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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Reporting Entity

Shelby County, Tennessee (the County) is governed by an elected mayor and a thirteen member Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of a government's operations. The County has no blended component units. Each discreetly presented component unit is reported in a separate column in the combining component unit financial statements (see notes below for descriptions) with combined totals in government-wide financial statements to emphasize that they are legally separate from the government. Each discretely presented component unit has a June 30 year-end and their separate financial statements are available as indicated below. The significant accounting policies followed by component units are generally the same as those followed by the primary government.

Discretely Presented Component Units:

Major Component Units

Shelby County Board of Education (the Board of Education) – The Board of Education includes all the public schools in Shelby County outside the City of Memphis, serving over 44,000 students. The Board of Education has a separately elected governing board but is fiscally dependent on the County. The County levies taxes for the Board's operation, approves its operating budget and issues debt for its capital projects. The operations of the Shelby County Board of Education are reported as a governmental component unit. Financial statements for the Board can be obtained from Shelby County Board of Education, 160 South Hollywood, Memphis, Tennessee 38112, (901) 321-2500.

Shelby County Health Care Corporation, d/b/a Regional Medical Center at Memphis (The Med) – The Med provides both inpatient and outpatient hospital services to residents of Shelby County and the surrounding area. The County Mayor appoints The Med Board of Directors and substantial funding is provided by the County. The Med is reported as a proprietary component unit. Financial statements for The Med can be obtained from Shelby County Health Care Corporation, C/O Regional Medical Center at Memphis, 877 Jefferson Avenue, Memphis, Tennessee 38103, (901) 545-8234.

Other Component Units

Agricenter International, Inc. – The purpose of the Agricenter is to promote educational and applied research endeavors intended for the improvement of agriculture by the establishment of one convenient location for exhibition, demonstration, research, education and meetings by agribusiness industry, related organizations, and government agencies. The County Mayor appoints the members of the Agri-Center Commission and some funding is provided by the County. Agricenter International, Inc. is reported as a proprietary component unit. Financial statements for the Agricenter can be obtained from Agricenter International, Inc., Suite 9, 7777 Walnut Grove Road, Memphis, Tennessee 38120, (901) 757-7777.

Emergency Communications District of Shelby County, Tennessee, d/b/a Shelby County 9-1-1 District (the District) – The District was established in 1984, pursuant to provisions of T.C.A. Title 7, Chapter 86 of the State of Tennessee. The District is responsible for establishing local emergency telephone service and a primary emergency telephone number for the residents of Shelby County. The District is governed by a nine-member board of directors, appointed by the County Mayor and approved by the County Board of Commissioners. The District's board has the authority to levy an emergency telephone service charge to be used to fund the operation of the District. The District must obtain County Commission approval before the issuance of most debt and the County Commission has the ability to adjust the District's service charges.

The District is reported as a proprietary component unit. Financial statements for the District can be obtained from Shelby County 9-1-1 District, 6470 Haley Road, Memphis, Tennessee 38134, (901) 380-3911.

(B) Governmental Accounting Standards Board Statement No. 34 (GASBS No. 34)

GASBS No. 34 *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments* was implemented for the year ended June 30, 2002. The statement substantially changed the financial reporting of state and local governments, including the requirement of government-wide financial statements. This statement also requires the reporting of infrastructure (roads, bridges, etc.) as an asset beginning July 1, 2001. Retroactive reporting of infrastructure assets is required by the County's fiscal year ending June 30, 2006. Infrastructure assets acquired since July 1, 2001 are included in this report but infrastructure assets acquired prior to July 1, 2001 are not included.

(C) Government-wide and Fund Financial Statements

The government-wide financial statements - the statement 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 the 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. Similarly, 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 the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program 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 proprietary (enterprise) funds are reported as separate columns in the fund financial statements.

(D) 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, except that agency funds have no measurement focus. 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 government considers revenues to be available if they are collected within sixty 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, gross receipt taxes, sales taxes, grants, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the accumulation of resources for and the payment of principal, interest and related costs on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* accounts for the acquisition and construction of major capital facilities and equipment. The primary funding source is bond proceeds.

The *Education Fund* accounts for tax collections allocated for school operations. Taxes are collected and allocated to the Shelby County Board of Education and the Board of Education of the Memphis City Schools based on average daily attendance.

The *Grants Fund* accounts for the receipt and expenditure of federal, state and local government grants and designated contributions to be used for approved programs.

The County reports the following major proprietary (enterprise) funds:

The *Consolidated Codes Enforcement Fund* accounts for the operations of the Memphis and Shelby County Office of Construction Codes Enforcement. Revenues are generated through permit and inspection fees charged by the office.

The *Fire Services Fund* accounts for operations of the Shelby County Fire Department. The Fire Department services the areas of Shelby County not within any municipality. Revenues are generated through fees charged to residents in the service area.

The *Corrections Center Fund* accounts for the operations of the Shelby County Corrections Center. Approximately 75% of the population at this facility are State prisoners. For State prisoners, the State reimburses the County's actual cost per prisoner day, including depreciation expense and indirect costs.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) 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 FASB guidance for their business-type activities and enterprise funds, subject to the same limitation. The County has elected not to follow subsequent FASB guidance.

Additionally, the County reports the following fund types:

Internal Service Funds are a separate category of proprietary funds. These funds account for telecommunications, mail services, printing, group health and life insurance, other employer insurance, and tort liability insurance provided to other departments and agencies of the County, or to other governments on a cost reimbursement basis.

The *Pension Trust Fund* is a fiduciary fund. It accounts for the activities of the County's retirement plan, which accumulates resources for pension payments to employees.

Agency Funds is also a fiduciary fund. It accounts for assets held by the County's constitutional officers and other elected officials in an agent capacity for governments, litigants, heirs and others. Agency funds are custodial in nature and do not involve measurement of results of operations.

The effect of interfund activity has been eliminated from the government-wide financial statements.

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. Similarly, 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 enterprise funds and of the government's internal service funds are charges to customers for sales, services, and insurance. 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 government's policy to use restricted resources first, then unrestricted resources, as they are needed.

(E) Assets, Liabilities and Equity

Deposits and Investments
Cash and cash equivalents include cash on hand, demand deposits, savings accounts and short-term investments with maturities of three months or less at the time of purchase. The County pools substantially all of its cash and cash equivalents. Each fund participating owns a pro rata share in the pool. Investment earnings of the pool are allocated monthly to each fund based upon average balances.

Deposits with the State Treasurer's Local Government Investment Pool (LGIP) may be withdrawn with a maximum of one day's notice, are classified as cash equivalents and are valued at cost. The LGIP is not registered with the SEC as an investment company. However the LGIP has a policy that it will – and does – operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares.

Investments of the government as well as its component units are generally stated at fair value. Fair value is based on quoted market prices, if available, or estimated using quoted market prices for similar securities. The County uses amortized cost on all investments that mature within a year or less of the date of purchase. State statutes authorize the County to make direct investments in obligations of the U.S. Treasury, obligations issued or guaranteed by any U.S. Government agency, LGIP, bonds of any state or political subdivision, repurchase agreements, prime banker's acceptances and prime commercial paper. The maximum maturity is two years.

The Pension Trust Fund is authorized to invest in common and preferred stocks, corporate bonds rated B3 or better, commercial paper rated A2/P2 or better, real estate, venture capital investments, co-mingled investment funds, and call option writing programs. Investment parameters require that no more than 70% of total investments be in stock, no more than 5% in real estate, and no more than 12% in international equities. The Board of Administration has also authorized investments in limited partnerships.

Receivables and Payables
Property taxes are recorded as revenues in the fiscal year for which levied. Property taxes based on property values during the current fiscal year but levied for the next fiscal year are recorded as receivables and deferred revenue. Allowances for doubtful accounts are maintained for receivables which historically experience uncollectible accounts.

Inventories and Prepaid Items
Inventories are valued at cost on a first-in/first-out (FIFO) 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., roads, 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 government as assets with an initial, individual cost greater than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation. Infrastructure assets do not include such assets acquired prior to July 1, 2001.

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.

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:

Assets	Years
Land improvements	10
Buildings	40
Equipment	3-20
Infrastructure	50

Deferred Revenue
Deferred revenue includes amounts that were unearned and amounts that were receivable and measurable at year-end but were not available to finance expenditures for the current year. Deferred revenues primarily include unearned or unavailable revenues from property taxes, operating subsidies received in advance and notes receivable.

Government-wide financial statements include only unearned revenue but governmental funds may include both unearned and unavailable revenue.

Claims and Judgments

Claims and judgments which can be reasonably estimated and could result in probable material losses to the County have been given proper recognition under U.S. generally accepted accounting principles. For governmental funds and similar fund types, the liability is recognized within the applicable fund if it is expected to be liquidated with expendable, available financial resources. All other material unpaid claims and judgments are recorded as a liability in the governmental activities of the primary government. In proprietary and similar fund types, probable and measurable loss contingencies are recorded as incurred within the applicable fund.

Landfill Postclosure Care Costs

State and federal laws and regulations require the County to perform certain maintenance and monitoring functions for thirty years after closure of its landfill sites. The $3.64 million reported as postclosure care liability at June 30, 2005 represents the estimated postclosure care costs that have not been paid for the Walnut Grove and Shake Rag Road landfills. The estimate is based on what it would cost to perform all postclosure care as of the end of FY 2005. Actual future costs may differ due to inflation, changes in technology, or changes in regulations. The landfills have been closed and the County has no landfills currently in operation. No County assets are restricted for landfill closure costs. However, the County has entered into a surety contract in lieu of a performance bond as a commitment to comply with the terms set forth in its 30 year post-closure maintenance plan for the Shake Rag Road landfill. This surety contract is with the State of Tennessee under the State's cooperative agreement with the Environmental Protection Agency (EPA). There is no surety contract pertaining to the Walnut Grove landfill.

Compensated Absences

County employees are granted sick and annual leave in varying amounts in accordance with administrative policies and union memorandums of understanding. Accumulated vacation days are required to be used annually, with a maximum accumulation of one and one-half times the amount of leave an employee can earn in a year. In the event of termination or retirement, the employees are paid for accumulated vacation days. Generally, employees are paid for accumulated sick leave, not to exceed the lesser of 75 days or $5,772, only upon retirement. Certain exceptions to this policy occur in accordance with the terms of various union agreements.

All sick and annual pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt 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.

Interest Rate Swaps
Shelby County has entered into several interest rate swap agreements to modify interest rates on outstanding debt. Amounts received to enter swap agreements are recorded as revenue in the Debt Service Fund. In the government-wide financial statements, such amounts are amortized over the life of the swap agreement. These agreements provide for net interest payments to or from the County which are also recorded in the Debt Service Fund.

