

PART II

YEARLY INFORMATION STATEMENT

TABLE OF CONTENTS

TABLE OF CONTENTS	1
THE METROPOLITAN GOVERNMENT	1
Organization.....	1
Fiscal Year	1
Budgeting Procedures	1
Capital Improvements Budget by Department.....	2
Accounting.....	3
Revenues.....	4
PROPERTY TAXES.....	5
Rates of Tax Levy.....	5
PROPERTY TAX RATES	6
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF gsd AND usd TAXABLE PROPERTY	7
Exemptions	8
Reappraisals.....	8
Tax Collection.....	8
Property Tax Levies and Collections.....	9
Schedule of Delinquent Property Taxes Receivable – by Type.....	10
Principal Taxpayers	11
Principal Property Taxpayers.....	11
GENERAL FUND – FIVE YEAR SUMMARY	12
SPECIAL REVENUE FUNDS – FIVE YEAR SUMMARY	13
DEBT SERVICE FUNDS – FIVE YEAR SUMMARY	14
DEBT CALCULATIONS	15
Computation of Net General Obligation Debt	15
Debt Ratios	16
Calculation of Self-Supporting Debt.....	16
Historical Debt Ratios.....	17
Total Debt Service	18
INVESTMENT POLICY	19
MASS TRANSIT EXPENDITURES	19
DISTRICT ENERGY SYSTEM OVERVIEW	20
THE SPORTS AUTHORITY OF THE METROPOLITAN GOVERNMENT	20
PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS	20
PUBLIC EMPLOYEES' REPRESENTATION	23
ECONOMIC AND DEMOGRAPHIC PROFILE OF NASHVILLE AND DAVIDSON COUNTY	24
Introduction.....	24
Population Growth	24
Per Capita Personal Income	24
Economy of the Metropolitan Area.....	24
Employment.....	25
Ten Largest Employers in the Nashville MSA	27
Unemployment Rates.....	28
Investment and Job Creation.....	28
Education	28
Manufacturing.....	30
Trade	31
Agriculture	31
Transportation.....	31
Construction.....	31
Tourism.....	32
Hotel and Motel Rooms.....	34
Medical and Cultural Facilities	34
MISCELLANEOUS.....	35

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 excepted. 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 no later than March 25th. 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. If the Metropolitan Council fails to adopt a budget by July 1st, the budget submitted by the Mayor is deemed to be the adopted budget.

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 2007-2008 Capital Improvements Budget, which are given priority for funding by the Mayor and the Metropolitan Council for fiscal year 2007-2008 and the following five fiscal years. See "CURRENT FINANCIAL CONSIDERATIONS", page I-11 for additional information regarding future funding of capital projects.

CAPITAL IMPROVEMENTS BUDGET BY DEPARTMENT

Departments	% of '07-'08							% of '08-'13	
	2007-08	Total	2008-09	2009-10	2010-11	2011-12	2012-13	Total	Total
Bordeaux Long Term Care	\$323,000	0.017%	\$1,552,000	\$433,000				2,308,000	0.055%
Convention Center	455,188,000	23.884%	471,900	1,180,000	640,000	570,000	350,000	458,399,900	10.897%
County Clerk	200,000	0.010%						200,000	0.005%
District Energy System	8,548,500	0.449%	3,301,000	2,000,000	2,000,000	2,000,000		17,849,500	0.424%
Emergency Communication Ctr	3,500,000	0.184%						3,500,000	0.083%
Farmer's Market	500,000	0.026%	232,000					732,000	0.017%
Finance	125,196,500	6.569%	64,957,750	58,366,250	7,695,350	500,000		256,715,850	6.103%
Fire Department	923,000	0.048%						923,000	0.022%
General Hospital	4,492,400	0.236%	4,533,000					9,025,400	0.215%
General Services	26,529,800	1.392%	100,000	100,000	100,000	100,000		26,929,800	0.640%
General Sessions Court	200,000	0.010%						200,000	0.005%
Gulch - Cntrl Bus Improvmt Dist	5,500	0.000%						5,500	0.000%
Health	12,561,000	0.659%						12,561,000	0.299%
Historical Commission	175,000	0.009%						175,000	0.004%
Information Technology Svcs	13,660,800	0.717%	7,939,730	848,686	312,954			22,762,170	0.541%
Justice Integration Services	1,200,000	0.063%	1,200,000	1,200,000				3,600,000	0.086%
Juvenile Court	369,000	0.019%						369,000	0.009%
Juvenile Court Clerk	200,000	0.010%						200,000	0.005%
MDHA	122,950,000	6.451%	113,400,000	101,000,000	65,000,000			402,350,000	9.565%
Metro Action Commission	953,000	0.050%	100,000	600,000	100,000	100,000		1,853,000	0.044%
Metro Clerk	50,000	0.003%						50,000	0.001%
Schools (MNPS)	134,513,000	7.058%	85,483,000	69,780,000	70,601,000	60,572,000	60,965,000	481,914,000	11.456%
MTA	12,500,000	0.656%						12,500,000	0.297%
Municipal Auditorium	1,518,000	0.080%	550,000	460,000	284,000	500,000		3,312,000	0.079%
Nashville Electric Service	70,012,000	3.674%	71,000,000	70,000,000				211,012,000	5.016%
Parks & Rec Dept	62,073,649	3.257%	37,229,549	26,126,303	26,436,303	25,826,303		177,692,107	4.224%
Planning	2,000,000	0.105%						2,000,000	0.048%
Police	16,831,075	0.883%	7,796,000					24,627,075	0.585%
Public Library	24,646,400	1.293%	1,340,800	3,022,400	800,000	4,318,000	800,000	34,927,600	0.830%
Public Works	701,942,485	36.831%	229,716,250	217,201,500	173,695,000	181,737,000	182,500,000	1,686,792,235	40.098%
Sheriff	3,410,000	0.179%						3,410,000	0.081%
Social Services	2,100,000	0.110%						2,100,000	0.050%
Sports Authority	1,450,000	0.076%						1,450,000	0.034%
State Fair Board	923,000	0.048%						923,000	0.022%
Water & Sewer	94,190,657	4.942%	89,948,100	77,862,000	75,673,000	5,610,000		343,283,757	8.160%
Totals	\$1,905,835,766		\$720,851,079	\$630,180,139	\$423,337,607	\$281,833,303	\$244,615,000	\$4,206,652,894	

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

The Government reports the following major 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** 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 fleet management, information systems, radio maintenance, insurance, central storeroom, postal services, facilities planning and construction, treasury management, human resources, finance, general services and printing.

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

Agency funds are used to account for assets held by elected officials as agents for individuals, governmental entities and others, funds collected by the Government due to the Metropolitan Transit Authority – a component unit, collections by the Government due to the purchaser of certain outstanding property tax receivables, and funds held by the Sheriff's Department for inmates.

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, 2007, Property Taxes accounted for 55.4% of all revenues available to the GSD General Fund and for GSD Debt Service; 81.3% of all revenues available to the USD General and Debt Service Funds; 39.3% of revenues available to the Schools funds, including Debt Service; and 0.29% of revenues available to the Other Governmental Funds. Sales tax collections totaled \$285.3 million in the fiscal year ended June 30, 2007. 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 and "THE BONDS – Security", page I-6.

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 6% tax levied by Metropolitan Council ordinance with revenues derived from such tax distributed as follows: 2% for tourist promotion, 1% for tourist-related activities, 2% reserve for new 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 enforcement 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 Governmental Agencies and Contributions and Gifts – 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. Every four years, the Assessor’s Office – as required by Tennessee state law – conducts a reappraisal of the value of all property in Nashville and Davidson County. This process is done to periodically adjust recorded property assessments to generally reflected market values. The most recent reappraisal was completed in 2005.

