifies capital projects in the 2004-2005 Capital Improvements Budget, which are given priority for funding by the Mayor and the Metropolitan Council for fiscal year 2004-2005 and the following five fiscal years.

CAPITAL IMPROVEMENTS BUDGET BY DEPARTMENT

Departments	2004-05	% of '04-'05							% of '05-'10	
		Total	2005-06	2006-07	2007-08	2008-09	2009-10	Total	Total	
Bordeaux Hospital	\$ 745,000	0.044%	\$ 943,500	\$ 183,500	\$ -	\$ -	\$ -	\$ 1,872,000	0.044%	
Circuit Court Clerk	1,952,700	0.116%	-	-	-	-	-	1,952,700	0.046%	
Codes Administration	1,111,200	0.066%	-	-	-	-	-	1,111,200	0.026%	
Convention Center	1,746,400	0.104%	811,600	220,000	625,100	488,200	205,000	4,096,300	0.097%	
Election Commission	350,000	0.021%	-	-	-	-	-	350,000	0.008%	
Finance Department	305,521,400	18.129%	66,447,300	25,920,200	22,232,500	17,613,200	8,400,000	446,134,600	10.577%	
Fire Department	11,150,000	0.662%	100,000	100,000	-	-	-	11,350,000	0.269%	
General Hospital	2,805,000	0.166%	3,998,000	1,200,000	-	-	-	8,003,000	0.190%	
General Services	68,780,600	4.081%	13,444,000	11,347,000	11,342,000	359,000	1,345,000	106,617,600	2.528%	
Historical Commission	4,075,000	0.242%	-	-	-	-	-	4,075,000	0.097%	
Human Resources	150,000	0.009%	-	-	-	-	-	150,000	0.004%	
Information Technology Svcs	28,752,600	1.706%	2,200,000	1,500,000	-	-	-	32,452,600	0.769%	
Juvenile Court	170,000	0.010%	-	-	-	-	-	170,000	0.004%	
MDHA	136,154,800	8.079%	110,350,000	75,800,000	56,450,000	55,000,000	25,000,000	458,754,800	10.877%	
MTA	66,232,700	3.930%	54,927,600	10,178,000	4,324,800	4,131,000	3,366,000	143,160,100	3.394%	
Municipal Auditorium	635,000	0.038%	930,000	200,000	-	-	-	1,765,000	0.042%	
Nashville Electric Service	57,500,000	3.412%	64,950,000	70,000,000	70,000,000	71,000,000	70,000,000	403,450,000	9.565%	
Parks & Rec Dept	256,391,700	15.214%	44,481,600	34,481,600	35,481,600	30,062,900	18,126,300	419,025,700	9.935%	
Planning Department	-	0.000%	2,250,000	-	-	-	-	2,250,000	0.053%	
Police Department	7,715,500	0.458%	2,200,000	10,261,500	-	-	-	20,177,000	0.478%	
Public Library Board	14,761,300	0.876%	6,260,100	12,487,300	5,541,100	4,481,500	4,020,300	47,551,600	1.127%	
Public Works GSD	401,553,830	23.827%	128,315,800	125,160,000	82,799,400	48,022,000	72,641,000	858,492,030	20.354%	
Public Works USD	44,906,200	2.665%	20,540,000	9,524,000	7,525,000	7,525,000	6,525,000	96,545,200	2.289%	
Schools (MNPS)	121,302,300	7.198%	80,879,000	82,841,000	36,797,000	43,384,000	37,816,000	403,019,300	9.555%	
Social Services	50,000	0.003%	500,000	876,000	600,000	100,000	-	2,126,000	0.050%	
Sports Authority	825,000	0.049%	-	-	-	-	-	825,000	0.020%	
Water & Sewer GSD	138,728,000	8.232%	156,749,000	85,809,000	109,817,000	94,297,000	50,975,000	636,375,000	15.088%	
Water & Sewer USD	11,198,600	0.665%	17,472,600	19,952,600	19,202,600	19,082,600	19,062,600	105,971,600	2.512%	
Totals	\$ 1,685,264,830		\$ 778,750,100	\$ 578,041,700	\$ 462,738,100	\$ 395,546,400	\$ 317,482,200	\$ 4,217,823,330		

Accounting

Pursuant to the Charter, independent auditors annually audit the financial statements of the Metropolitan Government. The Basic Financial Statements and other financial information, which are presented in the Comprehensive Annual Financial Report (CAFR), are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and with those standards and procedures recommended by the State Comptroller of the Treasury. Copies of the CAFR for the past three fiscal years are available on the Metropolitan Government's web site at http://www.nashville.gov/finance/investor_relations.asp.

The Metropolitan Government manages its financial reporting through the use of categories of fund types and account groups.

The Government reports the following major governmental funds:

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

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

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

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

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

The Government reports the following major proprietary funds:

The **Department of Water and Sewerage Services** provides services to customers on a self-supporting basis utilizing a rate structure designed to produce revenues sufficient to fund debt service requirements, operating expenses and adequate working capital.

The **District Energy System** began operation in 2004 and provides heating and cooling services to the Government and downtown businesses. The System is managed by a third party and is self-supporting by utilizing a rate structure designed to fund debt service requirements, pay for operating expenses and generate adequate working capital..

Additionally, the Government reports the following fund types:

Internal service funds are used to account for the operations of self-sustaining agencies rendering services to other agencies of the Government on a cost reimbursement basis. These services include printing, fleet maintenance, data processing, radio maintenance, postal services, facilities maintenance, treasury management, and insurance.

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

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

Revenues

The Metropolitan Government derives its revenues from a direct tax levy on real property, sales tax, fees, and State of Tennessee (the "State") and Federal payments. During the fiscal year ended June 30, 2004, Property Taxes accounted for 53.4% of all revenues available to the GSD General Fund and for GSD Debt Service; 81.7% of all revenues available to the USD General and Debt Service Funds; 38.2% of revenues available to the Schools funds, including Debt Service; and 33% of revenues available to the Other Governmental Funds. Sales tax collections totaled \$239.8 million in the fiscal year ended June 30, 2004. A description of each major revenue category available to both the GSD and USD follows:

Property Taxes – The levy is without legal limit. For a discussion of this tax, see "PROPERTY TAXES" herein.

Sales Tax – A local option sales tax is collected at the rate of 2-1/4% on all sales of tangible personal property and certain services, except for sales of certain energy sources and other limited exemptions. This local option sales tax is currently levied, in accordance with State law, only on the first \$1,600 of a transaction.

Other Taxes, Licenses, and Permits – This category includes charges for licenses and permits issued by departments, agencies, boards and commissions of the Metropolitan Government. Also included is the Hotel/Motel Tax, which is assessed against the gross receipts of hotels and motels within the Metropolitan Government based on occupancy. Currently, there is a 5% tax levied by Metropolitan Council ordinance with revenues derived from such tax distributed as follows: 2% for tourist promotion, 1% for tourist-related activities, 1% for the convention center, and 1% to the general fund. Of the 1% distributed to the general fund, \$3.2 million is transferred to debt service for Stadium debt requirements.

Fines, Forfeits and Penalties – This category includes collections of obligations imposed by the courts, law enforcements and agencies charged with the care of prisoners.

Revenue from Use of Money or Property – This category includes interest on investments, rental and commissions for use of Metropolitan Government property or rights.

Revenue from Other Governments, Governmental Agencies and Citizens Groups – Under this revenue category are payments to the Metropolitan Government by other public divisions (Federal, State or other governmental units or agencies) and gifts or donations received from individuals or citizens groups.

Charges for Current Services – These are fees and charges for activities and services provided by agencies of the Metropolitan Government.

Revenues from Enterprise, Utility and Working Capital Funds – These are amounts received from the above types of funds as compensation for services rendered or as contributions.

Other Revenue – Includes (i) commissions and fees collected by certain officials for certain activities of the Metropolitan Government; (ii) proceeds from confiscation of property; (iii) compensation for loss, sale or damage to property; and (iv) miscellaneous.

PROPERTY TAXES

Rates of Tax Levy

An annual tax is levied on all taxable property within the GSD and an additional tax is levied on all taxable property within the USD. The following table is a statement of the composition of rates of tax levy for the last ten fiscal years.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY ANALYSIS OF THE COMPOSITION OF RATES OF TAX LEVY Ten Year Summary

Fiscal Year	General Services District					Urban Services District		
	Total GSD Rate	GSD General Fund	General Purpose School Fund	GSD Debt Service Fund	School Debt Service Fund	Total USD Rate	USD General Fund	USD Debt Service Fund
1994-95	\$ 3.38	\$ 1.83	\$ 1.01	\$ 0.43	\$ 0.11	\$ 1.12	\$ 0.99	\$ 0.13
1995-96 (1)	3.38	1.79	1.01	0.47	0.11	1.12	1.00	0.12
1996-97	3.38	1.79	1.01	0.47	0.11	1.12	1.00	0.12
1997-98 (2)	3.17	1.59	0.96	0.49	0.13	0.95	0.84	0.11
1998-99 (3)	3.29	1.58	0.96	0.50	0.25	0.95	0.84	0.11
1999-00	3.29	1.58	0.96	0.50	0.25	0.95	0.84	0.11
2000-01	3.29	1.58	0.96	0.50	0.25	0.95	0.84	0.11
2001-02 (4)	3.75	1.88	1.24	0.43	0.20	0.83	0.73	0.10
2002-03 (5)	3.75	1.85	1.27	0.43	0.2	0.83	0.73	0.10
2003-04	3.75	1.85	1.27	0.43	0.2	0.83	0.73	0.10

Tax rates are per \$100 of assessed valuation. Payments may be made in two equal installments, the first not later than October 31st in the year of assessment and levy, the second by February 28th of the following year without penalty.