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." Internal service funds include $4,096,061 of long-term liabilities and are not part of this reconciling amount. The details of this $1,611,411,244 are as follows:

Bonds payable	$	1,537,189,948
Accreted value on bonds		31,921,478
Net premium and issuance cost on bonds issued		14,522,807
Claims and judgements		5,000,522
Compensated absences		19,137,543
Landfill post-closure		3,638,946
Net adjustment to reduce *fund balance – total governmental funds* to arrive at *net assets – governmental activities*	$	1,611,411,244

(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 this $20,736,073 difference are as follows:

Capital outlay	$ 31,567,472
Depreciation expense	(10,831,399)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 20,736,073

Another element of that reconciliation states that "the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while repayments 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 cost, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $49,911,149 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	$ 407,165,000
Premium on debt issued, net of issuance costs and amortization	2,977,876
Accretion of zero coupon bonds	(6,588,972)
Change in accrued interest expense	(692,596)
Change in deferred swap proceeds	(1,799,182)
Principal repayments:	
General obligation debt	(57,560,007)
Refunding	(393,413,268)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (49,911,149)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) Budgetary Information

The revenues and expenditures accounted for in each of the General Fund, Special Revenue Funds and Debt Service Fund have legally adopted budgets and are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern County operations. The County Board of Commissioners approves and appropriates the budgets for these funds annually.

Expenditures may not exceed appropriations by line item at the department level. The County mayor is authorized to transfer budgeted amounts between line items of the same category (personnel related versus all other types of expenditures) of the same division (group of departments). Any adjustments that create a new line item, increase the total budget, or require transfers between divisions or categories must be approved by the County Board of Commissioners. The reported budgetary data has been revised for amendments authorized during the year and thereafter.

All funds requiring legally adopted budgets have budgets which are adopted on a basis consistent with U.S. generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds. Encumbrances represent significant commitments related to unperformed purchase orders, contracts, or other commitments for goods or services. Encumbrance accounting -

under which purchase orders, contracts, and other commitments for future expenditures of funds are recorded in order to reserve that portion of the applicable appropriation - is utilized in the governmental funds during the year to facilitate effective budgetary control. Encumbrances outstanding at year-end are reported as reservations of the applicable fund balances but do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

(B) Deficit Fund Equity

The deficit in the Capital Projects Fund of $136,651,444 results from the use of short-term debt (notes payable of $141,000,000 as of June 30, 2005) to fund capital projects, pending the issuance of long-term debt.

The Fire Services Fund, an enterprise fund, reduced its net assets deficit during 2005 by $1,158,386 to $340,601 at June 30, 2005. This deficit is expected to be eliminated in 2006.

The Employer Insurance Fund, an internal service fund, has deficit net assets at June 30, 2005 of $3,114,027. The fund incurs long-term claims that are recognized as liabilities, however, they will be funded on a current basis. The long-term portion of these claims was $4,024,859 at June 30, 2005. Also, premiums have been increased and other steps have been taken which reduced the deficit net assets by $780,747 in 2005 and are expected to continue to reduce this deficit.

IV. DETAILED NOTES ON ALL FUNDS

(A) Deposits and Investments

Bank deposits and certificates of deposit of the County, consistent with State statutes, are covered by federal depository insurance (FDIC) or are collateralized by a multiple financial institution collateral pool administered by the Treasurer of the State of Tennessee. On limited occasions the County may have deposits with financial institutions that do not participate in the State collateral pool; in these instances separate collateral equal to at least 105% of the uninsured deposit is collateralized and held in the County's name by a third party. These provisions covered all County deposits at year-end.

The County, including agency funds but excluding the retirement system, had the following investments at June 30, 2005. All investments mature in one year or less and are valued at cost, amortized cost, or fair value as disclosed in Note I (E) above:

U.S. Government agency securities	$ 1,987,414
Commercial paper	5,947,230
Tennessee Local Government Investment Pool (LGIP)	112,604,036
Total investments for disclosure purposes	$ 150,538,680
Add certificates of deposit reported as investments	39,488,000
Less commercial paper and LGIP reported as cash equivalents	(148,551,266)
Total investments per financial reports	$ 41,475,414

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Both State statues and the County's investment policy limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Both State statues and the County's investment policy limit permissible investments or impose collateral and custody provisions as specified above or in Note I (E) to significantly limit credit risk. By policy investments in commercial paper must be rated A1/P1 by at least two rating services. Although the LGIP itself is unrated, its types of investments and maturities provide a similar level of credit risk.

Shelby County Retirement System (Fiduciary Fund). At June 30, 2005 the Retirement System had deposits of $63,512,407 that were not insured and were uncollateralized. At June 30, 2005 the Retirement System reported the following investments with carrying amounts as shown:

U.S. Government and government-backed obligations	$ 78,263,209
Corporate bonds	132,773,514
Common stocks	440,897,950
Common stocks held in a collective trust	26,658,039
Limited partnership interests	20,128,298
Hedge funds	76,303,270
Total investments	$775,024,280

The fair values of fixed income investments grouped by maturity at June 30, 2005 are as follows:

Current to one year	$ 34,706,645
One to two years	10,046,042
Two to three years	4,482,285
Three to four years	10,751,453
Four to five years	13,862,728
Five years or more	137,187,570
Total	$211,036,723

At June 30, 2005 the Retirement System had $66,872,156 of investments with exposure to foreign currency risk.

The above information was taken from the publicly available financial report of the Retirement System for the year ended June 30, 2005. The report includes more information on the credit quality of investments in fixed income debt securities and the investments with foreign currency risk. The report may be obtained from the Shelby County Retirement System, Suite 950, 160 N. Main Street, Memphis, Tennessee 38103.

(B) Property Taxes Receivable

Property taxes attach an enforceable lien on property on January 1 of each year. The various types of property are assessed at a percentage of market value as follows:

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

The assessed value on which the fiscal 2005 tax bills were based was $15,156,208,029. The estimated market value was $51,388,472,610, making the overall assessed value 29.5% of the estimated market value. Taxes are due October 1 and delinquent March 1 of the following year. Current tax collections for the year were 94.78% of the tax levy. The property tax levy has no legal limit. The rate, as permitted by Tennessee state law and County charter, is set annually on or after July 1, by the County Board of Commissioners and collected by the County

Trustee. The County allocated the property tax per $100 of the assessed value as follows:

General fund	$ 1.31
Debt service funds	.70
Boards of education	2.03
Countywide tax rate	$ 4.04
Debt service - rural school bonds	$ .05

The $0.05 for debt service on rural school bonds only applies to properties outside the City of Memphis.

Property taxes receivable as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Education Fund	Debt Service Fund	Total
Property taxes receivable	$ 220,886,891	$ 361,305,032	$ 144,409,527	$ 726,601,450
Less allowance for uncollectibles	(13,894,582)	(21,383,424)	(7,935,167)	(43,213,713)
	$ 206,992,309	$ 339,921,608	$ 136,474,360	$ 683,388,277

Note IV(G) includes detail of deferred revenue relating to property taxes.

(C) Notes Receivable

Notes receivable consist of the following:

	Amount	Collateral
General Fund		
Property loans receivable due in various installments at 6.5% interest through 2005	$ 373,994	Land & Building
Grants Fund		
Mortgage loans receivable due in various installments at 0% to 5.0% interest through 2019	$ 595,727	Land & Building
Capital Projects Fund		
Mid South Coliseum note due in annual installments of $21,993 including interest at 6.26% through 2014	$ 159,889	None
Depot Redevelopment note due in annual payments plus semi-annual interest payments through August 1, 2022	3,415,000	None
Rock-N-Soul Museum note due in 10 annual installments of $100,000 plus interest at 5.00% through August 31, 2010	1,000,000	None
Less: Allowance for doubtful accounts	(1,000,000)	
Total Capital Projects Fund	$ 3,574,889	
Debt Service Fund		
Mortgage loans receivable due in various monthly installments at interest rates ranging from 3.125% to 8.375% through 2020	$ 9,191,636	Land & Building

In fiscal 2002 an allowance for doubtful accounts was established in the amount of $1,000,000 for the Rock-N-Soul Museum.

Note IV(G) includes details of deferred revenue relating to notes receivable. The Debt Service Fund and the Capital Projects Fund have notes receivable from Shelby County Health Care Corporation in the amounts of $3,905,886 and $3,354,846 respectively, which are classified as due from component units for financial statement purposes.

(D) Leases Receivable

The County leases certain real property described as Shelby Place Restaurant ("Butcher Shop of Cordova and Executive Chef") for the sum of $192,500 annually, plus additional rent of 5% of gross sales less taxes after recoupment of base rent and in lieu of tax payments. The term of the lease commenced on March 1, 1993. There are three additional option terms of five years each available. The option term currently in effect will expire in 2008 The rental income is recognized as revenue in the Debt Service Fund. Executive Chef has entered bankruptcy. At June 30, 2005 they owed $87,125 for which an allowance for doubtful accounts has been provided.

(E) Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2005 is detailed below.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 10,704,527	$ 1,051,733	$ (1,551,827)	$ 10,204,433
Construction in progress	42,980,947	24,674,609	(24,567,902)	43,087,654
Total not being depreciated	53,685,474	25,726,342	(26,119,729)	53,292,087
Capital assets being depreciated:				
Land improvements	1,176,683	56,892	---	1,233,575
Buildings	189,078,513	11,071,666	(236,828)	199,913,351
Equipment	64,285,196	9,738,379	(17,720,816)	56,302,759
Infrastructure	23,058,964	11,557,206	---	34,616,170
Total being depreciated	277,599,356	32,424,143	(17,957,644)	292,065,855
Less accumulated depreciation:				
Land improvements	523,638	96,295	---	619,933
Buildings	66,361,851	4,811,675	(122,089)	71,051,437
Equipment	51,707,729	3,633,336	(17,054,484)	38,286,581
Infrastructure	2,915,636	2,290,093	---	5,205,729
Total accumulated depreciation	121,508,854	10,831,399	(17,176,573)	115,163,680
Total capital assets being depreciated, net	156,090,502	21,592,744	(781,071)	176,902,175
Governmental activities capital assets, net	$ 209,775,976	$ 47,319,086	$ (26,900,800)	$ 230,194,262

	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities:				
Capital assets being depreciated:				
Buildings	$ 46,453,472	$ 466,180	$ ---	$ 46,919,652
Equipment	9,022,417	773,350	(2,020,722)	7,775,045
Total being depreciated	55,475,889	1,239,530	(2,020,722)	54,694,697
Less accumulated depreciation:				
Buildings	18,812,247	1,045,901	---	19,858,148
Equipment	6,752,949	573,801	(1,465,291)	5,861,459
Total accumulated depreciation	25,565,196	1,619,702	(1,465,291)	25,719,607
Business-type activities capital assets, net	$ 29,910,693	$ (380,172)	$ (555,431)	$ 28,975,090

Depreciable land improvements consist of parking lots attached to the Sheriff Department Training Center and the Juvenile Court building.

A summary of governmental capital assets, net and depreciation expense by function follows:

	Capital Assets, Net	Depreciation Expense
Governmental activities:		
General government	$ 32,738,961	$ 2,987,784
Planning & development	27,259	33,432
Public works	102,867,405	4,343,746
Corrections	397,850	34,487
Health services	4,901,112	428,363
Community services	2,054,715	112,229
Law enforcement	36,439,803	1,928,714
Judicial	6,696,638	582,825
Other elected officials	982,865	379,819
	187,106,608	10,831,399
Construction in progress	43,087,654	---
Total governmental activities	$ 230,194,262	$ 10,831,399

Substantially all capital assets purchased are funded from general governmental revenues, exclusive of any grants or other special revenues.

