CITY OF MURFREESBORO, TENNESSEE

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2005

JAMES B. PENNER
CITY RECORDER/FINANCE DIRECTOR

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City of MURFREESBORO TENNESSEE

. . . creating a better quality of life

December 21, 2005

Honorable Mayor Bragg and Members of the City Council
City of Murfreesboro
Murfreesboro, Tennessee

The Finance Department and City Manager's Office is pleased to submit the Comprehensive Annual Financial Report for the City of Murfreesboro, Tennessee for the fiscal year ended June 30, 2005.

This report is published to provide the City Council, City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness for the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

This Report is presented in five sections: Introductory, Financial, Supplemental, Statistical and Single Audit. The introductory section includes this transmittal letter, the government's organizational chart and a list of principal City officials.

The financial section includes the management discussion and analysis (MD&A) and the basic financial statements, which are comprised of the government-wide financial statements, the fund financial statements and footnotes to the financial statements. The MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it. Required supplementary information other than MD&A and the independent auditor's report on the financial statements and schedules are also presented. The supplemental section includes combining fund financial statements and individual fund schedules. The statistical section includes financial and demographic information usually presented on a multi-year basis that is relevant to a financial reader.

The government is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U. S. Office of Management and Budget Circular (A-133), *Audits of State and Local Governments*. Information related to this single audit, including the schedule of expenditures of federal awards and auditor's reports on the internal control structure as it relates to federal financial assistance and compliance with laws and regulations, are included in the single audit section of this report.

In June 1999, the Government Accounting Standards Board (GASB) issued GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* effective for the fiscal year ended June 30, 2002. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information.

Administration Department
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The intent of GASB 34 was to make the reports easier to understand and to make them more useful to the people relying on the information to make decisions.

THE REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds of the government. The City of Murfreesboro provides a full range of municipal services including police protection, fire protection, solid waste pickup, street lighting, street maintenance, traffic management, parks and recreation, municipal golf course, cable television, planning and engineering, codes enforcement, city court, airport and city beautification. In addition to the general government activities, the City operates the Murfreesboro Water and Sewer Department providing potable water and sanitary sewer treatment, the Murfreesboro Electric Department providing electric service, and Murfreesboro City Schools providing public schools for grades K-6. In conjunction with Rutherford County, the City operates the Linebaugh Public Library.

ECONOMIC CONDITION AND OUTLOOK

The City of Murfreesboro, the county seat of Rutherford County, is located at the geographic center of the State of Tennessee approximately 35 miles southeast of Nashville, the state capital. The City's corporate boundary encompasses approximately 41 square miles. The U. S. census conducted in 2000 indicated a population of 68,815 for a 53.2% increase over the 1990 U.S. Census, which indicated a population of 44,922. A special census in 2005 certified a population of 81,393. Murfreesboro has experienced a greater amount of residential growth than any other municipality located in Rutherford County and is one of the fastest growing cities in the State.

In addition to residential growth, the City has experienced considerable commercial and industrial development during the past decade. This non-residential development is expected to continue for the next several years, particularly commercial growth, to serve the needs of the growing population. Murfreesboro is the home of Middle Tennessee State University (MTSU) and, with a student enrollment of over 24,000, it is perhaps the fastest growing public university in the State of Tennessee. The economic outlook for the City is excellent.

MAJOR INITIATIVES AND SERVICE EFFORTS

Administration

The day-to-day business of operating the city is the responsibility of the city manager, the chief administrator of the city appointed by the city council. Through various departments, he is responsible for providing and maintaining the essential services of the city. Acting in much the same way as a chief executive officer of a corporation, the city manager is concerned about the efficient and cost-effective operation of the city. Citizens require and depend upon the city for certain services; among them are fire and police protection, recreational facilities, parks, sanitation and streets. The city manager delegates responsibility and coordinates the many tasks performed daily by city employees.

A duty that is the direct responsibility of the city manager, however, is the preparation of the city's annual budget. The budget reflects the expected revenue and projected expenses for the ensuing year, and is the subject of public hearings. The city manager, in carrying out the responsibilities of fiscal planning and of other areas of city government, has the authority to appoint the heads of the various administrative departments and divisions.

Council determines policy and overall direction for the city through legislation and the city's leadership was recognized with the Tennessee Municipal League's award of Mayor of the Year to Mayor Bragg. Execution of council's decisions is the paramount responsibility of the city manager.

During FY 04, the city hosted its first Council retreat, which proved very successful.

During FY 05, the City Council approved recommendations from the Murfreesboro Gateway Commission to sell $9.9 million plus options of $5.3 million. This brings total land sale contracts to over $30 million in the Gateway project, exceeding the city's expenditures to date on the project. The Gateway Project received the Excellence in Municipal Government Award from the Tennessee City Management Association. TCMA commended Murfreesboro for its vision, citizen input and addressing the need for high paying jobs.

Medical Center Parkway was completed, which connected to the newly opened I-24 interchange at Manson Pike.

In June, voters approved a conference center referendum on a two-to-one margin. It authorized the City to borrow up to $17.5 million for a 75,000 square foot conference center and adjacent to a 250-room full service hotel to be built by John Q. Hammons of Springfield, Missouri.

The city also completed a special census resulting in a certified population of 81,393. This was an increase of 6,310 in a two-year period.

Municipal Airport and Heliport

The City of Murfreesboro owns and manages the Murfreesboro Municipal Airport providing fuel services (Avgas and Jet A) and accommodations for aircraft with both tie-downs and t-hangars. Of the 79 General Aviation non-air carrier airports in the state of Tennessee, the Murfreesboro Municipal Airport is one of four that operates on a self-sufficient basis. During this period, the Airport received its tenth consecutive "Front Door" Award from the Tennessee Department of Economic and Community Development, the Tennessee Department of Transportation, and Tennessee Division of Aeronautics. The Apron Expansion Project was completed adding 25 tie-down areas for aircraft and improving the ability of aircraft to taxi safely across the ramp. The Airport staff also oversees the Grace Hospital Heliport facility located on the campus of Central Middle School. As budgeted, the General Fund reimburses the Airport Fund for the annual maintenance expenses of the heliport.

Building and Codes

The Building and Codes Department is responsible for enforcing nationally recognized minimum public safety construction standards for new construction and alterations to existing construction. Inspection personnel are trained and certified by the State of Tennessee. During FY-05, the department issued permits for 1,814 new single-family dwellings (FY-04 - 1,689 dwellings) and the department issued permits for 1,196 new multifamily dwelling units (FY-04 - 1,013 multifamily units). The total valuation of all construction permitted was $394 million (FY-04 - $405 million).

The Department is also responsible for enforcing minimum property maintenance standards for existing buildings and properties. During FY-05, the department issued 2,280 correction notices for violations of the minimum property maintenance standards (FY- 04 - 1,237 notices). This includes such violations as buildings in disrepair, overgrown grass, inoperable or unlicensed vehicles, accumulation of rubbish, and storm water regulations.

Cable Television

The Murfreesboro Cable Television Department under advisement of the Murfreesboro Cable Television Commission is responsible for managing Murfreesboro's government access cable channel (located on Comcast cable channel 3), administering cable television franchise agreements for the city, and assisting city cable television subscribers in resolving disputes with Comcast.

The department received several national programming awards from the Alliance for Community Media and the National Association of Telecommunications Officers and Advisers for programming which appeared on City Channel 3 during the year.

The department cablecast 120 city/county public meetings on City Channel 3 and oversaw a total of 301 first run/produced programs and videos.

City Schools

The Murfreesboro City School System operates eleven kindergarten through sixth grade public schools with an enrollment of 6,325 students. In addition, approximately 400 preschool students qualify to be served based on need. The system has a budgeted per pupil expenditure of $6,872 for FY 05-06 and employs in excess of 1,000 full-and part-time employees.

The City System is known for innovation that brings about high achievement for children evidenced by excellent test scores. The Southern Association of Colleges and Schools has accredited all schools and the Central Office; the System maintains a 1:20 average teacher-pupil ratio. The nationally recognized Extended School Program offers before-and after-school services to families who need those services; and all classrooms are technologically equipped.

The Murfreesboro City School System has entered into a major partnership agreement with Middle Tennessee State University involving all university departments, which results in additional resources and educational opportunities for children. In addition, the district collaborates with the Jennings and Rebecca Jones Foundation and MTSU to offer leadership, arts, and science, math/technology camps for graduated fourth and fifth graders. Hobgood Elementary School has also been named a NASA Explorer School, partnering with NASA to offer children enrichment in the science and math disciplines. The System has been the recipient of over $4 million in grants during the past three years, including a $2.1 million 21st Century Community Learning Centers grant that has provided additional after-school and summer services for children and their families.

The System has been recognized within the past three years with the following awards for model programs in recognition of school and community partnerships for promoting academic achievement and improving the quality of life for Murfreesboro's families: The National Civic Star Award given by the American Association of School Administrators and Sodexho, national urban school district winner of the Leadership for Learning Award by the American Association of School Administrators, National Community of Excellence designated by the Federal Interagency Council' s Communities Can! Organization, American School Board Journal's Magna Award, Tennessee School Boards Association's Excellence in Education Award, the State Department of Health's Healthy Kids Community Award, District of Excellence designation by the American School Food Service Association and the Governor's Tennessee Volunteer Commendation Award.

Community Development Department

The Community Development Department administers funding from the Community Development Block Grant (CDBG) available to the City from the Department Of Housing and Urban Development (HUD) to provide decent, safe and sanitary housing for low-income families and households, and provide a suitable living environment in the City.

The department also administered two grants this year awarded to the City from the State of Tennessee. The HOME Program Grant from THDA, which provided leverage funding for the city's owner-occupied Rehab Program, and the Emergency Shelter Program Grant from the Department of Human Services (DHS), which provided funds for three emergency shelter agencies in the City.

Accomplishments during the year included the following:

Ten substandard units were brought to standard condition and two units were demolished and reconstructed using CDBG and HOME funds. Sixteen first time homebuyer households received funding assistance and homebuyer counseling. Five units were inspected based on applications requesting rehab assistance thru THDA funding.

The department's public service benefited a number of programs, including the Elderly Day Care Program, Tender Care Parenting Program; STARS Program and Salvation Army.

CDBG funds are being used for the improvement of streets in the Courtland Street/North Walnut Street area. The North Spring Street project, was completed during the year with work on North Spring Street between Oak Street and Lokey Avenue.

The Community Development Department completed the City's five-year 2005-2010 Consolidated Plan as required by the Department of Housing and Urban Development.

Murfreesboro Fire Department

The City of Murfreesboro has a full-time professionally staffed fire department and enjoys a Class 3 Insurance Services Office (ISO) fire rating. The Murfreesboro Fire Department received Tennessee's Achievement Award for Excellence in Fire Safety from the Tennessee Municipal League. Two new fire engines and one rescue truck with equipment were purchased and put in service.

The MFD received grant money from the Department of Homeland Security through Rutherford County and the State of Tennessee. Grant funds were used to purchase new communications equipment for the entire department.

The Murfreesboro Fire Department held its first Youth Citizen Fire Academy in June 2005. The sixth session of the Citizens Fire Academy will be held in the fall of 2005.

Also during the fiscal year, the City served as host for the Fire Inspector Conference.

Fleet Services

The Fleet Services Department has been charged with servicing the City of Murfreesboro's fleet vehicles. The vehicles range from police cars, pick-up trucks, tractors, garbage trucks and fire engines.

Fleet Services Department conducted preventative maintenance and safety inspections on all city vehicles, trucks, trailers on a regular basis. An emission testing for all city vehicles was completed and the City's fleet was certified by the state. The department also provided ASE testing to all mechanics in Middle Tennessee. The department reviewed and acted on all safety recalls and technical service bulletins for all city vehicles. The department developed and implemented the City's first vehicle safety program.

An auction was held to sell used outdated vehicles and equipment and discarded all salvage wrecked beyond repair and Risk Management-purchased vehicles.

Golf Course

Old Fort Golf Course

The City of Murfreesboro owns and operates Old Fort Golf Course at Old Fort Park. The renovation project has been received very well by the public and continues to improve as the turf matures. The year has been a good one for grow-in and the golf course is in great shape allowing the golfers to once again enjoy the experience and new challenges the course has to offer. A new irrigation system has been installed to accommodate the reuse water line from the Water and Sewer Department. The City of Murfreesboro and Old Fort Golf Course once again hosted the TSSAA State High School Golf Championships in October with great success and reviews.

Veterans Administration Golf Course

The City of Murfreesboro maintains and operates a 9-hole golf course on the campus of the Veterans Administration Medical Center. The public continues to enjoy improvements made to this course.

Judicial

The primary functions of the Judicial Department are to keep records of all violations of city ordinances and to collect all fines and costs. The court and legal department have taken several steps to improve the collection of fines and costs. The Court has implemented the issuance of garnishments and executions to collect outstanding judgments.

Legal

The Legal Department provides legal services to the Mayor, City Council, City Manager, Department Heads, and the Boards and Commissions of the City. The Legal Department also advises the officials and employees of two municipally created entities, the Murfreesboro City Board of Education and the Murfreesboro Power Board.

Legal services provided by the Legal Department include drafting ordinances and resolutions for the City Council; preparing or reviewing bids, construction contracts, contracts for goods and services, leases, deeds, inter-governmental agreements, sections of the Employee Handbook, and other legal documents; advising about personnel matters; representing the City and its employees in litigation as a plaintiff or a defendant; collecting back taxes; obtaining land easements or rights-of-way for City purposes; certifying bonds, capital outlay notes and other financial and debt instruments; and, advising about new cases and statutes and their application to City activities.

The Legal Department is also responsible for the City's Risk Management Program. This includes identifying, minimizing and preventing risk exposures through employment of a Safety Director and regular inspections of City facilities; providing educational training videos for City employees; receiving and responding to complaints about City activities or employees allegedly causing personal injury or property damage; managing the fire, boiler and machinery, and other casualty insurance coverage for City-owned properties; and, handling workers' compensation claims from City employees. Murfreesboro is a self-insured city for workers' compensation and liability claims and has created the Risk Management Fund for this purpose. The City Attorney is the Administrator of the Risk Management Fund and, with the Risk Manager and Safety Director, works with the Risk Management Committee.

Murfreesboro Parks and Recreation Department

The Murfreesboro Parks and Recreation Department is responsible for planning and conducting programs such as athletics, cultural arts, wellness/fitness, wilderness awareness and outdoor- focused programs, aquatics, and numerous community-based programs for all ages. The department is also responsible for the operation and maintenance of all the City's parks, Cannonsburgh and recreational facilities. In addition, the Murfreesboro Parks and Recreation Department maintains the Vine Street Cemetery and the helicopter pad on Lytle Street.

Projects in 2004-2005 fiscal year included the following: The Richard Siegel Park was planned with all architectural and engineering work being completed for all three (3) phases of the park development. Construction on Phase I was begun with completion slated in the fall of 2005. A cost and facility analysis was completed on Sports Com. This report showed the needed updates and improvements required along with the projected cost of the project. Engineering was completed on the tennis courts for Old Fort Park and the Murfreesboro City School sites.

Phase I of the Oakland Wetlands project was completed, along with the engineering and architectural requirements for Phase II. Phase II of the Murfree Spring Wetland Restoration project was completed, along with the engineering and architectural requirements for Phase III. The City of Murfreesboro acquired the operation and maintenance of Walter Hill Park on April 21, 2005. At the Tennessee Recreation and Parks Association Conference held in November of 2004, the department was awarded two Four-Star Awards of Excellence in our population category. One was for the best new recreational facility in the state; this award went to the Patterson Community Center. The second award was for the best recreational program, and this award went to the Wilderness Home School Program.

Personnel

During FY05, the City of Murfreesboro Personnel Department received 2,030 applications for 79 full-time positions and 1,664 applications for 119 part-time positions.

Planning, Engineering, Traffic, and G.I.S.

The Planning and Engineering Department is responsible for coordinating the physical development of the City. The G.I.S. Section of the Department provides digital mapping services for all City departments and the public. The Traffic Section coordinates the City's traffic program. The Planning Section coordinates the agendas for the Murfreesboro Planning Commission, the Board of Zoning Appeals, and the Historic Zoning Commission and assures public input on a variety of issues including annexations, re-zonings, R.O.W. actions, and ordinance amendments.

During FY05, the Planning Department reviewed 80 preliminary plats involving 2,866 lots, 146 final plats involving 2,430 lots, and 122 site plans involving a variety of commercial and multiple family dwellings. The Planning Commission conducted public hearings on 76 items involving annexations, re-zonings, and ordinance amendments and provided recommendations for each to the City Council.

The Board of Zoning Appeals conducted 95 public hearings to consider a variety of applications for variances of setback requirements, variances of the sign ordinance, and special use permits. The Historic Zoning Commission considered 19 applications for certificates of appropriateness.

The department implemented renaming and numbering of the Samsonite Blvd., Sanbyrn Drive, and Tennessee Blvd. Corridor to Middle Tennessee Boulevard and prepared numerous annexation feasibility studies and plans of services. Manson Pike was renamed Wilkinson Pike (I-24 to Medical Center Parkway).

Engineering

City roadway projects completed include: South Access Road, Manson Pike (Phase 3), Medical Center Parkway (Phase I), North Spring Street, Bridge Avenue, Wilkinson Pike and Manson Pike/Medical Center Parkway/I-24 Interchange.

City roadway projects bid include:

- Cherry Lane Widening
- North Tennessee Blvd. Extension
- Wilkinson Pike/Old Nashville Highway Connector Road
- Old Lascassas Pike
- Middle Tennessee Boulevard (Main to Broad)

The Department is additionally involved in several drainage projects and, during this period, the Salem Highway Area Drainage Project was completed.

Traffic

The Traffic Department is involved in the planning and operational aspects of the City's existing and planned roadway infrastructure. The department currently manages 106 signalized intersections of which 51 are currently interconnected and addressable from the Traffic Operations Center located at City Hall. The City's closed circuit television system provides substantial viewing capacity of the City's arterial roadway network, which enables monitoring of the roadways and associated signalized intersections and provides the staff with the ability to evaluate and remotely modify signal timings. The City is currently in the design phase of a project that will add an additional seven (7) closed circuit television cameras to the existing nineteen (19) already in operation. The project will additionally interconnect nine (9) existing signalized intersections into the current system. The combination of interconnected traffic signals and CCTV cameras provides invaluable assistance in providing optimized intersection operation throughout a large portion of the city's most heavily traveled roadway system.

Provisions for implementation of an inter-city transit system are currently being studied. Continued sections of the Greenway system are being both planned and built as an inter-modal component of transportation.

Murfreesboro Police Department

Uniform Division

Patrol Services

The department was honored that one of its officers received an award from the International Association of Chiefs of Police (IACP) at the Association's annual conference. The award, *Looking Beyond the Plate*, was awarded for the recovery of two (2) children kidnapped from their custodial parent and brought international attention to the City. The Patrol Canine Program has been put into operation with great success. "Billy Lee", has located offenders hidden in areas where they would not have normally been captured. "Billy Lee" also does article searches, allowing the gathering of evidence and even the recovery of money suspects dropped from robberies. We have continued the Neighborhood Policing Initiative, putting more officers in a smaller area to better serve the community. Residents in this area consider this very helpful and identify this as an accomplishment.

Traffic Services

We received a second place award statewide in our category from the Tennessee Governors Highway Safety Office (GHSO) acknowledging our enforcement and safety efforts in reducing crashes in Murfreesboro. Officers conducted a red light campaign from December 2004 - July 2005 in an effort to address the crashes that occur at intersections. During this specialized enforcement campaign officers the issued some 3,589 citations, making drivers more aware of the dangers in running red lights.

Special Operations Unit (SOU) including Homeland Security

Purchase has been completed of WMD/HAZMAT equipment from Homeland Security Grant funds ($149,353). The items purchased were protective clothing, respirators, self-contained breathing apparatus, a storage trailer, a HAZMAT response vehicle, and related equipment. The purchase of this equipment allows us to have a fully operational unit as soon as assignments are completed. 174 police emergency personnel completed training in Incident Command System (ICS) and National Incident Management System (NIMS). The department was able to provide this P.O.S.T.-approved training (Police Officer Standard Training) in-house.

Operations

In March of 2005, the department applied for and received a Justice Assistance Grant (JAG) award of $76,841 from the U. S. Department or Justice for law enforcement use. This grant, which took the place of LLEBG, must be shared with Rutherford County. Subject to an agreement between the two entities, each will receive half the total amount. The city's portion will be used to purchase equipment.

Information Systems

The department installed mobile data computers, modems and GPS for an additional fourteen (14) Police vehicles and three (3) Fire vehicles. This will place the Police Department's Mobile Data Fleet at one hundred thirty three (133) vehicles in operation. Mobile Data Computers have been re-imaged with updated software.

Police Annex

Alarm Permits processed 1,427 to total $41,725.00 and False Alarm fines processed 243 to total $6,075.00. All 161 certified officers were re-certified by the P.O.S.T. Commission to include the following training hours: total hours 15,124; required training hours by the State of Tennessee 6,440; career development and additional training received 8,444 hours. The department completed two (2) Citizens Police Academy classes, and participated in National Night Out and won an award. Officers taught D.A.R.E. in Kindergarten, second, fourth, and fifth grades for a total of 3,686 students at eleven schools. Fifteen full-time employees were hired: nine (9) Dispatchers; five (5) Police Officers; one (1) Custodian.

Records Section
Records entered 19,385 incident reports into the computer this fiscal year along with 7,163 arrest reports. 2,870 packages of property were logged into the Records Section. The section released 226 pieces of property to the rightful owners and transported 328 packages of property to the TBI Lab in Nashville for testing. They released 5,690 reports at the front window, which included requested mail, reports for officers and reports to the public. An auction was held for property that was released by officers on their disposition sheets.

Criminal Investigations Division
The Vice Section completed their new office complex, which now contains secured storage for seized and awarded property. The Vice Section also provides office space for a local T.B.I. Special Agent as well as a Homeland Security Officer.

The Domestic Violence Section is now in the second year of a Federal Grant that increased the Section from three (3) to four (4) detectives thereby allowing us to help more victims with both a quicker response as well as providing much needed services.

The Intelligence Section registers sex offenders and maintains the Tennessee Sex Offenders Registry, meeting, updating, and submitting to the TBI information on all convicted sex offenders who live within the city limits of Murfreesboro. Intelligence also helps in processing crime scenes, crime scene drawings, court documentation, suspect composites, photo line-ups, and fingerprinting a number of citizens for public housing, employment, and identification.

Solid Waste Department
The Solid Waste Department provides once per week curbside garbage collection to the citizens of Murfreesboro, using automated side loaders. Accomplishments during the fiscal year included:

The Solid Waste Department diverted 25,000 tons of yard waste from the landfill. This saved $968,750 in disposal cost. The Department ran the entire year with the new solid waste ordinances. Because of this change the Department did not experience lost time (workers comp claim) due to picking up excess carts or garbage. The Department added boom trucks and personnel so that it could pick up limbs and brush on a weekly schedule instead of a 3 to 4 week schedule.

The Solid Waste Department picked up 31,157.16 tons of garbage from the residents of Murfreesboro. The City of Murfreesboro has an agreement with the BFI Middle Point Landfill for free disposal. This agreement saved the City of Murfreesboro $1,207,340 in disposal cost.

Ground work started for the Solid Waste Department's new mulching site and future home of the Solid Waste Department.

St. Clair Street Senior Center
The St. Clair street Senior Center offers an array of services and activities to enhance the quality of life for individuals 60 years of age and over at the facility located at 325 St. Clair Street. In FY05 over 4,400 senior adults were provided a total of 169,986 units of service in a variety of areas.

There were several highlights during the past year. A consortium of local agencies and the Senior Center sponsored the 11th annual "Dynamics of Elderly Caregiving Creating the Future: The Challenge of Caring for Older Adults." A variety of professionals presented valuable information on issues related to this topic in breakout sessions.

In September 2004, The Center-sponsored Kinship Parenting Program received an Excellence in Aging Program Award from the Greater Nashville Regional Council at the annual meeting.

The Senior Center applied for and received several grants during FY05. The Community Foundation of Middle Tennessee funded $2,500 under Arts Build Communities for a series of five culturally diverse

programs titled "Around the World in My Own Back Yard." Music and dance from Spain, Africa, Ireland, Hawaii, and Native American Indians were featured. A library of dementia specific education materials for use in the Adult Day Services Program was established with a grant of $500.

A grant from Middle Tennessee Electric Customers Care, Inc. in the amount of $6,250 funded automatic door openers for the front and back entrances to the facility as well as equipment for physical fitness classes and activities for relative caregivers in the Kinship Parenting Program.

Street Department

The Street Department will pave approximately 74 lane miles of streets this year through its Annual Paving Contract at a cost of approximately $2,830,000. The funding for this contract is through the State Street Aid Account, which is derived from the state gasoline taxes. Approximately $1,400,000 of these funds was spent on paving existing city streets and the remainder is for paving streets in new subdivisions, which is reimbursed by the developers.

The department anticipates spending approximately $600,000 in storm drainage and sidewalk improvements during this period. A major portion of this funding was for sidewalk, curb and gutter improvements to East Main Street and other streets in the Central Business District that were recently paved. New pavement marking was installed in these areas at a cost of approximately $200,000. The department issued 216 street cut permits during this period of time and collected $5,400 in fees.

Urban Environmental

The Urban Environmental Department is responsible for the landscape maintenance of over 40 city-owned properties such as Civic Plaza, Children's Discovery Center, and Oakland's Trail of Trees. In addition to landscaping, the U. E. D. tree division maintains over 400 miles of city-owned right of way. The department also reviews landscape plans for commercial developments, as well as administering the City's Landscape Ordinance and Tree Management Ordinance.

The Urban Environmental Department hired a full time employee to manage the growing number of commercial landscape bonds. In the fiscal year 04-05 the department received approximately $600,000.00 to guarantee the installation and maintenance of commercial landscape projects in the City of Murfreesboro.

Water and Sewer

Administration and Accounting

During fiscal year 04-05 the department stopped mailing past due notices thereby saving $16,000 per year in expenses. The department closed 139 our of 185 new work orders.

Engineering

Engineering completed 24 of the 33 year one Storm Water Program milestones. GIS located 70% of in-ground assets. The department began integration of a service work order management system to integrate customer service information and GIS. Contract 3 was approved for a repurified water line from the wastewater treatment plant to Coleman Farm. Approved contract with TDOT for the relocation of utilities associated with the proposed widening of I 24. Approved engineering contract for IDSE evaluation of water distribution system. Approved bids for Southwest Area Sewer Phase 1. An engineering contract was approved for study of Southwest and Northeast Regional Pumping Stations.

Operations & Maintenance

Sanitary Sewer Collection Systems replaced 5,700 LF of 8 and 10-inch sanitary sewer; replaced 7,000 LF of 6" residential sanitary sewer service lines; replaced 177 house service connections; installed 1,816 new house service connections; televised 275,000 LF of sanitary sewer main; and washed/cleaned 395,000 LF of sanitary sewer main.

Water Distribution Systems improved water lines to provide fire protection for approximately 85 residents; replaced approximately 5,700 LF of 4" water line with 1,500 LF of 2" waterline Installed 16 new fire

hydrants; installed 608 new meter connections; installed 395 new taps on residential and commercial service line.

Re-use Systems continued construction of 24-inch reuse line and made 5 taps.