- (1) In fiscal year 1995-96, the GSD and USD property tax rate was reallocated among the funds receiving property tax revenue.
- (2) In fiscal year 1997-98 the combined GSD-USD tax rate was reduced from \$4.50 to \$3.58 per \$100 of assessed value. Also, the levy for fire protection service was changed from \$.12 to \$.10 per \$100 assessed valuation in fiscal year 1997-98. The reduction in the rates of tax levy between fiscal year 1997-98 was the result of a State mandated reappraisal valuation of property in Davidson County. Also, in fiscal year 1997-98 the combined GSD-USD tax rate was increased from \$3.58 to \$4.12 per \$100 of assessed value. The net reduction in fiscal year 1997-98 GSD-USD tax rate was from \$4.50 to \$4.12.
- (3) In fiscal year 1998-99 the combined GSD-USD tax rate increased \$0.12 per \$100 of assessed value, to be applied toward school debt service. Also \$0.01 was reallocated from GSD General Fund to GSD Debt Service.
- (4) In fiscal year 2001-02 the combined GSD-USD tax rate was reduced from \$4.24 to \$3.84 per \$100 of assessed value. Also, the levy for fire protection service was changed from \$.10 to \$.09 per \$100 assessed valuation in fiscal year 2001-02. The reduction in the rates of tax levy between fiscal year 2001-02 was the result of a State mandated reappraisal valuation of property in Davidson County. Also, in fiscal year 2001-02 the combined GSD-USD tax rate increased from \$3.84 to \$4.58 per \$100 of assessed value. The net increase in fiscal year 2001-02 GSD-USD tax rate was from \$4.24 to \$4.58.
- (5) In fiscal year 2002-03, the GSD property tax rate was reallocated among the funds receiving property tax revenue.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
ANALYSIS OF ORIGINAL ASSESSMENT OF ALL TAXABLE PROPERTY
 Unaudited – Includes Supplemental Assessment

Fiscal Year	General Services District				USD Total	Urban Services District			Total Estimated Property Value (1)
	GSD Total	Realty	Personalty	Public Utility		Realty	Personalty	Public Utility	
1995-96	7,949,116,583	6,854,887,568	616,396,850	477,832,165	5,567,272,438	4,695,089,938	472,017,573	400,164,927	26,686,385,238
1996-97	8,192,586,699	7,050,026,895	668,743,347	473,816,457	5,691,540,025	4,784,362,948	515,583,782	391,593,295	27,908,069,594
1997-98	10,647,933,789	9,360,046,370	813,501,653	474,385,766	7,303,138,660	6,280,076,965	634,766,710	388,294,985	33,706,470,792
1998-99	10,895,717,859	9,483,759,205	873,944,396	538,014,258	7,491,537,089	6,372,341,408	681,039,272	438,156,409	34,408,511,843
1999-00	11,087,336,546	9,625,554,203	954,014,066	507,768,277	7,579,090,297	6,420,180,086	747,640,155	411,270,056	38,576,009,345
2000-01	11,390,199,691	9,878,827,579	953,834,854	557,537,258	7,752,879,515	6,544,802,327	745,794,683	462,282,505	39,576,025,308
2001-02	13,373,373,440	11,649,748,674	1,059,163,097	664,461,669	9,029,225,021	7,681,717,993	794,416,879	553,090,149	42,634,022,131
2002-03	13,463,419,440	11,792,547,023	1,025,692,548	645,179,869	9,022,873,427	7,722,115,933	765,147,395	535,610,099	42,988,853,105
2003-04	13,280,463,599	11,809,121,866	917,401,480	553,940,253	8,792,189,489	7,667,951,606	680,464,904	443,772,979	45,150,830,802
2004-05	13,432,023,565	11,933,712,504	907,818,023	590,493,038	9,167,747,505	7,996,403,388	699,060,182	472,283,935	45,746,447,359

Assessment date: January 1 (Pick-up assessments and cancellations for each year in minor amounts are not reflected in above figures).

Tax levy: General Services District tax is levied on the entire Metropolitan area. Urban Services District tax is an additional tax levied on properties within the Urban Services District. Personalty and public utility taxes are levied on September 1st of each year, based upon assessed valuation at January 1st of that year. Real property taxes are levied on September 1st of each year, based upon assessed valuation through January 1st of that year. In addition, for the period January 1st through September 1st, supplemental assessments are made and related taxes are levied for improved, demolished or damaged property during such period, in accordance with T.C.A. Section 67-607.

Ratio of assessed value

to appraised value: Commercial and industrial properties - 40% for real property and 30%
 for tangible personal property
 Farm and residential properties - 25%
 Public utilities - 55%

(1) Source: Tax Aggregate Reports for Tennessee State Board of Equalization

Exemptions

State law exempts from property taxes any property (i) owned by the Federal, State, or local government and used exclusively for public, county, or municipal purposes or (ii) which purely and exclusively is used for religious, scientific, non-profit educational or charitable purposes. Currently in Nashville, there are approximately 6,207 tax-exempt parcels. For the current fiscal year, the excluded properties of the Electric Power Board of the Metropolitan Government amounted to an assessed valuation of \$319,032,815 and the exempt properties of the Industrial Development Board of the Metropolitan Government amounted to an assessed valuation of \$49,432,080 for which a tax equivalent was paid by both to the Metropolitan Government on the basis of the actual rates of tax levy.

Reappraisals

State law requires a complete reappraisal of all property in the State except those properties centrally appraised by the State such as utilities and railroads. Beginning in 1993, reappraisals have been done on a four-year cycle in Davidson County in accordance with State law. Under this plan there were reappraisals in 1993, 1997, and in 2001. The 2001 values will be in place until completion of the 2005 reappraisal. Those values will be published in the spring of 2005 and will reflect current market values.

Tax Collection

Personalty and public utility taxes are levied each year based upon assessed valuation at January 1 of that year. Real property taxes are levied each year based upon assessed valuation at January 1 of that year. In addition, for the period January 1 through September 1, supplemental assessments of real property taxes are made and related taxes are levied for improved, demolished or damaged property during such period, in accordance with State law.

Property taxes may be paid in installments without penalty, as long as the total tax is paid by February 28 of the following year.

On March 1 of the calendar year following the levy, taxes become delinquent and a penalty of 1/2 of 1% is assessed. Interest on outstanding obligations is assessed at a rate of 1% per month. The Trustee is designated as the collection official for delinquent property taxes, tax equivalents, and merchant's ad valorem taxes. Property taxes which become twelve months delinquent are transferred to the custody of the Department of Law Division of Tax Litigation for collection through Chancery Court action. The following table is a summary of the tax levies and collections of the last ten fiscal years.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY ANALYSIS OF TAX LEVIES AND COLLECTIONS

Unaudited
Ten Year Summary

Fiscal Year	Amount GSD Levy	Amount USD Levy	Total Tax Levied	Uncollected at End of the Fiscal Year	Percentage Uncollected
1994-95	\$ 266,673,700	\$ 62,080,249	\$ 328,753,949	\$ 9,983,997	3.04 %
1995-96	271,538,720	62,353,526	333,892,246	9,577,285	2.87
1996-97	279,911,056	63,745,322	343,656,378	10,220,782	2.97
1997-98	340,884,594	69,379,882	410,264,476	14,191,035	3.46
1998-99	361,873,598	71,169,667	433,043,265	15,815,445	3.65
1999-00	368,281,927	72,001,424	440,283,351	15,885,751	3.61
2000-01	378,375,194	73,652,420	452,027,614	15,936,299	3.50
2001-02	504,508,539	75,845,541	580,354,080	22,354,504	3.85
2002-03	508,874,943	74,889,899	583,764,842	22,789,334	3.90
2003-04	502,057,059	72,975,223	575,032,282	18,801,595	3.27
2004-05	507,538,957	76,092,355	583,631,312	134,878,897 ⁽¹⁾	23.11

(1) Based on collections through February 28, 2005 which total \$447,856,496 or 76.7%.