(F) Lease Obligations

Operating Leases
The County leases office space and transportation equipment under operating leases expiring during the next six years. The following is a schedule by years of future minimum rental payments required under operating leases

that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2005:

Fiscal Year	Primary Government
2006	$ 1,787,114
2007	996,581
2008	785,207
2009	719,284
2010	671,735
2011	359,629
	$ 5,319,550

Rent expense for the year ended June 30, 2005 was $1,967,661 for the primary government.

Capital Lease

The County has a capital lease to acquire three Emergency One C550 Typhoon Pumper trucks for the Fire Services Fund, a business-type activity, at a cost of $863,307. Annual payments, including interest, will be $110,990 for each of the next nine fiscal years. The principal balance outstanding at June 30, 2005 is $794,188.

(G) Deferred Revenue

Deferred revenues consist of the following:

	General Fund	Debt Service Fund	Education Fund	Grants Fund	Capital Projects Fund	Totals
Unearned:						
Property taxes receivable	$ 193,000,000	$ 129,365,000	$ 319,525,000	$ ---	$ ---	$ 641,890,000
Grant revenue	---	---	---	2,779,429	---	2,779,429
Not Available:						
Property taxes receivable	13,002,678	6,576,315	18,867,848	---	---	38,446,841
Notes receivable	373,994	9,191,636	---	595,727	3,574,889	13,736,246
Due from Shelby County Health Care Corporation	---	3,905,886	---	---	3,354,846	7,260,732
Other	807,086	---	---	---	51,999	859,085
	$ 207,183,758	$ 149,038,837	$ 338,392,848	$ 3,375,156	$ 6,981,734	$ 704,972,333

Internal service funds have deferred revenue of $3,399,767 for unearned premiums. The proprietary Consolidated Codes Enforcement Fund has deferred revenue of $74,280 for building permits and licensing fees paid in advance.

(H) Debt and Long-term Liabilities

Changes in short term debt:
The County has two types of short-term debt. Tax anticipation notes (TANS) are issued for short-term cash flow requirements due to the timing of property tax collections. Extendible Municipal Commerical Paper (EMCP) notes are issued to fund capital projects; the notes are paid when long-term bonds are issued. Following is a schedule of short-term debt for the current fiscal year:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
2004 TANS	$ ---	$ 94,900,000	$ (94,900,000)	$ ---
2004 EMCP	39,500,000	71,500,000	---	111,000,000
2005 EMCP	---	30,000,000	---	30,000,000
Total	$ 39,500,000	$ 196,400,000	$ (94,900,000)	$ 141,000,000

Changes in long-term liabilities:
Changes in long-term liabilities during the year were:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Governmental activities:					
Bonds payable	$ 1,619,508,673	$ 407,165,000	$ (457,562,247)	$ 1,569,111,426	$ 66,121,130
Net premium and issuance cost of bonds issued	11,544,931	33,199,237	(30,221,361)	14,522,807	2,199,648
Deferred swap proceeds	1,799,182	---	(1,799,182)	---	---
Claims and judgements	10,084,323	367,811	(1,426,753)	9,025,381	57,597
Landfill postclosure care costs	3,683,144	---	(44,198)	3,638,946	53,627
Sick and annual leave	17,780,013	10,948,000	(9,519,268)	19,208,745	11,454,447
Total governmental activities	$ 1,664,400,266	$ 451,680,048	$ (500,573,009)	$ 1,615,507,305	$ 79,886,449
Business-type activities:					
Capitalized lease obligations	863,307	---	(69,119)	794,188	110,989
Sick and annual leave	4,539,115	1,975,077	(2,241,975)	4,272,217	2,536,428
Total business-type activities	$ 5,402,422	$ 1,975,077	$ (2,311,094)	$ 5,066,405	$ 2,647,417

General obligations bonds:
These obligations are direct general obligations of the County, are backed by its full faith and credit and the unlimited taxing power of the County and represent borrowings for the following:

General government	$ 655,741,605
Education	881,448,343
	1,537,189,948
Accreted value of bonds	31,921,478
	$ 1,569,111,426

Interest expense in the Debt Service Fund during the fiscal year ended June 30, 2005 was $66,695,921.

In addition to the general obligation bonds reported in long-term debt there is $141,000,000 reported in the Capital Projects Fund for the Extendible Municipal Commercial Paper Notes (EMCP) sold and outstanding as of June 30, 2005 ($111,000,000 for the 2004A EMCP Program and $30,000,000 for the 2005A EMCP Program).

The County defeased certain bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service requirements on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. Of the original principal, $431,855,000 of outstanding bonds that were advance refunded prior to Fiscal Year 2005 are considered defeased at June 30, 2005. Specific defeased maturities are shown on the combining and other statements and schedules for General Obligation Bonds.

In March 2005 $407,165,000 in General Obligation Refunding Bonds, Series 2005 A were issued to refund specific maturities of the 1995 Series A Refunding Bonds, the cost of certain termination fees relative to the termination of swaptions executed by the County on December 18, 1998 and May 23, 2003 with respect to the anticipated refunding of a portion of the County’s 1995 Series A Refunding Bonds, and to refund a portion of the 1992 Series A Public Improvement Bonds, 1992 Series A School Bonds, 1996 Series A Public Improvement Bonds, 1996 Series A School Bonds, 1996 Series B Public Improvement Bonds, 1999 Series A Public Improvement and School Bonds, 1999 Series B Public Improvement and School Bonds, 2000 Series A Public Improvement and School Bonds, 2001 Series A Public Improvement and School Bonds and 2003 Series A Public Improvement and School Bonds. The net proceeds were used to purchase direct obligations of the U.S. Government, which were deposited into an irrevocable trust with an escrow agent. The effect of this transaction was to refinance existing debt at a lower rate and generate an economic gain of $15,293,541. The 2005 Series A General Obligation Refunding Bonds dated March 10, 2005 redeemed four zero coupon bonds. Due to the refunding, the aggregate accretion value decreased by $6,588,972.

In April 2005 the Shelby County Board of Commissioners authorized the issuance of up to $275,000,000 in Capital Outlay Extendible Municipal Commercial Paper (EMCP) Notes, 2005 Series A Program. The aggregate outstanding principal amount may not exceed $275,000,000 at any time. The Notes will be issued in anticipation of the County’s issuance of certain general obligation bonds and general obligation school bonds in aggregate principal amount not exceeding $275,000,000 for the purpose of funding various public works and school projects. The general obligation bonds are expected to retire the Notes within two years of the initial issuance of the Notes. The original maturity date will range from 1 to 90 days from the original issue date of each Note. On the original maturity date of a note, the County has the option to extend the maturity date to the date that is 270 days after the date of original issuance of such note. As of June 30, 2005, Shelby County has issued $30,000,000 in EMCP Notes under this program.

The County is indebted for serial bonds and capital appreciation bonds and notes and variable bonds with interest rates varying from 2.50% to 6.75%. In the Debt Service Fund the County does not accrue interest on bonds payable; therefore, unmatured interest is recognized as an expenditure when due.

All unmatured interest which is due in future years is disclosed in the table below. The County has no legal debt limit. Debt service requirements for principal and interest in future years, using the actual rate on fixed rate bonds and notes and 4.115% for the 1999 Series A Variable Demand Refunding Bonds, 6.035% for the 2000 Series A General Obligation Weekly Adjustable/Fixed Rate Bonds Refunding, 5.345% for the 2001 Series A General Obligation Weekly Adjustable/Fixed Rate Bonds and 3.041% for the 2004 Series B General Obligation Variable Rate Demand Public Improvement and school bonds, are as follows:.

Years Ending June 30	Principal	Interest	Total
2006	$ $66,121,117	$ 70,608,943	$ 136,730,060
2007	70,554,550	67,044,562	137,599,112
2008	73,970,650	63,741,638	137,712,288
2009	78,368,150	60,019,241	138,387,391
2010	85,125,000	52,644,309	137,769,309
2011	89,745,000	48,591,239	138,336,239
2012	74,806,807	59,981,589	134,788,396
2013	69,109,649	62,352,458	131,462,107
2014	80,452,657	45,910,599	126,363,256
2015	80,667,794	42,596,562	123,264,356
2016	76,153,077	35,351,654	111,504,731
2017	69,075,497	36,502,872	105,578,369
2018	79,615,000	25,476,314	105,091,314
2019	79,945,000	21,819,242	101,764,242
2020	73,435,000	18,361,586	91,796,586
2021	64,505,000	15,158,922	79,663,922
2022	60,180,000	12,307,117	72,487,117
2023	58,140,000	9,697,878	67,837,878
2024	55,015,000	7,231,244	62,246,244
2025	34,940,000	4,932,314	39,872,314
2026	23,305,000	3,772,528	27,077,528
2027	25,545,000	2,937,668	28,482,668
2028	28,005,000	2,023,774	30,028,774
2029	20,245,000	1,027,577	21,272,577
2030	20,165,000	437,984	20,602,984
	1,537,189,948	770,529,814	2,307,719,762
Accreted value of Bonds	31,921,478	(31,921,478)	---
	$ 1,569,111,426	$ 738,608,336	$ 2,307,719,762

Interest rate swap agreements:
As of June 30, 2005 Shelby County has eight interest rate swap agreements, described as follows:

Swap One, Executed with Morgan Guaranty Trust Company on 12/18/1998 in connection with the General Obligation Weekly Adjustable/Fixed Rate Refunding Bonds, 2000 Series A:
Swap Objectives: Shelby County (the "County") received an upfront payment from the Counterparty for entering into a swaption. This swaption gave the Counterparty the option to cause the County to enter into a swap in which the County would pay a fixed rate and receive a floating rate. Upon exercise of the option, the County would currently refund a portion of its 1992 Series A Refunding Bonds with variable rate bonds and enter into a fixed payer swap.

Swap Terms:

Trade Date	Option Notification Date	Swap Effective Date	Swap Maturity Date	Original Notional Amount	Fixed Payer Rate	Underlying Index	Upfront Cash Payment
12/18/1998	11/30/1999	12/2/1999	3/1/2008	$16,600,000	6.035%	BMA	$ 1,275,000

On 12/18/1998, the County received $1,275,000 for granting the Counterparty, Morgan Guaranty Trust Company (Morgan), the right to enter into a swap on a future date. In 1998, this payment represented the present value savings of the refunding as of 1999. Morgan had the right to exercise the option by notifying the County on 11/30/1999. The option was exercised and the swap began on 12/2/1999 with the County paying 6.035% and receiving the Bond Market Association Municipal Swap Index (BMA) until 3/1/2008, the maturity date of the bonds. The swap and refunding bonds had the same original notional amount of $16,600,000 and have the same principal amortization.

Fair Value of Swap Option: As of 6/30/2005, there is no fair value for the option because it has been exercised. The swap, as of 6/30/2005, has a net value of ($353,500). This fair value was measured by a swap pricing system in which the future net settlement swap payments were calculated and discounted to the valuation date using future spot interest rates. The future spot rates are zero-coupon bonds due on the future settlement dates implied from the current yield curve.

