

**CITY OF MEMPHIS, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal		1
GFOA Certificate of Achievement for Excellence in Financial Reporting		9
City Officials		10
Organizational Chart		11

FINANCIAL SECTION

	Exhibit	Page
Independent Auditors' Report		13
Management's Discussion and Analysis		15
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	A-1	27
Statement of Activities	A-2	29
Fund Financial Statements		
Balance Sheet - Governmental Funds	A-3	30
Reconciliation of the Balance Sheet to the Statement of Net Assets	A-4	31
Statement of Revenues, Expenditures, & Changes in Fund Balances - Governmental Funds	A-5	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6	33
Statement of Net Assets - Proprietary Funds	A-7	34
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	A-8	36
Statement of Cash Flows - Proprietary Funds	A-9	37
Statement of Fiduciary Net Assets - Fiduciary Funds	A-10	38
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	A-11	39
Combining Statements of Major Component Units		
Combining Statement of Net Assets	A-12	40
Combining Statement of Activities	A-13	42

TABLE OF CONTENTS

	Exhibit	Page
Notes to the Financial Statements		44
Required Supplementary Information		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Basis of Budgeting - General Fund	B-1	81
Combining and Individual Fund Statements and Schedules		
General Fund		
Schedule of Revenues and Other Sources - Budget and Actual on Basis of Budgeting	C-1	83
Schedule of Expenditures and Other Uses - Budget and Actual on Basis of Budgeting	C-2	85
Combining Nonmajor Funds		
Combining Balance Sheet	D-1	89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	D-2	90
Combining Schedule of Revenues and Expenditures - Budget and Actual on Basis of Budgeting (with annual budgets)	D-3	91
Combining Schedule of Revenues and Expenditures - Budget and Actual on Basis of Budgeting (with carryover budgets)	D-4	94
Debt Service Fund		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Basis of Budgeting	E-1	95
Combining Internal Service Funds		
Combining Statement of Net Assets	F-1	97
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	F-2	98
Combining Statement of Cash Flows - Internal Service Funds	F-3	99
Combining Fiduciary Funds		
Combining Statement of Net Assets	G-1	101
Combining Statement of Changes in Fund Net Assets	G-2	102
Supplementary Schedule		
Schedule of Delinquent Property Taxes Receivable - All Funds	H-1	103
Schedule of Revenue Bonds - By Issue	H-2	104
Schedule of General Obligation Debt - By Issue	H-3	105
Schedule of General Obligation Debt - By Use	H-4	106

TABLE OF CONTENTS

	Exhibit	Page
Long-term Debt - Principal and Interest Requirements - Proprietary Funds	H-5	107
Schedule of Interfund Balances	H-6	108
Schedule of Interfund Transfers	H-7	109
Schedule of Deposits and Investments Held Outside of the Cash and Investment Pool - Carrying Amount	H-8	110
Schedule of Additions and Retirements to Utility Plant	H-9	111

STATISTICAL SECTION

Government-wide information

Government-wide Expenses by Function	X-1	113
Government-wide Revenues	X-2	114

Fund information

General Fund Expenditures and Other Uses by Function	X-3	115
General Fund Revenues and Other Sources by Source	X-4	116
Local Tax Revenues by Source	X-5	117
Property Tax Levies and Collections	X-6	118
Assessed and Estimated Actual Value of Taxable Property	X-7	119
Property Tax Rates and Levies - All Direct and Overlapping Governments	X-8	120
Special Assessment Collections	X-9	120
Ratio of General Bonded Debt to Appraised and Assessed Values and Bonded Debt Per Capita	X-10	121
Computation of Direct and Overlapping Debt	X-11	122
Ratio of Annual Debt Service to General Expenditures	X-12	123
Revenue Bond Coverage - MLG&W and Sewer Collection and Treatment Fund	X-13	124
Utility Rate Structure and Number of Customers	X-14	125
Schedule of Insurance in Force	X-15	127
Fidelity Bond Coverage	X-16	128
Annual Salaries of City Officials	X-17	129
Principal Taxpayers	X-18	129
Miscellaneous Statistical Data	X-19	130

SINGLE AUDIT

Supplemental Schedule of Expenditures of Federal and State Awards	Y-1	133
Note to the Schedule of Expenditures of Federal and State Awards		136
Auditors' Report on Compliance and on Internal Control Over Financial Reporting		137
Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program		139

TABLE OF CONTENTS

	Exhibit	Page
Schedule of Findings and Questioned Costs		141
Schedule of Prior Year Audit Findings		142

City of Memphis



TENNESSEE

December 29, 2005

To the Mayor, City Council, and Citizens of Memphis:

The Comprehensive Annual Financial Report (CAFR) of the City of Memphis, Tennessee (the City) for the fiscal year ended June 30, 2005 is hereby submitted in accordance with the Memphis City Charter requirement for an independent audit conducted by a certified public accounting firm. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with generally accepted auditing standards. Additionally, the report is presented for compliance with the provisions of the Single Audit Act and related Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Office of Internal Audit supports the internal controls within the City by reviewing and appraising existing accounting and management controls, ascertaining compliance with existing plans, policies and procedures, and ascertaining the reliability of accounting and other data developed within the City.

The City's financial statements have been audited by Watkins Uiberall, PLLC and Banks, Finley, White and Company,

licensed certified public accountants. The independent auditors have issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Memphis is a home rule city under State law, incorporated in 1826. The present Charter was adopted in 1968 and provides for a Mayor-Council form of government. The Charter provides for the election of a mayor and thirteen council members. The City currently occupies a land area of 340.5 square miles and serves a population of 627,806. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

Under the provisions of the City charter, the City Council makes the laws that govern the City. The Council is responsible, among other things, for approving the budget, setting the tax rate and establishing other lawful taxes and fees necessary to secure sufficient revenue to fund the budget as approved. All administrative duties concerning day-to-day operations of city government are the duty and responsibility of the mayor. Each of the various divisions of city government has a director who is appointed by the mayor with the City Council's approval.



FedEx Forum — Courtesy of the Memphis Conventions & Visitors Bureau

The City provides a full range of municipal services including: police, fire, culture/recreation, community development, solid waste management, public works, planning and zoning, sewers, utilities, transit and general administrative services. This report includes the financial statements of the funds of the City and boards and authorities which provide City services and for which the City is financially accountable. "Financial Accountability" is the benchmark used to determine which organizations are a part of the primary government or represent component units of the primary government.

The City evaluates its financial reporting entity in accordance with Government Accounting Standards Board requirements to identify the various organizations as: (1) organizations which are part of the City's legal entity; (2) organizations which are legally separate and for which the City appoints a voting majority of the organizations' government body and the City is either able to impose its will or has the potential of receiving financial benefit or realizing a financial burden from the organization; and (3) organizations that are fiscally dependent on the City. The following organizations are component units of the City and as such are discretely presented (separated from the primary government) in the general purpose financial statements:

- Board of Education of the Memphis City Schools
- Memphis Area Transit Authority
- Memphis and Shelby County Airport Authority

Further explanation of the discretely presented component units and the reasons for their inclusion are provided in the notes to the financial statements.

The following entities are considered to be joint ventures of the City:

- Mid-South Coliseum
- Memphis and Shelby County Convention Center Complex
- Memphis and Shelby County Port Commission
- Public Building Authority of Memphis and Shelby County
- New Memphis Arena Public Building Authority of Memphis and Shelby County

These organizations are also further described in the notes to the financial statements.

The following related organization and jointly governed organizations are excluded from the City's financial statements, as they do not meet the definition of financial accountability as defined by GASB:

- Memphis Housing Authority (related organization)
- Memphis and Shelby County Center City Commission
- Memphis and Shelby County Parking Authority
- Memphis Center City Revenue Finance Corporation
- Industrial Development Board
- Depot Redevelopment Corporation of Memphis and Shelby County
- Sports Authority of Memphis and Shelby County Incorporated

The City administration annually prepares a plan of services for the upcoming fiscal year and the estimated cost of providing these services. This plan is reviewed by the City Council and is formally adopted by the passage of a budget ordinance prior to the end of the fiscal year. The ordinance provides for budgetary control at program levels (i.e., public safety) and division (e.g. police) and said budgets cannot be exceeded without the approval of the City Council. The Mayor has authority to approve transfers between categories (i.e., personnel, materials and supplies) within maximum limits for each transfer and each program. Transfers between programs, however, need authorization by ordinance or resolution of the City Council.



Economic Condition Assessment

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. The Sparks Bureau of Business and Economic Research and the Center for Manpower Studies at The University of Memphis provide an economic overview:

The National Economy

- Consumer spending is a major element in the economy and is driven by consumer attitudes, increases in income, debt and wealth. Consumer confidence is beginning to slip as concerns grow about the absence of job creation, declines in real disposable income in the first quarter (-2.8 percent Q1/05), and increasing amounts of negative economic news. Real personal consumption expenditures were up only 3.3 percent in Q1/05 versus 4.2 percent in Q4/04.
- Personal wealth in the 1990's was primarily driven by high stock prices in most investment portfolios. Unfortunately, stock prices have been weak causing most investment portfolios to show little or no growth since January 2000. In essence, the stock-based wealth effect has stalled or shifted into reverse for many consumers resulting in record levels of debt as consumers continue to finance spending by reducing wealth.
- Interest rate increases are expected to gain momentum as price pressures become more broad-based. Higher interest rates will have a dramatic impact on interest-sensitive sectors of the economy
- Although retail sales were up 8.8 percent for March 2005 versus March 2004, concerns are increasing about the consumer's ability and willingness to continue spending. The new personal bankruptcy laws should constrain spending since debt has become increasingly risky.
- State and local governments across the country, including Tennessee and Memphis, are facing difficult fiscal challenges due to continued spending growth, coupled with slow or declining growth in property tax bases and sales tax revenues. The revenue challenges are due to (1) reduced consumer spending caused by national economic concerns (2) an out-migration of higher income residents and (3) an increase in internet sales that generate few sales tax revenues, including an increase in Voice over Internet Protocol (VOIP) telephone services.
- According to a study by the University of Tennessee Center for Business and Economic Research, online sales soared to \$104 billion in 2003, with state and local governments losing an estimated \$15.5 billion in revenue because they lack the authority to collect sales taxes on e-commerce purchases.
- Tennessee's state tax collections have increased modestly and outpaced budget estimates this year and thereby, have postponed budget shortfall concerns for the State of Tennessee for this fiscal year. However, in the absence of a crisis, the State of Tennessee will not be inclined or in a position to share additional revenues with local cities to address their budget issues.

Harbor Town — Courtesy of Belz Enterprises

Local Economy

The Memphis MSA is comprised of eight counties – Shelby, Tipton, and Fayette, TN; DeSoto, Marshall, Tate, and Tunica, MS; and Crittenden, AR. The City of Memphis contains about 51% of the MSA's population, and Shelby County accounts for slightly more than 73%.

Service industries and service occupations provide a stable platform for the Memphis economy. The small manufacturing base provides some protection from the negative pressure of international competition, outsourcing and cyclical demand fluctuations. Strong expansion in the Education and Health Services sectors and moderate growth in the Leisure and Hospitality sectors have been realized over the last few years. Nevertheless, Memphis' overall employment gains since the 2001 recession have been small due to long-term downturns in the trade, transportation, utilities and professional services sectors.

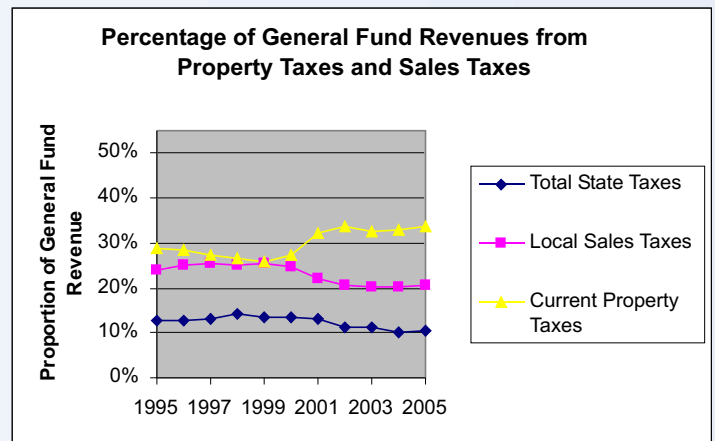
Unemployment Rates (Seasonally Adjusted), 2004-2005

Region	May 2004	May 2005
Memphis MSA	5.7%	6.4%
Tennessee	5.4%	6.2%
United States	5.6%	5.1%

Source: U.S. Bureau of Labor Statistics and Tennessee Department of Labor and Workforce Development.

- While National Employment is reasonably expected to rise by 2 million-plus jobs in 2005, the State of Tennessee has experienced slow growth of employment opportunities since the 2001 recession. Memphis' unemployment rate increased to 6.4% in May 2005 up from 5.7% in May 2004. As the national economy continues to rebound and major local job creation initiatives are implemented, the unemployment situation in Memphis should improve.

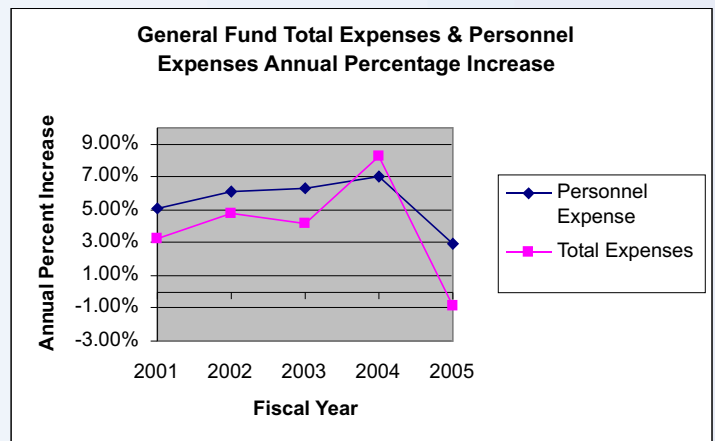
The chart below shows that Memphis' Current Property Taxes and Local Sales Tax maintained rough parity as the two largest single revenue sources through fiscal year 2000. Since then, there has been a growing dependence on the property tax as both Local Sales Taxes and State Shared Taxes have trended downwards.



Rising energy prices, healthcare costs and employment costs remain an issue nationally and locally.

Policy makers are concerned with cost-push inflation since employment costs represent about two-thirds of total costs of production/service. During the past five years, the City's personnel costs increased 5-7% annually until FY2005 and increased as a percentage of total general fund expenses from 64% in 2000 to 69% in 2005. City managers executed spending cuts and a temporary

layoff in 2005 in an attempt to contain personnel costs and decrease the FY2005 budget deficit. A windstorm contributed significantly to the substantial increase in expense in fiscal year 2004.



Housing sales continue to be strong despite rising interest rates. However, the rate increases have caused building permits for single-family houses to decrease by 25.7 percent from February 2004 to February 2005. Nevertheless, Local home sales remained strong with a 7.2 percent increase in sales and an increase in average sales price of 5.2%.

The Arcade Restaurant — Courtesy Everett Williamson



Home Sales in Memphis, February 2004 - 2005

	<u>2004</u>	<u>2005</u>	<u>Percent Change</u>
Total Home Sales	1,072	1,149	7.2%
Median Sales Price	\$127,000	\$127,500	0.4%
Average Sales Price	\$150,100	\$157,900	5.2%
Monthly Sales Volume	\$160.9 million	\$181.0 million	12.5%
Active Listings	7,910	8,058	1.9%

Source: Memphis Area Association of Realtors Multiple Listing Service.

Recent Developments:

- Downtown housing continues to thrive. Some 204 units representing a \$49 million investment and another 158-unit conversion were announced earlier in the year.
- Hotel occupancy is experiencing a modest rise, with downtown registering a robust occupancy of 68.2 percent.
- The new Tennessee National Guard base at Memphis International Airport is expected to have a \$104 million economic impact over the next two years and add some 100 skilled aviation mechanics.
- International Paper has relocated its forest products division, adding 200 management and 100 administrative support staff.
- Expansion plans were announced by Rich Products, Menlo Logistics, Burlington Northern-Santa Fe and Smith-Nephew totaling \$140 million and nearly 1,000 new jobs.
- Intermodal Bridge Transport, Maines Paper and Food Service, Quality Packaging Specialist, and Thermoforming began operations in Memphis, adding 450 jobs.

Long-term financial planning. During fiscal year 2005, several mission critical actions (hiring/travel freezes, suspension of overtime, limited spending on materials & supplies, etc.) were implemented for cost containment/expense reduction purposes, but, alone these are short-term solutions and does not take the place of long-term planning. The City of Memphis has developed a multi-year Austerity Strategy to ensure that its long-term financial position remains fiscally sound. Given the economic realities, the City government must identify opportunities to operate more effectively and efficiently. To this end, a comprehensive assessment and review of the City's financial position, organizational structure, technological systems and processes will be conducted. The Austerity Strategy will focus on the following areas:

- Revenue Generation
- Operational Efficiency
- Cost Containment
- Managing Key Assets (Capital Improvements)
- Developing Five-Year Strategic Financial and Management Plan
- Improving Bond Rating
- Increasing/Sustaining Reserve Levels
- Identifying Key Performance Indicators
- Developing Growth/Economic Development Plan

Moreover, incorporated in the Austerity Strategy is the need for organizational and structural changes to meet future challenges. In order to meet the City's strategic goals, enhance communication at all levels, maintain fiscal soundness, maximize productivity and improve operational efficiencies the City government will be re-organized and re-aligned based on divisional functions (e.g. support versus program/service delivery roles/responsibilities).



In addition, internal and external teams will be formed to identify opportunities in the following areas: human resources/personnel, procurement, information technology, asset management, collections, fleet management, administrative policy, joint/shared services, and others formed as needed. The city is working with the Chamber and Memphis Tomorrow to create a "Growth Strategy" that will ideally enhance the city's overall growth, tax base and wages. The city will issue RFP's to conduct in depth studies of the Police Dept. and Fire Services to ensure maximum efficiency of both departments, including staffing, placement of fire stations, etc. The Austerity Strategy will provide the framework for a holistic approach to the City's long-term planning initiatives.

Within the next five years, we envision a model city government based on proven business principles that support the facilitation and execution of the City's fiscal and operational goals.

Relevant Financial Policies

The City of Memphis is in the initial stages of preparing for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting for Employers for Post-employment Benefits Other than Pensions. The statement provides for recognition of the cost of other post-employment benefits (OPEB) over employees' service periods, similar to the treatment required for pension costs.

Long-term obligations associated with OPEB costs will become a required disclosure for Memphis, effective July 1, 2007. Other required disclosures, per GASB Statement No. 45, include identifying the contributions made in comparison to OPEB costs, changes in net OPEB obligations, funding progress during the current year and the two previous years, and the actuarial valuations and assumptions used.

Planning meetings have been held with the City's actuarial consultant and health plan advisor to begin developing the City's implementation strategy. The initial steps will include identifying and reviewing all OPEB offerings and evaluating the potential financial impact of the change based on existing plan benefits. Currently, the City funds the cost of retiree health care benefits on a pay-as-you-go basis.

Major Initiatives In addition to the annual operating budget, the City also adopts a Capital Improvement Program (CIP) that is a multi-year plan for capital expenditures to replace and expand the City's infrastructure, vehicles and equipment. The program is updated annually to reflect the latest priorities, updated cost estimates and available revenue sources. Various sources of revenue include general obligation bonds, federal grants, state grants and private funds. Results of the Memphis Poll are used to help identify priorities and concerns of citizens. Projects are reviewed based on need, impact on the area, quality of life in our neighborhoods and the general economic climate of the City. Highlights of the CIP budget plan for 2006-2010 are:

- The Fire Division's budget includes the replacement of pumpers and aerial trucks, an ongoing program for fire station repair and/or replacement, and personal protective equipment for the City's firefighters.
- The Police Division's budget includes renovations to the old Police Headquarters building, a new helicopter, and a video recording system for patrol vehicles. The Police expansion plan continues with funding for the Traffic Precinct, Hickory Hill Precinct, West Precinct relocation Downtown Precinct, and the Vehicle Storage Facility. Construction of a 911 facility also is included in the funding. All of these projects continue Mayor Herenton's investment in public safety efforts to reduce crime and make our neighborhoods safer.
- The Parks Division's budget includes improvements at neighborhood parks and playgrounds throughout the city. Community Center improvements are planned for Riverview, Charles Powell, Whitehaven and Gaisman. New aquatic centers are planned for Charles Powell and Glenview.
- The Memphis and Shelby County Health Department plans to construct a new facility to replace the aging Forensic Center. Other projects include upgrading and replacing equipment and systems that are critical to the delivery of health care to the citizens of Memphis.

- Memphis and Shelby County Public Libraries' budget includes renovations and improvements to existing Parkway Village, Frayser and downtown libraries. Funding for an upgrade to existing computer technology also is included.
- The Memphis Area Transit Authority's capital improvement budget includes fleet replacements, facility improvements and the Regional Rail Plan that will connect various areas of Memphis to downtown via light rail.
- Riverfront Development's budget includes the implementation of the Riverfront Master Plan to be coordinated by the Riverfront Development Corporation.
- The Public Works Division's budget includes paving 227 lane miles of streets each year for five years. Other projects include ADA compliant wheelchair ramps on corners at intersections throughout the city, maintenance of streets and bridges, and major improvements to roads and drainage systems. The Sewer Fund capital budget includes the repair and replacement of sewer infrastructure, the establishment of new sewer connections and improvement to the treatment plants.
- The Public Services and Neighborhoods Division's budget includes projects designed to improve neighborhoods. Their CIP budget includes relocation and expansion of the Animal Shelter and the construction of a new vehicle inspection station to serve the growing population. In addition, \$3.5 million over a two year period is budgeted for the Memphis Biotech Foundation. Also planned is a renovation of old Fire Station #11 to serve as a new site for the Memphis Sexual Assault Resource Center.
- The General Services Division's budget includes projects for improvements to City property and energy modifications and renovations to City-owned facilities. ADA compliance funding also is included.
- Housing and Community Development/MHA's budget includes a \$36.1 million loan to MHA for improvement, construction and targeted neighborhoods.
- The Engineering Division's budget includes the purchase of traffic signals, advance planning for capital projects, traffic calming devices and design for an Engineering Support Facility. Engineering also coordinates Urban Art projects.
- Information System's budget includes projects to upgrade the City's Information technology infrastructure and for an IT disaster recovery system.

Peabody Place, Downtown — Courtesy of Belz Enterprises



Enhancements to the City's Capital Planning Process

It is the role of the Finance Division to provide financing strategies to assist in developing a plan to fund the capital improvement needs of the City. A key element of the new strategy includes a comprehensive review and assessment of the City's Capital Improvement Program (CIP) to ensure the coordination of the City's planning initiatives, financial capacity and environmental/physical development are in sync. The City's CIP must have a capital budget which includes a spending plan for the upcoming year and a capital program which includes a plan for capital expenditures that extend up to five (5) years and beyond. The success of the capital improvement program depends on the broad participation and cooperation of the City's divisions and quasi city agencies. In addition, the CIP must be linked to the operating budget.

The benefits of a successfully managed CIP include preservation of capital assets, improvement of infrastructure, better coordination of capital needs and operating budgets, stabilization of debt costs and improvement of the City's credit rating. In order to develop an effective capital improvement program, a CIP Committee has been established for planning and oversight purposes. The committee responsibilities include, but are not limited to the following:

- Identify and determine status of previously approved projects and funding sources for each project.
- Evaluate the merits of division/department requests for CIP projects and equipment.
- Establish a priority list of capital need projects and a timeline for completion.
- Create a CIP funding plan that designates a revenue source/method of financing for each proposed project.
- Submit CIP funding plan to Mayor and City Council to include next year's capital budget and capital expenditure plan for the next four (4) years.
- Develop MOU with Memphis City Schools, Memphis Area Transit Authority and MLGW to facilitate joint planning and coordination of efforts related to major capital projects.

The following analysis of capital expenditures for capital improvement projects will be initiated:

A review of Capital Improvement Projects will be undertaken to insure that all major capital expenditures are not only necessary and appropriate but fall into categories which include: (list not all inclusive)

1. Critical Maintenance
2. Major Development/New Construction Initiatives
3. Infrastructure
4. Vehicle and Equipment Acquisition

Furthermore, Capital Improvement Projects will be prioritized and coordinated with the plans of other public entities and resources will be leveraged with other major projects being developed in both the public and private sectors.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Memphis for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This was the 28th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The City of Memphis FY2004 Citizens' Report earned the Popular Annual Financial Reporting Award. The City also received GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2005, the 7th consecutive year for this award.

The preparation of this report could not have been accomplished without the dedicated efforts of the staff of the City's Finance Division and the City's independent public accountants, Watkins Uiberall, PLLC and Banks, Finley, White and Company. We wish to express our appreciation to both, with particular thanks to Patrice Thomas, CPA, Comptroller, Vickie Lewis, Deputy Comptroller, and the Accounting staff.

Respectfully submitted,

Robert Lipscomb
Chief Financial Officer



Roland McElrath, CPA
Director of Finance



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Memphis, Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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CITY OF MEMPHIS, TENNESSEE

CITY OFFICIALS

Willie Herenton, Mayor

CITY COUNCIL

Edmond Ford, Chairman (District 6)

Joe W. Brown	District 8-1	Tom Marshall	District 9-2
Carol Chumney	District 5	Rickey W. Peete	District 8-2
Dedrick Brittenum	District 4	Jack Sammons	District 9-3
E.C. Jones	District 1	TaJuan Stout-Mitchell	District 3
Myron Lowery	District 8-3	Barbara Swearengen-Holt	District 7
Scott McCormick	District 9-1	Brent Taylor	District 2

COURTS

Thomas Long	City Court Clerk
Earnestine Hunt Dorse	City Court Judge - Division 1 (Administrative Judge)
Jayne R. Chandler	City Court Judge - Division 3
Tarik B. Sugarmon	City Court Judge - Division 2

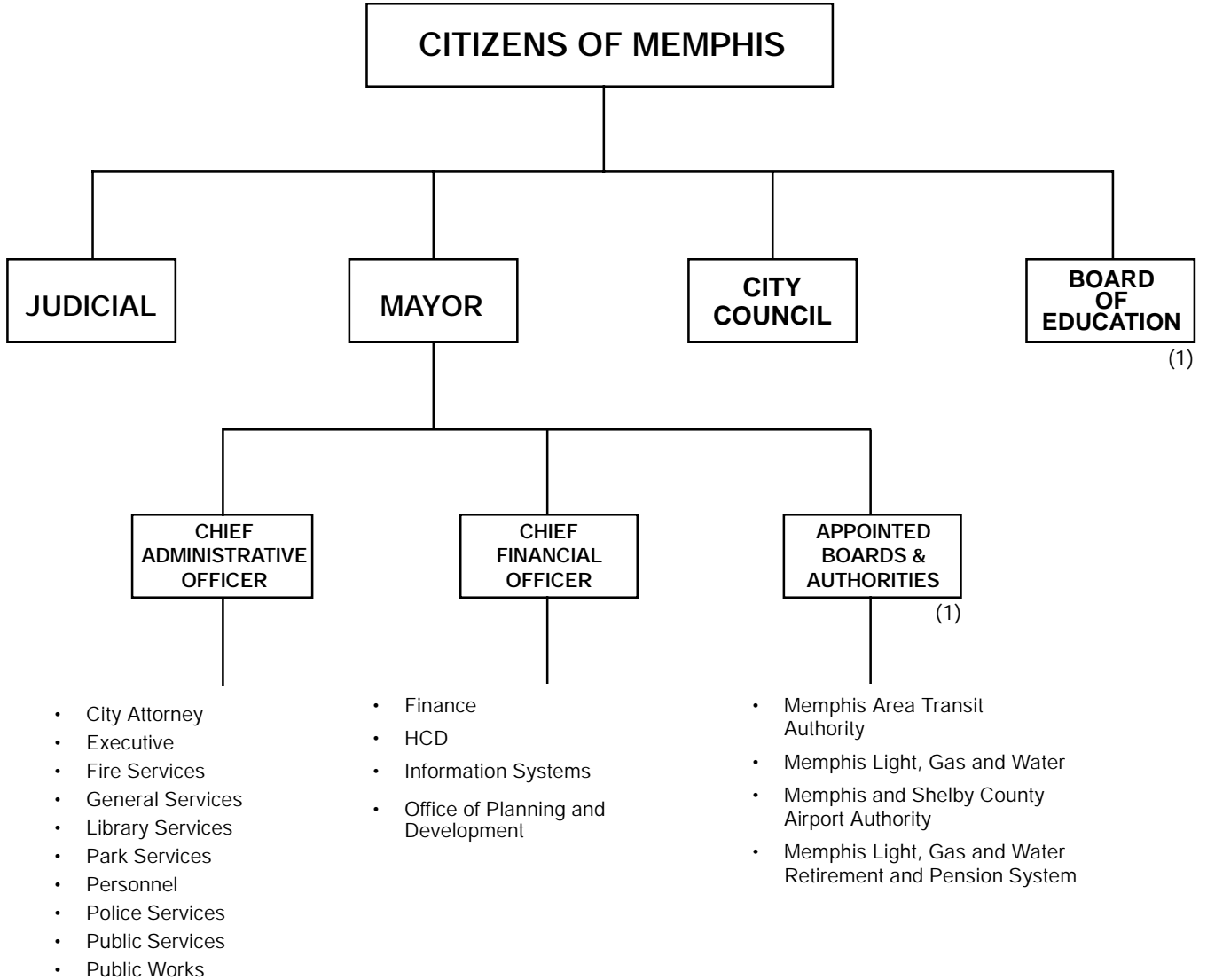
ADMINISTRATIVE

Keith L. McGee	Chief Administrative Officer
Robert Lipscomb	Chief Financial Officer and Director, Housing and Community Development
Bob Fouche	Director, Park Services
Judith Drescher	Director, Library Services
Lorene Essex	Director, Human Resources
Cynthia Buchanan	Director, General Services
Sara Hall	City Attorney
Jerry Collins	Director, Public Works
Roland McElrath	Director, Finance and Administration
Joseph Lee, III	President, Memphis Light, Gas and Water Division
Rick Copeland	Director, Office of Planning and Development
Richard Arwood	Director, Fire Services
Larry Godwin	Director, Police Services
Keenon McCloy	Director, Public Services
Wain Gaskins	City Engineer

CITY OF MEMPHIS, TENNESSEE

ORGANIZATION CHART

PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS



(1) The Board of Education and the appointed boards and authorities for Memphis Area Transit Authority and Memphis and Shelby County Airport Authority are legally separate from the primary government. These component units are discretely reported in a separate column in the combined financial statements to distinguish them from the primary government. Memphis Light, Gas and Water and Memphis Light, Gas and Water Retirement and Pension System are reported as part of the primary government. Certain other boards and commissions not listed above do not meet the definition of component units as presented in GASB Statement 14. These entities are further explained as related organizations, jointly governed organizations, and joint ventures in the Letter of Transmittal and Note 1 of the notes to the financial statements.

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Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Independent Member of BKR International



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Memphis, Tennessee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Memphis, Tennessee, (the "City") as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Memphis-Shelby County Airport Authority, which represents \$1,143,924,000 and \$138,678,000, respectively, of the assets and revenues of the component units. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Memphis-Shelby County Airport Authority is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test, basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005 on our consideration of the City's internal control over financial reporting and on

our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Memphis, Tennessee
December 9, 2005

Wathino Libecoff, PLLC
Banks, Finley, White & Co.

Management's Discussion and Analysis

As management of the City of Memphis, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The primary government's total net assets increased by \$19,025 and exceeded its liabilities at June 30, 2005 by \$1,856,965 (net assets).
- At June 30, 2005, the City's business-type activities – enterprise funds reported ending net assets of \$1,681,767. The City's governmental funds reported an ending fund balance of \$5,349. The business-type activities-enterprise funds net increase in net assets and the governmental funds net decrease in fund balance from prior year was \$51,734 and \$39,568, respectively.
- At June 30, 2005, the fund balance for the general fund was \$1,212, a decrease of \$25,190 from the prior year. Reduction in funding by the State of Tennessee in recent years, a decline in the collection of local sales tax revenues and a reduction in telecommunication franchise fees due to a legal challenge contributed significantly to the reduction in fund balance. In spite of the challenging fiscal conditions, the City's swift and decisive action to reduce operating expenses offset a portion of potential losses. To further minimize losses and to improve the current financial position of the City, in financial year 2006, management implemented additional cost reduction measures, quarterly financial reviews, restructured its long-term debt, and significantly reduced planned capital expenditures.
- The City's total debt increased by \$69,727 or 2.7% during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide greater detail of data presented in the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the year ended June 30, 2005. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community services, transportation and environment, and education. The business-type activities of the City include the operations of the regional sewer collection and treatment facilities, the distribution of electricity, gas and water, and the operation of City golf courses.