State law also requires that this reappraisal be revenue neutral for the local governments. This means that as the aggregated value of property changes, the tax rate needs to change as well to ensure that the local government receives the same amount of revenue. So if the property in the Metropolitan Government collectively increases in value, the actual property tax rate needs to drop so that the revenue collected remains the same. The 2005 reappraisal showed an increase in aggregate property values, so to remain revenue neutral the certified combined GSD/USD tax rate dropped to \$3.98 from its pre-assessment level of \$4.58.

Subsequent to the 2005 reappraisal, the Metropolitan Government raised the combined GSD/USD rate to \$4.69. The FY 2008 budget anticipates continued moderate growth in property assessments. The following table is a statement of the composition of rates of tax levy for the last ten fiscal years.

FY 2008 Property Tax Distribution (Rates per \$100 of Assessed Value)			
District	Fund	2005 Rate*	2008 Rate
GSD (General Services District)	General	\$1.94	\$2.06
	Schools General Purpose	1.27	1.33
	General Debt Service	0.43	0.48
	Schools Debt Service	0.20	0.17
	Subtotal - GSD	\$3.84	\$4.04
USD (Urban Services District)	General	\$0.64	0.56
	General Debt Service	0.10	0.09
	Subtotal - USD	\$0.74	\$0.65
Combined USD/GSD rate		\$4.58	\$ 4.69
* Pre-reappraisal.			

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THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	General Services District					Urban Services District			Total Direct Tax Rate
	Total GSD Rate	GSD General Fund ⁽¹⁾	General Purpose School Fund	GSD Debt Service Fund	School Debt Service Fund	Total USD Rate	USD General Fund ⁽¹⁾	USD Debt Service Fund	
1997-98 ⁽²⁾	\$ 3.27	\$ 1.69	\$ 0.96	\$ 0.49	\$ 0.13	\$ 0.85	\$ 0.74	\$ 0.11	\$ 4.12
1998-99 ⁽³⁾	3.39	1.68	0.96	0.50	0.25	0.85	0.74	0.11	4.24
1999-00	3.39	1.68	0.96	0.50	0.25	0.85	0.74	0.11	4.24
2000-01	3.39	1.68	0.96	0.50	0.25	0.85	0.74	0.11	4.24
2001-02 ⁽²⁾	3.84	1.97	1.24	0.43	0.20	0.74	0.64	0.10	4.58
2002-03 ⁽³⁾	3.84	1.94	1.27	0.43	0.20	0.74	0.64	0.10	4.58
2003-04	3.84	1.94	1.27	0.43	0.20	0.74	0.64	0.10	4.58
2004-05	3.84	1.94	1.27	0.43	0.20	0.74	0.64	0.10	4.58
2005-06 ⁽²⁾	4.04	2.00	1.33	0.54	0.17	0.65	0.56	0.09	4.69
2006-07 ⁽³⁾	4.04	2.07	1.33	0.47	0.17	0.65	0.56	0.09	4.69

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

- (1) A portion of the revenue of the GSD General Fund generated from the tax levy collected for the area of the USD is recorded in the USD General Fund. Referred to as the levy for fire protection service, this amount of the levy has ranged from \$.12 to \$.08 over the last ten years.
- (2) The State mandates a reappraisal valuation of property within Davidson County every four years resulting in a reduction of the combined GSD-USD tax rate. Also, the combined GSD-USD tax rate was increased by the Metropolitan Council and reallocated between the funds receiving property tax revenue. The rates above reflect the net change of the reappraisal valuation and the increase and reallocation by the Metropolitan Council.
- (3) In fiscal year 1998-99, the combined GSD-USD tax rate increased \$0.12 per \$100 of assessed value, to be applied toward school debt service. Also \$0.01 was reallocated from GSD General Fund to GSD Debt Service. In fiscal year 2002-2003 and 2006-2007, the GSD property tax rate was reallocated among the funds receiving property tax revenue.

Source: The Metropolitan Government CAFR as of June 30, 2007

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF GSD AND USD TAXABLE PROPERTY
 Unaudited – Includes Supplemental Assessment

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

ANALYSIS OF ORIGINAL (INCLUDING SUPPLEMENTAL) ASSESSMENT
 OF ALL TAXABLE PROPERTY

ANALYSIS OF ORIGINAL (INCLUDING SUPPLEMENTAL) ASSESSMENT
 OF ALL TAXABLE PROPERTY (CONTINUED)

Unaudited - See Accompanying Accountants' Report

Unaudited - See Accompanying Accountants' Report

Ten Year Summary

Ten Year Summary

Fiscal Year	GSD Total	General Services District			USD Total ⁽¹⁾	Urban Services District			Total Estimated Property Value ⁽²⁾
		Realty	Personalty	Public Utility		Realty	Personalty	Public Utility	
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
2005-06	15,533,718,736	13,962,265,146	963,153,348	608,300,242	10,513,974,701	9,293,334,373	736,566,609	484,073,719	50,477,218,642
2006-07	15,968,079,067	14,319,406,060	1,026,510,506	622,162,501	10,963,518,909	9,653,540,683	812,794,594	497,183,632	51,736,469,429

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) All properties within the General Services District are taxed at the GSD tax rate. Only those properties within the Urban Services District are taxed at the additional USD tax rate. The USD lies within the GSD.

(2) 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 Davidson County, there are approximately 7,344 tax-exempt parcels.

Included in these exempt parcels are properties titled in the name of the Industrial Development Board of the Metropolitan Government and the Health and Educational Facilities Board of the Metropolitan Government and leased to nongovernmental entities. The properties are titled to these instrumentalities of the Metropolitan Government in order to facilitate financing arrangements and/or tax abatements for economic development purposes pursuant to state law. For the current fiscal year, these properties have an approximate value of \$341,042,200 representing approximately .66% of the value of all property within the Metropolitan Government. In most cases, a tax equivalent is paid to the Metropolitan Government on the basis of the actual rates of tax levy. The Electric Power Board of the Metropolitan Government also paid \$23,113,613 as a tax equivalent of its exempted property to the Metropolitan Government.

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, 2001, and in 2005. The 2005 values will be in place until completion of the 2009 reappraisal.

Elderly Low-Income Property Tax Freeze Program

In 2007, the Tennessee General Assembly authorized and the Metropolitan Council adopted a Property Tax Freeze Program for elderly low-income taxpayers. Under the Property Tax Freeze Program, approved taxpayers age 65 and older with an income below specified amounts will have the property taxes on their primary residence frozen at 2007 levels. The effect of the Property Tax Freeze Program will be that the Metropolitan Government will not realize any increase in revenues from either appreciation or tax rate increases on affected properties. Because of the age and income limitations, the Property Tax Freeze Program is not expected to have a material impact on the revenues of the Metropolitan Government.

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. In June 2007, the Metropolitan Government sold the majority of its delinquent tax receivables for tax years 2005 and 2006 to the highest bidder under authority of Tennessee Code Annotated Section 67-5-2012. It is anticipated that the tax receivables for tax year 2007 will also be sold.