The Wastewater Plant performed pilot testing for an ACTIFLO micro sand enhanced flocculation unit. Staff resolved an Ostracod infestation with introducing minnows that feed on the Ostracods.

The department continued construction of Phase I of the Water Plant improvements consisting of a 14,000 square foot operations building. Engineering Contract with Smith Seckman Reid was approved for the design of Phase II Process additions to water plant. Approved an Agreement for the purchase of membrane filters to be installed as part of the Phase II expansion of the water plant. Approved Design Intent for Phase II expansion of plant. Bids were approved for renovations to Raw Water Intake #1.

Accounting System and Budgetary Control

In developing and maintaining the City's accounting system, consideration is given to internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard and provide reasonable assurance of proper recording of the financial transactions.

The City charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Council.

Accounting System and Budgetary Control

Budget control has been established at the individual level. Financial reports are produced showing budget and actual expenditures by the line item and are distributed monthly to City departmental and divisional management and others upon request.

General Fund

The General Fund is used to account for expenditures of traditional government services as well as financial resources other than those required to be accounted for in other funds.

General fund revenues totaled $70,783,579 in fiscal 2005, an increase of 6.22% from fiscal 2004. General property taxes produced 40.27% of general fund revenues compared to 40.63% last year. General fund increases and decreases over last year are shown in the following tabulation:

Revenue Source -	Amount	Percent of Total	Increase (Decrease) From 2004	Percent Increase (Decrease) From 2004
Property taxes	$ 28,503,582	40.27 %	$ 1,426,778	5.27 %
Other local taxes	26,391,332	37.28	1,301,746	5.19
Licenses, permits, fines	4,631,835	6.54	31,946	0.69
Inter-governmental	7,927,467	11.20	1,067,760	15.57
Charges for services	555,034	0.78	46,930	9.24
Interest	334,272	0.47	133,542	66.53
Miscellaneous	2,440,057	3.46	132,721	5.75
	$ 70,783,579	100.00 %	$ 4,141,423	6.21 %

General Fund expenditures for general government purposes totaled $40,812,019, an increase of 12.96% from fiscal 2004. Increase (decrease) in levels of expenditures for major functions of the City over the preceding year are shown in the following tabulation:

Function -	Amount	Percent of Total	Increase (Decrease) From 2004	Percent Increase (Decrease) From 2004
Administration and general	$ 3,021,553	7.40 %	$ (7,470,966)	(71.20) %
Police and fire protection	26,551,254	65.06	9,883,451	59.30
Legal and judicial	855,145	2.10	197,571	30.05
Personnel	527,178	1.29	149,517	39.59
Streets	3,274,611	8.02	690,818	26.74
Planning and engineering	2,133,009	5.23	543,737	34.21
Other	1,184,288	2.90	(142,381)	(10.73)
Building inspections	1,290,743	3.16	434,373	50.72
Urban environmental	666,182	1.63	268,120	67.36
Public health, safety, other	1,308,056	3.21	128,147	10.86
	$ 40,812,019	100.00 %	$ 4,682,387	12.96 %

Capital Project Funds

Proceeds of General Obligation Bond issues are accounted for in Capital Project funds until improvement projects are completed. During 2005, a total of $46,176,154 was expended on projects including street and drainage improvements, traffic improvements, parks, recreation, and general facilities.

Water and Sewer System

The City's water and sewer system continued to show gains in operating revenues, number of customers, and net income. Comparative data for the past two fiscal years are presented in the following tabulation:

	2005	2004
Gross revenues including interest earned	$ 21,220,250	$ 18,619,918
Operating expenses, excluding depreciation and including operating transfers	12,219,404	11,743,101
Income available for debt service	9,000,946	6,876,817
Coverage (revenue available for debt service divided by annual debt service)	1.26	1.70

Electric System

The City's electric system also continued to show gains in operating revenues, number of customers, and net income. Comparative data for the past two fiscal years are presented in the following tabulation:

	2005	2004
Gross revenues including interest earned	$ 83,838,324	$ 80,229,784
Operating expenses, excluding depreciation and including operating transfers	76,804,735	73,500,606
Income available for debt service	7,033,589	6,729,178
Coverage (revenue available for debt service divided by annual debt service)	2.62	4.22

Debt Administration

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens, and investors. This data for the City of Murfreesboro for the last two fiscal years are presented in the following tabulation:

	2004	2004
General and Contractual Obligation Bond Debt	$5,900,000	$ 8,930,000
Ratio of net bonded debt to assessed value	.22%	.45%
Net bonded debt per capita	$ 40.87	$ 76.08

Cash Management

Cash temporarily idle during the year was invested in bank savings accounts, certificates of deposit, and U.S. Government Securities. The City's investment policy is to invest with the safety of principal, liquidity, yield, maturity, and quality being of primary importance. All deposits were insured by federal depository insurance or collateralized. All collateral on the deposits was held in the Tennessee Bank Collateral Pool.

Risk Management

During the fiscal year ended June 30, 1988, the City initiated a Self-Insured Retention program in order to deal with the potential liabilities. As of the end of the fiscal year, it was estimated that the loss reserve was $3,200,000, which represents the discounted present value of expected losses and includes claims incurred but not yet reported.

As of June 30, 2005, the risk management fund had net assets of $2,416,480.

Employee Health Plan

The City maintains an employee health plan for employees and dependents which is self-insured by the City. Revenues are recognized from payroll deductions from employees and from the City contributions for employee coverage. The plan is administered by Blue Cross/Blue Shield of Tennessee. The City has excess coverage on individual claims over $500,000 and on claims for transplant surgery.

As of the end of the fiscal year, it was estimated that the loss reserve was $353,120, which represents the discounted present value of expected losses and includes claims incurred but not yet reported.

As of June 30, 2004, the employee health insurance fund had net assets of $1,083,741.

OTHER INFORMATION

Independent Audit

State statues require an annual audit by the State Comptroller's Office or by a certified public accountant. The City engaged the firm of Jobe, Hastings & Associates, Certified Public Accountants, to perform the 2004-2005 audit. The auditor's report has been included in this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Murfreesboro for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Murfreesboro has received a Certificate of Achievement for the last five consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance department. Appreciation is expressed to City employees throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,

Roger G. Haley
City Manager

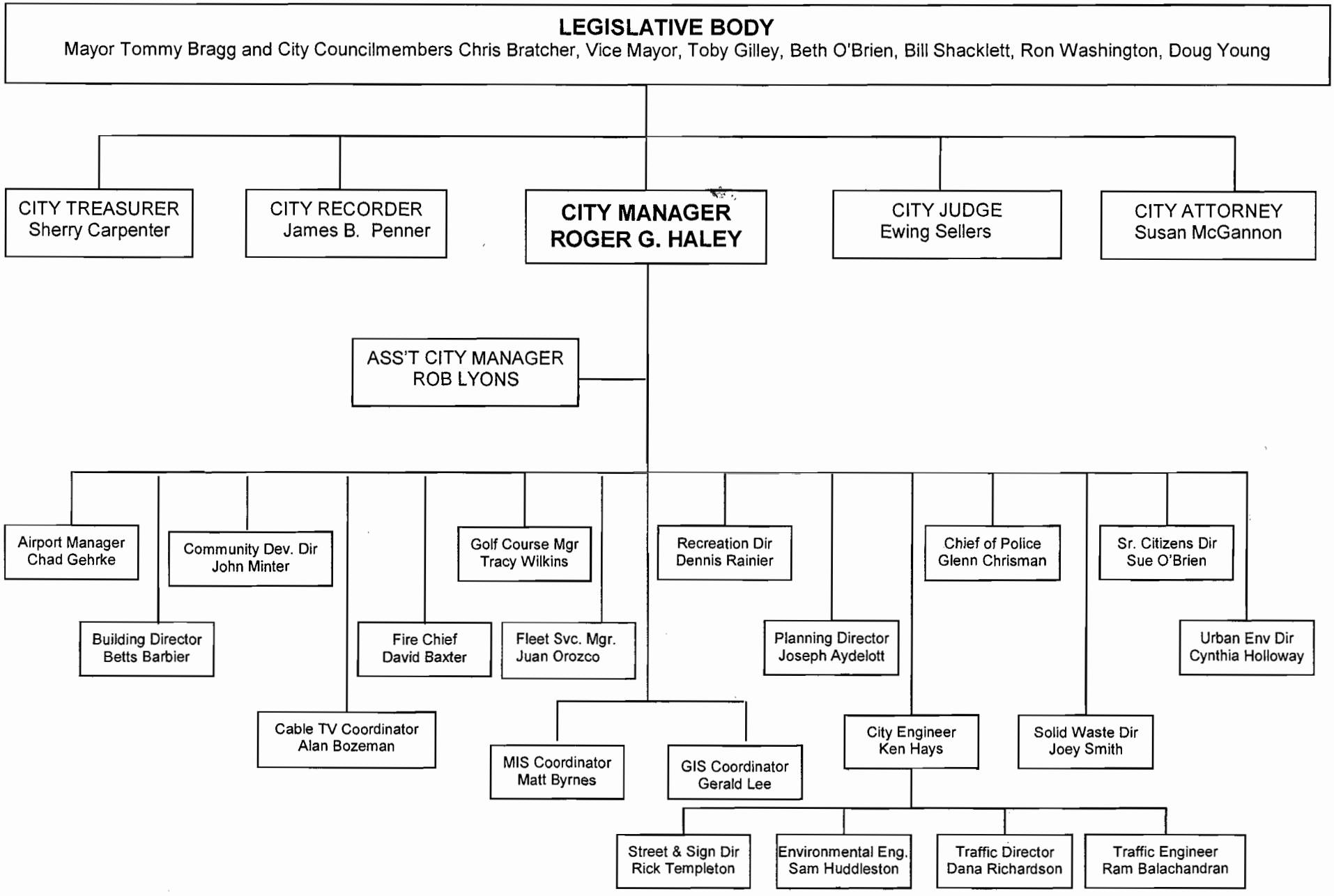
James B. Penner
City Recorder/Finance Director

Melissa B. Wright, CPA
Assistant City Recorder/Chief Accountant

CITY OF MURFREESBORO, TENNESSEE
CITY OFFICIALS
JUNE 30, 2005

MAYOR	Tommy Bragg
CITY COUNCIL	Chris Bratcher Doug Young Bill Shacklett Tolbert Gilley, III Ronald Washington Beth O'Brien
CITY MANAGER	Roger G. Haley
ASSISTANT CITY MANAGER	Robert J. Lyons
CITY RECORDER/FINANCE DIRECTOR	James B. Penner
ASSISTANT CITY RECORDER/CHIEF ACCOUNTANT	Melissa B. Wright
CITY ATTORNEY	Susan McGannon
CITY TREASURER/PERSONNEL DIRECTOR	Sherry Carpenter
SUPERINTENDENT OF SCHOOLS	Marilyn Mathis
PLANNING DIRECTOR	Joseph Aydelott
DIRECTOR OF BUILDING DEPARTMENT	Betts Barbier
CHIEF, POLICE DEPARTMENT	Glenn Chrisman
RECREATION DIRECTOR	Dennis Rainier
GOLF COURSE GENERAL MANAGER	Tracy Wilkins
CITY ENGINEER	Kenneth N. Hayes
COMMUNITY DEVELOPMENT COORDINATOR	John Minter
CHIEF, FIRE DEPARTMENT	David Baxter
SUPERINTENDENT, SOLID WASTE DEPARTMENT	Joey Smith
WATER AND SEWER DIRECTOR	Joe Kirchner
ELECTRIC DEPARTMENT DIRECTOR	Larry Kirk
DIRECTOR, SENIOR CITIZENS CENTER	Sue O'Brien
CITY HORTICULTURIST/LANDSCAPE DESIGNER	Cynthia Holloway
CITY JUDGE	Ewing Sellers
CABLE TELEVISION COORDINATOR	Alan Bozeman
AIRPORT MANAGER	Chad Gehrke
DIRECTOR OF STREET AND SIGN DEPARTMENT	Rick Templeton
DIRECTOR OF FLEET SERVICES	Juan Orozco

CITY OF MURFREESBORO - ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Murfreesboro, Tennessee

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

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

President

Executive Director

JOBE, HASTINGS & ASSOCIATES

Certified Public Accountants

Joel H. Jobe, CPA, CMPE
Donna K. Hastings, CPA
James R. Jobe, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Murfreesboro, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Murfreesboro, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Murfreesboro, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Murfreesboro City Schools, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Department Pension Plan, and the Evergreen Cemetery Commission whose statements reflect total assets of $19,659,304, $82,952,589, $272,102,744, $10,275,202, and $1,877,389, respectively, and total revenues of $41,910,078, $83,838,324, $21,220,250, $1,359,335, and $421,566 respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Murfreesboro City Schools, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Department Pension Plan, and the Evergreen Cemetery Commission is based upon the reports of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

JOBE, HASTINGS & ASSOCIATES JHA CPA'S

745 SOUTH CHURCH STREET • BELMONT PARK • P.O. BOX 1175 • MURFREESBORO, TN 37133-1175 • 615-893-7777 • FAX 615-896-5990

The management's discussion and analysis, pension trend data, and budgetary comparison information for major governmental funds on pages three (3) through fifteen (15) and fifty-nine (59) through seventy (70) are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The pension trend data and budgetary comparison information for major governmental funds has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion based on our audit and the reports of other auditors, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

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

John, Hastings & Associates

Certified Public Accountants

Murfreesboro, Tennessee
November 4, 2005

CITY OF MURFREESBORO

Management's Discussion and Analysis

June 30, 2005

The following discussion and analysis of the City of Murfreesboro's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Management encourages readers to consider the information presented here in conjunction with the additional information presented in our letter of transmittal, which can be found on pages i - xv of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Murfreesboro exceeded its liabilities at June 30, 2005 by $456,350,355. Of this amount $8,107,782 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net assets increased by $56,043,436 (14 percent) during the year. The governmental net assets increased by $34,113,878 (20.25 percent) and the business-type net assets increased by $21,929,558 (9.46 percent).

- As of June 30, 2005 the City's governmental funds reported combined fund balances of $32,486,333, a decrease of $5,471,917 (14.42 percent) in comparison with the prior year. The unreserved, undesignated portion of the governmental fund combined fund balance is $28,763,035 and is available for spending at the city's discretion.

- At the end of the year the unreserved fund balance for the general fund was $30,912,311, or 75.74 percent of the total general fund expenditures.

- The City of Murfreesboro's total debt increased by $31,443,439 (17.6 percent) during the year ended June 30, 2005. Debt was issued by the general government as well as both utility's to continue infrastructure projects needed to meet the demands of growth in our City.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Murfreesboro's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business. These statements present

governmental activities and *business-type activities* separately. Governmental activities are principally supported by taxes and intergovernmental revenues and include administrative and general, police, fire protection, judicial, legal, personnel, streets, planning and engineering, building inspections, sanitation, urban environmental, public health, safety and other, other governmental activities, recreation, community development, education, and food service. Business-type activities are supported through user fees and charges and include a water and sewer operation, an electrical distribution operation, and a cemetery. The government-wide financial statements can be found on pages 16 - 18 of this report.

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

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

Fund Financial Statements

A fund is established to account for a specific activity or purpose. Law mandates the creation of some funds. Other funds are established by management to demonstrate financial compliance with budget or legal requirements. All of the funds of the City of Murfreesboro can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for most of the City's basic services. The governmental fund statements provide a detailed short-term view of the City's general government operations by using a modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. Governmental fund information is useful in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those of the government-wide financial statements are explained in a reconciliation following each governmental fund statement.

The City of Murfreesboro maintains thirty-four (34) individual governmental funds. Information is presented separately in the governmental fund statements for the general fund, the general purpose school fund, the 2004 TML fund, the 2005 TML fund and the Gateway Project fund, which are considered to be major funds. Data from the other twenty-nine (29) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in combining statements in the supplemental section of this report.

The basic governmental fund financial statements can be found on pages 19 - 23 of this report.

Proprietary Funds
There are two types of proprietary funds: *enterprise funds* and *internal service funds*.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements, only in more detail. The City's water and sewer department and electric department are considered to be major funds and are displayed separately in the proprietary fund statements on pages 24 - 27 of this report. The City's other three (3) enterprise funds are combined into a single column for non-major funds.

Internal service funds are used to account for activities that provide supplies and services for the City's other programs and activities. Because these services predominantly benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements. The City of Murfreesboro uses internal service funds to account for its fleet maintenance of vehicles and for its self-insurance programs. They have been combined into a single column in the proprietary fund financial statements on pages 24 - 27 of this report. Detailed financial data for those funds can be found in the combining statements in the supplemental section of this report.

Fiduciary Funds
Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund statements can be found on pages 28 - 29 of this report.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 58 of this report.

Other Information
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This section also includes budgetary comparison schedules for certain major governmental funds. Required supplementary information can be found on pages 59 - 70 of this report.

The combining statements referred to earlier in connection with the non-major governmental funds, non-major enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions and certain budgetary

comparison schedules. Combining statements and individual fund schedules can be found on pages 71 - 119 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by $456,350,355 at June 30, 2005. The largest part of the City of Murfreesboro's net assets (90.2 percent) reflects its investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The largest change in net assets is the portion invested in governmental activities capital assets, net of related debt. Approximately 20.5 percent of the $61,021,151 increase in governmental activities capital assets is due to land and infrastructure donated to the City for neighborhood right-of-ways and streets from various developers. The table below focuses on the net assets of the City's governmental and business-type activities:

NET ASSETS
June 30, 2005

	Governmental Activites		Business-type Activites		Total	
	2005	2004 (Restated)	2005	2004	2005	2004 (Restated)
Current and other assets	$ 89,520,424	$ 90,612,711	$ 30,285,631	$ 26,035,303	$ 119,806,055	$ 116,648,014
Capital assets	280,347,326	219,326,175	326,160,269	297,057,957	606,507,595	516,384,132
Total assets	369,867,750	309,938,886	356,445,900	323,093,260	726,313,650	633,032,146
Long-term liabilities outstanding	118,486,402	97,419,732	91,611,162	81,234,393	210,097,564	178,654,125
Other liabilities	48,809,392	44,061,076	11,056,339	10,010,026	59,865,731	54,071,102
Total liabilities	167,295,794	141,480,808	102,667,501	91,244,419	269,963,295	232,725,227
Net assets:						
Invested in capital assets, net of related debt	175,428,453	130,951,307	236,151,787	215,897,440	411,580,240	346,848,747
Restricted	24,322,534	25,137,765	12,339,799	11,293,939	36,662,333	36,431,704
Unrestricted	2,820,969	12,369,006	5,286,813	4,657,462	8,107,782	17,026,468
Total net assets	$ 202,571,956	$ 168,458,078	$ 253,778,399	$ 231,848,841	$ 456,350,355	$ 400,306,919

There are 8 percent of the City's net assets that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets ($8,107,782) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the fiscal year, the City of Murfreesboro is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental Activities

Governmental activities increased the City of Murfreesboro's net assets by $34,113,878 thereby accounting for 60.9 percent of the total growth in the net assets. Key elements of this increase are as follows:

CHANGES IN NET ASSETS
June 30, 2005

	Governmental Activites		Business-type Activites		Total	
	2005	2004	2005	2004	2005	2004
Revenues:		(Restated)				(Restated)
Program revenues:						
Charges for services	$ 13,149,079	$ 12,429,229	$ 104,984,804	$ 98,956,412	$ 118,133,883	$ 111,385,641
Operating grants & contributions	42,948,523	40,977,668	43,458	14,931	42,991,981	40,992,599
Capital grants & contributions	22,108,525	14,642,477	18,274,459	11,866,450	40,382,984	26,508,927
General revenues:						
Property taxes	28,344,042	26,360,238			28,344,042	26,360,238
Other taxes	27,722,572	26,282,742			27,722,572	26,282,742
Grants & contributions not restricted to specific programs	7,373,394	7,746,526			7,373,394	7,746,526
Other	777,555	766,146	310,815	227,051	1,088,370	993,197
Total revenues	$ 142,423,690	$ 129,205,026	$ 123,613,536	$ 111,064,844	$ 266,037,226	$ 240,269,870
Expenses:						
Administrative and general	$ 3,441,920	$ 10,480,078			$ 3,441,920	$ 10,480,078
Police	15,569,351	10,567,162			15,569,351	10,567,162
Fire protection	11,560,354	7,579,266			11,560,354	7,579,266
Judicial	383,250	265,559			383,250	265,559
Legal	470,674	396,578			470,674	396,578
Personnel	540,178	385,962			540,178	385,962
Streets	5,129,327	7,307,752			5,129,327	7,307,752
Planning and engineering	2,147,854	1,591,616			2,147,854	1,591,616
Building inspections	1,309,877	848,527			1,309,877	848,527
Sanitation	3,657,530	2,960,831			3,657,530	2,960,831
Urban environmental	690,795	401,802			690,795	401,802
Public health, safety and other	1,413,132	1,304,758			1,413,132	1,304,758
Other expenses	3,633,490	4,398,285			3,633,490	4,398,285
Recreation	9,116,288	8,797,250			9,116,288	8,797,250
Community development	825,139	834,883			825,139	834,883
Education	46,031,454	42,437,962			46,031,454	42,437,962
Food service	2,261,382	2,083,432			2,261,382	2,083,432
Interest on long-term debt	2,498,568	1,716,071			2,498,568	1,716,071
Water and sewer			$ 20,702,532	$ 19,669,239	20,702,532	19,669,239
Electric			80,608,817	76,598,655	80,608,817	76,598,655
Cemetery			377,487	344,372	377,487	344,372
Total expenses	$ 110,680,563	$ 104,357,774	$ 101,688,836	$ 96,612,266	$ 212,369,399	$ 200,970,040
Increase in net assets before contributions and transfers	$ 31,743,127	$ 24,847,252	$ 21,924,700	$ 14,452,578	$ 53,667,827	$ 39,299,830
Contributions to permanent funds			80,791	51,763	80,791	51,763
Gain on sale of assets	2,214,818	274,956			2,214,818	274,956
Reduction in estimated landfill post-closure costs	80,000	802,000			80,000	802,000
Transfers	75,933	17,370	(75,933)	(17,370)		
Increase in net assets	$ 34,113,878	$ 25,941,578	$ 21,929,558	$ 14,486,971	$ 56,043,436	$ 40,428,549
Net assets - beginning, as restated	168,458,078	142,516,500	231,848,841	217,361,870	400,306,919	359,878,370
Net assets at end of year	$ 202,571,956	$ 168,458,078	$ 253,778,399	$ 231,848,841	$ 456,350,355	$ 400,306,919

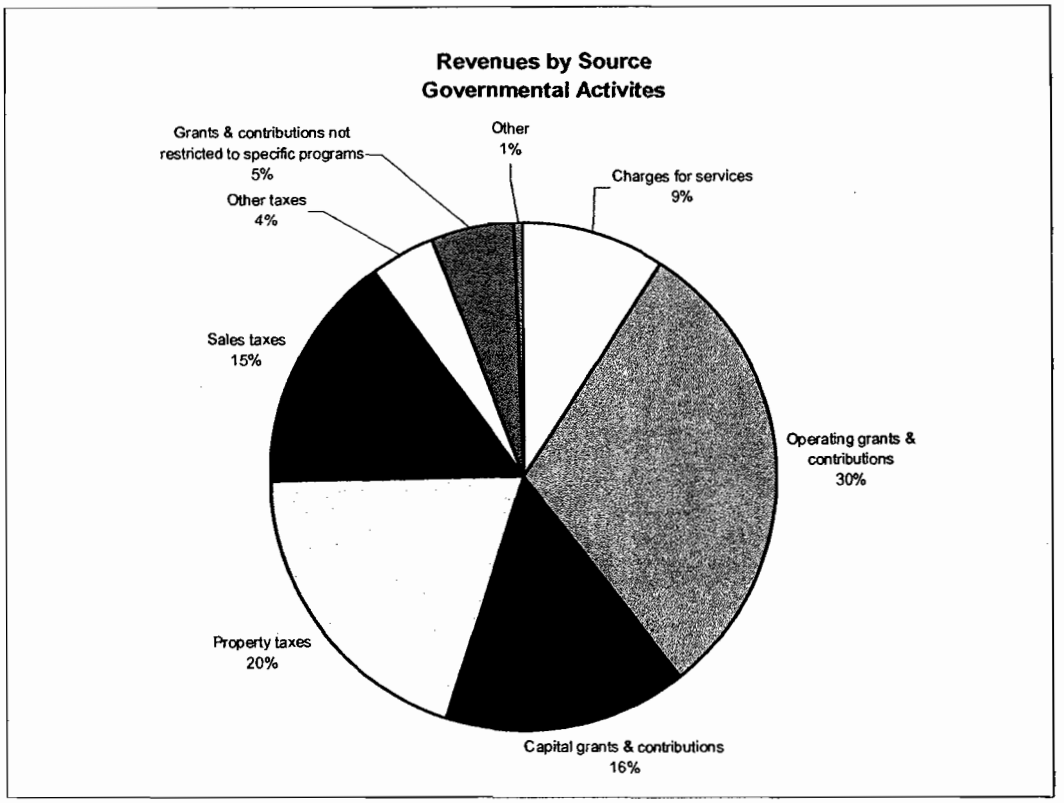
In the fiscal year ended 2005 payroll related items such as retirement, medical insurance and the Social Security/Medicare match were reclassified from the Administrative and General category to the department which generated the costs originally. This change does not affect the total expenditures for the year, but does cause a large fluctuation when comparing the individual line items of the 2005 and 2004 fiscal years within the governmental activities section of the Changes in Net Assets table.

Our continued population growth is evident in many of the increases in revenues and expenses in the table above. The Water and Sewer Department and the Electric Department experienced an increase in demand, along with the additional costs of providing the service needed by the growing customer base. Additionally, the Water and Sewer Department implemented a rate increase for the fiscal year ended 2005. As the City has continued to grow, the departments charged with managing the growth through planning, inspections, providing public safety and maintenance have experienced a cost increase due to the need for a larger staff as well as covering larger areas to be maintained. The increase in fuel costs affected all departments that have a regular fleet of vehicles on the road.

Capital grants and contributions for the City experienced a large increase as the City has had developers contribute right-of-way, sidewalks, curb and gutter, storm drains, streets, water and/or sewer systems for several new developments that have been completed. The contributions have increased the City's net assets, without a cost of construction to the taxpayers, however it will be the City's responsibility to keep these systems maintained in the future. Additionally, the City received funds from Rutherford County for the use of education as a result of sharing bond proceeds from a bond issue to build schools that included grades K-6.

The City has provided funds to the State of Tennessee for two new interchanges to be opened off Interstate 24 in the near future because of the heavy congestion experienced on our present interchanges. One new interstate interchange opened off I-24 in July 2005. The interchange, known as Medical Center Parkway, leads to a new development by the City which will showcase a new hospital and major retail and office space. The City hopes this development will also attract a national company headquarters to our area.