The following table shows the status of the property taxes remaining to be collected at June 30, 2004.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE – BY TYPE**

June 30, 2004						
	Year of Levy	Realty	Personalty	Public Utility	Total	
General Services District	2003	\$ 13,403,140	\$ 2,224,904	\$ 593,334	\$ 16,221,378	
	2002	2,140,645	1,189,896	1,216,256	4,546,797	
	2001	893,439	737,671	165,358	1,796,468	
	2000	480,779	821,691	230,080	1,532,550	
	1999	211,103	509,363	12,523	732,989	
	1998	125,185	566,968	45,678	737,831	
	1997	86,669	446,663	23,936	557,268	
	1996	59,022	793,781	55,248	908,051	
	1995	35,049	445,143	39,651	519,843	
	1994	32,579	176,087	14,181	222,847	
	1993	3,328	359,516	32,412	395,256	
	Total General Services District		17,470,938	8,271,683	2,428,657	28,171,278
	Urban Services District	2003	\$ 2,056,119	\$ 408,397	\$ 115,701	\$ 2,580,217
2002		301,276	215,234	262,138	778,648	
2001		160,780	131,389	31,889	324,058	
2000		75,068	205,811	64,984	345,863	
1999		56,293	129,691	3,209	189,193	
1998		33,536	131,077	7,124	171,737	
1997		15,174	108,554	3,639	127,367	
1996		17,346	230,590	11,916	259,852	
1995		10,593	137,519	8,995	157,107	
1994		10,100	297,152	4,219	311,471	
1993		422	100,099	10,041	110,562	
Total Urban Services District			2,736,707	2,095,513	523,855	5,356,075
Total Delinquent Property Taxes Receivable ⁽¹⁾			\$ 20,207,645	\$ 10,367,196	\$ 2,952,512	\$ 33,527,353

⁽¹⁾ Excludes 2004 Property Tax Levy

Principal Taxpayers

The following table presents information concerning the principal taxpayers of the Metropolitan Government.

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY PRINCIPAL TAXPAYERS

December 31, 2003

Unaudited

Taxpayer	Type of Business	2003 Assessed Valuation	% of Total 2003 Assessed Valuation	Amount of Tax	% of Total Levy
Electric Power Board	Utility	\$ n/a	n/a %	\$ 18,796,439	3.27 %
Gaylord	Music, Entertainment and Hotel	283,333,838	2.13	10,118,923	1.76
BellSouth	Communications	176,197,090	1.32	7,892,432	1.37
Columbia/HCA	Health Facilities Management	102,365,222	0.77	4,702,260	0.82
CBL & Associates	Mall Management	102,966,354	0.78	4,384,540	0.76
Piedmont Natural Gas Company	Utility	74,342,409	0.56	3,277,746	0.57
PREFCO XIV Ltd.	Communications	58,415,390	0.44	2,763,048	0.48
Opry Mills Co.	Retail Management	68,960,000	0.52	2,648,064	0.46
BEL-EQR	Commercial Development	49,465,808	0.37	2,265,534	0.39
E. I. Dupont	Manufacturing and Processing	37,503,300	0.28	1,438,185	0.25
		<u>\$ 953,549,411</u>	<u>7.17 %</u>	<u>\$ 58,287,171</u>	<u>10.13 %</u>

FUND HISTORIES

GENERAL FUND – FIVE YEAR SUMMARY THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY GENERAL FUND ⁽¹⁾ ⁽²⁾ ⁽³⁾

Five Year Summary of Revenues, Expenditures and Changes in Fund Balances

	Years Ended June 30				
	2004	2003	2002	2001	2000
REVENUES:					
Property taxes	\$ 338,782,911	\$ 337,920,726	\$ 340,182,082	\$ 266,534,541	\$ 255,958,467
Local option sales tax	79,253,422	76,182,263	75,486,161	78,323,804	78,072,027
Other taxes, licenses and permits	76,705,938	75,176,573	75,699,531	78,457,620	77,221,770
Fines, forfeits and penalties	9,543,823	10,534,610	9,197,437	9,886,470	11,623,769
Revenue from use of money of property	80,783	1,123,885	1,793,043	2,634,827	2,435,785
Revenue from other governmental agencies	80,786,222	94,232,379	93,569,510	93,730,534	96,819,242
Commissions and fees	19,637,940	18,953,278	14,356,454	13,516,675	13,756,439
Charges for current services	22,286,175	21,730,596	20,969,793	19,681,031	18,924,947
Compensation for loss, sale or damage to property	1,625,906	5,493,793	1,303,830	1,313,367	1,301,870
Contributions and gifts	539,404	556,455	443,000	844,515	720,840
Miscellaneous	1,034,395	613,045	547,519	774,285	1,580,231
	630,276,919	642,517,603	633,548,360	565,697,669	558,415,387
EXPENDITURES					
General government	37,309,809	32,549,058	27,660,246	23,780,866	23,575,104
Fiscal administration	21,008,051	20,323,270	19,765,287	17,128,581	15,835,754
Administration of justice	50,333,461	45,794,670	43,163,240	39,377,240	41,327,826
Law enforcement and care of prisoners	167,481,033	169,148,228	159,551,996	140,935,478	140,897,348
Fire prevention and control	93,266,180	86,043,913	79,073,811	67,145,761	68,744,162
Regulation and inspection	7,239,736	7,006,740	7,177,920	5,890,959	6,211,955
Conservation of natural resources	398,925	311,037	319,543	354,787	300,301
Public welfare	14,185,717	12,709,251	12,554,567	12,758,996	16,941,661
Public health and hospitals	74,714,817	72,191,199	68,431,324	28,794,563	27,810,992
Public library system	19,425,446	17,795,337	16,237,004	11,815,438	10,275,471
Public works, highway and street	29,901,517	27,117,716	30,688,707	30,886,707	32,731,146
Recreational and cultural	33,654,421	31,793,123	30,305,628	27,826,667	27,751,742
Employee benefits	54,892,819	51,520,203	46,876,942	44,796,706	43,186,268
Miscellaneous	35,774,040	34,573,313	33,791,687	12,533,657	10,979,389
	639,585,972	608,877,058	575,597,902	464,026,406	466,569,119
Excess (Deficiency) of revenues over expenditures	(9,309,053)	33,640,545	57,950,458	101,671,263	91,846,268
OTHER FINANCING SOURCES (USES)					
Transfers in	23,562,003	10,379,911	9,884,702	9,164,813	10,961,503
Transfers out	(57,172,423)	(74,403,443)	(58,397,575)	(98,980,994)	(93,704,718)
Total other financing sources (uses)	(33,610,420)	(64,023,532)	(48,512,873)	(89,816,181)	(82,743,215)
Net change in fund balance	(42,919,473)	(30,382,987)	9,437,585	11,855,082	9,103,053
FUND BALANCE, beginning of year	79,105,252	109,488,239	100,050,654	88,195,572	57,969,671
FUND BALANCE, end of year	\$ 36,185,779	\$ 79,105,252	\$ 109,488,239	\$ 100,050,654	\$ 67,072,724

⁽¹⁾ For fiscal year 2001, beginning fund balances was restated due to GASB 33, Accounting and Reporting for Non-exchange Transactions.

⁽²⁾ For fiscal year 2002, funds are stated according to GASB 34.

⁽³⁾ Certain numbers have been re-classified for comparative purposes.

SPECIAL REVENUE FUNDS – FIVE YEAR SUMMARY
THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
SPECIAL REVENUE FUNDS ⁽¹⁾

Five Year Summary of Revenues, Expenditures and Changes in Fund Balances

	Years Ended June 30				
	2004	2003	2002	2001	2000
REVENUES:					
Property taxes	\$ 171,021,821	\$ 171,053,586	\$ 165,634,153	\$ 111,206,690	\$ 110,610,784
Local option sales tax	143,765,268	137,212,657	139,791,405	141,948,976	142,681,260
Other taxes, licenses and permits	22,618,664	18,564,004	18,070,949	19,239,743	34,764,271
Fines and costs	4,120,742	3,656,688	2,426,296	2,859,655	4,289,185
Revenue from the use of money or property	703,315	2,507,766	3,062,711	5,113,227	5,486,721
Revenue from other governmental agencies	267,129,791	246,032,628	233,889,778	214,255,669	203,788,422
Charges for current services	23,847,209	22,032,772	27,098,099	27,514,419	30,896,363
Compensation for loss, sale or damage to property	601,596	2,007,850	1,185,638	1,507,523	753,891
Grants, contributions and gifts	7,064,131	7,450,419	8,786,548	8,605,279	8,563,416
Miscellaneous	227,272	96,994	23,481	79,984	36,895
Total revenues	641,099,809	610,615,364	599,969,058	532,331,165	541,871,208
EXPENDITURES					
Personal services	505,501,472	458,369,374	433,109,794	400,294,114	394,251,712
Contractual services	104,221,753	86,071,527	67,471,741	51,073,832	72,260,861
Supplies	59,298,416	62,065,751	56,752,972	47,929,718	38,121,002
Other	15,159,703	11,064,983	35,983,659	36,594,898	14,983,548
Capital outlay	10,691,927	15,630,797	6,546,573	6,212,752	15,215,722
Total expenditures	694,873,271	633,202,432	599,864,739	542,105,314	534,832,845
Excess (deficiency) of revenues over expenditures	(53,773,462)	(22,587,068)	104,319	(9,774,149)	7,038,363
OTHER FINANCING SOURCES (USES)					
Transfers in	61,682,196	67,878,539	53,370,027	46,775,915	50,128,437
Transfers out	(24,133,465)	(29,405,040)	(23,486,848)	(29,795,569)	(38,188,832)
Total other financing sources (uses)	37,548,731	38,473,499	29,883,179	16,980,346	11,939,605
Net change in fund balance	(16,224,731)	15,886,431	29,987,498	7,206,197	18,977,968
FUND BALANCE, beginning of year, as restated	163,085,493	147,199,062	117,211,566	109,968,273	100,677,848
FUND BALANCE, end of year	\$ 146,860,762	\$ 163,085,493	\$ 147,199,064	\$ 117,174,470	\$ 119,655,816

⁽¹⁾ Certain numbers have been re-classified for comparative purposes.