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**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
PROPERTY TAX LEVIES AND COLLECTIONS**

Unaudited
Ten Year Summary

Fiscal Year	Amount GSD Levy	Amount USD Levy	Total Tax Levy	Collections Within the Fiscal Year of the Levy		Adjustment to Levy	Total Levy after Adjustment	Collections in Susequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percent of Levy
				Current Tax Amount	Percent of Levy				Amount	Percent of Levy After Adjustment		
1997-98	\$ 340,884,594	\$ 69,379,882	\$ 410,264,476	\$ 392,783,558	95.74	\$ (5,350,284)	404,914,192	\$ 11,479,058	\$ 404,262,616	99.84	\$ 651,576	0.16
1998-99	361,873,598	71,169,667	433,043,265	415,770,559	96.01	(3,645,834)	429,397,431	12,839,483	428,610,042	99.82	787,389	0.18
1999-00	368,281,927	72,001,424	440,283,351	419,550,370	95.29	(6,558,072)	433,725,279	13,480,001	433,030,371	99.84	694,908	0.16
2000-01	378,375,194	73,652,420	452,027,614	432,592,562	95.70	(4,390,155)	447,637,459	13,730,605	446,323,167	99.71	1,314,292	0.29
2001-02	504,508,539	75,845,541	580,354,080	554,792,713	95.60	(6,610,896)	573,743,184	17,625,090	572,417,803	99.77	1,325,381	0.23
2002-03	508,874,943	74,889,899	583,764,842	557,508,632	95.50	(4,729,092)	579,035,750	19,358,877	576,867,509	99.63	2,168,241	0.37
2003-04	502,057,059	72,975,223	575,032,282	555,507,839	96.60	(855,158)	574,177,124	16,441,833	571,949,672	99.61	2,227,452	0.39
2004-05	507,538,957	76,092,355	583,631,312	565,446,465	96.88	(1,590,159)	582,041,153	14,633,997	580,080,462	99.66	1,960,691	0.34
2005-06 ⁽¹⁾	619,151,100	76,752,024	695,903,124	671,768,730	96.53	(6,627,276)	689,275,848	14,454,368	686,223,098	99.56	3,052,750	0.44
2006-07 ⁽¹⁾	633,541,786	79,714,977	713,256,763	705,244,782	98.88	(3,469,555)	709,787,208	-	705,244,782	99.36	4,542,426	0.64

(1) In June 2007, the Government sold the majority of the 2006-07 and 2005-06 real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balances of \$23,025,457 for 2006-07, which is reflected in current tax amount collections, and \$2,418,959 for 2005-06, which is reflected in collections in subsequent years.

Source: The Metropolitan Government CAFR as of June 30, 2007

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The following table shows the status of the property taxes remaining to be collected at June 30, 2007.

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

June 30, 2007

	Year of Levy	Realty	Personalty	Public Utility	Total	
General Services District	2006	\$ 2,031,278	\$ 1,874,974	\$ 58,584	\$ 3,964,836	
	2005	1,055,107	1,241,919	326,118	2,623,144	
	2004	531,975	948,803	169,216	1,649,994	
	2003	461,198	1,167,413	280,695	1,909,306	
	2002	361,009	1,083,152	391,605	1,835,766	
	2001	357,241	639,299	133,439	1,129,979	
	2000	72,987	799,836	244,502	1,117,325	
	1999	53,549	526,225	13,083	592,857	
	1998	45,347	582,624	42,021	669,992	
	1997	69,323	465,097	21,208	555,628	
	1996	7,044	862,876	55,856	925,776	
	Total General Services District		5,046,058	10,192,218	1,736,327	16,974,603
	Urban Services District	2006	\$ 284,691	\$ 283,469	\$ 9,430	577,590
2005		184,437	189,710	55,459	429,606	
2004		95,816	177,428	37,453	310,697	
2003		67,404	194,143	56,599	318,146	
2002		51,150	202,040	79,285	332,475	
2001		55,557	112,829	27,016	195,402	
2000		6,206	141,259	49,502	196,967	
1999		7,853	91,549	2,649	102,051	
1998		6,796	102,093	8,508	117,397	
1997		10,043	81,611	4,294	95,948	
1996		578	151,637	11,307	163,522	
Total Urban Services District		770,531	1,727,768	341,502	2,839,801	
Total Delinquent Property Taxes Receivable ⁽¹⁾		\$ 5,816,589	\$ 11,919,986	\$ 2,077,829	\$ 19,814,404	

⁽¹⁾ Excludes 2007 Property Tax Levy

Source: The Metropolitan Government CAFR for each fiscal year

Principal Taxpayers

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

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Unaudited

Taxpayer	December 31, 2006				December 31, 1997				
	2006 Assessed Valuation	Amount of Tax	Rank	% of Total Tax Levy	1997 Assessed Valuation	Amount of Tax	Rank	% of Total Tax Levy	
Electric Power Board ⁽¹⁾	\$ N/A	\$ 23,113,613	1	3.24 %	\$ N/A	\$ 12,347,963	1	3.01 %	
Gaylord	238,419,877	11,169,885	2	1.56	367,228,384	9,701,260	2	2.36	
Columbia/HCA	231,272,170	10,085,491	3	1.41	90,346,286	4,003,506	4	0.98	
BellSouth	153,635,577	7,054,873	4	0.99	184,500,000	7,283,172	3	1.78	
Piedmont Natural Gas Company	89,124,884	4,039,957	5	0.57	73,082,289	2,848,480	6	0.69	
Opry Mills Co.	81,014,605	3,799,585	6	0.53	-	-	-	-	
CBL & Associates	76,494,477	3,290,503	7	0.46	-	-	-	-	
Vanderbilt	66,301,420	3,135,665	8	0.44	-	-	-	-	
Davis Street Land	42,308,870	1,984,286	9	0.28	-	-	-	-	
PREFCO XIV Ltd	34,438,376	1,944,712	10	0.28	57,755,005	2,379,506	7	0.58	
Nashland Associates	-	-	-	-	91,155,440	3,356,244	5	0.82	
E. I. Dupont	-	-	-	-	58,450,185	1,911,320	8	0.47	
SunTrust Bank	-	-	-	-	38,714,915	1,814,630	9	0.44	
Ford Motor Co.	-	-	-	-	41,586,192	1,709,514	10	0.42	
	<u>\$ 1,013,010,256</u>	<u>\$ 69,618,570</u>		<u>9.76 %</u>	<u>\$ 1,002,818,696</u>	<u>\$ 47,355,595</u>		<u>11.55 %</u>	

Source: Tax Assessor's Office, Trustee's Office

(1) The amount of tax for the Electric Power Board represents a payment in lieu of taxes and is not based on an assessed valuation.

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FUND HISTORIES
GENERAL FUND – FIVE YEAR SUMMARY
Five Year Summary of Revenues, Expenditures and Changes in Fund Balances