The government-wide financial statements include not only the City (the primary government), but also the Board of Education of the Memphis City Schools, Memphis Area Transit Authority, and the Memphis-Shelby County Airport Authority, each of which is a legally separate entity for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements are presented as Exhibits A-1 and A-2; component unit financial statements are presented as Exhibits A-12 and A-13.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All City funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for its major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

The City adopts an annual appropriated budget for its general, special revenue (except Workforce Investment Act Fund, Community Service Fund, Central Business Improvement District Fund, Community Redevelopment Agency Fund, and Education Fund), and debt service funds. Budgetary comparison statements are provided to demonstrate compliance with this budget.

The basic governmental fund financial statements, including reconciliation to the government-wide Statements of Net Assets and Activities, are presented as Exhibits A-3 through A-6.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer collection and treatment facilities, the distribution of electricity, gas and water, and operation of City golf courses. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its printing and supply services, self insurance for health benefits, self insurance for unemployment benefits, and operations and maintenance of City vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer collection and treatment facilities and the distribution of electricity, gas and water, both of which are considered to be major funds of the City; and operations of City golf courses, a nonmajor fund. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements.

The basic proprietary fund financial statements are presented as Exhibits A-7 through A-9.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary

funds. The actuarially determined net pension asset (negative NPO) is reported in the government-wide statement of net assets as governmental activities.

The basic fiduciary fund financial statements are presented as Exhibits A-10 and A-11.

Notes to the Financial Statements. The notes which follow Exhibits A-1 through A-13, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Information concerning the City's progress in funding its obligation to provide pension benefits to its employees is included in the notes to the financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required disclosure concerning the City's progress in funding its obligation to provide pension benefits to its employees is included in the notes to the financial statements. Required supplementary information is presented as Exhibit B-1.

Combining and Individual Fund Statements and Schedules. Combining schedules provide detail in connection with non-major governmental funds and internal service funds referred to earlier. Individual fund statements provide greater detail, presented on the basis of budgeting (encumbrances included with expenditures) for the General Fund, non-major special revenue and capital projects funds, and debt service fund. Capital Asset schedules present information concerning the categories of assets, function and service provided, source of funding and additions and deductions during the year. Combining and individual fund statements and schedules are presented as Exhibits C through H.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$1,856,965 at June 30, 2005.

By far, the largest portion of the City's net assets (91.8%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's

Condensed Statement of Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 752,764	805,706	1,026,892	1,990,548	1,779,656	2,796,254
Capital assets	1,052,227	1,123,238	2,642,752	1,617,132	3,694,979	2,740,370
Total assets	1,804,991	1,928,944	3,669,644	3,607,680	5,474,635	5,536,624
Long-term liabilities outstanding	825,823	921,191	1,709,314	1,528,206	2,535,137	2,449,397
Other liabilities	761,044	832,555	330,462	397,707	1,091,506	1,230,262
Total liabilities	1,586,867	1,753,746	2,039,776	1,925,913	3,626,643	3,679,659
Net assets:						
Invested in capital assets, net						
of related debt	272,199	269,490	1,388,651	1,434,661	1,660,850	1,704,151
Restricted	120,908	81,491	89,222	90,115	210,130	171,606
Unrestricted	(174,983)	(175,783)	151,995	156,991	(22,988)	(18,792)
Total net assets	\$ 218,124	175,198	1,629,868	1,681,767	1,847,992	1,856,965

Condensed Statement of Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues:						
Program Revenues:						
Charges for services	\$ 68,877	58,307	1,296,067	1,417,632	1,364,944	1,475,939
Operating grants and contributions	89,832	57,424	22,268	22,675	112,100	80,099
Capital grants and contributions	1,598	3,785	7,344	4,544	8,942	8,329
General revenues:						
Local taxes	526,433	527,453	-	-	526,433	527,453
State taxes (local share)	68,806	75,441	-	-	68,806	75,441
Hotel/motel tax	3,706	3,936	-	-	3,706	3,936
Unrestricted investment earnings	1,236	-	17,840	61,792	19,076	61,792
Other	34,330	33,342	-	-	34,330	33,342
Total revenues	794,818	759,688	1,343,519	1,506,643	2,138,337	2,266,331
Expenses:						
General government	159,005	187,105	-	-	159,005	187,105
Public safety	310,624	318,106	-	-	310,624	318,106
Community services	154,950	107,129	-	-	154,950	107,129
Transportation and environment	71,821	59,523	-	-	71,821	59,523
Education	84,465	85,144	-	-	84,465	85,144
Interest on long-term debt	42,443	37,142	-	-	42,443	37,142
Sewer collection and treatment	-	-	45,201	50,512	45,201	50,512
Memphis Light, Gas and Water	-	-	1,265,411	1,398,375	1,265,411	1,398,375
Golf	-	-	4,589	4,270	4,589	4,270
Total expenses	823,308	794,149	1,315,201	1,453,157	2,138,509	2,247,306
Increase in net assets before transfers	(28,490)	(34,461)	28,318	53,486	(172)	19,025
Transfers	1,588	1,587	(1,588)	(1,587)	-	-
Increase (decrease) in net assets	(26,902)	(32,874)	26,730	51,899	(172)	19,025
Net assets - July 1, as restated	245,026	208,072	1,603,138	1,629,868	1,848,164	1,837,940
Net assets - June 30	\$ 218,124	175,198	1,629,868	1,681,767	1,847,992	1,856,965

investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (9.2%) represents resources that are subject to external restrictions on how they may be used. The remaining negative balance of unrestricted net assets (-1.0%) for governmental activities is reflective of the City's practice of maintaining adequate reserves for payment of debt service and capital projects, while funding current operations with current revenue sources.

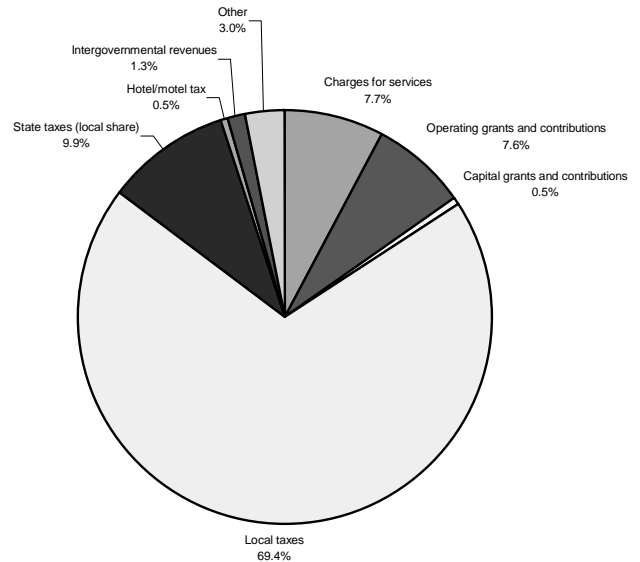
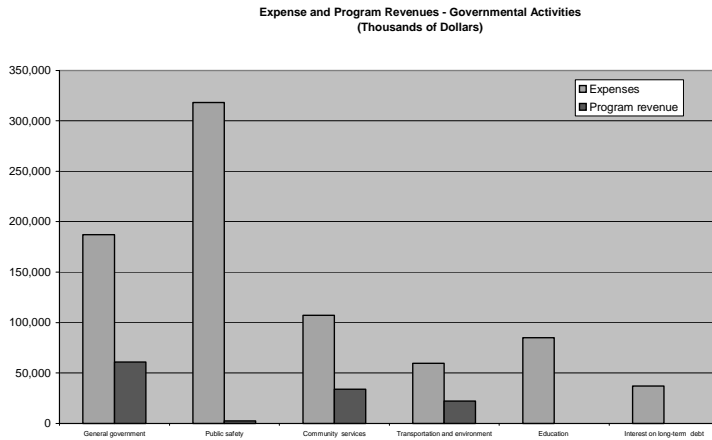
At June 30, 2005, the City reports positive balances in all three categories of net assets for its business-type activities and two categories of net assets for its governmental-type activities.

Governmental activities. Governmental activities decreased the City's net assets by \$32,874 and Business-Type activities increased net assets by \$51,899, thereby resulting in a 1% increase in total primary government's beginning net assets. Key elements of the governmental activities are discussed below:

- Total expenses decreased by \$29,159 or 3.5% from last year. However, total revenues also decreased by \$35,130 or 4.4% over last year.
- Significant decreases in expenses from prior year were realized in transportation and environment (17.1%), interest on long-term debt (12.5%) and community services (30.9%).

- A decrease of 36.1% in Operating grants and contributions contributed significantly to the overall decrease in revenue for fiscal year 2005. Much of the grants and contributions revenue in the prior year related to expense reimbursements, resulting from an unanticipated windstorm in July 2003, provided by the Federal Emergency Management Agency (FEMA).
- Beginning net assets of the governmental activities were restated by \$10,052 for corrections made to the Capital Projects Fund.

Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City’s net assets by \$51,899, accounting for 2.8% growth in the government’s beginning net assets, thereby offsetting nearly by a two to one ratio the 1.8% decrease resulting from governmental activities. The following element was key to the increase:

- In late 2003, MLGW issued \$1.4 billion Subordinate Revenue Bonds to prepay for electricity with TVA, resulting in the largest municipal bond issue in the history of the State of Tennessee. Unrestricted investment earnings were up 246% due primarily to MLGW’s \$46.0 million increase in amortization of the prepaid power cost.

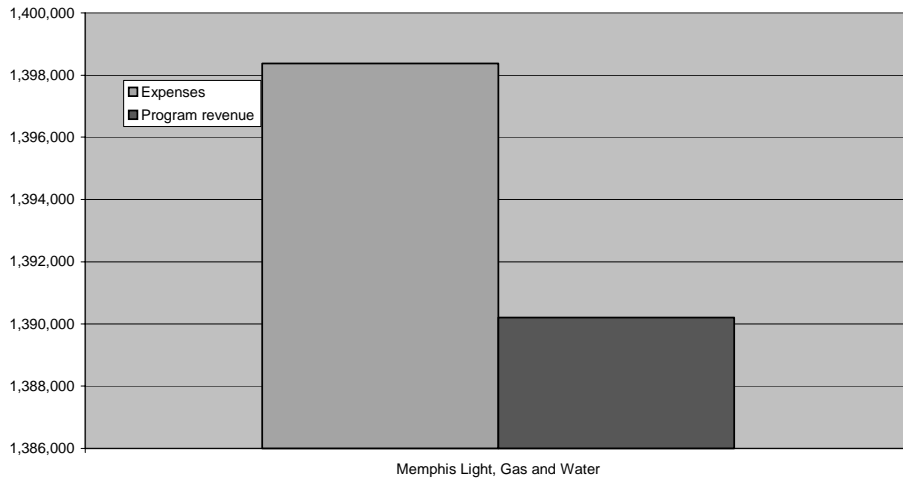
Financial Analysis of the Government’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

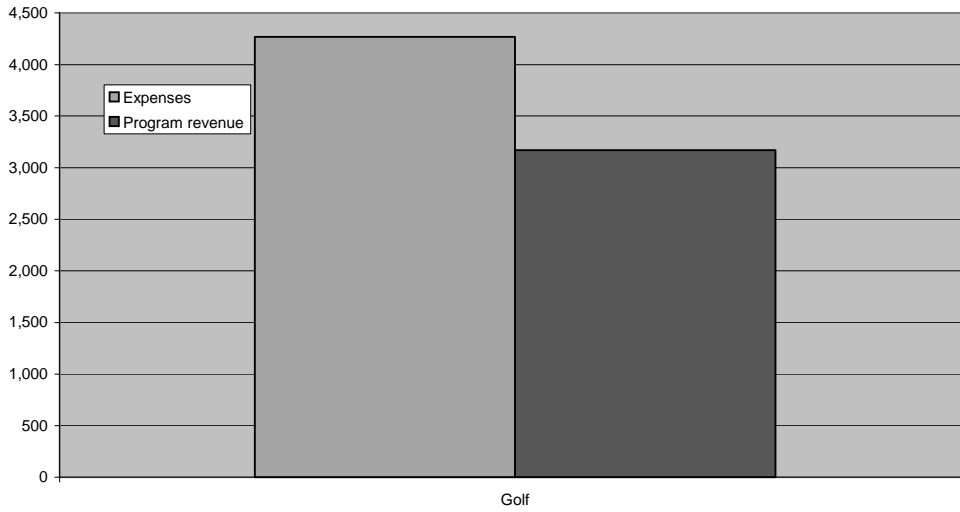
Governmental funds. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of June 30, 2005, the City’s governmental funds reported combined ending fund balances of \$5,349, a decrease of \$39,568 in comparison with the prior year. Less than 1% of this total amount \$37 constitutes unreserved fund balance, which

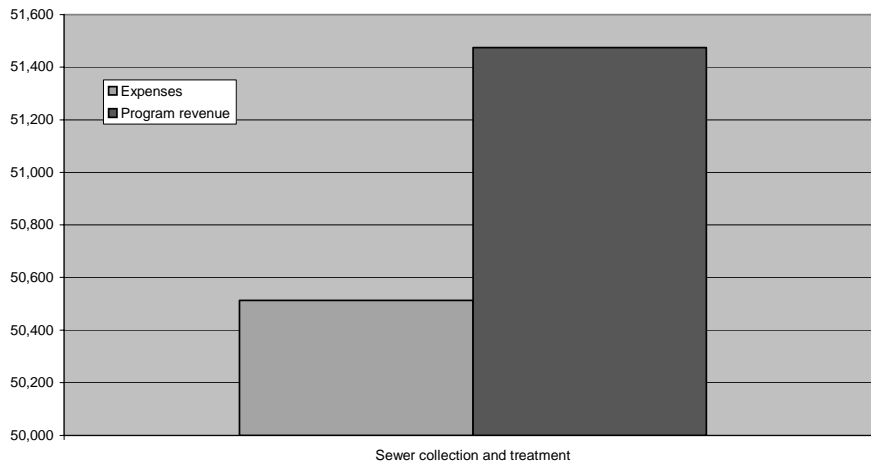
Expenses and Program Revenues - Business-type Activities
 (Thousands of Dollars)



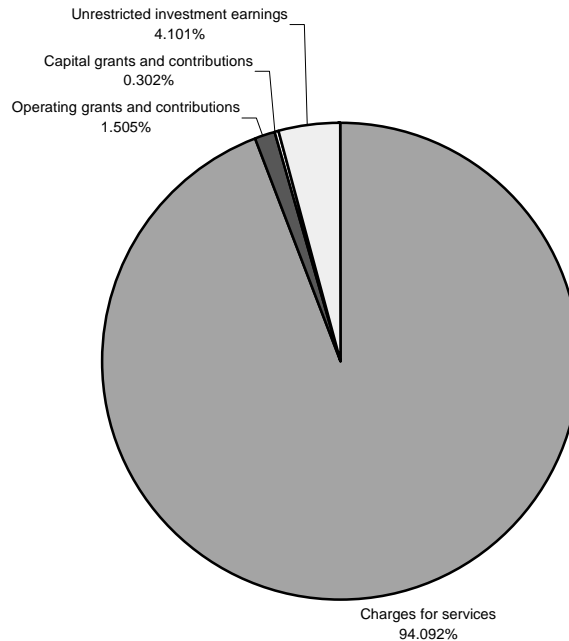
Expenses and Program Revenues - Business-type Activities
 (Thousands of Dollars)



Expenses and Program Revenues - Business-type Activities
 (Thousands of Dollars)



Revenues by Source - Business-type Activities



is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$3,912) or for special services (\$1,400).

The general fund is the chief operating fund of the City. At June 30, 2005, total fund balance of the general fund was \$1,212, while unreserved fund balance was a negative (\$4,100). As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total general fund balance represents .2% of the fund expenditures. Unreserved fund balance represents a negative .8% of total general fund expenditures.

The fund balance of the City's general fund decreased by \$25,190 during the fiscal year ended June 30, 2005. The following are key factors in this reduction:

- Total Expenditures increased by \$651, which is less than 1% over last year. Revenues also decreased by 2,195 or .46% below last year and significantly lower than budgeted for the year.
- As a result of fiscal year 2004's shortfall, cost saving measures were implemented in fiscal year 2005. Significant decreases in expenditures totaling \$12,706 were realized in the areas of general government, community services and transportation and environment. However, these cost savings were eclipsed by public safety's increase in expenditures over prior year of \$13,357. Fire's and Police's personnel expenditures increased from prior year by \$7,543 and 3,758, respectively, primarily as a result of overtime compensation.
- Although local and state shared taxes increased slightly over last year by \$6,005, these revenue gains were overshadowed by a decrease of \$8,398 in state grant revenue this year. Last year's grant revenue was elevated due to reimbursements from the 2003 windstorm.
- The general fund's operating transfers out decreased by \$12,680 or 36.4% primarily as a result of a decrease in transfers out to the Solid Waste Management Fund. As a significant portion of the windstorm expenditures in fiscal year 2004 were recorded in the Solid Waste Management Fund, the general fund recorded a large transfer out to the Solid Waste Management Fund in Fiscal Year 2004 to cover the additional expenditures.

Detail for other governmental funds, including special revenue funds and the education fund are presented in Exhibits D-1 and D-2. The following significant changes from fiscal year 2004 are summarized:

- As the Education Fund did not meet the minimum criteria as defined by generally accepted accounting principles (GAAP) for mandatory major fund reporting this year, the fund is reported as a non-major fund. However, unlike prior years, the Capital Projects Fund did meet the minimum requirements and is reported as a major fund this year.
- The New Memphis Arena Fund (FedEx Forum) revenue and expenditures decreased by 21.9% and 29.3%, respectively. This decrease is the result of the City making its final payment to the fund in fiscal year 2004 and the state making a final payment of \$5,584 of its total \$20,000 commitment in fiscal year 2005. This fund also reports the collection and disbursement of certain revenues related to the bonds issued by the Sports Authority for construction of the arena and the State's participation in the project.
- Solid Waste Management Fund expenditure's decreased by \$8,465, down to a level consistent with years prior to the windstorm.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of \$156,926, comprised primarily of \$158,277 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system and a negative \$4,788 unrestricted net asset for the Sewer Collection and Treatment Fund. In order to maintain adequate fund balance reserves, the Sewer fees were increased for the first time in 22 years on July 1, 2004. However, Memphis' sewer fees remain among the lowest of the largest cities in the United States. Both the Sewer Fund and MLGW are assessed an in-lieu-of tax payment with all proceeds allocated to the General Fund, except for the Water Division payment, which is part of the financing arrangement for the New Memphis Arena. The remaining \$3,437 represents unrestricted net assets of the golf fund.

General Fund Budgetary Highlights

The original operating budget for fiscal year 2005 did not anticipate any use of unreserved fund balance. In a persistent sluggish economy at the national, state and local levels, the City experienced significant revenue shortfalls, particularly in state and local sales taxes. In response to these revenue impacts, the City delayed hiring and imposed spending restriction on materials and supplies. Most divisions ended fiscal year 2005 with expenditures below budget. Differences between the original budget and the final amended budget are briefly summarized:

- General Fund actual expenditures were under budget by \$6,422. However, revenues were \$30,070 below final budget.
- The most significant revenue shortfall related to the \$23,246 variance in local tax revenue resulted primarily from (1) property tax appeals, refunds and errors in assessments processed in fiscal year 2005; (2) the sharp decline in franchise fees paid by telecommunications companies that provide telephone/telecommunication services and equipment to subscribers; and, (3) the decline in MLGW's in lieu of tax average revenue and net plant value. Revenues were also adversely affected by a reduction in the local share of State Taxes. The State Tax variance of \$3,284 is attributed primarily to the State Hall income tax cut (enacted by the Ominous Budget Bill of 2003) and stagnant state sales tax growth.
- The slowdown in hiring implemented early in fiscal year 2005 contributed significantly to the positive budget to actual variance in expenditures.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$2,740,099 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, highways, and other infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 3.7% (a 6.7% increase for governmental activities and a 1.6% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Opened Countrywood Fire Station.
- Opened and/or expanded the Hickory Hill, Cordova and Skinner Community Centers.
- Improvements to Overton, Martin Luther King and Cordova Parks.
- Continuing improvement and maintenance of streets.

Additional information on the City's capital assets can be found in Note IV (D) .

Condensed Statement of Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2004	2005	2004	2005	2004	2005
Land and buildings	\$ 375,984	430,317	53,771	55,248	429,755	485,565
Improvements other than buildings	336,872	571,567	206,053	248,942	542,925	820,509
Equipment	33,764	79,438	2,792	2,683	36,556	82,121
Construction in progress	305,608	41,916	48,440	2,981	354,048	44,897
Memphis Light, Gas and Water	-	-	1,279,469	1,307,278	1,279,469	1,307,278
Total	\$ 1,052,228	1,123,238	1,590,525	1,617,132	2,642,753	2,740,370

2004 has been restated.

Long-term debt. At June 30, 2005, the City had total bonded debt outstanding of \$2,626,292. Of this amount, \$1,011,509 comprises debt backed by the full faith and credit of the government, inclusive of self-supporting debt of the Board of Education and Airport Authority; and, \$1,606,517 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt increased by \$69,727 (2.7% percent) during fiscal year 2005. Total debt includes state loans, general obligation bonds, bond anticipation notes, capital outlay notes, capital lease obligations, and revenue bonds. Governmental activities' total debt increased by 6.9%, while business-type activities' debt increased by less than 1%.

The City has long held a high-grade bond rating on indebtedness from the major credit rating services. As of June 30, 2005, the City held ratings of Aa2 from Moody's, and AA from both Standard and Poor's and Fitch Investor Service. Among the factors most commonly cited by these firms in support of the credit rating assigned to the City's general obligation bonds include a stable and expanding economic climate, broad revenue base, moderate debt burden and well-managed finances. In addition, the City has maintained good relations with the ratings services and the major investment institutions through comprehensive disclosure of financial data and direct meetings with rating agency officials. The City continues to follow prudent fiscal policies and practices while expanding its financial base.

The City's full faith and credit and unlimited taxing power has been pledged to the payment of general obligation debt principal and interest. There is no legal limit on the indebtedness which may be incurred.

In October 2004, The City issued \$125,000 of General Improvement Bonds to be used for the construction of the City's capital facilities. The City issued General Improvement Bonds of \$166,880 in March 2005 and \$115,635 in May 2005 to refund previously issued General Improvement Bonds. The City's Commercial Paper Program provides for the sale of bond anticipation notes to provide interim financing of various capital projects and to pay the principal of maturing debt.

Last year, the Electric Division of Memphis Light, Gas and Water issued \$1.4 billion of bonds for the prepayment of electricity. Note that the prepayment debt did not adversely impact the financial position of the Electric Division as the annual expense for debt service is a substitution for a part of power costs. All other debt were defeased, excluding Series 2002 revenue refunding bonds in the amount of \$37 million with seven years remaining. Moody's Investors Service, Fitch, and Standard and Poor's Ratings issued ratings on all MLGW Electric Division's debt of Aa3, AA and AA, respectively. The water division's debt maintained AAA ratings from both Standard and Poor's and Moody's. More information is available in MLGW's separately issued financial statements. Separate financial statements for MLGW are issued as of and for its year-end December 31, and can be obtained by writing to MLGW Financial Statements, P.O. Box 430, Memphis, Tennessee 38101-0430.

Additional information on the City's long-term debt can be found in Note IV (G).

Condensed Statement of Outstanding Debt

General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2004	2005	2004	2005	2004	2005
State Loans	\$ -	-	1,108	192	1,108	192
General obligation bonds	814,360	882,312	-	-	814,360	882,312
Bond anticipation notes	125,000	125,000	-	-	125,000	125,000
Capital outlay notes	-	-	-	-	-	-
Notes payable	2,357	1,571	24,117	8,074	26,474	9,645
Capital lease obligations	4,215	2,626	-	-	4,215	2,626
Revenue bonds	-	-	1,585,408	1,606,517	1,585,408	1,606,517
Total	\$ 945,932	1,011,509	1,610,633	1,614,783	2,556,565	2,626,292

Economic Factors and Next Year's Budgets and Rates

The following factors considered in preparing the City's budget for the 2006 fiscal year are discussed more fully in the Budget document:

- Additional cost reduction measures to minimize future costs have been implemented, including a financial management reorganization, the implementation of quarterly reviews to monitor actual spending and the hiring of consultants to complete an operational and financial efficiency study.
- State tax revenue shortfalls continue to significantly impact local governments.
- The Memphis economy, similar to the national economy, is recovering slowly.

At June 30, 2005, total fund balance in the general fund was \$1,212 and unreserved fund balance was a negative \$4,100. The City has approved an operating budget of \$495,529 in total expenditures for fiscal year 2006, with planned contribution of \$10,014 to unreserved fund balance. The City's tax rate for fiscal year 2006 has been set at \$3.4332 per \$100 of assessed value. The tax rate increased by \$0.2028 from fiscal year 2004 and is allocated to General Fund, Education, Debt Service, and Capital Projects. The City continues to explore cost cutting measures and additional revenue sources.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Office of the Director of Finance, Room 368, City of Memphis, 125 North Main, Memphis, Tennessee 38103. The Comprehensive Annual Financial Report, the 2006 Operating Budget and 5-Year Capital Improvement Program, and other general information about the City may be found on the City's web-site, www.memphistn.gov.

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STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 5,741	62,438	68,179	177,054
Investments	11,790	76,673	88,463	32,581
Equity in cash and investment pool	16,207	1,635	17,842	-
Receivables (net of allowance for uncollectibles):				
Property taxes	421,801	-	421,801	-
Sales and income taxes	32,334	-	32,334	-
Special assessments	3,135	-	3,135	-
Federal and state grants	31,102	-	31,102	937
Interest and dividends on investments	36	128	164	158
Notes and accounts receivable	292	227,038	227,330	8,596
Housing rehabilitation loans	66,914	-	66,914	-
Other	31,558	-	31,558	4,072
Internal balances	8,367	(8,367)	-	-
Due from component units	800	-	800	-
Due from other agencies and governments	93,730	-	93,730	160,711
Inventories	408	27,619	28,027	9,585
Deferred purchased power and gas costs	-	1,422,885	1,422,885	-
Collateral held in trust for securities on loan	-	35,953	35,953	-
Prepaid expenses	-	-	-	1,223
Restricted assets:				
Cash and cash equivalents	-	-	-	9,532
Investments	-	91,373	91,373	203,897
Receivables				
Accounts	-	-	-	407
Federal and state grants	-	-	-	12,158
Accrued interest	-	-	-	1,882
Special facilities	-	-	-	23,513
Special fund - customer deposits	-	17,247	17,247	-
Non-depreciable capital assets	58,747	13,648	72,395	190,740
Depreciable capital assets (net of accumulated depreciation)	1,064,491	1,603,484	2,667,975	1,629,825
Bond issue costs	-	-	-	8,368
Net pension asset	81,491	-	81,491	-
Other assets	-	35,926	35,926	13
Total assets	\$ 1,928,944	3,607,680	5,536,624	2,475,252

(Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 66,270	272,019	338,289	93,521
Accrued interest payable	9,121	-	9,121	-
Contract retainage	2,213	268	2,481	-
Insurance claims payable	7,938	-	7,938	16,234
Legal claims and judgments	5,290	-	5,290	1,054
Due to component units	11,101	-	11,101	-
Due to other agencies and governments	79,418	-	79,418	-
Refundable bonds and deposits	2,549	-	2,549	-
Unearned revenue	461,099	21	461,120	71,365
Collateral subject to return to borrowers	-	35,953	35,953	-
Noncurrent liabilities:				
Due within one year	187,556	89,446	277,002	43,153
Due in more than one year	921,191	1,528,206	2,449,397	648,542
Total liabilities	1,753,746	1,925,913	3,679,659	873,869
NET ASSETS				
Invested in capital assets, net of related debt	269,490	1,434,661	1,704,151	1,262,657
Restricted for:				
Debt service and construction	-	90,115	90,115	100,086
Capital acquisition	-	-	-	117,868
Contracted grant programs	-	-	-	7,674
Food service	-	-	-	11,851
Self insurance	-	-	-	500
Pension obligations	81,491	-	81,491	-
Unrestricted	(175,783)	156,991	(18,792)	100,747
Total net assets	\$ 175,198	1,681,767	1,856,965	1,601,383

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
(Thousands of Dollars)
For the fiscal year ended June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit A-2

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Functions/Programs:								
Primary government:								
Governmental Activities:								
General government	\$ 187,105	33,781	23,355	3,785	(126,184)	-	(126,184)	-
Public safety	318,106	2,459	142	-	(315,505)	-	(315,505)	-
Community services	107,129	125	33,785	-	(73,219)	-	(73,219)	-
Transportation and environment	59,523	21,942	142	-	(37,439)	-	(37,439)	-
Education	85,144	-	-	-	(85,144)	-	(85,144)	-
Interest on long-term debt	37,142	-	-	-	(37,142)	-	(37,142)	-
Total governmental activities	794,149	58,307	57,424	3,785	(674,633)	-	(674,633)	-
Business-type activities:								
Sewer collection and treatment	50,512	46,909	21	4,544	-	962	962	-
Memphis Light, Gas and Water	1,398,375	1,367,644	22,562	-	-	(8,169)	(8,169)	-
Golf	4,270	3,079	92	-	-	(1,099)	(1,099)	-
Total business-type activities	1,453,157	1,417,632	22,675	4,544	-	(8,306)	(8,306)	-
Total primary government	\$ 2,247,306	1,475,939	80,099	8,329	(674,633)	(8,306)	(682,939)	-
Component units:								
Board of Education	\$ 966,179	36,308	497,129	-	-	-	-	(432,742)
Memphis Area Transit Authority	55,843	10,139	-	4,822	-	-	-	(40,882)
Airport Authority	120,583	108,393	-	24,337	-	-	-	12,147
Total component units	\$ 1,142,605	154,840	497,129	29,159	-	-	-	(461,477)
General revenues:								
Local taxes					527,453			527,453
State taxes (local share)					75,441			75,441
Hotel/motel tax					3,936			3,936
Unrestricted investment earnings					-		61,792	61,792
Grants and contributions not restricted to specific programs					-		-	474,474
City of Memphis subsidy					-		-	19,030
Investment income					-		-	9,134
Federal grants and entitlements					909			9,073
State grants					-			6,891
Local grants					-			53
Intergovernmental revenues					10,227			10,227
Decrease in net pension obligation					6,598			6,598
Other					15,608			15,608
Transfers					1,587		(1,587)	-
Total general revenues and transfers					641,759	60,205		701,964
Change in net assets					(32,874)	51,899		19,025
Net assets - beginning, as restated					208,072	1,629,868		1,837,940
Net assets - ending					\$ 175,198	1,681,767		1,856,965

The notes to the financial statements are an integral part of this statement.

BALANCE SHEET
 GOVERNMENTAL FUNDS
 (Thousands of Dollars)
 June 30, 2005

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-3

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 221	-	157	5,262	5,640
Investments	10	-	11,780	-	11,790
Equity in cash and investment pool	1,139	-	-	7,585	8,724
Receivables (net of allowance for uncollectibles):					
Property taxes					
Current property taxes	213,607	77,674	358	92,558	384,197
Delinquent property taxes	19,467	7,977	27	10,133	37,604
Sales and income taxes	32,334	-	-	-	32,334
Special assessments	-	40	-	3,095	3,135
Federal and state grants	1,665	-	-	29,437	31,102
Interest and dividends on investments	-	-	-	36	36
Housing rehabilitation loans	-	-	-	66,914	66,914
Other	29,029	-	98	2,431	31,558
Due from other funds	18,894	7,844	23,267	3,644	53,649
Due from component units	-	800	-	-	800
Due from other agencies and governments	956	52,969	-	3,114	57,039
Total assets	\$ 317,322	147,304	35,687	224,209	724,522
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 34,314	912	19,053	8,527	62,806
Contract retainage	-	-	2,213	-	2,213
Due to other funds	17,494	-	5,364	21,655	44,513
Due to other agencies and governments	1,521	-	4,435	73,462	79,418
Refundable bonds and deposits	2,549	-	-	-	2,549
Deferred revenue	254,541	138,350	4,319	124,287	521,497
Vacation, sick, and other leave benefits	5,691	-	-	486	6,177
Total liabilities	316,110	139,262	35,384	228,417	719,173
Fund balances:					
Fund balances:					
Reserved for					
Encumbrances	3,912	-	-	-	3,912
Other	1,400	-	-	-	1,400
Undesignated					
General fund	(4,100)	-	-	-	(4,100)
Special revenue funds	-	-	-	(4,208)	(4,208)
Debt service fund	-	8,042	-	-	8,042
Capital projects fund	-	-	303	-	303
Total fund balances	1,212	8,042	303	(4,208)	5,349
Total liabilities and fund balances	\$ 317,322	147,304	35,687	224,209	724,522

See accompanying notes to financial statements.

RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS (Thousands of Dollars)
June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit A-4

Amounts reported for governmental activities in the statement of net assets are different because:

Total governmental fund balances:	\$ 5,349
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,122,967
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	83,870
Net pension assets should be reported as an asset in the governmental-wide statement of net assets. This is the cumulative amount by which the City has overfunded its pension obligations.	81,491
Internal service funds are used by management to charge the costs of printing & supply, information systems, health insurance, unemployment compensation, and vehicle maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(8,498)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,109,981)</u>
Net assets of governmental activities	<u>\$ 175,198</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES CITY OF MEMPHIS, TENNESSEE
 GOVERNMENTAL FUNDS Exhibit A-5
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2005

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local taxes	\$ 362,206	68,947	313	91,410	522,876
State taxes (local share)	49,711	-	-	25,730	75,441
Hotel/motel tax	-	395	-	3,541	3,936
Licenses and permits	12,059	-	-	-	12,059
Fines and forfeitures	10,980	-	-	2,659	13,639
Charges for services	19,072	-	-	22,067	41,139
Investment income	384	451	1	19	855
Federal grants and entitlements	2,023	-	512	39,024	41,559
State grants	1,708	-	59	8,739	10,506
Intergovernmental revenues	2,930	10,227	3,213	-	16,370
Other	14,020	989	1	3,552	18,562
Total revenues	475,093	81,009	4,099	196,741	756,942
EXPENDITURES					
Current:					
General government	118,397	-	-	30,123	148,520
Public safety	306,968	-	-	2,373	309,341
Community services	57,570	-	-	34,098	91,668
Transportation and environment	17,143	-	-	43,047	60,190
Education	-	-	-	85,446	85,446
Capital outlay	-	-	146,723	-	146,723
Debt service:					
Redemption of serial bonds and notes	-	52,385	-	-	52,385
Interest	-	37,065	-	-	37,065
Bond issuance cost	-	2,715	780	-	3,495
Service charges	-	405	-	-	405
Total expenditures	500,078	92,570	147,503	195,087	935,238
Revenues over (under) expenditures	(24,985)	(11,561)	(143,404)	1,654	(178,296)
OTHER FINANCING SOURCES (USES)					
Transfers in	21,929	9,669	15	23,368	54,981
Transfers out	(22,134)	(6,788)	-	(24,472)	(53,394)
Proceeds from debt issue	-	282,515	225,000	-	507,515
Retirement of refunded debt obligation	-	(310,290)	(100,000)	-	(410,290)
Premium on debt issue	-	30,579	9,337	-	39,916
Total other financing sources and uses	(205)	5,685	134,352	(1,104)	138,728
Net change in fund balances	(25,190)	(5,876)	(9,052)	550	(39,568)
Fund balances - beginning of year, as restated	26,402	13,918	9,355	(4,758)	44,917
Fund balances - end of year	\$ 1,212	8,042	303	(4,208)	5,349

See accompanying notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (Thousands of Dollars)
For the fiscal year ended June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit A-6

Amounts reported for governmental activities in the statement of net activities are different because:

Net change in fund balances - total governmental funds	\$ (39,568)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	71,148
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(3,878)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(82,416)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	8,776
Contributions made to the pension plans administered by the City exceeded the calculated annual pension cost. This is the amount contributed during the year in excess of the amount calculated.	6,598
Internal service funds are used by management to charge the costs of printing & supply, information systems, health insurance, unemployment compensation, and vehicle maintenance to individual funds. The net expenditure of certain activities of internal service funds is reported with governmental activities.	<u>6,466</u>
Change in net assets of governmental activities	<u>\$ (32,874)</u>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
 Exhibit A-7**

	Business Type Activities - Enterprise Funds				
	Major Funds		Non - Major Fund		Governmental Activities - Internal Service Funds
	Sewer Collection and Treatment	Memphis Light, Gas and Water	Golf	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 151	62,287	-	62,438	101
Investments	27,949	48,724	-	76,673	-
Equity in cash and investment pool	1,635	-	-	1,635	7,483
Restricted funds - current	-	66,429	-	66,429	-
Receivables:					
Interest on investments	128	-	-	128	-
Notes and accounts	3,298	198,653	-	201,951	293
Due from other funds	-	-	-	-	23,647
Prepaid power cost	-	80,405	-	80,405	-
Deferred purchased power and gas cost	-	9,986	-	9,986	-
Inventories of materials and supplies	-	27,619	-	27,619	408
Collateral held in trust for securities on loan	-	35,953	-	35,953	-
Other current assets	-	13,354	-	13,354	-
Total current assets	33,161	543,410	-	576,571	31,932
Non-current assets:					
Restricted assets:					
Investments, less current portion	-	42,191	-	42,191	-
Total restricted assets	-	42,191	-	42,191	-
Capital assets:					
Land	13,616	-	32	13,648	-
Buildings	106,090	-	-	106,090	-
Utility plant	-	2,055,424	-	2,055,424	-
Improvements other than buildings	442,774	-	5,912	448,686	-
Machinery and equipment	23,417	-	1,373	24,790	3,210
Less accumulated depreciation and amortization	(283,652)	(748,146)	(2,689)	(1,034,487)	(2,939)
Total capital assets	302,245	1,307,278	4,628	1,614,151	271
Construction in progress	1,456	-	1,525	2,981	-
Net capital assets	303,701	1,307,278	6,153	1,617,132	271
Noncurrent assets:					
Notes receivable	-	25,087	-	25,087	-
Prepaid power cost - long term	-	1,332,494	-	1,332,494	-
Unamortized debt expense	-	12,153	-	12,153	-
Other assets	1,003	9,415	1	10,419	-
Total noncurrent assets	1,003	1,379,149	1	1,380,153	-
Total assets	\$ 337,865	3,272,028	6,154	3,616,047	32,203

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
 Exhibit A-7
 (Continued)**

	Business Type Activities - Enterprise Funds				
	Major Funds		Non - Major Fund	Total	Governmental Activities - Internal Service Funds
	Sewer Collection and Treatment	Memphis Light, Gas and Water	Golf		
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,016	140,857	249	142,122	2,213
Bonds and notes payable	-	67,884	-	67,884	-
Accrued liabilities	2,387	59,384	-	61,771	-
Payables due from restricted assets	-	30,396	-	30,396	-
Insurance claims payable	-	-	-	-	7,938
Contract retainage	268	-	-	268	-
Due to other funds	3,809	-	2,468	6,277	24,353
Deferred revenue	21	-	-	21	4,422
Current installment of state loans payable	192	-	-	192	-
Current installment of revenue bonds payable	7,380	13,595	-	20,975	-
Collateral subject to return to borrowers	-	35,953	-	35,953	-
Vacation, sick and other leave benefits	2,869	-	-	2,869	1,710
Total current liabilities paid from current assets	17,942	348,069	2,717	368,728	40,636
Long-term (net of current maturities):					
Revenue bonds payable	110,410	1,415,322	-	1,525,732	-
Customer common deposits	-	19,639	-	19,639	-
Other	-	20,246	-	20,246	-
Total long-term liabilities	110,410	1,455,207	-	1,565,617	-
Total liabilities	128,352	1,803,276	2,717	1,934,345	40,636
NET ASSETS					
Invested in capital assets, net of related debt	185,719	1,248,942	-	1,434,661	271
Restricted for debt service and construction	28,582	61,533	-	90,115	-
Unrestricted	(4,788)	158,277	3,437	156,926	(8,704)
TOTAL NET ASSETS	\$ 209,513	1,468,752	3,437	1,681,702	(8,433)
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				65	
Net assets of business-type activities				\$ 1,681,767	

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit A-8

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Major Funds		Non - Major Fund		Total	
	Sewer Collection and Treatment	Memphis Light, Gas and Water	Golf			
Operating revenues-charges for services	\$ 46,909	1,367,644	3,079	1,417,632	98,038	
Operating expenses other than depreciation and amortization:						
Personal services	14,139	109,365	2,327	125,831	8,187	
Materials, supplies, services, and other	15,547	1,129,825	1,670	1,147,042	5,367	
In lieu of tax	3,809	46,786	-	50,595	-	
Inventory	-	-	39	39	10,491	
Claims incurred	-	-	-	-	67,225	
Total operating expenses other than depreciation and amortization	33,495	1,285,976	4,036	1,323,507	91,270	
Operating income (loss) before depreciation and amortization	13,414	81,668	(957)	94,125	6,768	
Depreciation and amortization:						
On assets acquired with own funds	11,678	52,022	234	63,934	192	
Total depreciation and amortization	11,678	52,022	234	63,934	192	
Operating income (loss)	1,736	29,646	(1,191)	30,191	6,576	
Non-operating revenues:						
Transmission credits	-	22,562	-	22,562	-	
Investment income	722	61,070	-	61,792	55	
Other	21	-	92	113	-	
Total non-operating revenues	743	83,632	92	84,467	55	
Non-operating expenses:						
Interest on state loan	29	-	-	29	-	
Interest on bonded indebtedness	5,475	54,836	-	60,311	-	
Telecommunications division loss	-	5,541	-	5,541	-	
Total non-operating expenses	5,504	60,377	-	65,881	-	
Income (loss) before capital contributions and transfers	(3,025)	52,901	(1,099)	48,777	6,631	
Transfers out	(1,300)	-	(287)	(1,587)	-	
Capital contributions	4,544	-	-	4,544	-	
Change in net assets	219	52,901	(1,386)	51,734	6,631	
Total net assets - beginning of year	209,294	1,415,851	4,823		(15,064)	
Total net assets - end of year	\$ 209,513	1,468,752	3,437		(8,433)	
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				165		
Change in net assets of business-type activities				\$ 51,899		

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-9**

	Sewer Collection and Treatment	Memphis Light, Gas and Water	Golf	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 46,889	1,366,501	3,079	1,416,469	17,784
Receipts from federal grants	-	3,875	1,175	5,050	-
Receipts from other division funds	-	-	-	-	20,005
Employee contributions	-	-	-	-	21,577
Employer contributions	-	-	-	-	56,459
Payments to suppliers	(16,228)	(969,338)	(1,661)	(987,227)	(5,921)
Payments to TVA - prepaid power	-	-	-	-	-
Payments to employees	(13,383)	(138,726)	(2,327)	(154,436)	(8,137)
Payments to other division funds	-	-	-	-	(23,636)
Payments for taxes	(3,995)	(47,141)	-	(51,136)	-
Payments for inventory	-	-	(39)	(39)	(10,133)
Payments for claims incurred	-	-	-	-	(69,865)
Other receipts	-	4,057	-	4,057	-
Net cash provided (used) by operating activities	13,283	219,228	227	232,738	(1,867)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Debt issuance expense	-	(112)	-	(112)	-
Proceeds from issuance of long-term debt	-	(68,200)	-	(68,200)	-
Interest expense on bonds	-	(68,603)	-	(68,603)	-
Transfers to other funds	(1,300)	-	(287)	(1,587)	-
Net cash (used) by noncapital and related financing	(1,300)	(136,915)	(287)	(138,502)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(10,761)	(87,117)	(32)	(97,910)	(55)
Receipts from federal grants	-	14,789	-	14,789	-
Proceeds from sale of capital assets	216	-	-	216	-
Capital contributions	4,544	-	-	4,544	-
Principal payments on capital debt	(7,962)	(27,917)	-	(35,879)	-
Interest payments on capital debt	(5,439)	(3,640)	-	(9,079)	-
Net cash provided (used) in capital and related financing activities	(19,402)	(103,885)	(32)	(123,319)	(55)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Sales and maturities of investments	-	65,029	-	65,029	-
Purchase of investments	-	(53,393)	-	(53,393)	-
Payments received on notes receivable	-	4,823	-	4,823	-
Investment income earned on investments	693	3,483	92	4,268	54
Net change in investments	5,814	-	-	5,814	-
Investment in Memphis Network	-	(3,636)	-	(3,636)	-
Net cash provided by investing activities	6,507	16,306	92	22,905	54
Net (decrease) in cash and cash equivalents	(912)	(5,266)	-	(6,178)	(1,868)
Cash and cash equivalents, beginning of year	2,698	152,959	-	155,657	9,452
Cash and cash equivalents, end of year	\$ 1,786	147,693	-	149,479	7,584
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	1,736	29,646	(1,191)	30,191	6,576
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	11,678	59,308	234	71,220	192
Transmission credits	-	22,562	-	22,562	-
Prepay power credits	-	49,957	-	49,957	-
Other income	-	6,982	-	6,982	-
(Increase) decrease in assets:					
Accounts receivable	(21)	(28,413)	-	(28,434)	(1,852)
Prepaid power cost	-	82,744	-	82,744	-
Deferred purchased power and gas cost	-	(6,954)	-	(6,954)	-
Inventories	-	(513)	-	(513)	-
Other assets	-	(5,479)	-	(5,479)	(9)
(Increase) decrease in liabilities:					
Accounts payables - purchased power and gas	-	13,512	-	13,512	-
Other accounts payable and accrued expenses	(297)	(3,061)	9	(3,349)	(6,774)
Customer deposits	-	(1,624)	-	(1,624)	-
Insurance reserves	-	610	-	610	-
Medical benefit accrual	-	1,302	-	1,302	-
Due to other funds	(185)	-	1,175	990	-
Accrued vacation/sick leave	372	-	-	372	-
Other	-	(1,351)	-	(1,351)	-
Total adjustments	11,547	189,582	1,418	202,547	(8,443)
Net cash provided (used) by operating activities	\$ 13,283	219,228	227	232,738	(1,867)
Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:					
Restricted funds	\$ -	108,620	-	108,620	-
Less investments included in restricted funds	-	(23,214)	-	(23,214)	-
Cash and cash equivalents included in restricted funds	-	85,406	-	85,406	-
Current assets - cash and cash equivalents	151	62,287	-	62,438	101
Current assets - equity in cash and investment pool	1,635	-	-	1,635	7,483
Total cash and cash equivalents	\$ 1,786	147,693	-	149,479	7,584

During the year, the sewer fund received \$3,068 in sewer lines and pipe contributed from developers. See accompanying notes to financial statements.

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS (Thousands of Dollars)
 For the fiscal year ended June 30, 2005

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-10

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 114,715
Investments, at fair value:	
Short-term investments	51,464
U.S. government securities - long-term	227,700
Common stock - domestic	1,366,669
Common stock - foreign	420,877
Mutual funds and money market	208,571
Corporate bonds - domestic	321,593
Corporate bonds - foreign	3,686
Bond mutual fund	21,256
Collateralized mortgage obligations	25,807
Mortgage-backed pooled securities	109,358
Investment in real estate	89,506
Investment in high yield bond fund	11,163
Investment in international equity fund	8,909
Investment in multi-class investment fund	6,551
Investment in managed future	584
Investment in limited partnership	75,718
Insurance contract	148,220
Total investments	3,097,632
Interest and dividends on investments	14,667
Due from other funds	13
Other	186,673
Total assets	3,413,700
LIABILITIES	
Notes & accounts payable	215,528
Due to other funds	2,166
Total liabilities	217,694
NET ASSETS	
Held in trust for pension benefits and pool participants	\$ 3,196,006

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS (Thousands of Dollars)
 For the fiscal year ended June 30, 2005

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-11

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 30,328
Plan member	29,735
Total contributions	60,063
Investment income:	
Interest and dividend income	82,108
Securities lending income	1,937
Other investment income	524
Loss from real estate investments	(11,011)
Net appreciation in the fair value of investments	242,381
Total investment income	315,939
Total Net Additions	376,002
DEDUCTIONS	
Benefits	168,063
Administrative expenses	13,863
Refunds of contributions	7,216
Transfers	1,731
Securities lending expenses	1,705
Total Deductions	192,578
Net increase	183,424
Net assets - beginning of year as restated	3,012,582
Net assets - end of year	\$ 3,196,006

See accompanying notes to financial statements.

COMBINING STATEMENT OF NET ASSETS
 COMPONENT UNITS
 (Thousands of Dollars)
 June 30, 2005

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-12

	Board of Education	Memphis Area Transit Authority	Airport Authority	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 165,089	2,375	9,590	177,054
Investments	25,133	-	7,448	32,581
Receivables:				
Federal and state grants	-	937	-	937
Accrued interest	-	-	158	158
Accounts	-	-	8,596	8,596
Other	3,824	248	-	4,072
Due from other agencies and governments	160,711	-	-	160,711
Inventories of materials and supplies	6,602	1,460	1,523	9,585
Prepaid expenses	-	152	1,071	1,223
Total current assets	361,359	5,172	28,386	394,917
Restricted assets:				
Cash and cash equivalents	-	-	9,532	9,532
Investments	-	500	203,397	203,897
Receivables:				
Account receivables	-	-	407	407
Federal and state grants	-	-	12,158	12,158
Accrued interest	-	-	1,882	1,882
Special facilities	-	-	23,513	23,513
Total restricted assets	-	500	250,889	251,389
Capital Assets:				
Land	27,154	2,731	160,855	190,740
Buildings	1,031,037	138,393	331,662	1,501,092
Utility plant	-	-	667,382	667,382
Machinery, buses and equipment	214,926	89,874	70,181	374,981
Less accumulated depreciation and amortization	(473,666)	(93,761)	(433,094)	(1,000,521)
Total capital assets, net	799,451	137,237	796,986	1,733,674
Construction in progress	19,804	7,792	59,295	86,891
Net capital assets	819,255	145,029	856,281	1,820,565
Bond issue costs	-	-	8,368	8,368
Other assets	-	13	-	13
Total assets	\$ 1,180,614	150,714	1,143,924	2,475,252

(Continued)

COMBINING STATEMENT OF NET ASSETS
 COMPONENT UNITS
 (Thousands of Dollars)
 June 30, 2005

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-12
 (Continued)

	Board of Education	Memphis Area Transit Authority	Airport Authority	Total
LIABILITIES				
Current:				
Notes and accounts payable	\$ 62,949	2,632	13,652	79,233
Funds held for others	-	-	693	693
Accrued liabilities	-	850	11,035	11,885
Insurance claims payable	16,234	-	-	16,234
Legal claims and judgments	-	1,054	-	1,054
Deferred revenue	71,157	208	-	71,365
Restricted loan from HCD	-	1,710	-	1,710
Current installment of general obligation bonds payable	-	-	4,600	4,600
Current installment of revenue bonds payable	11,976	-	24,450	36,426
Vacation, sick and other leave benefits	-	1,092	1,035	2,127
Total current liabilities	162,316	7,546	55,465	225,327
Long-term (net of current maturities):				
General obligation bonds payable	-	-	14,602	14,602
Revenue bonds payable	31,914	-	597,165	629,079
Capital lease obligation	-	-	300	300
Deferred lease revenue	-	-	2,509	2,509
Other long term obligations	-	800	1,252	2,052
Total long-term liabilities	31,914	800	615,828	648,542
Total liabilities	194,230	8,346	671,293	873,869
NET ASSETS				
Invested in capital assets, net of related debt	783,601	145,029	334,027	1,262,657
Restricted for:				
Debt service	-	-	100,086	100,086
Capital acquisition	102,581	-	15,287	117,868
Contracted grant programs	7,674	-	-	7,674
Food service	11,851	-	-	11,851
Self insurance	-	500	-	500
Unrestricted	80,677	(3,161)	23,231	100,747
TOTAL NET ASSETS	\$ 986,384	142,368	472,631	1,601,383

See accompanying notes to financial statements.

**COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS (Thousands of Dollars)
 For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
 Exhibit A-13**

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Board of Education	Memphis Area Transit Authority	Airport Authority	Total	
Component units:									
Board of education	\$ 966,179	36,308	497,129	-	(432,742)	-	-	-	(432,742)
Memphis area transit authority	55,843	10,139	-	4,822	-	(40,882)	-	-	(40,882)
Airport authority	120,583	108,393	-	24,337	-	-	12,147	12,147	12,147
Total component units	\$ 1,142,605	154,840	497,129	29,159	(432,742)	(40,882)	12,147	12,147	(461,477)
General revenues:									
Grants and contributions not restricted to specific programs					474,474	-	-	-	474,474
City of Memphis subsidy					-	19,030	-	-	19,030
Investment income					3,292	12	5,830	-	9,134
Federal grants and entitlements					-	9,073	-	-	9,073
State grants					-	6,891	-	-	6,891
Local grants					-	53	-	-	53
Other					-	900	118	-	1,018
Total general revenues and special items					477,766	35,959	5,948	519,673	519,673
Changes in net assets									
Net assets - beginning					45,024	(4,923)	18,095	58,196	58,196
Net assets - ending					\$ 941,360	147,291	454,536	1,543,187	1,543,187
					\$ 986,384	142,368	472,631	1,601,383	1,601,383

See accompanying notes to financial statements.

Note	Page
I. Summary of Significant Accounting Policies	
A. Reporting entity	44
B. Government-wide and fund financial statements	46
C. Measurement focus, basis of accounting, and financial statement presentation	46
D. Assets, liabilities, and net assets or equity	48
II. Reconciliation of Government-Wide and Fund Financial Statements	
A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets	51
B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities	51
III. Stewardship, Compliance, and Accountability	
A. Budgetary information	52
B. Excess of expenditures over appropriations	52
C. Deficit fund equity	52
IV. Detailed Notes on all Funds	
A. Deposits and investments	53
B. Receivables	58
C. Property taxes	59
D. Capital assets	60
E. Interfund receivable, payables, and transfers	63
F. Leases	65
G. Long-term debt	65
H. Restricted assets	69
V. Other Information	
A. Risk management	69
B. Subsequent events	70
C. Contingent liabilities	70
D. Joint ventures	70
E. Other postemployment benefits	72
F. Pension and retirement plans	73
G. Component units	79

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Memphis, Tennessee (the City), incorporated in 1826, operates under an elected Mayor-Council form of government and is organized into the following divisions: Executive, Finance and Administration, Fire, Police, Library, Parks, Public Works, Human Resources, Public Services, General Services, Housing and Community Development, Office of Planning and Development, City Attorney, City Engineer, Information Systems, and Memphis Light, Gas and Water (MLGW). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the combining statement of major component units within the basic financial statements (see note below for description) to emphasize that it is legally separate from the City.

Fiscal Year End

Memphis Light Gas and Water (MLGW), a division of the primary government, has a fiscal year end of December 31. Thus, the amounts and disclosures for the MLGW Enterprise Fund, the MLGW Retiree Medical and Life Insurance Benefits Trust Fund and the MLGW Retirement System Trust Fund are as of December 31, 2004. The disclosures for other divisions, component units, and joint ventures are as of their June 30, fiscal year end.

Blended Component Units

The City does not have any component units that are considered blended.

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data of the City's component units. They are reported in separate columns in a combining statement in the basic statements after the fund financial statements to emphasize that they are legally separate from the City.

Board of Education of the Memphis City Schools (BOE) - BOE was created by City Charter as authorized by various Private Acts of the General Assembly of Tennessee. BOE consists of nine members elected by the citizens of the City representing seven districts and two at-large positions. BOE is a body politic and corporate responsible for the management and control of the Memphis City Schools. The annual general operating budget of the BOE requires the approval of the City Council. The BOE's fiscal year end is June 30.

Memphis Area Transit Authority (MATA) - MATA was created by City ordinance on May 13, 1975 replacing the Memphis Transit Authority. The MATA board consists of seven members nominated by the City Mayor and approved by the City Council for terms of three years. MATA has the authority to supervise the operations of the City's transit system. The system is managed by a private management firm hired by MATA. MATA is funded by a combination of user fees, federal and state grants, and a subsidy from the City. MATA's annual budget, rates and fares are approved by the City Council. MATA must also obtain the approval of the City Council before incurring certain obligations. MATA's fiscal year end is June 30.

Memphis-Shelby County Airport Authority (MSCAA) - MSCAA was established by City resolution on September 30, 1969. The City Mayor has the right to appoint six of seven Board members (seven year terms) of MSCAA. MSCAA's Board selects management staff, sets user charges, establishes budgets and controls all aspects of general aviation, airport management and development. However, the City has issued general obligation bonds on behalf of MSCAA and is contingently liable for such. The debt service for City bonds issued on behalf of MSCAA is funded by MSCAA's revenues. MSCAA's fiscal year end is June 30.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

BOE
2597 Avery Avenue
Memphis, TN 38112
(901) 325-5461

MATA
1370 Levee Road
Memphis, TN 38108
(901) 722-7162

MSCAA
2491 Winchester Rd., Ste. 113
Memphis, TN 38116
(901) 922-8000

Related Organization

The City Mayor has the right to appoint members of the Memphis Housing Authority (MHA) Board, but the City is not able to impose its will as such members can only be removed with cause. Additionally, the potential for MHA to provide financial benefit to or impose financial burden on the City does not exist.

Joint Ventures

The City is a participant in several joint ventures in which it retains an ongoing financial interest or an ongoing financial responsibility. The City participates in the following joint ventures (see Note V (D)):

- Mid-South Coliseum
- Memphis and Shelby County Convention Center Complex
- Memphis and Shelby County Port Commission
- Public Building Authority of Memphis and Shelby County, Tennessee
- New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee

Jointly Governed Organizations

The City, in conjunction with Shelby County, Tennessee (the County) created the following organizations that are not considered joint ventures as the City and the County do not retain an ongoing financial interest or responsibility:

Memphis and Shelby County Center City Commission (the Commission) – The Commission is an organization responsible for promotion and redevelopment of the Memphis Center City area. Board members (seven) are appointed by the City and the County Mayors, with approval by the City Council and the County Commission, for three year terms. The City collects special assessment taxes for the promotion and maintenance of the Memphis Center City area which are remitted annually to the Commission for such activities.

Memphis and Shelby County Parking Authority (the Parking Authority) – The Parking Authority is a nonprofit corporation established jointly by the City and the County in fiscal year 1998 under the laws of the State of Tennessee. The Parking Authority provides uniform parking policies, coordinated management including the relation of parking to public and private transportation patterns, and strategic planning for existing and future parking facilities. The City and County Mayors appoint the Board members (seven), for terms that range from two to six years.

Memphis Center City Revenue Finance Corporation (the Finance Corporation) – The Finance Corporation is a nonprofit corporation established jointly by the City and the County under the laws of the State of Tennessee. The Finance Corporation provides various forms of financial assistance to development projects. The City and the County Mayors appoint the Board members (nine), with approval by the City Council and the County Commission, for six year terms.

Industrial Development Board (IDB) – The IDB operates as a nonprofit corporation for the purpose of promoting industrial development in the City and the County. Board members (nine) are appointed by the City and the County Mayors, with approval by City Council and the County Commission, for six year terms.

Depot Redevelopment Corporation of Memphis and Shelby County (the Corporation) – The Depot Redevelopment Corporation is a nonprofit corporation established jointly by the City and County under the laws of the State of Tennessee.

The primary purpose of the Corporation is to secure from the United States the land, building, and equipment of the Memphis Defense Depot (closed as a military base in 1997); enter into agreements to acquire, construct, improve, lease, operate and dispose of property; and to promote the redevelopment of the Memphis Depot for the citizens of the City and County. Board members (nine) are appointed by the City and County Mayors, with approval by the City Council and County Commission, for six year terms.

Sports Authority of Memphis and Shelby County Incorporated (the Authority) – The Authority is a nonprofit corporation established jointly by the City and County under the provisions of the Sports Authority Act of 1993 (State of Tennessee). The purpose of the Authority is to review and/or act upon issues dealing with sports entities, teams, stadiums, arenas, and other matters related to the improvement of sports related activities. Board members (eleven) are appointed by the City and the County Mayors, with approval by the City Council and County Commission, for six year terms.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund – The Capital Projects Fund accounts for financial resources accumulated and payments made for major construction projects, acquisition of property, capital equipment purchases and ongoing capital programs, other than those financed by Proprietary Funds, and to finance local capital projects.

The City reports the following major proprietary funds:

Sewer Collection and Treatment Enterprise Fund – The Sewer Collection and Treatment Fund accounts for the operations of the regional sewer collection and treatment facilities operated by the City.

Memphis Light, Gas and Water Division (MLGW) Enterprise Fund – The MLGW Fund accounts for the provision of electricity, gas and water to customers in Shelby County, Tennessee, which includes the City.

Additionally, the City reports the following fund types:

Internal Service Funds – The City's Internal Service Funds account for the financing of goods or services provided by one department to other departments or agencies of the City on a cost reimbursement basis. The City reports the following Internal Service Funds:

Printing and Supply Internal Service Fund

Health Insurance Internal Service Fund

Unemployment Compensation Internal Service Fund

Vehicle Maintenance Internal Service Fund

Fiduciary Funds – The City's Fiduciary Funds account for the activities of the following pension and other postemployment benefit plans, which accumulate resources for payments to qualified participants and investments held for external organizations:

City Retirement System

Library Retirement System

Memphis Light, Gas and Water Retirement System

Memphis Light Gas and Water Retiree Medical and Life Insurance Benefits

Investment Trust Fund

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following

subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City, MSCAA and MATA have elected not to follow subsequent private-sector guidance. MLGW has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between MLGW and the Sewer Collection and Treatment Fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Collection and Treatment Fund, the MLGW Fund, and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

Cash and cash equivalents and investments

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments are stated at their related fair value (see Note IV (A)).

Property taxes receivable

Property taxes are recorded as receivables when levied, net of estimated uncollectibles. The receivables collected during the current fiscal year and those collected by August 31, 2005, related to tax levies for fiscal year 2005 and prior, are recorded as revenue. Amounts received related to the property tax levy of the next fiscal year and the net receivables estimated to be collectible subsequent to August 31, 2005, are recorded as deferred revenue at June 30, 2005.

Interfunds receivable and payable

Activity between funds that are representative of lending/borrowing arrangements outstanding at June 30 are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Direct expenses (charges based on actual use) are not eliminated, whereas indirect expense allocations made in the funds are reversed in the statement of activities.

Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund, such as insurance claims, are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

All interfund transactions except quasi-external transactions and reimbursements are accounted for as transfers. Non-recurring or nonroutine transfers of equity between funds are considered equity transfers. All other interfund transactions are treated as transfers.

Under the Charter of the City of Memphis, the City is entitled to dividends from Memphis Light, Gas and Water Division (MLGW) based upon equity. These dividends are recorded as a transfer.

Inventories and prepaid expenses

Inventories in the Proprietary Funds are stated at cost determined principally by the first-in/ first-out (FIFO) method. General Fund inventories are recorded as expenditures when purchased and there were no significant inventories on hand at June 30, 2005. All other inventories are recorded as expenditures when consumed rather than when purchased (Consumption Method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not in thousands) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received. The capital assets reported do include infrastructure that was acquired in fiscal years ending after June 30, 1980.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Sewer Fund during the current fiscal year was \$5,504. Of this amount, \$115 was included as part of the cost of capital assets constructed with bond proceeds.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Buildings	25-50 years
Improvements	10-60 years
Infrastructure	50 years
Machinery, Buses and Equipment	3-15 years

Compensated absences

City employees are granted vacation, sick and other leave benefits in varying amounts in accordance with administrative policy and union contracts. Vacation days earned are required to be utilized annually, but may be carried forward upon written request. In the event of termination, an employee is reimbursed for accumulated vacation days. Employees are required to take their vacation in their last year of employment prior to retirement. Employees are generally reimbursed for accumulated unused sick leave, not to exceed 70 days, only upon retirement, and only for those employees with 25 years or more service with the City. Certain exceptions to this policy occur in accordance with the terms of various union contracts.

The liability for vacation, sick and other leave benefits related to and intended to be paid from Proprietary Funds and the amount that is expected to be liquidated with expendable available financial resources from Governmental Funds is included in the fund financial statements. Additionally, the long-term portion of the liability for these benefits to be paid by Governmental Funds is reported in the government-wide financial statements.

Deferred Compensation Plan

The City and MLGW offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The City and MLGW's amended plans meet the requirements of Internal Revenue Code Section 457. The amended plans provide that assets or income of the plans shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of the administration of the plan. Since the assets of the amended plans are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the balance sheet.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, general obligation bonds, revenue bonds and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reclassification of Funds and Restatement of Fund Balance/Net Assets

Prior year fund balance on the following governmental funds and proprietary funds have been adjusted as stated below:

	<u>Governmental Fund</u>	<u>Proprietary Fund</u>
	Capital Projects	MLGW Retiree Medical & Life Insurance Benefits
Fund Balance/Fund Equity at June 30, 2003/December 31,2003	19,407	46,433
Adjustment of prior year assets	(1,843)	(1,594)
Adjustment of prior year revenue	(8,209)	
Restated Fund Balance/Fund Equity at June 30, 2004/December 31, 2004	<u>9,355</u>	<u>44,839</u>

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$1,109,981 difference are as follows:

Bonds payable	\$ 882,312
Bond anticipation notes payable	125,000
Notes payable	1,571
Capital lease obligation payable	2,626
Unamortized loan costs	23,993
Compensated absences	65,357
Accrued interest payable	9,122
	<hr/>
Net adjustment to reduce-fund balance-total governmental funds to arrive at net assets-governmental activities	\$ 1,109,981
	<hr/> <hr/>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$71,148 difference are as follows:

Capital outlay	\$ 146,723
Depreciation expense	(75,575)
	<hr/>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$ 71,148
	<hr/> <hr/>

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bond, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$82,416 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ 507,515
Bond issue costs	(2,340)
Premium on bond issue	39,916
Principal repayments:	
General obligation debt	(52,385)
Payment to escrow agent for refunding	(410,290)
	<hr/>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$ 82,416
	<hr/> <hr/>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$8,776 difference are as follows:

Claims and judgments	\$ 8,776
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$ 8,776

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City Council annually approves the budget ordinance for the General, Special Revenue (except Community Service Fund, Central Business Improvement District Fund, Community Redevelopment Agency Fund, and Education Fund) and Debt Service Funds of the City.