DEBT SERVICE FUNDS – FIVE YEAR SUMMARY
THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEBT SERVICE FUNDS ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾

Five Year Summary of Revenues, Expenditures and Changes in Fund Balances

	Years Ended June 30				
	2004	2003	2002	2001	2000
REVENUES:					
Property taxes	\$ 92,020,658	\$ 92,149,286	\$ 92,583,740	\$ 93,121,235	\$ 89,467,041
Local option sales tax	16,760,780	17,184,734	16,429,787	16,930,017	16,439,343
Commissions and fees	-	-	2,319,945	5,892,842	50,000
Revenue from the use of money of property	724,095	2,514,827	4,489,644	3,878,324	5,651,070
Revenue from other governmental agencies	7,774,259	6,188,089	17,573,817	897,489	4,171,045
Compensation for loss, sale, or damage to property	-	-	-	1,500,050	-
Total revenues	<u>117,279,792</u>	<u>118,036,936</u>	<u>133,396,933</u>	<u>122,219,957</u>	<u>115,778,499</u>
EXPENDITURES					
Principal retirement	79,775,000	77,865,000	68,255,000	56,825,000	51,925,000
Interest	59,120,667	58,207,564	63,448,704	49,834,336	59,563,984
Fiscal charges	731,615	1,129,294	701,841	457,179	427,424
Refunding bond issue costs	1,317,707	1,316,019	1,346,732	-	-
Bond issue costs	-	829,906	-	-	-
Total expenditures	<u>140,944,989</u>	<u>139,347,783</u>	<u>133,752,277</u>	<u>107,116,515</u>	<u>111,916,408</u>
Excess (deficiency) of revenues over expenditures	<u>(23,665,197)</u>	<u>(21,310,847)</u>	<u>(355,344)</u>	<u>15,103,442</u>	<u>3,862,091</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of refunding bonds, net of discount	-	108,690,000	74,193,796	73,745,000	-
Payments to refunded bond escrow agent	-	(112,805,846)	(87,228,769)	(77,885,410)	-
Bond issue premium (discount)	-	5,608,303	1,323,046	4,620,921	-
Transfers in	18,540,151	19,601,122	16,788,988	24,333,599	31,038,063
Transfers out	(7,923,366)	-	-	(3,567,645)	(10,896,029)
Total other financing sources (uses)	<u>10,616,785</u>	<u>21,093,579</u>	<u>5,077,061</u>	<u>21,246,465</u>	<u>20,142,034</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(13,048,412)</u>	<u>(217,268)</u>	<u>4,721,717</u>	<u>36,349,907</u>	<u>24,004,125</u>
FUND BALANCE, beginning of year, restated	<u>166,323,987</u>	<u>166,541,255</u>	<u>161,819,538</u>	<u>125,469,631</u>	<u>111,670,929</u>
FUND BALANCE, end of year	<u>\$ 153,275,575</u>	<u>\$ 166,323,987</u>	<u>\$ 166,541,255</u>	<u>\$ 161,819,538</u>	<u>\$ 135,675,054</u>

⁽¹⁾ Includes the Correctional Facility Revenue Bonds.

⁽²⁾ Also includes the Sports Authority Stadium Revenue Bonds, beginning fiscal year 1997.

⁽³⁾ Also includes the Sports Authority Arena Revenue Bonds, beginning fiscal year 1998.

⁽⁴⁾ Certain numbers have been re-classified for comparative purposes.

⁽⁵⁾ Beginning fiscal year 2001, the Sports Authority is reported as a component unit and is not included in this schedule.

DEBT CALCULATIONS

COMPUTATION OF NET GENERAL OBLIGATION DEBT

June 30, 2004

Gross General Obligation Debt		
General Obligation Bonds Payable		
General Services District:		
For School Purposes	\$ 396,969,002	
For General Purposes	654,384,396	
Urban Services District:		
For General Purposes	<u>107,356,602</u>	
Total Gross General Obligation Debt		\$ 1,158,710,000
Less:		
Amounts Available In Debt Service Funds		
General Services District:		
For School Purposes	78,079,027	
For General Purposes	59,410,493	
Urban Services District:		
For General Purposes	<u>13,900,016</u>	
Total Amounts Available In Debt Service Funds ⁽¹⁾		151,389,536
Debt Payable From Other Sources		
Hotel Occupancy Tax ⁽¹⁾		
Convention Center Project:		
G.O. Refunding Bonds of 1993	9,369,184	
G. O. Multi-Purpose Improvement Bonds, Series 1997A	<u>3,150,000</u>	
Total Debt Payable From Other Sources		<u>12,519,184</u>
Net General Obligation Debt		<u><u>\$ 994,801,280</u></u>

⁽¹⁾ Excludes the Correction Facility Revenue Bonds.

DEBT RATIOS

As of June 30, 2004

Total Debt		
Debt to Estimated Market Value		2.57%
Debt to Assessed Value		8.72%
Debt per Capita	\$	2,016.20

Net Debt		
Debt to Estimated Market Value		2.20%
Debt to Assessed Value		7.49%
Debt per Capita	\$	1,730.99

The above table is based upon:

Estimated Market Value	\$	45,150,830,802
Assessed Value	\$	13,280,464,000
Population ⁽¹⁾		574,700

CALCULATION OF SELF-SUPPORTING DEBT

As of June 30, 2004

Hotel Occupancy Tax:		As of
Convention Center Project ⁽²⁾		June 30, 2004
G.O. Refunding Bonds of 1993	\$	9,369,184
G.O. Multi-Purpose Improvement Bonds, Series 1997A		3,150,000
	\$	<u>12,519,184</u>

⁽¹⁾ Source: Nashville Area Chamber of Commerce end of calendar year estimate.

⁽²⁾ General improvement bonds represent outstanding general obligation bonds issued for the convention center, the debt service payments which are reimbursed from the hotel-motel room occupancy tax.

The following table illustrates certain debt ratios for the past ten fiscal years.

HISTORICAL DEBT RATIOS

Fiscal Year Ending June 30	Population ⁽¹⁾	Assessed Valuation (in thousands)	Gross Debt	Debt Service Monies Available	Debt Payable From Sources Other Than Property Taxes	Net Debt	Ratio of Net Debt to Assessed Valuation	Net Debt Per Capita
1995	525,700	\$ 7,809,223	\$ 693,075,000	\$ 68,292,173	\$ 41,294,896	\$ 583,487,931	7.47 %	\$1,109.93
1996	530,000	7,949,117	733,955,000	70,330,323	40,711,969	622,912,708	7.84	1,175.31
1997	536,700	8,192,587	792,420,000	70,552,736	36,978,998	684,888,266	8.36	1,276.11
1998	538,800	10,647,934	908,095,000	79,899,351	39,815,699	788,379,950	7.4	1,463.21
1999	541,500	10,895,718	1,038,960,000	103,509,799	35,728,961	899,721,240	8.26	1,661.54
2000	539,500	11,087,336	989,705,000	120,991,318	31,507,203	837,206,479	7.55	1,551.82
2001	576,000	11,390,200	1,196,320,000	156,401,726	26,938,984	1,012,979,290	8.89	1,758.64
2002	582,500	13,373,373	1,187,245,000	162,065,583	22,359,946	1,002,819,471	7.5	1,721.58
2003	571,200	13,463,419	1,114,990,000	163,736,722	17,562,681	933,690,597	6.94	1,634.61
2004	574,700	13,280,464	1,158,710,000	151,389,536	12,519,184	994,801,280	7.49	1,730.99

⁽¹⁾ Source: Population for 1994-2003 provided by Nashville Area Chamber of Commerce end of calendar year estimates.

The following table sets forth annual debt service requirements by district of the Metropolitan Government on outstanding general obligation notes and bonds (excluding this issue) secured by ad valorem taxes.