Years Ended June 30

	2007	2006	2005	2004	2003
REVENUES:					
Property taxes	\$ 434,593,970	\$ 444,304,982	\$ 343,535,141	\$ 338,782,911	\$ 337,920,726
Local option sales tax	94,234,544	89,795,510	82,674,673	79,253,422	76,182,263
Other taxes, licenses and permits	100,085,098	99,976,969	83,687,713	76,705,938	75,176,573
Fines, forfeits and penalties	14,100,396	13,841,149	12,029,361	9,543,823	10,534,610
Revenue from use of money of property	2,770,783	1,317,882	1,014,952	80,783	1,123,885
Revenue from other governmental agencies	87,945,024	79,624,370	75,677,714	80,786,222	94,232,379
Commissions and fees	26,156,439	21,261,179	21,072,982	19,637,940	18,953,278
Charges for current services	27,264,419	23,794,003	24,790,131	22,286,175	21,730,596
Compensation for loss, sale or damage to property	611,348	634,143	550,470	1,625,906	5,493,793
Contributions and gifts	669,329	543,390	667,940	539,404	556,455
Miscellaneous	1,414,910	1,186,236	996,206	1,034,395	613,045
Total revenues	789,846,260	776,279,813	646,697,283	630,276,919	642,517,603
EXPENDITURES					
General government	23,583,082	21,470,893	21,673,982	37,309,809	32,549,058
Fiscal administration	15,777,516	14,578,459	14,180,153	21,008,051	20,323,270
Administration of justice	63,883,484	58,621,082	53,751,204	50,333,461	45,794,670
Law enforcement and care of prisoners	210,992,633	193,586,575	180,815,275	167,481,033	169,148,228
Fire prevention and control	112,717,674	100,684,959	95,045,746	93,266,180	86,043,913
Regulation and inspection	8,351,652	7,879,011	7,216,063	7,239,736	7,006,740
Conservation of natural resources	444,857	421,822	352,566	398,925	311,037
Public welfare	9,059,595	8,134,531	10,453,774	14,185,717	12,709,251
Public health and hospitals	85,715,255	129,089,250	58,920,291	74,714,817	72,191,199
Public library system	20,988,942	20,379,979	18,527,933	19,425,446	17,795,337
Public works, highway and street	36,583,000	31,099,675	30,517,816	29,901,517	27,117,716
Recreational and cultural	36,748,546	32,931,787	31,203,549	33,654,421	31,793,123
Employee benefits	59,012,395	56,369,642	55,012,329	54,892,819	51,520,203
Miscellaneous	51,967,639	46,968,961	34,130,499	35,774,040	34,573,313
Total expenditures	735,826,270	722,216,626	611,801,180	639,585,972	608,877,058
Excess (Deficiency) of revenues over expenditures	54,019,990	54,063,187	34,896,103	(9,309,053)	33,640,545
OTHER FINANCING SOURCES (USES)					
Transfers in	15,850,393	16,501,209	16,570,634	23,562,003	10,379,911
Transfers out	(56,218,467)	(60,907,145)	(50,375,689)	(57,172,423)	(74,403,443)
Total other financing sources (uses)	(40,368,074)	(44,405,936)	(33,805,055)	(33,610,420)	(64,023,532)
Net change in fund balance	13,651,916	9,657,251	1,091,048	(42,919,473)	(30,382,987)
FUND BALANCE, beginning of year	46,934,078	37,276,827	36,185,779	79,105,252	109,488,239
FUND BALANCE, end of year	\$ 60,585,994	\$ 46,934,078	\$ 37,276,827	\$ 36,185,779	\$ 79,105,252

Source: The Metropolitan Government CAFR for each fiscal year

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				
	2007	2006	2005	2004	2003
REVENUES:					
Property taxes	\$ 217,105,797	\$ 207,366,885	\$ 172,755,666	\$ 171,021,821	\$ 171,053,586
Local option sales tax	171,377,172	163,902,255	150,161,774	143,765,269	137,212,657
Other taxes, licenses and permits	30,091,185	26,849,863	23,854,084	22,618,663	18,564,004
Fines and costs	4,549,128	5,417,581	4,001,192	4,120,741	3,656,688
Revenue from the use of money or property	6,092,863	3,147,248	2,271,221	703,315	2,507,766
Revenue from other governmental agencies	321,504,080	305,216,003	296,683,076	267,129,790	246,032,628
Charges for current services	24,114,122	23,602,266	24,200,797	23,847,210	22,032,772
Compensation for loss, sale or damage to property	444,463	387,535	410,024	601,596	2,007,850
Grants, contributions and gifts	7,019,037	9,602,229	6,839,699	7,064,129	7,450,419
Miscellaneous	403,376	243,659	164,864	227,272	96,994
Total revenues	<u>782,701,223</u>	<u>745,735,524</u>	<u>681,342,397</u>	<u>641,099,806</u>	<u>610,615,364</u>
EXPENDITURES					
Personal services	568,039,061	546,774,235	537,304,627	505,501,472	458,369,374
Contractual services	112,283,440	104,534,079	100,734,913	104,221,751	86,071,527
Supplies	68,705,431	68,262,372	65,320,966	59,298,416	62,065,751
Other	17,844,543	16,605,676	15,562,060	15,159,703	11,064,983
Capital outlay	10,599,889	13,874,112	6,401,557	10,691,927	15,630,797
Total expenditures	<u>777,472,364</u>	<u>750,050,474</u>	<u>725,324,123</u>	<u>694,873,269</u>	<u>633,202,432</u>
Excess (deficiency) of revenues over expenditures	<u>5,228,859</u>	<u>(4,314,950)</u>	<u>(43,981,726)</u>	<u>(53,773,463)</u>	<u>(22,587,068)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	65,972,623	74,255,972	60,445,883	61,674,606	67,878,539
Transfers out	(43,602,031)	(44,735,640)	(36,541,428)	(24,125,875)	(29,405,040)
Total other financing sources (uses)	<u>22,370,592</u>	<u>29,520,332</u>	<u>23,904,455</u>	<u>37,548,731</u>	<u>38,473,499</u>
Net change in fund balance	27,599,451	25,205,382	(20,077,271)	(16,224,732)	15,886,431
FUND BALANCE, beginning of year	<u>151,988,872</u>	<u>126,783,490</u>	<u>146,860,761</u>	<u>163,085,493</u>	<u>147,199,062</u>
FUND BALANCE, end of year	<u>\$ 179,588,323</u>	<u>\$ 151,988,872</u>	<u>\$ 126,783,490</u>	<u>\$ 146,860,761</u>	<u>\$ 163,085,493</u>

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

Source: The Metropolitan Government CAFR for each fiscal year

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

FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	Years Ended June 30			
	2007	2006	2005	2004
REVENUES:				
Property taxes	\$110,717,130	\$ 68,148,594	\$ 92,800,646	\$ 92,020,658
Local option sales tax	19,646,782	17,613,670	16,865,519	16,760,780
Commissions and fees	604,993	475,020	249,637	-
Revenue from the use of money of property	2,999,181	-	2,613,062	724,096
Revenue from other governmental agencies	6,402,439	3,802,884	6,774,340	7,774,259
Compensation for loss, sale, or damage to property	-	6,130,888	-	-
Charges for current services	228,712	-	-	-
Total Revenues	<u>140,599,237</u>	<u>96,171,056</u>	<u>119,303,204</u>	<u>117,279,793</u>
EXPENDITURES				
Principal retirement	95,569,567	99,000,000	86,315,000	79,775,000
Interest	72,522,916	65,621,896	57,783,124	59,120,668
Fiscal charges	2,818,981	1,245,498	1,524,597	731,613
Contractual services	-	1,534,381	1,300,950	1,317,708
Bond issue costs	587,900	1,600	-	-
Total Expenditures	<u>171,499,364</u>	<u>167,403,375</u>	<u>146,923,671</u>	<u>140,944,989</u>
Excess (deficiency) of revenues over expenditures	<u>(30,900,127)</u>	<u>(71,232,319)</u>	<u>(27,620,467)</u>	<u>(23,665,196)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of refunding bonds, net of discount	(198,934,669)	60,805,000	241,800,000	-
Payments to refunded bond escrow agent	186,890,000	(60,463,650)	(262,859,310)	-
Bond issue premium (discount)	12,632,569	-	21,881,527	-
Transfers in	17,912,077	25,883,513	20,151,664	18,540,151
Transfers out	(30)	(8,807,018)	(7,797,165)	(7,923,367)
Total Other Financing Sources (Uses)	<u>18,499,947</u>	<u>17,417,845</u>	<u>13,176,716</u>	<u>10,616,784</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(12,400,180)	(53,814,474)	(14,443,751)	(13,048,412)
FUND BALANCE, beginning of year	<u>85,017,350</u>	<u>138,831,824</u>	<u>153,275,575</u>	<u>166,323,987</u>
FUND BALANCE, end of year	<u>\$ 72,617,170</u>	<u>\$ 85,017,350</u>	<u>\$ 138,831,824</u>	<u>\$ 153,275,575</u>

(1) Includes the Correctional Facility Revenue Bonds.