The cost of all governmental activities was $110,680,563. However, as shown in the Changes in Net Assets table, 70.7 percent ($78,206,127) of these costs were paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs with operating grants and contributions and capital grants and contributions. The City paid for the remaining "public benefit" portion of governmental activities with taxes, general grants and contributions, and other miscellaneous revenue. Each program's net cost to taxpayers is presented below:



Net Program Cost to Taxpayers

Governmental activities:	Revenue	Expense	Net (Expense) Revenue
Administrative and general	$ 154,249	$ 3,441,920	$ (3,287,671)
Police	622,233	15,569,351	(14,947,118)
Fire protection	403,417	11,560,354	(11,156,937)
Judicial	1,594,058	383,250	1,210,808
Legal		470,674	(470,674)
Personnel		540,178	(540,178)
Streets	18,393,263	5,129,327	13,263,936
Planning and engineering	69,549	2,147,854	(2,078,305)
Building inspections	2,920,015	1,309,877	1,610,138
Sanitation	55,347	3,657,530	(3,602,183)
Urban environmental		690,795	(690,795)
Public health, safety and other		1,413,132	(1,413,132)
Other expenses	2,346,933	3,633,490	(1,286,557)
Recreation	3,274,895	9,116,288	(5,841,393)
Community development	1,308,133	825,139	482,994
Education	44,610,983	46,031,454	(1,420,471)
Food service	2,424,891	2,261,382	163,509
Interest on long-term debt	28,161	2,498,568	(2,470,407)
Total governmental activities	$ 78,206,127	$ 110,680,563	$ (32,474,436)

Governmental net assets for fiscal year 2005 were increased by $34,113,878 after payment of governmental activities expenses of $110,680,563 with program revenues of $78,206,127, general revenues of $64,217,563, gain on sale of assets of $2,214,818, reduction in estimated landfill post-closure costs of $80,000 and transfers of $75,933. Governmental net assets at June 30, 2005 were $202,571,956.

Program Expenses
Governmental Activities

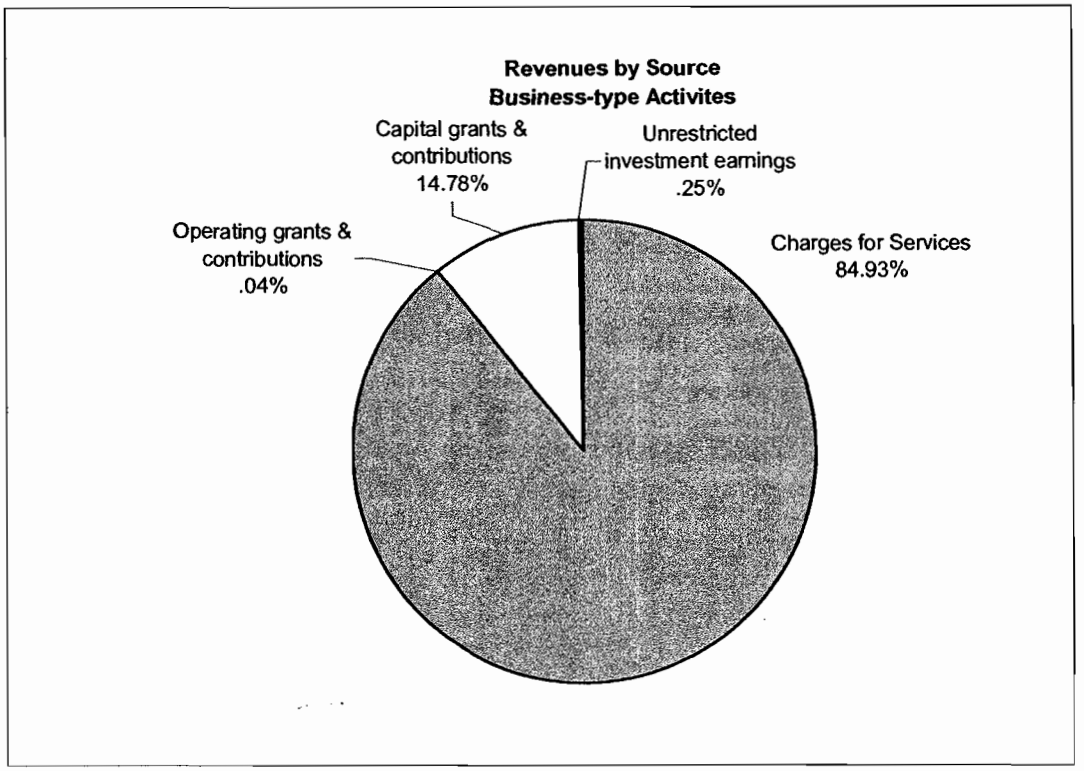
Governmental activities:	Total Expense	Percent of Total		Total Expense	Percent of Total
Administrative and general	$ 3,441,920	3%	Sanitation	3,657,530	3%
Police	15,569,351	14%	Urban environmental	690,795	1%
Fire protection	11,560,354	11%	Public health, safety and other	1,413,132	1%
Judicial	383,250	0%	Other expenses	3,633,490	3%
Legal	470,674	0%	Recreation	9,116,288	8%
Personnel	540,178	1%	Community development	825,139	1%
Streets	5,129,327	5%	Education	46,031,454	42%
Planning and engineering	2,147,854	2%	Food service	2,261,382	2%
Building inspections	1,309,877	1%	Interest on long-term debt	2,498,568	2%
			Total governmental activities	$ 110,680,563	100%

Business-type Activities

The business-type activities increased the City of Murfreesboro's net assets by $21,929,558, accounting for 39 percent of the total growth of the City's net assets. The business-type activities include a water and sewer operation, an electrical distribution operation and a cemetery. The cost of all business-type activities this year was $101,688,836. As shown in the Statement of Activities, the amounts paid by users of the operations were $104,984,804. The additional revenue sources included operating grants and contributions of $43,458, capital grants and contributions of $18,274,459, unrestricted investment earnings of $310,815, and contributions to permanent funds of $80,791. There were also transfers to other funds of $75,933.

Expenses and Program Revenues
Business-type Activities

	Expenses	Program Revenue	Expense as a Percent of Revenue
Water & Sewer	$ 20,702,532	$ 39,188,058	53%
Electric	80,608,817	83,693,947	96%
Cemetery	377,487	420,716	90%
	$ 101,688,836	$ 123,302,721	82%



The Water and Sewer Department experienced a $2,552,801 (13.8 percent) growth in operating revenues due to growth in the water and sewer consumption in addition to a rate increase for both water and sewer. Developer contributions to the water and sewer system increased $6,266,946 (52.81 percent) due to the continued growth of the City. The Electric Department experienced a $3,572,000 (4.46 percent) increase in operating revenue due to new customer growth. The cost of purchased power increased $3,041,501 (4.65 percent).

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

As of June 30, 2005 the City of Murfreesboro's governmental funds reported combined ending fund balances of $32,486,333, a decrease of $5,471,917 in comparison with the prior year. The 53.45 percent of the decrease in fund balance is from the Gateway Project, which decreased $2,924,752. This project is being developed as a major gateway into the city with a hospital and large retail and office area. Costs for the infrastructure are being advanced by the General Fund and net proceeds of land sales. The 2005 TML Fund had a negative fund balance of $12,353,405 because the expenses to be paid from this capital project fund have been advanced by the General Fund and will be reimbursed upon issuance of the loan in the summer of 2005.

The general fund is the chief operating fund of the City of Murfreesboro. At June 30, 2005, the fund balance is $31,176,315, an increase of $3,655,707. The City experienced increases in several revenue accounts, including property taxes, sales taxes, gross receipts taxes and permits related to the building industry because of the continued growth surge in our area.

The most significant increase is in the local sales tax revenue which increased $1,093,643 (5.35 percent). Along with this growth surge has come the responsibility of providing services to these new residents. These additional services have increased our employee costs for labor and benefits, funding needs for our schools, and providing recreational facilities for our citizens.

Proprietary Funds

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

Net assets of the Water and Sewer Department at June 30, 2005 were $194,596,451, which is an increase of $18,571,709. The Electric Department had net assets of $57,747,320 at June 30, 2005, which is an increase of $3,199,872. Net assets for the other proprietary funds at June 30, 2005 were $512,098, which is an increase of $48,937.

Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

No amendments were necessary for the original budget. The two most significant variations of actual results versus the budget were tax revenue was $1,425,991 more than budgeted and transfers-out was $1,876,884 less than budgeted, accounting for the majority of the variation between actual results and the budget. The City did not transfer $1,321,311 to the City's debt service fund because of continued low interest rates experienced by the variable rate loans utilized. A savings was also realized of $299,653 that was not transferred to the recreation department largely due to reduced part-time employee needs.

The budget planned for a $1,800,000 shortfall to be funded from available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Murfreesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to $606,507,595 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, certain infrastructure, and utility distribution systems. The prior year numbers were restated as the City continued its on-going project of recording infrastructure and related assets as allowed by GASB 34's phase-in plan. The total increase in the City of Murfreesboro's investment in capital assets for the current fiscal year was 17.45 percent (a 27.8 percent increase for governmental activities and a 9.8 percent increase for business-type activities).

Land increased $12,128,629, of which 55.6 percent was donated right-of-way. 113 acres was acquired for a proposed interchange and future development off State Route 840 on the northwest side of the City. Construction in progress is composed largely of a new soccer complex, a new solid waste facility and road projects at June 30, 2005. A new school building was completed and capitalized during the year, as well as a variety of street projects.

Infrastructure assets include roads, bridges, sidewalks, and lighting systems. Certain of these assets, which are stationary and can be preserved for significantly longer than most capital assets, were included in the City's financial statements for the first time in the fiscal year June 30, 2002. The assets included are those that were constructed, acquired or completed on or after July 1, 2001. Pursuant to GASB Statement No. 34, the City must retroactively report by June 30, 2006 all infrastructure assets acquired before July 1, 2001. The City expects to accomplish this retroactive reporting of infrastructure by that deadline.

As a result of maintained population growth, the utility operations continued additions and improvements of the distribution lines for a net increase in utility assets of $29,102,312. The transmission and distribution mains, net of depreciation, have increased $14,939,815 (12.56 percent). Additionally, the utility operations have a net increase in construction in progress of $12,251,245 as they strive to maintain the operation and distribution levels needed to serve the continued growth of our area.

Capital Assets
Net of Depreciation

	Governmental Activites		Business-type Activites		Total	
	2005	2004 (Restated)	2005	2004	2005	2004 (Restated)
Non-Depreciable Assets:						
Land	$ 63,899,403	$ 51,772,764	$ 17,479,818	$ 17,477,828	$ 81,379,221	$ 69,250,592
Water storage rights			3,051,429	3,051,429	3,051,429	3,051,429
Construction in progress	50,534,765	31,547,300	47,158,641	34,907,398	97,693,406	66,454,698
Other Capital Assets:						
Buildings	73,785,787	64,686,573	48,264,380	49,368,908	122,050,167	114,055,481
Improvements other than buildings	19,658,788	20,379,697			19,658,788	20,379,697
Transmission & distribution mains			133,887,153	118,947,338	133,887,153	118,947,338
Electric plants			57,029,694	52,859,707	57,029,694	52,859,707
Equipment	16,173,638	11,819,960	19,289,154	20,445,349	35,462,792	32,265,309
Infrastructure	56,294,945	39,119,880			56,294,945	39,119,880
Total	$ 280,347,326	$ 219,326,174	$ 326,160,269	$ 297,057,957	$ 606,507,595	$ 516,384,131

Additional information on the City of Murfreesboro's capital assets can be found in note F on pages 41 - 43 of this report.

Long-term Debt

Total long-term debt for the City of Murfreesboro increased $31,443,439 during the year ended June 30, 2005. Debt from governmental activities increased $21,066,670 (21.6 percent) and business-type activities debt has increased $10,376,769 (12.77 percent).

The City has 66 percent of its governmental long-term debt in the form of variable rate loans from the Tennessee Municipal Bond Fund; the average variable interest rate for the year was 2.44 percent. These loans are drawn down periodically as the money is needed for a variety of projects, the largest of which is street improvements.

The Water and Sewer Department had $9,181,324 drawn down from Tennessee Municipal Bond Fund loans during the fiscal year ended June 30, 2005 for funding of several capital improvement projects.

Additional information on the City of Murfreesboro's long-term debt can be found in note G on pages 43 - 47 of this report.

Long-term Debt Outstanding
June 30, 2005

	Governmental Activites		Business-type Activites		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	$ 5,900,000	$ 8,930,000	$ 805,000	$ 1,095,000	$ 6,705,000	$ 10,025,000
Tennessee Municipal Bond Fund loans	106,394,710	82,926,540	32,719,429	19,310,256	139,114,139	102,236,796
Revenue bonds			5,065,000	5,915,000	5,065,000	5,915,000
Matured bonds payable			36,000	36,000	36,000	36,000
Less: Deferred amounts	22,754	30,338	(93,536)	(104,416)	(70,782)	(74,078)
State revolving loan			50,658,759	52,784,276	50,658,759	52,784,276
Estimated landfill closure costs	365,000	445,000			365,000	445,000
Compensated absences	2,603,938	2,307,754	1,662,049	1,335,393	4,265,987	3,643,147
Loans payable - Utility plant acquisition			758,461	862,884	758,461	862,884
Claims and judgements	3,200,000	2,780,100			3,200,000	2,780,100
	$ 118,486,402	$ 97,419,732	$ 91,611,162	$ 81,234,393	$ 210,097,564	$ 178,654,125

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Murfreesboro continues to be one of the fastest growing areas in the State of Tennessee. The special census conducted in the spring of 2005 indicated the City has grown by 18% since the federal census done in 2000. Murfreesboro is also the home of Middle Tennessee State University which is the largest undergraduate school in the state of Tennessee. A new interchange off of I-24 is being designed by the State of Tennessee and the City has bought right-of-way to widen and improve the road infrastructure to lead from the interchange to the university. The next major phase of this improvement begins in 2005-2006 for the route re-named Middle Tennessee Blvd.

The City is actively recruiting industry and commercial growth by partnering with the Chamber of Commerce. Several sites in the Gateway Project area have begun to develop and are competed or are nearing completion. Sales and interest of land in this development continue to be strong. The City expects to have additional land sales in the upcoming year. The committee in charge of the Gateway land development is carefully considering each offer in order to make this Project successful for the City. The City has contracted with a hotel developer to open a hotel/conference center on land across from the Gateway Project. The conference center will be owned by the City but the hotel developer is participating in part of the construction costs. We feel a nationally recognized hotel and conference center will make our City more attractive to conferences for large organizations and make us more competitive

with surrounding counties who already have these facilities. This project passed a referendum by a two-to-one margin which indicates the public is also backing this project.

The new soccer complex opened in the fall of 2005 and was an immediate success. With the addition of this new complex the TSSAA has awarded the City the Tennessee high school spring sports playoffs. The state football and basketball playoffs have been in Murfreesboro for a few years and we are excited to add another reason to bring tourists to our area.

Our location in middle Tennessee has helped insulate our community from many of the problems counties that border our state have experienced because of residents going across the state-line to buy their goods. With our growth and this additional border insulation, our sales tax for the past year has been strong and our 2004-2005 budget forecasts continued strong sales tax collections.

The City Council continues to strive to improve the services our departments deliver and accommodate the growth of our City. Public safety accounts for 38% of the 2005-2006 budgeted General Fund expenditures. The police and fire departments are actively seeking grants to be used to enhance the equipment and personnel needs to better serve the citizens. The City opened a new school on the south side of the City to meet the needs of our growing population, as well as the State mandated classroom size limits. Discussion for a new school on the north side of the City is underway and a site has already been purchased.

The Water and Sewer Department will opened a new water tank in 2004-2005 and is currently constructing a replacement water tank expected to open 2005-2006. The tanks are elevated concrete tanks that are virtually maintenance free and will help lower future maintenance costs. The water treatment plant will upgrade its filtration system with a new membrane that will provide an absolute barrier to bacteria and other pathogens as compared to the current technology of slow sand filtration. This new technology should provide a great health benefit to our water customers.

The Electric Department borrowed $15 million in July 2004 from a variable rate loan to fund the rebuilding of two substations, the addition of one new substation, system expansion and improvements, and an automated meter reading system. As of June 30, 2005 $7,823,712 has been drawn on this loan.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Murfreesboro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P.O. Box 1139, Murfreesboro, TN 37133-1139.

CITY OF MURFREESBORO, TENNESSEE

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 41,503,492	$ 7,899,518	$ 49,403,010
Receivables, net of allowance for uncollectibles	45,024,917	5,551,988	50,576,905
Internal balances	(901,211)	901,211	-
Inventories	244,300	1,875,395	2,119,695
Prepaid pension costs	1,738,584		1,738,584
Prepaid items and other assets	59,473	169,476	228,949
Deferred charges	46,754	1,548,244	1,594,998
Restricted assets -			
Cash and cash equivalents	451,729	11,958,799	12,410,528
Investments, at fair value	1,352,386	381,000	1,733,386
Capital assets -			
Land and construction in progress	114,434,168	67,689,888	182,124,056
Other capital assets, net of depreciation	165,913,158	258,470,381	424,383,539
Total Assets	$ 369,867,750	$ 356,445,900	$ 726,313,650
LIABILITIES			
Cash overdraft	$ 318,289		$ 318,289
Accounts payable and accrued expenses	9,797,706	$ 6,337,677	16,135,383
Contracts payable		892,225	892,225
Unearned revenue	36,884,514		36,884,514
Deposits held	1,688,084	3,555,863	5,243,947
Other deposits	60,785		60,785
Matured bond interest payable	807		807
Other liabilities	59,207	270,574	329,781
Long-term liabilities -			
Due within one year	15,390,568	10,485,393	25,875,961
Due in more than one year	103,095,834	81,125,769	184,221,603
Total Liabilities	$ 167,295,794	$ 102,667,501	$ 269,963,295
NET ASSETS			
Invested in capital assets, net of related debt	$ 175,428,453	$ 236,151,787	$ 411,580,240
Restricted for -			
Education	5,213,468		5,213,468
Capital activity and debt service	11,269,977	12,339,799	23,609,776
Highways and streets	2,696,541		2,696,541
Other purposes	3,731,023		3,731,023
Perpetual care -			
Expendable	109,169		109,169
Nonexpendable	1,302,356		1,302,356
Unrestricted	2,820,969	5,286,813	8,107,782
Total Net Assets	$ 202,571,956	$ 253,778,399	$ 456,350,355

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Activities

Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities -				
Administrative and general	$ 3,441,920	$ 154,249		
Police	15,569,351	251,479	$ 370,754	
Fire protection	11,560,354	372,120	31,297	
Judicial	383,250	1,594,058		
Legal	470,674			
Personnel	540,178			
Streets	5,129,327	12,726	2,363,303	$ 16,017,234
Planning and engineering	2,147,854	69,549		
Building inspections	1,309,877	2,920,015		
Sanitation	3,657,530	41,568	13,779	
Urban environmental	690,795			
Public health, safety and other	1,413,132		-	
Other governmental activities	3,633,490	1,591,030	215,403	540,500
Recreation	9,116,288	2,694,653	161,181	419,061
Community development	825,139	102,094	1,206,039	
Education	46,031,454	2,160,500	37,318,753	5,131,730
Food service	2,261,382	1,156,877	1,268,014	
Interest on long-term debt	2,498,568	28,161		
Total governmental activities	$ 110,680,563	$ 13,149,079	$ 42,948,523	$ 22,108,525
Business-type activities -				
Water and sewer	$ 20,702,532	$ 20,913,599		$ 18,274,459
Electric	80,608,817	83,693,947		
Cemetery	377,487	377,258	$ 43,458	
Total business-type activities	$ 101,688,836	$ 104,984,804	$ 43,458	$ 18,274,459
Total primary government	$ 212,369,399	$ 118,133,883	$ 42,991,981	$ 40,382,984

General Revenues -
- Taxes -
  - Property taxes
  - Sales taxes
  - Other taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Miscellaneous

Contributions to permanent funds
Gain on sale of assets
Special item -
- Reduction in estimated landfill post-closure costs

Transfers
- Total general revenues, special items, and transfers
- Change in net assets

Net assets - beginning, as previously reported
- Prior period adjustment

Net assets - beginning, as restated

Net assets - ending

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (3,287,671)		$ (3,287,671)
(14,947,118)		(14,947,118)
(11,156,937)		(11,156,937)
1,210,808		1,210,808
(470,674)		(470,674)
(540,178)		(540,178)
13,263,936		13,263,936
(2,078,305)		(2,078,305)
1,610,138		1,610,138
(3,602,183)		(3,602,183)
(690,795)		(690,795)
(1,413,132)		(1,413,132)
(1,286,557)		(1,286,557)
(5,841,393)		(5,841,393)
482,994		482,994
(1,420,471)		(1,420,471)
163,509		163,509
(2,470,407)		(2,470,407)
$ (32,474,436)		$ (32,474,436)
	$ 18,485,526	$ 18,485,526
	3,085,130	3,085,130
	43,229	43,229
	$ 21,613,885	$ 21,613,885
$ (32,474,436)	$ 21,613,885	$ (10,860,551)
$ 28,344,042		$ 28,344,042
21,550,526		21,550,526
6,172,046		6,172,046
7,373,394		7,373,394
702,202	$ 310,815	1,013,017
75,353		75,353
	80,791	80,791
2,214,818		2,214,818
80,000		80,000
75,933	(75,933)	
$ 66,588,314	$ 315,673	$ 66,903,987
$ 34,113,878	$ 21,929,558	$ 56,043,436
$ 201,291,035	$ 231,848,841	$ 433,139,876
(32,832,957)		(32,832,957)
$ 168,458,078	$ 231,848,841	$ 400,306,919
$ 202,571,956	$ 253,778,399	$ 456,350,355

CITY OF MURFREESBORO, TENNESSEE

Balance Sheet
Governmental Funds

June 30, 2005

	General	General Purpose School	2004 TML Fund	2005 TML Fund	Gateway Project	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 12,478,991	$ 3,545,850	$ 360,115		$ 433,629	$ 19,955,678	$ 36,774,263
Receivables, net of allowance for uncollectibles -							
Taxes	27,212,894						27,212,894
Accounts		16,223				493,568	509,791
Other	816,419					44,341	860,760
Due from others						219,643	219,643
Due from other funds	21,452,106	64,784				877,165	22,394,055
Due from other governments	4,319,830	10,531,431	175,000	$ 125,000		1,035,854	16,187,115
Prepaid items and deposits						1,925	1,925
Inventories						162,219	162,219
Restricted assets -							
Cash and cash equivalents	430,087					21,642	451,729
Investments, at fair value						1,352,386	1,352,386
Total Assets	$ 66,710,327	$ 14,158,288	$ 535,115	$ 125,000	$ 433,629	$ 24,164,421	$ 106,126,780
LIABILITIES							
Cash overdrafts						$ 318,289	$ 318,289
Accounts payable	$ 4,446,940	$ 128,066	$ 26,589	$ 1,563,915	$ 27,968	1,452,377	7,645,855
Accrued liabilities		270,277				172,865	443,142
Deposits held	1,688,084						1,688,084
Matured bond interest payable						807	807
Due to other funds	876,393	933	86,656	10,914,490	11,785,656	1,250,884	24,915,012
Due to other governments	807,628	4,023				95,757	907,408
Due to others						148,721	148,721
Deferred revenue	27,655,760	8,390,207				1,407,170	37,453,137
Other deposits					35,000	25,785	60,785
Other liabilities	59,207						59,207
Total Liabilities	$ 35,534,012	$ 8,793,506	$ 113,245	$ 12,478,405	$ 11,848,624	$ 4,872,655	$ 73,640,447

(continued)

CITY OF MURFREESBORO, TENNESSEE

Balance Sheet (continued)
Governmental Funds

June 30, 2005

	General	General Purpose School	2004 TML Fund	2005 TML Fund	Gateway Project	Other Governmental Funds	Total Governmental Funds
FUND BALANCES							
Reserved for -							
Inventories						$ 97,155	$ 97,155
Encumbrances		$ 519,265					519,265
Technology		963,370					963,370
Perpetual care						1,302,356	1,302,356
Other purposes	$ 264,004	19,246					283,250
Unreserved, reported in -							
General Fund							
Designated	44,617						44,617
Undesignated	30,867,694						30,867,694
Special Revenue Funds							
Designated						513,285	513,285
Undesignated		3,862,901				6,421,694	10,284,595
Debt Service						2,573,675	2,573,675
Capital projects			$ 421,870	$(12,353,405)	$ (11,414,995)	8,274,432	(15,072,098)
Permanent fund						109,169	109,169
Total Fund Balances	$ 31,176,315	$ 5,364,782	$ 421,870	$(12,353,405)	$ (11,414,995)	$ 19,291,766	$ 32,486,333
Total Liabilities and Fund Balances	$ 66,710,327	$ 14,158,288	$ 535,115	$ 125,000	$ 433,629	$ 24,164,421	$ 106,126,780

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities

June 30, 2005

Total Governmental Fund Balances	$ 32,486,333
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	280,347,326
Internal service funds are used by management to charge costs of employee health insurance, worker's compensation benefits, liability insurance, and fleet and equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,703,958
Charges are made by the general fund to other funds for costs of certain salaries and overhead costs. Internal balances related to charges to business-type funds are eliminated in the government-wide statements.	(1,033,220)
Prepaid pension costs are not available for current-period expenditures and, therefore, are not reported in the funds.	1,738,584
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred or not reported in the funds.	615,377
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(115,286,402)
Net Assets of Governmental Funds	$ 202,571,956

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2005

	General Fund	General Purpose School	2004 TML Fund	2005 TML Fund	Gateway Project	Other Governmental Funds	Total Governmental Funds
Revenues-							
Taxes	$ 54,894,914					$ 861,429	$ 55,756,343
Intergovernmental	7,927,467	$ 33,449,518	$ 175,000	$ 125,000		14,148,699	55,825,684
Charges for services	555,034	47,185				6,240,276	6,842,495
Interest and investment earnings	334,272		3,780		$ 1,759	401,206	741,017
Licenses and permits	4,631,835						4,631,835
Miscellaneous	2,440,057	350,562			43,802	3,265,264	6,099,685
	$ 70,783,579	$ 33,847,265	$ 178,780	$ 125,000	$ 45,561	$ 24,916,874	$ 129,897,059
Expenditures-							
Current:							
Administrative and general	$ 3,021,553						$ 3,021,553
Police	15,314,837					$ 281,406	15,596,243
Fire protection	11,236,417						11,236,417
Judicial	377,283						377,283
Legal	477,862						477,862
Personnel	527,178						527,178
Streets	3,274,611					896,052	4,170,663
Planning and engineering	2,133,009						2,133,009
Building inspections	1,290,743						1,290,743
Sanitation						3,324,471	3,324,471
Urban Environmental	666,182						666,182
Public health, safety and other	1,308,056						1,308,056
Other expenditures	1,184,288		$ 225,669			1,929,518	3,339,475
Recreation						7,601,274	7,601,274
Community development						866,010	866,010
Education		$ 38,633,782				5,505,835	44,139,617
Food Service						2,261,382	2,261,382
Capital outlay/fixed assets		1,186,154	23,498,818	$ 12,478,405	$ 4,589,826	11,878,936	53,632,139
Debt service:							
Principal						12,555,106	12,555,106
Interest						2,384,025	2,384,025
Bond issuance cost						106,543	106,543
	$ 40,812,019	$ 39,819,936	$ 23,724,487	$ 12,478,405	$ 4,589,826	$ 49,590,558	$ 171,015,231
Excess of Revenues Over (Under) Expenditures	$ 29,971,560	$ (5,972,671)	$ (23,545,707)	$ (12,353,405)	$ (4,544,265)	$ (24,673,684)	$ (41,118,172)
Other Financing Sources (Uses)-							
Issuance of debt			$ 24,701,153			$ 8,292,122	$ 32,993,275
Proceeds from sale of land					$ 2,817,980		2,817,980
Transfers in		$ 5,962,033				24,148,189	30,110,222
Transfers out	$ (26,199,169)	(416,738)			(1,198,467)	(2,344,164)	(30,158,538)
	$ (26,199,169)	$ 5,545,295	$ 24,701,153	$ -0-	$ 1,619,513	$ 30,096,147	$ 35,762,939
Net change in fund balance	$ 3,772,391	$ (427,376)	$ 1,155,446	$ (12,353,405)	$ (2,924,752)	$ 5,422,463	$ (5,355,233)
Fund Balance at beginning of year, as previously stated	$ 27,520,608	$ 5,792,158	$ (733,576)	$ -0-	$ (8,490,243)	$ 13,869,303	$ 37,958,250
Prior period adjustment	(116,684)						(116,684)
Fund Balance at beginning of year, as restated	$ 27,403,924	$ 5,792,158	$ (733,576)	$ -0-	$ (8,490,243)	$ 13,869,303	$ 37,841,566
Fund Balance at end of year	$ 31,176,315	$ 5,364,782	$ 421,870	$ (12,353,405)	$ (11,414,995)	$ 19,291,766	$ 32,486,333