TOTAL DEBT SERVICE

As of June 30, 2004

Secured by Ad Valorem Taxes

Year Ending June 30	GSD		USD	Total GSD and USD
	School Purposes	General Purposes	General Purposes	
2005	\$ 45,364,136	\$ 79,427,660	\$ 17,709,853	\$ 142,501,649
2006	44,135,001	79,323,002	17,673,403	141,131,406
2007	41,452,185	67,037,184	14,566,693	123,056,062
2008	39,382,044	63,919,864	14,023,055	117,324,963
2009	36,657,959	57,059,125	9,886,657	103,603,741
2010	34,297,089	55,513,116	9,871,877	99,682,082
2011	33,118,640	53,890,625	9,289,177	96,298,442
2012	31,676,461	47,174,888	8,193,361	87,044,710
2013	30,808,119	45,447,903	7,501,077	83,757,099
2014	29,210,328	44,865,989	6,505,350	80,581,667
2015	28,192,812	44,765,550	6,342,676	79,301,038
2016	32,115,085	47,373,554	3,300,876	82,789,515
2017	28,348,900	44,194,448	2,990,527	75,533,875
2018	21,470,465	32,050,390	1,543,883	55,064,738
2019	21,817,278	28,827,303	1,667,094	52,311,675
2020	14,937,366	28,904,485	1,662,743	45,504,594
2021	13,258,835	27,873,073	1,529,616	42,661,524
2022	13,546,971	27,554,176	1,672,269	42,773,416
2023	13,560,096	27,560,836	1,674,947	42,795,879
2024	13,103,832	26,896,055	1,440,679	41,440,566
2025	10,270,352	22,820,104	-	33,090,456
2026	1,957,808	13,092,792	-	15,050,600
2027	1,953,446	7,782,495	-	9,735,941
2028	1,946,936	7,771,311	-	9,718,247
2029	-	5,531,981	-	5,531,981
2030	-	5,526,356	-	5,526,356
	<u>582,582,144</u>	<u>992,184,265</u>	<u>139,045,813</u>	<u>1,713,812,222</u>
Deferred Costs	<u>245,786</u>	<u>1,692,620</u>	<u>(1,680,618)</u>	<u>257,788</u>
	<u>\$ 582,827,930</u>	<u>\$ 993,876,885</u>	<u>\$ 137,365,195</u>	<u>\$ 1,714,070,010</u>

INVESTMENT POLICY

The Metropolitan Council has approved a comprehensive Investment Policy governing the overall administration and investment management of those funds held in the Short-Term Investment Portfolio. The policy applies to all short-term financial assets of the Metropolitan Government from the time of receipt until the time the funds ultimately leave the Metropolitan Government accounts. These assets include, but are not limited to, all operating funds, bond funds, debt service reserve funds, water and sewer funds, Urban Services District and General Services District funds, those pension monies not yet allocated to money managers, all float and certain school funds.

The Short-Term Investment Portfolio of the Metropolitan Government is managed to accomplish the following hierarchy of objectives:

- 1) Preservation of principal
- 2) Maintenance of liquidity
- 3) Maximize returns

The Cash Investment Committee meets at least quarterly to review the position of the portfolio and to discuss investment strategies. The Committee reviews investment policy and procedures at least once each year. The Metropolitan Treasurer is responsible for the investment process, carries out the daily operational requirements, and maintains written administrative procedures for the operation of the investment program that are consistent with the Investment Policy.

The Metropolitan Investment Pool has been established to meet investment objectives in the most cost-effective way. All payments and receipts of income on pool investments are allocated on a pro rata basis among the accounts invested in the pool on the daily invested balance in each fund. Earnings are calculated and distributed on a monthly basis.

MASS TRANSIT EXPENDITURES

In 1963, the Metropolitan Government acquired the net assets of the Nashville Transit Company and the Metropolitan Transit Authority was established. The revenues derived from the transit system are not sufficient to pay the expenses incurred in the operation of the system. The Metropolitan Government and the State of Tennessee contributed in the fiscal year ending June 30, 2004, approximately \$11.766 million and \$3.355 million respectively, to pay approximately 49% of the authority's operating expenses. The State directs revenues from a two cents per gallon gasoline tax, which it imposes on local governments, that may be applied to mass transit. The contribution of the Metropolitan Government was paid from its general revenues. The Metropolitan Government, and the State and Federal Governments, through grants have spent approximately \$68,090,115 to date on improvements of the transit system since 1973.

DISTRICT ENERGY SYSTEM OVERVIEW

The Metropolitan Government's new District Energy System (DES) began operations in December 2003. DES is a district heating and cooling system that provides steam and chilled water to 39 buildings in the downtown Metropolitan Nashville area for the purpose of general heating and air conditioning. DES is managed by Constellation Energy Source (CES) of Baltimore, MD. CES has been involved in the development of many other district energy plants, including those in Chicago, Boston, New Orleans and Baltimore. The Metropolitan Government is the owner of the new District Energy System and the site on which the new facility is located.

The primary components of the new District Energy System include (i) the steam production subsystem consisting of four 65,000 PPH forced draft, pressurized, dual-fuel boilers and a duplex soft water system; (ii) the chilled water subsystem comprised of nine 2,600-ton electrical drive chillers, 18 single-cell, induced draft cooling towers and 6 chilled water and 5 condenser water pump/motor sets; (iii) a 69/13/8 KV supply substation and two 69/13.8 KV transformers; and (iv) 14,000 linear feet of underground energy distribution piping.

THE SPORTS AUTHORITY OF THE METROPOLITAN GOVERNMENT

The Sports Authority of the Metropolitan Government of Nashville and Davidson County (the "Authority") is a public non-profit corporation and instrumentality of the Metropolitan Government organized in 1995 pursuant to Chapter 67, Title 7 of Tennessee Code Annotated, as amended; it is a Component Unit of the Metropolitan Government and is included in the Metropolitan Government's CAFR. The purpose of the Authority is to plan, promote, finance, construct, and acquire sports complexes, stadiums, arenas, and facilities for public participation and enjoyment of professional and amateur sports activities for the people in the State of Tennessee. The Authority has no taxing power.

The Authority, on behalf of the Metropolitan Government, issued revenue bonds in 1996 and 1998 to assist in the funding of certain sports projects. The proceeds of the Series 1996 Bonds were used for a portion of the construction of the Coliseum for the National Football League's Tennessee Titans and Tennessee State University, while the Series 1998 Bonds were issued to fund a portion of the franchise payment to the National Hockey League ("NHL") for the NHL's Nashville Predators. These bond issues were primarily funded with new, dedicated revenue streams (consisting of a payment in lieu of tax from the Water and Sewerage Department, parking revenues, lease payments from Tennessee State University and a ticket surcharge at the Gaylord Entertainment Center). However, a portion of the debt service as well as any deficiencies from the other pledged revenue streams are backed by a pledge of certain of the Metropolitan Government's non-tax General Fund revenues. In 2004 a portion of the Series 1996 Bonds were advance refunded for debt service savings. In total, the annual debt service for these bond issues is approximately \$6.9 million through 2007, \$6.7 million 2008 through 2019, and \$4.8 million thereafter until 2027.

PENSION PLANS

There are currently eight pension plans covering employees of the Metropolitan Government and the Metropolitan Board of Education ("MBE"). Two of these plans, the Metropolitan Employee Benefit System and the Metropolitan Board of Education Teacher Retirement Plan, were created upon the adoption of the metropolitan form of government on April 1, 1963 (the "Metropolitan Plans"). All certified employees of the MBE hired since July 1, 1969, are covered under the Tennessee Consolidated Retirement System.

Under the Charter, the Metropolitan Plans are required to be actuarially sound. The Metropolitan Plans were originally funded by annual contributions of employees and employers under the Metropolitan Plans. In 1987 employees ceased making contributions to the Metropolitan Government plans and both Division A and B are funded by contributions by the Metropolitan Government. Employees continue to contribute to the medical insurance plans. The contributions of the Metropolitan Government to the Metropolitan Employee Benefit System are determined as a percentage of the aggregate payroll of the participating employees. The Metropolitan Government has no liability for any benefits under the Tennessee Consolidated Retirement System, which is funded solely by employees and State contributions.

On January 1, 1996, Government employees in the Metropolitan Government plan had the option to participate in a modified version of the currently effective retirement and disability programs. Of the approximately 11,300 Metropolitan Government employees, 5% elected to stay with the old pension plan (Division A) and 95% elected to enroll in the new pension plan (Division B). All benefits under Division A & B are being funded actuarially according to generally accepted accounting principles.

Contributions to the Metropolitan Board of Education Teacher Retirement Plan, a closed plan of the Metropolitan Government, are made by the MBE and the employees. To meet its obligations to fund future benefits of this plan in excess of plan assets, the MBE contributes a percentage of payroll determined by an annual actuarial valuation.

The remaining five pension plans were formerly administered by the City of Nashville and of Davidson County and were closed to participation on April 1, 1963 (the "Closed Plans"). The Closed Plans include the Civil Service Employee's Pension Fund, The Police and Firemen Pension Fund, The Teachers' Civil Service and Pension Fund, The Davidson County Employees' Retirement Fund, and The Employees Pension and Insurance Fund. Prior to July 1, 2000, the Closed Plans were funded on a pay-as-you-go basis. The difference between the revenue of these funds and benefit expenditures was paid by the Metropolitan Government out of operating budgets of the USD for the former City of Nashville plans and/or the GSD for the former Davidson County plans.

In August 2000, the Government adopted a Guaranteed Payment Plan (GPP) to fund the obligations of the Closed Plans ("superseded systems") on an actuarially sound basis. Under the GPP the unfunded accrued liabilities and other funding obligations of the Closed Plans, including any benefit improvements granted by the superseded systems, are determined in a manner so as to amortize the same over a period not to exceed thirty (30) years from July 1, 2000. Appropriations made by the Metropolitan Council to fund the

obligations of the superseded systems shall not be reduced for any year until all of the pension obligations of the superseded systems are fully amortized.

The Metropolitan Board of Education is also required to fund in its annual budget the actuarial contribution attributable to the aggregate benefits of all teachers covered under its superseded systems. The amounts required to fund such actuarial contributions shall be set forth in the annual budget adopted by the Metropolitan Council.