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

Source: The Metropolitan Government CAFR for each fiscal year

DEBT CALCULATIONS

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY COMPUTATION OF NET GENERAL OBLIGATION DEBT

June 30, 2007

Gross General Obligation Debt		
General Obligation Bonds Payable		
General Services District:		
For School Purposes	\$ 524,432,336	
For General Purposes	850,604,708	
Urban Services District:		
For General Purposes	<u>128,352,956</u>	
Total Gross General Obligation Debt		\$ 1,503,390,000
Less:		
Amounts Available In Debt Service Funds		
General Services District:		
For School Purposes	60,537,817	
For General Purposes	8,004,172	
Urban Services District:		
For General Purposes	<u>2,427,452</u>	
Total Amounts Available In Debt Service Funds ⁽¹⁾		70,969,441
Debt Payable From Other Sources		
Hotel Occupancy Tax ⁽¹⁾		
Convention Center Project:		
G. O. Multi-Purpose Improvement Bonds, Series 1997A	<u>130,000</u>	
Total Debt Payable From Other Sources		<u>130,000</u>
Net General Obligation Debt		<u><u>\$ 1,432,290,559</u></u>

⁽¹⁾ Excludes the Correction Facility Revenue Bonds.

Source: The Metropolitan Government CAFR and Finance Department as of June 30, 2007

DEBT RATIOS
As of June 30, 2007

Total Debt		
Debt to Estimated Market Value		2.91%
Debt to Assessed Value		9.41%
Debt per Capita	\$	2,597.88
Net Debt		
Debt to Estimated Market Value		2.77%
Debt to Assessed Value		8.97%
Debt per Capita	\$	2,475.02
The above table is based upon:		
Estimated Market Value	\$	51,736,469,429
Assessed Value	\$	15,968,079,067
Population		578,698

CALCULATION OF SELF-SUPPORTING DEBT
As of June 30, 2007

Hotel Occupancy Tax:	As of
Convention Center Project ⁽¹⁾	<u>June 30, 2007</u>
G.O. Multi-Purpose Improvement Bonds, Series 1997A	<u>130,000</u>
	<u>\$ 130,000</u>

⁽¹⁾ 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.

Source: The Metropolitan Government CAFR as of June 30, 2007

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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
1997	565,004	8,192,587	792,420,000	70,552,736	36,978,998	684,888,266	8.36	1,212.18
1998	566,150	10,647,934	908,095,000	79,899,351	39,815,699	788,379,950	7.4	1,392.53
1999	567,251	10,895,718	1,038,960,000	103,509,799	35,728,961	899,721,240	8.26	1,586.11
2000	569,891	11,087,336	989,705,000	120,991,318	31,507,203	837,206,479	7.55	1,469.06
2001	571,312	11,390,200	1,196,320,000	156,401,726	26,938,984	1,012,979,290	8.89	1,773.08
2002	569,174	13,373,373	1,187,245,000	162,065,583	22,359,946	1,002,819,471	7.5	1,761.89
2003	570,136	13,463,419	1,114,990,000	163,736,722	17,562,681	933,690,597	6.94	1,637.66
2004	572,475	13,280,464	1,158,710,000	151,389,536	12,519,184	994,801,280	7.49	1,737.72
2005	580,455	13,432,024	1,279,935,000	136,955,015	7,219,970	1,135,760,015	8.46	1,956.67
2006	576,382	15,533,719	1,600,695,000	83,595,562	1,655,405	1,515,444,033	9.76	2,629.24
2007	578,698	15,968,079	1,503,390,000	70,969,000	130,000	1,432,291,000	8.97	2,475.02

⁽¹⁾ Source: U.S. Department of Commerce, Bureau of the Census and Labor

Source: The Metropolitan Government CAFR as of June 30, 2007

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

TOTAL DEBT SERVICE
As of June 30, 2007
Secured by Ad Valorem Taxes

Year Ending	GSD		USD	Total GSD and USD
	School Purposes	General Purposes	General Purposes	
2008	\$ 57,691,124	\$ 88,923,308	\$ 19,647,565	\$ 166,261,997
2009	53,761,059	83,341,794	15,364,037	152,466,890
2010	51,390,358	81,736,845	15,349,571	148,476,774
2011	50,208,048	80,122,038	14,764,930	145,095,016
2012	48,405,223	73,768,616	13,947,479	136,121,318
2013	47,512,018	72,080,420	13,254,247	132,846,685
2014	46,054,876	71,802,777	11,509,010	129,366,663
2015	45,061,874	71,769,708	11,265,263	128,096,845
2016	45,367,085	79,178,205	7,042,767	131,588,057
2017	41,537,516	74,967,421	7,834,583	124,339,520
2018	34,791,321	61,696,967	7,765,438	104,253,726
2019	35,716,730	58,956,200	6,603,468	101,276,398
2020	27,203,395	50,900,567	6,033,420	84,137,382
2021	30,604,539	54,602,331	7,193,405	92,400,275
2022	30,887,489	54,296,359	7,340,592	92,524,440
2023	30,900,372	54,316,372	7,340,159	92,556,903
2024	30,442,689	53,661,144	7,111,368	91,215,201
2025	25,385,883	46,678,889	5,167,419	77,232,191
2026	11,969,567	32,454,838	3,306,005	47,730,410
2027	8,479,614	15,187,927	1,715,575	25,383,116
2028	3,096,151	6,329,261	130,937	9,556,349
2029	1,393,409	3,970,181	74,511	5,438,101
2030	1,391,949	3,967,602	74,452	5,434,003
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
	<u>\$ 759,252,289</u>	<u>\$ 1,274,709,770</u>	<u>\$ 189,836,201</u>	<u>\$ 2,223,798,260</u>

Source: The Metropolitan Government CAFR as of June 30, 2007

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 1973, 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, 2007, approximately \$17,829 million and \$3.607 million respectively, to pay approximately 57% of the Authority's operating expenses. The State directs revenues from a two cent 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 \$117,785,361 to date on improvements of the transit system since 1973.

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DISTRICT ENERGY SYSTEM OVERVIEW

The Metropolitan Government's 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 Projects & Services (CEPS) of Baltimore, MD. CEPS 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 District Energy System and the site on which the new facility is located.

The primary components of the 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 Metropolitan Government is a customer of DES and purchased approximately 33% of the steam and 35% of the chilled water sold by the system. In addition, the Metropolitan Government has covenanted to provide funding in an amount equal to any shortage in revenues necessary to pay debt service and operating expenses (the "Metro Funding Amount") and to replenish the DES debt service reserve fund and operating reserve fund if necessary. To date, no amounts have been required to replenish the reserve funds and the amounts paid as the Metro Funding Amount for the last four fiscal years are as follows:

Fiscal Year	Amount
2004	\$2,000,000
2005	1,698,900
2006	2,173,100
2007	2,291,300
2008	2,421,300*

*Budgeted amount

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 Sommet 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 \$6.7 million 2008 through 2019 and \$4.8 million thereafter until 2027.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

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 pension benefits 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 by 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 government-wide financial statements. Now that the Metropolitan Plans are being funded actuarially (taking into account prior shortfalls), and as the Closed Plans are declining in importance, the liability established in prior years is rapidly declining.