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	$	(5,355,233)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		47,736,172
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and contributed assets) is to increase net assets.		13,284,980
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(60,123)
Bond and loan proceeds provide current financial resources to governmental funds, while the repayment of principal on debt is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which debt issued exceeded repayments.		(20,438,169)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(373,642)
Internal service funds are used by management to charge costs of employee health insurance, worker's compensation benefits, liability insurance, and fleet and equipment maintenance to individual funds. The net revenue of certain internal service funds is reported with governmental activities.		(460,378)
Charges are made by the general fund to other funds for costs of certain salaries and overhead costs. Internal balances related to charges to business-type funds are eliminated in the government-wide statements.		(219,729)
Change in Net Assets of Governmental Activities	$	34,113,878

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Balance Sheet
Proprietary Funds

June 30, 2005

	Business-Type Activities				Governmental Activities
	Murfreesboro Water and Sewer	Murfreesboro Electric Department	Nonmajor Enterprise Funds	Totals	Internal Service Funds
ASSETS					
Current Assets -					
Cash and cash equivalents	$ 6,398,394	$ 298,158	$ 202,966	$ 6,899,518	$ 4,729,229
Temporary cash investments		1,000,000		1,000,000	
Receivables -					
Accounts	1,171,726	4,305,606	74,656	5,551,988	
Other					15,964
Due from other funds			32,412	32,412	2,545,967
Due from other governments					18,750
Inventories	444,654	1,389,927	40,814	1,875,395	82,081
Prepaid items and other assets	110,864	53,782	4,830	169,476	57,548
Total Current Assets	$ 8,125,638	$ 7,047,473	$ 355,678	$ 15,528,789	$ 7,449,539
Noncurrent Assets -					
Restricted assets -					
Cash and cash equivalents	$ 11,031,861	$ 926,938		$ 11,958,799	
Investments		381,000		381,000	
Deferred charges	185,692	1,362,552		1,548,244	
Capital assets -					
Land and construction in progress	53,763,064	13,902,397	$ 24,427	67,689,888	
Other capital assets, net of depreciation	198,996,489	59,332,229	141,663	258,470,381	
Total Noncurrent Assets	$ 263,977,106	$ 75,905,116	$ 166,090	$ 340,048,312	
Total Assets	$ 272,102,744	$ 82,952,589	$ 521,768	$ 355,577,101	$ 7,449,539
LIABILITIES AND NET ASSETS					
Current Liabilities -					
Accounts payable	$ 565,003	$ 4,928,214		$ 5,493,217	$ 652,580
Contracts payable	892,225			892,225	
Accrued and withheld liabilities	29,838	804,952	$ 9,670	844,460	
Due to other funds	18,731	35,000		53,731	3,690
Deposits held	414,076	3,141,787		3,555,863	
Compensated absences	621,090			621,090	
Claims and judgments payable					1,638,800
Unamortized premium on bonds	4,854			4,854	
Bonds and loans payable	7,170,026	2,689,423		9,859,449	
Total Current Liabilities	$ 9,715,843	$ 11,599,376	$ 9,670	$ 21,324,889	$ 2,295,070
Noncurrent Liabilities -					
Compensated absences		$ 1,040,959		$ 1,040,959	
Claims and judgments payable					$ 1,561,200
Bonds and loans payable	$ 67,790,450	12,294,360		80,084,810	
Other liabilities		270,574		270,574	
Total Noncurrent Liabilities	$ 67,790,450	$ 13,605,893		$ 81,396,343	$ 1,561,200
Net Assets -					
Invested in capital assets, net of related debt	$ 177,799,077	$ 58,210,112	$ 142,598	$ 236,151,787	
Restricted for capital activity and debt service	11,031,861	1,307,938		12,339,799	
Unrestricted	5,765,513	(1,770,730)	369,500	4,364,283	$ 3,593,269
Total Net Assets	$ 194,596,451	$ 57,747,320	$ 512,098	$ 252,855,869	$ 3,593,269
Total Liabilities and Net Assets	$ 272,102,744	$ 82,952,589	$ 521,768	$ 355,577,101	$ 7,449,539
Total Net Assets				$ 252,855,869	
Adjustment to reflect the elimination of internal charges for salaries and overhead related to enterprise funds				813,490	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				109,040	
Net Assets of Business-Type Activities				$ 253,778,399	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year Ended June 30, 2005

	Business-Type Activities				Governmental Activities
	Murfreesboro Water and Sewer	Murfreesboro Electric Department	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating Revenues -					
Charges for services	$ 20,913,599	$ 83,693,947	$ 377,258	$ 104,984,804	$ 10,695,110
State revenues	141,063			141,063	
Other revenues					624
	$ 21,054,662	$ 83,693,947	$ 377,258	$ 105,125,867	$ 10,695,734
Operating Expenses -					
Power purchases		$ 68,393,493		$ 68,393,493	
Other operating expenses	$ 11,393,010	5,108,772	$ 355,690	16,857,472	$ 2,025,930
Claims and administrative					9,326,305
Depreciation and amortization	5,873,937	3,358,389	21,797	9,254,123	
Maintenance and repairs	826,394	1,051,694		1,878,088	
Taxes and tax equivalents		2,250,776		2,250,776	
	$ 18,093,341	$ 80,163,124	$ 377,487	$ 98,633,952	$ 11,352,235
Operating Income (Loss)	$ 2,961,321	$ 3,530,823	$ (229)	$ 6,491,915	$ (656,501)
Nonoperating Revenues -					
Interest	$ 165,588	$ 144,377	$ 850	$ 310,815	$ 85,434
Nonoperating Expenses -					
Interest	$ 2,687,896	$ 475,328		$ 3,163,224	
Loss on disposal of assets	700			700	
	$ 2,688,596	$ 475,328		$ 3,163,924	
Income (Loss) Before Capital Contributions and Transfers	$ 438,313	$ 3,199,872	$ 621	$ 3,638,806	$ (571,067)
Capital contributions	18,133,396			18,133,396	
Transfers in			48,316	48,316	
Change in Net Assets	$ 18,571,709	$ 3,199,872	$ 48,937	$ 21,820,518	$ (571,067)
Net Assets at beginning of year	176,024,742	54,547,448	463,161	231,035,351	4,164,336
Net Assets at end of year	$ 194,596,451	$ 57,747,320	$ 512,098	$ 252,855,869	$ 3,593,269
Change in Net Assets				$ 21,820,518	
Adjustment to reflect the elimination of internal charges for salaries and overhead related to enterprise funds				219,729	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(110,689)	
Change in Net Assets of Business-Type Activities				$ 21,929,558	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2005

	Business-Type Activities				Governmental Activities
	Murfreesboro Water and Sewer	Murfreesboro Electric Department	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash Flows from Operating Activities -					
Cash received from customers	$ 20,970,723	$ 84,220,195	$ 343,835	$ 105,534,753	
Cash payments to suppliers and employees	(11,639,645)	(6,039,463)	(347,367)	(18,026,475)	$ (1,544,254)
Cash payments to TVA for power		(67,450,624)		(67,450,624)	
Cash payments of property taxes		(2,021,564)		(2,021,564)	
Cash received from interfund services provided					10,673,865
Cash payments of claims and administrative expenses					(8,781,158)
Other receipts (payments)					(468,644)
Net Cash Provided (Used) by Operating Activities	$ 9,331,078	$ 8,708,544	$ (3,532)	$ 18,036,090	$ (120,191)
Cash Flows from Noncapital Financing Activities -					
Advances on TVA conservation loans		$ 18,427		$ 18,427	
Transfers in			$ 48,316	48,316	
Net Cash Provided (Used) by Noncapital Financing Activities		$ 18,427	$ 48,316	$ 66,743	
Cash Flows from Capital and Related Financing Activities -					
Acquisition and construction of fixed assets	$ (18,869,139)	$ (13,634,105)	$ (15,534)	$ (32,518,778)	
Proceeds from sale of assets	2,951			2,951	
Proceeds from tap and connection fees	11,831,002			11,831,002	
Proceeds from bonds and loans	9,217,883	7,824,885		17,042,768	
Principal payment on bonds and loans	(4,532,112)	(2,471,423)		(7,003,535)	
Bond and debt issuance costs	14,134	(105,000)		(90,866)	
Interest paid on bonds and loans	(2,698,465)	(478,672)		(3,177,137)	
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (5,033,746)	$ (8,864,315)	$ (15,534)	$ (13,913,595)	
Cash Flows From Investing Activities -					
Interest received	$ 166,351	$ 148,419	$ 850	$ 315,620	$ 85,392
Maturities of investments	500,002	1,381,000		1,881,002	
Purchase of investments		(1,381,000)		(1,381,000)	
Net Cash Provided (Used) by Investing Activities	$ 666,353	$ 148,419	$ 850	$ 815,622	$ 85,392
Net Increase (Decrease) in cash and cash equivalents	$ 4,963,685	$ 11,075	$ 30,100	$ 5,004,860	$ (34,799)
Cash and Cash Equivalents at beginning of year	12,466,570	1,214,021	172,866	13,853,457	4,764,028
Cash and Cash Equivalents at end of year	$ 17,430,255	$ 1,225,096	$ 202,966	$ 18,858,317	$ 4,729,229

(continued)

CITY OF MURFREESBORO, TENNESSEE

Statement of Cash Flows (continued)
Proprietary Funds

Year Ended June 30, 2005

	Business-Type Activities				Governmental Activities
	Murfreesboro Water and Sewer	Murfreesboro Electric Department	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	$ 2,961,321	3,530,823	$ (229)	$ 6,491,915	$ (656,501)
Adjustments to reconcile net earnings to net cash provided (used) by operating activities					
Depreciation and amortization	6,234,466	3,486,705	21,797	9,742,968	
Loss on disposal of assets	700			700	
Changes in assets and liabilities -					
Accounts receivable	(83,939)	207,993	(33,423)	90,631	
Due from other funds					(21,245)
Inventory	(5,387)	128,535	2,069	125,217	15,147
Prepaid items	(1,054)	(3,107)	(479)	(4,640)	(54,961)
Other current assets		9,118		9,118	3,769
Conservation loans receivable		(18,814)		(18,814)	
Deferred charges		179,836		179,836	
Accounts payable	8,485	486,964	359	495,808	596,340
Contracts and retainage payable	(192,905)			(192,905)	
Due to other funds	(1,897)	35,000		33,103	(2,740)
Accrued and withheld liabilities	82,970	343,463	6,374	432,807	
Other liabilities		(15,041)		(15,041)	
Deposits	329,531	337,069		666,600	
Unamortized premium on bonds	(1,213)			(1,213)	
Net Cash Provided (Used) by Operating Activities	$ 9,331,078	$ 8,708,544	$ (3,532)	$ 18,036,090	$ (120,191)
Non-Cash Capital and Related Financing Activities -					
Contributions in aid of construction	$ 6,302,394			$ 6,302,394	
Reconciliation to Cash and Cash Equivalents Presented in Statement of Net Assets -					
Cash and cash equivalents	$ 6,398,394	$ 298,158	$ 202,966	$ 6,899,518	$ 4,729,229
Cash and cash equivalents - restricted	11,031,861	926,938		11,958,799	
Cash and cash equivalents at end of year	$ 17,430,255	$ 1,225,096	$ 202,966	$ 18,858,317	$ 4,729,229
Reconciliation of Depreciation and Amortization Expense per Statement of Revenue, Expenses, and Changes in Net Assets to Depreciation and Amortization Expense per Statement of Cash Flows -					
Depreciation and amortization expense per Statement of Revenue, Expenses, and Changes in Net Assets	$ 5,873,937	$ 3,358,389	$ 21,797	$ 9,254,123	
Depreciation and amortization expense charged to operations and maintenance expense on Statement of Revenue, Expenses, and Changes in Net Assets	360,529	128,316		488,845	
Depreciation and amortization expense per Statement of Cash Flows	$ 6,234,466	$ 3,486,705	$ 21,797	$ 9,742,968	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Net Assets
Fiduciary Funds

June 30, 2005

	Pension Trust Funds	Extended School Program Private Purpose Trust Fund	School Activity Agency Fund
ASSETS			
Cash and cash equivalents	$ 2,096,429	$ 149,822	$ 561,104
Investments, at fair value			
Mutual funds	14,512,581		
U.S. Government notes and bonds	18,293,234		
Corporate notes and bonds	9,640,884		
Common stock	21,988,460		
Accrued interest receivable	73,393		
Contributions receivable	801,506		
Other receivables	19,629		114
Inventory			16,635
	$ 67,426,116	$ 149,822	$ 577,853
LIABILITIES			
Due to others			$ 577,853
NET ASSETS			
Net Assets -			
Held in trust for pension benefits and other purposes	$ 67,426,116	$ 149,822	$ - 0 -

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2005

	Pension Trust Funds	Extended School Program Private Purpose Trust Fund
Additions -		
Contributions -		
Employer	$ 3,530,464	
Investment income-		
Net appreciation in fair value of investments	$ 1,925,450	
Interest	1,345,095	$ 2,953
Dividends	1,167,504	
Total investment income	$ 4,438,049	$ 2,953
Less investment fees	(31,027)	
Net investment income	$ 4,407,022	$ 2,953
Total additions	$ 7,937,486	$ 2,953
Deductions -		
Benefits to participants	$ 1,986,873	
Insurance premiums	419,758	
Total deductions	$ 2,406,631	
Net Increase (Decrease)	$ 5,530,855	$ 2,953
Net Assets Held in Trust for Pension Benefits -		
Beginning of year	61,895,261	146,869
End of year	$ 67,426,116	$ 149,822

See notes to financial statements.

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Murfreesboro, Tennessee (the "City") was first chartered by the Tennessee General Assembly (State Legislature) in 1811. The present charter was granted in 1931 and has been amended as needed. The City operates under a Council-Manager form of government. The City's major operations include police and fire protection, parks, education, recreation, public works and general administrative services. In addition, the City owns and operates a water and sewer system and an electric utility.

The accounting and reporting policies of the City relating to the funds included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply to its enterprise activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The GASB periodically updates its codification of the existing Governmental Accounting and Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting policies of the City are described below.

In June 1999, the GASB issued Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for the most significant change in financial reporting in over twenty years and requires implementation starting with fiscal years ending after June 15, 2002. Certain of the significant changes in the Statement include the following:

- The financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
  - Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City implemented the general provisions of the Statement in the year ended June 30, 2002. The retroactive reporting of infrastructure is required to be implemented no later than fiscal years beginning after June 15, 2005.

Reporting Entity

The City, for financial purposes, includes all the funds relevant to the operations of the City of Murfreesboro, Tennessee (the primary government). The City is also required to include in its financial statements those separately administered organizations (component units) with which the City has significant operational or financial relationships. The criteria for including organizations as component units within the City's reporting entity include whether the organization is legally separate and whether the City holds the corporate powers, whether the City appoints a majority of the organization's board and is able to impose its will, and the ability of the organization to impose a financial benefit or burden on the City. Based on the foregoing criteria, the City of Murfreesboro has no component units.

Complete financial statements of individual departments, considered part of the primary government, can be obtained from the administrative offices in the following locations:

Murfreesboro City Schools Central Office	Evergreen Cemetery
2552 South Church Street	519 Greenland Drive
Murfreesboro	Murfreesboro

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Murfreesboro Electric Department
205 North Maple Street
Murfreesboro

Murfreesboro Water and Sewer Department
300 Northwest Broad Street
Murfreesboro

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity 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 the given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

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

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 the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, sales taxes, franchise taxes, licenses, state and federal 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. Property taxes and accounts receivable are reduced by an allowance for uncollectible accounts.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The new model as defined in Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

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

General Purpose School Fund –The general purpose school fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for education.

2004 TML Fund - The 2004 TML Fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

2005 TML Fund - The 2005 TML Fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Gateway Project Fund – The Gateway Project Fund is a capital projects fund used to account for financial resources to be used for the development of land as a major gateway into the City.

The City reports the following major proprietary funds:

Murfreesboro Water and Sewer Fund – The Water and Sewer fund accounts for revenues and expenses related to potable water and sanitary sewer services provided to residents of the City.

Murfreesboro Electric Department Fund - The Electric Department fund accounts for the revenue and costs for providing electric utility service for the residential and commercial concerns of the City.

Additionally, the government reports the following fund types:

Internal Service Funds - The internal service funds consist of a *fleet services fund* that accounts for fleet and equipment management to other departments or agencies of the government on a cost reimbursement basis, a *risk management fund* that accounts for revenues and costs associated with the City's self-funded liability and worker's compensation insurance programs, and an *insurance fund* that accounts for revenues and costs associated with the City's self-funded group health insurance plan.

Pension Trust Funds – The pension trust funds account for assets held on behalf of City employees.

Private-purpose Trust Fund - The private-purpose trust fund accounts for funds donated to the Extended School Program. These funds are to be preserved and maintained so as to produce income to be used for tuition grants.

Agency Fund – The agency fund accounts for the assets held by the schools in an agency capacity on behalf of various student, teacher and parent organizations.

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the electric department fund and of the City's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses of the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash in checking accounts, interest-bearing deposits, and highly liquid investments (including restricted assets of the Water and Sewer department) with an original maturity of three months or less.

Investments - Investments are stated at fair value for all funds.

Inventories - Inventories held by the Enterprise Funds are stated at average cost on a first-in, first-out basis. Special Revenue Fund inventories are stated at cost on a first-in, first-out basis. The cost of inventories is recorded as expenditures when consumed. Inventories reported in governmental funds are offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though it is a component of net current assets. Although a reservation of fund balance is not required under the consumption method, this reservation is shown for management purposes only.

Prepaid items – 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.

Restricted Assets - The City's restricted assets consist of the following:

	Governmental Activities		Business-Type Activities		
	General Fund	Other Governmental Funds	Murfreesboro Water and Sewer	Murfreesboro Electric Department	Total
Restricted assets -					
Cash and cash equivalents	$ 430,087	$ 21,642	$ 11,031,861	$ 926,938	$ 12,410,528
Investments		1,352,386		381,000	1,733,386
Total restricted assets	$ 430,087	$ 1,374,028	$ 11,031,861	$ 1,307,938	$ 14,143,914

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets – Governmental Activities -
Certain proceeds from outside sources have been classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by outside sources. The general fund maintains separate bank accounts for the following restricted funds: Equitable sharing, police, felony funds, 125 plan contributions, and an unemployment insurance reserve. The amount of restricted funds in the general fund at June 30, 2005 is $430,087.

The Cemetery is required by law to contribute twenty percent of lot sale proceeds into a perpetual care fund. The perpetual care fund is to ensure the maintenance of the Cemetery for future years. The Cemetery had $21,642 in cash on hand and bank accounts, which was restricted in this manner at June 30, 2005. Also, periodically contributions are made in trust to local financial institutions for investments of funds received from the issuance of perpetual care certificates. The amount of investments restricted in this manner at June 30, 2005 is $1,352,386.

Restricted Assets – Business-type Activities -
Water and Sewer connection fees in the amount of $9,338,456 are restricted for new development and construction. The reserve sinking fund was required by the U.S. Army Corp of Engineers in the contract for the Water and Sewer Department to pump water from Percy Priest Lake. The total amount restricted for this purpose is $31,872. Also, during the fiscal year ended June 30, 2004, an interest income reserve was set up by the Water and Sewer Board to reserve interest earned on non operational funds so it would not be used in the rate structure. At June 30, 2005, $251,593 was restricted for this purpose. Certain other amounts have been restricted for future year debt payments. The debt service reserve fund was established by the Water and Sewer Board. At June 30, 1992, the Board determined that the restricted bond fund was adequately funded and therefore, no additional funding has been made. The amount of reserve for future year debt payments at June 30, 2005 is $1,409,940.

The Electric Department has restricted funds in accordance with revenue bond ordinances which require the Department to establish a sinking fund to pay annual obligations for interest and principal on maturing bonds. At June 30, 2005, $1,277,938 was restricted for this purpose. In addition to sinking fund requirements, the bond ordinances require the Department to maintain reserves for renewal and replacement of utility plant financed by the bond issuances. The amount restricted for this purpose at June 30, 2005 is $30,000.

Capital Assets and Depreciation - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Also, included in capital assets are infrastructure assets (e.g. streets, bridges, sidewalks, and similar items) constructed, acquired or completed on or after July 1, 2001. Pursuant to GASB Statement No. 34, for all fiscal years beginning after June 15, 2005, the City must retroactively report all infrastructure assets acquired before July 1, 2001. The City expects to accomplish retroactive reporting of infrastructure by the deadline.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The City defines capital assets as assets with an individual cost of more than $5,000, except for the City Schools which capitalizes bulk purchases of fixed assets of more than $5,000 as well.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	10 – 50 years
Other improvements	20 – 50 years
Equipment	3 – 25 years
Infrastructure	10 – 50 years

Total depreciation and amortization expense for proprietary funds amounted to $9,742,968 for the year ended June 30, 2005. Depreciation applicable to transportation equipment is charged to a transportation clearing account and then distributed to utility plant, construction work in progress and operating expenses based on the utilization of the equipment. Depreciation accounted for in this manner results in a difference between depreciation reported in the accompanying statement of cash flows and the amount reported in the statement of revenues, expenses and changes in net assets. A reconciliation of this difference is provided below:

	Total Proprietary Funds
Depreciation and amortization on statement of cash flows	$ 9,742,968
Depreciation and amortization on statement of revenues, expenses, and changes in net assets	9,254,123
Difference (depreciation applicable to transportation equipment)	$ 488,845

Interest cost incurred by the Murfreesboro Electric Department, during the construction of fixed assets is normally expensed due to the short duration of the construction period.

Long-term Debt – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, accrued compensated absences and claims and judgments payable.

Long-term debt for governmental funds is not reported in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for long-term debt in the proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences - City employees accrue personal leave, or compensated absences, by prescribed formula based on length of service. The value of accumulated benefits earned by employees, which may be used in subsequent years or paid upon termination or retirement, is recorded as long-term debt in the government-wide statements and in proprietary fund statements. The current portion of this debt is estimated based on historical trends. 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.

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes – An enforceable legal claim to taxable property arises on January 1 in the year of levy. Taxes are due on October 1 and are collected by the City Recorder. Taxes not paid by December 31 are declared delinquent. A provision for estimated uncollectible taxes is established based on prior collection experience. The government records all property taxes collected within sixty days of year-end as revenue, with the amount not collected within sixty days of year-end as deferred revenue in the fund financial statements. All property taxes receivable are accrued in the government-wide financial statements, including those for which an enforceable claim to taxable property arises on January 1 of the current fiscal year. Deferred revenue is recorded in the government-wide financial statements for the amount of taxes not due until October 1 following the end of the fiscal year.

Allowance for Uncollectible Accounts - The City's allowance for estimated uncollectible receivables at June 30, 2005 is as follows:

	General Fund	Enterprise Fund
Allowance for -		
Taxes Receivable	$ 1,577,524	
Accounts Receivable		$ 39,787

An allowance for uncollectible accounts was not considered necessary for the Murfreesboro Electric Department and the Murfreesboro Water and Sewer Department at June 30, 2005.

Estimates – Management is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

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. Included in general fund designated fund balance are amounts set aside to pay unemployment benefits and donations designated for specific recreation projects.

Reclassifications – Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

Note B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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 and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $115,286,402 difference are as follows:

General Government -	
Bonds Payable	$ 5,922,754
TML Notes Payable	106,394,710
Compensated absences	2,452,624
Landfill post-closure costs	365,000
Murfreesboro City Schools -	
Compensated absences	151,314
Net Adjustment	$ 115,286,402

Note B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide financial 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. This is the amount by which capital outlays exceeded depreciation in the current period."

The details of this $47,736,172 difference are as follows:

Capital outlay	$ 54,362,137
Depreciation	(6,625,965)
Net adjustment	$ 47,736,172

Another element of that reconciliation states that "The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and contributed assets) is to increase net assets." The details of this $13,284,980 difference are as follows:

In the statement of activities, only the gain on a sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	$ (617,865)
Donations of capital assets increase net assets in the statement of activities but do not appear in the governmental funds because they are not financial resources.	13,902,845
Net adjustment	$ 13,284,980

Another element of that reconciliation states that "Bond and loan proceeds provide current financial resources to governmental funds, while the repayment of principal on debt is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets." The details of this $(20,438,169) difference are as follows:

Debt issued or incurred	$ (32,993,275)
Principal repayments	12,555,106
Net adjustment	$ (20,438,169)

Note C – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting - General governmental revenue and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements, which govern the City's operations.

Note C – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued) –

Budgets have been adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, Capital Projects Funds and Special Revenue Funds with the exception of those funds of the Murfreesboro Board of Education. The budgets of the General Purpose School Fund, the School Federal Projects Funds, and the Extended School Program Fund are prepared on a basis consistent with generally accepted accounting principles except that encumbrances are treated as budgeted expenditures in the year of the commitment to purchase. Budgetary comparisons presented in this report for these funds are on this budgetary basis.

The City charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Council. All unencumbered and unexpended appropriations lapse at the end of the fiscal year. The budget amounts presented in the accompanying required supplemental information reflect the original and final amounts as revised and approved by the City Council.

Excess of Expenditures over Appropriations – For the year ended June 30, 2005, expenditures exceeded appropriations in three special revenue funds as follows:

	Final Budget	Actual on Budgetary Basis	Variance
Extended School Program	$ 1,643,525	$ 2,114,197	$ (470,672)
IDEA Part B Program	1,183,977	1,204,094	(20,117)
School Cafeterial Fund	2,248,092	2,261,382	(13,290)

Encumbrances - Encumbrances represent commitments related to unperformed (executory) contracts for goods and services.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used by the General Purpose School Fund, the School Federal Projects Funds, and the Extended School Program Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year.

However, encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, the accompanying financial statements present comparisons of actual results to the budgets on the budget basis for the General Purpose School Fund, the School Federal Projects Funds, and the Extended School Program Fund.