All funds appropriated for funding obligations of the superseded systems are directly transferred to the GPP. From the GPP the Government transfers such amounts as needed to each respective superseded system in such amounts required to ensure full amortization of all liabilities.

In prior years, cost-of-living benefits under the Metropolitan Plans were funded on a pay-as-you-go basis, which resulted in lower contributions to the plans than were called for under generally accepted accounting principles. To reflect this shortfall and the fact that the Closed Plans were being funded on a pay-as-you-go basis, a liability was set up in the General Long-term Debt Account Group. Now that the Metropolitan Plans are being funded actuarially (taking into account prior shortfalls) and the Closed Plans are declining in importance, the liability established in prior years is declining rapidly.

The following summary states (in thousands) the unfunded pension benefit obligation (as defined in Statement No. 5 of the Government Accounting Standards Board) for all of the following plans as of the most recent actuarial valuations.

	(In Thousands of Dollars)
City County Plans (as of June 30, 2004)	
The Metropolitan Employee Benefit System	\$ (8,177)
The Davidson County Employees' Retirement Fund	\$ (11,655)
The Civil Service Employees' Pension and Police and Firemen Pension Funds	\$ (19,789)
City County Plans reported as shown in CAFR at June 30, 2004.	
Board of Education Plans (as of June 30, 2004)	
The Teachers' Civil Service and Pension Fund (Nashville City Teachers)	\$ (8,259)
The Employees' Pension and Insurance Fund (Davidson County)	\$ (2,501)
The Metropolitan Board of Education Teacher Retirement Plan	\$ 50,554
Board of Education reported as shown in CAFR at June 30, 2004.	

It is expected that the aggregate contributions required for the pension plans, as a percentage of the total covered payroll, will remain relatively level. Information on the actuarial valuations for each pension plan is given in the notes to the Basic Financial Statements attached hereto as Appendix A.

PUBLIC EMPLOYEES' REPRESENTATION

As of June 30, 2004, the Metropolitan Government and Metropolitan Board of Education employed approximately 20,936 persons of whom approximately 8,820 worked full-time for the MBE and 9,301 worked full time for the Metropolitan Government. Appropriately 85% of the uniformed personnel of the Fire Department are members of Local No. 140 of the International Association of Firefighters, and approximately 83.3% of the sworn personnel of the Police Department are members of the Fraternal Order of Police. Of those employed by the MBE, approximately 61.6% of the teaching employees are members of the Metropolitan Nashville Education Association (the "MNEA"); 23.1% of the remaining non-teaching employees are members of the Service Employees International Union; and 5.3% are in the Steel Workers Union.

The MBE is a party to a Memorandum of Understanding with the MNEA which is renewed annually. The Metropolitan Government confers on an informal basis with representatives of employee unions mentioned above concerning employees' working conditions within their respective departments.

With the exception of school teachers covered specifically by the Education Professional Negotiation Act, which provides for memoranda of understanding, the State does not recognize collective bargaining agreements between municipalities and their employees. The State courts have ruled that collective bargaining between municipalities and their employees are void and of no

effect because they are contrary to public policy. The state courts have also ruled that strikes by municipal employees are illegal and subject to injunction.

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ECONOMIC AND DEMOGRAPHIC PROFILE OF NASHVILLE AND DAVIDSON COUNTY

Introduction

The Metropolitan Government of Nashville and Davidson County ("Nashville"), as created in 1963, is in the north central part of Tennessee and covers 533 square miles. Nashville is the capital of the State of Tennessee and is situated in the Nashville Basin, between the Tennessee River on the west and the Eastern Highland Rim on the east.

Population Growth

The following table sets forth information concerning population growth in Nashville. Comparison with the Nashville Metropolitan Statistical Area ("MSA"), the State and the United States serves to illustrate relative growth.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY DEMOGRAPHIC STATISTICS – POPULATION GROWTH

Area	1980	1990	% Change 1980-1990	2003	Estimated 2004	% Change 1990-2004
Nashville/Davidson ⁽¹⁾	477,811	510,786	6.9 %	569,842	574,662	12.5 %
MSA ⁽¹⁾	850,505	985,026	15.8	1,252,324	1,395,168	41.6
State ⁽¹⁾	4,591,120	4,890,640	6.2	5,841,748	5,911,369	20.9
United States ⁽²⁾	226,545,805	248,709,925	9.8	282,909,885	294,252,961	18.3

Source: Population is from the U. S. Department of Commerce, Bureau of the Census except for "Estimated 2004" which are from the following sources:

⁽¹⁾ Nashville/Davidson, MSA and State estimates for 2004 are from projections based on existing population and growth rates. Cannon, Hickman, Macon, Smith, and Trousdale counties were added to the Nashville MSA as of December 2003.

⁽²⁾ Bureau of the Census.

Growth within the MSA has occurred to the greatest extent in surrounding communities, which, although suburbs of Nashville, are in themselves residential, manufacturing and agricultural communities.

Per Capita Personal Income

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Nashville MSA	21,889	23,180	24,432	25,076	25,946	27,621	28,928	30,605	31,447	32,026
Davidson County	23,667	25,025	26,419	27,062	27,672	30,005	31,494	33,390	34,861	35,959
Tennessee	19,284	20,233	21,174	21,854	22,676	23,989	24,898	26,099	26,879	27,606
United States	21,346	22,172	23,076	24,175	25,334	26,883	27,939	29,847	30,580	30,795

Source: Bureau of Economic Analysis website: www.bea.gov.

Economy of the Metropolitan Area

Nashville has a diverse economy, having considerable involvement in commerce and industry, education and government. Agriculture is also a major factor in the economy of the surrounding counties. Insurance, finance, publishing, banking, health care, music, tourism, manufacturing and distribution are mainstays of the economy. Lack of dependency on one industry has helped to insulate Nashville from the impact of product business cycles. Businesses have been attracted to Nashville because of its location, work force, services and taxes. The central location of Nashville, approximately halfway between Houston and New York, has contributed to its emergence as an important wholesale and retail center.

Employment

The following table shows the labor force segments of the eight county Nashville Metropolitan Statistical Area for calendar years 1994 through 2003.

NASHVILLE MSA EMPLOYMENT BY INDUSTRY (in thousands)

Industry	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	% Change 03 vs. 94
Manufacturing	92.0	92.9	89.1	88.5	88.7	89.2	88.3	84.6	79.9	78.4	- 14.8 %
Wholesale Trade	31.9	32.9	33.0	34.2	34.9	34.5	33.7	33.8	33.6	34.8	9.1
Retail Trade	65.8	69.0	71.9	74.4	76.8	78.9	81.0	79.1	75.9	77.5	17.8
Construction & Mining	26.1	28.1	30.3	31.9	32.8	33.8	34.9	32.8	31.8	33.5	28.4
Financial Activities	38.1	40.3	42.8	44.2	47.2	48.1	46.2	43.6	43.0	44.3	16.3
Professional & Business Services	54.1	58.7	62.8	67.3	73.9	82.5	88.2	86.2	86.6	82.4	52.3
Information	17.7	18.9	19.0	19.3	20.8	20.6	21.1	22.8	21.2	19.6	10.7
Government	75.4	76.2	77.9	80.7	82.5	84.4	85.8	87.2	87.7	89.4	18.6
Leisure & Hospitality	54.8	57.8	60.3	63.6	63.1	65.3	68.0	67.8	68.7	71.0	29.6
Trade, Transportation & Utilities	119.4	123.4	125.9	130.1	134.6	137.5	139.8	138.9	134.9	139.0	16.4
Total	575.3	598.2	613.0	634.2	655.3	674.8	687.0	676.8	663.3	669.9	16.4

Source: Bureau of Labor Statistics website.

Note: The Bureau of Labor Statistics converted from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System (NAICS) effective March 2003 with the release of the January 2003 data. The above chart was adjusted to the new format.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
 TWENTY-FIVE LARGEST EMPLOYERS IN THE NASHVILLE MSA
 (Excluding Government Agencies)**

Unaudited

	<u>Number of Employees</u>
1. Vanderbilt University and Medical Center*	15,279
2. Saint Thomas Health Services	10,000
3. HCA* (including Tri-Star Health System)	9,493
4. Saturn Corporation	7,000
5. Nissan Motor Manufacturing	6,200
6. Gaylord Entertainment* (including Opryland Hotel and attractions)	4,150
7. Shoney's Incorporated*	4,000
8. CBRL Group Inc.* (Cracker Barrel and Logan's Roadhouse Restaurants)	3,350
9. Wal-Mart Stores Incorporated	3,110
10. BellSouth Incorporated	3,077
11. Bridgestone American Holding Incorporated*	2,832
12. Ingram Industries Incorporated*	2,700
13. Kroger Company	2,506
14. Randstad North America	2,010
15. Century II Staffing Incorporated*	2,000
16. Whirlpool Corporation	2,000
17. State Industries Incorporated*	1,811
18. PRIMUS Automotive Financial Services*	1,800
19. AmSouth Bank	1,728
20. Visteon Corporation / Nashville Glass Plant	1,600
21. United Parcel Service	1,600
22. Tyson Foods Inc.	1,600
23. Lifeway Christian Resources*	1,518
24. Electrolux Home Products	1,500
25. Deloitte & Touche LLP	1,446

*Indicates Corporate, U.S. Division, or Regional Headquarters.