During the fiscal year, budgetary control is maintained at a program level. The City Mayor has the authority to approve transfers between line items within the total amounts of each program category (Personal Services, Material and Supplies, Capital Outlay, Grants and Subsidies, Inventory and Expense Reimbursements). The City Mayor also has the authority to approve transfers between program categories within the total amounts of each program; however, each transfer shall have a maximum limit of \$50 and each program shall have an annual cumulative limit of \$100 for transfers between categories within the total amounts of each program. During the fiscal year, any transfer of appropriations between programs can be made only upon the authorization by ordinance or resolution of the City Council. At year-end, the Comptroller is authorized to transfer appropriations between programs to cover any resulting unfavorable variances as long as the total expenditure appropriation is not exceeded. The reported budgetary data has been revised for amendments authorized during the year and at year-end. Such data reflects expenditures by program categories at a division level to avoid excessively detailed program classifications.

For Workforce Investment Act Special Revenue Fund, budgets are approved annually upon the availability of the grants from the federal government. The lives of the grants range from 2 to 3 years. The Midtown Corridor Fund has a “carryover” budget. The prior years’ budget remains open until the revenue is completely expended, which generally exceeds one fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The basis of accounting applied to budgetary data presented is not consistent with generally accepted accounting principles for governmental funds, as actual expenditures are increased by current year encumbrances in order to be consistent with the basis of budgeting used.

B. Excess of expenditures over appropriations

In demonstrating compliance with the City’s legally prescribed budgetary requirements, expenditures at June 30, 2005, did not exceed appropriations at the program level. The comparison of actual expenditures to the budget for the General Fund reflect no unfavorable variances from budget at the program level because the revisions to budget were recorded after year end to offset the legal level deficits for several functions. These revisions were made in accordance with the authorization allowed in the adopted budget ordinances for 2005.

C. Deficit fund equity

The New Memphis Arena Special Revenue Fund had a deficit fund balance of \$9,395 as of June 30, 2005. The City of Memphis, Shelby County, and The Memphis and Shelby County Sports Authority, Inc. are parties to an interlocal agreement relating to the financing of a new sports arena that was completed in August 2004. Of the \$250,000 budget, the City paid \$12,000 for acquisition and construction of the Arena site and infrastructure improvements. The City’s commitment

was funded through legally available non-ad valorem revenues. The interfund payable to the Debt Service Fund and Capital Projects Fund will be repaid from future hotel motel taxes. This fund also reports the pass-through of certain revenues related to Sports Authority bonds issued for the construction of the Arena.

Management is reviewing Printing and Supply and Vehicle Maintenance internal service funds to insure that charges are sufficient to cover the costs of operations and is taking measures to control inventory and supply costs in an effort to reduce operating expense. The premium charged to other funds for Unemployment Compensation claims paid through the internal service fund is budgeted at an increased rate effective July 1, 2005.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Statutes authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, state pooled investment fund, money market mutual funds and mortgage-backed securities. Statutes require that (1) deposits have securities as collateral whose market value is equal to 105 percent of the value of the deposits, less so much of such amount as is insured by federal deposit insurance and (2) securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase agreements. Tennessee Code Annotated Sections 9-4-105 and 9-4-404 state that collateralization coverage for cash deposits may be computed based on average daily balances of the preceding month.

City ordinances, as interpreted by opinions of the City Attorney, authorize the City to enter into stock and bonds borrowed/cash or bond pledged securities lending agreements, that is a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the City is legally authorized to hold. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred in the case of the securities of United States issuers and 105 percent in the case of securities of non-United States issuers. The securities transferred are a part of the total investments reported below. The securities being held are not reported as a part of the total investments. The City retains the interest income on the securities being transferred and received \$192 during the year ended June 30, 2005. On June 30, 2005, the market value of the securities transferred was \$32,695 and the market value of the securities the City was holding was \$33,972. The monitoring procedures in the securities lending programs are the same as those requirements in regard to the repurchase agreements. At year end, the City has no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City.

Cash and Investment Pool

The City uses a central cash and investment pool (the "Pool") for all funds other than the Pension Trust Funds, MLGW funds, and certain investments of the Capital Projects Fund and Sewer Collection and Treatment Fund. The Memphis and Shelby County Port Commission also participates in the Pool. As discussed in Note 1, the Port Commission operates as a joint venture and is therefore not included in the reporting entity. The Port Commission's equity position in the Pool is reported as an investment trust fund. The equity of the other funds within the reporting entity is recorded as an asset in those funds. The City's component units do not participate in the Pool. The individual fund pool balances are based upon actual cash receipts and disbursements with investment income, including any unrealized gains from changes in the fair value of investments, allocated monthly to each fund on a pro-rata basis. The fair value of the Pool is the same as the value of the Pool shares. The City's investment policy with respect to the Pool is to maximize investment earnings while maintaining an acceptable level of risk. Since investments in the Pool must provide for the future cash needs of the City, flexibility and liquidity of investments are generally maintained at all times. The City does not provide guarantees to the Pool participants to support the values of their equity positions.

Interest Rate Risk

In accordance with its investment policy, the city manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of the portfolio, excluding bond proceeds, to less than one (1) year. Furthermore, no investment is allowed to have a maturity of greater than two (2) years from date of purchase unless such maturity is approved by the State Director of Local Finance.

Credit Risk

It is the City's policy to limit its investments to prime commercial paper which shall be rated at least A1 or equivalent by at least two (2) nationally recognized rating services. Proceeds of bonds, notes and other obligations issued by the city, reserves held in connection therewith and the investment income therefrom, may be invested in obligations which (a) are rated in either of the two highest rated categories by a nationally recognized rating agency; (b) are direct general obligations of a state of the United States, or a political subdivision or instrumentally thereof, having general taxing powers; and (c) have a final maturity on the date of investment not to exceed twenty-four (24) months or which may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than twenty-four (24) month intervals unless approved by the State Director of Local Finance.

Concentration of Credit Risk

The City's investment policy requires portfolio diversification by security type and institution. The maximum percentage of the portfolio permitted in each eligible security is as follows:

U.S. Treasury	100% maximum
Federal Agency (Fixed Rate)	100% maximum
Federal Agency (Variable Rate)	10% maximum
Repurchase Agreement	50% maximum
Commercial Paper	15% maximum
Banker's Acceptances	15% maximum
Insured/Collateralized Certificates of Deposit	20% maximum
Municipal Obligations	20% maximum
Tennessee LGIP	25% maximum

The City's investment policy is further diversified and limits the exposure to any other issuer. No more than 5% of the City's Portfolio is allowed to be invested in the securities of any single issuer with the following exceptions:

Each Federal Agency	35% maximum
Each Repurchase Agreement Counterparty	20% maximum

Custodial Credit Risk

The City's investment policy provides that all securities purchased by the City or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution.

Deposits held by the Pool at June 30, 2005, were as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ (16,222)	2,848

The investments held by the pool consist of the following at June 30, 2005:

<u>Description</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Fair Value</u>	<u>Duration</u>
U.S. Government agencies	July 2005	2.60–3.07	\$ 28,198	.013
Commercial paper	July 2005	3.20	3,999	.01
Certificate of deposit			1,000	.167
Total			33,197	
Investments not subject to				
Categorization - Money market funds			867	
Total investments			\$ 34,064	

The Pool does not issue separate financial statements. Condensed financial information as of June 30, 2005 is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Assets

Investments	\$ 34,064
Bank overdraft	(16,222)
Net assets	<u>\$ 17,842</u>
Net assets held in trust for pool participants:	
Internal participants	<u>17,842</u>
Total net assets held in trust for pool participants	<u>\$ 17,842</u>

Condensed Statement of Changes in Net Assets

Additions:	
Investment income	\$ 1,161
Purchase of units	<u>1,098,937</u>
Total Additions	1,100,098
Deduction:	
Redemption of units	<u>1,111,508</u>
Net decrease	(11,409)
Net assets held in trust for pool participants:	
Beginning of Year	<u>29,252</u>
End of Year	<u>\$ 17,842</u>

Investments Outside of the Pool

In addition to the cash and investment pool, several funds in the primary government own investments outside of the Pool. The Capital Project Fund's investments were purchased from the unexpended portion of general obligation bond issues which require the City to maintain separate investments for arbitrage purposes. The Sewer Collection and Treatment Fund's investments were purchased to set aside funds to satisfy certain revenue bond covenants. Investments in these funds are generally of the same type as in the Pool with the addition of collateralized certificates of deposit. These funds also are required to hold funds relating to certain construction projects in the State of Tennessee Local Government Investment Pool ("LGIP"). The LGIP is an interest bearing account insured and regulated by the State. The fair value of the position in the LGIP is the same as the value of the pool shares. All of MLGW Fund's investments are outside of the City's investment pool. MLGW's investments are invested under a cash management program which provides for the investment of excess cash balances in short-term investments and the investment of debt service funds in instruments maturing as the related debt matures. These investments are similar to those described above with the addition of commercial paper and mutual funds. Investments in the City Retirement Fund, the Library Retirement Fund, and the MLGW Retirement and Pension System include stocks, corporate and government bonds, mortgage-backed securities, mutual funds, limited partnerships, real estate investments and commercial paper in addition to the money market securities mentioned above.

Deposits held by the primary government outside of the Pool at June 30, 2005, were as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposit	\$ 14,278	\$ 9,590
Cash on hand	105	
Total deposits and cash on hand	<u>\$ 14,383</u>	

The investments held by the primary government outside the Pool consist of the following at June 30, 2005:

<u>Description</u>	<u>Fair Value</u>
Short-term investments	10
U.S. Government securities	105,199
Common stock - domestic	115,552
Corporate bonds - domestic	6,078
Mortgage-backed securities	11,491
Total	\$ 238,330
Investments not subject to categorization:	
Strategic property fund	4,287
State of Tennessee LGIP	11,869
Future contracts	(3,608)
Total	12,548
Total investments	\$ 250,878

A reconciliation of cash and investments as shown on the governmental and proprietary funds for the governmental entity-wide is as follows:

Pool deposits	\$ (16,222)
Pool investments	34,064
Other deposits and cash on hand	14,384
Other investments	250,878
Total	\$ 283,104
Cash and cash equivalents	68,179
Investments	88,463
Equity in cash and investment pool	17,842
Restricted special fund-customer deposits	17,247
Restricted investments	91,373
Total	\$ 283,104

Deposits and investments relating to discretely presented component units are as shown below. Investment policy and risk discussion may be found in each of the component units audited financial statements.

BOE Deposits - Deposits by type at June 30, 2005, were as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 10,755	24,866
State of Tennessee local government investment pool	154,334	24,866
Total deposits	\$ 165,089	

BOE Investments - Investments by type at June 30, 2005, were as follows:

<u>Description</u>	<u>Fair Value</u>
Short-term investments	25,133

MATA Deposits - Deposits by type at June 30, 2005 were as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 2,316	2,316
Cash on hand	1	
Total deposits and cash on hand	<u>\$ 2,317</u>	

MATA Investments - Investments by type at June 30, 2005, were as follows:

<u>Description</u>	<u>Fair Value</u>
U.S. Treasury notes	\$ 366
Certificates of Deposits	134
Total Investments	<u>\$ 500</u>

MSCAA Deposits - Deposits by type at June 30, 2005, were as follows:

<u>Description</u>	<u>Carrying Amount</u>
Cash deposits	\$ 19,105
Cash on hand	17
Total deposits and cash on hand	<u>\$ 19,122</u>

MSCAA Investments - Investments by type at June 30, 2005, were as follows:

<u>Description</u>	<u>Fair Value</u>
U.S. Government agencies	\$ 185,958
Investments not subject to categorization:	
Mutual Funds	374
Forward Purchase Agreements	24,513
Total Investments	<u>\$ 210,845</u>

A reconciliation of cash and investments for the discretely presented component units as shown on the Combining Balance Sheet for the discretely presented component units is as follows:

Total component unit cash and deposits	\$ 186,586
Total component unit investments	236,478
Total	<u>\$ 423,064</u>
Cash and cash equivalents	\$ 177,054
Investments	32,581
Restricted cash and cash equivalents	9,532
Restricted Investments	203,897
Total	<u>\$ 423,064</u>

B. Receivables

Receivables as of year end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for the uncollectible accounts, are as follows:

	General	Debt Service	Capital Projects	Sewer Collection & Treatment	Memphis Light, Gas and Water	Nonmajor and Other Funds	Total
Receivables:							
Property taxes	\$ 241,183	88,900	397	-	-	106,770	437,250
Sales and income taxes	32,334	-	-	-	-	-	32,334
Special assessments	-	40	-	-	-	3,200	3,240
Federal and state grants	1,665	-	-	-	-	29,437	31,102
Interest and dividends on investments	-	-	-	128	-	36	164
Notes and accounts receivable	-	-	-	3,796	198,653	293	202,742
Housing and rehabilitation loans	-	-	-	-	-	83,642	83,642
Other	104,156	-	97	-	-	2,810	107,063
Gross receivables	379,338	88,940	494	3,924	198,653	226,188	897,537
Less allowance for uncollectibles	(83,237)	(3,249)	(12)	(498)	-	(21,291)	(108,287)
Net total receivables	\$ 296,101	85,691	482	3,426	198,653	204,897	789,250

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2005, deferred revenue principally represents: (1) amounts received for various capital projects upon which revenues will not be recognized until such projects have started, (2) amounts relating to property taxes as described above, (3) operating subsidies received in advance, (4) uncollected principal on Housing Rehabilitation Loans and (5) long-term receivables due from agencies.

C. Property taxes

The City levies property taxes for the calendar year annually based upon assessed valuations. The various types of property are assessed at a percentage of market value on January 1 of each year as follows:

Farm and residential real property	25%
Commercial and industrial real property	40%
Commercial and industrial personal property	30%
Public utilities real and personal property	55%

The assessed value upon which the fiscal 2005 levy was based was approximately \$11.1 billion. The market value was approximately \$35.5 billion making the overall assessed value 31.3 percent of the market value. Taxes attach as an enforceable lien on property on June 1, the day taxes are levied, and are due by September 1. Current tax collections for the year ended June 30, 2005, were 91.19 percent of the tax levy. At June 30, 2005 the allowance for uncollectibles by fund was as follows:

General Fund	\$	8,109
Education Special Revenue Fund		4,079
Debt Service Fund		3,248
Capital Projects Fund		12
		<hr/>
Total	\$	<u>15,448</u>

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. The City allocated the property tax per \$100 of assessed value for the year ended June 30, 2005, as follows:

General Fund	\$	1.6753
Education Special Revenue Fund		.8578
Debt Service Fund		.6941
Capital Projects Fund		.0032
		<hr/>
Total	\$	<u>3.2304</u>

The Sewer Fund and MLGW are assessed an in-lieu-of-tax payment with all proceeds from this source allocated to the General Fund. The City contributed 15% of the MLGW payments to the County in accordance with the calculation required by state law.

D. Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 47,741	11,006	-	58,747
Construction in progress	305,608	116,194	(379,886)	41,916
Total capital assets, not being depreciated	353,349	127,200	(379,886)	100,663
Capital assets, being depreciated:				
Buildings	465,751	57,523	(328)	522,946
Improvements other than buildings	452,352	248,807	(3,405)	697,754
Machinery and equipment	226,611	65,256	(11)	291,856
Total capital assets being depreciated	1,144,714	371,586	(3,744)	1,512,556
Less accumulated depreciation for:				
Buildings	(139,674)	(11,964)	262	(151,376)
Improvements other than buildings	(114,191)	(13,171)	1,175	(126,187)
Machinery and equipment	(191,813)	(20,616)	11	(212,418)
Total accumulated depreciation	(445,678)	(45,751)	1,448	(489,981)
Total capital assets, being depreciated, net	699,036	325,835	(2,296)	1,022,575
Governmental activities capital assets, net	\$ 1,052,385	453,035	(382,182)	1,123,238

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 9,581	4,067	-	13,648
Construction in progress	48,440	5,789	(51,248)	2,981
Memphis Light, Gas and Water assets	129,936	85,923	(78,270)	137,589
Total capital assets, not being depreciated	187,957	95,779	(129,518)	154,218
Capital assets, being depreciated:				
Buildings and system	106,090	-	-	106,090
Improvements other than buildings	397,545	51,141	-	448,686
Machinery and equipment	23,829	961	-	24,790
Memphis Light, Gas and Water assets	1,856,129	76,235	(14,529)	1,917,835
Total capital assets, being depreciated	2,383,593	128,337	(14,529)	2,497,401
Less accumulated depreciation for:				
Buildings and system	(61,900)	(2,590)	-	(64,490)
Improvements other than buildings	(191,492)	(8,252)	-	(199,744)
Machinery and equipment	(21,037)	(1,070)	-	(22,107)
Memphis Light, Gas and Water depreciation	(706,596)	(61,322)	19,772	(748,146)
Total accumulated depreciation	(981,025)	(73,234)	19,772	(1,034,487)
Total capital assets, being depreciated, net	1,402,568	55,103	5,243	1,462,914
Business-type activities capital assets, net	\$ 1,590,525	150,882	(124,275)	1,617,132

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Executive	\$ 109
Finance	6,002
Library	680
General services	563
Information services	2,011
Fire services	3,026
Police services	7,644
Park services	6,835
Public services	5,644
Housing and community development	317
Public works	11,824
Engineering	904
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	192
Total depreciation expense - governmental activities	<u>\$ 45,751</u>
Business-type activities:	
Sewer	\$ 11,678
Golf	234
Memphis Light, Gas and Water	41,550
Total depreciation expense - business-type activities	<u>\$ 53,462</u>

Construction commitments

The government has active construction projects as of June 30, 2005. At year end the government's commitments with contractors are as follows:

<u>Function/Activity</u>	<u>Commitment</u>
Executive	\$ 2,637
Fire services	10,611
Police services	22,301
Park services	8,573
Public works	34,270
Public services	3,205
General services	3,115
Housing and community development	6,442
Engineering	2,338
Information systems	2,789
Library services	588
Sewer	15,926
	<u>\$ 112,795</u>

Discretely presented component units

Activity for the Board of Education for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 26,368	845	(59)	27,154
Construction in progress	65,330	16,833	(62,359)	19,804
Total capital assets, not being depreciated	91,698	17,678	(62,418)	46,958
Capital assets, being depreciated:				
Buildings and improvements	979,874	53,554	(2,391)	1,031,037
Equipment and furniture	202,511	15,661	(3,246)	214,926
Total capital assets being depreciated	1,182,385	69,215	(5,637)	1,245,963
Less accumulated depreciation for:				
Buildings and improvements	(293,705)	(24,781)	1,222	(317,264)
Machinery, buses and equipment	(149,294)	(10,245)	3,137	(156,402)
Total accumulated depreciation	(442,999)	(35,026)	4,359	(473,666)
Total capital assets, being depreciated, net	739,386	34,189	(1,278)	772,297
Capital assets, net	\$ 831,084	51,867	(63,696)	819,255

Activity for the Memphis Area Transit Authority for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,706	25	-	2,731
Construction in progress	2,988	4,804	-	7,792
Total capital assets, not being depreciated	5,694	4,829	-	10,523
Capital assets, being depreciated:				
Buildings and improvements	138,329	64	-	138,393
Buses and other revenue vehicles	74,740	15	(556)	74,199
Machinery and equipment	15,459	216	-	15,675
Total capital assets being depreciated	228,528	295	(556)	228,267
Less accumulated depreciation for:				
Buildings	(34,339)	(4,194)	-	(38,533)
Buses and other revenue vehicles	(37,180)	(5,051)	556	(41,675)
Machinery and equipment	(12,845)	(708)	-	(13,553)
Total accumulated depreciation	(84,364)	(9,953)	556	(93,761)
Total capital assets, being depreciated, net	144,164	(9,658)	-	134,506
Capital assets, net	\$ 149,858	(4,829)	-	145,029

Activity for the Memphis-Shelby County Airport Authority for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 158,206	3,986	(1,337)	160,855
Construction in progress	38,885	54,322	(33,912)	59,295
Total capital assets, not being depreciated	197,091	58,308	(35,249)	220,150
Capital assets, being depreciated:				
Buildings	314,951	16,711	-	331,662
Utility Plant	652,263	15,119	-	667,382
Machinery, buses and equipment	66,669	3,512	-	70,181
Total capital assets being depreciated	1,033,883	35,342	-	1,069,225
Less accumulated depreciation for:				
Buildings	(137,989)	(14,906)	-	(152,895)
Utility Plant	(210,316)	(24,899)	-	(235,215)
Machinery, buses and equipment	(41,246)	(3,738)	-	(44,984)
Total accumulated depreciation	(389,551)	(43,543)	-	(433,094)
Total capital assets, being depreciated, net	644,332	(8,201)	-	636,131
Capital assets, net	\$ 841,423	50,107	(35,249)	856,281

E. Interfund receivables, payables, and transfers

The composition of interfund transfers for the year ended June 30, 2005 is as follows:

	Transfers in:										Totals
	General Fund	Debt Service	Capital Projects	Workforce Investment	Miscellaneous Grants	Solid Waste Management	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Total Nonmajor Special Revenue	
Transfers out:											
General fund	\$ -	1,369	15	390	85	20,138	-	-	137	20,750	22,134
Debt service	6,788	-	-	-	-	-	-	-	-	-	6,788
Nonmajor special revenue:-											
Municipal state aid	13,841	5,458	-	-	-	-	-	-	-	-	19,299
Workforce investment act	-	-	-	-	218	-	-	-	-	218	218
Hotel/Motel tax	-	1,027	-	-	-	-	-	1,200	-	1,200	2,227
New Memphis arena	-	-	-	-	-	-	1,200	-	-	1,200	1,200
Community redevelopment	-	1,528	-	-	-	-	-	-	-	-	1,528
Total nonmajor special revenue	13,841	8,013	-	-	218	-	1,200	1,200	-	2,618	24,472
Enterprise fund:											
Sewer	1,300	-	-	-	-	-	-	-	-	-	1,300
Golf	-	287	-	-	-	-	-	-	-	-	287
	\$ 21,929	9,669	15	390	303	20,138	1,200	1,200	137	23,368	54,981

The composition of interfund balances as of June 30, 2005 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
GOVERNMENTAL FUND TYPES		
General	Municipal state aid	\$ 2,399
	Health insurance	12,686
	Sewer	3,809
		<u>18,894</u>
Debt service	Municipal state aid	924
	Capital projects	5,114
	Health insurance	1,806
		<u>7,844</u>
CIP	General fund	15,252
	New Memphis arena	8,015
		<u>23,267</u>
Special Revenue:		
Community development	Printing and supply	1
	Capital projects	250
Drug enforcement	Health insurance	3,072
Midtown corridor	Health insurance	321
		<u>3,644</u>
PROPRIETARY FUND TYPES		
Internal Service:		
Printing and supply	Community development	9
Health insurance	General fund	2,229
	WIA	321
	Miscellaneous grants	1,075
	Community development	8,867
	Golf	2,468
	Printing and supply	248
	Vehicle maintenance	5,002
	Retirement	2,166
	Unemployment compensation	1,217
Vehicle maintenance	Community development	45
		<u>23,647</u>
FIDUCIARY FUND TYPES		
Pension Trust:		
Retirement	General	13
Total		<u>\$ 77,309</u>
Due to/from primary government and component units:		
<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - debt service	Component unit - MATA	\$ 800
Total		<u>\$ 800</u>

F. Leases

Operating Leases

The City occupies certain storage and office facilities principally under operating lease arrangements. The minimum annual rentals under such leases are not significant.

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of vehicles for the Division of Police. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The remaining debt service requirements for the capital lease obligations for the City at June 30, 2005, are as follows:

Fiscal Year	Total Payments
2006	\$ 1,760
2007	1,009
Total Payments	<u>2,769</u>
Less portion representing interest	(143)
Present value of net minimum future payments	<u>\$ 2,626</u>

G. Long-term debt

General Obligation Bonds

The City's full faith and credit and unlimited taxing power has been pledged to the payment of general obligation debt principal and interest. There is no legal limit on the indebtedness which may be incurred.

In October 2004, the City issued \$125,000 of General Improvement Bonds, Series 2004. The issue resulted in net proceeds of \$133,886 (after an original issue premium of \$9,337 and payment of \$451 in underwriter's fees) to be used for the construction of the City's capital facilities. The proceeds and issue cost of these debt instruments were recorded in the City's Capital Projects Fund as other sources and debt issue cost. The capitalized interest represents funds to be used to pay a portion of future interest. These funds were recorded in the City's Debt Service Fund as other revenue.

In March 2005, the City issued \$166,880 of General Improvement Refunding Bonds, Series 2005 to refund \$15,705 in General Improvement Bonds, Series 1998, \$9,960 in General Improvement Bonds, Series 1999, \$84,335 in General Improvements Bonds, Series 2000, \$47,465 in General Improvement Bonds, Series 2002, and \$11,395 in General Improvement Bonds, Series 2003. The net proceeds of \$182,205 (after an original premium of \$16,528 and payment of \$1,203 in underwriter's fees and insurance) were used to purchase U.S. Government and State and Local Series Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the above mentioned bonds. As a result, these Series bonds are considered to be defeased. The proceeds and extinguishment of debt as well as the issue costs paid by the City were recorded in the Debt Service Fund for the refunding issue.

The City advance refunded the 1998 Series, 1999 Series, 2000 Series, 2002 Series, and 2003 Series bonds resulting in a decreased total debt service payment over the next 11 years by \$11,278 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$7,833.

In May 2005, the City issued \$115,635 of General Improvement Refunding Bonds, Series 2005B to refund \$18,695 in General Improvement Bonds, Series 1998, \$34,245 in General Improvement Bonds, Series 1999A, \$9,340 in General Improvements Bonds, Series 2000, \$36,540 in General Improvement Bonds, Series 2002, and \$22,505 in General Improvement Bonds, Series 2003. The net proceeds of \$129,087 (after an original premium of \$14,051 and payment of \$599 in underwriter's fees) were used to purchase U.S. Government and State and Local Series Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the above mentioned bonds. As a result, these Series bonds are considered to be defeased. The proceeds and extinguishment of debt as well as the issue costs paid by the City were recorded in the Debt Service Fund for the refunding issue.

The City advance refunded the 1998 Series, 1999A Series, 2000 Series, 2002 Series, and 2003 Series bonds resulting in a decreased total debt service payment over the next 9 years by \$7,536 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$5,164.

Commercial Paper Program

In April 2001, the City entered agreements to sell bond anticipation notes in the form of General Obligation Commercial Paper. The Commercial Paper is issued under the State of Tennessee Commercial Paper Program in an amount not to exceed \$150,000. The purpose of the Commercial Paper is to provide interim financing of various capital projects. The Commercial Paper has varying maturities of not more than 270 days from their respective dates of issuances. The City has entered a line of credit agreement, which expires on April 24, 2009, to provide liquidity support for this Commercial Paper Program. As of June 30, 2005, \$125,000 has been advanced and is outstanding under this program. The debt is classified as long-term debt and is reflected in the City's Statement of Net Assets and the City's Capital Improvement Projects Fund, based on the City's ability to refinance the debt under the line of credit agreement.

Defeased debt

In prior years, the City defeased other general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the City's financial statements. On June 30, 2005, a total of approximately \$290,185 bonds outstanding are considered defeased.

Changes in long-term liabilities

Various bond indentures contain significant limitations and/or restrictions for annual debt service requirements, maintenance of and flow of monies through various restricted accounts and minimum amounts to be maintained in various sinking funds. The City is in compliance with these limitations and restrictions.

Long-term liability activity for the year ended June 30, 2005, was as follows:

The following is a summary of long-term debt by fund at June 30, 2005:

	State Loans	General Obligation Bonds	Bond Anticipation Notes	Notes Payable	Capital Lease Obligations	Revenue Bonds	Total
Governmental Funds	\$ -	882,312	125,000	1,571	2,626	-	1,011,509
Enterprise Funds	189	-	-	-	-	1,614,591	189
Total long-term debt	\$ 189	882,312	125,000	1,571	2,626	1,614,591	2,626,289

Long-term liability activity for the year ended June 30, 2005, was as follows::

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 809,421	407,515	(340,195)	876,741	52,610
Premium on general obligation bonds	8,864	39,916	(24,787)	23,993	-
Bond anticipation notes payable	125,000	100,000	(100,000)	125,000	125,000
Notes payable	2,357	-	(786)	1,571	786
Capital lease agreements	4,215	-	(1,589)	2,626	1,655
Accreted value on bonds	4,939	632	-	5,571	-
Vacation, sick and other leave benefits	70,085	9,759	(6,600)	73,244	7,505
	<u>\$ 1,024,881</u>	<u>557,822</u>	<u>(473,957)</u>	<u>1,108,746</u>	<u>187,556</u>
Business-type activities:					
Revenue bonds	\$ 124,835	-	(7,045)	117,790	7,380
State loans	1,108	-	(916)	192	192
MLGW revenue bonds	1,463,365	-	(80,075)	1,383,290	80,355
Premium on MLGW revenue bonds	121,525	-	(14,220)	107,305	-
Less deferred amounts:					
For issuance discounts and on refunding	(2,792)	-	924	(1,868)	-
MLGW notes payable	24,117	-	(16,043)	8,074	1,124
Vacation, sick and other leave benefits	2,497	2,869	(2,497)	2,869	395
	<u>\$ 1,734,655</u>	<u>2,869</u>	<u>(119,872)</u>	<u>1,617,652</u>	<u>89,446</u>

The accreted value of bonds represents accrued interest on the \$6,401 principal portion of compound interest bonds of the 1993A Refunding Bonds. The cumulative accreted value of the 1993A Refunding Bonds is \$5,571 at June 30, 2005. The compounded accreted values (principal plus accreted interest) of this portion of the 1993A Refunding Bonds at maturity are as follows:

Maturity Date	Principal Amount	Compounded Accreted Values
August 1, 2008	\$ 2,112	4,605
August 1, 2009	1,523	3,555
August 1, 2010	1,427	3,545
August 1, 2011	1,339	3,545
Total	<u>\$ 6,401</u>	<u>15,250</u>

The compound interest bonds are subject to optional redemption by the City prior to their maturities at stated redemption prices which are calculated based upon the compounded accreted value at the date of redemption. A summary of General Obligation Debt and Revenue Bonds at June 30, 2005 follows:

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
General Obligation Debt:			
General City Government Serial Bonds (1)	2.125-6.125	\$ 1,428,156	\$ 868,052
General City Government Term Bonds	variable	27,405	14,260
Bond Anticipation Notes	variable	150,000	125,000
State Loans - City Sewer System	5.00-6.00	26,103	189
Notes Payable		5,500	1,571
Capital Lease Obligations	3.98-4.29	7,920	2,626
Total General Obligation Debt		\$ 1,645,084	1,011,698
Revenue Bonds:			
Sanitary Sewerage System	2.28-5.75	\$ 138,600	117,790
Electric Division, MLG&W(2)	2.00-7.58	1,460,605	1,364,214
Water Division, MLG&W(2)	3.35-6.00	53,610	27,150
Premium on revenue bonds			107,305
Unamortized deferred amount on bond refundings			(1,868)
Total Revenue Bonds		\$ 1,652,815	1,614,591
Total			\$ 2,626,289

(1) Includes accreted value of \$5,571 as of June 30, 2005.

(2) All MLG&W bonds reflect amounts outstanding at December 31, 2004.