Associated Debt and Swap Payments: This swap is in conjunction with the General Obligation Weekly Adjustable/Fixed Rate Refunding Bonds, 2000 Series A that refunded the 1992 Series A Bonds. Below are the principal and interest requirements of the debt and the net swap payments as of 6/30/2005 (assuming BMA equals its current level of 2.28% for the term of the swap). The net swap payments will fluctuate as BMA changes.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Swap Payments	Total
2006	$ 2,200,000	$ 158,601	$ 262,850	$ 2,621,451
2007	2,300,000	108,853	180,240	2,589,093
2008	2,500,000	56,844	93,719	2,650,563
Total	$ 7,000,000	$ 324,298	$ 536,809	$ 7,861,107

Credit Risk: Because the swap has a negative value on 6/30/2005, the County does not have credit risk to Morgan. However, if swap rates increase and the fair value of the swap moves in favor of the County, credit risk would be present. The current ratings of Morgan are Aa2/AA by Moody's and Standard & Poor's, respectively.

Termination Risk: If the swap has an unanticipated termination and the swap has a negative fair value due to a decline in swap rates, the County may owe a termination payment to Morgan equal to the fair value of the swap at that time.

Interest Rate Risk: Currently, the County does not have interest rate risk because it is paying a fixed rate on the swap. However, if for some unforeseen reason the swap is terminated prior to maturity, the County will have interest rate risk associated with the outstanding variable rate bonds until maturity in March 2008.

Basis Risk: The swap exposes the County to basis risk if there is not a direct relationship between the floating rate received from the Counterparty and the rate at which the variable rate bonds remarket. Basis risk is present if the

County's bonds remarket higher than BMA, which is the rate received from the Counterparty. Thus, the expected cost savings may not be realized.

Swap Two, Executed with Morgan Guaranty Trust Company on 12/18/1998 in connection with the General Obligation Weekly Adjustable Fixed Rate Refunding Bonds, 2001 Series A:
Swap Objective: The County received an upfront payment from the Counterparty for entering into a swaption. This swaption gave the Counterparty the option to cause the County to enter into a swap in which the County would pay a fixed rate and receive a floating rate. Upon the Counterparty's exercise of the option, the County would currently refund a portion of its 1992 Series B and 1993 Series A G.O. Refunding Bonds with variable rate bonds and enter into a fixed payer swap.

Swap Terms:

Trade Date	Option Notification Date	Swap Effective Date	Swap Maturity Date	Original Notional Amount	Fixed Payer Rate	Underlying Index	Upfront Cash Payment
12/18/1998	11/29/2000	12/1/2000	3/1/2011	$21,800,000	5.345%	BMA	$ 1,025,000

On 12/18/1998, the swaption was executed and the County received $1,025,000 for granting the Counterparty, Morgan Guaranty Trust Company (Morgan), the right to enter into a swap on a future date. In 1998, this payment represented the present value savings of the refunding as of 12/1/2000. Morgan had the right to exercise the option by notifying the County on 11/29/2000. The option was exercised and the swap began on 12/1/2000 with the County paying 5.345% and receiving BMA until 3/1/2011, the maturity date of the bonds. The swap and refunding bonds had the same original notional amount of $21,800,000 and have the same principal amortization.

Fair Value of Swap and Option: As of 6/30/2005, there is no fair value for the option because it has been exercised. The swap, as of 6/30/2005, has a net value of ($1,407,720). This fair value was measured by a swap pricing system in which the future net settlement swap payments were calculated and discounted to the valuation date using future spot interest rates. The future spot rates are zero-coupon bonds due on the future settlement dates implied from the current yield curve.

Associated Debt and Swap Payments: This swap is in conjunction with the General Obligation Weekly Adjustable/Fixed Rate Refunding Bonds, 2001 Series A which refunded a portion of the 1992 Series B Bonds and 1993 Series A Bonds. As of 6/30/2005, below are the principal and interest requirements of the debt and the net swap payments (assuming BMA equals its current level of 2.28% for the term of the swap). The net swap payments will fluctuate as BMA changes.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Swap Payments	Total
2006	$ 2,300,000	$ 377,768	$ 511,855	$ 3,189,623
2007	1,100,000	325,759	441,360	1,867,119
2008	1,100,000	300,885	406,814	1,807,699
2009	1,200,000	275,874	373,930	1,849,804
2010	1,200,000	248,739	337,150	1,785,889
2011	9,800,000	221,604	300,370	10,321,974
Total	$ 16,700,000	$ 1,750,628	$ 2,371,479	$ 20,822,107

Credit Risk: Because the swap has a negative value on 6/30/2005, the County does not have credit risk to Morgan. However, if swap rates increase and the fair value of the swap moves in favor of the County, credit risk would be present. The current ratings of Morgan are Aa2/AA by Moody's and Standard & Poor's, respectively.

Termination Risk: If the swap has an unanticipated termination and the swap has a negative fair value due to a decline in swap rates, the County may owe a termination payment to Morgan equal to the fair value of the swap at that time.

Interest Rate Risk: Currently, the County does not have interest rate risk because it is paying a fixed rate on the swap. However, if for some unforeseen reason the swap is terminated prior to maturity, the County will have interest rate risk associated with the variable rate bonds until maturity in March 2011.

Basis Risk: The swap exposes the County to basis risk if there is not a direct relationship between the floating rate received from the Counterparty and the rate at which the variable rate bonds remarket. Basis risk is present if the County's bonds remarket higher than BMA, which is the rate received from the Counterparty. Thus, the expected cost savings may not be realized.

Swap Three, Executed with Goldman Sachs Mitsui Marines Derivative Products on 1/15/1999 in connection with the 1999 Series A G.O. Variable Rate Demand Refunding Bonds:

Swap Objective: In order to lower its borrowing cost, the County entered into a swap in connection with its 1999 Series A G.O. Variable Rate Demand Refunding Bonds. The variable rate bonds were issued to advance refund a portion of various outstanding G.O. bonds issues. At the time, the synthetic fixed rate swap was favorable when compared to savings that could be achieved with a traditional fixed rate refunding bond issue. Additionally, the County entered into this tax language swap to effectively lower the fixed rate it would pay on the swap.

Swap Terms:

Trade Date	Swap Effective Date	Swap Maturity Date	Original Notional Amount	Fixed Payer Rate	Underlying Index
1/15/1999	1/28/1999	4/1/2020	$ 96,150,000	4.115%	Actual Bond Rate or Alternative Index (1)

(1) under certain circumstances

On 1/28/1999 the swap became effective at the same time the 1999 Series A G.O. Variable Rate Demand Refunding Bonds were issued. Under the terms of the swap, until 1/1/2007, the County pays 4.115% to the Counterparty, Goldman Sachs Mitsui Marines Derivative Products, LP, (Goldman), and in return receives the Actual Bond Rate or an Alternative Index. If certain events occur, Goldman has the option to cause the Floating Rate Index to be converted from the Actual Bond Rate to the Alternative Index, or vice versa. The Alternative Index is the BMA index. Beginning 1/1/2007 until maturity, the County will continue to pay 4.115%. However, the County will receive 76.6% of LIBOR. The swap and refunding bonds had the same original notional amount of $96,150,000 and have the same principal amortization and maturity.

Fair Value of Swap: As of 6/30/2005, the swap had a negative fair value of ($4,528,223), assuming Goldman pays the County the Actual Bond Rate until maturity. This fair value was measured by a swap pricing system in which the future net settlement swap payments were calculated and discounted to the valuation date using future spot interest rates. The future spot rates are zero-coupon bonds due on the future settlement dates implied from the current yield curve.

Associated Debt and Swap Payments: This swap is in conjunction with the 1999 Series A G.O. Variable Rate Demand Refunding Bonds that advance refunded portions of several bond issues. As of 6/30/2005, below are the principal and interest requirements of the debt and the net swap payments. The cash flows below assume that BMA equals its current level, as of 6/30/2005, of 2.28% and 1 month LIBOR or equals its current level of 3.34% for the term of the swap, and Goldman pays the Actual Bond Rate to the County of BMA plus 5 basis points until 1/1/2007 when Goldman will pay the County 76.6% of 1 month LIBOR. The net swap payments will fluctuate as BMA, LIBOR, and the Actual Bond Rate change.

Fiscal Year	Variable Rate Bonds		Net Swap	
Ending June 30	Principal	Interest	Payments	Total
2006	$ 125,000	$ 2,175,704	$ 1,704,675	$ 4,005,379
2007	150,000	2,172,862	1,648,721	3,971,583
2008	16,225,000	2,169,451	1,475,560	19,870,011
2009	625,000	1,798,508	1,229,682	3,653,190
2010	675,000	1,784,297	1,219,954	3,679,251
2011	9,650,000	1,768,949	1,209,447	12,628,396
2012	13,325,000	1,549,532	1,054,469	15,929,001
2013	9,300,000	1,244,889	851,827	11,396,717
2014	14,625,000	1,033,430	707,067	16,365,498
2015	12,750,000	700,894	479,420	13,930,314
2016	4,100,000	410,990	279,694	4,790,684
2017	4,250,000	317,254	217,140	4,784,394
2018	4,500,000	220,620	150,986	4,871,606
2019	4,675,000	118,301	80,941	4,874,242
2020	525,000	12,003	8,135	545,138
Total	$ 95,500,000	$ 17,477,684	$ 12,317,721	$ 125,295,404

Credit Risk: Because the swap has a negative value on 6/30/2005, the County does not have credit risk to Goldman. However, if swap rates increase and the fair value of the swap moves in favor of the County, credit risk would be present. The current ratings of Goldman are Aaa/AAA by Moody's and Standard & Poor's, respectively.

Termination Risk: If the swap has an unanticipated termination or the County exercises its option to terminate, the County may owe a termination payment to Goldman equal to the fair value of the swap at that time, if swap rates have declined and the fair value is negative to the County. The County or Goldman may terminate the swap contract if either party fails to perform under the swap contract or if either party's credit rating falls below A3 from Moody's and/or A- from Standard & Poor's. The County also has the option to terminate the contract with at least 30 days notice to Goldman. The County will not exercise its termination option if a payment would be payable by the County unless the County provides evidence to Goldman that a termination payment will be made on the Early Termination Date.

Interest Rate Risk: Currently, the County does not have interest rate risk because it is paying a fixed rate on the swap. However, if for some unforeseen reason the swap is terminated prior to maturity, the County will have interest rate risk associated with the outstanding variable rate bonds until maturity in April 2020.

Basis Risk: Currently the County is receiving the Actual Bond Rate so no basis risk exists. However, beginning January 1, 2007 the County could be exposed to basis risk. The basis will arise from the difference between the actual interest rate paid on the variable rate bonds and the receipt from Goldman of 76.6% of 1 Month LIBOR. The basis differential could cause the expected savings to not be achieved.

Swap Four, Executed with Morgan Stanley Capital Services, Inc. on 3/18/2004 in connection with the 2004 Series B G.O. Variable Rate Public Improvement and School Bonds:

Swap Objective: In order to have a fixed rate obligation for a period of 10 years, the County entered into a swap in connection with its 2004 G.O. Variable Rate Public Improvement and School Bonds. Given the swap was executed approximately 1 month prior to the issuance of the Bonds, the County decided to use a swap notional of $235,000,000 because final bond sizing had not been determined. Under the terms of the swap, the County will pay a fixed rate of 2.696% and receive 70% of 1 month LIBOR. The County entered into this fixed payer swap in order to hedge variable rate exposure and take advantage of the low fixed payer swap rates.