Source: Comprehensive Annual Financial Report, FY2004

Unemployment Rates

The following table sets forth the unemployment percentage rates in Nashville, the MSA, the State and the United States for the calendar years 1995-2004.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Davidson County	3.3 %	3.2 %	3.4 %	2.6 %	2.9 %	2.8 %	3.0 %	4.1 %	4.5 %	3.9 %
MSA	3.4	3.3	3.5	2.7	2.7	2.8	3.3	4.0	4.4	3.8
Tennessee	5.2	5.2	5.4	4.2	4.0	3.9	4.4	5.1	5.8	4.9
United States	5.6	5.4	4.9	4.5	4.2	4.0	4.7	5.8	6.0	5.5

Source: Bureau of Labor Statistics

Investment and Job Creation

In the second half of calendar year 2004, the Nashville Area Chamber of Commerce announced some 18 business relocations to the Nashville MSA and 21 expansions in manufacturing, distribution or office operations, which collectively brought 1,491 new jobs to the Metro area. Continued expansion has occurred in recent years in information processing operations, the automotive industry, health care management and many areas where the local economy has established strength and growth potential.

Over the past two years, five corporate headquarters have relocated to Nashville. Asurion, which provides enhanced services to the wireless telecommunications industry, relocated from Silicon Valley in May 2003, adding 600 jobs to Nashville's employment base. CareMark Rx, a Fortune 100 pharmaceuticals company, moved its headquarters from Birmingham, AL to downtown Nashville, bringing 50 executive jobs with the relocation. Quanta, a manufacturer of notebook computers, relocated in May 2003 and plans to add 500 jobs over a three year period. Louisiana-Pacific Corporation, which manufactures building products, relocated its headquarters to downtown after 30 years in Portland, OR. The move created 225-plus jobs. Clarcor, Inc., a manufacturer of filtration products with a market cap of \$1.1 billion, relocated its corporate headquarters to the Nashville area from Rockford, Ill, creating up to 75 executive positions. The Bank of New York is building a national transaction processing center in Nashville, which is expected to bring more than 117 jobs with an estimated capital investment of \$200 million.

Education

The School System had its beginning in 1963 with the merger of Nashville and Davidson County. The Nashville public schools make up the second largest school system in Tennessee. In the current 2004-2005 school year, Nashville has 159 public schools, with 70,000+ students and 8,260 teachers. In addition, there are 56 independent schools, which are attended by over 17,000 students from pre-kindergarten through 12th grade.

The School System is administered by the Metropolitan Board of Education, consisting of 9 members. Davidson County voters elect one member from each school district to a four-year term. The terms are staggered so that at least four members are elected every two years. The Board of Education holds regular meetings on the second and fourth Tuesday of each month. These meetings are open to the public.

The current members of the Metropolitan Board of Education, the office held by each and the date their term of office expires are listed below.

**The Metropolitan Board of Public Education
2004-2005**

<u>Member</u>	<u>Office</u>	<u>Date Term Expires</u>
Pam Binkley Garrett	Chairperson	2008
Kathy Nevill	Vice-Chair	2006
Mebenin Awipi, MD	Member	2006
George Blue	Member	2006
Kathleen Harkey	Member	2006
Rev. Lisa Hunt	Member	2008
Edward T. Kindall	Member	2008
George H. Thompson, III	Member	2008
Marsha Warden	Member	2008

The following tables summarize certain information regarding the School System's building facilities and enrollment and attendance trends.

**SCHOOL SYSTEM
PUBLIC EDUCATION FACILITIES
2004-2005**

<u>Educational Level</u>	<u>Number of Buildings</u>	<u>2004-2005 School Year Enrollment</u>
Elementary	80 ⁽¹⁾	29,732 (PK-4)
Middle	51 ⁽²⁾	20,959 (5-8)
Senior	23 ⁽³⁾	20,300 (9-12)
Special Education	4	2,525
Adult Center	1	-
 Total	 <u>159</u>	 <u>73,516</u>

⁽¹⁾ Includes three magnet schools.

⁽²⁾ Includes seven magnet schools.

⁽³⁾ Includes four magnet schools and four alternative schools.

**SCHOOL SYSTEM
PUBLIC SCHOOLS ENROLLMENT AND
ATTENDANCE**

School Year	Enrollment ⁽¹⁾	Average Attendance
1995-1996.....	70,212	66,691
1996-1997.....	71,341	67,702
1997-1998.....	71,000	67,450
1998-1999.....	69,878	63,896
1999-2000.....	69,723	66,118
2000-2001.....	69,457	65,289
2001-2002.....	69,700	66,319
2002-2003.....	70,028	66,554
2003-2004.....	70,760	65,857
2004-2005.....	73,516	65,960

⁽¹⁾ Official enrollment as reported to the State Board of Education in October of each school year.

The Nashville Metropolitan Statistical Area has 15 colleges and universities, including Vanderbilt University, Belmont University, Tennessee State University, David Lipscomb University, Meharry Medical College, Nashville State Technical Institute and Fisk University. Total higher education enrollment exceeds 65,000 students annually.

Seven of Nashville's institutions of higher education offer graduate programs. Nashville is also a leading center for medical research and education with Vanderbilt University emphasizing medical research in addition to its programs in other disciplines and Meharry Medical College specializing in health care delivery.

Several commercial and vocational schools are located in Nashville. In addition, the Adult Vocational Educational Program operated by the Metropolitan Board of Education and the State Department of Education provides skill training to approximately 1,500 adults annually. An advisory committee for vocational education consisting of business and industrial leaders advises the MBE as to the need for vocational classes and as to changes needed to meet the demand for new skills and knowledge.

Manufacturing

In 2003, an average of 78,400 persons were employed in the manufacturing industries in the MSA, engaging in a wide range of activities and producing a variety of products, including food, tobacco, textiles and furnishings, lumber and paper, printing and publishing, chemical and plastics, leather, concrete, glass, stone, primary metals, machinery and electronics, motor vehicle equipment, measuring and controlling devices, and consumer products.

Currently, the Nashville MSA's largest manufacturing employer is Saturn Corporation, which has some 8,500 employees and is situated 30 miles to the south of Nashville, on the edge of the MSA. Nissan Motor Manufacturing Corp. U.S.A., which has a plant located just outside of Nashville that employs about 6,600 persons, is the second largest manufacturing employer. Dell is third with 4,000 employees.

Trade

Nashville is the major wholesale and retail trade center for the MSA and some 50 counties in the central region of the State, southern Kentucky and northern Alabama, a retail trade area of more than 2.3 million people with retail sales of over \$15 billion. Major regional shopping centers register more than \$3.0 billion in retail sales annually, placing Nashville in the nation's top 50 markets. Outside the Nashville downtown area there are five major shopping centers, four of which are enclosed malls, and 60 smaller shopping complexes. According to the Tennessee Department of Revenue, total retail trade for the Nashville MSA in 2003 was approximately \$17.7billion.

Agriculture

Nashville is surrounded by agricultural-based economies. The area of middle Tennessee produces livestock, dairy products, soybeans, small grain, feed lot cattle, strawberries, hay and tobacco. The area surrounding Nashville is the home of the Tennessee Walking Horse.

Transportation

Nashville serves as a conduit or trans-shipment point for much of the traffic between the northeast and southeast United States. Three interstate highways extending in six directions intersect in Nashville in addition to nine Federal highways and four State highways. Barge service on the Cumberland River, together with good rail and air services, give Nashville an excellent four-way transportation network.

The Cumberland River, connecting Nashville and the surrounding area to the Gulf of Mexico and intermediate points on the Ohio and Mississippi Rivers, is used by 51 commercial operators, 18 of which serve Nashville. With the completion of the Tennessee-Tombigbee Waterway in 1985, Cumberland River freight is able to reach the Port of Mobile, thereby eliminating approximately 600 miles of the distance from Nashville to the open sea and contributing to the development of foreign trade in Nashville. In addition, the Federal Government in 1982 approved Nashville as a Foreign Trade Zone, a secured area supervised by the United States Custom Service, which provides for the storing of foreign merchandise without duty payments.

The CSX System, a major national railroad, serves Nashville. In addition, five major rail lines link Nashville to all major markets in the nation. Rail carriers interchange freight and cooperate in providing and extending transit privileges covering both dry and cold storage and the processing or conversion of materials.

A commuter rail service from Lebanon to Nashville, approximately 32 miles, to be known as the Music City Star is slated to commence transportation services in late 2005 or early 2006. It will be operated under the direction of the Regional Transportation Authority, a multi-county agency. The ticket price will include Metropolitan Transportation Authority ("MTA") bus service on circulator routes in the downtown area.

The Metropolitan Nashville Airport Authority (the "Airport Authority") owns Nashville International and John C. Tune airports. Nashville International Airport (the "Airport") is situated approximately eight miles from downtown Nashville. It is serviced by fifteen scheduled airlines. According to the Authority, in 2003 approximately 8 million passengers used the airport. As of May, 2004, the Airport served 79 markets with an average of 404 arriving and departing flights per day.