Debt service requirements to maturity for general obligation and revenue bond long-term indebtedness at June 30, 2005 are as follows:

Fiscal Year	Total Long-term Indebtedness															
	General Obligation								Revenue							
	City		State Loans		Capital Outlay Notes		Capital Lease		Sewer System		MLG&W(2)		Total Requirements			
Principal	Interest(1)	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest(1)	Principal	Interest	Principal	Interest	Principal	Interest	Total
2005	-	-	-	-	-	-	-	-	-	-	-	81,479	65,304	84,109	65,304	149,413
2006	177,610	40,053	189	5	786	-	1,655	104	7,380	5,313	83,243	61,412	269,989	106,887	376,876	
2007	53,815	39,034	-	-	785	-	971	39	7,465	5,019	84,318	57,437	145,598	101,529	247,127	
2008	54,510	36,612	-	-	-	-	-	-	7,150	4,728	88,360	53,382	150,020	94,722	244,742	
2009	54,122	36,711	-	-	-	-	-	-	6,675	4,428	92,601	49,042	153,398	90,181	243,579	
2010	56,393	33,739	-	-	-	-	-	-	6,945	4,159	95,313	44,533	158,651	82,431	241,082	
2011	56,989	31,248	-	-	-	-	-	-	7,150	3,869	91,960	39,839	156,099	74,956	231,055	
2012	55,718	28,657	-	-	-	-	-	-	6,515	3,572	96,815	35,322	159,048	67,551	226,599	
2013	56,735	23,583	-	-	-	-	-	-	6,960	3,271	99,700	30,542	163,395	57,396	220,791	
2014	54,535	20,750	-	-	-	-	-	-	7,140	2,941	104,675	25,682	166,350	49,373	215,723	
2015	54,390	18,126	-	-	-	-	-	-	7,300	2,610	109,905	20,449	171,595	41,185	212,780	
2016	54,270	15,323	-	-	-	-	-	-	6,980	2,270	115,270	14,975	176,520	32,568	209,088	
2017	51,740	12,656	-	-	-	-	-	-	7,610	1,953	121,075	9,154	180,425	23,763	204,188	
2018	49,315	10,080	-	-	-	-	-	-	7,135	1,580	126,650	4,108	183,100	15,768	198,868	
2019	46,245	7,609	-	-	-	-	-	-	4,730	1,209	-	-	50,975	8,818	59,793	
2020	42,275	5,483	-	-	-	-	-	-	5,585	941	-	-	47,860	6,424	54,284	
2021	27,525	3,733	-	-	-	-	-	-	4,190	646	-	-	31,715	4,379	36,094	
2022	28,825	2,420	-	-	-	-	-	-	4,405	433	-	-	33,230	2,853	36,083	
2023	22,480	996	-	-	-	-	-	-	2,055	271	-	-	24,535	1,267	25,802	
2024	9,820	207	-	-	-	-	-	-	2,155	167	-	-	11,975	374	12,349	
2025	-	-	-	-	-	-	-	-	2,265	57	-	-	2,265	57	2,322	
TOTAL	\$1,007,312	367,020	189	5	1,571	-	2,626	143	117,790	49,437	1,391,364	511,181	2,520,852	927,786	3,448,638	

(1) Interest on variable general obligation bonds is estimated.

(2) At 12-31-04.

H. Restricted assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Investments – Memphis Light, Gas and Water	\$ 91,373
Customer deposits – Memphis Light, Gas and Water	17,247
Total	<u>\$ 108,620</u>

V. OTHER INFORMATION

A. Risk management

The City is self-insured for health and medical benefits as well as on the job injury claims. The Health Insurance - Internal Service Fund charges premiums to other funds (primarily to the General Fund) which are used to pay claims and to fund the accrual for “incurred but not reported” (i.e. IBNR) claims and administrative costs of its health and medical benefits program. Additionally, on the job injury claims of \$5,478 were recorded in the Governmental Funds.

There were no significant incremental claim adjustment expenditures/expenses other than the expected cost of administering the claims paid by third party administrators. These liabilities, including IBNR (incurred but not reported claims), are based on the estimated ultimate cost of settling the claims using past experience adjusted for current trends, and any other factors that would modify past experience.

The changes in the insurance claims payable for the years ended June 30, 2004 and 2005 are as follows:

	Health and Medical	On the Job Injury		
		Sewer	Vehicle Maintenance Fund	Governmental Funds
Balance - June 30, 2003	\$ 8,095	23	-	5,567
Current year provision	66,400	63	94	4,552
Payments	(64,132)	(63)	(94)	(5,088)
Balance - June 30, 2004	10,363	23	-	5,031
Current year provision	66,510	-	72	5,125
Payments	(69,150)	-	(72)	(4,678)
Balance - June 30, 2005	<u>\$ 7,723</u>	<u>23</u>	<u>-</u>	<u>5,478</u>

B. Subsequent events

The City of Memphis issued \$32,000 of Sanitary Sewerage Revenue Bonds on December 20, 2005. The interest rates on the bonds range from 3.25% to 5% over the 20 year life of the bonds.

On September 14, 2005, the City of Memphis and the Memphis Cook Convention Center Commission settled a lawsuit with Clark Construction Group, LLC for \$14,500. The dispute related to the construction of the Memphis Cook Convention Center and the Cannon Performing Arts Center. The City's portion of the settlement was \$5,150.

C. Contingent liabilities

The City is a defendant in a number of various lawsuits filed in the ordinary course of its operations. The City believes that \$5,290 is a reasonable measure of the ultimate settlement of these matters and has been reflected on the City's Statement of Net Assets.

Amounts received or receivable from grantors, principally the Federal and State governments, are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the City as revenue, would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although City officials expect such amounts, if any, to be immaterial.

The City has commitments at June 30, 2005, for outstanding purchase orders and outstanding contracts reported as reserves for encumbrances in the General Fund of \$3,912. The City had additional commitments totaling \$112,795 for certain infrastructure and sewer construction projects.

D. Joint ventures

Mid-South Coliseum

The Mid-South Coliseum (the Coliseum) is a joint operation between the City and the County. It is managed by a board consisting of two members appointed by the City, two appointed by the County and one appointed jointly by the City and the County. The participants must approve expenditures for salaries over \$3 and other expenditures over \$2. The City and the County share in profits or fund any deficits from operations in a ratio of 60% and 40%, respectively. As of and for its year ended June 30, 2005, the Coliseum reported the following derived from its audited financial statements:

Assets	\$	1,403
Liabilities		851
Equity		553
Operating revenues		1,600
Operating expenses		2,085
Net loss		485

Financial statements for the Coliseum may be obtained from Mid-South Coliseum, The Fairgrounds, 996 Early Maxwell Blvd., Memphis, TN 38104.

Memphis and Shelby County Convention Center Complex

The Memphis and Shelby County Convention Center Complex (the Convention Center) is a joint operation between the City and the County. It is managed by an eight member board consisting of four members appointed by the City and four members appointed by the County. The board is responsible for reporting the results of operations of the Convention Center semi-annually to both the City and the County. Each participant shares equally in the profits of the Convention

Center and is responsible for funding any deficit from operations in the same proportion. As of and for its year ended June 30, 2005, the Convention Center reported the following derived from its audited financial statements:

Assets	\$	13,832
Liabilities		1,624
Equity		12,208
Operating revenues		2,903
Operating expenses		6,375
Other income		2,085
Net loss		1,387

Financial statements for the Convention Center may be obtained from Memphis Cook Convention Center, 255 N. Main Street, Memphis, TN 38103-1623.

Memphis and Shelby County Port Commission

The Memphis and Shelby County Port Commission (the Port Commission), a joint operation between the City and the County, is managed by a seven member board. Three of the board members are appointed by the City and two are appointed by the County. In addition, the director of public works for the City and for the County serves as ex officio members of the board with the right to vote. Capital expenditures over \$5 must be approved by both the City and the County. Excess revenues of the Port Commission are distributed to the City and the County in a sum equal to what would be the City and the County taxes on the property owned by the City and the County, managed and controlled by the Port Commission. Any deficits of the Port Commission are funded equally by the City and the County. As of and for its year ended June 30, 2005, the Port Commission reported the following derived from its audited financial statements:

Assets	\$	28,944
Liabilities		7,499
Equity		21,445
Operating revenues		1,605
Operating expenses		1,968
Net loss		363

Financial statements for the Port Commission may be obtained from the Memphis and Shelby County Port Commission, 1115 Riverside Blvd., Memphis, TN 38106-2504.

Public Building Authority of Memphis and Shelby County, Tennessee

In April 1989, the City and the County entered into a joint operation creating a nonprofit corporation, the Public Building Authority of Memphis and Shelby County, Tennessee (the PBA). The PBA was responsible for the construction of the Pyramid facility (the Pyramid). The total construction costs of \$64,000 were funded \$27,000 each by the City and the County from the proceeds of various G.O. Bonds issued by each and \$10,000 contributed from the State of Tennessee on behalf of the University of Memphis. The City's portion of the construction costs plus half of the amount contributed from the State is reflected in the Governmental-wide Capital Assets.

In September 1991, the City and the County entered into a contract with a company to manage the Pyramid Arena Operations. The management agreement, effective July 1, 1991, is for a three year period with three 5-year renewal options. This agreement is automatically renewable unless either party provides a written notice to the other that it intends not to renew. Management fees to be paid annually to the company are based upon the following percentages of operating revenues:

Operating Revenues	
Up to \$2.5 million	10%
\$2.5 to \$3.5 million	0%
\$3.5 to \$4.5 million	7.5%
above \$4.5 million	5%

Under the management agreement, the City and the County will provide the funds necessary for the Pyramid Arena Operations based upon approved budgets. Excess operating revenues, net of management fees and operating expenses, as defined under the management agreement, will be paid to the City and the County.

As of and for its year ended June 30, 2005, the Pyramid Arena Operations reported the following derived from its audited financial statements:

Assets	\$	1,097
Liabilities		350
Fund equity		747
Operating revenues		782
Operating expenses		2,253
Other income		1,486
Net loss		15

Financial statements for the PBA may be obtained from the Pyramid Arena, One Auction Street, Memphis, Tennessee 38105.

New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee

In August 2001, the City and the County entered into a joint operation creating a nonprofit corporation, The New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee (The New Arena PBA). The New Arena PBA is a non-profit corporation established under the Statutes of the State of Tennessee and is governed by a Board of Directors whose members are jointly appointed by the Majors and Memphis and Shelby County and approved by the Memphis City Council and the Shelby County Commission. The New Arena PBA is responsible for the construction of a multipurpose sports and entertainment facility (FedEx Forum). The total construction cost of \$250,000 is to be funded from \$186,000 from Senior Lien Revenue Bonds, \$20,000 from Subordinate Lien Revenue Bonds, \$12,000 each by the City and the County from non-ad valorem revenues, and \$20,000 from the State of Tennessee for a parking structure and intermodal transfer station. As of and for its year ended December 31, 2004, the New Memphis Arena PBA reported the following derived from its audited financial statements:

Assets	\$	233,220
Liabilities		2,362
Fund equity		230,858
Operating revenues		1,381
Operating expenses		3,112
Other income		94,242
Net income		92,511

Financial statements for the New Memphis Arena PBA may be obtained from New Memphis Arena PBA, 195 Linden Avenue, Memphis, Tennessee 38103.

E. Other postemployment benefits

In addition to providing pension benefits, the City (excluding MLGW) provides certain health and medical benefits and life insurance for retired employees in accordance with the City ordinance, which authorized payment of the benefits. Substantially all of the City's employees may become eligible for the benefits if they reach normal retirement age while working for the City. Of premiums paid for retiree health and medical benefits and life insurance, 70 % is paid by the General Fund (with the remaining 30% paid by the retirees) and is recognized as an expenditure, which totaled \$18,662 for 2005. At June 30, 2005, the number of retirees eligible for health and medical benefits is 3,917.

MLGW has post-retirement major medical and life insurance benefits available to all employee groups as a continuation of those benefits that were available prior to retirement. Currently, 2,422 retirees and beneficiaries are eligible for post-retirement benefits. MLG&W has established a grantor trust to accumulate funds to be used to pay future post-retirement medical benefits. Post-retirement benefit costs, paid 100% by MLGW and the grantor trust, totaled \$17,960 for the year ended December 31, 2004.

F. Pension and retirement plans

City of Memphis Retirement System

General - The City of Memphis Retirement System is established under Chapter 25, Code of Ordinances, City of Memphis, Tennessee and is administered by a Board of Administration under the direction of the Mayor. Separate financial statements for the plan are not issued.

Plan Description - The City Retirement System pension trust fund accounts for the activity of the City of Memphis Retirement System and is a single employer public employee retirement system. Substantially all permanent full-time salaried employees of the City (excluding component units) are required to participate in either of two contributory defined benefit pension plans (the Plans) which are as follows: 1948 Plan - for salaried employees hired prior to July 1, 1978, and 1978 Plan - for salaried employees hired after June 30, 1978. Under City Ordinances, trust assets are reported in one trust fund and not segregated between the two benefit plans. Permanent, full-time employees in job classifications covered by contract with the Social Security Administration are not participants of the Retirement System as they are covered under the Federal Insurance Contribution Act (Social Security).

At June 30, 2005, the Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	3,917
Active employees:	
Fully vested	2,528
Nonvested	3,188
	<hr/>
Total	<u>9,633</u>

The Plans provide retirement benefits as well as death and disability benefits. Retirement benefits vest after ten years of service. General employees, under the 1948 Plan, may retire after completion of 25 years of service or, if earlier, after age 60 and completion of 10 years of service. Under the 1978 Plan, general employees may retire after completion of 25 years of service or, if earlier, after meeting any of the following:

- 1) after age 65 and the completion of 5 years of service,
- 2) after age 60 and the completion of 10 years of service.

Police officers and firefighters under the 1948 Plan and the 1978 Plan may retire after completion of 25 years of service or, if earlier, after age 55 and completion of 10 years of service. Elected and Appointed participants may retire after 12 years of service.

Benefits amounting to 2.25 percent (for credited service prior to January 1, 1989) and 2.50 percent (for credited service January 1, 1989 and after) of the earnings base for the first 25 years of credited service plus 1 percent of the earnings base for the next 10 years of credited service are payable semi-monthly for life.

Summary of Accounting Policies - The financial statements of the Plans are prepared using the accrual basis of accounting. Contributions, benefits, and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments - All investments of the City of Memphis Retirement System are reported at fair value. Short term investments are reported at cost, which approximates fair value. All other investments are valued based upon quoted market prices except for real estate investments, which are appraised by independent appraisals. At June 30, 2005, the City of Memphis Retirement System held one investment in Monumental Life Insurance Company with a value of \$148,240, which represents more than 5 percent of plan net assets. No other investments in any one organization represent more than 5 percent of plan net assets.

Contributions - The Plans' funding policy provided for actuarially determined periodic contributions at rates of 5 percent per annum for general city employees and up to 7 percent for police and fire employees. The City is required to contribute the remaining amounts necessary to fund the Plans, using the actuarial basis specified by statute. The City is also required to appropriate funds for the trust fund as necessary to pay all costs and expenses of the Plans.

Actuarial Methods and Assumptions - The actuarial valuation method used is a market value related method. The frozen entry age actuarial cost method is used in determining the funding requirements. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5 percent a year compounded annually, attributable to inflation, (c) no additional projected salary increases for seniority or merit, and (d) no post-retirement benefit increases.

Schedule of Funding Progress - The frozen entry age actuarial cost method, used in determining funding requirements, only identifies the initial unfunded actuarial accrued liability, which is incurred at the inception of the plan and amortized. All other sources of unfunded liabilities (such as plan amendments and experience gains and losses) become part of normal cost. The schedule of funding progress for the six years ended June 30, 2005 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Unamortized Portion of Initial Unfunded Actuarial Accrued Liability (IUAAL)	Unfunded Frozen Actuarial Accrued Liability (UFAAL)	Covered Payroll	IUAAL as a Percentage of Covered Payroll	UFAAL as a Percentage of Covered Payroll
7/1/2000	1,773,882	NIL	NIL	202,700	N/A	N/A
7/1/2001	1,824,173	NIL	NIL	208,141	N/A	N/A
7/1/2002	1,886,836	NIL	NIL	217,737	N/A	N/A
7/1/2003	1,861,728	NIL	NIL	226,580	N/A	N/A
7/1/2004	1,926,926	NIL	NIL	241,321	N/A	N/A
7/1/2005	1,992,833	NIL	NIL	254,529	N/A	N/A

Schedule of Employer Contributions - The schedule of employer contributions for the six years ended June 30, 2005 is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2000	NIL	(See Below) ¹
2001	10,227	108.6
2002	NIL	(See Below) ²
2003	NIL	(See Below) ³
2004	709	1,909.0
2005	2,695	513.7

Even though the Annual Required Contribution was zero for this plan year (1)\$10,818,000 was contributed to trust (2)\$11,819,000 was contributed to trust (3)\$12,483,000 was contributed to trust.

Annual Pension Cost and Net Pension Asset - The City Retirement System's annual pension cost and net pension asset for the year ended June 30, 2005 were as follows:

Annual required contribution	\$ 2,695
Interest on net pension asset	(5,523)
Adjustment to annual required contribution	<u>10,066</u>
Annual pension cost	7,238
Contribution made	<u>13,844</u>
Decrease in net pension obligation	6,606
Net pension asset at beginning of year	<u>73,634</u>
Net pension asset at end of year	<u><u>\$ 80,240</u></u>

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2003	4,028	310.0	65,433
2004	5,334	254.0	73,634
2005	7,238	191.3	80,240

Library Retirement System

General - The Retirement System of the Memphis and Shelby County Public Library and Information System is established under Chapter 18, Code of Ordinances, City of Memphis, Tennessee and is administered by a Board of Administration under the direction of the Library Board of Trustees and City Council. Separate financial statements for the plan are not issued.

As of and for its year ended June 30, 2005, the Library Retirement System reported the following:

Assets	\$ 58,283
Equity	58,283
Additions	5,531
Deductions	2,355
Net increase	3,176

Plan Description - The Library Retirement System pension trust fund accounts for the activity of the Library Retirement System, a single employer public employee retirement system. Substantially all regular full-time and permanent part-time employees of the Library are required to participate in either of two contributory defined benefit pension plans (the Library Plans) which are as follows:

Plan I - for all employees hired prior to April 1, 1975, and employees hired after March 31, 1975, who do not join Plan II, and

Plan II - for employees hired after March 31, 1975, who applied for membership in Plan II as a condition of employment.

Hourly-rate employees are not eligible for coverage under the above Library Plans since they are covered under the Federal Insurance Contribution Act (Social Security).

At January 1, 2005 the Library Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	108
Active employees:	
Vested	123
Nonvested	<u>239</u>
Total	<u><u>470</u></u>

The Library Plans provide retirement benefits as well as death and disability benefits. Retirement benefits, under Plan I, vest partially up to 15 years of service at which point employees are fully vested. Under Plan II, retirement benefits vest after 15 years of service, with partial vesting only occurring after 10 years of service. Under Plan I, employees may retire under any of the following:

- (a) Completion of 30 years of service
- (b) Completion of 25 years of service and attainment of age 55, or
- (c) Completion of 10 years of service and attainment of age 60.

Under Plan II, employees may retire under any of the following:

- (a) Completion of 30 years of service and attainment of age 60,
- (b) Completion of 25 years of service and attainment of age 62, or
- (c) Completion of 5 years of service and attainment of age 65.

Also under Plan II, employees may retire with reduced benefits after completion of 25 years of service and attainment of age 55. Upon retirement, retirees receive monthly benefits for life with benefits continuing to the surviving spouse until death or remarriage.

Under both Library Plans effective for retirements after June 30, 1992, monthly benefits are calculated as 2.5 percent of the average compensation multiplied by years of credited service not in excess of 25, plus 1 percent of average compensation for the next 10 years. Average compensation, as defined by Plan I, is the greater of the average monthly compensation for the three consecutive years of service during which compensation was the highest or average monthly compensation for the twelve months preceding the date of retirement. Average compensation, as defined by Plan II, is the greater of the average monthly compensation for the three consecutive years of service during which compensation was the highest.

Summary of Accounting Policies - The financial statements of the Library Plans are prepared using the accrual basis of accounting. Contributions and benefits are recognized when due and payable in accordance with the terms of the Library Plans.

Method Used to Value Investments - All investments of the Library Retirement System are reported at fair value. Short term investments are reported at cost, which approximates fair value. All other investments are valued based upon quoted market prices. The Library Retirement System has no investments in any one organization, which represent more than 5 percent of plan net assets.

Contributions - The Library Plans' funding policy provides for actuarially determined periodic contributions at rates of 3 percent per annum for employees. The Library is required to contribute the remaining amounts necessary to fund the Library Plans, using the actuarial basis specified by statute.

Actuarial Methods and Assumptions - The actuarial valuation method used is a market value related method. The frozen entry age actuarial cost method is used in determining the funding requirements. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5 percent a year compounded annually, attributable to inflation, and (c) post-retirement benefit increases up to 5%.

Schedule of Funding Progress - The frozen entry age actuarial cost method, used in determining funding requirements, only identifies the initial unfunded accrued liability, which is incurred at the inception of the plan and amortized. All other sources of unfunded liabilities (such as plan amendments and experience gains and losses) become part of normal cost. The schedule of funding progress for the six years ended January 1, 2005 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/1998	39,906	27,161	NIL	147.0	7,378	N/A
1/1/2000	52,099	30,417	NIL	171.0	8,086	N/A
1/1/2002	50,769	41,939	NIL	121.0	9,420	N/A
1/1/2003	44,609	49,000	4,391	91.0	10,639	41.0
1/1/2004	53,766	50,030	NIL	107.0	11,213	N/A
1/1/2005	59,129	52,814	NIL	112.0	11,074	N/A

Schedule of Employer Contributions - The schedule of employer contributions for the six years ended June 30, 2004 is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2000	NIL	N/A
2001	NIL	N/A
2002	NIL	N/A
2003	NIL	N/A
2004	1,494	23.0
2005	341	98.0

Annual Pension Cost and Net Pension Asset – The Library Retirement System’s annual pension cost and net pension asset for the year ended June 30, 2005 were as follows:

Annual required contribution	\$ 341
Interest on net pension asset	(94)
Adjustment to annual required contribution	97
Annual pension cost	343
Contribution made	(334)
Increase in net pension obligation	8
Net pension asset at beginning of year	1,259
Net pension asset at end of year	\$ 1,251

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2003	3	9,430.0	2,414
2004	1,498	23.0	1,259
2005	343	98.0	1,251

MLGW Retirement System

General - The MLGW Retirement System is established under a resolution by the Board of Commissioners of MLGW and is administered by the MLGW Pension Board under the direction of the Board of Commissioners. Separate financial statements for the MLGW Retirement System and the MLGW Retiree Medical and Life Insurance Benefits are issued as of and for its year-end December 31, and can be obtained by writing to the MLGW Pension Plan, P.O. Box 430, Memphis, Tennessee 38101-0430.

Plan Description - The MLGW Retirement System pension trust fund accounts for the activity of the MLGW Retirement System, a single employer public employee retirement system. Prior to 1988, the retirement system included the contributory defined benefit plans (the "1948 Plan" and the "1978 Plan"). The 1948 Plan and the 1978 Plan were amended and superseded as of July 1, 1988. All employees who were members of the 1948 Plan and the 1978 Plan automatically became members of the amended, restated and consolidated MLGW Retirement System.

At December 31, 2004, the MLGW Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,422
Active employees	<u>2,653</u>
Total	<u><u>5,075</u></u>

The MLGW Pension Plan provides retirement, disability and death benefits to participants and their beneficiaries. The MLGW Pension Plan also provides for cost of living adjustments beginning at the age 56 for retired, disabled and surviving spouses on a graded scale of 5% per annum based on the consumer prices index.

Summary of Accounting Policies - The financial statements of the MLGW Retirement System are prepared using the accrual basis of accounting. Contributions and benefits are recognized when due and payable in accordance with the terms of the MLGW Retirement System.

Method Used to Value Investments - All investments of the MLGW Retirement System are reported at fair value. Short term investments are reported at cost, which approximates fair value. All other investments are valued based upon quoted market prices except for real estate investments, which are appraised by independent appraisals. The MLGW Retirement System has no investments in any one organization, which represent more than 5 percent of plan net assets.

Contributions - All members under the MLGW Retirement System are required to contribute 8 percent of the benefit compensation to the MLGW Retirement System. During 2004, MLGW was required to contribute 8 percent of the benefit compensation of all active participants. Investment costs of the MLGW Retirement System are financed through investment earnings. Other administrative costs are included in the annual required contribution amount.

Actuarial Methods and Assumptions - The actuarial valuation method used is the five-year weighted index method. The aggregate actuarial cost method is used in determining the funding requirements. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8 percent a year compounded annually, (b) projected salary increases of 4.50 to 8.16 percent a year compounded annual, and (c) pensioner cost of living adjustments of 1.05 to 2.63 percent compounded annually.

Schedule of Funding Progress - The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. These liabilities are amortized through the normal cost. Under the aggregate cost method, the actuarial accrued liability equals the actuarial value of assets. At December 31, 2004, the actuarial value of assets was \$1,082,324.

Schedule of Employer Contributions - The schedule of employer contributions for the past six years is as follows:

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1998	9,091	116.9
1999	7,380	150.0
2000	2,856	376.8
2001	4,330	221.5
2002	9,972	98.8
2003	15,890	67.3
2004	18,241	88.4

G. Component units

As discussed in Note 1, BOE, MATA, and MSCAA are included as discretely presented component units of the City's financial statements. Essential disclosures related to the above discretely presented component units are included in the complete financial statements of each of the individual component units. See Note 1(A). Condensed financial statement information for these discretely presented component units is shown below:

	GOVERNMENTAL TYPE BOE	MATA	PROPRIETARY TYPE MSCAA	TOTAL	COMPONENT UNITS TOTAL
Current Assets	\$ 361,359	5,172	28,386	33,558	394,917
Property, plant and equipment (net of accumulated depreciation)	819,255	145,029	856,281	1,001,310	1,820,565
Other assets	-	513	259,257	259,770	259,770
Total assets	\$ 1,180,614	150,714	1,143,924	1,294,638	2,475,252
Current liabilities	\$ 162,316	7,546	55,465	63,011	225,327
Long-term liabilities	31,914	800	615,828	616,628	648,542
Net assets	986,384	142,368	472,631	614,999	1,601,383
Total liabilities and net assets	\$ 1,180,614	150,714	1,143,924	1,294,638	2,475,252
Operating revenues	\$ 533,437	10,139	108,393	118,532	
Operating expenses	492,513	45,890	76,120	122,010	
Operating income (loss) before depreciation and amortization	\$ 40,924	(35,751)	32,273	(3,478)	
Depreciation and amortization	\$ 473,666	9,953	44,463	54,416	
Grants and contributions not restricted	474,474	-	-	-	
City of Memphis subsidy	-	19,030	-	19,030	
Federal and State grant revenues	-	15,964	-	15,964	
Other revenue (expense)	3,292	5,787	30,285	36,072	
Change in net assets	45,024	(4,923)	18,095	13,172	
Net assets - beginning of year	941,360	147,291	454,536	601,827	
Net assets - end of year	\$ 986,384	142,368	472,631	614,999	

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**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ON BASIS OF BUDGETING GENERAL FUND (Thousands of Dollars)
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit B-1**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes	\$ 384,583	385,452	362,206	(23,246)
State taxes (local share)	52,995	52,995	49,711	(3,284)
Licenses and permits	13,462	13,462	12,059	(1,403)
Fines and forfeitures	12,933	12,677	10,980	(1,697)
Charges for services	20,785	20,785	19,072	(1,713)
Investment income	4,273	4,273	384	(3,889)
Federal grants	296	296	2,023	1,727
State grants	978	986	1,708	722
Intergovernmental revenues	3,000	3,000	2,930	(70)
Other	15,407	11,237	14,020	2,783
Total revenues	508,712	505,163	475,093	(30,070)
EXPENDITURES				
General government	117,249	122,932	119,815	3,117
Public safety	301,037	308,477	308,277	200
Community services	67,420	59,735	58,470	1,265
Transportation and environment	22,768	19,268	17,428	1,840
Total expenditures	508,474	510,412	503,990	6,422
Revenues over (under) expenditures	238	(5,249)	(28,897)	(23,648)
OTHER FINANCING SOURCES (USES)				
Transfers in	20,477	26,477	21,929	(4,548)
Transfers out	(26,112)	(26,879)	(22,134)	4,745
Total other financing sources (uses)	(5,635)	(402)	(205)	197
Revenues (under) expenditures and other sources (uses)	\$ (5,397)	(5,651)	(29,102)	(23,451)
Adjustment for encumbrances			3,912	
Revenues and other source (under) expenditures and other uses (GAAP basis)			(25,190)	
Fund balance - beginning of year			26,402	
Fund balance - end of year			\$ 1,212	

For budgetary presentation, expenditures are increased by encumbrances.