Swap Terms:

Trade Date	Swap Effective Date	Swap Maturity Date	Original Notional Amount	Fixed Payer Rate	Underlying Index
03/18/2004	04/22/2004	04/1/2014	$ 235,000,000	2.696%	70% of 1 Month LIBOR

On 4/22/2004, the swap became effective at the same time the 2004 G.O. Variable Rate Public Improvement and School Bonds were issued. Under the terms of the swap, the County pays 2.696% to the Counterparty, Morgan Stanley Capital Services, Inc. (Morgan Stanley), and in return receives 70% of 1 Month LIBOR. The original swap notional was $235,000,000 while the bonds original notional was $237,705,000. The Bonds and swap also have different principal amortization and maturity. The bonds mature April 1, 2030. The swap matures in 2014 because the County wanted a fixed component via the swap for 10 years and in 2014, the County wanted the flexibility to take on variable rate exposure, enter into another fixed payer swap, or issue fixed rate debt. The notional amount decreases from $235,000,000 to $135,000,000 effective April 1, 2009 through the termination date of April 1, 2014.

Fair Value of Swap and Option: As of 6/30/2005, the swap had a positive fair value of $3,417,036. This fair value was measured by a swap pricing system in which the future net swap settlement payments were calculated and discounted to the valuation date using future spot interest rates. The future spot rates are zero-coupon bonds due on the future settlement dates implied from the current yield curve.

Associated Debt and Swap Payments: This swap is in conjunction with the 2004 G.O. Variable Rate Public Improvement and School Bonds. As of 6/30/2005, below are the principal and interest requirements of the debt and the net swap payments. The cash flows below assume that BMA equals it current level of 2.28% for the term of the swap, and Morgan Stanley pays 70% of 1 Month LIBOR to the County which as of 6/30/2005 equals 2.338% (3.34% x 70%). The net swap payments will fluctuate as 70% of LIBOR changes.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Swap Payments	Total
2006	$ ---	$ 5,487,325	$ 764,990	$ 6,252,316
2007	---	5,487,325	764,990	6,252,316
2008	---	5,487,325	749,728	6,237,054
2009	---	5,487,325	764,990	6,252,316
2010	---	5,487,325	439,463	5,926,788
2011	---	5,487,325	439,463	5,926,788
2012	---	5,487,32	430,695	5,918,020
2013	---	5,487,325	439,463	5,926,788
2014	---	5,487,325	439,463	5,926,788
2015	8,290,000	5,487,32	---	13,777,325
2016	9,120,000	5,296,213	---	14,416,213
2017	10,030,000	5,084,812	---	15,114,812
2018	11,030,000	4,853,587	---	15,883,587
2019	12,140,000	4,599,308	---	16,739,308
2020	13,350,000	4,319,441	---	17,669,441
2021	14,685,000	4,009,988	---	18,694,988
2022	16,155,000	3,671,450	---	19,826,450
2023	17,770,000	3,299,023	---	21,069,023
2024	19,545,000	2,889,365	---	22,434,365
2025	21,500,000	2,436,312	---	23,936,312
2026	13,775,000	1,940,666	---	15,715,666
2027	15,150,000	1,623,106	---	16,773,106
2028	16,665,000	1,273,848	---	17,938,848
2029	18,335,000	887,553	---	19,222,553
2030	20,165,000	464,870	---	20,629,870
Total	$ 237,705,000	$ 101,522,798	$ 5,233,244	$ 344,461,041

Credit Risk: The County has credit exposure to Morgan Stanley equivalent to the fair value of $3,417,036. If Morgan Stanley fails to perform under the terms of the swap contract, the County could have a loss equal to $3,417,036. As of 6/30/2005, the ratings of Morgan Stanley are Aa3/A+ by Moody's and Standard & Poor's, respectively. To mitigate credit risk if Standard & Poor's and Moody's rates the credit worthiness of Morgan Stanley's senior unsecured, unenhanced debt below a rating of "A" in the case of Standard & Poors or "A2" in the case of Moody's treasuries or cash will be pledged.

Termination Risk: If the swap has an unanticipated termination or the County exercises its option to terminate, the County may owe a termination payment to Morgan Stanley equal to the fair value of the swap at that time, if swap rates have declined and the fair value is negative to the County. The County or Morgan Stanley may terminate the swap contract if either party fails to perform under the swap contract or if either party's credit rating falls below Baa1 from Moody's and/or BBB+ from Standard & Poor's.

Interest Rate Risk: Currently the County does not have interest rate risk because it is paying a fixed rate on the swap. However, if for some unforeseen reason the swap is terminated prior to the swap maturity in 2014, the County will have interest rate risk associated with the outstanding variable rate bonds. Additionally, after the swap matures in 2014, if the County decides not to enter into another fixed payer swap or traditionally fix the debt, the county will have interest rate risk until the bonds mature on April 1, 2030.

Basis Risk: The County is receiving 70% of 1Month LIBOR from Morgan Stanley so basis risk exists. The basis risk arises from the difference between the actual interest rate paid on the variable rate bonds (i.e., BMA +/- spread) and the receipt from Morgan Stanley of 70% of 1Month LIBOR. This basis differential could cause the expected interest cost to increase.

Tax Risk: Changes or proposed changes to the tax laws relating to the tax-exempt status of municipal bonds may result in an increase to the cost of funds because the County is receiving a percentage of a taxable index and paying BMA (tax-exempt index) on the underlying variable rate bonds.

Swap Five, Executed with Rice Financial Products Company on 10/25/2004 in connection with the 1999 Series B General Obligation Public Improvement and School Bonds:

Swap Objective: In order to potentially lower its borrowing costs and achieve potential savings on a portion of its outstanding fixed rate debt without an additional bond issue, the County entered into a basis swap in connection with its 1999 Series B General Obligation Public Improvement and School Bonds. The intent of this Basis Swap when executed was to lower the County's net cost of borrowing with respect to the 1999 Series B Bonds being swapped while preserving the County's ability to advance refund the 1999 Series B Bonds on a tax-exempt basis on a later date.

Swap Terms:

Trade Date	Swap Effective Date	Swap Maturity Date	Original Notional Amount	Fixed Payer Rate	Underlying Index
10/25/2004	10/27/2004	6/1/2019	$75,000,000	4.16%	4.95% - Adjustment Factor

Under the terms of the swap, the County pays 4.16% to the Counterparty, RFPC, LLC (RFPC), a subsidiary of Rice Financial Products Company, and in return receives 4.95% - Adjustment Factor. The adjustment factor is equal to (BMA / 1-.65) – 6 Month LIBOR). Essentially, the County will receive a fixed spread of 79 basis points, and this fixed spread will be adjusted every six months based on the actual performance and relationship between the BMA index and six month LIBOR.

Fair Value of Swap: The swap, as of 6/30/2005, has a net value of ($872,365). This fair value was measured by a swap pricing system in which the future net swap settlement payments were calculated and discounted to the valuation date using future spot interest rates. The future spot rates are zero-coupon bonds due on the future settlement dates implied from the current yield curve.

Associated Debt and Swap Payments: This swap was executed in conjunction with the 1999 Series B General Obligation Public Improvement and School Bonds of which a portion has been advance refunded. As of 6/30/2005, below are the net swap payments (assuming BMA equals its current level of 2.28% and 6 month LIBOR equals 3.53% for the term of the swap). The 3.53% LIBOR rate was reset on 6/1/2005 and still effective at 6/30/2005. The net swap payments will fluctuate as BMA and 6 month LIBOR change.

Fiscal Year Ending June 30	Swap Principal	Net Swap (Payment) /Receipt
2006	$ 2,555,000	$ 721,808
2007	2,690,000	696,383
2008	2,690,000	669,993
2009	2,690,000	642,846
2010	2,690,000	616,077
2011	2,690,000	589,309
2012	2,690,000	562,858
2013	3,135,000	535,771
2014	3,585,000	504,574
2015	3,765,000	468,899
2016	3,900,000	431,677
2017	4,030,000	392,624
2018	4,300,000	352,520
2019	31,125,000	309,730
TOTAL	$ 72,535,000	$ 7,495,070

Credit Risk As of 6/30/2005, because the swap has a negative value, the County does not have credit risk to RFPC. However, in the future, if fair value of the swap moves in favor of the County, credit risk would be present. The obligations of RFPC under the swap agreement are guaranteed by a surety bond that was issued by AAA rated Ambac Corporation (Ambac).

Termination Risk: If the swap has an unanticipated termination, the County may owe a termination payment to RFPC equal to the fair value of the swap at that time. The County or RFPC may terminate the swap contract if either party fails to perform under the swap contract. Also, with respect to both the County and RFPC, if Ambac's credit rating falls below A3 from Moody's and/or from Standard & Poor's, an Additional Termination Event occurs. With respect to the County, if the County has no issues of rated senior debt or it fails to have at least one issue with an unenhanced rating of at least Baa1 by Moody's or BBB+ by Standard & Poor's, then an Additional Termination Event will occur.

Basis Risk: Depending on the relationship between the BMA and 6-month LIBOR index, the County could be exposed to basis risk. If the BMA/LIBOR ratio is greater than (1- Marginal Tax Rate of 35%) then the fixed spread of 79 basis points that the County receives will be reduced. This basis differential could cause the expectation of lowering the net cost of borrowing to not be achieved.

Tax Risk: Changes or proposed changes to the tax laws relating to the tax-exempt status of municipal bonds may result in an increase to the cost of funds.

Swap Six, Executed with Morgan Keegan Financial Products on 6/23/2005 in connection with the Anticipated 2006 Series A General Obligation Refunding Bonds:

Swap Objective: The County will receive a payment of $1,503,000 on 12/1/2006 from the Counterparty for entering into a swaption on the trade date of 6/23/2005. This swaption gives the Counterparty the option to cause the County to enter into a swap on December 1, 2006. If the Counterparty exercises the option, the County will currently refund a portion of its 1996 Series B General Obligation Refunding Bonds with variable rate bonds and enter into a fixed payer swap in which the County will pay a fixed rate and receive a floating rate. The County entered into this swaption to take advantage of 40 year lows in interest rates to refund high coupon debt and to receive an upfront cash payment to pay for capital expenditures to reduce debt issuance in the future

Swap Terms:

Trade Date	Notification Date	Swap Effective Date	Swap Maturity Date	Original Notional Amount	Fixed Payer Rate	Floating Rate Index	Upfront Cash Payment
6/23/2005	11/29/2006	12/1/2006	12/1/2011	$52,615,000	4.26%	BMA	$ 1,503,000

On 6/23/2005, the County entered into a swaption with Morgan Keegan Financial Products ("MKFP"), and the County will be paid $1,503,000 by MKFP for this option. The County elected to receive the payment on the call date of 12/1/2006. If the option is exercised, the County will issue variable rate refunding bonds and enter into a fixed payer swap in which the County will pay 4.26% and receive the BMA index. The potential swap will have the same amortization and maturity as the underlying bond issue. The fixed swap rate of 4.26% was set at a rate that, when added to the assumed ongoing expenses for the variable rate bonds and the costs of issuance for the underlying variable rate bonds, would equal the average coupon on the outstanding 1996 Series B General Obligation Refunding Bonds.