The 820,000 square foot Airport terminal has 61 air carrier gates and up to 78 commuter aircraft parking positions. The Airport has four runways of up to 11,000 feet, including parallels for simultaneous landings and takeoffs.

The Airport Authority also operates the John C. Tune Airport in the Cockrill Bend Industrial area west of Nashville. It serves the needs of regional corporate and private aircraft and allows Nashville International's air carrier traffic to flow with fewer constraints. Tune Airport also provides a pilot training environment and modern facilities for the transient and corporate operator.

The Metropolitan Transit Authority ("MTA") provides a comprehensive public transportation system covering the entire metropolitan area. In addition to regularly scheduled bus routes, MTA provides special transportation services for the handicapped and operates trolley cars in the downtown area for shoppers, tourists and downtown workers.

Construction

Construction in Nashville is illustrated by the following table describing the number and value of building permits issued by the Department of Codes Administration of the Metropolitan Government. Construction has grown through most of the 1990's. In 2003, the Metropolitan Government saw a total dollar volume of permit activity at \$1.19 billion.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY CONSTRUCTION AND BUILDING PERMIT ACTIVITY

Unaudited
Ten Year Summary

Calendar Year	Residential Construction		Non-Residential Construction		Repairs, Alterations and Installations		Other ⁽¹⁾		Total Permit Value
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	
1995	2,335	427,057,950	987	267,735,281	5,566	304,314,632	1,473	10,103,598	1,009,211,461
1996	2,241	425,145,645	1,091	239,280,249	5,231	315,359,663	1,363	11,902,258	991,687,815
1997	2,240	376,003,886	1,036	492,917,275	5,307	271,749,797	1,504	10,417,506	1,151,088,464
1998	2,487	397,690,382	1,040	498,439,904	5,805	357,775,227	1,466	14,520,549	1,268,426,062
1999	2,686	508,776,654	1,206	697,396,351	4,740	397,754,933	1,455	18,187,549	1,622,115,487
2000	2,421	444,626,418	1,010	386,428,784	4,673	479,932,778	1,272	11,960,044	1,322,948,024
2001	2,975	521,311,880	896	354,527,042	4,146	336,595,779	1,179	14,962,413	1,227,397,114
2002	2,846	476,572,494	851	173,707,294	4,302	405,697,860	1,433	20,029,867	1,076,007,515
2003	3,207	536,278,115	693	279,867,295	4,531	356,979,647	1,222	20,013,372	1,193,138,429
2004	3,708	655,382,120	849	398,788,311	4,023	351,762,279	1,291	23,195,687	1,429,128,397

⁽¹⁾ Includes moved residential buildings, house trailers, and the demolition of residential and non-residential buildings and sign and billboard permits.

Of the seven major areas of office development in Nashville, the Central Business District ("CBD") is by far the largest, with approximately 6 million square feet of leasable space. Office vacancy in the CBD at the end of the third quarter of 2004 was 12.8%. The Roundabout Plaza near Music Row Nashville, which was completed in the summer of 2004, added 225,000 square feet of Class A space to the market. In addition, there are plans to build two buildings containing 625,000 square feet of Class A office space in downtown Nashville.

Tourism

Tourism is a major industry in Nashville. The Convention and Visitors Bureau of the Nashville Area Chamber of Commerce estimates that more than 10.5 million tourists came to Nashville in 2004 and they spent approximately \$3.0 billion. Music, history, art and generous hospitality attract convention delegates and leisure visitors.

The new Country Music Hall of Fame opened in downtown Nashville in May, 2001. The \$37 million facility is a striking architectural statement featuring music related icons both outside and inside the building. From a distance, the front façade of the building looks like a piano keyboard. The shape of the building is that of the musical notation for a bass clef. The conservatory entrance is available for after-hour events and spaces of varying sizes offer attractive event spaces. The new Hall of Fame features live entertainment daily with musical instruments demonstrations, songwriting sessions, performances each day at lunch and a live TV show each weekday afternoon.

Each year, the Country Music Association coordinates performances by more than 100 entertainers and groups. In 2001, the music festival, which is called the CMA Music Fest, moved to downtown Nashville. Attendance has steadily increased each year since then, with average estimates at 124,000 attendees annually.

Opry Mills is 1.1 million square foot megamall, which opened in May 2000. The mall contains 200 stores, theme restaurants, a multi-theater complex, an IMAX theater and Gibson Guitars Bluegrass instrument factory under glass. During the first year of operation, the mall counted 14 million visits.

The downtown entertainment district features the Hard Rock Café, the Wild Horse Saloon, a concert hall, restaurant, dance hall and TV production facility. The Ryman Auditorium, a former home of the Grand Ole Opry, is known for outstanding acoustics. The Ryman has become a venue of choice by entertainers visiting Nashville. The proximity of the Gaylord Entertainment Center and the Coliseum to the entertainment district assures good crowds on event days.

The Gaylord Entertainment Center, formerly The Nashville Arena, is now in its eighth year of operation as a premier entertainment facility. The Gaylord Entertainment Center has hosted 750+ ticketed events since its opening and has recorded over \$200 million in gross sales. The Gaylord Entertainment Center is home of the Nashville Predators, an NHL team in its seventh season in Nashville.

The Tennessee NFL Stadium, now named the Coliseum, is the home of the 1999 AFC Champion and 2002 AFC South Division Champion Tennessee Titans and of the 1999 OVC Champion Tennessee State University Tigers. Now in its seventh year of operation, 100% of Titans season ticket packages are sold, and the Titans have played every game in the new facility in front of a sell-out crowd. The Coliseum seats 68,498 fans.

The Tennessee State Museum, the Cheekwood Botanical Gardens and Fine Arts Center, The Tennessee Performing Arts Center, the Adventure Science Center, and the Parthenon supplement educational and cultural opportunities in the City. The Tennessee Performing Arts Center, a State facility in Downtown Nashville, contains a 2,442-seat concert hall, a 1,054 seat legitimate theater and a 300 seat flexible theater. In addition, a new symphony hall is being constructed that is slated to open in 2006.

The Adventure Science Center and the Nashville Zoo provide opportunities for Nashville's adults and children to learn how science and wildlife affect their lives. The Adventure Science Center is undergoing an expansion of the building and their mission. It features exhibits and programs, which focus on geology, zoology, ecology, physics and other sciences. The Nashville Zoo is continuing its multi-year, multi-million dollar expansion program. The Zoo property is built around the historic Grassmere Home and features an ever-expanding display of reptiles, amphibians and birds from throughout the world.

The Nashville MSA has more than 280 hotels and motels that feature more than 32,000 rooms. The Gaylord Opryland Resort and Convention Center is one of the largest hotel/convention centers under one roof in the United States. The complex features 2,884 hotel rooms, 300,000 square feet of exhibit space and 300,000 square feet of meeting space.

Below is a history of hotel/motel rooms in Nashville MSA and percentage of occupancy from 1995 through 2004:

HOTEL AND MOTEL ROOMS

<u>Calendar Year</u>	<u>Rooms Available</u>	<u>Occupancy Rate</u>
1995	24,867	69.6 %
1996	27,041	67.2
1997	28,684	66.4
1998	30,122	61.9
1999	31,106	61.0
2000	32,385	59.9
2001	33,316	56.5
2002	33,474	56.9
2003	32,661	58.5
2004	32,727	60.7

Source: Nashville Conventions and Visitors
Bureau

Medical and Cultural Facilities

Nashville is one of the nation's leaders in the health care field. HCA Healthcare has its headquarters and operates several hospitals here. Baptist Hospital, Vanderbilt University Medical Center, and St. Thomas Hospital are the city's other primary hospitals.

The Metropolitan Government has relocated the city owned hospital, Metropolitan Nashville General Hospital, to Hubbard Hospital of Meharry Medical College in 1998. In addition, Meharry provides medical staff to Metropolitan Nashville General Hospital. The arrangement provides the city with a renovated facility staffed with residents from Meharry Medical College.

In the spring of 2001, a new, larger downtown public library building, estimated at over 280,000 square feet was completed. During 2000, one branch library underwent major renovations; three branches were replaced with newer, larger buildings; and two additional branches were constructed. Each new branch has a size of 20,000 to 25,000 square feet. With the downtown public library, its 20 community branches (after renovations and new constructions), the Vanderbilt University Library and the libraries of other schools, Nashville offers a wide range of books and other materials for instruction, research and innovation.

The Frist Center for the Visual Arts opened in the spring of 2001 in Nashville's historic downtown post office building. A public-private partnership between Metropolitan Government, The Frist Foundation and the Dr. Thomas F. Frist, Jr. family, the Center contains more than 24,000 square feet of gallery space capable of showcasing major national and international visual arts exhibitions. The Frist Center does not intend to build a permanent art collection but will instead place special emphasis on education, arts-related programs for the school children of Nashville, and community outreach. The Center will give Nashville the ability to host significant art shows that have not exhibited here in the past.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights of the holders thereof.

The information contained in this Yearly Information Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Yearly Information Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Yearly Information Statement nor any sale of securities made using this Yearly Information Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Metropolitan Government since the date hereof.