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**GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit C-1**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local taxes:				
Property taxes	\$ 170,061	170,061	164,527	(5,534)
Interest, penalties and commission - property taxes	5,700	6,843	7,552	709
Receipts in lieu of taxes MLG&W and Sewer	50,293	50,980	47,408	(3,572)
Receipts in lieu of taxes contractual	8,577	8,577	7,868	(709)
Sales tax general	98,570	98,570	95,260	(3,310)
Sales tax beer	16,161	16,161	14,620	(1,541)
Alcoholic beverage tax	3,866	3,866	3,592	(274)
Liquor by the drink tax	2,454	2,454	2,029	(425)
Gross receipts tax	8,801	8,801	7,943	(858)
Excise tax	850	850	1,138	288
Franchise tax	18,720	12,720	7,028	(5,692)
Other local taxes	530	5,569	3,241	(2,328)
Total local taxes	384,583	385,452	362,206	(23,246)
State taxes (local share):				
Sales tax	43,418	43,418	41,320	(2,098)
Income taxes	7,652	7,652	6,334	(1,318)
Beer taxes	318	318	332	14
Alcoholic beverage tax	200	200	200	-
Gasoline inspection fees	1,407	1,407	1,525	118
Total state taxes (local share)	52,995	52,995	49,711	(3,284)
Licenses and permits:				
Auto licenses	11,865	11,865	10,472	(1,393)
Dog licenses	444	444	442	(2)
Liquor by the drink licenses	251	251	243	(8)
Other	902	902	902	-
Total licenses and permits	13,462	13,462	12,059	(1,403)
Fines and forfeitures:				
City courts	11,391	11,391	9,883	(1,508)
Library	1,542	1,286	1,097	(189)
Total fines and forfeitures	\$ 12,933	12,677	10,980	(1,697)

(Continued)

**GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit C-1
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Charges for services:				
Building and other inspection fees	\$ 525	525	466	(59)
Park commission revenues	2,448	2,448	1,648	(800)
Parking meter revenues	1,830	1,830	493	(1,337)
Ambulance service fees	12,500	12,500	12,979	479
Rents	1,440	1,440	1,223	(217)
Other	2,042	2,042	2,263	221
Total charges for services	20,785	20,785	19,072	(1,713)
Investment income:				
Interest on investments	4,212	4,212	269	(3,943)
Other	61	61	115	54
Total investment income	4,273	4,273	384	(3,889)
Federal grants	296	296	2,023	1,727
State grants	978	986	1,708	722
Intergovernmental revenues	3,000	3,000	2,930	(70)
Other:				
Auctions and sale of assets	1,917	1,917	2,241	324
Property damage reimbursement	250	250	3,432	3,182
Property insurance recoveries	-	-	778	778
Local shared revenue	6,464	2,294	3,787	1,493
Miscellaneous	6,776	6,776	3,782	(2,994)
Total other	15,407	11,237	14,020	2,783
Total revenues	\$ 508,712	505,163	475,093	(30,070)
Other source:				
Transfers in:				
Municipal state aid fund	\$ 19,159	19,159	13,841	(5,318)
Debt service fund	-	6,000	6,788	788
Sewer collection and treatment fund	1,300	1,300	1,300	-
Community services fund	18	18	-	(18)
Total other source	\$ 20,477	26,477	21,929	(4,548)

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit C-2**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Legislative:				
Personal services	\$ 1,273	1,273	1,256	17
Materials and supplies	420	420	179	241
Total legislative	1,693	1,693	1,435	258
Judicial:				
Personal services	460	460	458	2
Materials and supplies	62	62	54	8
Capital outlay	4	4	1	3
Total judicial	526	526	513	13
Court clerk:				
Personal services	2,680	2,680	2,628	52
Materials and supplies	478	478	266	212
Capital outlay	15	15	15	-
Total court clerk	3,173	3,173	2,909	264
Executive:				
Personal services	1,769	2,110	1,929	181
Materials and supplies	734	771	579	192
Capital outlay	52	52	-	52
Expense reimbursement	(55)	(55)	(55)	-
Total executive	2,500	2,878	2,453	425
Finance and administration:				
Personal services	4,274	4,335	4,335	-
Materials and supplies	1,658	1,566	1,233	333
Capital outlay	5	6	-	6
Expense reimbursement	(361)	(361)	(476)	115
Total finance and administration	\$ 5,576	5,546	5,092	454

(Continued)

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit C-2
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
City attorney:				
Personal services	\$ 3,698	3,699	3,259	440
Materials and supplies	8,012	13,593	12,816	777
Capital outlay	2	2	-	2
Expense reimbursement	(5,585)	(5,585)	(4,424)	(1,161)
Total city attorney	6,127	11,709	11,651	58
City engineer:				
Personal services	9,491	9,191	8,794	397
Materials and supplies	2,245	1,945	1,453	492
Capital outlay	33	33	-	33
Expense reimbursement	(2,268)	(2,268)	(1,954)	(314)
Total city engineer	9,501	8,901	8,293	608
Information systems:				
Personal services	553	553	520	33
Materials and supplies	13,389	12,920	12,525	395
Capital outlay	2,080	413	411	2
Expense reimbursement	(1,082)	(1,082)	(1,170)	88
Total information systems	14,940	12,804	12,286	518
Human resources:				
Personal services	2,546	2,546	2,466	80
Materials and supplies	1,242	1,242	864	378
Capital outlay	-	28	28	-
Expense reimbursement	(231)	(231)	(229)	(2)
Total human resources	3,557	3,585	3,129	456
General services:				
Personal services	10,145	8,445	8,153	292
Materials and supplies	5,913	5,913	4,508	1,405
Expense reimbursement	(1,875)	(1,875)	(207)	(1,668)
Total general services	14,183	12,483	12,454	29
Special appropriations:				
Personal services	162	162	133	29
Materials and supplies	30	30	26	4
Grants and subsidies	55,281	59,442	59,441	1
Total special appropriations	55,473	59,634	59,600	34
Total general government	\$ 117,249	122,932	119,815	3,117

(Continued)

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit C-2
(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Police:				
Personal services	\$ 161,825	164,488	164,386	102
Materials and supplies	19,771	18,971	18,928	43
Capital outlay	372	372	341	31
Expense reimbursement	(4,452)	(4,616)	(4,616)	-
Total police	177,516	179,215	179,039	176
Fire:				
Personal services	113,119	118,640	118,618	22
Materials and supplies	10,156	10,699	10,698	1
Capital outlay	546	249	249	-
Expense reimbursement	(300)	(326)	(327)	1
Total fire	123,521	129,262	129,238	24
Total public safety	301,037	308,477	308,277	200
Community services:				
Library:				
Personal services	15,691	14,286	14,285	1
Materials and supplies	7,362	5,557	5,556	1
Capital outlay	65	21	13	8
Total library	23,118	19,864	19,854	10
Parks and recreation:				
Personal services	15,721	13,361	13,340	21
Materials and supplies	9,446	9,692	9,043	649
Capital outlay	138	138	60	78
Expense reimbursement	(263)	(263)	(218)	(45)
Total parks and recreation	\$ 25,042	22,928	22,225	703

(Continued)

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit C-2
(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Service:				
Personal services	\$ 7,400	6,044	5,873	171
Materials and supplies	1,542	1,328	1,327	1
Capital outlay	25	25	20	5
Grants and subsidies	2,143	2,143	2,104	39
Expense reimbursement	(54)	(54)	(63)	9
Total public service	11,056	9,486	9,261	225
Community development:				
Personal services	2,550	2,500	2,315	185
Materials and supplies	1,572	1,391	1,298	93
Capital outlay	-	10	7	3
Grants and subsidies	4,082	3,556	3,510	46
Total community development	8,204	7,457	7,130	327
Total community services	67,420	59,735	58,470	1,265
Transportation and environment:				
Public works:				
Personal services	12,008	12,268	10,549	1,719
Materials and supplies	14,966	12,126	12,011	115
Capital outlay	6	6	4	2
Expense reimbursement	(4,212)	(5,132)	(5,136)	4
Total public works	22,768	19,268	17,428	1,840
Total transportation and environment	22,768	19,268	17,428	1,840
Total expenditures	\$ 508,474	510,412	503,990	6,422
Other use - transfers out:				
Solid waste management fund	\$ 22,852	22,852	20,138	2,714
Debt service fund	3,012	3,237	1,369	1,868
Workforce Investment Act	-	390	390	-
Miscellaneous grants fund	248	248	85	163
Community redevelopment fund	-	137	137	-
Capital projects fund	-	15	15	-
Total transfers out	26,112	26,879	22,134	4,745
Total other use	\$ 26,112	26,879	22,134	4,745

**NONMAJOR FUNDS
COMBINING BALANCE SHEET
(Thousands of Dollars)
JUNE 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit D-1**

	Special Revenue											Total		
	Community Development	Drug Enforcement	Municipal State Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/Motel Tax	New Memphis Arena	MLK Park	Community Services		Central Business Improvement District	Community Redevelopment
ASSETS														
Cash and cash equivalents	\$ 5,160	101	-	-	1	-	-	-	-	-	-	-	-	5,262
Equity in cash and investment pool	-	-	-	-	510	976	540	2,207	-	498	310	113	764	7,585
Receivables (net of allowance for uncollectibles):														
Property taxes:														
Current property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	92,558
Special assessments:														10,133
Current assessments	-	-	-	-	-	-	-	-	-	-	-	2,845	-	2,845
Prior assessments	-	-	-	-	-	-	-	-	-	-	-	250	-	250
Federal grants and entitlements	14,864	-	3,323	662	10,243	-	-	-	-	-	-	-	-	29,092
State grants and entitlements	345	-	-	-	-	-	-	-	-	-	-	-	-	345
Interest on investments	36	-	-	-	-	-	-	-	-	-	-	-	-	36
Housing rehabilitation loans	66,914	-	-	-	-	-	-	-	-	-	-	-	-	66,914
Other	432	10	-	-	1,901	-	86	2	-	-	-	-	-	2,431
Due from other funds	251	3,072	-	-	-	321	-	-	-	-	-	-	-	3,644
Due from other agencies and governments	-	-	-	55	-	259	1,904	305	-	-	-	-	591	3,114
Total assets	\$ 88,002	3,183	3,323	717	12,655	1,556	2,530	2,514	-	498	310	3,208	1,355	224,209
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts payable	\$ 512	36	-	388	412	-	1,686	2,514	1,380	1	-	113	-	7,857
Accrued liabilities	269	-	-	-	44	-	357	-	-	-	-	-	-	670
Due to other funds	8,921	-	3,323	321	1,075	-	-	-	8,015	-	-	-	-	21,655
Due to other agencies and governments	71,763	-	-	-	-	-	-	-	-	-	-	-	-	73,462
Deferred revenue	6,528	1,341	-	-	10,825	-	1	-	-	63	-	3,095	590	124,287
Vacation, sick and other leave benefits	-	-	-	-	-	-	486	-	-	-	-	-	-	486
Total liabilities	87,993	1,377	3,323	709	12,356	-	2,530	2,514	9,395	64	-	3,208	590	228,417
Fund balances:														
Undesignated	9	1,806	-	8	299	1,556	-	-	(9,395)	434	310	-	765	(4,208)
Total fund balances	9	1,806	-	8	299	1,556	-	-	(9,395)	434	310	-	765	(4,208)
Total liabilities and fund balances	\$ 88,002	3,183	3,323	717	12,655	1,556	2,530	2,514	-	498	310	3,208	1,355	224,209

CITY OF MEMPHIS, TENNESSEE
Exhibit D-2

NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
(Thousands of Dollars)
For the fiscal year ended June 30, 2005

	Special Revenue											Total		
	Community Development	Drug Enforcement	Municipal State Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/Motel Tax	New Memphis Area	MLK Park	Community Services		Central Business Improvement District	Community Redevelopment
REVENUES														
Local taxes:														
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	85,446
Special assessments - current	-	-	-	-	-	-	-	-	-	-	-	-	-	2,317
Special assessments - prior	-	-	-	-	-	-	-	-	-	-	-	-	-	(118)
Receipts in lieu of taxes MLGW	-	-	-	-	-	-	-	2,500	-	-	-	-	-	2,500
Sales tax general	-	-	-	-	-	-	-	1,200	-	-	-	-	-	1,200
Other local taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	65
Total local taxes	-	-	-	-	-	-	-	3,700	-	-	-	-	-	85,446
State taxes (local share)	-	-	-	-	-	-	-	-	-	-	-	-	-	25,730
Hotel/motel tax	-	-	19,299	-	-	-	-	3,541	-	-	-	-	-	3,541
Charges for services	-	-	-	-	-	-	-	21,942	-	125	-	-	-	22,067
Investment income	-	9	-	-	1	6	-	-	-	2	-	-	-	19
Federal grants and entitlements	23,441	-	-	10,108	-	-	-	-	-	-	-	-	-	39,024
State grants	236	-	-	-	2,777	-	-	-	5,584	-	-	-	-	8,739
Fines and forfeitures	-	2,659	-	-	-	-	-	-	-	-	-	-	-	2,659
Other	-	142	-	142	2,659	-	-	347	175	-	-	-	56	3,552
Total revenues	23,677	2,810	19,299	10,250	10,912	6	22,432	3,541	15,890	127	32	2,263	56	85,446
EXPENDITURES														
General government	-	-	-	-	10,573	-	-	-	14,515	-	-	2,263	258	30,123
Public safety	-	1,960	-	-	413	-	-	-	-	-	-	-	-	2,373
Community service	23,677	-	-	10,341	-	-	-	-	-	69	11	-	-	34,098
Transportation and environment	-	-	-	-	-	-	-	-	-	-	-	-	-	43,047
Education	-	-	-	-	-	-	-	-	-	-	-	-	-	85,446
Total expenditures	23,677	1,960	-	10,341	10,986	-	43,047	2,514	14,515	69	11	2,263	258	195,087
Revenues over (under) expenditures	-	850	19,299	(91)	(74)	6	(20,615)	1,027	1,375	58	21	-	(202)	1,654
OTHER FINANCING SOURCES (USES)														
Transfers in	-	-	-	390	303	-	-	1,200	1,200	-	-	-	137	23,368
Transfers out	-	-	(19,299)	(218)	-	-	-	(2,227)	(1,200)	-	-	-	(1,528)	(24,472)
Total other financing sources and uses	-	-	(19,299)	172	303	-	20,138	(1,027)	-	-	-	-	(1,391)	(1,104)
Net change in fund balances	-	850	-	81	229	6	(477)	-	1,375	58	21	-	(1,593)	550
Fund balances - beginning of year	9	956	-	(73)	70	1,550	477	-	(10,770)	376	289	-	2,358	(4,758)
Fund balances - end of year	9	1,806	-	8	299	1,556	-	-	(9,395)	434	310	-	765	(4,208)

**NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
 Exhibit D-3**

	Budget Amounts		Actual	Variance w/Final Budget - Positive(Negative)
	Original	Final		
COMMUNITY DEVELOPMENT				
Revenues:				
Federal grants	\$ 54,829	54,829	23,441	(31,388)
State grants	364	364	236	(128)
Total revenues	55,193	55,193	23,677	(31,516)
Expenditures:				
Community service	55,193	55,193	23,677	31,516
Total expenditures	55,193	55,193	23,677	31,516
Revenues over (under) expenditures	\$ -	-	-	-
DRUG ENFORCEMENT FUND				
Revenues:				
Investment income	\$ -	-	9	9
Fines and forfeitures	2,000	2,000	2,659	659
Other	247	247	142	(105)
Total revenues	2,247	2,247	2,810	563
Expenditures:				
Public safety	2,247	2,247	1,960	287
Total expenditures	2,247	2,247	1,960	287
Revenues over expenditures	\$ -	-	850	850
MUNICIPAL STATE AID FUND				
Revenues:				
State gasoline tax (local share)	\$ 24,596	24,596	19,299	(5,297)
Total revenue	24,596	24,596	19,299	(5,297)
Other financing (uses):				
Transfers out	(24,596)	(24,596)	(19,299)	5,297
Total other financing (uses)	(24,596)	(24,596)	(19,299)	5,297
Revenues over (under) other financing uses	\$ -	-	-	-
WORKFORCE INVESTMENT ACT				
Revenues:				
Federal grants	\$ 15,909	16,420	10,108	(6,312)
Other	-	-	142	142
Total revenues	15,909	16,420	10,250	(6,170)
Expenditures:				
Community service	15,909	16,420	10,341	6,079
Total expenditures	15,909	16,420	10,341	6,079
Other financing sources (uses):				
Transfers in	-	-	390	390
Transfers out	-	-	(218)	(218)
Total other financing sources and uses	-	-	172	172
Revenues over expenditures and other financing sources and uses	\$ -	-	81	81
MISCELLANEOUS GRANTS				
Revenues:				
Investment income	\$ -	-	1	1
Federal grants	25,845	25,845	5,475	(20,370)
State grants	5,419	5,419	2,777	(2,642)
Other	6,830	6,830	2,659	(4,171)
Total revenues	38,094	38,094	10,912	(27,182)
Expenditures:				
General government	33,542	33,542	10,573	22,969
Public safety	4,745	4,745	413	4,332
Total expenditures	38,287	38,287	10,986	27,301
Other financing sources:				
Transfers in	193	193	303	110
Total other financing sources	193	193	303	110
Revenues over expenditures and other financing sources	\$ -	-	229	229

(Continued)

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING (WITH ANNUAL BUDGETS)
(Thousands of Dollars)
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit D-3
(Continued)**

	Budget Amounts		Actual	Variance w/Final Budget - Positive(Negative)
	Original	Final		
SOLID WASTE MANAGEMENT FUND				
Revenues:				
Other local taxes	\$ -	-	1	1
Fines and forfeitures	100	100	-	(100)
Charges for services	22,730	22,730	21,942	(788)
State grants	140	140	142	2
Other	300	300	347	47
Total revenues	23,270	23,270	22,432	(838)
Expenditures:				
Transportation and environment	45,207	45,207	43,047	2,160
Total expenditures	45,207	45,207	43,047	2,160
Other financing sources (uses):				
Transfers in	22,851	22,851	20,138	(2,713)
Transfers out	(1,391)	(1,391)	-	1,391
Total other financing sources and uses	21,460	21,460	20,138	(1,322)
Revenues under expenditures and other financing sources and uses	\$ (477)	(477)	(477)	-
HOTEL/MOTEL TAX				
Revenues:				
Hotel /motel tax	\$ 3,200	3,200	3,541	341
Total revenues	3,200	3,200	3,541	341
Expenditures:				
General government	2,173	2,173	2,514	(341)
Total expenditures	2,173	2,173	2,514	(341)
Other financing sources (uses):				
Transfers in	500	500	1,200	700
Transfers out	(1,527)	(1,527)	(2,227)	(700)
Total other financing sources and uses	(1,027)	(1,027)	(1,027)	-
Revenues over (under) expenditures and other financing sources and uses	\$ -	-	-	-
NEW MEMPHIS ARENA				
Revenues:				
Receipts in lieu of taxes MLGW	\$ 2,500	2,500	2,500	-
Sales tax general	500	500	1,200	700
State taxes (local share)	3,000	3,000	6,431	3,431
State grant	6,000	6,000	5,584	(416)
Other	-	-	175	175
Total revenues	12,000	12,000	15,890	3,890
Expenditures:				
General government	11,500	11,500	14,515	(3,015)
Total expenditures	11,500	11,500	14,515	(3,015)
Other financing sources (uses):				
Transfers in	500	500	1,200	700
Transfers out	(500)	(500)	(1,200)	(700)
Total other financing sources and uses	-	-	-	-
Revenues over expenditures and other financing sources and uses	\$ 500	500	1,375	875

(Continued)

**NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
 Exhibit D-3
 (Continued)**

	Budget Amounts		Actual	Variance w/Final Budget - Positive(Negative)
	Original	Final		
MLK PARK				
Revenues:				
Charges for services	\$ 124	124	125	1
Investment income	-	-	2	2
Total revenues	124	124	127	3
Expenditures:				
Community service	178	178	69	109
Total expenditures	178	178	69	109
Revenues over (under) expenditures	\$ (54)	(54)	58	112
TOTAL NONMAJOR SPECIAL REVENUE FUNDS				
Revenues:				
Receipts in lieu of taxes MLGW	\$ 2,500	2,500	2,500	-
Sales tax general	500	500	1,200	700
State taxes (local share)	27,596	27,596	25,730	(1,866)
Charges for services	22,854	22,854	22,067	(787)
Investment income	-	-	12	12
Federal grants and entitlements	96,583	97,094	39,024	(58,070)
State grants	11,923	11,923	8,739	(3,184)
Fines and forfeitures	2,100	2,100	2,659	559
Hotel/motel tax	3,200	3,200	3,541	341
Other	7,377	7,377	3,466	(3,911)
Total revenues	174,633	175,144	108,938	(66,206)
Expenditures:				
General government	47,215	47,215	27,602	19,613
Public safety	6,992	6,992	2,373	4,619
Community services	71,280	71,791	34,087	37,704
Transportation and environment	45,207	45,207	43,047	2,160
Total expenditures	170,694	171,205	107,109	64,096
Other financing sources (uses)				
Transfers in	24,044	24,044	23,231	(813)
Transfers out	(28,014)	(28,014)	(22,944)	5,070
Total other financing sources and uses	(3,970)	(3,970)	287	4,257
Revenues over (under) expenditures and other financing sources and uses	\$ (31)	(31)	2,116	2,147

ALL SPECIAL REVENUE FUNDS (WITH CARRYOVER BUDGETS)
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
(Thousands of Dollars)
For the fiscal year ended June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit D-4

	Budget	Recognized thru June 30, 2004	Recognized Current Year	Recognized thru June 30, 2005	Variance
MIDTOWN CORRIDOR FUND					
Revenues:					
Investment income	\$ -	198	6	204	204
Other	-	19	-	19	19
Sale of land	2,932	4,077	-	4,077	1,145
Total revenues	2,932	4,294	6	4,300	1,368
Expenditures:					
Personal services	122	91	-	91	31
Materials and supplies	776	685	-	685	91
Capital outlay	5	4	-	4	1
Land acquisition	1,764	1,764	-	1,764	-
Grants and subsidies	-	200	-	200	(200)
Total expenditures	2,667	2,744	-	2,744	(77)
Revenues over expenditures	\$ 265	1,550	6	1,556	1,291

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
(Thousands of Dollars)
For the fiscal year ended June 30, 2005

CITY OF MEMPHIS, TENNESSEE
EXHIBIT E-1

	Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 71,134	68,947	(2,187)
Hotel/motel tax	395	395	-
Investment Income	1,000	451	(549)
Intergovernmental revenue-			
Memphis-Shelby County Airport Authority	3,740	3,573	(167)
Memphis-Shelby County Port Commission	450	329	(121)
Board of Education	6,325	6,325	-
Total intergovernmental revenue	<u>10,515</u>	<u>10,227</u>	<u>(288)</u>
Other	6,465	989	(5,476)
Total revenues	<u>89,509</u>	<u>81,009</u>	<u>(8,500)</u>
EXPENDITURES			
Redemption of serial bonds and notes	53,574	51,600	1,974
Interest	39,752	37,065	2,687
Other	1,675	3,905	(2,230)
Total expenditures	<u>95,001</u>	<u>92,570</u>	<u>2,431</u>
Revenues (under) expenditures	<u>(5,492)</u>	<u>(11,561)</u>	<u>(6,069)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	11,492	9,669	(1,823)
Transfers out	(6,000)	(6,788)	(788)
Proceeds of refunding bonds, net	313,000	313,094	94
Retirement of refunded debt obligation	(313,000)	(310,290)	2,710
Total other financing sources and uses	<u>5,492</u>	<u>5,685</u>	<u>193</u>
Net change in fund balances	<u>\$ -</u>	<u>(5,876)</u>	<u>(5,876)</u>
Fund balance-beginning of year		<u>13,918</u>	
Fund balance-end of year		<u>\$ 8,042</u>	

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INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit F-1

	Printing and Supply	Health Insurance	Unemployment Compensation	Vehicle Maintenance	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	100	-	1	101
Equity in cash and investment pool	-	7,483	-	-	7,483
Receivables	-	293	-	-	293
Due from other funds	9	23,593	-	45	23,647
Inventory	22	-	-	386	408
Total current assets	31	31,469	-	432	31,932
Furniture and equipment	301	-	-	2,909	3,210
Less accumulated depreciation	(291)	-	-	(2,648)	(2,939)
Net capital assets	10	-	-	261	271
Total assets	41	31,469	-	693	32,203
LIABILITIES					
Current:					
Accounts payable and accrued expenses	96	1,212	242	663	2,213
Insurance claims payable	-	7,723	215	-	7,938
Due to other funds	249	17,885	1,217	5,002	24,353
Deferred revenues	-	4,422	-	-	4,422
Vacation, sick and other leave benefits	59	48	-	1,603	1,710
Total current liabilities	404	31,290	1,674	7,268	40,636
NET ASSETS					
Invested in capital assets	10	-	-	261	271
Unrestricted	(373)	179	(1,674)	(6,836)	(8,704)
Total net assets	\$ (363)	179	(1,674)	(6,575)	(8,433)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS (Thousands of Dollars)
For the fiscal year ended June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit F-2

	Printing and Supply	Health Insurance	Unemployment Compensation	Vehicle Maintenance	Total
Operating revenues:					
Charges for services	\$ 1,324	-	-	16,458	17,782
Employee contributions	-	23,797	-	-	23,797
Employer contributions	-	56,015	444	-	56,459
Total operating revenues	1,324	79,812	444	16,458	98,038
Operating expenses other than depreciation:					
Personal services	331	429	-	7,427	8,187
Materials and supplies	384	4,368	-	615	5,367
Inventory	635	-	-	9,856	10,491
Claims incurred	-	66,001	1,224	-	67,225
Total operating expenses other than depreciation	1,350	70,798	1,224	17,898	91,270
Operating income (loss) before depreciation	(26)	9,014	(780)	(1,440)	6,768
Depreciation:					
On assets acquired with own funds	10	-	-	182	192
Total depreciation	10	-	-	182	192
Operating income (loss)	(36)	9,014	(780)	(1,622)	6,576
Investment Income	-	55	-	-	55
Income (loss)	(36)	9,069	(780)	(1,622)	6,631
Change in net assets	(36)	9,069	(780)	(1,622)	6,631
Total net assets - beginning of year	(327)	(8,890)	(894)	(4,953)	(15,064)
Total net assets - end of year	\$ (363)	179	(1,674)	(6,575)	(8,433)

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit F-3**

	Printing and Supply	Health Insurance	Unemployment Compensation	Vehicle Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 1,326	-	-	16,458	17,784
Receipts from other division funds	90	17,884	362	1,669	20,005
Employee contributions	-	21,577	-	-	21,577
Employer contributions	-	56,015	444	-	56,459
Payments to suppliers	(441)	(4,724)	418	(1,174)	(5,921)
Payments to employees	(327)	(439)	-	(7,371)	(8,137)
Payments to other division funds	(4)	(23,594)	-	(38)	(23,636)
Payments for inventory	(644)	-	-	(9,489)	(10,133)
Payments for claims incurred	-	(68,641)	(1,224)	-	(69,865)
Net cash provided by operating activities	-	(1,922)	-	55	(1,867)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	-	-	-	(55)	(55)
Net cash in capital and related financing activities	-	-	-	(55)	(55)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investing income earned on investments	-	54	-	-	54
Net cash provided by investing activities	-	54	-	-	54
Net (decrease) in cash and cash equivalents	-	(1,868)	-	-	(1,868)
Cash and cash equivalents, beginning of year	-	9,451	-	1	9,452
Cash and cash equivalents, end of year	\$ -	7,583	-	1	7,584
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	(36)	9,014	(780)	(1,622)	6,576
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	10	-	-	182	192
(Increase) decrease in assets:					
Other assets	(9)	-	-	-	(9)
Accounts receivable	2	(2,220)	-	366	(1,852)
(Increase) decrease in liabilities:					
Other accounts payable and accrued expenses	33	(8,716)	780	1,129	(6,774)
Total adjustments	36	(10,936)	780	1,677	(8,443)
Net cash provided by operating activities	\$ -	(1,922)	-	55	(1,867)

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STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS (Thousands of Dollars)
June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit G-1

	Pension Trust				Total Pension Trust Funds
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	Memphis Light, Gas, and Water Retiree Medical and Life Insurance Benefits	
ASSETS					
Cash and cash equivalents	\$ 2,487	2,069	108,829	1,330	114,715
Investments, at fair value:					
Short-term investments	-	-	51,464	-	51,464
U.S. government securities - long-term	179,871	-	47,829	-	227,700
Common stock - domestic	811,969	29,439	502,115	23,146	1,366,669
Common stock - foreign	308,366	-	111,451	1,060	420,877
Mutual funds and money market	181,828	26,743	-	-	208,571
Corporate bonds - domestic	283,236	-	35,748	2,609	321,593
Corporate bonds - foreign	-	-	-	3,686	3,686
Bond mutual fund	-	-	21,256	-	21,256
Collateralized mortgage obligations	-	-	25,807	-	25,807
Mortgage-backed pooled securities	-	-	109,358	-	109,358
Investment in real estate	-	-	89,506	-	89,506
Investment in high yield bond fund	-	-	11,163	-	11,163
Investment in international equity fund	-	-	-	8,909	8,909
Investment in multi-class investment fund	-	-	-	6,551	6,551
Investment in managed future	-	-	584	-	584
Investment in limited partnership	59,980	-	10,919	4,819	75,718
Insurance contract	148,220	-	-	-	148,220
Total investments	1,973,470	56,182	1,017,200	50,780	3,097,632
Interest and dividends on investments	7,124	32	7,485	26	14,667
Due from other funds	13	-	-	-	13
Other	6,954	-	176,365	3,354	186,673
Total assets	1,990,048	58,283	1,309,879	55,490	3,413,700
LIABILITIES					
Notes & accounts payable	18,898	-	193,276	3,354	215,528
Due to other funds	2,166	-	-	-	2,166
Total liabilities	21,064	-	193,276	3,354	217,694
NET ASSETS					
Held in trust for pension benefits and pool participants	\$ 1,968,984	58,283	1,116,603	52,136	3,196,006

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS (Thousands of Dollars)
For the fiscal year ended June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit G-2

	Pension Trust				Total Pension Trust Funds
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	Memphis Light, Gas, and Water Retiree Medical and Life Insurance Benefits	
ADDITIONS					
Contributions:					
Employer	\$ 13,844	351	16,133	-	30,328
Plan member	19,376	351	10,008	-	29,735
Total contributions	33,220	702	26,141	-	60,063
Investment income:					
Interest and dividend income	59,319	1,356	20,714	719	82,108
Securities lending income	-	-	1,899	38	1,937
Other investment income	171	(1)	354	-	524
Loss from real estate investments	(11,011)	-	-	-	(11,011)
Net appreciation in the fair value of investments	127,602	3,474	104,470	6,835	242,381
Total investment income	176,081	4,829	127,437	7,592	315,939
Total Net Additions	209,301	5,531	153,578	7,592	376,002
DEDUCTIONS					
Benefits	106,492	256	61,315	-	168,063
Administrative expenses	7,902	380	5,318	263	13,863
Refunds of contributions	5,474	(12)	1,754	-	7,216
Transfers	-	1,731	-	-	1,731
Securities lend expenses	-	-	1,673	32	1,705
Total Deductions	119,868	2,355	70,060	295	192,578
Net increase	89,433	3,176	83,518	7,297	183,424
Net assets - beginning of year, as restated	1,879,551	55,107	1,033,085	44,839	3,012,582
Net assets - end of year	\$ 1,968,984	58,283	1,116,603	52,136	3,196,006

ALL FUNDS
 COMBINED SCHEDULE OF DELINQUENT
 PROPERTY TAXES RECEIVABLE (Thousands of Dollars)
 June 30, 2005

CITY OF MEMPHIS, TENNESSEE
 Exhibit H-1

Tax Year	General	Debt Service	Capital Projects	Education	Total (1)
1995	\$ 162	52	-	94	308
1996	355	114	-	206	675
1997	437	140	-	254	831
1998	610	243	-	375	1,228
1999	944	377	-	580	1,901
2000	1,773	733	-	906	3,412
2001	2,685	1,110	-	1,372	5,167
2002	3,798	1,573	7	1,945	7,323
2003	4,895	2,028	9	2,506	9,438
2004	10,297	4,267	20	5,272	19,856
Total delinquent property taxes receivable	25,956	10,637	36	13,510	50,139
Allowance for uncollectibles	6,489	2,660	9	3,377	12,535
Net delinquent property taxes receivable	\$ 19,467	7,977	27	10,133	37,604

(1) As of June 30, 2005, \$16,844 of delinquent taxes were in Chancery Court for collection.

**SCHEDULE OF
REVENUE BONDS - BY ISSUE (Thousands of Dollars)
June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit H-2**

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
SEWER COLLECTION AND TREATMENT FUND				
Sanitary Sewerage System Revenue Bonds				
February 1998 to 2018	4.50-4.80	\$ 20,000	9,670	10,330
June 2000 to 2020	4.65-5.75	20,000	3,235	16,765
October 2001 to 2015	4.00-5.25	20,795	2,315	18,480
March 2002 to 2022	2.28-5.06	25,000	1,690	23,310
August 2002 to 2017	3.00-4.30	22,805	3,900	18,905
June 2004 to 2025	3.00-5.25	30,000	-	30,000
Total sewer collection and treatment fund		138,600	20,810	117,790
MEMPHIS LIGHT, GAS AND WATER DIVISION (1)				
Electric Division				
Electric System Revenue Refunding Bonds:				
January 2003 to 2010	3.00-5.00	41,625	9,455	32,170
November 2004 to 2018	2.00-5.00	1,292,170	68,200	1,223,970
December 2017 to 2018	Variable	100,000	-	100,000
Notes Payable:				
First Tennessee Bank	7.58	11,810	3,736	8,074
First Tennessee Bank	1.55	15,000	15,000	-
Total electric division		1,460,605	96,391	1,364,214
Water Division				
Southeast Memphis Suburban Utility District Waterworks Revenue Bonds				
January 1993 to 2006	3.35-6.00	24,140	18,470	5,670
December 2000 to 2012	3.30-5.25	12,575	1,475	11,100
August 2002 to 2009	4.00-5.00	16,895	6,515	10,380
Total water division		53,610	26,460	27,150
Total MLG&W		1,514,215	122,851	1,391,364
Total revenue bonds		\$ 1,652,815	143,661	1,509,154

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2004

SCHEDULE OF GENERAL
OBLIGATION DEBT - BY ISSUE (Thousands of Dollars)
June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit H-3

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
GENERAL OBLIGATION BONDS				
Government Serial Bonds				
General City Government Serial Bonds				
General improvement:				
May 1992 to 2007	4.00-6.125	\$ 43,825	39,350	4,475
Dec. 1993 to 2012	3.25-5.00	48,996	37,024	11,972
Aug. 1995 to 2008	Variable	26,200	19,500	6,700
Aug. 1995 to 2008	Variable	7,900	2,800	5,100
Aug. 1996 to 2014	5.00-5.25	50,130	17,975	32,155
May 1997 to 2008	4.55-5.60	7,490	4,465	3,025
April 1998 to 2012	5.50-5.70	19,290	7,250	12,040
July 1998 to 2017	4.25-5.00	76,045	64,350	11,695
Sept. 1998 to 2016	4.50-5.00	81,045	40,195	40,850
Jan. 1999 to 2013	4.00-5.25	42,290	2,410	39,880
May 1999 to 2010	5.00	59,305	54,530	4,775
April 2001 to 2009	5.00-5.25	140,000	117,325	22,675
Nov. 2001 to 2017	2.125-5.00	92,985	6,785	86,200
Jun. 2002 to 2023	4.00-5.25	170,000	94,505	75,495
Aug. 2002 to 2008	3.00-3.25	24,040	10,550	13,490
May 2003 to 2022	3.00-5.00	96,940	41,090	55,850
Feb. 2004 to 2018	2.00-5.00	34,160	-	34,160
Nov. 2004 to 2024	2.00	125,000	-	125,000
Mar. 2005 to 2020	5.00-5.25	166,880	-	166,880
Jun. 2005 to 2019	4.00-5.25	115,635	-	115,635
Total general government serial bonds		1,428,156	560,104	868,052
Government Term Bonds				
General City Government Term Bonds				
General improvement:				
May 1997 to 2011	5.65	3,565	-	3,565
July 1998 to 2005	5.10	13,145	13,145	-
May 1999 to 2012	5.00	10,695	-	10,695
Total government term bonds		27,405	13,145	14,260
Total general obligation bonds		1,455,561	573,249	882,312
BOND ANTICIPATION NOTES	Variable	150,000	25,000	125,000
STATE LOANS - CITY SEWER SYSTEM		26,103	25,914	189
NOTES PAYABLE - UNION PLANTERS BANK		5,500	3,929	1,571
CAPITAL LEASE OBLIGATIONS:				
Feb. 2001 to 2006	4.29	1,880	1,479	401
Jul. 2001 to 2007	4.11	4,350	2,520	1,830
Aug. 2001 to 2003	3.98	1,020	764	256
Sept. 2001 to 2006	4.29	670	531	139
Total capital lease obligations		7,920	5,294	2,626
TOTAL GENERAL OBLIGATION DEBT		\$ 1,645,084	633,386	1,011,698

**SCHEDULE OF GENERAL
OBLIGATION DEBT - BY USE (Thousands of Dollars)
June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit H-4**