Budgetary – GAAP Reporting Reconciliation - The accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for the General Purpose School Fund presents comparisons of the legally adopted budget (described above) with actual data on a budgetary basis. The accompanying Schedules of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for the General Fund are presented in accordance with generally accepted accounting principles (GAAP). Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in accordance with GAAP, a reconciliation of resultant basis and timing differences in the excess of revenues and other sources over expenditures and other uses for the year ended June 30, 2005 is presented on the following page:

Note C – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued) –

	General Purpose School Fund
Excess of revenues and other sources over (under) expenditures and other uses (Budgetary Basis)	$ (473,904)
Adjustments:	
To adjust for net increase in encumbrances	463,266
Net change in fund balance (GAAP Basis)	$ (10,638)

Note D - RELATED ORGANIZATIONS

The City Council is also responsible for appointing or approving appointments to the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints or approves appointments to the boards of the Murfreesboro Housing Authority, the Rutherford County Library System, and the City/County Cultural Arts Commission.

Note E - CASH AND INVESTMENTS

Investments – As of June 30, 2005, the City had the following investments and maturities:

		Investment Maturities in Years			
	Fair Value	<1	1-5	6-10	>10
Employees' Pension Plan					
U.S. Treasury Notes	$ 9,548,933	$ 581,595	$ 7,472,592	$ 1,494,746	
Federal Home Loan Bank	1,598,299		1,598,299		
Federal National Mortgage	4,813,238		249,695		$ 4,563,543
Governmental National Mortgage	93,157			61,915	31,242
Corporate Bonds and Notes	7,505,825	1,251,099	3,857,914	1,891,062	505,750
	$ 23,559,452	$ 1,832,694	$ 13,178,500	$ 3,447,723	$ 5,100,535
Electric Department Pension Plan					
Federal Home Loan Bank	$ 2,089,111	$ 148,803	$ 1,740,235	$ 200,073	
Corporate Bonds and Notes	2,135,059	870,243	1,215,935	48,881	
	$ 4,224,170	$ 1,019,046	$ 2,956,170	$ 248,954	
Evergreen Cemetery Fund					
Federal Home Loan Bank	$ 422,263		$ 647,149	$ 75,114	
Corporate Bonds and Notes	590,380	$ 254,877	259,489	76,014	
	$ 1,012,643	$ 254,877	$ 906,638	$ 151,128	

State statutes authorize the City to invest operating funds in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. Investments held by employee pension plans are limited to those types allowed by plan documents

Note E - CASH AND INVESTMENTS (continued)

At June 30, 2005, the City had investments in corporate bonds rated by Moody's and Standards & Poors as follows:

	Fair Value: Corporate Bonds & Notes		
Moody's Rating	City's Pension Plan	Electric Department Pension Plan	Evergreen Cemetery
Aaa	$ 100,959		
Aa1	287,170		
Aa2	620,804	$ 52,333	$ 129,157
Aa3	2,012,901	920,855	178,548
A1	1,487,613	762,222	157,358
A2	826,554	98,800	49,864
A3	843,366	150,096	25,124
Baa1	122,634		
Baa2	480,285	50,008	
Baa3	723,539	100,745	50,329
	$ 7,505,825	$ 2,135,059	$ 590,380
Standard & Poors Rating			
AAA	$ 100,959		
AA+	95,110		
AA			$ 24,869
AA-	487,809	$ 359,817	99,710
A+	3,323,098	1,224,585	282,836
A	1,363,345	399,904	132,636
A-	160,462		
BBB+	720,135		
BBB	115,212		
BBB-	642,223		
BB+	497,472	150,753	50,329
	$ 7,505,825	$ 2,135,059	$ 590,380

Custodial credit risk - deposits –In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2005 total demand deposits and certificates of deposit for the City were insured and/or collateralized in one of the following ways. Certain deposits were held in financial institutions, which are members of the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the pool) is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of collateral is inadequate to cover a loss. Other deposits were adequately insured either by collateral securities held by the City's agent in the City's name or Federal Depository Insurance. The City's deposits in financial institutions were entirely insured or collateralized at June 30, 2005.

Note E - CASH AND INVESTMENTS (continued)

Custodial credit risk – investments - For an investment, this is the risk that, in the event of the failure of a counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investment in corporate bonds and notes, $7,505,825, $2,135,059 and $590,380 of the City's Employee Pension Plan, Electric Department Pension Plan and Evergreen Cemetery fund, respectively, are uninsured and unregistered investments for which securities are held by the counterparty or its trust department or agent, but not in the City's name.

Note F - CAPITAL ASSETS

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

	Balance July 1, 2004 As Previously Reported	Prior Period Adjustment	Balance July 1, 2004 As Restated
Governmental activities -			
Capital assets, not being depreciated -			
Land	$ 51,720,902	$ 51,862	$ 51,772,764
Construction in progress	31,547,300		31,547,300
Subtotal	$ 83,268,202	$ 51,862	$ 83,320,064
Capital assets, being depreciated -			
Buildings	$ 80,870,070	$ 787,871	$ 81,657,941
Improvements other than buildings	29,176,217		29,176,217
Equipment	21,921,194		21,921,194
Infrastructure	43,157,514		43,157,514
Subtotal	$ 175,124,995	$ 787,871	$ 175,912,866
Less accumulated depreciation			
Buildings	$ (16,697,069)	$ (274,299)	$ (16,971,368)
Improvements other than buildings	(8,796,520)		(8,796,520)
Equipment	(10,101,234)		(10,101,234)
Infrastructure	(4,037,634)		(4,037,634)
Subtotal	$ (39,632,457)	$ (274,299)	$ (39,906,756)
Capital assets, being depreciated, net	$ 135,492,538	$ 513,572	$ 136,006,110
Capital assets, net	$ 218,760,740	$ 565,434	$ 219,326,174

Note F - CAPITAL ASSETS (continued)

Governmental activities -	Balance July 1, 2004 As Restated	Increases	Decreases	Balance June 30, 2005
Capital assets, not being depreciated -				
Land	$ 51,772,764	$ 12,720,203	$ 593,564	$ 63,899,403
Construction in progress	31,547,300	49,116,134	30,128,669	50,534,765
Subtotal	$ 83,320,064	$ 61,836,337	$ 30,722,233	$ 114,434,168
Capital assets, being depreciated -				
Buildings	$ 81,657,941	$ 10,854,352	$ 51,122	$ 92,461,171
Improvements other than buildings	29,176,217	729,830		29,906,047
Equipment	21,921,194	6,689,040	452,609	28,157,625
Infrastructure	43,157,514	18,351,442	25,425	61,483,531
Subtotal	$ 175,912,866	$ 36,624,664	$ 529,156	$ 212,008,374
Less accumulated depreciation				
Buildings	$ (16,971,368)	$ (1,731,389)	$ 27,373	$ (18,675,384)
Improvements other than buildings	(8,796,520)	(1,450,739)		(10,247,259)
Equipment	(10,101,234)	(2,274,241)	391,488	(11,983,987)
Infrastructure	(4,037,634)	(1,169,596)	18,644	(5,188,586)
Subtotal	$ (39,906,756)	$ (6,625,965)	$ 437,505	$ (46,095,216)
Capital assets, being depreciated, net	$ 136,006,110	$ 29,998,699	$ 91,651	$ 165,913,158
Capital assets, net	$ 219,326,174	$ 91,835,036	$ 30,813,884	$ 280,347,326

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

Governmental activities -	
Administrative and general	$ 310,187
Police	599,164
Fire protection	318,533
Judicial	784
Personnel	3,859
Streets	1,301,156
Planning and engineering	12,297
Building inspections	5,144
Sanitation	280,636
Urban environmental	21,662
Public health, safety and other	102,343
Other government functions	377,144
Recreation	1,681,846
Education	1,611,210
Total governmental activities depreciation expense	$ 6,625,965

Note F - CAPITAL ASSETS (continued)

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Business-type activities -				
Capital assets, not being depreciated				
Land	$ 17,477,828	$ 1,990		$ 17,479,818
Water storage rights	3,051,429			3,051,429
Construction in progress	34,907,398	30,829,416	$ 18,578,173	47,158,641
Subtotal	$ 55,436,655	$ 30,831,406	$ 18,578,173	$ 67,689,888
Capital assets, being depreciated -				
Structures and improvements	$ 54,402,620	$ 69,966		$ 54,472,586
Transmission and distribution mains	154,706,815	18,311,511	$ 123,230	172,895,096
Electric plant	72,883,125	7,477,569	1,944,355	78,416,339
Equipment	30,733,315	902,060	497,721	31,137,654
Subtotal	$ 312,725,875	$ 26,761,106	$ 2,565,306	$ 336,921,675
Less: accumulated depreciation -				
Structures and improvements	$ (5,033,712)	$ (1,174,494)		$ (6,208,206)
Transmission and distribution mains	(35,759,477)	(3,371,475)	$ 123,009	(39,007,943)
Electric plant	(20,023,418)	(2,981,845)	1,618,618	(21,386,645)
Equipment	(10,287,966)	(2,026,815)	466,281	(11,848,500)
	$ (71,104,573)	$ (9,554,629)	$ 2,207,908	$ (78,451,294)
Capital assets, being depreciated, net	$ 241,621,302	$ 17,206,477	$ 4,773,214	$ 258,470,381
Capital assets, net	$ 297,057,957	$ 48,037,883	$ 23,351,387	$ 326,160,269

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water and sewer	$ 6,234,466
Electric	3,298,366
Cemetary	21,797
Total business-type activities depreciation expense	$ 9,554,629

Note G - LONG-TERM LIABILITIES

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

Note G - LONG-TERM LIABILITIES (continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	4.90%	$ 815,000
Governmental activities –refunding	2.00-2.75%	5,085,000
Business-type activities	6.85%	145,000
Business-type activities	2.00-2.50%	660,000
		$ 6,705,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	Governmental Activities		Business-type Activities	
June 30,	Principal	Interest	Principal	Interest
2006	$ 2,055,000	$ 128,606	$ 305,000	$ 17,816
2007	1,260,000	82,063	165,000	9,600
2008	1,280,000	51,887	170,000	6,038
2009	1,305,000	17,944	165,000	2,062
	$ 5,900,000	$ 280,500	$ 805,000	$ 35,516

Revenue Bonds

Electric System Revenue Bonds are collateralized by an irrevocable first lien and pledge of the income and revenues derived and to be derived from the operation of the Electric Department after deduction there from of the amount necessary to pay all operating, maintenance, replacement, and betterment charges of the Department as required by applicable bond ordinances. The Department is also required to maintain rates sufficient (1) to pay all maintenance, depreciation, replacement, betterment, and interest charges, (2) to establish and maintain the interest and sinking fund and the reserve fund and (3) to pay in addition all outstanding indebtedness against the Department other than bonds. Revenue bonds outstanding at the end of the year are as follows:

Purpose	Interest Rates	Amount
Electric Department – Series 1995	5.25-5.50%	$ 1,485,000
Electric Department – Series 1999	4.50-5.00%	3,580,000
		$ 5,065,000

Maturities of the revenue bonds are as follows:

Year Ending June 30,	Principal	Interest
2006	$ 885,000	$ 249,636
2007	925,000	208,443
2008	580,000	164,368
2009	615,000	135,033
2010	645,000	103,608
2011-2014	1,415,000	180,588
	$ 5,065,000	$ 1,041,676

Note G - LONG-TERM LIABILITIES (continued)

Tennessee Municipal Bond Fund Loans

The City participated in the Tennessee Municipal Bond Fund Loan program and entered into loan agreements from the Public Building Authority of the City of Clarksville, Tennessee. Tennessee Municipal Loans outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Governmental activities	Variable	$ 106,394,710
Business-type activities	Variable	32,719,429
		$ 139,114,139

Interest rates are set by the remarketing agent and are based on the market price of the bonds underlying the loans. Annual debt service requirements to maturity are as follows:

Year Ending	Governmental Activities		Business-type Activities	
June 30,	Principal	Interest	Principal	Interest
2006	$ 11,111,906	$ 2,619,915	$ 3,857,224	$ 965,805
2007	10,729,722	2,342,727	3,989,325	834,066
2008	10,732,322	2,074,317	3,876,775	698,412
2009	11,187,390	1,804,729	4,008,982	563,190
2010	11,148,011	1,524,686	3,505,633	423,490
2011-2015	41,969,005	3,850,499	10,453,337	964,839
2016-2018	9,516,354	419,822	3,028,153	92,839
	$ 106,394,710	$ 14,636,695	$ 32,719,429	$ 4,542,641

Loans Payable - Utility Plant Acquisition – During the fiscal year ended June 30, 2003, the Murfreesboro Electric Department purchased certain customers and utility plant from the Middle Tennessee Electric Membership Corporation (MTEMC). The purchase price was $1,102,045 representing $143,798 in net plant allocated to specific plant accounts and $958,247 in lost revenue allocated to plant acquisition adjustments. The down payment was $332,784 resulting in a balance due of $769,261 payable annually in equal installments of $76,927 over a ten year period starting June 30, 2003. The Department purchased additional customers from MTEMC during 2004. The purchase price was $342,039 representing $34,231 in net plant and $307,808 in lost revenue. After the down payment the balance due of $274,972 is payable annually over ten years.

State Revolving Loan – The Water and Sewer Department has three state revolving loans to fund the Wastewater Facilities Project. The total approved amounts of the loans were $58,000,000, $900,000 and $3,700,000 at June 30, 2005. The Department is required only to make monthly interest payments at a rate of 4.24%, 4.28% and 3.71% per annum, respectively. Upon completion of the project or upon drawing 90% of the $58,000,000, 90% of the $900,000 and 90% of the $3,700,000, respectively, whichever comes first, the Department is required to begin making principal and interest payments. Annual debt service requirements to maturity are as follows:

Note G - LONG-TERM LIABILITIES (continued)

Year Ending June 30,	Principal	Interest
2006	$ 4,707,802	$ 1,997,964
2007	2,240,244	1,905,120
2008	2,337,096	1,808,268
2009	2,438,136	1,707,228
2010	2,543,544	1,601,820
2011-2015	14,465,460	6,261,360
2016-2020	17,874,768	2,852,052
2021	4,051,709	93,660
	$ 50,658,759	$ 18,227,472

Long-term liability activity for the year ended June 20, 2005, was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due Within One Year
Governmental Activities -					
General obligation bonds	$ 8,930,000		$ 3,030,000	$ 5,900,000	$ 2,055,000
Less: deferred amounts -					
On refunding	(50,080)		(12,520)	(37,560)	
For issuance premiums	80,418		20,104	60,314	
Tennessee Municipal Bond Fund Loans	85,942,478	$ 32,993,277	9,889,707	109,046,048	11,496,806
	$ 94,902,816	$ 32,993,277	$ 12,927,291	$ 114,968,802	$ 13,551,806
Estimated landfill closure costs	445,000		80,000	365,000	37,000
Compensated absences	2,307,754	1,600,646	1,304,462	2,603,938	547,862
Claims and judgments	2,780,100	2,617,039	2,197,139	3,200,000	1,638,800
Tennessee Municipal Bond Fund Loans reported by Water and Sewer Fund (1)	(3,015,938)		(364,600)	(2,651,338)	(384,900)
Governmental activity - Long-term liabilities	$ 97,419,732	$ 37,210,962	$ 16,144,292	$ 118,486,402	$ 15,390,568

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, $3,200,000 of internal service funds claims and judgments are included in the above amounts. For governmental activities, compensated absences are generally liquidated by the general fund and claims and judgments are liquidated by the risk management fund.

Note G - LONG-TERM LIABILITIES (continued)

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due Within One Year
Business-type Activities -					
General obligation bonds	$ 1,095,000		$ 290,000	$ 805,000	$ 305,000
Revenue Bonds	5,915,000		850,000	5,065,000	885,000
Matured bonds payable	36,000			36,000	
Less: deferred amounts -					
For issuance discounts	(46,357)		(5,625)	(40,732)	
For issuance premium	6,066		1,212	4,854	4,854
On refunding	(64,125)		(6,467)	(57,658)	
Total bonds payable	$ 6,941,584		$ 1,129,120	$ 5,812,464	$ 1,194,854
State revolving loan	52,784,276	36,559	2,162,076	50,658,759	4,707,802
Compensated absences	1,335,393	601,940	275,284	1,662,049	621,090
Tennessee Municipal Bond Fund Loan	16,294,318	17,006,209	3,232,436	30,068,091	3,472,324
Loans payable - Utility plant acquisition	862,884		104,423	758,461	104,423
	$ 78,218,455	$ 17,644,708	$ 6,903,339	$ 88,959,824	$ 10,100,493
Tennessee Municipal Bond Fund Loan (1)	3,015,938		364,600	2,651,338	384,900
Business-type activity - Long-term liabilities	$ 81,234,393	$ 17,644,708	$ 7,267,939	$ 91,611,162	$ 10,485,393

Note H - CONSERVATION PROGRAMS

The Murfreesboro Electric Department is a fiscal intermediary for the Tennessee Valley Authority's conservation programs. At June 30, 2005, outstanding funds advanced by TVA totaled $556,891 to be used by the customers of the Department in connection with TVA's insulation, water heater, and heat pump conservation programs. At June 30, 2005, the outstanding receivables for loans made from these funds amounted to $537,251.

Note I - EMPLOYEE PENSION PLANS

The City maintains two single employer defined benefit pension plans (the City of Murfreesboro Employees' Pension Plan and the Murfreesboro Electric Department Employee Pension) and participates in the Tennessee Consolidated Retirement System, an agent, multiple-employer public employee retirement system (PERS). The City of Murfreesboro Employees' Pension Plan and the Murfreesboro Electric Department Employee Pension are included in the accompanying financial statements as pension trust funds.

The following is a summary of each of these plans:

City of Murfreesboro Administered Pension Plans
Plan Descriptions and Provisions -

City of Murfreesboro Employees' Pension Plan - The defined benefit pension plan covers all City employees except those employees of the school system, the Evergreen Cemetery Commission and electric department. All other departments of the City, including the water and sewer department, are covered by the plan. The funds of the retirement plan are invested in

Note I - EMPLOYEE PENSION PLANS (continued)

trust funds managed by the Trustco and Cavalry Banking. Cavalry Banking serves as Trustee for the plan.

In accordance with the City Code, subject to approval by the City Council, pension plan provisions may be established or amended by the pension committee. Contribution rates are recommended by the pension committee based on the annual actuarial valuation report, and must also be approved by City Council.

Employees become eligible to participate upon completion of ninety days of employment. The plan provides for a basic monthly pension beginning at normal retirement age, a disability benefit, and a death benefit prior to retirement, all of which are based upon the monthly compensation of the participant. The plan was amended on July 1, 1988 to make the plan noncontributory whereby the employer contributes the entire amount necessary to fund the system. The funding policy is to contribute 9.94% of covered salary. The plan has historically made contributions at least equal to the annual required contribution amount as developed under GASB 25/27 resulting in a cumulative negative Net Pension Obligation. For the fiscal year ending June 30, 2004, the actual contribution was slightly less than the required contribution resulting in an increase of the net pension obligation (NPO) of $69,456. Prior to July 1, 1988, employees were required to contribute toward the cost of pension compensation. Consequently, some participants who terminate employment will receive lump-sum distributions. Members with less than five years of service receive a refund of their contributions, and members with five years or more of service receive a refund of contributions and accumulated interest at the rate of 7.5% per annum.

The plan was also amended on July 1, 1988 concerning age of retirement. In past years, the plan provided for a basic monthly pension beginning at normal retirement age. The plan as amended provides for a basic monthly pension beginning at age 55, instead of 65, provided the participant has at least 30 years of service. Actuarial assumptions have been revised periodically to reflect actual plan experience and expectations regarding future events. The most recent assumption revision was effective July 1, 2002 and changed the asset valuation method from the mean of book and market approach to the five-year smoothing method. The City has the right to further amend or terminate the plan.

The City uses the accrual basis of accounting for the plan. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the plan.

The plan does not issue a separate financial report, but is included in the accompanying financial statements as a pension trust fund.

There was one investment in a mutual fund representing more than 5% of the net assets available for benefits. The STI Classic Fund – International Equity and Index Fund had a balance of $9,803,725 representing 17.82% of the net assets available for benefits.

The costs of administering the plan are financed by the City of Murfreesboro's general fund. There are no related party transactions involving the pension trust.

Murfreesboro Electric Department Employee Pension - The Murfreesboro Electric Department provides a defined benefit pension plan with contributions made to a separate fund named the Murfreesboro Electric Department Pension Trust. Pension plan provisions may be established or amended by the Board of the Murfreesboro Electric Department under the authority of the pension trust document. The Board approves contribution rates based on recommendations included in the annual actuarial valuation report. The plan covers all full-time employees upon the completion of one year of service and attainment of age 25. Upon retirement, the participant's monthly benefit is determined based upon 2% of the highest five years of average monthly compensation multiplied by years of employment up to thirty years. Normal retirement age is 60, but a participant may retire at age 55 upon the completion of 10 years of service. Participants are fully vested after five years of credited service. Lump sum payments of deferred vested benefits valued at less than $10,000 can be made to terminated participants at the discretion of the Retirement Committee.

Note I - EMPLOYEE PENSION PLANS (continued)

The Plan has received and maintains a favorable determination letter from the Internal Revenue Service concerning its tax-exempt status. The cost of the plan is borne solely by the employer. Participant contributions are not allowed.

The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report may be obtained by writing or calling the plan at:

Murfreesboro Electric Department Pension Plan
P.O. Box 9
Murfreesboro, Tennessee 37133
615-893-5514

There were no investments representing more than 5% of the net assets available for benefits. There are no related party transactions involving the pension trust.

Current membership in each of these plans was comprised of the following as of the actuarial valuation date:

	Murfreesboro Electric Department Pension	City of Murfreesboro Employees' Pension
Retired Participants and Terminated Participants with Deferred Vested Benefits	28	206
Active Participants	64	755
	92	961

Funding Policy and Annual Pension Cost – The annual pension cost for the current year and related information for each plan is as follows:

	Murfreesboro Electric Department Pension	City of Murfreesboro Employees' Pension
Annual pension cost	$ 551,578	$ 2,730,610
Contributions made	$ 551,578	$ 2,661,154
Actuarial valuation date	August 1, 2004	July 1, 2004
Actuarial cost method	Frozen Entry Age	Frozen Entry Age
Amortization method	Level dollar	Level dollar
Amortization period-open	30 years	40 years
Remaining amortization period	26 years	37 years
Asset valuation method	Market	Five-year Smoothing

Note I - EMPLOYEE PENSION PLANS (continued)

	Murfreesboro Electric Department Pension	City of Murfreesboro Employees' Pension
Actuarial assumptions:		
Investment rate of return	7.0%	7.5%
Projected salary increases	4.5%	5.0%
Inflation rate	N/A	N/A

Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
Murfreesboro Electric Department Pension	07/31/03	$ 493,679	100.00%	$ -0-
	07/31/04	485,027	100.00%	-0-
	07/31/05	551,578	100.00%	-0-
City of Murfreesboro Employee's Pension	07/01/02	$ 2,459,161	99.74%	$(1,634,444)
	07/01/03	2,424,202	107.48%	(1,808,041)
	07/01/04	2,721,331	97.79%	(1,738,585)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
Murfreesboro Electric Department Pension:						
08/01/03	$ 8,549,258	$ 9,032,554	$ 483,296	94.6%	$ 2,861,365	16.9%
08/01/04	9,343,485	9,814,993	471,508	95.2%	3,126,722	15.1%
08/01/05	10,275,202	10,735,207	460,005	95.7%	3,337,003	13.8%
City of Murfreesboro Employees' Pension:						
07/01/02	$ 48,643,679	$ 52,688,816	$ 4,045,137	92.3%	$ 26,004,236	15.6%
07/01/03	51,498,359	57,550,714	6,052,355	89.5%	27,312,169	22.2%
07/01/04	54,574,289	62,648,615	8,074,326	87.1%	29,391,363	27.5%

Note I - EMPLOYEE PENSION PLANS (continued)

The net benefit pension obligation has been calculated for the City of Murfreesboro Employees' Pension plan as follows:

Annual Required Contribution	$ 2,721,331
Interest on net pension obligation	(135,603)
Adjustment to annual required contribution	144,882
Annual pension cost	$ 2,730,610
Contributions made	(2,661,154)
Increase in net pension obligation	$ 69,456
Net pension obligation beginning of year	(1,808,041)
Net pension obligation end of year	$ (1,738,585)

Tennessee Consolidated Retirement System

Plan Description – Employees of the Murfreesboro City School System are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 (five) years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Murfreesboro City School System participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37242-0230 or can be accessed at *www.treasury.state.tn.us*. Copies of PDF format can be accessed at *http://www.treasury.state.tn.us/tcrs/ps/*.

Funding Policy – The Murfreesboro City School System is noncontributory and has assumed employee contributions up to 5.0 percent of annual covered payroll.

The Murfreesboro City School System is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005 was 9.22% of annual covered payroll. Contribution requirements for the Murfreesboro City School System are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost – For the year ending June 30, 2005, the Murfreesboro City School System's annual pension cost of $475,083 to TCRS was equal to the Murfreesboro City School System's required and actual contributions.

Note I - EMPLOYEE PENSION PLANS (continued)

The required contribution was determined as a part of the July 1, 2003 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Murfreesboro City School System's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003 was 12 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/03	$ 390,887	100.00%	$ -0-
6/30/04	400,609	100.00%	-0-
6/30/05	475,083	100.00%	-0-

Schedule of Funding Progress for the Murfreesboro City School System -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
06/30/99	$ 7,829,000	$7,829,000	$ - 0 -	100.00%	$3,537,000	0.00%
07/01/01	9,158,000	9,173,000	15,000	99.84%	4,324,000	0.35%
07/01/03	10,204,000	10,204,000	- 0 -	100.00%	4,694,000	0.00%

Teachers' Plan

Plan Description - The Murfreesboro City School System 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). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage of change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less then one-half percent. The annual COLA is capped at three percent.

Note I - EMPLOYEE PENSION PLANS (continued)

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, Tennessee 37243-0230 or can be accessed at *www.treasury.state.tn.us*. Copies of footnotes in a PDF format can be accessed at *http://www.treasury.state.tn.us/tcrs/schools/*. Separate pension information pertaining solely to the Murfreesboro City School System is not available.

Funding Policy - Most teachers are required by state statutes to contribute five percent of salary to the plan. The employer contribution rate for Murfreesboro City Schools is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2005 was 5.50% of annual covered payroll. The employer contribution requirement for Murfreesboro City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2005, 2004, and 2003 were, $1,178,845, $674,707, and $640,336, respectively, and were equal to the required contributions for each year.

Note J - DEFERRED COMPENSATION PLANS

The City of Murfreesboro and the Murfreesboro Electric Department offer employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City and Department employees, permit them to defer a portion of their salary until future years.

As of July 1, 1998, the City and the Murfreesboro Electric Department implemented a new standard requiring changes to the accounting and financial reporting for the deferred compensation plans created in accordance with Internal Revenue Code 457. The plans are administered by an independent plan administrator. The City's administrative involvement is limited to transmitting amounts withheld from payroll to the plan administrator who performs investing functions.

Amendments to the laws governing Section 457 plans require that plan assets are held in trust for the benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. Therefore, the financial activity of these plans is no longer reported in the City's financial statements.