The following summary states (in thousands) the unfunded pension benefit obligation (as defined in Statement No. 27 of the Government Accounting Standards Board) for all of the following plans as of the most recent actuarial valuations.

Net Pension Asset shown in parentheses

City County Plans (as of June 30, 2007)

The Metropolitan Employee Benefit System	\$	10,378
The Davidson County Employees' Retirement Fund	\$	(9,314)
The Civil Service Employees' Pension and Police and Firemen Pension Funds	\$	(15,910)

City County Plans reported as shown in CAFR at June 30, 2007.

Board of Education Plans (as of June 30, 2007)

The Teachers' Civil Service and Pension Fund (Nashville City Teachers)	\$	(8,178)
The Employees' Pension and Insurance Fund (Davidson County)	\$	(4,532)
The Metropolitan Board of Education Teacher Retirement Plan	\$	65,673

Board of Education reported as shown in CAFR at June 30, 2007.

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 required supplementary information to the notes in the Basic Financial Statements of the CAFR.

The Governmental Accounting Standards Board has issued Statement No. 45 which revises the accounting for all other post-employment benefits ("OPEB"). This Statement applies accounting methodology similar to that used for pension liabilities (Statement No. 27) to OPEB and attempts to more fully report the costs of employment by requiring governments to include future OPEB costs on their financial statements. While Statement No. 45 requires reporting and disclosure of the unfunded OPEB liability, it does not require that it be funded. Statement No. 45 is effective in fiscal 2007-2008.

The Metropolitan Government currently provides various post-employment benefits other than pensions, with healthcare representing the most significant portion of the OPEB cost. For any retiree in the Metro, City or County Plan who elects to participate in the Metro hospitalization insurance program, the Metropolitan 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. The Metropolitan Government also provides a matching contribution on dental insurance for any retiree who elects to participate and provides life insurance at no charge. During the year ended June 30, 2007, 6,757 Metro participants were eligible to receive post-employment benefits, and the benefits paid totaled \$25,614,667.

For any retiree in the Metro, City or County Education Plans who elects to participate in the medical and dental insurance plans of the Metropolitan Nashville Public Schools, Schools contribute 75% of all premium payments with the retiree contributing the remaining 25%. Funding is on a pay-as-you-go basis under which payments are made in amounts sufficient to cover benefits paid. During the year ended June 30, 2007, 2,879 School participants were eligible to receive post-employment benefits, and the benefits paid totaled \$11,698,647.

The Metropolitan Government plans to adopt GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, required for fiscal periods beginning after December 15, 2006, in fiscal 2008. This Statement addresses how governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits. Preliminary independent actuarial estimates for the unfunded accrued liability are \$1.5 billion for the general government and \$473 million for teachers. Estimated annual required contributions over a 30 year period are \$116 million and \$25 million for the general government and teachers, respectively. These estimates are based on a 4.5% discount rate assumption.

The key assumptions used in developing these estimates include:

- Current level of benefits provided
- July 1, 2006 valuation date and census data
- Actual dependent coverage information
- 4.5% discount rate
- Blended per capita claims cost

- Health care cost trend rate: 9% graded to 5% for other medical expenses, 12% graded to 5% for prescription drugs, 4% for dental expenses
- Impact of Medicare Part D subsidy was not included

The results of the calculations for OPEB for Metro retirees were:

- Present value of future benefits = \$2.6 billion (general government) and \$708 million (teachers)
- Unfunded accrued liability = \$1.5 billion (general government) and \$473 million (teachers)
- Annual required contribution = \$116 million (general government) and \$25 million (teachers) for 30 years

PUBLIC EMPLOYEES' REPRESENTATION

As of June 30, 2007, the Metropolitan Government and Metropolitan Board of Education employed approximately 18,376 persons of whom approximately 9,118 worked full-time for the MBE and 9,258 worked full time for the Metropolitan Government. Appropriately 97% of the uniformed personnel of the Fire Department are members of Local No. 140 of the International Association of Firefighters. The Police Department has 1,771 active employees, of which 1,260 are sworn personnel. Approximately 905 sworn officers (or 51%) of the Police Department belong to the Fraternal Order of Police, Andrew Jackson Lodge No. 5, the designated employee representative. Of those employed by the MBE, approximately 56% of the teaching employees are members of the Metropolitan Nashville Education Association (the "MNEA"); 37% of the remaining non-teaching employees are members of the Service Employees International Union; and 9% 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.

ECONOMIC AND DEMOGRAPHIC PROFILE OF NASHVILLE AND DAVIDSON COUNTY

Introduction

The Metropolitan Government of Nashville and Davidson County ("The Metropolitan Government"), 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. A 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	1990	2000	% Change 1990-2000	Estimated 2007	% Change 2000-2007
Nashville/Davidson ⁽¹⁾	510,786	569,691	11.5 %	578,698	1.6 %
MSA ⁽¹⁾	985,026	1,311,789	33.2	1,455,097	10.9
State ⁽²⁾	4,890,640	5,689,283	16.3	6,156,719	8.2
United States ⁽²⁾	248,709,925	281,421,906	13.2	301,621,157	7.2

Source: Population is from the U. S. Department of Commerce, Bureau of the Census except for "Estimated 2007" which are from the following sources:

⁽¹⁾ Bureau of the Census provides Population estimates as of July 1, 2006.

⁽²⁾ Bureau of the Census provides Population estimates as of July 1, 2007.

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>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Nashville MSA	24,432	25,076	25,946	27,621	28,928	30,601	31,440	32,180	33,354	34,904	36,665
Davidson County	26,419	27,062	27,672	30,005	31,494	33,388	35,191	36,768	38,297	40,393	42,192
Tennessee	21,174	21,854	22,676	23,989	24,898	26,097	26,870	27,490	28,440	29,844	30,969
United States	23,076	24,175	25,334	26,883	27,939	29,845	30,574	30,810	31,484	33,050	34,471

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 all 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 2003 through June 2007.

NASHVILLE MSA EMPLOYMENT BY INDUSTRY ⁽¹⁾

Industry	<u>Ann 2003</u>	<u>Ann 2004</u>	<u>Ann 2005</u>	<u>Ann 2006</u>	<u>Ann 2007</u>
Total, all industries	791.8	811.2	832.3	849.8	859.3
Goods-Producing	116.2	118.0	120.5	123.7	124.4
Natural Resources, Mining and Construction	34.4	34.4	36.0	39.3	41.8
Manufacturing	81.8	83.6	84.5	84.4	82.6
Service-Providing	581.4	597.3	614.9	628.1	635.8
Trade, Transportation and Utilities	141.8	146.0	150.7	154.4	155.6
Information	18.6	19.4	19.7	19.7	19.7
Financial Activities	44.7	44.5	45.2	46.0	46.3
Professional and Business Services	84.1	91.5	96.7	98.7	99.2
Education and Health Services	94.9	98.4	101.4	104.1	105.4
Leisure and Hospitality	71.7	72.0	74.6	76.7	78.3
Other Services	30.2	29.7	29.7	30.6	31.5
Unclassified	95.4	95.8	96.9	97.9	99.9
Government	94.2	95.9	96.9	98.0	99.1

(1) Employment numbers in thousands.