Use	Balance Outstanding At Year End
GENERAL OBLIGATION BONDS	
General Improvement	\$ 841,494
Schools	15,621
Airport	17,140
Convention Center	2,226
Port Commission	5,831
Total general obligation bonds	882,312
BOND ANTICIPATION NOTES	125,000
STATE LOANS - CITY SEWER SYSTEM	189
NOTES PAYABLE	1,571
CAPITAL LEASE OBLIGATIONS	2,626
TOTAL GENERAL OBLIGATION DEBT	<u>\$ 1,011,698</u>

LONG TERM DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
PROPRIETARY FUNDS
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit H-5

Fiscal Year	General Obligation		Revenue				Total Requirements	
	Sewer Collection & Treatment (1)		Sewer Collection & Treatment		Memphis Light, Gas & Water(2)		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ -	-	-	-	81,479	65,304	81,479	65,304
2006	189	5	7,380	5,313	83,243	61,412	90,812	66,730
2007	-	-	7,465	5,019	84,318	57,437	91,783	62,456
2008	-	-	7,150	4,728	88,360	53,382	95,510	58,110
2009	-	-	6,675	4,428	92,601	49,042	99,276	53,470
2010	-	-	6,945	4,159	95,313	44,533	102,258	48,692
2011	-	-	7,150	3,869	91,960	39,839	99,110	43,708
2012	-	-	6,515	3,572	96,815	35,322	103,330	38,894
2013	-	-	6,960	3,271	99,700	30,542	106,660	33,813
2014	-	-	7,140	2,941	104,675	25,682	111,815	28,623
2015	-	-	7,300	2,610	109,905	20,449	117,205	23,059
2016	-	-	6,980	2,270	115,270	14,975	122,250	17,245
2017	-	-	7,610	1,953	121,075	9,154	128,685	11,107
2018	-	-	7,135	1,580	126,650	4,108	133,785	5,688
2019	-	-	4,730	1,210	-	-	4,730	1,210
2020	-	-	5,585	941	-	-	5,585	941
2021	-	-	4,190	646	-	-	4,190	646
2022	-	-	4,405	433	-	-	4,405	433
2023	-	-	2,055	271	-	-	2,055	271
2024	-	-	2,155	167	-	-	2,155	167
2025	-	-	2,265	57	-	-	2,265	57
Total	\$ 189	5	117,790	49,438	1,391,364	511,181	1,509,343	560,624

(1) State loans
(2) At 12-31-04

SCHEDULE OF INTERFUND BALANCES
 (Thousands of Dollars)
 June 30, 2005

CITY OF MEMPHIS, TENNESSEE
 Exhibit H-6

	Primary Government											Total Payables - Reporting Entity		
	Governmental Fund Types					Proprietary Funds					Pension Trust			
	General Fund	Community Development	Drug Enforcement	Midtown Corridor	Debt Service	Capital Projects	Printing and Supply	Health Insurance	Vehicle Maintenance	Retirement				
GOVERNMENTAL FUND TYPES														
General	\$ -	-	-	-	-	15,252	-	2,229	-	-	13	17,494	17,494	
Special Revenue:														
Municipal state aid	2,399	-	-	-	924	-	-	-	-	-	-	3,323	3,323	
Community development	-	-	-	-	-	-	9	8,867	45	-	-	8,921	8,921	
WIA	-	-	-	-	-	-	-	321	-	-	-	321	321	
Miscellaneous grants	-	-	-	-	-	-	-	1,075	-	-	-	1,075	1,075	
New Memphis arena	-	-	-	-	-	8,015	-	-	-	-	-	8,015	8,015	
Capital Projects	-	250	-	-	5,114	-	-	-	-	-	-	5,364	5,364	
PROPRIETARY FUND TYPES														
Enterprise:														
Sewer	3,809	-	-	-	-	-	-	-	-	-	-	3,809	3,809	
Golf	-	-	-	-	-	-	-	2,468	-	-	-	2,468	2,468	
Internal Service:														
Printing and supply	-	1	-	-	-	-	-	248	-	-	-	249	249	
Health insurance	12,686	-	3,072	321	1,806	-	-	-	-	-	-	17,885	17,885	
Unemployment compensation	-	-	-	-	-	-	-	1,217	-	-	-	1,217	1,217	
Vehicle maintenance	-	-	-	-	-	-	-	5,002	-	-	-	5,002	5,002	
FIDUCIARY FUND TYPES														
Pension Trust:														
City retirement	-	-	-	-	-	-	-	2,166	-	-	-	2,166	2,166	
Total receivables - primary govt.	18,894	251	3,072	321	7,844	23,267	9	23,593	45	13	77,309	-		
COMPONENT UNITS:														
MATA	-	-	-	-	800	-	-	-	-	-	-	800	800	
Total receivables - reporting entity	\$ 18,894	251	3,072	321	8,644	23,267	9	23,593	45	13	78,109	78,109		

	Primary Government											Total Transfers Out		
	Governmental Fund Types													
	General Fund	Debt Service	Capital Projects	Workforce Investment	Miscellaneous Grants	Solid Waste Management	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Nonmajor Special Revenue				
GOVERNMENTAL FUND TYPES														
General Fund	\$ -	1,369	15	390	85	20,138	-	-	-	137			22,134	
Special Revenue:														
Municipal state aid	13,841	5,458	-	-	-	-	-	-	-	-	-	-	19,299	
Workforce investment act	-	-	-	-	218	-	-	-	-	-	-	-	218	
Hotel/Motel tax	-	1,027	-	-	-	-	-	1,200	-	-	-	-	2,227	
New Memphis arena	-	-	-	-	-	-	1,200	-	-	-	-	-	1,200	
Community redevelopment	-	1,528	-	-	-	-	-	-	-	-	-	-	1,528	
Debt Service	6,788	-	-	-	-	-	-	-	-	-	-	-	6,788	
PROPRIETARY FUND TYPES														
Enterprise:														
Sewer collection and treatment	1,300	-	-	-	-	-	-	-	-	-	-	-	1,300	
Golf	-	287	-	-	-	-	-	-	-	-	-	-	287	
Total transfers in	\$ 21,929	9,669	15	390	303	20,138	1,200	1,200	1,200	137			54,981	

CITY OF MEMPHIS, TENNESSEE
Exhibit H-8

COMBINED SCHEDULE OF DEPOSITS AND INVESTMENTS
HELD OUTSIDE OF THE CASH AND INVESTMENT POOL - CARRYING AMOUNT
(Thousands of Dollars)
June 30, 2005

	Governmental Fund Types					Proprietary Funds					Fiduciary Fund Types				
	General	Special Revenue	Capital Projects	Internal Service	Sewer	MLGW	Total	MLGW Retiree Medical and Life Insurance Benefits	City Retirement System	Library Retirement System	MLGW Retirement System	Total	Trust and Agency		
Investments:															
Short-term investments	10	-	-	-	-	-	10	-	-	-	-	51,464	51,464		
U. S. Government securities - long-term	10	-	-	-	27,829	77,313	105,152	-	179,871	-	-	47,829	227,700		
Common stock - domestic	-	-	-	-	-	115,552	115,552	23,146	811,969	29,439	-	502,115	1,366,669		
Common stock - foreign	-	-	-	-	-	-	-	1,060	308,366	-	-	111,451	420,877		
Corporate bonds - domestic	-	-	-	-	-	6,078	6,078	2,609	283,236	-	-	35,748	321,593		
Corporate bonds - foreign	-	-	-	-	-	-	-	3,686	-	-	-	-	3,686		
Bond mutual fund	-	-	-	-	-	-	-	-	-	-	-	21,256	21,256		
Mortgage-backed securities	-	-	-	-	-	11,491	11,491	-	-	-	-	109,358	109,358		
Total	20	-	-	-	27,829	210,434	238,283	30,501	1,583,442	29,439	-	879,221	2,522,603		
Collateralized mortgage obligations	-	-	-	-	-	-	-	-	-	-	-	25,807	25,807		
Strategic property fund	-	-	-	-	-	4,287	4,287	-	-	-	-	-	-		
Investment in high yield bond fund	-	-	-	-	-	-	-	-	-	-	-	11,163	11,163		
Investment in international equity fund	-	-	-	-	-	-	-	8,909	-	-	-	-	8,909		
Investment in limited partnership	-	-	-	-	-	-	-	4,819	-	-	-	10,919	15,738		
Investment in multi-class investment fund	-	-	-	-	-	-	-	6,551	-	-	-	-	6,551		
Investment in real estate	-	-	-	-	-	-	-	-	-	-	-	89,506	89,506		
Insurance contract	-	-	-	-	47	-	47	-	148,220	-	-	-	148,220		
Mutual funds and money market	-	-	-	-	-	-	-	-	181,828	26,743	-	-	208,571		
Real estate	-	-	-	-	-	-	-	-	59,980	-	-	-	59,980		
Investment in managed future	-	-	-	-	-	(3,608)	(3,608)	-	-	-	-	584	584		
State of Tennessee local government investment pool	16	-	11,780	-	-	73	11,869	-	-	-	-	-	-		
Total investments	36	-	11,780	-	27,949	211,113	250,878	50,780	1,973,470	56,182	-	1,017,200	3,097,632		
Deposits:															
Cash deposits	195	5,262	157	101	151	8,518	14,384	-	2,487	2,069	-	-	4,556		
Total deposits	195	5,262	157	101	151	8,518	14,384	-	2,487	2,069	-	-	4,556		
Total investments and deposits	\$ 231	5,262	11,937	101	28,100	219,631	265,262	50,780	1,975,957	58,251	1,017,200	1,017,200	3,102,188		

**SCHEDULE OF ADDITIONS AND RETIREMENTS
TO UTILITY PLANT
(Thousands of Dollars)
June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
Exhibit H-9**

MEMPHIS LIGHT, GAS AND WATER DIVISION (1)

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
Electric Division	\$ 1,049,460	56,546	(12,066)	1,093,940
Gas Division	490,534	14,105	(1,504)	503,135
Water Division	333,137	26,627	(959)	358,805
Total	\$ 1,873,131	97,278	(14,529)	1,955,880

Note: Utility plant in service balances exclude amounts for construction work in process, non-utility property and land held for future use.

SEWER COLLECTION AND TREATMENT FUND (2)

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Land and buildings	\$ 115,672	4,034	-	119,706
Improvements other than buildings	391,633	51,141	-	442,774
Equipment and furniture	22,456	961	-	23,417
Construction work in progress	46,915	5,789	(51,248)	1,456
	\$ 576,676	61,925	(51,248)	587,353

(1) MLG&W is presented for the year ended December 31.

(2) Sewer Collection and Treatment Fund is presented for the year ended June 30.

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GOVERNMENT-WIDE EXPENSES BY FUNCTION
As of June 30 for the last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-1

Fiscal Year	General Government	Public Safety	Community Services	Transportation and Environment		Education	Interest on Long-Term Debt	Sewer	Memphis Light, Gas and Water	Golf	Total
				Environment							
2002	\$ 133,168	\$ 279,997	\$ 150,659	\$ 92,735	\$ 109,113	\$ 33,152	\$ 45,997	\$ 1,229,233	\$ -	\$ 2,074,054	
2003	170,815	308,308	102,013	75,753	89,192	38,604	50,391	1,155,423	4,683	1,995,182	
2004	159,005	310,624	154,950	71,821	84,465	42,443	45,214	1,265,411	4,589	2,138,522	
2005	187,105	318,106	107,129	59,523	85,144	37,142	50,512	1,398,375	4,270	2,247,306	

NOTE: Due to GASB 34 implementation in fiscal year 2002, there are only four years for comparison available.

GOVERNMENT-WIDE REVENUES
As of June 30 for the last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-2

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			Total
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	
2002	\$ 1,348,441	\$ 82,431	\$ 30,114	\$ 577,820	\$ 23,889	\$ 31,157	\$ 2,093,852
2003	1,265,240	82,151	9,227	563,965	18,342	32,389	1,971,314
2004	1,364,944	112,100	8,942	598,945	19,076	34,330	2,138,337
2005	1,475,939	80,099	8,329	606,830	61,792	33,342	2,266,331

NOTE: Due to GASB 34 implementation in fiscal year 2002, there are only four years for comparison available.

GENERAL FUND EXPENDITURES AND OTHER USES BY FUNCTION
Last ten fiscal years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-3

	For the Fiscal Years Ended June 30									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General Government										
Legislative	\$ 1,411	1,487	1,419	1,372	1,311	1,146	1,160	1,173	855	666
Judicial	513	511	503	501	448	451	413	412	399	330
Court clerk	2,901	2,686	2,513	2,942	2,170	2,773	2,615	2,513	2,684	2,391
Executive	2,442	2,120	1,868	1,818	1,769	1,752	1,923	2,032	35,261	34,287
Finance and administration	4,952	6,035	5,249	5,498	6,387	5,471	5,467	5,830	5,337	5,349
City attorney	11,180	7,164	5,646	5,492	4,503	4,353	4,088	3,624	2,661	2,081
City engineer	8,279	9,924	8,226	8,207	8,276	-	-	-	-	-
Information systems	11,897	15,747	10,026	-	-	-	-	-	-	-
Human resources	2,920	3,448	3,353	3,460	3,238	3,089	3,422	2,841	3,098	2,528
General services	12,302	14,203	13,871	12,796	12,454	12,125	12,054	11,341	10,696	11,022
Special appropriations	59,600	58,618	54,517	52,895	39,959	40,211	37,393	39,159	-	-
Total general government	118,397	121,943	107,191	94,981	80,515	71,371	68,535	68,925	60,991	58,654
Public Safety										
Police	178,632	173,972	162,299	152,986	146,253	136,825	128,968	116,752	105,330	95,773
Fire	128,336	119,639	117,259	107,450	99,360	94,866	92,346	83,686	81,449	77,459
Total public safety	306,968	293,611	279,558	260,436	245,613	231,691	221,314	200,438	186,779	173,232
Community Services										
Library	19,854	21,126	21,096	21,657	18,630	16,694	16,271	15,373	14,887	14,546
Parks and recreation	22,068	26,033	24,455	28,404	30,395	30,077	28,240	28,241	26,277	24,314
Wonders	-	-	-	-	-	-	-	600	-	-
Public Service	8,712	12,382	11,985	11,753	10,435	8,494	7,917	6,711	3,783	3,179
Community development	6,936	4,718	4,805	4,910	3,354	6,317	6,716	6,472	4,335	4,869
Total community services	57,570	64,259	62,341	66,724	62,814	61,582	59,144	57,397	49,282	46,908
Transportation and Environment										
Public works	17,143	19,614	18,857	18,318	18,090	25,873	26,444	23,930	23,763	22,663
Total transportation and environment	17,143	19,614	18,857	18,318	18,090	25,873	26,444	23,930	23,763	22,663
Transfers out - primary	22,134	34,814	23,052	28,181	27,366	30,056	28,659	24,544	24,717	21,056
Transfers out - component unit (1)	-	-	-	-	14,000	13,000	12,150	12,150	11,300	10,300
Total	\$ 522,212	534,241	490,999	468,640	448,398	433,573	416,246	387,384	356,832	332,813

(1) Beginning in 2002, payments to discretely presented component units are reported as expenditures.

GENERAL FUND REVENUES AND OTHER SOURCES BY SOURCE
Last ten fiscal years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-4

	For the Fiscal Years Ended June 30									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Local taxes	\$ 362,206	359,271	344,873	346,527	329,160	294,190	267,647	254,007	250,824	240,131
State taxes (local share)	49,711	46,641	49,899	49,682	54,764	53,173	49,071	48,875	44,030	41,470
Licenses and permits	12,059	12,257	11,921	11,731	11,852	11,829	10,834	10,666	10,317	10,749
Fines and forfeitures	10,980	10,772	11,023	11,035	10,131	10,821	10,419	9,640	9,574	9,439
Charges for services	19,072	19,133	17,655	18,634	16,204	15,531	14,344	13,551	13,058	10,760
Investment income	384	553	1,135	4,965	7,787	6,291	6,168	7,176	7,699	7,389
Federal grants	2,023	602	254	975	366	200	283	145	397	317
State grants	1,708	10,106	1,023	922	1,387	1,919	2,112	2,182	1,955	2,134
Intergovernmental revenues (1)	2,930	2,853	2,695	-	-	-	-	-	-	-
Other	14,020	15,100	15,711	13,096	11,605	11,260	10,897	12,241	9,360	8,428
Transfers in	21,929	21,571	27,276	17,382	12,931	18,371	25,846	17,024	17,049	15,770
Other financing sources - capital leases	-	-	4,310	1,690	-	-	-	-	-	-
Total	\$ 497,022	498,859	487,775	476,639	456,187	423,585	397,621	375,507	364,263	346,587

(1) Intergovernmental revenues 1996 - 2002 were included in investment income.

LOCAL TAX REVENUES BY SOURCE
Last ten fiscal years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-5

	For the Fiscal Years Ended June 30									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General fund										
Property taxes	\$ 164,527	161,579	153,297	154,088	140,959	109,555	99,931	95,166	93,765	90,647
Interest, penalties and commissions	7,552	6,340	4,643	4,874	3,844	2,988	3,422	2,442	2,660	1,188
Receipts in lieu of taxes - MLG&W and Sewer	47,408	46,393	44,938	43,121	39,644	34,652	24,500	24,881	26,609	25,747
Receipts in lieu of taxes - contractual	7,868	7,586	7,057	7,333	6,537	5,890	4,688	4,168	4,031	3,727
Sales tax - general	95,260	94,123	90,672	91,238	94,811	97,977	94,769	88,278	86,503	82,451
Sales tax - beer	14,620	14,382	14,367	14,585	14,170	13,795	13,163	12,846	12,583	12,387
Alcoholic beverage tax	3,592	3,420	3,364	3,305	3,255	3,184	2,982	3,100	2,772	2,697
Liquor by the drink	2,029	1,898	1,975	1,794	1,694	1,536	1,435	1,387	1,263	1,244
Cigarette tax	-	-	-	-	-	-	-	-	-	1
Gross receipts tax	7,943	8,063	7,582	7,738	8,180	8,350	7,191	6,559	6,006	6,139
Excise tax	1,138	718	728	807	362	597	1,382	1,514	1,456	1,494
Franchise tax	7,028	14,304	15,810	17,500	15,650	15,539	14,115	13,523	13,064	12,381
Other	3,241	465	440	144	54	127	69	143	112	28
Total	362,206	359,271	344,873	346,527	329,160	294,190	267,647	254,007	250,824	240,131
Education fund (1)	101,844	83,974	79,590	80,487	-	-	-	-	-	-
Debt service fund										
Property taxes	68,947	68,177	64,411	64,870	58,983	44,085	39,872	30,644	30,166	29,077
Hotel-motel tax	395	393	393	393	426	427	428	429	625	832
Total	69,342	68,570	64,804	65,263	59,409	44,512	40,300	31,073	30,791	29,909
Capital Projects Fund (2)										
Property taxes	313	310	283	-	-	-	-	-	-	-
Total local tax revenues	\$ 533,705	512,125	489,550	492,277	388,569	338,702	307,947	285,080	281,615	270,040

(1) The Education Special Revenue Fund was established in 2002 to account for property taxes collected by the City and distributed to the City of Memphis Board of Education.

(2) The property tax rate for 2003 included an apportionment for Capital Pay-As-You-Go.

PROPERTY TAX LEVIES AND COLLECTIONS
As of June 30 for the last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-6

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	Prior Years Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
1996 (1)	\$ 182,525,844	\$ 176,648,485	96.78	\$ (1,424,921)	\$ 175,223,564	96.00	\$ 20,243,908	11.09
1997 (1)	184,507,500	175,285,219	95.00	(730,568)	174,554,651	94.61	20,163,880	10.93
1998	186,904,096	175,352,843	93.82	6,398,141	181,750,984	97.24	20,025,223	10.71
1999	210,700,956	193,904,816	92.03	8,235,688	202,140,504	95.94	19,460,186	9.24
2000	234,064,460	213,875,079	91.37	4,468,222	218,343,301	93.28	21,029,909	8.98
2001	284,214,898	260,938,982	91.81	10,690,611	271,629,593	95.57	22,693,903	7.98
2002	314,190,509	293,021,608	93.26	11,780,320	304,801,928	97.01	26,273,142	8.36
2003	309,292,650	286,509,335	92.63	14,156,364	300,665,699	97.21	26,939,877	8.71
2004	325,695,529	296,247,065	90.96	16,494,982	312,742,047	96.02	29,109,210	8.94
2005	324,849,022	296,238,131	91.19	15,066,930	311,305,061	95.83	30,283,302	9.32

Taxes are normally due on June 1 and delinquent on September 1 each year and may be paid in two installments (June 1 through June 30 and August 1 through August 31). A penalty of 1/2 of 1% accrues the first of each month taxes remain delinquent and interest is charged at 12% per annum until paid. Discounts are not allowed. Delinquent taxes may be collected by foreclosure proceedings through court ordered tax sales.

(1) Refunds of delinquent taxes were greater than collections due to appeals of assessments after the 1992 reappraisal.

**ASSESSED AND ESTIMATED ACTUAL VALUE OF
TAXABLE PROPERTY**
Last ten fiscal years

**CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-7**

Fiscal Year	Real Property			Personal Property			Utilities and Carriers (55%) (Real and Personal) (1)			Total
	Farm and Residential (25%)		Commercial and Industrial (40%) (3)	Commercial and Industrial (30%) (2)		Privately Owned	Privately Owned		Total	
	Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value		
1996	\$ 2,466,070,175	\$ 9,895,829,390	\$ 2,343,741,471	\$ 5,892,557,190	\$ 632,214,115	\$ 2,105,700,300	\$ 620,903,191	\$ 1,128,914,892	\$ 6,062,928,952	\$ 19,023,001,772
1997	2,514,092,731	10,032,031,700	2,094,022,280	5,238,722,825	700,983,790	2,334,236,700	606,820,503	1,103,310,006	5,915,919,304	18,708,301,231
1998	3,036,659,925	12,146,639,700	3,215,160,945	8,177,151,700	824,475,510	2,743,529,800	595,282,106	1,082,331,103	7,671,578,486	24,149,652,303
1999	3,263,856,200	13,055,424,800	3,594,147,490	9,130,614,500	1,022,711,990	3,403,992,800	719,101,721	1,307,457,674	8,599,817,401	26,897,489,774
2000	3,289,560,950	13,158,243,800	3,391,717,000	8,632,347,900	1,024,187,360	3,408,300,100	750,642,363	1,366,169,101	8,456,107,673	26,565,060,901
2001	3,840,642,800	15,362,571,200	4,076,629,418	10,359,736,580	1,003,553,475	3,340,403,600	776,925,512	1,412,591,840	9,697,751,205	30,475,303,220
2002	3,825,350,400	15,301,401,600	3,980,384,369	10,112,159,800	1,054,764,970	3,511,817,900	904,397,490	1,644,359,073	9,764,897,229	30,569,738,373
2003	4,196,715,250	16,786,861,000	4,105,623,644	10,437,117,200	1,051,851,210	3,501,707,400	846,729,349	1,539,507,907	10,200,919,453	32,265,193,507
2004	4,239,551,575	16,958,206,300	3,971,880,085	10,096,505,900	997,752,815	3,321,838,600	783,769,116	1,425,034,756	9,992,953,591	31,801,585,556
2005	4,869,679,825	19,478,719,300	4,371,575,300	11,119,490,800	1,030,040,160	3,429,662,300	837,348,675	1,522,452,136	11,108,643,960	35,550,324,536

(1) Does not include City-owned utilities (Electric and Gas Divisions) which are assessed a separate in-lieu-of-tax. Prior to Fiscal Year 1988, the Electric Division inside the City was taxed at combined City and County tax rates, the Electric Division outside the City was taxed at the County rate and the Gas Division inside the City was taxed at the City rate. Beginning with fiscal year 1988, the Electric and Gas Divisions are taxed under the provisions of State Statutes, "The Municipal Electric System Tax Equivalent Law of 1987" and "The Municipal Gas System Tax Equivalent Law of 1987" respectively. Under these laws, the annual tax equivalent is the sum of: (1) The equalized tax rate applied to the net plant value and book value of materials and supplies, and (2) Four percent (4%) of the average of revenue less power cost for the preceding three (3) fiscal years. The law also provides that no payment shall be less than the amount paid in Fiscal Year 1987. Net proceeds from this source go only to the City General Fund and are not allocated by the tax rate ordinance. The City contributes a portion of the proceeds to the County based on a tax rate formula.

(2) Includes intangible personal property which is assessed at 40%.

(3) Includes multiple real estate assessed at 0-40% as well as greenbelt commercial at 25%, greenbelt industrial at 25% and greenbelt multiple real estate at 0-40%.

**PROPERTY TAX RATES AND LEVIES-
ALL DIRECT AND OVERLAPPING GOVERNMENTS
Last ten fiscal years**

**CITY OF MEMPHIS, TENNESSEE
Exhibit X-8**

Fiscal Year	Tax Rates per \$100 Assessed Value			Tax Levies		
	City	County	Total	City	County	Total
1996	\$ 3.18	\$ 3.16	\$ 6.34	\$ 182,525,844	\$ 264,078,750	\$ 446,604,594
1997	3.18	3.16	6.34	184,507,500	272,826,625	457,334,125
1998	3.18	3.16	6.34	186,904,096	287,884,320	474,788,416
1999	2.77	2.82	5.59	210,700,956	329,543,247	540,244,203
2000	2.77	3.54	6.31	234,064,460	412,703,834	646,768,294
2001	3.37	3.54	6.91	284,214,898	427,388,176	711,603,074
2002	3.23	3.79	7.02	314,190,509	523,851,896	838,042,405
2003	3.23	4.04	7.27	309,292,650	526,168,220	835,460,870
2004	3.23	4.04	7.27	325,695,529	570,445,227	896,140,756
2005	3.23	4.04	7.27	324,849,022	577,008,988	901,858,010

Taxes are assessed as of January 1 and are due on June 1 for City and October 1 for Shelby County.
No tax rate limits exist. Tax must be assessed sufficiently to pay debt service.

**SPECIAL ASSESSMENT COLLECTIONS
Last ten fiscal years**

**CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-9**

Fiscal Year	Collections			
	Construction	Interest	Promotional Costs	Total
1996	\$ 125,038	\$ 72,775	\$ 317,296	\$ 515,109
1997	113,686	63,217	353,524	530,427
1998	136,195	74,141	351,590	561,926
1999	13,971	7,808	413,295	435,074
2000	22,780	12,724	28,522	64,026
2001	1,045	583	6,345	7,973
2002	92	52	242	386
2003	78	4	2,438	2,520
2004	389	217	47	653
2005	344	192	3,072	3,608

NOTE: The special assessment fund was established in fiscal year 1979 to account for the financing of the downtown merchant's share of the cost of the Mid- America Mall , plus the yearly cost of promotional events for the Mall and downtown area. In accordance with GASB 6, the Special Assessment Fund was eliminated in 1987.

**RATIO OF GENERAL BONDED DEBT TO APPRAISED
AND ASSESSED VALUES AND BONDED DEBT PER CAPITA
Last ten fiscal years**

**CITY OF MEMPHIS, TENNESSEE
Exhibit X-10**

	For the Fiscal Years Ended June 30									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Estimated population	627,802	677,382	677,382	650,100	650,100	643,715	643,715	596,725	614,289	614,289
Appraised property valuation (3) \$	35,550,325	31,801,586	32,265,194	30,569,738	30,475,303	26,565,060	26,897,490	24,149,652	18,708,301	19,023,002
Assessed valuation (3) \$	11,108,644	9,992,954	10,200,919	9,764,897	9,697,751	8,456,108	8,599,817	7,671,578	5,915,919	6,062,929
Total general obligation debt (1) (3) \$	1,011,698	947,040	903,659	866,148	782,920	736,739	644,434	516,848	483,245	448,713
Self-supporting debt (2) (3) \$	25,386	29,656	34,259	38,599	43,008	47,362	51,241	58,429	63,029	66,839
Net Debt (3) \$	986,312	917,384	869,400	827,549	739,912	689,377	593,193	458,419	420,216	381,874
Bonded debt per capita - total debt \$	1,611	1,398	1,334	1,332	1,204	1,145	1,001	866	787	731
Bonded debt per capita - net debt \$	1,571	1,354	1,283	1,273	1,138	1,071	922	768	684	622
Bonded debt to appraised valuation -total debt	2.85%	2.98%	2.80%	2.83%	2.57%	2.77%	2.40%	2.14%	2.58%	2.36%
Bonded debt to appraised valuation -net debt	2.77%	2.88%	2.69%	2.71%	2.43%	2.60%	2.21%	1.90%	2.25%	2.01%
Bonded debt to assessed valuation -total debt	9.11%	9.48%	8.86%	8.87%	8.07%	8.71%	7.49%	6.74%	8.17%	7.40%
Bonded debt to assessed valuation -net debt	8.88%	9.18%	8.52%	8.47%	7.63%	8.15%	6.90%	5.98%	7.10%	6.30%

(1) Debt includes City general obligation bonds, state loans, and capital lease obligations (2001-2007).

(2) The self-supporting debt includes Port Commission Bonds, Airport Bonds, bonds sold for the Convention Center and State loans .

(3) In thousands of dollars.

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
(Thousands of Dollars)
June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit X-11

Name of Governmental Unit	Debt Outstanding	Percentage Applicable to City of Memphis(1)	City of Memphis' Share of Debt(2)
Memphis Board of Education (Primary Government Obligation)	\$ 15,621	100%	15,621
Memphis-Shelby County Airport Authority (Primary Government Obligation)	17,140	100%	17,140
City of Memphis (5)	<u>849,551</u>	100%	<u>849,551</u>
	882,312		882,312
Bond Anticipation Notes	125,000	100%	125,000
State loans payable - City Sewer System	189	100%	189
Notes payable	1,571	100%	1,571
Capital lease obligations	<u>2,626</u>	100%	<u>2,626</u>
Total (3)	1,011,698		1,011,698
Shelby County debt	<u>1,537,190</u>	77.7%	<u>1,194,397</u>
Total overlapping debt (4)	<u>\$ 2,548,888</u>		<u>2,206,095</u>

- (1) Determined by ratio of assessed valuation of property subject to taxation in City of Memphis to valuation of property subject to taxation in Shelby County.
- (2) Amount in debt outstanding column multiplied by percentage applicable.
- (3) Has not been adjusted for the \$8,042 which is available for payment of principal and interest in the debt service fund.
- (4) Does not include revenue bonds.
- (5) The City of Memphis has no legal debt margin.

**RATIO OF ANNUAL DEBT SERVICE
TO GENERAL EXPENDITURES**
Last ten fiscal years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-12

Fiscal Year	General Obligation Debt Service			Total General Fund Expenditures	Ratio of Debt Service to General Expenditures(%)
	Principal	Interest	Total		
1996	\$ 43,871	\$ 20,668	\$ 64,539	\$ 328,427	19.65
1997	45,252	22,002	67,254	356,832	18.85
1998	43,119	24,700	67,819	387,384	17.51
1999	46,541	28,098	74,639	416,246	17.93
2000	45,634	31,605	77,239	433,573	17.81
2001	47,528	39,179	86,707	448,398	19.34
2002	45,292	33,847	79,139	468,640	16.89
2003	43,341	37,258	80,599	490,999	16.42
2004	50,792	40,310	91,102	534,241	17.05
2005	51,600	37,065	88,665	522,212	16.98

**REVENUE BOND COVERAGE - MLG&W AND
SEWER COLLECTION AND TREATMENT FUND**

**CITY OF MEMPHIS, TENNESSEE
Exhibit X-13**

Last ten fiscal years
(Thousands of Dollars)

<u>Year</u>	<u>Total Income</u>	<u>Operating and Maintenance Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service</u>	<u>Debt Service Coverage</u>
ELECTRIC DIVISION (1)					
1995	\$ 727,317	\$ 675,478	\$ 51,839	\$ 28,889	\$ 1.79
1996	743,050	672,822	70,228	29,314	2.40
1997	747,169	668,293	78,876	29,586	2.67
1998	849,121	764,393	84,728	29,642	2.86
1999	848,890	762,824	86,066	29,642	2.90
2000	880,013	795,727	84,286	17,907	4.71
2001	850,979	787,456	63,523	31,551	2.01
2002	865,160	811,969	53,191	72,244	0.74
2003	871,138	822,527	48,611	60,028	0.81
2004	952,976	869,830	83,146	22,961	3.62
GAS DIVISION (1)					
1995	\$ 189,175	\$ 149,850	\$ 39,325	\$ -	\$ N/A
1996	251,033	196,701	54,332	-	N/A
1997	232,659	190,223	42,436	-	N/A
1998	203,349	166,739	36,610	-	N/A
1999	203,562	169,369	34,193	-	N/A
2000	263,824	236,133	27,691	-	N/A
2001	350,999	345,263	5,736	619	9.27
2002	261,799	243,950	17,849	-	N/A
2003	356,076	334,113	21,963	-	N/A
2004	368,318	361,357	6,961	-	N/A
WATER DIVISION (1)					
1995	\$ 59,417	\$ 30,494	\$ 28,923	\$ 7,522	\$ 3.85
1996	59,224	32,211	27,013	8,981	3.01
1997	58,397	33,989	24,408	8,991	2.71
1998	62,811	36,704	26,107	21,244	1.23
1999	63,949	36,155	27,794	8,933	3.11
2000	67,511	38,244	29,267	8,826	3.32
2001	61,117	41,738	19,379	9,117	2.13
2002	56,447	43,568	12,879	6,641	1.94
2003	56,432	47,720	8,712	8,427	1.03
2004	69,605	54,789	14,816	8,596	1.72
SEWER COLLECTION AND TREATMENT FUND (2)					
1996	\$ 39,828	\$ 26,180	\$ 13,648	\$ 6,672	\$ 2.05
1997	41,647	26,990	14,657	7,666	1.91
1998	39,755	27,477	12,278	7,620	1.61
1999	40,713	28,702	12,011	9,194	1.31
2000	40,017	29,215	10,802	9,156	1.18
2001	45,845	29,568	16,277	11,364	1.43
2002	40,354	30,779	9,575	10,002	0.96
2003	39,749	33,690	6,059	11,174	0.54
2004	35,935	31,038	4,897	12,354	0.40
2005	47,652	33,495	14,157	12,693	1.12

(1) MLG&W revenue bond coverage is presented for years ended December 31.