Note K – OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits, the City of Murfreesboro and the Murfreesboro Electric Department, provides certain health care and life insurance benefits for retired employees. Substantially all of the City's and the Department's employees may become eligible for those benefits if they reach normal retirement age while working for the City. Currently, ninety-three City retirees and sixteen Electric Department retirees are receiving benefits. The cost of retiree health care and life insurance benefits is recognized as expense as paid. For the year ended June 30, 2005, those costs totaled approximately $487,720 for the City and $97,000 for the Electric Department. Provisions related to other post-employment benefits are established or amended by the City Council and the Board of the Murfreesboro Electric Department.

Note L – INFORMATION ON INDIVIDUAL PENSION PLAN

Fiduciary funds as reported in the basic financial statements include a single column for the City's two pension trust funds. A separately issued report is available for the Murfreesboro Electric Department Pension Trust. Separate financial information related to the Murfreesboro Employees' Pension Plan is presented below:

Note L – INFORMATION ON INDIVIDUAL PENSION PLAN (continued)

STATEMENT OF NET ASSETS

Assets -		
Cash and cash equivalents	$	1,858,543
Investments, at fair value		55,022,814
Contributions receivable		249,928
Due from trustee		19,629
	$	57,150,914
Net Assets -		
Held in trust for pension benefits	$	57,150,914

STATEMENT OF CHANGES IN NET ASSETS

Additions -		
Employer contributions	$	2,978,886
Investment income		3,599,265
	$	6,578,151
Deductions -		
Benefits to participants	$	1,559,255
Insurance premiums		419,758
	$	1,979,013
Net Increase	$	4,599,138
Net Assets Held in Trust for Pension Benefits -		
Beginning of year		52,551,776
End of year	$	57,150,914

Note M - COMMITMENTS AND CONTINGENCIES

Guarantee of Indebtedness - Waterworks and sewer improvement bonds, and the interest thereon, are payable primarily from the revenue of the water and sewer system, subject to prior pledges in favor of certain outstanding obligations. In the event of a deficiency in such revenues, the bonds and the interest thereon will be payable from ad valorem taxes to be levied on all taxable property within the City, irrevocably pledging the full faith and credit of the City.

Landfill Closure - The City has been notified by the State of Tennessee that certain tests and closure are necessary in connection with a landfill that was operated by the City during the period of 1968 through 1974. The City has also been notified that another site used as a waste dump by the City between 1940 and 1965 has been investigated by the Tennessee Superfund and was found to contain toxic waste. The City is currently performing required cleanup operations on these sites.

Additionally, the reduction in this estimated liability from the previous year amounting to $80,000 has been reported as a special item in the government-wide statement of activities. The City's engineer estimates that additional costs required will approximate $365,000. Accordingly, this amount has been accrued as a liability on the government-wide statement of net assets.

Note M - COMMITMENTS AND CONTINGENCIES (continued)

Construction – The City has entered into agreements for construction as follows:

	Project Authorization	Expended To Date	Remaining Commitment
Wenlon to Northfield	$ 1,631,340	$ 96,284	$ 1,535,056
West Lokey Avenue	3,162,935	2,469,423	693,512
Seigel Park/Soccer Complex	12,217,478	7,419,801	4,797,677
Cherry Lane Widening	1,562,860	445,878	1,116,982
Medical Center Parkway	3,377,931	3,272,422	105,509
Old Lascassas Pike	3,195,798		3,195,798
	$ 25,148,342	$ 13,703,808	$ 11,444,534

Grantor Agencies - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The City is disputing audit claims from the U.S. Department of Justice – Office of Community Oriented Policing Services (COPS) necessary to obtain closure of a recent audit. The COPS office is asking for substantiation of approximately $1,155,425. The City has provided the COPS office with additional information; however, a response from the COPS office has not been received. Of the $1,155,425, the City has accrued $57,693 as an amount due back to the federal government. Disallowed costs, if any, resulting from this audit over the $57,693 would have to be absorbed by the City.

Pending Lawsuits - The City and its component units are parties to various lawsuits claiming damages for personal injury and property damage in automobile and general liability cases, as well as miscellaneous other litigation. Some amounts in these matters are substantial. In the opinion of the City attorney, the City should prevail in most of the litigation that is not fully insured or barred by the statute of limitations. In any event, the likelihood that the City would incur aggregate liability arising from such litigation in an amount that would be material in relation to its financial position is remote.

Note N - LEASES

The City receives rental income principally for real property from various agencies. Future minimum rental commitments under these leases are insignificant. Rental income from these sources totaled approximately $224,752 for the year ended June 30, 2005.

Note O – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2005, management became aware of donated fixed assets that were not recorded by the City. A prior period adjustment of $565,435 to net capital assets has been recorded on the government-wide financial statements. During the fiscal year ended June 30, 2005, the City restated its net assets at June 30, 2005 to record, as deferred revenue, their property taxes which were levied October 1, 2004 based on January 1, 2004 assessment date (lien date) in the amount of $25,471,953. Also, included in the prior period adjustment is a restatement of net assets for the deferral of income from the County related to its assessment of property taxes for the Murfreesboro City Schools in the amount of $7,809,755.

The general fund balance has been restated for a reclassification from designated fund balance to a liability account (deposits held) in the amount of $116,684. The resulting net prior period adjustment on the government-wide financial statements is a decrease of $32,832,957.

Note P - INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary fund financial statements generally reflect such transactions as transfers.

Note P - INTERFUND TRANSACTIONS (continued)

Interfund receivable and payable balances at June 30, 2005, arising from these transactions were as follows:

	Due From	Due To
General Fund		
2004 TML Fund	$ 86,656	
2005 TML Fund	10,914,490	
Gateway Project	9,285,656	
Water and Sewer Fund	10,259	
Nonmajor governmental funds	1,151,355	$ 843,981
Nonmajor enterprise funds		32,412
Internal service funds	3,690	
	$ 21,452,106	$ 876,393
General Purpose School Fund		
Nonmajor governmental funds	$ 64,784	$ 933
2004 TML		
General fund		$ 86,656
2005 TML		
General fund		$ 10,914,490
Gateway Project		
General fund		$ 9,285,656
Internal service funds		2,500,000
		$ 11,785,656
Nonmajor Governmental Funds		
General fund	$ 843,981	$ 1,151,355
General purpose school fund	933	64,784
Nonmajor governmental funds	32,250	32,250
Internal service funds		2,495
	$ 877,164	$ 1,250,884
Water and Sewer Fund		
General fund		$ 10,259
Internal service funds		8,472
		$ 18,731
Electric Department Fund		
Internal service funds		$ 35,000
Nonmajor Enterprise Funds		
General fund	$ 32,412	
Internal Service Funds		
General fund		$ 3,690
Gateway Project	$ 2,500,000	
Electric Department	35,000	
Water and Sewer fund	8,472	
Nonmajor governmental funds	2,495	
	$ 2,545,967	$ 3,690
	$ 24,972,433	$ 24,972,433

Note P - INTERFUND TRANSACTIONS (continued)

Interfund transfers during the year ended June 30, 2005 were as follows:

		Transfer From				
		General Fund	Gateway Project	General Purpose School Fund	Nonmajor Governmental Funds	Total
Transfer To	General purpose school fund	$ 4,810,103			$ 1,151,930	$ 5,962,033
	Nonmajor governmental funds	21,389,066	$ 1,198,467	$ 416,738	1,143,918	24,148,189
	Nonmajor enterprise fund				48,316	48,316
		$ 26,199,169	$ 1,198,467	$ 416,738	$ 2,344,164	$ 30,158,538

Transfers among funds are provided for as part of the annual budget process. Transfers are used to move revenues from the fund required to collect the revenue to the fund required or authorized to expend them. All interfund transfers for the fiscal year were routine in nature.

Note Q - RISK MANAGEMENT PROGRAM

General, Workers' Compensation, and Auto Liability - The City established a self-insurance program for general liability and workers' compensation during the fiscal year ended June 30, 1986. The automobile liability was added to the self-insurance program during the fiscal year ended June 30, 1988. Premiums are paid into the Risk Management Fund by all City funds requiring insurance and the public library and are available to pay claims, claim reserves, and administrative costs of the program. Claims for the fiscal year ended June 30, 2005 were $2,617,039. Claims for fire and extended coverage in excess of $100,000 are covered through commercial insurance. Claims for law enforcement liability in excess of $10,000 are also covered through commercial insurance. There are no other excess coverage insurance policies. Amounts reserved in the fund are designated for future claims not yet made and not accrued.

Group Health - The City provides medical insurance through a group self- insurance program plan. Blue Cross/Blue Shield of Tennessee acts as the administrator of the plan. Insurance premiums are paid into the Insurance Fund from the General Fund and the Water and Sewer Department. In addition, employees and retired employees pay for a portion of the total premiums paid into the fund. Claims are paid to Blue Cross/Blue Shield from the Insurance Fund up to a maximum of $125,000 for each medical claim. A rider policy covers claims for certain transplant surgery (heart, heart and lung, liver and pancreas). Administrative costs and claims for the fiscal year ended June 30, 2005 were $6,461,840.

As of February 1, 1998, the City no longer provided medical coverage for employees of the City School System. The City is responsible for any City Schools' claims dated prior to February 1, 1998.

Note Q - RISK MANAGEMENT PROGRAM (continued)

Claims Liability - The claims liability reported in the Insurance Fund and the Risk Management Fund at June 30, 2005 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Funds' claims liability amounts during the year ended June 30, 2005 were as follows:

Fiscal Year	Liability at Beginning	Current Year Claims and Change in Estimate	Claim Payments	Liability at End
Risk Management Fund -				
2004	$ 2,175,000	$ 2,404,310	$ 1,799,210	$ 2,780,100
2005	2,780,100	2,617,039	2,197,139	3,200,000
Insurance Fund -				
2004	277,231	5,493,815	5,419,803	351,243
2005	351,243	6,461,840	6,459,963	353,120

The City had no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

Note R - DEFICIT FUND BALANCE

The 2005 TML fund and the Gateway Project fund had deficit fund balances of $12,353,405 and $11,414,995, respectively, as of June 30, 2005. The 2005 TML fund incurred expenditures related to various capital projects, specifically, streets, schools and the new soccer complex. The monies have been currently funded by the General Fund to be reimbursed from the issuance of debt. The Gateway Project fund incurred expenditures related to the development of the Gateway Project, specifically, streets such as Medical Center Parkway and the Manson Pike Interchange. The monies have currently been funded by the General Fund to be reimbursed by the Gateway Project Fund upon the sale of land acquired by the fund.

Note S – NEW ACCOUNTING AND REPORTING STANDARDS

As noted above, pursuant to GASB Statement No. 34, for all fiscal years beginning after June 15, 2005, the City must retroactively report all infrastructure assets acquired before July 1, 2001. The City expects to accomplish retroactive reporting of infrastructure by the deadline; however, the City has not yet determined the full impact that the retroactive reporting of infrastructure will have on the financial statements.

CITY OF MURFREESBORO, TENNESSEE

Required Supplementary Information
Pension Trust Funds

Schedule of Funding Progress

June 30, 2005

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
City of Murfreesboro Employees' Pension Plan -						
7/1/95	$ 24,376,907	$ 26,816,843	$ 2,439,936	90.9 %	14,527,173	16.8 %
7/1/96	26,836,616	28,413,649	1,577,033	94.4	15,682,908	10.1
7/1/97	29,054,494	29,768,624	714,130	97.6	16,838,643	4.2
7/1/98	33,278,248	34,593,236	1,314,988	96.2	18,076,609	7.3
7/1/99	37,229,437	37,874,813	645,376	98.3	19,735,090	3.3
7/1/00	40,957,607	41,386,756	429,149	99.0	21,946,101	2.0
7/1/01	43,201,827	48,522,986	5,321,159	89.0	25,165,651	21.1
7/1/02	48,643,679	52,688,816	4,045,137	92.3	26,004,236	15.6
7/1/03	51,498,359	57,550,714	6,052,355	89.5	27,312,169	22.2
7/1/04	54,574,289	62,648,615	8,074,326	87.1	29,361,363	27.5
Murfreesboro Electric Department Employee Pension Plan -						
8/1/95	$ 5,138,222	$ 5,848,394	$ 710,172	87.9 %	$ 2,092,987	33.9 %
8/1/96	5,487,674	6,127,779	640,105	89.6	2,185,681	29.3
8/1/97	6,466,513	7,031,646	565,133	92.0	2,440,603	23.2
8/1/98	7,286,432	7,771,345	484,913	93.8	2,508,302	19.3
8/1/99	8,189,914	8,588,992	399,078	95.4	2,630,079	15.2
8/1/00	9,412,742	9,412,742	-0-	100.0	2,834,305	0.0
8/1/01	8,599,659	8,599,659	-0-	100.0	2,939,605	0.0
8/1/02	7,940,195	8,435,574	495,379	94.1	2,872,520	17.3
8/1/03	8,549,258	9,032,554	483,296	94.6	2,861,365	16.9
8/1/04	9,343,485	9,814,993	471,508	95.2	3,126,722	15.1
8/1/05	10,275,202	10,735,207	460,005	95.7	3,337,003	13.8

CITY OF MURFREESBORO, TENNESSEE

Required Supplementary Information
Pension Trust Funds

Schedule of Employer Contributions

June 30, 2005

	Murfreesboro Employees' Pension		Electric Department Pension	
Fiscal Year	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1996	$ 1,304,734	100 %	$ 214,958	100 %
1997	1,376,802	100	240,689	100
1998	1,489,619	100	221,626	100
1999	1,471,683	100	207,274	100
2000	1,473,113	147	180,847	100
2001	1,835,308	125	152,664	100
2002	2,459,161	100	316,692	100
2003	2,424,202	107	493,679	100
2004	2,721,331	97	485,027	100
2005	3,054,677	97	551,578	100

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
Taxes -				
Property	$ 25,154,304	$ 25,154,304	$ 25,308,676	$ 154,372
Property in lieu of taxes -				
Public utilities	646,825	646,825	666,385	19,560
Murfreesboro Electric Department	1,500,000	1,500,000	1,566,712	66,712
Murfreesboro Housing Authority	82,000	82,000	73,903	(8,097)
Other tax equivalents	105,000	105,000	108,836	3,836
Recovery of taxes deemed uncollectible	200,000	200,000	537,742	337,742
Penalty and interest on taxes	150,000	150,000	241,328	91,328
Other local taxes -				
Sales tax	21,426,794	21,426,794	21,550,526	123,732
Beer tax	1,925,000	1,925,000	2,293,265	368,265
Liquor tax	450,000	450,000	528,073	78,073
Gross receipts tax	1,250,000	1,250,000	1,426,313	176,313
Beer privilege tax	19,000	19,000	17,967	(1,033)
Liquor privilege tax	35,000	35,000	38,047	3,047
Hotel/motel tax	525,000	525,000	537,141	12,141
	$ 53,468,923	$ 53,468,923	$ 54,894,914	$ 1,425,991
Licenses, Permits and Fines -				
Electrical licenses	$ 53,000	$ 53,000	$ 60,725	$ 7,725
Gas and mechanical licenses	8,500	8,500	9,305	805
Building permits	1,750,000	1,750,000	2,028,278	278,278
Plumbing permits	225,000	225,000	272,705	47,705
Electrical permits	17,000	17,000	20,187	3,187
Mechanical permits	150,000	150,000	176,289	26,289
Gas permits	31,000	31,000	38,240	7,240
Land disturbance permits			37,317	37,317
Fireworks permits	1,000	1,000	3,400	2,400
Beer application fees	8,000	8,000	10,200	2,200
Burglar alarm permits	50,000	50,000	37,795	(12,205)
Plat review fee	111,750	111,750	243,358	131,608
Other fees	5,000	5,000	3,079	(1,921)
Attorney tax fees	11,000	11,000	19,483	8,483
Court fines	1,900,000	1,900,000	1,574,575	(325,425)
Burglar false alarm fees	6,000	6,000	6,075	75
Other fines and fees	112,000	112,000	90,824	(21,176)
	$ 4,439,250	$ 4,439,250	$ 4,631,835	$ 192,585

(continued)

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Intergovernmental Revenues -				
Rutherford County	$ 582,111	$ 582,111	$ 972,239	$ 390,128
State sales tax allocation	4,509,500	4,509,500	4,609,482	99,982
State beer tax allocation	37,000	37,000	36,814	(186)
State gasoline tax allocation	170,000	170,000	170,031	31
State mixed drink tax	330,000	330,000	377,416	47,416
State gross receipts tax	475,000	475,000	532,665	57,665
State income tax allocation	350,000	350,000	422,366	72,366
State excise tax	120,000	120,000	185,368	65,368
State maintenance of streets	219,035	219,035	219,035	
Federal funds	419,484	419,484	402,051	(17,433)
	$ 7,212,130	$ 7,212,130	$ 7,927,467	$ 715,337
Charges for services				
Office	$ 100	$ 100	$ 1,166	$ 1,066
Planning department	34,800	34,800	69,549	34,749
Police department	50,000	50,000	54,062	4,062
Fire department	366,000	366,000	372,120	6,120
Street department	19,000	19,000	12,726	(6,274)
Building department	25,000	25,000	33,611	8,611
Maintenance department	11,500	11,500	11,800	300
Intergovernmental fiberoptic	22,500	22,500		(22,500)
	$ 528,900	$ 528,900	$ 555,034	$ 26,134
Miscellaneous Revenue -				
Interest	$ 95,000	$ 95,000	$ 334,272	$ 239,272
Gas franchise revenue	1,137,500	1,137,500	1,146,895	9,395
Contribution - active funds	1,132,894	1,132,894	1,204,319	71,425
Miscellaneous revenue	25,311	25,311	59,388	34,077
Donations received			29,455	29,455
	$ 2,390,705	$ 2,390,705	$ 2,774,329	$ 383,624
TOTAL REVENUES	$ 68,039,908	$ 68,039,908	$ 70,783,579	$ 2,743,671

(continued)

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures -				
General and Administrative -				
Labor	$ 1,179,856	$ 1,179,856	$ 1,172,292	$ 7,564
Operation and maintenance	72,102	72,102	50,146	21,956
Supplies	120,800	120,800	79,618	41,182
Insurance	214,969	214,969	209,559	5,410
Social security taxes	90,259	90,259	88,050	2,209
Group insurance	536,212	536,212	535,632	580
Retirement	361,651	361,651	330,218	31,433
Unemployment insurance	40,000	40,000	13,662	26,338
Utilities	146,500	146,500	142,970	3,530
Travel and subsistence	50,700	50,700	51,700	(1,000)
Association dues	35,000	35,000	38,609	(3,609)
Professional fees	137,500	137,500	161,305	(23,805)
Training personnel	20,000	20,000	32,645	(12,645)
Additions to fixed assets	48,900	48,900	24,271	24,629
Other miscellaneous	191,700	191,700	90,876	100,824
	$ 3,246,149	$ 3,246,149	$ 3,021,553	$ 224,596
Police Department -				
Labor	$ 9,013,902	$ 9,013,902	$ 8,995,137	$ 18,765
Operation and maintenance	598,134	598,134	607,192	(9,058)
Supplies	329,725	329,725	379,040	(49,315)
Uniforms and cleaning	160,545	160,545	158,685	1,860
Insurance	835,496	835,496	853,269	(17,773)
Social security taxes	689,564	689,564	674,829	14,735
Group insurance	1,226,175	1,226,175	1,167,401	58,774
Retirement	781,296	781,296	750,864	30,432
Utilities	211,900	211,900	212,921	(1,021)
Training personnel	80,000	80,000	88,308	(8,308)
Jail fees and state cost	160,000	160,000	176,452	(16,452)
Drug programs	3,000	3,000	2,973	27
Felony enforcement program			1,000	(1,000)
D.A.R.E. program	15,000	15,000	16,078	(1,078)
Additions to fixed assets	1,024,216	1,024,216	1,113,325	(89,109)
Other miscellaneous	217,140	217,140	117,363	99,777
	$ 15,346,093	$ 15,346,093	$ 15,314,837	$ 31,256

(continued)

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fire Department -				
Labor	$ 7,515,747	$ 7,515,747	$ 7,532,892	$ (17,145)
Operation and maintenance	195,113	195,113	200,346	(5,233)
Supplies	107,050	107,050	123,896	(16,846)
Uniforms and cleaning	118,000	118,000	128,657	(10,657)
Insurance	439,695	439,695	452,265	(12,570)
Social security taxes	574,955	574,955	560,129	14,826
Group insurance	1,109,000	1,109,000	1,083,924	25,076
Retirement	705,115	705,115	688,034	17,081
Utilities	138,400	138,400	143,634	(5,234)
Association dues	700	700	1,060	(360)
Training personnel	45,000	45,000	47,802	(2,802)
Internship programs	11,000	11,000	14,532	(3,532)
Additions to fixed assets	170,053	170,053	248,236	(78,183)
Other miscellaneous	6,000	6,000	11,010	(5,010)
	$ 11,135,828	$ 11,135,828	$ 11,236,417	$ (100,589)
Judicial Department -				
Labor	$ 263,435	$ 263,435	$ 256,999	$ 6,436
Operation and maintenance	5,000	5,000	5,515	(515)
Supplies	15,150	15,150	10,012	5,138
Insurance	1,072	1,072	1,133	(61)
Social security taxes	20,153	20,153	18,978	1,175
Group insurance	28,220	28,220	27,901	319
Retirement	24,044	24,044	23,898	146
Utilities	1,100	1,100	1,236	(136)
Association dues	270	270	235	35
Training personnel	2,500	2,500	1,292	1,208
Outside services			23,328	(23,328)
Additions to fixed assets	1,000	1,000	620	380
Other miscellaneous	7,750	7,750	6,136	1,614
	$ 369,694	$ 369,694	$ 377,283	$ (7,589)

(continued)

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Legal Department -				
Labor	$ 380,245	$ 380,245	$ 315,558	$ 64,687
Operation and maintenance	2,500	2,500	2,311	189
Supplies	38,500	38,500	30,209	8,291
Insurance	1,781	1,781	1,776	5
Social security taxes	29,089	29,089	22,597	6,492
Group insurance	36,350	36,350	29,204	7,146
Retirement	37,629	37,629	30,687	6,942
Utilities	2,000	2,000	1,536	464
Travel and subsistence	14,400	14,400	10,914	3,486
Association dues	4,300	4,300	3,981	319
Training personnel	7,500	7,500	4,340	3,160
Legal expense	10,000	10,000	2,566	7,434
Additions to fixed assets	2,500	2,500	14,875	(12,375)
Other miscellaneous	11,000	11,000	7,308	3,692
	$ 577,794	$ 577,794	$ 477,862	$ 99,932
Personnel Department -				
Labor	$ 339,377	$ 339,377	$ 335,342	$ 4,035
Operation and maintenance	11,935	11,935	7,371	4,564
Supplies	23,241	23,241	29,399	(6,158)
Insurance	2,241	2,241	2,346	(105)
Social security taxes	25,548	25,548	24,554	994
Group insurance	38,940	38,940	43,032	(4,092)
Retirement	32,802	32,802	32,551	251
Utilities	2,100	2,100	2,053	47
Travel and subsistence	2,400	2,400	2,400	
Association dues	490	490	360	130
Drug programs	24,500	24,500	27,961	(3,461)
Additions to fixed assets	9,136	9,136	8,624	512
Other miscellaneous	16,606	16,606	11,185	5,421
	$ 529,316	$ 529,316	$ 527,178	$ 2,138

(continued)

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Streets -				
Labor	$ 1,007,030	$ 1,007,030	$ 984,149	$ 22,881
Operation and maintenance	183,517	183,517	224,319	(40,802)
Curb, storm sewer, and right-of-way maintenance	165,000	165,000	149,335	15,665
Materials and supplies	127,725	127,725	155,930	(28,205)
Traffic control devices	40,000	40,000	55,200	(15,200)
Insurance	121,685	121,685	122,101	(416)
Social security taxes	74,514	74,514	73,400	1,114
Group insurance	187,900	187,900	164,193	23,707
Retirement	88,072	88,072	86,089	1,983
Utilities	20,405	20,405	21,322	(917)
Utility service - street lighting	907,000	907,000	906,329	671
Street improvements and maintenance	77,000	77,000	121,496	(44,496)
Travel and subsistence	20,600	20,600	20,873	(273)
Training personnel	5,000	5,000	5,370	(370)
Additions to fixed assets	157,500	157,500	172,338	(14,838)
Other miscellaneous	7,405	7,405	12,167	(4,762)
	$ 3,190,353	$ 3,190,353	$ 3,274,611	$ (84,258)
Planning and Engineering -				
Labor	$ 1,360,623	$ 1,360,623	$ 1,258,909	$ 101,714
Operation and maintenance	240,721	240,721	177,308	63,413
Supplies	73,700	73,700	81,753	(8,053)
Insurance	74,161	74,161	72,361	1,800
Social security taxes	100,110	100,110	98,536	1,574
Group insurance	156,625	156,625	134,349	22,276
Retirement	124,802	124,802	111,554	13,248
Utilities	15,000	15,000	16,287	(1,287)
Sampling and testing	8,000	8,000		8,000
Storm drainage	25,000	25,000		25,000
Travel and subsistence	80,300	80,300	73,179	7,121
Association dues	7,500	7,500	4,651	2,849
Surveys	30,000	30,000	30,547	(547)
Training personnel	15,000	15,000	14,933	67
Additions to fixed assets	40,800	40,800	54,380	(13,580)
Other miscellaneous	15,500	15,500	4,262	11,238
	$ 2,367,842	$ 2,367,842	$ 2,133,009	$ 234,833

(continued)

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Building Inspections -				
Labor	$ 881,332	$ 881,332	$ 871,945	$ 9,387
Operation and maintenance	3,000	3,000	1,944	1,056
Supplies	23,000	23,000	19,912	3,088
Insurance	38,792	38,792	38,905	(113)
Social security taxes	67,422	67,422	69,101	(1,679)
Group insurance	110,360	110,360	108,677	1,683
Retirement	86,004	86,004	83,625	2,379
Utilities	10,325	10,325	10,256	69
Travel and subsistence	62,400	62,400	61,533	867
Association dues	1,500	1,500	1,115	385
Training personnel	8,000	8,000	8,132	(132)
Additions to fixed assets	6,500	6,500	15,213	(8,713)
Other miscellaneous	1,600	1,600	385	1,215
	$ 1,300,235	$ 1,300,235	$ 1,290,743	$ 9,492
Urban Environmental -				
Labor	$ 401,350	$ 401,350	$ 375,894	$ 25,456
Operation and maintenance	30,847	30,847	37,291	(6,444)
Agricultural materials	20,000	20,000	21,855	(1,855)
Supplies	16,725	16,725	19,915	(3,190)
Insurance	56,537	56,537	57,197	(660)
Social security taxes	30,703	30,703	28,103	2,600
Group insurance	38,925	38,925	53,918	(14,993)
Retirement	39,534	39,534	35,266	4,268
Utilities	15,300	15,300	15,760	(460)
Travel and subsistence	4,800	4,800	4,800	
Training personnel	2,750	2,750	2,000	750
Additions to fixed assets	13,700	13,700	12,003	1,697
Other miscellaneous	1,000	1,000	2,180	(1,180)
	$ 672,171	$ 672,171	$ 666,182	$ 5,989

(continued)