Fair Value of Swap: As of 6/30/2005, the swaption had a negative fair value of ($5,115). This fair value was measured by a swap pricing system in which the future net swap settlement payments were calculated and discounted to the valuation date using future spot interest rates. The future spot rates are zero-coupon bonds due on the future settlement dates implied from the current yield curve.

Associated Debt and Swap Payments: The swap is associated with a potential future refunding issue, the 2006 Series A General Obligation Refunding Bonds.

Credit Risk: The swap contract could expose the County to credit risk, depending on the fair value of the swap at that time. To mitigate credit risk, if Standard & Poor's and Moody's rates the creditworthiness of MKFP's (or the Credit Support Provider's) senior, unsecured, unenhanced debt below a rating of "A" in the case of Standard & Poor's or "A2" in the case of Moody's, treasuries or cash will be pledged.

Termination Risk: An out-of-the-ordinary event may occur that causes the contract to be terminated. At the time of termination, if the swap has a negative fair value, the County would be liable to MKFP for a payment equal to the fair value. If either Standard & Poor's or Moody's rates the creditworthiness of either party's (or the Credit Support Provider's) long-term, unsecured, unenhanced debt rating below Baa3 by Moody's or BBB- by Standard & Poor's, an Additional Termination Event has occurred. As of 6/30/2005, MKFP has a credit guarantee from Deutsche Bank AG, rated Aa3/AA- by Moody's and Standard & Poor's, respectively.

Basis Risk: Currently, the County is not exposed to basis risk. If the option is exercised in the future, as long as there is not a direct relationship between the floating rate received from MKFP (BMA Index) and the rate at which the variable rate bonds remarket, the County is exposed to basis risk. Basis risk will exist if the County's bonds remarket higher than BMA, which is the rate received from the Counterparty. Thus, the expected cost savings may not be achieved.

Market Access Risk: The County may be exposed to market access risk if the County is not able to issue the variable rate refunding bonds in the future because of some unforeseen event. If the option is exercised and the refunding bonds are not issued, the 1996 bonds would not be refunded but the County would still have to make swap payments as required by the swap contract, if it isn't terminated. Thus, because of this, the expected cost savings may not be realized.

Swap Seven, Executed with Morgan Keegan Financial Products on 6/23/2005 in Connection with the Anticipated 2007 Series A General Obligation Refunding Bonds:

Swap Objective: The County will receive a payment of $2,070,000 on 8/1/2007 from the Counterparty for entering into a swaption on the trade date of 6/23/2005. This swaption gives the Counterparty the option to cause the County to enter into a swap on August 1, 2007. If the Counterparty exercises the option, the County will currently refund a portion of its 1997 Series B General Obligation Refunding Bonds with variable rate bonds and enter into a fixed payer swap in which the County will pay a fixed rate and receive a floating rate. The County entered into this swaption to take advantage of 40 year lows in interest rates to refund high coupon debt and to receive an upfront cash payment to pay for capital expenditures to reduce debt issuance in the future.

Swap Terms:

Trade Date	Notification Date	Swap Effective Date	Swap Maturity Date	Original Notional Amount	Fixed Payer Rate	Floating Rate Index	Upfront Cash Payment
6/23/2005	7/30/2007	8/1/2007	8/1/2019	$31,450,000	4.61%	BMA	$ 2,070,000

On 6/23/2005, the County entered into a swaption with Morgan Keegan Financial Products (MKFP), and the County will be paid $2,070,000 by MKFP for this option. The County elected to receive the payment on the call date of 8/1/2007. If the option is exercised, the County will issue variable rate refunding bonds and enter into a fixed payer swap in which the County will pay 4.61% and receive the BMA index. The potential swap will have the same amortization and maturity as the underlying bond issue. The fixed swap rate of 4.61% was set at a rate that, when added to the assumed ongoing expenses for the variable rate bonds and the costs of issuance for the underlying variable rate bonds, would equal the average coupon on the outstanding 1997 Series B General Obligation Refunding Bonds.

Fair Value of Swap and Option: As of 6/30/2005, the swaption had a negative fair value of ($8,402). This fair value was measured by a swap pricing system in which the future net swap settlement payments were calculated and discounted to the valuation date using future spot interest rates. The future spot rates are zero-coupon bonds due on the future settlement dates implied from the current yield curve.

Associated Debt and Swap Payments: The swap is associated with a potential future refunding issue, the 2007 Series A General Obligation Refunding Bonds.

Credit Risk: The swap contract could expose the County to credit risk, depending on the fair value of the swap at that time. To mitigate credit risk, if Standard & Poor's and Moody's rates the creditworthiness of MKFP's (or the Credit Support Provider's) senior, unsecured, unenhanced debt below a rating of "A" in the case of Standard & Poor's or "A2" in the case of Moody's, treasuries or cash will be pledged.

Termination Risk: An out-of-the-ordinary event may occur that causes the contract to be terminated. At the time of termination, if the swap has a negative fair value, the County would be liable to MKFP for a payment equal to the fair value. If either Standard & Poor's or Moody's rates the creditworthiness of either party's (or the Credit Support Provider's) long-term, unsecured, unenhanced debt rating below Baa3 by Moody's or BBB- by Standard & Poor's, an Additional Termination Event has occurred. As of 6/30/2005, MKFP has a credit guarantee from Deutsche Bank AG, rated Aa3/AA- by Moody's and Standard & Poor's, respectively.

Basis Risk: Currently the County is not exposed to basis risk. If the option is exercised in the future, as long as there is not a direct relationship between the floating rate received from MKFP (BMA Index) and the rate at which the variable rate bonds remarket, the County is exposed to basis risk. Basis risk will exist if the County's bonds remarket higher than BMA, which is the rate received from the Counterparty. Thus, the expected cost savings may not be achieved.

Market Access Risk: The County may be exposed to market access risk if the County is not able to issue the variable rate refunding bonds in the future because of some unforeseen event. If the option is exercised and the refunding bonds are not issued, the 1997 bonds would not be refunded but the County would still have to make swap payments as required by the swap contract, if it isn't terminated. Thus, because of this, the expected cost savings may not be realized.

Swap Eight, Executed with Loop Financial Products on 6/23/2005 in Connection with the Anticipated 2008 Series A General Obligation Refunding Bonds:

Swap Objective: The County will receive a payment of $8,571,000 on 3/1/2008 from the Counterparty for entering into a swaption on the trade date of 6/23/2005. This swaption gives the Counterparty the option to cause the County to enter into a swap on March 1, 2008. If the Counterparty exercises the option, the County will currently refund a portion of its 1998 Series A General Obligation Refunding Bonds with variable rate bonds and enter into a fixed payer swap in which the County will pay a fixed rate and receive a floating rate. The County entered into this swaption to take advantage of 40 year lows in interest rates to refund high coupon debt and to receive an upfront cash payment to pay for capital expenditures to reduce debt issuance in the future.

Swap Terms:

Trade Date	Notification Date	Swap Effective Date	Swap Maturity Date	Original Notional Amount	Fixed Payer Rate	Floating Rate Index	Upfront Cash Payment
6/23/2005	2/28/2008	3/1/2008	3/1/2022	$121,485,000	4.66%	BMA	$8,571,000

On 6/23/2005 the County entered into a swaption with Loop Financial Products (LFP), and the County will be paid $8,571,000 by LFP for this option. The County elected to receive the payment on the call date of 3/1/2008. If the option is exercised, the County will issue variable rate refunding bonds and enter into a fixed payer swap in which the County will pay 4.66% and receive the BMA index. The potential swap will have the same amortization and maturity as the underlying bond issue. The fixed swap rate of 4.66% was set at a rate that, when added to the assumed ongoing expenses for the variable rate bonds and the costs of issuance for the underlying variable rate bonds, would equal the average coupon on the outstanding 1998 Series A General Obligation Refunding Bonds.

Fair Value of Swap and Option: As of 6/30/2005 the swaption had a negative fair value of ($924,200). This fair value was measured by a swap pricing system in which the future net swap settlement payments were calculated and discounted to the valuation date using future spot interest rates. The future spot rates are zero-coupon bonds due on the future settlement dates implied from the current yield curve.

Fair Value of Swap and Option: The swap is associated with a potential future refunding issue, the 2008 Series A General Obligation Refunding Bonds.

Credit Risk: The swap contract could expose the County to credit risk, depending on the fair value of the swap at that time. To mitigate credit risk, if Standard & Poor's and Moody's rates the creditworthiness of LFP's (or the Credit Support Provider's) senior, unsecured, unenhanced debt below a rating of "A" in the case of Standard & Poor's or "A2" in the case of Moody's, treasuries or cash will be pledged.

Termination Risk: An out-of-the-ordinary event may occur that causes the contract to be terminated. At the time of termination, if the swap has a negative fair value, the County would be liable to LFP for a payment equal to the fair value. If either Standard & Poor's or Moody's rates the creditworthiness of either party's (or the Credit Support Provider's) long-term, unsecured, unenhanced debt rating below Baa3 by Moody's or BBB- by Standard & Poor's, an Additional Termination Event has occurred. As of 6/30/2005, LFP has a credit guarantee from Deutsche Bank AG, rated Aa3/AA- by Moody's and Standard & Poor's, respectively.

Basis Risk: Currently the County is not exposed to basis risk. If the option is exercised in the future, as long as there is not a direct relationship between the floating rate received from LFP (BMA Index) and the rate at which the variable rate bonds remarket, the County is exposed to basis risk. Basis risk will exist if the County's bonds remarket higher than BMA, which is the rate received from the Counterparty. Thus, the expected cost savings may not be achieved.

Market Access Risk: The County may be exposed to market access risk if the County is not able to issue the variable rate refunding bonds in the future because of some unforeseen event. If the option is exercised and the refunding bonds are not issued, the 1998 bonds would not be refunded but the County would still have to make swap payments as required by the swap contract, if it isn't terminated. Thus, because of this, the expected cost savings may not be realized.

Claims and judgments:
The County has recognized long-term liabilities for claims and judgments of $9,025,381 in accordance with its accounting policy explained in Note I (E). The liabilities are based on property damage and personal injury lawsuits arising in the course of operations.

(I) Interfund Receivables, Payables and Transfers

Interfund receivables and payables consist of the following:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Corrections Center Fund	$ 5,620,035
	Grants Fund	5,429,155
Total		$ 11,049,190

Due To/From Component Units:

Receivable Entity	Payable Entity	Amount
Debt Service Fund	The Med (component unit)	$ 3,905,886
Capital Projects Fund	The Med (component unit)	3,354,846
Board of Education (component unit)	Education Fund	1,795,372
Total		$ 9,056,104

These balances resulted from timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds occur.