Source: The Bureau of Labor Statistics

PERCENTAGE OF PERSONS EMPLOYED BY INDUSTRY: MSA, STATE, AND NATION

	Nashville MSA					Tennessee					United States				
	2007	2006	2005	2004	2003	2007	2006	2005	2004	2003	2007	2006	2005	2004	2003
Total, All Industries ⁽¹⁾	859.3	849.8	832.3	811.2	791.8	2,854.4	2,831.8	2,792.3	2,756.2	2,713.9	160,221.0	158,165.0	155,507.0	153,056.0	151,581.0
In Percentages:															
Construction & Mining	4.9%	4.6%	4.3%	4.2%	4.3%	5.0%	4.8%	4.5%	4.4%	4.4%	5.2%	5.3%	5.1%	4.9%	4.8%
Manufacturing	9.6%	9.9%	10.2%	10.3%	10.3%	13.7%	14.1%	14.6%	14.9%	15.2%	8.8%	9.0%	9.1%	9.4%	9.6%
Trade, Transportation & Utilities	18.1%	18.2%	18.1%	17.3%	17.9%	21.5%	21.5%	21.4%	21.3%	21.3%	16.5%	16.6%	16.7%	16.7%	16.7%
Information	2.3%	2.3%	2.4%	18.0%	2.3%	1.8%	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%	2.0%	2.0%	2.1%
Financial Activities	5.4%	5.4%	5.4%	2.4%	5.6%	5.1%	5.1%	5.1%	5.1%	5.2%	5.3%	5.3%	5.2%	5.2%	5.3%
Professional & Business Services	11.5%	11.6%	11.6%	5.5%	10.6%	11.2%	11.3%	11.2%	11.0%	10.6%	11.2%	11.1%	10.9%	10.7%	10.5%
Education & Health Services	12.3%	12.2%	12.2%	11.3%	12.0%	12.1%	12.0%	11.8%	11.6%	11.5%	11.5%	11.3%	11.2%	11.1%	10.9%
Leisure & Hospitality	9.1%	9.0%	9.0%	12.1%	9.1%	9.8%	9.5%	9.4%	9.2%	9.1%	8.5%	8.3%	8.2%	8.2%	8.0%
Other Services	3.7%	3.6%	3.6%	8.9%	3.8%	3.6%	3.6%	3.6%	3.7%	3.8%	3.4%	3.4%	3.5%	3.5%	3.6%
Government	11.5%	11.5%	11.6%	3.7%	11.9%	1.7%	1.7%	1.8%	1.8%	1.9%	13.9%	13.9%	14.0%	14.1%	14.2%
Unclassified	11.62%	11.52%	11.6%	11.8%	12.0%	14.6%	14.7%	14.8%	15.1%	15.1%	13.9%	13.9%	14.0%	14.1%	14.2%

(1) Total Employment in thousands of persons

Source: The Bureau of Labor Statistics

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
TEN LARGEST EMPLOYERS IN THE NASHVILLE MSA
(Including Government Agencies)**

Employer	Unaudited June 30, 2007			June 30, 1998		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
State of Tennessee	20,029	1	2.51 %	24,400	1	3.76 %
Metro Nashville-Davidson Co. Government and Public Schools	19,188	2	2.40	18,990	2	2.93
Vanderbilt University and Medical Center	18,252	3	2.29	11,700	3	1.80
U.S. Government	11,216	4	1.40	11,000	4 (2)	1.70
HCA (including Tri-Star Health System)	9,649	5	1.21	8,100	6	1.25
St. Thomas Health Services	8,200	6	1.03	-	-	-
Nissan North America Inc.	8,100	7	1.01	6,000	7	0.92
Bridgestone Americas Holding Inc. (1)	4,900	8	0.61	-	-	-
Gaylord Entertainment Co. (1)	4,519	9	0.57	11,000	4 (2)	1.70
Wal-Mart Stores Inc.	4,500	10	0.56	-	-	-
Saturn Corporation	-	-	-	8,350	5	1.29
Kroger Company	-	-	-	5,750	8	0.89
United Parcel Service	-	-	-	4,500	9	0.69
First American National Bank	-	-	-	4,200	10	0.65
	<u>108,553</u>		<u>13.59 %</u>	<u>113,990</u>		<u>17.57 %</u>

Sources:

Principal Employers and Number of Employees - Nashville Area Chamber of Commerce, Nashville Business Journal

Total Employment - US Department of Labor Bureau of Labor Statistics

(1) National, State or Corporate Headquarters.

(2) Tie ranking.

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 1998-2007.

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Davidson County	2.80%	2.90%	3.20%	3.60%	4.50%	4.80%	4.60%	4.60%	4.30%	4.60%
Nashville MSA	3.10	2.90	3.20	3.80	4.40	4.70	4.30	4.40	4.20	3.70
TN	4.50	4.10	4.00	4.70	5.30	5.70	5.50	5.60	5.20	4.80
US	4.50	4.20	4.00	4.70	5.80	6.00	5.50	5.10	4.60	4.70

Investment and Job Creation

In the year 2007, the Nashville Area Chamber of Commerce announced some 53 business relocations or expansions into the Nashville MSA, collectively bringing 3,544 new jobs to the Metro area. The capital investment for these projects totaled \$335 million. Continued expansion has occurred in recent years in corporate and regional headquarters, 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 four years, many sizable 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 is the world's largest manufacturer of notebook computers and brought 500 new jobs with their initial move. Louisiana-Pacific Corporation, which manufactures building products, relocated its headquarters to downtown Nashville 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. Actus Lend Lease moved its military housing operations company from Napa Valley to Nashville in January 2005. Great American Country also relocated in 2005, bringing their headquarters from Denver to Music Row. The Fraternal Order of Police constructed a new 20,000 square-foot facility in Nashville's Century City to house headquarter operations. Nissan North America relocated corporate operations to Middle Tennessee in June 2006, temporarily moving into downtown Nashville before settling into a new campus in Cool Springs in 2008. The Barbershop Harmony Society, founded in 1938, is the largest all-male singing organization with 30,000 members. Preparations have begun for the renovation of a 36,000 square foot building to house the nonprofit association's international headquarters.

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 2007-2008 school year, Nashville has 136 public schools, with 75,000+ students and 5,786 teachers. In addition, there are 75 independent schools, which are attended by over 27,800 students from pre-kindergarten through 12th grade.

The Metropolitan Board of Education, consisting of 9 members, administers the school system.. 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.

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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
2007-2008**

<u>Member</u>	<u>Office</u>	<u>Date Term Expires</u>
Marsha Warden	Chairman	2008
Edward T. Kindall	Vice-Chairman	2008
Jo Ann Brannon	Member	2010
David A. Fox	Member	2010
Mark North	Member	2008
Steve Glover	Member	2010
Karen Y. Johnson	Member	2010
Gracie Porter	Member	2008
George H. Thompson, III	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
2007-2008**

<u>Educational Level</u>	<u>Number of Schools</u>	<u>2007-08 School Year Enrollment</u>
Elementary	74 ⁽¹⁾	32,426 (PK-4)
Middle	35 ⁽²⁾	20,463 (5-8)
High	17 ⁽³⁾	19,586 (9-12)
Special Education	4	2,009
Charter	3	444
Alternative Schools	3	-
Adult Center	1	-
	<hr/>	<hr/>
Total	<u>137</u>	<u>74,928</u>

⁽¹⁾ Includes three magnet schools.

⁽²⁾ Includes five magnet schools.

⁽³⁾ Includes four magnet schools and two non-traditional schools

SCHOOL SYSTEM
Public Schools Enrollment and Attendance

School Year	Enrollment ⁽¹⁾	Average Attendance
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	71,651	65,960
2005-2006	72,735	67,530
2006-2007	73,144	68,827
2007-2008	74,733	70,231

⁽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 with Meharry Medical College specializing in health care delivery.

Several commercial and vocational schools are located in Nashville. In addition, the Adult Education Program operated by MNPS served 3,610 adult learners in 2006-07. This program enabled 362 adult learners to successfully pass the GED exam, provided 58,855 hours of English as a Second Language instruction and 55,654 hours of adult basic education instruction. Community Education classes offered by MNPS and the Community Education Alliance of Metro Government, provided additional learning opportunities to more than 20,500 participants in 200 different classes each semester.