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Health, Safety and Other -				
Cash budget payments -				
Rutherford County Health Department	$ 11,000	$ 11,000	$ 11,000	
Job Vocation Training Center	32,370	32,370	32,370	
Rutherford County Rescue Squad	15,000	15,000	15,000	
Crime Stoppers	5,000	5,000	5,000	
Linebaugh Public Library	557,120	557,120	582,120	$ (25,000)
Rutherford County Chamber of Commerce	404,750	404,750	408,668	(3,918)
Murfreesboro Youth Orchestra	5,000	5,000	5,000	
Uncle Dave Macon Days	5,000	5,000	5,000	
CASA of Rutherford County	5,000	5,000	5,000	
Oaklands Association	15,000	15,000	15,000	
Exchange Club Center	5,000	5,000	5,000	
Discovery House	20,000	20,000	20,000	
Main Street Program	32,500	32,500	32,500	
Primary Care Clinic	4,000	4,000	4,000	
Middle Tennessee Symphony	7,500	7,500	7,500	
Domestic Violence Program	7,500	7,500	7,500	
Pregnancy Support	2,500	2,500	2,500	
Meals on Wheels	3,500	3,500	3,500	
Rabies Control	45,000	45,000	45,000	
Center for the Arts	25,000	25,000	25,000	
Leadership Rutherford	1,500	1,500	1,500	
MCHR Transportation Program	1,000	1,000	1,000	
First Call for Help	4,500	4,500	4,500	
Boys and Girls Club	2,500	2,500	2,500	
Child Advocacy Center	14,000	14,000	14,548	(548)
League of Women Voters	3,350	3,350	3,350	
Martin Luther King Scholarship	2,000	2,000	2,000	
Bradley Academy	7,500	7,500	7,500	
Special Kids Incorporated	2,500	2,500	2,500	
Nashville's Table Incorporated	2,000	2,000	2,000	
Rape Recovery/Prevention	2,500	2,500	2,500	
Folkfest	2,500	2,500	2,500	
Motlow	40,000	40,000		40,000
Unforeseen organizations			25,000	(25,000)
	$ 1,293,590	$ 1,293,590	$ 1,308,056	$ (14,466)

(continued)

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Expenditures -				
Maintenance and utilities -				
Civic plaza	$ 82,623	$ 82,623	$ 92,059	$ (9,436)
Parking garage	91,500	91,500	86,183	5,317
Miscellaneous contingencies	784,644	784,644	290,758	493,886
Mixed drink tax allocation	160,000	160,000	186,562	(26,562)
Property tax losses and adjustments	616,023	616,023	528,726	87,297
	$ 1,734,790	$ 1,734,790	$ 1,184,288	$ 550,502
TOTAL EXPENDITURES	$ 41,763,855	$ 41,763,855	$ 40,812,019	$ 951,836
Excess of Revenues Over (Under) Expenditures	$ 26,276,053	$ 26,276,053	$ 29,971,560	$ 3,695,507
Other Financing Uses -				
Operating transfers out -				
Transfer to debt service fund	$ (13,996,072)	$ (13,996,072)	$ (12,674,761)	$ 1,321,311
Transfer to Murfreesboro City School System	(4,810,103)	(4,810,103)	(4,810,103)	
Transfer to solid waste fund	(3,566,861)	(3,566,861)	(3,335,700)	231,161
Transfer to city recreation fund	(5,242,444)	(5,242,444)	(4,942,791)	299,653
Transfer to senior citizens fund	(359,073)	(359,073)	(359,101)	(28)
Transfer to drug fund	(95,000)	(95,000)	(73,604)	21,396
Transfer to airport improvement fund	(6,500)	(6,500)	(3,109)	3,391
	$ (28,076,053)	$ (28,076,053)	$ (26,199,169)	$ 1,876,884
Net change in fund balance	$ (1,800,000)	$ (1,800,000)	$ 3,772,391	$ 5,572,391
Fund Balance at beginning of year, as previously stated			$ 27,520,608	
Prior period adjustment			(116,684)	
Fund Balance at beginning of year, as restated			$ 27,403,924	
Fund Balances at end of year			$ 31,176,315	

CITY OF MURFREESBORO, TENNESSEE

General Purpose School Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Local intergovernmental revenues	$ 14,498,443	$ 14,498,443	$ 14,387,640	$ (110,803)
State program revenues	18,986,401	18,986,401	18,797,546	(188,855)
Federal program revenues	1,381,660	1,381,660	264,332	(1,117,328)
Charges for services	62,100	62,100	47,185	(14,915)
Indigent children revenues			27,250	27,250
Other local revenues	230,427	230,427	323,312	92,885
	$ 35,159,031	$ 35,159,031	$ 33,847,265	$ (1,311,766)
Expenditures -				
Regular instruction program	$ 24,222,086	$ 25,022,086	$ 24,128,607	$ 893,479
Special education program	2,343,978	2,343,978	2,088,912	255,066
Other student support	799,584	799,584	790,515	9,069
Board of education	738,962	738,962	755,315	(16,353)
Office of the superintendent	244,595	244,595	242,601	1,994
Office of the principal	2,197,606	2,197,606	2,135,728	61,878
Fiscal services	432,641	432,641	391,967	40,674
Operation of plant	3,157,795	3,157,795	3,109,405	48,390
Regular instruction program - support	1,435,000	1,435,000	1,433,398	1,602
Special education program - support	274,091	274,091	269,305	4,786
Maintenance of plant	765,441	765,441	846,846	(81,405)
Transportation	929,318	929,318	900,026	29,292
Central and other	298,428	298,428	271,038	27,390
Food service	1,233,689	1,233,689	177,286	1,056,403
Community services	981,755	981,755	932,508	49,247
Attendance	93,386	93,386	86,602	6,784
Health services	150,779	150,779	152,520	(1,741)
Indigent children			26,908	(26,908)
Capital outlay	404,000	404,000	1,543,715	(1,139,715)
	$ 40,703,134	$ 41,503,134	$ 40,283,202	$ 1,219,932
Excess of Revenues Over (Under) Expenditures	$ (5,544,103)	$ (6,344,103)	$ (6,435,937)	$ (91,834)
Other Financing Sources and (Uses) -				
Transfers in	$ 5,140,103	$ 5,140,103	$ 5,962,033	$ 821,930
Transfers out			(416,738)	(416,738)
	$ 5,140,103	$ 5,140,103	$ 5,545,295	$ 405,192
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (Budgetary basis)	$ (404,000)	$ (1,204,000)	$ (890,642)	$ 730,096
Adjustment for encumbrances			463,266	
Net change in fund balance (GAAP basis)			$ (427,376)	
Fund Balance at beginning of year			5,792,158	
Fund Balance at end of year			$ 5,364,782	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes and special purpose funds established by the City Council.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition or construction of capital projects, other than those financed by Enterprise Funds or Internal Service Funds. Revenues are derived primarily from the sale of general obligation bonds and notes, intergovernmental revenues, lease of City property, and earnings on investments.

DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of resources for, and payment of, general long-term obligations.

PERMANENT FUND

Permanent Funds are used to account for funds that are legally restricted to the extent that only earnings (and not principal) may be used for purposes that support the City or its citizenry.

The ***Perpetual Care Cemetery Fund*** accounts for the portion of cemetery lot sale proceeds required by law to be deposited into a perpetual care fund. Earnings on the funds may be used for the maintenance of the Evergreen Cemetery grounds.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Total Special Revenue Funds	Total Capital Projects Funds	Debt Service Fund	Permanent Fund Perpetual Care Cemetery Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 8,076,365	$ 9,304,831	$ 2,574,482		$ 19,955,678
Due from other funds	90,359	786,806			877,165
Due from other governments	710,699	325,155			1,035,854
Accounts receivable, net	468,589			$ 24,979	493,568
Due from others	219,643				219,643
Other accounts receivable	31,823			12,518	44,341
Prepaid items and deposits	1,925				1,925
Inventory	162,219				162,219
Restricted assets -					
Cash and cash equivalents				21,642	21,642
Investments, at fair value				1,352,386	1,352,386
	$ 9,761,622	$ 10,416,792	$ 2,574,482	$ 1,411,525	$ 24,164,421
LIABILITIES AND FUND BALANCE					
Liabilities-					
Cash overdrafts	$ 318,289				$ 318,289
Accounts payable	674,691	$ 777,686			1,452,377
Accrued liabilities	172,865				172,865
Matured bonds interest payable			$ 807		807
Due to other funds	134,931	1,115,953			1,250,884
Due to other governments	95,757				95,757
Due to others		148,721			148,721
Deferred revenue	1,307,170	100,000			1,407,170
Other deposits	25,785				25,785
	$ 2,729,488	$ 2,142,360	$ 807		$ 4,872,655
Fund Balance-					
Reserved for inventory	$ 97,155				$ 97,155
Reserved for perpetual care				$ 1,302,356	1,302,356
Reserved for debt service			$ 2,573,675		2,573,675
Unreserved -					
Designated for repairs and replacement	412,046				412,046
Designated for contingencies	101,239				101,239
Undesignated	6,421,694	$ 8,274,432		109,169	14,805,295
	$ 7,032,134	$ 8,274,432	$ 2,573,675	$ 1,411,525	$ 19,291,766
	$ 9,761,622	$ 10,416,792	$ 2,574,482	$ 1,411,525	$ 24,164,421

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2005

	Total Special Revenue Funds	Total Capital Projects Funds	Debt Service Fund	Permanent Fund Perpetual Care Cemetery Fund	Total Nonmajor Governmental Funds
Revenues-					
Taxes	$ 861,429				$ 861,429
Intergovernmental	7,691,869	$ 6,456,830			14,148,699
Charges for services	6,240,276				6,240,276
Interest and investment earnings	116,803	117,048	$ 43,106	$ 124,249	401,206
Program income		102,094			102,094
Miscellaneous	1,062,712	2,072,297	28,161		3,163,170
	$ 15,973,089	$ 8,748,269	$ 71,267	$ 124,249	$ 24,916,874
Expenditures -					
Current-					
Police	$ 281,406				$ 281,406
Streets	896,052				896,052
Sanitation	3,324,471				3,324,471
Other expenditures	1,811,403	$ 118,115			1,929,518
Recreation	7,601,274				7,601,274
Community development		866,010			866,010
Education	5,505,835				5,505,835
Food service	2,261,382				2,261,382
Capital outlay/fixed assets	1,055,737	10,823,199			11,878,936
Deby service:					
Principal			$ 12,555,106		12,555,106
Interest			2,384,025		2,384,025
Fiscal agent fees			106,543		106,543
	$ 22,737,560	$ 11,807,324	$ 15,045,674		$ 49,590,558
Excess of Revenues Over (Under) Expenditures	$ (6,764,471)	$ (3,059,055)	$ (14,974,407)	$ 124,249	$ (24,673,684)
Other Sources (Uses) -					
Issuance of debt		$ 8,292,122			$ 8,292,122
Transfers in	$ 8,722,305	416,738	$ 15,009,146		24,148,189
Transfers out	(1,165,918)	(1,129,930)		$ (48,316)	(2,344,164)
	$ 7,556,387	$ 7,578,930	$ 15,009,146	$ (48,316)	$ 30,096,147
Net change in fund balance	$ 791,916	$ 4,519,875	$ 34,739	$ 75,933	$ 5,422,463
Fund Balances at beginning of year,	6,240,218	3,754,557	2,538,936	1,335,592	13,869,303
Fund Balances at end of year	$ 7,032,134	$ 8,274,432	$ 2,573,675	$ 1,411,525	$ 19,291,766

NONMAJOR SPECIAL REVENUE FUNDS

State Street Aid Fund accounts for revenues and expenditures of the City's share of state gasoline taxes. State law requires that gasoline taxes be used to maintain streets.

City Recreation Fund accounts for revenues and expenditures related to the operation of City parks and recreational facilities.

Senior Citizens Fund accounts for revenues from various grants received for the purpose of operating a senior citizens center and the expenditures related to the center.

Old Fort Golf Course Fund accounts for revenues and expenditures related to the operation of the City golf courses.

Television Fund accounts for revenue from the cable franchise tax and for the expenditures related to broadcast of city council meetings and other events of community interest over the government access television channel.

Solid Waste Fund accounts for expenditures related to the removal and disposal of solid waste.

Airport Fund accounts for revenues and expenditures related to the operation of the municipal airport.

Drug Enforcement Fund accounts for revenue from drug fines and confiscated property and the use of those funds in the City's drug enforcement and education programs.

Extended School Program Fund accounts for revenues and expenditures associated with the operation of the School System's before and after school program.

School Cafeteria Fund accounts for the revenues and expenditures of the cafeteria operations for all of the schools.

School Federal Projects Fund accounts for revenues and expenditures associated with federally financed school programs. The school federal projects funds included are 21st Century, Title I Program, IDEA Part B Program, Title II Program, Title III Program, Even Start Program, Title V Program, and Project Eagle.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2005

	State Street Aid	City Recreation	Senior Citizens	Old Fort Golf Course	Television	Solid Waste	Airport	Drug Enforcement	Extended School Program	School Cafeteria
ASSETS										
Cash and cash equivalents	$ 2,445,010	$ 227,597	$ 267,011	$ 550,420	$ 2,230,802	$ 36,650	$ 60,172	$ 275,527	$ 1,118,218	$ 740,455
Due from other funds							57,176		8,782	3,035
Due from other governments		30,940	2,750	1,462		108,719	175,705	17,920	42,759	
Accounts receivable, net	383,198						44,586		40,805	
Due from others					219,643					
Other accounts receivable		2,241	1,185	28,329				68		
Prepaid items and deposits								1,925		
Inventory				80,959			16,196			65,064
	$ 2,828,208	$ 260,778	$ 270,946	$ 661,170	$ 2,450,445	$ 145,369	$ 353,835	$ 295,440	$ 1,210,564	$ 808,554
LIABILITIES AND FUND BALANCE										
Liabilities-										
Cash overdraft										
Accounts payable	$ 131,667	$ 67,394	$ 8,964	$ 55,885	$ 224,266	$ 4,663	$ 169,621	$ 357	$ 11,874	
Accrued liabilities									149,625	
Due to other funds		2,241	139	28,335	593			6,589	25,577	$ 61,026
Due to other governments		18,631							77,126	
Deferred revenue		21,700	33	50,836	750,000		1,638	35,645	322,965	
Deposits		1,425	4,370				19,990			
	$ 131,667	$ 111,391	$ 13,506	$ 135,056	$ 974,859	$ 4,663	$ 191,249	$ 42,591	$ 587,167	$ 61,026
Fund Balance-										
Reserved for inventory				$ 80,959			$ 16,196			
Unreserved -										
Designated for repairs and replacement		$ 35,574		376,472						
Designated for contingencies				101,239						
Undesignated	$ 2,696,541	113,813	$ 257,440	(32,556)	$ 1,475,586	$ 140,706	146,390	$ 252,849	$ 623,397	$ 747,528
	$ 2,696,541	$ 149,387	$ 257,440	$ 526,114	$ 1,475,586	$ 140,706	$ 162,586	$ 252,849	$ 623,397	$ 747,528
	$ 2,828,208	$ 260,778	$ 270,946	$ 661,170	$ 2,450,445	$ 145,369	$ 353,835	$ 295,440	$ 1,210,564	$ 808,554

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet (Continued)
Nonmajor Special Revenue Funds

June 30, 2005

	21st Century	Title I Program	IDEA Part B Program	Title II Program	Title III Program	Even Start Program	Title V Program	Project Eagle	Total Nonmajor Special Revenue
ASSETS									
Cash and cash equivalents				$ 124,503					$ 8,076,365
Due from other funds	$ 20,435					$ 931			90,359
Due from other governments	94,648	$ 28,653	$ 62,499		$ 6,009	65,161	$ 31,616	$ 41,858	710,699
Accounts receivable, net									468,589
Due from others									219,643
Other accounts receivable									31,823
Prepaid items and deposits									1,925
Inventory									162,219
	$ 115,083	$ 28,653	62,499	$ 124,503	$ 6,009	$ 66,092	$ 31,616	$ 41,858	$ 9,761,622
LIABILITIES AND FUND BALANCE									
Liabilities-									
Cash overdraft	$ 100,632	$ 27,370	$ 59,808		$ 6,009	$ 61,288	$ 31,616	$ 31,566	$ 318,289
Accounts payable									674,691
Accrued liabilities	14,451	819	2,691	$ 150		3,619		1,510	172,865
Due to other funds		464				1,185		8,782	134,931
Due to other governments									95,757
Deferred revenue				124,353					1,307,170
Deposits									25,785
	$ 115,083	$ 28,653	$ 62,499	$ 124,503	$ 6,009	$ 66,092	$ 31,616	$ 41,858	$ 2,729,488
Fund Balance-									
Reserved for inventory									$ 97,155
Unreserved -									
Designated for repairs and replacement									412,046
Designated for contingencies									101,239
Undesignated									6,421,694
									$ 7,032,134
	$ 115,083	$ 28,653	$ 62,499	$ 124,503	$ 6,009	$ 66,092	$ 31,616	$ 41,858	$ 9,761,622

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year Ended June 30, 2005

	State Street Aid	City Recreation	Senior Citizens	Old Fort Golf Course	Television	Solid Waste	Airport	Drug Enforcement	Extended School Program	School Cafeteria Fund
Revenues-										
Intergovernmental	$ 2,144,268	$ 144,949	$ 138,175			$ 13,779	$ 549,500		$ 36,894	$ 1,265,585
Charges for services		892,793	85,078	$ 1,756,023		13,147	223,043		2,113,315	1,156,877
Interest	42,803	2,048	5,344	22,796	$ 37,430	919	2,612	$ 2,851		
Franchise tax					861,429					
Miscellaneous		57,442	64,144	10,552	795	28,421	611,371	197,417	90,141	2,429
	$ 2,187,071	$ 1,097,232	$ 292,741	$ 1,789,371	$ 899,654	$ 56,266	$ 1,386,526	$ 200,268	$ 2,240,350	$ 2,424,891
Expenditures-										
Education									$ 2,114,197	
Recreation		$ 6,013,403		$ 1,587,871						
Streets	$ 896,052									
Sanitation						$ 3,324,471				
Police								$ 281,406		
Other			$ 631,943		$ 411,143		$ 761,236			
Food service										$ 2,261,382
Capital outlay		92,913	3,113	70,868	297,409	9,900	551,521	30,013		
	$ 896,052	$ 6,106,316	$ 635,056	$ 1,658,739	$ 708,552	$ 3,334,371	$ 1,312,757	$ 311,419	$ 2,114,197	$ 2,261,382
Excess of Revenues Over (Under) Expenditures	$ 1,291,019	$ (5,009,084)	$ (342,315)	$ 130,632	$ 191,102	$ (3,278,105)	$ 73,769	$ (111,151)	$ 126,153	$ 163,509
Other Sources (Uses)-										
Transfers in		$ 4,942,791	$ 367,101			$ 3,335,700	$ 3,109	$ 73,604		
Transfers out	$ (600,000)			$ (235,918)		(250,000)	(50,000)		$ (30,000)	
	$ (600,000)	$ 4,942,791	$ 367,101	$ (235,918)		$ 3,085,700	$ (46,891)	$ 73,604	$ (30,000)	
Net change in fund balance	$ 691,019	$ (66,293)	$ 24,786	$ (105,286)	$ 191,102	$ (192,405)	$ 26,878	$ (37,547)	$ 96,153	$ 163,509
Fund Balance at beginning of year	2,005,522	215,680	232,654	631,400	1,284,484	333,111	135,708	290,396	527,244	584,019
Fund Balance at end of year	$ 2,696,541	$ 149,387	$ 257,440	$ 526,114	$ 1,475,586	$ 140,706	$ 162,586	$ 252,849	$ 623,397	$ 747,528

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year Ended June 30, 2005

	21st Century Fund	Title I Program	IDEA Part B Program	Title II Program	Title II Part D Program	Preschool Grant	Even Start Program	Title III Program	Title V Program	Project Eagle	Total Nonmajor Special Revenue Funds
Revenues-											
Intergovernmental	$ 263,946	$ 1,012,950	$ 1,204,094	$ 266,616	$ 37,422	$ 31,850	376,500	$ 32,833	$ 47,508	$ 125,000	$ 7,691,869
Charges for services											6,240,276
Interest											116,803
Franchise tax											861,429
Miscellaneous											1,062,712
	$ 263,946	$ 1,012,950	$ 1,204,094	$ 266,616	$ 37,422	$ 31,850	$ 376,500	$ 32,833	$ 47,508	$ 125,000	$ 15,973,089
Expenditures-											
Education	$ 259,371	$ 1,012,950	$ 1,204,094	$ 266,616	$ 37,422	$ 31,850	$ 376,500	$ 32,833	$ 47,508	$ 122,494	$ 5,505,835
Recreation											7,601,274
Streets											896,052
Sanitation											3,324,471
Police											281,406
Other	4,575									2,506	1,811,403
Food service											2,261,382
Capital outlay											1,055,737
	$ 263,946	$ 1,012,950	$ 1,204,094	$ 266,616	$ 37,422	$ 31,850	$ 376,500	$ 32,833	$ 47,508	$ 125,000	$ 22,737,560
Excess of Revenues Over (Under) Expenditures	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	-0-	$ -0-	$ (6,764,471)
Other Sources (Uses)-											
Transfers in											$ 8,722,305
Transfers out											(1,165,918)
											$ 7,556,387
Net change in fund balance	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 791,916
Fund Balance at beginning of year	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	6,240,218
Fund Balance at end of year	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 7,032,134

CITY OF MURFREESBORO, TENNESSEE

State Street Aid Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Tennessee state gasoline tax apportionment	$ 2,091,015	$ 2,091,015	$ 2,144,268	$ 53,253
Interest	30,000	30,000	42,803	12,803
	$ 2,121,015	$ 2,121,015	$ 2,187,071	$ 66,056
Expenditures-				
Traffic signals	$ 100,000	$ 100,000		$ 100,000
Curbs and gutters	140,000	140,000	$ 140,250	(250)
Sidewalks	50,000	50,000	54,446	(4,446)
Rights-of-way	100,000	100,000	82,368	17,632
Street paving	886,015	886,015	78,464	807,551
Street markings	140,000	140,000	72,671	67,329
Bridges	15,000	15,000		15,000
Storm drainage	140,000	140,000	70,364	69,636
Intersections	50,000	50,000	42,458	7,542
Traffic signal lighting	50,000	50,000	51,546	(1,546)
Other services	30,000	30,000	35,508	(5,508)
Contractual services	50,000	50,000	239,472	(189,472)
Surveys and engineering	70,000	70,000	28,505	41,495
	$ 1,821,015	$ 1,821,015	$ 896,052	$ 924,963
Excess of Revenues Over (Under) Expenditures	$ 300,000	$ 300,000	$ 1,291,019	$ 991,019
Other Financing Uses -				
Transfer to debt service fund	(600,000)	(600,000)	(600,000)	-0-
Net change in fund balance	$ (300,000)	$ (300,000)	$ 691,019	$ 991,019
Fund Balance at beginning of year			2,005,522	
Fund Balance at end of year			$ 2,696,541	

CITY OF MURFREESBORO, TENNESSEE

City Recreation Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
Interest	$ 3,000	$ 3,000	$ 2,048	$ (952)
Federal funds	89,250	89,250	77,848	(11,402)
State funds			2,600	2,600
County funds	55,000	55,000	64,501	9,501
Charges for recreational activities	941,352	941,352	892,793	(48,559)
Donations received			16,232	16,232
Miscellaneous	30,000	30,000	41,210	11,210
	$ 1,118,602	$ 1,118,602	$ 1,097,232	$ (21,370)
Expenditures -				
Labor	$ 3,408,078	$ 3,408,078	$ 3,040,085	$ 367,993
Park and ride police patrol	416,100	416,100	431,846	(15,746)
Operation and Maintenance -				
Machinery and equipment	65,183	65,183	80,723	(15,540)
Grounds	135,000	135,000	224,820	(89,820)
Building	120,000	120,000	159,666	(39,666)
Swimming pools	58,194	58,194	40,323	17,871
Supplies	198,497	198,497	203,054	(4,557)
Insurance	225,621	225,621	216,622	8,999
Social Security taxes	260,718	260,718	230,829	29,889
Group insurance	330,425	330,425	325,963	4,462
Retirement	205,908	205,908	196,020	9,888
Utilities	641,326	641,326	603,339	37,987
Travel and subsistence	55,175	55,175	53,934	1,241
Arts and humanities	46,065	46,065	41,340	4,725
Surveys and studies			600	(600)
Grant expenditures	2,727	2,727	907	1,820
Training personnel	10,000	10,000	9,566	434
Purchases for resale	79,000	79,000	73,216	5,784
Sales tax	14,300	14,300	15,184	(884)
Other miscellaneous	21,389	21,389	65,366	(43,977)
Capital outlay	67,340	67,340	92,913	(25,573)
	$ 6,361,046	$ 6,361,046	$ 6,106,316	$ 254,730
Excess of Revenues Over (Under) Expenditures	$ (5,242,444)	$ (5,242,444)	$ (5,009,084)	$ 233,360
Other Financing Sources -				
Transfer from general fund	5,242,444	5,242,444	4,942,791	(299,653)
Net change in fund balance	$ -0-	$ -0-	$ (66,293)	$ (66,293)
Fund Balance at beginning of year			215,680	
Fund Balance at end of year			$ 149,387	

CITY OF MURFREESBORO, TENNESSEE

Senior Citizens Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
Interest			$ 5,344	$ 5,344
County funds	$ 130,570	$ 130,570	105,175	(25,395)
State funds	8,500	8,500	8,500	
Federal funds	25,600	25,600	24,500	(1,100)
Revenue from other agencies	40,532	40,532	48,692	8,160
Program income	69,500	69,500	85,078	15,578
Donations received	12,335	12,335	11,988	(347)
Miscellaneous			3,464	3,464
	$ 287,037	$ 287,037	$ 292,741	$ 5,704
Expenditures -				
Labor	$ 366,229	$ 366,229	$ 351,156	$ 15,073
Operations and maintenance	16,369	16,369	19,795	(3,426)
Supplies	58,077	58,077	59,123	(1,046)
Insurance	12,367	12,367	11,480	887
Social Security taxes	28,016	28,016	26,924	1,092
Group insurance	50,100	50,100	37,854	12,246
Retirement	28,772	28,772	30,407	(1,635)
Utilities	39,300	39,300	40,343	(1,043)
Contractual services	17,500	17,500	17,400	100
Travel and subsistance	8,700	8,700	8,462	238
Training and instruction	16,300	16,300	17,634	(1,334)
Designated contributions	1,800	1,800	4,327	(2,527)
Other miscellaneous	5,850	5,850	7,038	(1,188)
Capital outlay	4,730	4,730	3,113	1,617
	$ 654,110	$ 654,110	$ 635,056	$ 19,054
Excess of Revenues Over (Under) Expenditures	$ (367,073)	$ (367,073)	$ (342,315)	$ 24,758
Other Financing Sources -				
Transfer from other funds	367,073	367,073	367,101	28
Net change in fund balance	$ -0-	$ -0-	$ 24,786	$ 24,786
Fund Balance at beginning of year			232,654	
Fund Balance at end of year			$ 257,440	