Transfers during the year were as follows:

Transfer Out:	Transfer In:	Amount
General Fund	Correction Center Fund	$ 11,300,000
	Debt Service Fund	659,151
	Grants Fund	2,739,945
	Nonmajor Governmental Funds	258,887
	Internal Service Funds	250,000
	Capital Projects Fund	2,250,000
Debt Service Fund	General Fund	324,815
Nonmajor Governmental Funds	Debt Service Fund	5,963,888
	General Fund	2,344,679
	Capital Projects Fund	598,216
	Grants Fund	39,537
Capital Projects Fund	Debt Service Fund	10,066,901
Grants Fund	General Fund	4,930,423
	Grants Fund	173,144
	Capital Projects Fund	151,999
	Consolidated Codes Enforcement Fund	127,646
Total transfers out by governmental fund types		42,179,231
Correction Center Fund	General Fund	2,700,000
Fire Services Fund	General Fund	600,000
Consolidated Codes Enforcement Fund	General Fund	1,069,663
	Grants Fund	382,320
Internal Service Funds	General Fund	992,737
	Government-wide fixed assets	217,855
Total transfers out by proprietary fund types and Internal Service Funds		5,962,575
Total all fund types		$ 48,141,806

The Internal Service Funds also reflect a transfer in of $129,009 for long-term liabilities transferred to the government-wide statements.

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(J) Other Revenue

The other revenue classification is used in the combined, combining and individual fund financial statements and in the supplemental schedules and statistical section of the comprehensive annual financial report. This category is one of the revenue line items included in the legally adopted budget approved annually by the Board of Commissioners. Certain revenue accounts which are not accurately described by any of the other revenue classifications included in the budget (local taxes, local revenues, state revenue, federal revenue, patient service revenue, elected officials' fees and fines) are classified as other revenue.

Other revenue for the year ended June 30, 2005 is detailed below:

	General Fund	Debt Service Fund	Capital Projects Fund	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Investment income	$ 4,338,484	$ 395,796	$ 446,263	$ 115,277	$ 332,713	$ 5,628,533
Miscellaneous income	646,858	1,022	338,179	378,092	15,224	1,379,375
Total other revenue	$ 4,985,342	$ 396,818	$ 784,442	$ 493,369	$ 347,937	$ 7,007,908

(K) Risk Financing and Related Insurance Issues

Shelby County maintains a self-insured Group Hospital Insurance Fund for its active and retired employees and their dependents, funded by participation of both the County and its employees. Incurred but not reported (IBNR) claims liabilities of the Group Hospital Insurance Fund were actuarially determined. This calculation was based on prior years' claims expense and the current year's actual claims incurred. The long term liabilities for IBNR claims are presented at present value.

The schedule below presents the changes in IBNR liabilities for the past two years for the Group Hospital Insurance Fund:

	2005	2004
Insurance claims liabilities at the beginning of the fiscal year	$ 9,101,000	$ 11,006,275
Incurred claims and claim adjustment expenses	47,512,095	45,836,999
Payment of claims and claim adjustment expenses	(48,613,095)	(47,742,274)
Claims liabilities at the end of the fiscal year	$ 8,000,000	$ 9,101,000

IBNR claims are included in Insurance Claims Payable.

The County maintains a self-insured Tort Liability Fund funded by premiums paid by departments using county vehicles and by an operating transfer from the General Fund. Claims liabilities of the Tort Liability Fund were estimated based on prior years' claims expense, current year's actual claims, and a review of pending litigation through the County Attorney.

The schedule below presents the changes in claims liabilities for the past two years for the Tort Liability Fund:

	2005	2004
Tort claims liabilities at the beginning of the fiscal year	$ 3,398,629	$ 2,118,035
Incurred claims and claim adjustment expenses	209,987	1,758,419
Payment of claims and claim adjustment expenses	(630,164)	(477,825)
Claims liabilities at the end of the fiscal year	$ 2,978,452	$ 3,398,629

The County maintains a self-insured Employer Insurance Fund for on-the-job injuries and unemployment compensation, funded by premiums paid by County departments based on a percentage of salary costs. Claims liabilities of the Employer Insurance Fund were estimated based on prior year's claims expense and current year's actual claims incurred.

The schedule below presents the changes in claims liabilities for the past two years for the Employer Insurance Fund:

	2005	2004
Claims and claim adjustment liabilities at the beginning of the fiscal year	$ 6,228,142	$ 8,996,944
Incurred claims and claim adjustment expenses	3,655,919	2,271,935
Payment of claims and claim adjustments expenses	(3,504,117)	(5,040,737)
Claims and claim adjustments liabilities at the end of the fiscal year	$ 6,379,944	$ 6,228,142

The County's other insurance fund is the Group Life Insurance Fund, which reported expenses of $2,707,795 for claims incurred for the year ended June 30, 2005.

(L) Contingencies and Commitments

The County has commitments at fiscal year-end for outstanding purchase orders and outstanding contracts reported as reserves for encumbrances of the governmental funds. In addition, commitments for capital projects total $20,853,473 as of June 30, 2005. Notes payable have been authorized and are available as needed to fund these capital projects.

The Memphis and Shelby County Sports Authority, Inc. is a joint venture organization that has issued revenue bonds for construction of a sports and entertainment facility. Although the City of Memphis and Shelby County are not legally liable for the debt, they have agreed to share equally in the payment of the debt if the Authority is unable to pay. See further explanations in Note IV (M).

(M) Joint Ventures, Jointly Governed Organizations and Related Organizations

Joint Ventures:
Joint ventures are defined in generally accepted accounting principles as organizations owned, operated or governed by two or more participants where no single participant has the ability to unilaterally control the financial or operating polices of the joint venture. Participants must maintain an ongoing financial responsibility for, or financial interest in, the joint venture. The following organizations qualify as joint ventures of Shelby County. References to the appointment of members of boards or commissions include both those appointed and those serving ex officio. Appointment usually includes confirmation by the appropriate legislative body.

Memphis and Shelby County Convention Center Commission (the Convention Center)
The Convention Center operates the 300,000 square foot multi-use Memphis Cook Convention Center and the 2,100 seat Cannon Center for the Performing Arts. The Convention Center is a joint venture between the City of Memphis (City) and the County and is overseen by an eight-member board. The City and County each appoint four board members. The board is responsible for reporting the results of operations semi-annually to both the City and the County. The City and County share equally in the profits of the Convention Center and are responsible for funding any deficit from operations in the same proportion. Through the year ended June 30, 2004 this obligation was funded for both governments from the proceeds of the hotel/motel tax. During the year ended June 30, 2005 the County contributed $992,964 to the operations of the Convention Center from the general fund; the City contributed a like amount. The County does not hold an equity interest in this entity. A third party under contract handles day-to-day promotion, operation, and management of the Convention Center. Financial statements for the Convention Center may be obtained from Memphis Cook Convention Center, 255 N. Main Street, Memphis, Tennessee 38103.

Memphis and Shelby County Port Commission (the Port Commission)
The Port Commission manages and develops industrial properties and has the authority for the direct development of the riverfront within Shelby County, except from the mouth of the Wolf River south to the I-55 bridge. The Port Commission is a joint venture between the City and the County and is overseen by a seven-member board. The City appoints four of the board members and the County appoints three members. Any deficits of the Port Commission are funded equally by the City and the County and excess revenues are distributed equally to the City and the County. The City and the County must approve the issuance of debt by or for the Port Commission. The County does not hold an equity interest in this entity. The County's revenue share from the Port Commission for the year ended June 30, 2005 was $274,724. Financial statements for the Port Commission may be obtained from the Memphis and Shelby County Port Commission, P.O. Box 13142, Memphis, Tennessee 38113.

Memphis and Shelby County Sports Authority, Inc. (the Authority)
The Authority was chartered in 1997 under a State statute that permits sports authorities to receive certain sales taxes generated by major league sports franchises. In 2001 the City of Memphis and Shelby County entered into the "Memphis Arena Project Agreement" to bring a NBA professional team to Memphis. A major part of that agreement required the construction of a new multipurpose sports and entertainment facility. Financing for construction of this facility (now known as FedExForum) has been done through the Authority. The Authority has issued long-term debt totaling $224,825,305 in principal amount, with $220,590,305 principal owed as of December 31, 2004 (the latest available audited financial report), plus accrued interest and Swap liabilities. Title to the facility is held by the New Memphis Arena Public Building Authority of Memphis and Shelby County, a joint venture; see below for more information on that entity. The Authority's revenue bonds are payable from seat rental fees, certain state sales taxes generated by the professional basketball team, car rental taxes, City and County-wide hotel/motel taxes, and in lieu of tax payments by the Memphis Light Gas and Water Division.

The Sports Authority is a joint venture between the City of Memphis and the County and has a board whose members are jointly appointed by the mayors of the City and the County and approved by the Memphis City

Council and the Shelby County Commission. Although the bond indentures state that the City and County are not legally liable for the indebtedness of the Authority, under agreement the City and County have agreed to pay, in equal amounts, the debt if the Authority is unable to pay. During the year ended June 30, 2005 the County transferred to the Sports Authority for debt service purposes the amount of $1,093,077 from car rental taxes and $4,669,767 from hotel/motel taxes. Financial statements for the Memphis and Shelby County Sports Authority, Inc. may be obtained from the Memphis Convention & Visitor's Bureau, 47 Union Avenue, Memphis, Tennessee 38103.

Mid-South Coliseum (the Coliseum)
The Coliseum operates a multi-purpose sports and entertainment facility with a seating capacity of approximately 11,500. The Coliseum is a joint venture between the City of Memphis and the County and is overseen by a five-member board. The City appoints two board members, the County appoints two members and one is jointly appointed by the City and County. The City and County share in profits or fund any deficits from operations in a ratio of 60% and 40%, respectively. The County does not hold an equity interest in this entity. As a result of a non-compete clause in the agreement with the National Basketball Association Franchise Owners for the operation of the new arena (FedExForum), the future financial viability of this facility is questionable. At June 30, 2005 the County is owed $159,889 by the Coliseum evidenced by a note; no payment was made in FY 2005. During the year the County paid the Coliseum $1,898 for use of the facility. Financial statements for the Coliseum may be obtained from the Mid-South Coliseum, The Fairgrounds, 996 Early Maxwell Boulevard, Memphis, Tennessee 38104.

New Memphis Arena Public Building Authority of Memphis and Shelby County (New PBA)
The New PBA was created in August 2001 by Shelby County and the City of Memphis. It is a nonprofit corporation established under statutes of the State of Tennessee. In June 2001 the City of Memphis, Shelby County, and HOOPS, L.P. (the NBA franchise ownership entity) entered into the "Memphis Arena Project Agreement." Under this agreement a new arena would be constructed and leased to HOOPS, L.P. as part of the agreement to bring a professional basketball (NBA) team to Memphis. The primary purpose of the New PBA was to construct and hold title to this new multi-purpose sports and entertainment facility (now known as FedExForum). Construction of the facility is complete and the facility has been leased to and is being operated by HOOPS, L.P. as noted above.

Funding for construction of the facility was provided primarily through the Memphis and Shelby County Sports Authority, Inc., a separate joint venture as explained above. However, the New PBA holds title to the building.

The New PBA is a joint venture between the City of Memphis and the County. It is governed by a Board of Directors whose members are jointly appointed by the mayors of the City of Memphis and Shelby County and approved by the Memphis City Council and the Shelby County Commission. The City and County maintain an ongoing financial responsibility for subsidies to finance the New PBA's capital expenditures and operations. During the year ended June 30, 2005 there were no financial transactions between the New PBA and the County. Financial statements for the New PBA may be obtained from the New Memphis Arena PBA, 195 Linden Avenue, Memphis, Tennessee 38103.