Manufacturing

As of June 2006, an average of 83,800 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 Nissan Motor Manufacturing Corp. U.S.A., which has some 8,100 employees and is situated 30 miles to the south of Nashville, on the edge of the MSA. Saturn Corporation employs 5,800 in its facilities in Spring Hill, TN and is the second largest manufacturing employer. Dell is third with 1,500 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 \$27.0 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.

Agriculture

Nashville is surrounded by agricultural-based economies. The area encompassing middle Tennessee produces livestock, dairy products, soybeans, small grain, feed lot cattle, strawberries, hay and tobacco. Additionally, 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, known as the Music City Star commenced transportation services in the September of 2006. It is operated under the direction of the Regional Transportation Authority, a multi-county agency. The ticket price includes 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 sixteen scheduled airlines. According to the Authority, approximately 8.7 million passengers used the airport in 2006. As of August, 2006, the Airport served 89 markets with an average of 400 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 2007, the Metropolitan Government saw a total dollar volume of permit activity at \$1.75 billion.

Calendar Year	Residential Construction		Non-Residential Construction		Repairs, Alterations and Installations		Other (1)		Total Permit Value	Bank Deposits (2) (In Thousands)
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value		
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	16,839,875
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	18,182,241
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	3,285,759
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	588,854
2001	2,975	521,311,880	896	354,527,042	4,146	336,595,779	1,179	14,962,413	1,227,397,114	511,238
2002	2,846	476,572,494	851	173,707,294	4,302	405,697,860	1,433	20,029,867	1,076,007,515	1,108,038
2003	3,207	536,278,115	693	279,867,295	4,531	356,979,647	1,222	20,013,372	1,193,138,429	1,274,240
2004	3,708	655,382,120	849	398,788,311	4,023	351,762,279	1,291	23,195,687	1,429,128,397	1,649,657
2005	3,794	747,525,151	865	428,627,829	4,431	462,950,966	1,434	24,073,860	1,663,177,806	1,649,657
2006	3,801	758,964,847	620	503,077,069	5,094	553,177,902	1,422	15,722,367	1,830,942,185	1,649,657
2007	5,965	851,544,710	1,453	619,951,806	2,754	267,721,486	1,469	17,293,882	1,756,511,884	1,649,657

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

Source: Metropolitan Government Department of Codes Administration

Of the seven major areas of office development in Nashville, the Central Business District (“CBD”) is by far the largest, with approximately 7 million square feet of leasable space. The CBD saw a year-to-date net absorption of 49,000 square feet of space as of the third quarter of 2007. Office vacancy in the CBD at the end of the third quarter of 2007 was 10.8%, about the same level as the previous year. The CBD has a great deal of office construction both scheduled and underway. SunTrust Plaza, a new 338,000 square foot office building adjacent to the Ryman Auditorium, was 85% leased in December 2007. The Pinnacle at Symphony Place (28-stories, 530,000 square feet) has broken ground in SoBro and is scheduled for completion in 2009. The building will be anchored by the Bass, Berry & Sims law firm and more than half is already leased.

Tourism

Tourism is a major industry in Nashville. The Convention and Visitors Bureau and U. S. Travel Data Center estimate that more than 11 million tourists came to Nashville in 2006 and they spent approximately \$3.8 billion. Music, history, art and generous hospitality attract convention delegates and leisure visitors. Excellent air service combined with geographic location and a superior highway transportation system contribute to the cities success.

2006 saw the opening of the Schermerhorn Symphony Hall in downtown Nashville. The \$123 million concert hall is an acoustic masterpiece that impressed national and international music critics and journalists beginning with the opening concert and adds one more attraction to a city known world-wide as Music City.

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, and performances each day at lunch.

Each year, the Country Music Association coordinates a music festival known as CMA Music Fest. The event includes performances by more than 100 entertainers and groups, autograph sessions and activities directed at the attendees. In 2001, the music festival moved to downtown Nashville and 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 where visitors can see luthiers hand-crafting mandolins. The mall hosts more than 12 million visits annually.

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 (2,200 seats), 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 and has twice been named Pollstar Magazine's venue of the year for the United States. A three block section of the downtown area, called lower Broadway, features bars and clubs known as Honky Tonks. These venues are housed in historic brick buildings and feature "no-cover-charge" live bands performing 15 hours a day, 7 days a week. The close proximity of the Sommet Entertainment Center (20,000 seats) and the LP Stadium to this entertainment district assures good crowds on event days.

The Grand Ole Opry is America's longest running live radio show. The Opry first broadcast in 1925 and the country music variety show now plays in a 4,400 seat theater in the Gaylord Opryland complex a few miles from downtown. Each show features 10 to 20 acts or performers, is delightfully unrehearsed and draws fans from around the world.

The Sommet Entertainment Center, formerly The Nashville Arena, is now in its eleventh year of operation as a premier entertainment facility. The Center is home of the Nashville Predators, an NHL team in its tenth season in Nashville.

The Tennessee NFL Stadium, opened in 1999 and now named LP Field, is the home of the 1999 AFC Champion and 2002 AFC South Division Champion Tennessee Titans and the 1999 OVC Champion Tennessee State University Tigers. Now in its tenth year of operation, 100% of Titans season ticket packages are sold, and the Titans have played every game since the facility opened in front of a sell-out crowd. The Coliseum seats slightly fewer than 69,000 fans.

The Tennessee State Museum, the Cheekwood Botanical Gardens and Fine Arts Center, President Andrew Jackson's Home: The Hermitage, Belmont Mansion, 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 theater and a 300 seat flexible theater.

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 which will feature a state-of-the-art Planetarium opening in 2008. The current Center 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 Parthenon is a full-scale replica of the original in Athens Greece. The reproduction was built to honor Nashville's reputation for education and has attracted visitors since 1897. The recently restored building features a 41' tall gilded statue of Athena. Close ties have been established between Nashville and Athens Greece to market and promote the two complimentary buildings.

The Nashville MSA has more than 280 hotels and motels that offer more than 33,000 rooms. The Gaylord Opryland Resort and Convention Center is the third largest hotel/convention center 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. The hotel recently announced plans to build an additional 400 rooms and 450,000 square feet of exhibit and meeting space.

Below is a history of hotel/motel rooms in Nashville MSA and percentage of occupancy from 1997 through 2006:

HOTEL AND MOTEL ROOMS

Calendar Year	Rooms Available	Occupancy Rate
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
2005	32,983	62.3
2006	33,052	66.2
2007	33056	66.9

Source: Nashville Conventions and Visitors
Bureau

Medical and Cultural Facilities

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

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

A new downtown main library, with over 280,000 square feet, opened in the spring of 2001. With the downtown public library, its 20 community branches, 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 highly anticipated Schermerhorn Symphony Center, named in honor of the late Maestro Kenneth Schermerhorn who led the Nashville Symphony for 22 years, opened in September 2006. Home to the critically acclaimed Nashville Symphony, the Schermerhorn Symphony Center plays host to more than 100 classical, pops, and special concert events each season. In addition, the Nashville Symphony presents recitals, choral concerts, cabaret, jazz, and world music events. With the Schermerhorn Symphony Center's debut, the Tennessee Performing Arts Center, a State cultural facility in Downtown Nashville which contains a 2,442-seat concert hall, a 1,054 seat legitimate theater and a 300 seat flexible theater, is now able to feature a multitude of additional cultural events each year.

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 the 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.

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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 animals from throughout the world.

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.