(2) Sewer Collection and Treatment Fund revenue bond coverage is presented for the year ended June 30.

Memphis Light, Gas and Water Division (1)

<u>RATE STRUCTURE</u>	<u>NUMBER OF CUSTOMERS</u>
-----------------------	----------------------------

Electric Division

<p>Residential rates: Customer charge: \$11.20 per month, less hydro allocation credit of \$1.71.</p>	356,714
---	---------

Energy charge: First 2,000 kWh per month at \$.06170 per kWh; additional kWh per month at \$.07018 per kWh.

<p>General service rates: Customer charge: \$15.52 per delivery point per month for customers with demands less than 5,000 kW; \$1,500 per month for all other demand levels.</p>	43,034
---	--------

Demand charge: Rate charges per kW of billing demand vary depending on level of usage and the customer's currently effective contract demand. Rates range from \$9.33 - \$13.79 per kW per month. Customers with demands less than 50 kW receive no demand charges.

Energy charge: Rates vary depending on usage, (\$.01997 - \$.07695 per kW per month).

<p>Outdoor lighting rates: Charges for street and park lighting systems, traffic signal systems, and athletic field lighting installations.</p>	16,673
---	--------

Energy charge: \$.04853 per kWh per month

Facility charge: Facility charges vary depending on cost of facility borne by the electric system.

Outdoor lighting charges for individual customers vary depending on the type of fixture, watts, lamp size and rated kWh. Charges per fixture per month, \$2.95 - \$10.05 per month. Energy charge: \$.04853 per kWh per month.

Gas Division

<p>Residential rates: Commodity charge: All gas consumed at \$0.7192 per Ccf. Minimum bill: \$7.00 per meter per month.</p>	290,079
--	---------

<p>General service rates: Small general service (G-7)</p>	22,024
<p>Large general service firm on-peak (G-8 and G-9)</p>	490
<p>Large general service interruptible off-peak (G-10 and G-12)</p>	33
<p>Seasonal off-peak (G-17)</p>	1

The rate schedule for general service (non-residential) varies based on maximum daily demand and daily contract demand.

All retail rates for natural gas may be adjusted for changes in MLGW's cost of gas, storage, and transportation. Adjustments may be made on a monthly basis using an estimate of future costs and adjusting for actual costs increased.

Water Division

<u>RATE STRUCTURE</u>	<u>NUMBER OF CUSTOMERS</u>
Residential rates:	
Within city limits: Commodity charge: All water consumed: \$1.1406 per Ccf per month. Minimum monthly bill: \$4.81 - \$49.32 based on size of meter installed.	185,138
Outside city limits: Commodity charge: All water consumed: \$1.7750 per Ccf per month. Minimum monthly bill: \$6.70 - \$68.61 based on size of meter installed.	18,038
Outside city limits (Shelby County Water Distribution System acquired June 30, 1999): Commodity charge: All water consumed: \$1.7750 per Ccf per month. Minimum monthly bill: \$6.70 - \$68.61 based on size of meter installed.	22,316
General service rates:	
Within city limits: Commodity charge: Charges per Ccf per month vary based on level of usage (\$.6044 - \$1.4558 per Ccf). Minimum bill: The minimum monthly bill is determined by size of meter, \$9.23 - \$1,398.37.	18,472
Outside city limits: Commodity charge: Charges per Ccf of water consumed per month vary based on level of usage (\$.9179 - \$2.1784 per Ccf). Minimum bill: Minimum monthly bill is determined by size of meter, \$14.10 - \$2,135.38.	738
Outside city limits (Shelby County Water Distribution System acquired June 30, 1999): Commodity charge: Charges per Ccf per month vary based on level of usage (\$.9179 - \$2.1784 per Ccf). Minimum monthly bill: \$14.10 - \$2,135.38 based on size of meter installed.	553

Sewer Collection and Treatment Fund (2)

<u>RATE STRUCTURE</u>	<u>NUMBER OF CUSTOMERS</u>
Sewer fees:	261,300
Volumetric charge: \$.875 per 1000 gallons	
Biochemical Oxygen Demand (BOD) surcharge: \$.0365 per pound/BOD	
Total Suspended Solids (TSS) surcharge: \$.0596 per pound/TSS	

(1) MLGW - as of December 31, 2004

(2) Sewer - as of June 30, 2005

Note: The rate structure for MLGW is a summarized schedule of the rate structure of the Division. For a more detailed explanation of the rate structure please refer to the MLGW division financial report.

ITEM	DESCRIPTION OF COVERAGE	LIMITS OF LIABILITY
PROPERTY		
Building, contents and equipment including data processing equipment and motor vehicles owned by the City of Memphis, Memphis Public Library and Information Center	"All Risk" including flood and earthquake	\$700,000,000 Blanket Coverage on Real and Personal Property, \$25,000 per occurrence deductible (except \$100,000 / \$500,000 flood deductible) and 5% of the value with a minimum of \$250,000 per loc. for earthquake coverage. Annual Statement of values required.
Fine Arts owned by the City of Memphis Pink Palace Museum Mississippi River Museum on Mud Island Memphis College of Art Magevney House Museum Mallory-Neely House Botanic Gardens	"All Risk" Floater	\$4,000,000 blanket limit, \$1,000 per occurrence deductible
Boats & Motors owned by City of Memphis	"All Risk" Hull Coverage	\$40,000 Agreed Value (\$100 and \$500 deductible)
Boiler & Machinery	Direct damage to covered property caused by an accident to an object	\$100,500,000 per accident limit, \$5,000 deductible
Crime and Dishonesty - Money & Securities, Robbery & Safe Burglary, Computer Fraud, Money Orders & Counterfeit Paper Currency, Credit Card Depositor's Forgery	Loss, theft or disappearance of monies	\$1,000,000 each loss, \$5,000 deductible
LIABILITY		
Auto Liability	Bodily Injury and Property Damage	\$1,000,000 Out of State limits; tort limit deductible
General Liability on scheduled locations	Bodily Injury and Property Damage	\$500,000 per occurrence \$1,000,000 General Aggregate limit
Boats and Motors owned by City of Memphis	Protection and Indemnity Coverage	\$1,000,000 excluding crew members
AVIATION		
Metro Aviation helicopters	"All Risk" Bodily Injury, including passengers and property damage	\$10,000,000 per occurrence; physical damage deductible rotors not in motion \$1,000; Rotors in motion, 5% of the insured value. Medical Services - Each person \$10,000. Each occurrence \$40,000
ACCIDENTAL DEATH & DISMEMBERMENT		
Occupational Death and Accident Policy	Life insurance for job related deaths	\$100,000 per person

Governmental Area	Description of Coverage	Limits of Liability
General Government		
The Mayor, City Council Members, all appointed positions, Commissioners all other employees not covered by specific bonds	Bonds include faithful performance and dishonesty. Any dishonest or fraudulent act of a City employee.	\$1,000,000 per occurrence \$50,000 retention

Governmental Area	Position	Number of Office Holders	Amount of Bond Each Position	Total Amount of Bond
General Government*				
	Finance Director	1	\$1,500,000	\$1,500,000
	Deputy Finance Director	1	1,500,000	1,500,000
	Manager, Debt & Investment	1	1,500,000	1,500,000
	Financial Analyst	1	1,500,000	1,500,000
	Treasurer	1	1,500,000	1,500,000
	Comptroller	1	1,500,000	1,500,000
	Treasury Financial Investment Analyst	1	1,500,000	1,500,000

* Bonds for general government positions include faithful performance and dishonesty.

ANNUAL SALARIES OF CITY OFFICIALS
As of June, 30 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit X-17

Willie Herenton	Mayor	\$160,000
City Council Chairman		31,600
City Council Members		30,600
Keith L. McGee	Chief Administrative Officer	137,647
Robert Lipscomb	Chief Financial Officer & Director, Housing & Community Dev.	112,336
Richard Arwood	Director, Fire Services	113,565
Bob Fouche	Director, Park Services	109,386
Jerry Collins	Director, Public Works	112,336
Larry Godwin	Director, Police Services	113,565
Judith Drescher	Director, Library Services	130,572
Cynthia Buchanan	Director, General Services	109,386
Wain Gaskins	City Engineer	109,386
Roland McElrath	Director, Finance and Administration	115,706
Thomas Long	City Court Clerk	116,524
Lorene Essex	Director, Human Resources	112,336
Rick Copeland	Director, Office of Planning and Development	103,876
Keenon McCloy	Director, Public Services	109,386
Joseph Lee, III	President, Memphis Light, Gas & Water Division	215,000
Sara Hall	City Attorney	112,336
Earnestine Hunt Dorse	City Court Judge - Division 1 (Administrative Judge)	120,329
Jayne R. Chandler	City Court Judge - Division 3	118,524
Tarik B. Sugarmon	City Court Judge - Division 2	118,524

PRINCIPAL TAXPAYERS
June 30, 2005

CITY OF MEMPHIS, TENNESSEE
Exhibit X-18

Name of Taxpayer	Nature of Property	Assessed Value	Percentage of Total Assessed Value
Federal Express	Distribution Services	\$ 380,874,122	3.43
Bell South Telecommunications	Communications	125,027,533	1.13
Wolfchase Galleria, LTD	Regional Retail Mall	54,624,840	0.50
Northwest Airlines, Inc.	Transportation	39,700,282	0.36
AMISUB (St. Francis Hospital) Inc.	Hospital/Medical	38,720,000	0.35
Pinnacle Airlines, Inc.	Transportation	31,563,814	0.29
Mid-America Apartments	Realty Development	26,563,760	0.24
Coors Brewing Company	Brewing Company	25,525,812	0.23
US Industrial Reit	Distribution Facility	23,449,589	0.21
Beltz Investment Company	Investment Company	23,292,920	0.21
Total Assessed Valuation of Top 10 Taxpayers		769,342,672	6.95
Balance of Assessed Valuation		10,339,301,288	93.05
Total Assessed Valuation		\$ 11,108,643,960	100.00

Date of Incorporation	1826
Date First Charter Adopted	1826
Form of Government	Mayor/Council
Registered Voters - Shelby County	607,937

RECREATION

Number of parks	187
Acreage	5,387
Number of golf courses	7
Number of swimming pools	17
Number of community centers	28
Number of tennis centers	7
Number of senior citizens centers	6

Other recreation facilities:

Liberty Bowl Stadium	Mallory Neely House
Mid-South Coliseum	Children's Theatre
The Pyramid	Children's Museum
Pink Palace Museum	Memphis Botanic Gardens
R. Skinner Handicapped Ctr.	Lichterman Nature Center
Fairgrounds/Libertyland	Auto Zone Park
Memphis Zoological Gardens	The FedEx Forum

EDUCATION

Number of schools:	
Elementary	112
Secondary	60
Vocational Centers	6
Special Schools	7
Charter Schools	6

Staffing of schools:	
Professional	8,527
Support	7,944
Enrollment	119,021

FIRE PROTECTION

Fiscal Year	Number of Stations	Number of Employees
2005	59	1,702
2004	54	1,702
2003	54	1,630
2002	52	1,620
2001	52	1,573
2000	52	1,558
1999	52	1,599
1998	50	1,477
1997	48	1,472
1996	48	1,490

AREA

Year	Square Miles
2005	343.0
2004	340.0
2003	340.0
2002	305.0
2000	296.3
1999	296.3
1995	280.0
1990	271.8
1980	271.8
1970	217.4
1819	0.4

MILES OF PAVED STREETS AND ALLEYS

Streets	3,260
Alleys	500

MILES OF SEWERS

City and County	3,600
-----------------------	-------

MILES OF STORM DRAINAGE

Major open channel	273
Minor open channel	1,615
Drainage pipes	2,100

POLICE PROTECTION

Calendar Year	Number of Law Violations	Number of Patrol Units	Number of Employees
2004	61,970	800	2,608
2003	63,752	2,776	2,776
2002	64,254	1,530	2,670
2001	64,216	1,377	2,751
2000	55,555	1,272	2,798
1999	51,122	1,167	2,393
1998	63,119	728	2,162
1997	79,463	722	1,936
1996	77,149	722	1,823
1995	69,424	722	1,805
1994	62,050	722	1,795

(Continued)

DEMAND DEPOSITS*

Year	Amount
2005	\$2,829,576,000
2004	8,186,920,000
2003	7,241,072,000
2002	5,787,225,000
2001	4,712,768,000
2000	4,638,424,000
1999	4,800,014,000
1998	4,060,927,000
1997	2,940,895,000
1996	2,771,350,000

*Source: The Federal Reserve Bank of St. Louis.

SALES TAX COLLECTIONS FOR SHELBY COUNTY*

Year	Amount
2005	\$1,081,095,515
2004	1,055,717,159
2003	1,024,684,000
2002	951,819,000
2001	975,003,000
2000	985,194,000
1999	947,693,000
1998	878,156,000
1997	865,026,000
1996	818,443,000

*Source: Tennessee Department of Revenue

BUILDING PERMITS

Year	Valuation		
	Residential	Non-Residential	Total
2005	\$304,030,437	\$383,047,592	\$687,078,029
2004	279,967,766	400,609,588	680,577,354
2003	617,962,241	488,286,488	1,106,248,729
2002	504,204,000	318,062,000	822,266,000
2001	574,865,000	675,372,000	1,250,237,000
2000	780,388,000	1,112,089,000	1,892,477,000
1999	639,472,000	939,545,000	1,579,017,000
1998	594,578,000	905,368,000	1,499,946,000
1997	529,540,000	654,566,000	1,184,106,000
1996	562,770,000	489,605,000	1,052,375,000

PER CAPITA INCOME FOR SHELBY COUNTY*

Year	Amount
2004	34,087
2002	32,914
1999	30,524
1998	29,448
1997	27,246
1996	26,309
1995	25,301
1994	23,601
1993	20,382

*Source: Bureau of Business and Economic Research, University of Memphis.

AGE DISTRIBUTION OF POPULATION

Age In Years	2000		1990	
	Male	Female	Male	Female
Under 5	25,520	24,876	30,120	28,834
5 to 9	27,114	26,001	18,414	17,671
10 to 14	25,276	24,376	21,890	21,014
15 to 19	24,329	23,432	22,539	22,782
20 to 24	24,725	26,107	24,306	25,837
25 to 34	50,255	52,162	52,107	57,124
35 to 44	45,766	51,294	40,964	45,771
45 to 54	37,748	43,084	24,734	30,440
55 to 59	11,926	14,135	10,796	14,329
60 to 64	8,890	12,058	11,252	14,816
65 to 74	14,684	22,046	17,915	25,417
75 & over	11,410	22,886	9,973	21,292
Total	307,643	342,457	285,010	325,327

*Source: 2000 Census Count

POPULATION MEMPHIS

Year	Number
2004	627,802 (1)
2003	677,382 (1)
2000	650,100 (2)
1999	643,715
1998	596,725
1996	614,289
1990	610,337
1988	652,600
1987	652,600
1985	645,600
1980	646,000
1970	624,000
1960	498,000

(1) Tennessee Dept of Economic and Community Development
 (2) 2000 Census Count

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**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
EXHIBIT Y-1**

	Federal CFDA Number	Grant Number	Receiveable (Deferral) June 30, 2004	Receipts FY' 05	Expenditures FY' 05	Receiveable (Deferral) June 30, 2005
FEDERAL GOVERNMENT AWARDS						
OFFICE OF ECONOMIC ADJUSTMENT						
Depot Redevelopment Grant	12.607	CL9533-98,00-04,05	\$ (353,653)	(353,653)	-	-
TOTAL OFFICE OF ECONOMIC ADJUSTMENT			(353,653)	(353,653)	-	-
DEPARTMENT OF AGRICULTURE						
Passed through Tennessee Department of Human Services						
Summer Lunch Program	10.559	DA0300050,DA400069	108,720	1,997,477	1,997,730	108,973
Urban Forestry	10.675	Z0401525300	(15,406)	5,190	-	(20,596)
TOTAL DEPARTMENT OF AGRICULTURE			93,314	2,002,667	1,997,730	88,377
DEPARTMENT OF HOMELAND SECURITY						
Urban Search and Rescue Task Force						
Urban Search and Rescue Task Force	97.025	EMW2001CA0131	(72,049)	-	72,633	584
Urban Search and Rescue Task Force	97.025	WK03036603	179,063	670,724	757,409	265,748
Urban Search and Rescue Task Force	97.025	W2004CA622271	-	379,756	527,660	147,904
Urban Search and Rescue System	97.025	EMW2005CA0274	-	-	103,945	103,945
Emergency Management Agency	97.025	Z0301587600,Z04020264	(92,911)	1,166,279	1,975,047	715,857
Subtotal (97.025)			14,103	2,216,759	3,436,694	1,234,038
Fire Prevention and Safety Program	97.044	EMW2003FP02907	-	-	42,762	42,762
Passed through Tennessee Department of Military						
Public Assistance Grants-Severe Storms and High Wind	97.036	Z0401969803	-	5,118,523	5,931,304	812,781
Emergency Management Agency	97.042		-	127,204	154,852	27,648
Community Emergency Response Team Training	97.053	Z0301551500	11,802	-	210	12,012
TOTAL DEPARTMENT OF HOMELAND SECURITY			25,905	7,462,486	9,565,822	2,129,241
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Tennessee Department of Health						
Rape Services and Prevention	16.575	GG0309633,GG0410336	27,578	-	53,392	80,970
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			27,578	-	53,392	80,970
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Community Development Block Grant						
Community Development Block Grant	14.218	B01MC470006,B01MC470006	(348,988)	9,202,718	14,259,661	4,707,955
Lead Based Paint	14.900	TNLHB017200,TNLHD000603	195,149	1,488,465	1,198,444	(94,872)
Emergency Shelter	14.231	S02,03MC4-70002	112,132	335,731	324,007	100,408
Home Program	14.239	M02,03MC470202	1,915,561	5,064,307	4,864,286	1,715,540
Housing Opportunities for Persons with Aids	14.241	TN37H9-7F040,8F001	-	1,214,850	865,818	(349,032)
Shelter Plus Care	14.238	TN37C970105,TN37C101001	-	176,260	254,440	78,180
Fair Housing	14.408	FH400G01028	10,000	22,054	-	(12,054)
Brownfields Economic Dev Initiative	14.246	B-98-BD-47-0009	-	-	129,638	129,638
Memphis Biotech	14.246		-	496,750	496,750	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,883,854	18,001,135	22,393,044	6,275,763

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
EXHIBIT Y-1
(Continued)**

	Federal CFDA Number	Grant Number	Receiveable (Deferral) June 30, 2004	Receipts FY' 05	Expenditures FY' 05	Receiveable (Deferral) June 30, 2005
DEPARTMENT OF JUSTICE						
Encourage Arrest Policies						
Subtotal (16.590)	16.590	2004WEAX0031	-	-	5,371	5,371
Local Law Enforcement	16.592	2002LBBX2233	(109,150)	-	108,775	(375)
Local Law Enforcement	16.592	2003LBBX2211	(525,413)	-	346,637	(178,776)
Local Law Enforcement	16.592	2004LBBX0674	-	395,973	134,381	(261,592)
Subtotal (16.592)			(634,563)	395,973	589,793	(440,743)
Cops Technology	16.710	2003CKWX0182	-	-	993,500	993,500
Cops More 2000	16.710	2000CLWX0033	37,259	37,259	-	-
Subtotal (16.710)			37,259	37,259	993,500	993,500
Weed and Seed	16.595	APA906627	2,536	2,536	-	-
Weed and Seed	16.595	Z0009245	1,468	1,468	-	-
Weed and Seed 2000	16.595	A0A005014	(52)	(52)	-	-
Subtotal (16.595)			3,952	3,952	-	-
Economic Crimes Task Force				207,601	207,601	-
Project Safe Neighborhood Housing Demo	16.609	2004-GP-CX-0704	-	15,000	121,280	106,280
Project Safe Neighborhood Unit	16.609		-	-	8,186	8,186
Subtotal (16.609)			-	222,601	337,067	114,466
Gang Resistance Education	16.737	96689071	70,077	85,856	143,637	127,858
Subtotal (16.737)			70,077	85,856	143,637	127,858
Passed through Tennessee Department of Human Services						
Victims of Crime	16.575	Z00004855	33,224	140,800	202,843	95,267
Subtotal (16.575)			33,224	140,800	202,843	95,267
TOTAL DEPARTMENT OF JUSTICE						
			(490,051)	886,441	2,272,211	895,719
DEPARTMENT OF LABOR						
Youth Opportunity	17.263	AZ-10132-00-60	1,913,126	5,504,385	3,591,259	-
Passed through Public Private Ventures	16.202		-	122,500	82,815	(39,685)
Passed through Tennessee Department of Labor	17.258	DA0200020,DA0400062	128,819	2,740,041	2,510,183	(101,039)
Workforce Investment Act - Adult	17.259	DA0200020,DA0400062	882,342	2,741,074	2,601,802	743,070
Workforce Investment Act - Youth	17.260	DA0200020	19,048	1,408,651	1,404,245	14,642
Workforce Investment Act - Dislocated		GG-0309770,0410747,0516629, 00511499,0511369	(2,730)	(2,730)	-	-
Workforce Investment Act - Miscellaneous			2,940,605	12,513,921	10,190,304	616,988
TOTAL DEPARTMENT OF LABOR						
			-	157,983	157,983	-
DEPARTMENT OF STATE						
Inter-library Loan Grant	45.310	Z0000097300	-	157,983	157,983	-
TOTAL DEPARTMENT OF STATE						
			-	157,983	157,983	-
DEPARTMENT OF TRANSPORTATION						
Passed through Tennessee Department of Transportation	20.205	STP-M-9409,CM-STP-9409,GG980770	655,699	969,328	375,479	61,850
Congestion Mitigation Air Quality	20.205	CM-ITS-9547(601)	65,795	-	-	65,795
Memphis Early Deployment Grant	20.205	CM-STP-9409(49)	9,736	-	22,927	32,663
Enhanced Traffic Signal Maintenance Response	20.205	CM-STP-9409(42),(47)	219,712	-	123,807	343,519
Traffic Signal System	20.205	CM-STP-9409(41),(48)	(29,791)	-	-	(29,791)
Enhanced Traffic Signal Implementation			921,151	969,328	522,213	474,036
Subtotal (20.205)			(18,423)	-	15,695	(2,728)
Mississippi River Cycling Corridor	20.219	EN-STP-7900(16)	19,920	-	-	19,920
Riverbluff Walkway	20.219	EN-STP-7900(13)	40,744	-	-	40,744
Cobblestone Walkway	20.219	STP-EN-9409(62)	42,241	-	15,695	57,936
Subtotal (20.219)			963,392	969,328	537,908	531,972
TOTAL DEPARTMENT OF TRANSPORTATION						
			5,090,944	41,640,308	47,168,394	10,619,030
TOTAL FEDERAL GRANTS						

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2005**

**CITY OF MEMPHIS, TENNESSEE
EXHIBIT Y-1
(Continued)**

	Federal CFDA Number	Grant Number	Receiveable (Deferral) June 30, 2004	Receipts FY' 05	Expenditures FY' 05	Receiveable (Deferral) June 30, 2005
STATE GOVERNMENT GRANTS						
Memphis Fire Division In-service Training Supplement		NONE	(380)	552,040	610,326	57,906
Memphis Police Division In-service Training Supplement		NONE	(2,690)	1,004,094	994,266	(12,518)
Local Emergency Planning Committee		GG0209756	153,150	-	54,108	207,258
Stop Violence Against Women		Z00001432,Z00001451	14,130	8,070	18,168	24,228
State Highway Maintenance Grant		CMAA824,CMA891	239,860	897,028	902,259	245,091
Landmarks Commission Training		GG0310104	936	-	-	936
Landmarks Commission Training - Historic Zoning		GG0511346	-	3,600	-	(3,600)
Tennessee Housing Development Agency		DG9901323,DA0400071	28,028	-	-	28,028
Enterprise Zone		GG000860300	(239,561)	296,552	513,209	(22,904)
Help Care		Z03010557,Z04015720,Z05020309	(146,084)	31,141	236,443	59,218
TIIP Project - Cleveland Track Material		Z0200852000	(569)	-	-	(569)
Planning Grant		FHWA-PL-112	42,496	110,549	77,955	9,902
Memphis Survey Grant		GG0209746	20,746	-	32,521	53,267
Memphis Survey Grant		GG0410533	-	45,000	28,000	(17,000)
Plough Boulevard		TP-EN-9409(61)	(182,286)	-	-	(182,286)
Plough Blvd Landscape Phase I		STP-EN-7900(21)	(91,525)	-	-	(91,525)
Motor Vehicle Inspection Station		CM-STP-9409(54)	(385,738)	-	-	(385,738)
Raleigh Lagrange-Sycamore		BR-STP-2878(2)	(347,736)	-	-	(347,736)
Cobblestone Walkway		SBC5290000296	(710,637)	-	-	(710,637)
Martyrs Park Riverwalk Improvement		STP-EN-9409(63)	(156,599)	-	58,854	(97,745)
Relocate Sewer Facility		6060	-	32,261	6,660	(25,601)
Sam Cooper Sewage Repair		NONE	-	127,225	-	(127,225)
Juvenile Accountability Block		NONE	11,316	11,316	-	-
Juvenile Accountability Block		GG041063700	-	-	1,787	1,787
Governor Highway Safety		Z03011860	157,745	-	(156,810)	935
Intermodal Transfer Facility		STP-9409(84)	-	5,584,184	5,584,184	-
Backyard Wildlife		Z02005120	-	105,063	105,426	363
Highway Safety		Z05024096	-	194,287	456,188	261,901
Highway Safety		Z04016777	478,973	575,633	96,415	(245)
Storm Water Program		NONE	-	-	2,963	2,963
TOTAL STATE GRANTS			(1,116,425)	9,578,043	9,622,922	(1,071,546)
TOTAL GRANTS			\$ 3,974,519	51,218,351	56,791,316	9,547,484

See accompanying note to the schedule.

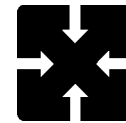
City of Memphis
Note to the Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005

Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Memphis and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.



Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Independent Member of BKR International



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council
City of Memphis, Tennessee

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Memphis, Tennessee (the City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 9, 2005. We did not audit the Memphis-Shelby County Airport Authority, which is a component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The

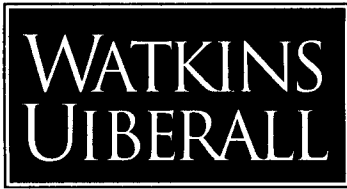
results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the City in a separate letter dated December 9, 2005.

This report is intended solely for the information and use of the City Mayor, City Council, management, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Memphis, Tennessee
December 9, 2005

Watkins Liberiall, PLLC
Bantz, Finley, White & Co.



Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Independent Member of BKR International



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council
City of Memphis, Tennessee

Compliance

We have audited the compliance of City of Memphis, Tennessee (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. We did not audit the Memphis-Shelby County Airport Authority, which is a component unit. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in

order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Mayor, City Council, management, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Memphis, Tennessee
December 9, 2005

Watkins Liberiall, PLLC
Banks, Finley, White & Co

CITY OF MEMPHIS, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Memphis, Tennessee.
2. No reportable conditions or material weaknesses were reported during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of City of Memphis, Tennessee were disclosed during the audit.
4. No reportable conditions or material weaknesses were noted during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for City of Memphis, Tennessee expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any audit findings related to major programs that are required to be reported under OMB Circular A-133.
7. The programs tested as major programs included:
 - 10.559 Summer Lunch
 - 17.258 Workforce Investment – Adult
 - 17.259 Workforce Investment – Youth
 - 17.260 Workforce Investment - Dislocated
 - 97.025 Urban Search and Rescue
 - 97.036 Public Assistance Grants
8. The threshold for distinguishing Types A and B programs was \$1,415,052.
9. City of Memphis, Tennessee was determined to be a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

CITY OF MEMPHIS, TENNESSEE
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended June 30, 2005

No prior year audit findings.

CITY OF MEMPHIS

T E N N E S S E E

BASIC FINANCIAL STATEMENTS

CITY OF MEMPHIS

T E N N E S S E E

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information includes budgetary comparisons for the General Fund and major individual Special Revenue Funds.

CITY OF MEMPHIS

T E N N E S S E E

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Financial presentations in this section include those intended to show one or more of the following:

1. Combining statements to support each column in the basic financial statements that aggregates data from more than one fund.
2. Budgetary comparisons not required in connection with the basic financial statements.
3. Detailed budgetary comparisons for the general fund.
4. Greater detail.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

GENERAL FUND

The General Fund is the general operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

COMBINING NONMAJOR FUNDS

SPECIAL REVENUE

Community Development – This fund is used to account for the Community Development Block Grant and other related grants. Funds are restricted to uses approved under Federal guidelines.

Drug Enforcement Fund – The Drug Enforcement Fund accounts for confiscated funds that are restricted to the provision of drug enforcement activities.

Municipal State Aid – The Municipal State Aid Fund accounts for proceeds of the local share of the tax on motor fuel that are restricted to use only on street and road construction and maintenance.

WIA – The Workforce Investment Act (WIA) Fund accounts for funds received from the Federal Department of Labor for use in training of qualified individuals.

Miscellaneous Grants - The Miscellaneous Grants Fund accounts for several unrelated federal and state grants.

Midtown Corridor – The Midtown Corridor Fund accounts for the revenues and expenditures related to the sale of undeveloped residential lots located within the Midtown Corridor West Redevelopment Plan.

Solid Waste Management – The Solid Waste Management Fund accounts for the revenues and expenditures related to the collection and disposal of solid waste.

Hotel / Motel Tax – The Hotel Motel Tax fund accounts for proceeds of the hotel/motel occupancy tax. Funds are used to repay outstanding bond indebtedness relating to the Cook Convention Center and operating funding for Wonders International Cultural Series and the Mid South Coliseum. Excesses are provided to the Memphis Convention and Visitors Bureau.

New Memphis Arena – The New Memphis Arena Fund accounts for the revenues and expenditures related to financing construction of a sports and basketball arena, FedExForum.

MLK Park Improvements – The MLK Fund accounts for funds received from the lease of land within the Dr. Martin Luther King, Jr. (MLK) Park and restricted for its improvements.

Community Services – The Community Services Fund accounts for restricted funds received from various agencies and individuals.

Central Business Improvement District – The Central Business Improvement District Fund accounts for the special assessments distributed to the Center City Commission.

Community Redevelopment Fund – The Community Redevelopment Fund accounts for the use of tax increment financing for improvements in the Uptown Area.

Education Fund – The Education Fund accounts for property taxes collected by the City and distributed to the City of Memphis Board of Education.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

DEBT SERVICE FUND

Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

CITY OF MEMPHIS

T E N N E S S E E

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

Printing and Supply – Printing and Supply is a centralized operation to provide printing and supply services to City government agencies.

Health Insurance – Health Insurance Fund accounts for the City's self insurance for health benefits for City employees, their dependents, and retirees.

Unemployment Compensation – Unemployment Compensation accounts for the City's self insurance for unemployment benefits which may be due for employment benefits for City employees.

Vehicle Maintenance – Vehicle Maintenance accounts for the consolidated operations and maintenance of City vehicles.

CITY OF MEMPHIS

T E N N E S S E E

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. This includes pension trust and investment trust funds. Included in the Fiduciary Funds are:

Retirement Systems – Included here are the retirement systems for the City of Memphis, the Library and Memphis Light, Gas and Water.

Memphis Light, Gas and Water Retiree Medical and Life Insurance Benefits – Included in this fund are reserves for retiree benefits for post-retirement major medical and life insurance benefits.

Investment Trust Fund – Included in this fund is the external portion of the City's cash and investment pool.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

SUPPLEMENTARY SCHEDULES