Pyramid Arena
In November 1987 the City of Memphis and the County entered into a joint venture arrangement creating the Public Building Authority of Memphis and Shelby County (PBA). The PBA is a not-for-profit corporation created for the purpose of constructing the Pyramid, a multipurpose facility with the primary use as a basketball arena. The City and the County each separately issued bonds for their share of the construction cost of the Pyramid, with the debt remaining an obligation of the issuer. The Pyramid was then leased back jointly to the City and the County for operation. The County does not hold an equity interest in the PBA. The PBA currently exists solely to hold title to the building and has no ongoing financial operations.

On July 1, 1991 the City and County jointly entered into a contract with a third party (SMG) to manage, operate, market and promote the Pyramid. The term of the contract was for the three-year period July 1, 1991 to June 30, 1994, with a renewal clause for up to three additional five-year terms. The current renewal period expires June 30, 2009. The City and County will each appropriate one-half of the necessary funds to sustain operations based upon each government's approval of an operating budget. During the year ended June 30, 2005 the County contributed $750,000 to the operating budget of the Pyramid. Excess operating revenue net of management fees and operating expenses, as defined under the management agreement, will be paid to the City and the County upon demand. As provided for in the management agreement, cash in excess of $500,000 will also be paid to the City and the County upon demand. No excess cash was returned in fiscal year 2005. As a result of a non-compete clause in the agreement with the National Basketball Association Franchise Owners for the operation of the new arena (FedExForum), the future financial viability of this facility is questionable. Financial statements for the Pyramid Arena Operations may be obtained from the Pyramid Arena, One Auction Street, Memphis, Tennessee 38105.

The following is a summary of the financial information of the joint ventures, as of and for the year ended June 30, 2005 (not covered by the report of independent accountants):

	Convention Center	Port Commission	Sports Authority (a)	Mid-South Coliseum	New Arena PBA (a)	Pyramid Arena
Assets	$ 13,832,234	$ 29,519,778	$ 43,206,862	$ 1,403,233	$ 233,219,588	$ 1,096,891
Liabilities	1,623,618	8,145,152	228,228,432	850,584	2,362,017	349,531
Net Assets	12,208,616	21,374,626	(185,021,570)	552,649	230,857,571	747,360
Operating Revenues	2,903,269	1,765,846	148,243	1,599,854	1,380,465	782,212
Operating Expenses	6,374,824	2,200,022	589,527	2,085,150	3,111,472	2,253,027
Other Revenue	2,084,739	113,615	11,724,540	296,803	94,266,833	1,485,564
Other Expenses	---	305,918	92,322,384	10,011	24,982	---
Change in Net Assets	(1,386,816)	(626,479)	(81,039,128)	(198,504)	92,510,844	14,749

(a) Fiscal year-end December 31, 2004.

Jointly Governed Organizations:

The County in conjunction with the City of Memphis has joint control of the following organizations through the appointment of their boards. They are not considered joint ventures because the County and the City do not retain an ongoing financial responsibility or financial interest. There were no financial transactions between the County and the organizations in the fiscal year ending June 30, 2005 unless noted below.

The *Depot Redevelopment Corporation of Memphis and Shelby County (Depot)* was established by the City and County to determine and establish a reuse plan and management strategy for the Memphis Depot. The United States Government closed the former military supply depot. The mayors of the City and County appoint the nine board members for six-year terms with approval of the City Council and the County Commission. The County has a note receivable from the Depot with a principal balance of $3,415,000 as of June 30, 2005. During the year ended June 30, 2005 the Depot repaid $155,000 of principal on this note plus $179,094 of interest.

The *Industrial Development Board of Memphis and Shelby County* operates as a nonprofit corporation for the purpose of promoting industrial development in the City and County. The City appoints four board members, the County appoints four members and one is jointly appointed by the City and County for six-year terms, with approval by the City Council and the County Commission.

The *Memphis and Shelby County Center City Commission* is responsible for promotion and redevelopment of the Memphis Center City area. The mayors of the City and County appoint the twenty board members for three-year terms, with approval by the City Council and the County Commission.

The *Memphis and Shelby County Center City Downtown Parking Authority* manages five downtown parking garages and establishes and coordinates uniform parking policies and parking management in the downtown Memphis area. The mayors of the City and County appoint the seven-member board.

The *Memphis Center City Revenue Finance Corporation (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 appoints four board members, the County appoints four members and one is jointly appointed by the City and County for six-year terms, with approval by the City Council and the County Commission.

Related Organizations:
The County appoints a voting majority of the board of the following organizations but is not financially accountable for the organizations:

- *Health, Housing and Education Facilities Board*
- *Shelby County Housing Authority*

The *Memphis and Shelby County Airport Authority* owns and operates Memphis International Airport and two general aviation airports. Six of the seven board members are appointed by the City of Memphis mayor and one by the County mayor, all for seven-year terms, subject to confirmation by the Memphis City Council. The Airport Authority is a component unit of the City of Memphis.

The Med has an investment in *Memphis Managed Care Corporation* (MMCC), a TennCare MCO, that pays The Med a fixed per diem for inpatient services and pays for outpatient services on a fee for service basis. The investment was valued at $13,751,885 at June 30, 2005.

(N) Other Post–Employment Benefits

In addition to providing benefits, the County provides certain health care and life insurance benefits for retired employees in accordance with policy established by the County Board of Commissioners. Substantially all of the County's employees may become eligible for those benefits if they reach normal retirement age while working for the County. The cost of retiree health care and life insurance benefits is recognized as an expenditure as claims are paid. For 2005 the County provided these benefits to 1,901 retirees at a cost of $11,557,451.

(O) Pensions

Shelby County Retirement System

Plan Description
The Shelby County Retirement System (the System) is a single employer defined benefit public employee retirement system (PERS) established by Shelby County, Tennessee. The System is administered by a board, the majority of whose members are nominated by the Shelby County mayor, subject to approval by the Shelby County Board of Commissioners. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Shelby County Retirement System, Suite 950, 160 N. Main, Memphis, Tennessee 38103 or calling (901) 545-3370.

Substantially all full-time and permanent part-time employees of the County are required, as a condition of employment, to participate in the System. The Shelby County Board of Commissioners establishes the System's benefits and contribution provisions. Once becoming a participant, a person will continue to participate as long as he or she is an employee of the County. The System provides retirement as well as survivor and disability defined benefits.

The System consists of two plans (Plans A and B) which are legally one reporting entity. Plan B is a contributory defined benefit pension plan for employees hired prior to December 1, 1978. Plan A is a non-contributory defined benefit pension plan for employees hired on or after December 1, 1978, and those employees that elected to transfer to Plan A from Plan B before January 1, 1981. In November 2004 the County Commission approved a new "Plan C" that will become effective on September 1, 2005. Plan C was designed to be cost-neutral to the County relative to current plans.

Funding Policy
The Board of Administration of the Shelby County, Tennessee Retirement System (the Board) establishes the System's funding policy for employee contribution requirements. The Shelby County Board of Commissioners establishes the System's funding policy for employer contribution requirements. The County does not receive the actuarial report until several months into the fiscal year to which the report relates. Due to budgetary procedures the County makes contributions based on the latest actuarial report received at the date a new fiscal year's budget is being prepared. Contributions for fiscal year 2005 were based on the actuarial report as of July 1, 2003.

In accordance with the actuarial valuation as of July 1, 2003 the employer contribution rate required was 4.09% of covered payroll of participants. Plan B participants contribute an additional 8.0% of their earnings, with some exceptions for employees of Plan B with more than 35 years of service. In addition, certain Plan A public safety employees contribute 2.65% of their compensation. This resulted in total contributions of $20,824,119 ($18,800,000 employer contributions and $2,024,119 employee contributions). The actuarial required employer contribution of $9,645,830 is significantly impacted by the amortization of the actuarial surplus that results from investment results in prior years. The County has chosen to fund a level amount that is approximately the normal cost for benefits earned.

The significant actuarial assumptions used to compute these actuarially determined contribution requirements are the same as those used to compute the net pension obligation.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2003	$ 12,313,480	100%	$ ---
June 30, 2004	17,836,152	100%	---
June 30, 2005	9,645,830	195%	---

More detailed information on all Plans is available in the System's separately issued financial report and in the Required Supplementary Information section of this Comprehensive Annual Financial Report.

Pension plans of the component units:

The primary government does not act in a trustee capacity for the assets of the pension plans of the component units.

Shelby County Board of Education (the Board of Education)
On behalf of its teachers, the Board of Education contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0203 or can be accessed at www.treasury.state.tn.us.

All non-teachers employed by the Board of Education are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by TCRS. The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Shelby County Health Care Corporation (the Med)
Effective July 1, 1985 the Med established the Regional Medical Center at Memphis Retirement Investment Plan, a defined contribution pension plan. In a defined contribution plan benefits depend solely on amounts contributed to the plan plus investment earnings. Financial statements of the Regional Medical Center at Memphis Retirement Investment Plan are available from Shelby County Health Care Corporation, 877 Jefferson Avenue, Memphis, Tennessee 38103.

More details about all plans of component units are available in the separately issued financial reports of the component units and in the separately issued financial reports of the retirement plans as noted above.

(P) Subsequent Events

In July 2005 the Shelby County Board of Commissioners approved the $81,940,000 2005 Series Tax Anticipation Note-Commercial Paper Program. While current intentions are that the Tax Anticipation Notes will be paid off on or before June 30, 2006, similar or other financing will be required each year for the foreseeable future.

At June 30, 2005 $30,000,000 of the $275,000,000 2005A EMCP (Extendible Municipal Commercial Paper) notes had been issued. As of November 18, 2005, an additional $33,000,000 has been issued for capital improvement projects.

In August 2005 the County entered an agreement with the Shelby County Board of Education and the Memphis City Schools Board of Education to provide $100 million to be divided equally between the two school systems to provide a new high school for the County schools and to provide funding for renovations for the City of Memphis schools. In addition, this agreement provides for capital funding to the schools of $60 million per year for fiscal years 2007, 2008 and 2009.

(Q) Restatement of Fund Balance/Net Assets

Air pollution fees and related expenses were reported in the general fund until July 1, 2004 when they were reclassified as the Health Services Restricted Fees Special Revenue Fund, a nonmajor governmental fund. In prior years the general fund provided an advance to the fire services fund which is being repaid over a number of years. Interest was not charged on these advances. During the current year it was determined that State law required interest be charged on the advances.

Fund balance/net assets as of July 1, 2004 have been restated as follows for these items.

	Governmental Activities	Business-type Activities
Countywide:		
Net assets at June, 2004	$ (1,378,211,316)	$ 35,705,361
Interest on advances	1,305,814	(1,305,814)
Net assets at July 1, 2004	$ (1,376,905,502)	$ 34,399,547

	General Fund	Nonmajor Governmental Fund	Fire Services Fund
Governmental & Proprietary Funds:			
Fund balances/net assets at June 30, 2004	$ 35,441,462	$ 14,964,883	$ (193,173)
Interest on advances	1,305,814	---	(1,305,814)
Reclassification of air pollution	(1,156,668)	1,156,668	---
fund balances/net assets at July 1, 2004	$ 35,590,608	$ 16,121,551	$ (1,498,987)