CITY OF MURFREESBORO, TENNESSEE

Old Fort Golf Course Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Old Fort Golf Course-				
Green fees	$ 945,948	$ 945,948	$ 799,761	$ (146,187)
Cart rentals and trail fees	227,200	227,200	232,926	5,726
Driving range	20,000	20,000	32,784	12,784
Concession and retail sales	452,127	452,127	461,688	9,561
Interest earned	5,000	5,000	22,796	17,796
Miscellaneous	7,500	7,500	10,552	3,052
	$ 1,657,775	$ 1,657,775	$ 1,560,507	$ (97,268)
Veteran's Administration Course-				
Green fees	$ 190,000	$ 190,000	$ 190,755	$ 755
Cart rentals and trail fees	11,600	11,600	11,817	217
Concession and retail sales	24,179	24,179	26,292	2,113
	$ 225,779	$ 225,779	$ 228,864	$ 3,085
Total Revenues	$ 1,883,554	$ 1,883,554	$ 1,789,371	$ (94,183)
Expenditures-				
Old Fort Golf Course-				
Labor	$ 665,138	$ 665,138	$ 616,620	$ 48,518
Operations and maintenance	59,087	59,087	67,423	(8,336)
Material	73,000	73,000	78,193	(5,193)
Supplies	48,875	48,875	36,877	11,998
Insurance	23,623	23,623	23,268	355
Social Security	50,883	50,883	46,234	4,649
Employee group insurance	65,875	65,875	60,214	5,661
Employee retirement	48,094	48,094	45,932	2,162
Utilities	40,500	40,500	42,385	(1,885)
Travel and subsistence	9,600	9,600	9,600	
Items for resale	257,500	257,500	278,112	(20,612)
Sales tax	62,127	62,127	63,147	(1,020)
Other miscellaneous expenses	40,100	40,100	34,446	5,654
Overhead allocation	(76,850)	(76,850)	(77,091)	241
Capital outlay	51,100	51,100	48,659	2,441
	$ 1,418,652	$ 1,418,652	$ 1,374,019	$ 44,633

(continued)

CITY OF MURFREESBORO, TENNESSEE

Old Fort Golf Course Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (continued) -				
Veteran's Administration Course-				
Labor	$ 114,662	$ 114,662	$ 109,112	$ 5,550
Operations and maintenance	8,500	8,500	8,764	(264)
Material	6,500	6,500	6,435	65
Supplies	7,650	7,650	4,956	2,694
General insurance	4,020	4,020	4,020	
Social Security	8,772	8,772	8,331	441
Employee group insurance	10,790	10,790	10,675	115
Employee retirement	6,694	6,694	6,683	11
Utilities	10,300	10,300	6,946	3,354
Travel and subsistence	2,400	2,400	2,400	
Items for resale	12,000	12,000	13,384	(1,384)
Sales tax	3,179	3,179	3,295	(116)
Other miscellaneous expenses	1,000	1,000	419	581
Overhead allocation	76,850	76,850	77,091	(241)
Capital outlay	23,900	23,900	22,209	1,691
	$ 297,217	$ 297,217	$ 284,720	$ 12,497
Total Expenditures	$ 1,715,869	$ 1,715,869	$ 1,658,739	$ 57,130
Excess of Revenues Over (Under) Expenditures	$ 167,685	$ 167,685	$ 130,632	$ (37,053)
Other Financing Uses -				
Transfer to debt service fund	(235,918)	(235,918)	(235,918)	
Net change in fund balance	$ (68,233)	$ (68,233)	$ (105,286)	
Fund Balance at beginning of year			631,400	
Fund Balance at end of year			$ 526,114	

CITY OF MURFREESBORO, TENNESSEE

Television Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
Cable franchise tax	$ 720,000	$ 720,000	$ 861,429	$ 141,429
Interest	10,000	10,000	37,430	27,430
Miscellaneous	400	400	795	395
	$ 730,400	$ 730,400	$ 899,654	$ 169,254
Expenditures -				
Labor	$ 209,147	$ 209,147	$ 205,995	$ 3,152
Operation and maintenance	22,307	22,307	27,603	(5,296)
Supplies	2,450	2,450	1,545	905
Advertising supplies	12,000	12,000	9,208	2,792
Audio/video supplies	15,000	15,000	6,508	8,492
Insurance	3,508	3,508	3,350	158
Social security	16,000	16,000	16,019	(19)
Group insurance	21,675	21,675	21,438	237
Retirement	18,086	18,086	18,100	(14)
Utilities	9,100	9,100	8,404	696
Travel and subsistence	10,200	10,200	9,728	472
Association dues	1,000	1,000	595	405
Training personnel	7,000	7,000	2,228	4,772
Professional services	27,000	27,000	31,039	(4,039)
Other miscellaneous	45,000	45,000	49,383	(4,383)
Capital outlay	451,419	451,419	297,409	154,010
	$ 870,892	$ 870,892	$ 708,552	$ 162,340
Excess of Revenues Over (Under) Expenditures	$ (140,492)	$ (140,492)	$ 191,102	$ 331,594
Fund Balance at beginning of year			1,284,484	
Fund Balance at end of year			$ 1,475,586	

CITY OF MURFREESBORO, TENNESSEE

Solid Waste Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
Interest	$ 1,000	$ 1,000	$ 919	$ (81)
State program revenue			13,779	13,779
Charges for services	10,500	10,500	13,147	2,647
Miscellaneous	9,000	9,000	28,421	19,421
	$ 20,500	$ 20,500	$ 56,266	$ 35,766
Expenditures -				
Labor	$ 1,628,159	$ 1,628,159	$ 1,475,018	$ 153,141
Operations and maintenance	462,838	462,838	586,338	(123,500)
Supplies	147,750	147,750	217,146	(69,396)
Insurance	262,854	262,854	272,988	(10,134)
Social Security	122,259	122,259	108,205	14,054
Group insurance	273,097	273,097	279,934	(6,837)
Retirement	154,754	154,754	132,177	22,577
Utilities	33,700	33,700	37,244	(3,544)
Travel and subsistence	6,000	6,000	6,000	
Training personnel	2,000	2,000	1,205	795
License fees	12,000	12,000	671	11,329
Disposal carts	145,000	145,000	98,531	46,469
Other miscellaneous	2,650	2,650	109,014	(106,364)
Capital outlay	84,300	84,300	9,900	74,400
	$ 3,337,361	$ 3,337,361	$ 3,334,371	$ 2,990
Excess of Revenues Over (Under) Expenditures	$ (3,316,861)	$ (3,316,861)	$ (3,278,105)	$ 38,756
Other Financing Sources (Uses)-				
Transfer from general fund	$ 3,566,861	$ 3,566,861	$ 3,335,700	$ (231,161)
Transfer to debt service fund	(250,000)	(250,000)	(250,000)	
	$ 3,316,861	$ 3,316,861	$ 3,085,700	$ (231,161)
Net change in fund balance	$ -0-	$ -0-	$ (192,405)	$ (192,405)
Fund Balance at beginning of year			333,111	
Fund Balance at end of year			$ 140,706	

CITY OF MURFREESBORO, TENNESSEE

Airport Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
State maintenance funds	$ 9,000	$ 9,000	$ 9,000	
Federal funds	38,000	578,000	540,500	$ (37,500)
Interest	1,500	1,500	2,612	1,112
Rental income	212,873	212,873	223,043	10,170
Fuel sales	440,000	570,000	610,777	40,777
Miscellaneous	1,000	1,000	594	(406)
	$ 702,373	$ 1,372,373	$ 1,386,526	$ 14,153
Expenditures -				
Labor	$ 101,334	$ 101,334	$ 101,126	$ 208
Operations and maintenance	37,500	37,500	47,709	(10,209)
Supplies	7,600	7,600	6,739	861
Insurance	12,816	12,816	13,040	(224)
Social Security	7,752	7,752	7,953	(201)
Group insurance	8,430	8,430	8,317	113
Retirement	5,814	5,814	5,818	(4)
Utilities	20,775	20,775	22,514	(1,739)
Travel and subsistence	8,300	8,300	5,613	2,687
Purchases for resale	319,355	437,355	469,920	(32,565)
Fuel rebates	35,000	35,000	51,861	(16,861)
Surveys and studies	300	300	6,728	(6,428)
Other miscellaneous	12,250	12,250	13,898	(1,648)
Capital outlay	66,500	618,500	551,521	66,979
	$ 643,726	$ 1,313,726	$ 1,312,757	$ 969
Excess of Revenues Over (Under) Expenditures	$ 58,647	$ 58,647	$ 73,769	$ 15,122
Other Financing Sources and (Uses) -				
Transfer from general fund	$ 6,500	$ 6,500	$ 3,109	$ (3,391)
Transfer to debt service fund	(50,000)	(50,000)	(50,000)	
	$ (43,500)	$ (43,500)	$ (46,891)	$ (3,391)
Net change in fund balance	$ 15,147	$ 15,147	$ 26,878	$ 11,731
Fund Balance at beginning of year			135,708	
Fund Balance at end of year			$ 162,586	

CITY OF MURFREESBORO, TENNESSEE

Drug Enforcement Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
Court fines	$ 95,000	$ 95,000	$ 73,604	$ (21,396)
Seizure awards	20,000	20,000	120,056	100,056
Interest	3,000	3,000	2,851	(149)
Miscellaneous	15,000	15,000	3,757	(11,243)
	$ 133,000	$ 133,000	$ 200,268	$ 67,268
Expenditures -				
Labor	$ 87,000	$ 87,000	$ 136,679	$ (49,679)
Operations and maintenance	18,864	18,864	22,079	(3,215)
Supplies	8,625	8,625	11,251	(2,626)
Utilities	36,800	36,800	24,710	12,090
Training	20,000	20,000	17,242	2,758
Rent	26,000	26,000	23,100	2,900
Undercover operations	85,000	85,000	44,551	40,449
Other miscellaneous	6,500	6,500	1,794	4,706
Capital outlay	62,900	62,900	30,013	32,887
	$ 351,689	$ 351,689	$ 311,419	$ 40,270
Excess of Revenues Over (Under) Expenditures	$ (218,689)	$ (218,689)	$ (111,151)	$ 107,538
Other Financing Sources -				
Transfer from general fund	95,000	95,000	73,604	(21,396)
Net change in fund balance	$ (123,689)	$ (123,689)	$ (37,547)	$ 86,142
Fund Balance at beginning of year			290,396	
Fund Balance at end of year			$ 252,849	

CITY OF MURFREESBORO, TENNESSEE

Extended School Program Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 95,572	$ 95,572	$ 36,894	$ (58,678)
Charges for services	1,564,272	1,564,272	2,113,315	549,043
Other local revenues	17,950	17,950	90,141	72,191
	$ 1,677,794	$ 1,677,794	$ 2,240,350	$ 562,556
Expenditures -				
Community services	$ 1,643,525	$ 1,643,525	$ 2,114,197	$ (470,672)
Excess of Revenues Over (Under) Expenditures	$ 34,269	$ 34,269	$ 126,153	$ 91,884
Other Financing Uses -				
Transfer to other fund	(30,000)	(30,000)	(30,000)	-0-
Excess of Revenues Over (Under) Expenditures and Other Financing Uses (Budgetary basis)	$ 4,269	$ 4,269	$ 96,153	$ 91,884
Adjustment for encumbrances			-0-	
Net change in fund balance (GAAP basis)			$ 96,153	
Fund Balance at beginning of year			527,244	
Fund Balance at end of year			$ 623,397	

CITY OF MURFREESBORO, TENNESSEE

School Cafeteria Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 1,119,346	$ 1,119,346	$ 1,265,585	$ 146,239
Charges for services	1,193,701	1,193,701	1,156,877	(36,824)
Other local revenues	26,620	26,620	2,429	(24,191)
	$ 2,339,667	$ 2,339,667	$ 2,424,891	$ 85,224
Expenditures -				
Food service	$ 2,248,092	$ 2,248,092	$ 2,261,382	$ (13,290)
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	$ 91,575	$ 91,575	$ 163,509	$ 71,934
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			$ 163,509	
Fund Balance at beginning of year			584,019	
Fund Balance at end of year			$ 747,528	

CITY OF MURFREESBORO, TENNESSEE

21st Century Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 298,789	$ 298,789	$ 263,946	$ (34,843)
Expenditures -				
Transportation	$ 3,350	$ 3,350	$ 4,575	$ (1,225)
Community services	295,439	295,439	259,371	36,068
	$ 298,789	$ 298,789	$ 263,946	$ 34,843
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	$ -0-	$ -0-	$ -0-	$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			$ -0-	

CITY OF MURFREESBORO, TENNESSEE

Title I Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 1,112,659	$ 1,112,659	$ 1,012,950	$ (99,709)
Expenditures -				
Regular instruction program	$ 1,030,716	$ 1,030,716	$ 999,159	$ 31,557
Other student support	29,943	29,943	4,906	25,037
Regular instruction program-support	52,000	52,000	8,885	43,115
	$ 1,112,659	$ 1,112,659	$ 1,012,950	$ 99,709
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	$ -0-	$ -0-	$ -0-	$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			$ -0-	

CITY OF MURFREESBORO, TENNESSEE

IDEA Part B Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 1,183,977	$ 1,183,977	$ 1,204,094	$ 20,117
Expenditures -				
Special education program	$ 895,379	$ 895,379	$ 1,007,746	$ (112,367)
Student support - health	48,400	48,400	46,491	1,909
Special education program - support	240,198	240,198	149,857	90,341
	$ 1,183,977	$ 1,183,977	$ 1,204,094	$ (20,117)
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	$ -0-	$ -0-	$ -0-	$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			$ -0-	

CITY OF MURFREESBORO, TENNESSEE

Title II Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 391,128	$ 391,128	$ 266,616	$ (124,512)
Expenditures -				
Regular instruction program	$ 277,207	$ 277,207	$ 158,703	$ 118,504
Regular instruction program-support	113,921	113,921	107,913	6,008
	$ 391,128	$ 391,128	$ 266,616	$ 124,512
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	$ -0-	$ -0-	$ -0-	$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			$ -0-	

CITY OF MURFREESBORO, TENNESSEE

Title II Part D Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 38,015	$ 38,015	$ 37,422	$ (593)
Expenditures -				
Other student support	$ 38,015	$ 38,015	$ 34,561	$ 3,454
Regular instruction program-support			2,861	(2,861)
	$ 38,015	$ 38,015	$ 37,422	$ 593
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	$ -0-	$ -0-	$ -0-	$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			$ -0-	

CITY OF MURFREESBORO, TENNESSEE

Preschool Grant

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 31,850	$ 31,850	$ 31,850	$ -0-
Expenditures -				
Special education program			$ 4,850	$ (4,850)
Special education program-support	$ 31,850	$ 31,850	27,000	4,850
	$ 31,850	$ 31,850	$ 31,850	$ -0-
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	$ -0-	$ -0-	$ -0-	$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			$ -0-	

CITY OF MURFREESBORO, TENNESSEE

Even Start Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 376,500	$ 376,500	$ 376,500	$ -0-
Expenditures -				
Community services	$ 376,500	$ 376,500	$ 376,500	$ -0-
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	$ -0-	$ -0-	$ -0-	$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			$ -0-	

CITY OF MURFREESBORO, TENNESSEE

Title III Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 35,045	$ 35,045	$ 32,833	$ (2,212)
Expenditures -				
Regular instruction program	$ 35,045	$ 35,045	$ 31,555	$ 3,490
Regular instruction program-support			1,278	(1,278)
	$ 35,045	$ 35,045	$ 32,833	$ 2,212
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	$ -0-	$ -0-	$ -0-	$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			$ -0-	

CITY OF MURFREESBORO, TENNESSEE

Title V Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 56,414	$ 56,414	$ 47,508	$ (8,906)
Expenditures -				
Regular instruction program			$ 23,624	$ (23,624)
Regular instruction program-support	$ 56,414	$ 56,414	23,884	32,530
	$ 56,414	$ 56,414	$ 47,508	$ 8,906
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	$ -0-	$ -0-	$ -0-	$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			$ -0-	

CITY OF MURFREESBORO, TENNESSEE

Project Eagle

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	$ 125,000	$ 125,000	$ 125,000	$ -0-
Expenditures -				
Community services	$ 121,250	$ 121,250	$ 122,494	$ (1,244)
Transportation	3,750	3,750	2,506	1,244
	$ 125,000	$ 125,000	$ 125,000	$ -0-
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	$ -0-	$ -0-	$ -0-	$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			$ -0-	

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Improvement and Contingency Fund accounts for revenues and expenditures associated with the acquisition or construction of various capital projects for general government activities.

Community Development Fund accounts for Community Development Block grants and state grants received and the improvements and expenditures related to the programs.

Battlefield River Trail Fund accounts for revenue from a federal grant and expenditures related to the construction of a recreational trail along the Stones River.

TML Loan Funds accounts for the proceeds of loans through the Tennessee Municipal League and the expenditures related to various projects funded by the loans. The funds included are 1996 TML Loan, 1998 TML Loan, 1999 TML Loan, 2001 TML Loan, and 2002 TML Loan.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Nonmajor Capital Project Funds

June 30, 2005

	Capital Improvement and Contingency	Community Development	Battlefield River Trail	1996 TML Loan	1998 TML Loan	1999 TML Loan	2001 TML Loan	2002 TML Loan	Total Nonmajor Capital Projects
ASSETS									
Cash and cash equivalents	$ 7,035,632	$ 88	$ 558		$ 183,034	$ 91,308	$ 1,991,065	$ 3,146	$ 9,304,831
Due from other funds		14,058		$ 200,104	572,644				786,806
Due from other governments		108,034	217,121						325,155
	$ 7,035,632	$ 122,180	$ 217,679	$ 200,104	$ 755,678	$ 91,308	$ 1,991,065	$ 3,146	$ 10,416,792
LIABILITIES AND FUND BALANCE									
Liabilities-									
Accounts payable	$ 405,192				$ 39,707	$ 93,387	$ 239,400		$ 777,686
Due to other funds			$ 217,121					$ 898,832	1,115,953
Deferred revenue	100,000								100,000
Due to others	48,312	$ 99,851	558						148,721
	$ 553,504	$ 99,851	$ 217,679		$ 39,707	$ 93,387	$ 239,400	$ 898,832	$ 2,142,360
Fund Balance -									
Unreserved -									
Undesignated	$ 6,482,128	$ 22,329	$ -0-	$ 200,104	$ 715,971	$ (2,079)	$ 1,751,665	$ (895,686)	$ 8,274,432
	$ 7,035,632	$ 122,180	$ 217,679	$ 200,104	$ 755,678	$ 91,308	$ 1,991,065	$ 3,146	$ 10,416,792

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenue, Expenditures, and Changes in Fund Balance
Nonmajor Capital Project Funds

Year Ended June 30, 2005

	Capital Improvement and Contingency Fund	Community Development Fund	Battlefield River Trail Fund	1996 TML Loan Fund	1998 TML Loan Fund
Revenue-					
Revenue from federal government		$ 1,206,039	$ 119,061		
Revenue from county government	$ 5,131,730				
Interest income	68,374				$ 7,593
Rental income	1,710				
Program income		102,094			
Miscellaneous					
	$ 5,201,814	$ 1,308,133	$ 119,061		$ 7,593
Expenditures-					
Civic Plaza					$ (2,560)
Manson/McFarland Landfill					119,472
Community development -					
Administration		$ 141,520			
Housing rehabilitation		380,791			
Housing assistance		140,910			
Public facilities		49,200			
Other		153,468			
Capital outlay -					
Street construction and drainage		429,642			263,020
Battlefield River Trail			$ 119,061		
Schools	$ 416,738				
Police Department projects					
Fire Department projects					
Recreation projects					
Solid Waste projects					
Senior Center					
Other projects and costs	2,733				
	$ 419,471	$ 1,295,531	$ 119,061		$ 379,932
Excess of Revenues Over (Under) Expenditures	$ 4,782,343	$ 12,602	$ -0-		$ (372,339)
Other Financing Sources (Uses)-					
Issuance of debt					
Transfer from other funds	$ 416,738				
Transfer to other funds	(1,121,930)	$ (8,000)			
	$ (705,192)	$ (8,000)			
Net change in fund balance	$ 4,077,151	$ 4,602	$ -0-		$ (372,339)
Fund Balance at beginning of year	2,404,977	17,727	-0-	$ 200,104	1,088,310
Fund Balance at end of year	$ 6,482,128	$ 22,329	$ -0-	$ 200,104	$ 715,971

1999 TML Loan Fund	2001 TML Loan Fund	2002 TML Loan Fund	Total Nonmajor Capital Projects Funds
			$ 1,325,100
			5,131,730
$ 4,000	$ 36,963	$ 118	117,048
			1,710
			102,094
	2,070,587		2,070,587
$ 4,000	$ 2,107,550	$ 118	$ 8,748,269
			$ (2,560)
$ 1,203			120,675
			141,520
			380,791
			140,910
			49,200
	$ 38	$ 83	153,589
956,337	4,365,256	1,315,821	7,330,076
51,630			170,691
			416,738
	123,237		123,237
		1,435,130	1,435,130
57,026	334,328		391,354
		836,265	836,265
116,975			116,975
			2,733
$ 1,183,171	$ 4,822,859	$ 3,587,299	$ 11,807,324
$ (1,179,171)	$ (2,715,309)	$ (3,587,181)	$ (3,059,055)
$ 2,300,000	$ 3,350,000	$ 2,642,122	$ 8,292,122
			416,738
			(1,129,930)
$ 2,300,000	$ 3,350,000	$ 2,642,122	$ 7,578,930
$ 1,120,829	$ 634,691	$ (945,059)	$ 4,519,875
(1,122,908)	1,116,974	49,373	3,754,557
$ (2,079)	$ 1,751,665	$ (895,686)	$ 8,274,432

CITY OF MURFREESBORO, TENNESSEE

Capital Improvement and Contingency Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Revenue from county government			$ 5,131,730	$ 5,131,730
Interest income	$ 12,600	$ 32,600	68,374	35,774
Rent income			1,710	1,710
	$ 12,600	$ 32,600	$ 5,201,814	$ 5,169,214
Expenditures-				
Schools	$ 350,000	$ 370,000	$ 416,738	$ (46,738)
Other projects and costs	50,000	50,000	2,733	47,267
	$ 400,000	$ 420,000	$ 419,471	$ 529
Excess of Revenues Over (Under) Expenditures	$ (387,400)	$ (387,400)	$ 4,782,343	$ 5,169,743
Other Financing Sources (Uses)-				
Transfer from other funds			$ 416,738	$ 416,738
Transfers to other funds	$ (1,700,000)	$ (1,700,000)	(1,121,930)	578,070
	$ (1,700,000)	$ (1,700,000)	$ (705,192)	$ 994,808
Net change in fund balance	$ (2,087,400)	$ (2,087,400)	$ 4,077,151	$ 6,164,551
Fund Balance at beginning of year			2,404,977	
Fund Balance at end of year			$ 6,482,128	

CITY OF MURFREESBORO, TENNESSEE

Community Development Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Revenue from federal government	$ 1,468,235	$ 1,468,235	$ 1,206,039	$ (262,196)
Program income	40,000	40,000	102,094	62,094
	$ 1,508,235	$ 1,508,235	$ 1,308,133	$ (200,102)
Expenditures-				
Administration	$ 141,178	$ 141,178	$ 141,520	$ (342)
Housing rehabilitation	480,138	480,138	380,791	99,347
Housing assistance	174,680	174,680	140,910	33,770
Public facilities	49,200	49,200	49,200	
Street improvements	462,258	462,258	429,642	32,616
Other	192,781	192,781	153,468	39,313
	$ 1,500,235	$ 1,500,235	$ 1,295,531	$ 204,704
Excess of Revenues Over (Under) Expenditures	$ 8,000	$ 8,000	$ 12,602	$ 4,602
Other Financing Sources (Uses)				
Transfers to other Funds	(8,000)	(8,000)	(8,000)	-0-
Net change in fund balance	$ -0-	$ -0-	$ 4,602	$ 4,602
Fund Balance at beginning of year			17,727	
Fund Balance at end of year			$ 22,329	

CITY OF MURFREESBORO, TENNESSEE

Battlefield River Trail

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Federal grant revenue	$ -0-	$ 119,061	$ 119,061	$ -0-
Expenditures-				
Battlefield river trail expense	$ -0-	$ 119,061	$ 119,061	$ -0-
Excess of Revenues Over (Under) Expenditures	$ -0-	$ -0-	$ -0-	$ -0-
Fund Balance at beginning of year				
Fund Balance at end of year			$ -0-	

CITY OF MURFREESBORO, TENNESSEE

1998 TML Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Interest income	$ -0-	$ 7,500	$ 7,593	$ 93
Expenditures-				
Capital Outlay	$ -0-	$ 380,000	$ 379,932	$ 68
Excess of Revenues Over (Under) Expenditures	$ -0-	$ (372,500)	$ (372,339)	$ 161
Fund Balance at beginning of year			1,088,310	
Fund Balance at end of year			$ 715,971	

CITY OF MURFREESBORO, TENNESSEE

1999 TML Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Interest income	$ 775	$ 775	$ 4,000	$ 3,225
Expenditures-				
Capital outlay and other projects	$ 2,803,681	$ 2,803,681	$ 1,183,171	$ 1,620,510
Excess of Revenues Over (Under) Expenditures	$ (2,802,906)	$ (2,802,906)	$ (1,179,171)	$ 1,623,735
Other Financing Sources (Uses)-				
Issuance of debt	2,802,906	2,802,906	2,300,000	(502,906)
Net change in fund balance	$ -0-	$ -0-	$ 1,120,829	$ 1,120,829
Fund Balance at beginning of year			(1,122,908)	
Fund Balance at end of year			$ (2,079)	

CITY OF MURFREESBORO, TENNESSEE

2001 TML Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Interest income	$ 1,175	$ 1,175	$ 36,963	$ 35,788
Miscellaneous		581,000	2,070,587	1,489,587
	$ 1,175	$ 582,175	$ 2,107,550	$ 1,525,375
Expenditures-				
Capital outlay and other projects	$ 4,242,531	$ 4,823,531	$ 4,822,859	$ 672
Excess of Revenues Over (Under) Expenditures	$ (4,241,356)	$ (4,241,356)	$ (2,715,309)	$ 1,526,047
Other Financing Sources (Uses)-				
Issuance of debt	4,241,356	4,241,356	3,350,000	(891,356)
Net change in fund balance	$ -0-	$ -0-	$ 634,691	$ 634,691
Fund Balance at the beginning of year			1,116,974	
Fund Balance at end of year			$ 1,751,665	

CITY OF MURFREESBORO, TENNESSEE

2002 TML Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Interest income	$ 1,175	$ 1,175	$ 118	$ (1,057)
Expenditures-				
Capital outlay and other projects	$ 4,228,040	$ 4,228,040	$ 3,587,299	$ 640,741
Excess of Revenues Over (Under) Expenditures	$ (4,226,865)	$ (4,226,865)	$ (3,587,181)	$ 639,684
Other Financing Sources (Uses)-				
Issuance of debt	4,226,865	4,226,865	2,642,122	(1,584,743)
Net change in fund balance	$ -0-	$ -0-	$ (945,059)	$ (945,059)
Fund Balance at the beginning of year			49,373	
Fund Balance at end of year			$ (895,686)	

MAJOR CAPITAL PROJECTS FUNDS

The City has three capital project funds which it considers to be major funds.

2004 TML Fund accounts for the proceeds of a loan through the Tennessee Municipal League and the expenditures related to various projects funded by the loan.

2005 TML Fund accounts for the proceeds of a loan through the Tennessee Municipal League and the expenditures related to various projects funded by the loan.

Gateway Project Fund accounts for the City's development of land to be used in future projects.

CITY OF MURFREESBORO, TENNESSEE

2004 TML Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Interest revenue	$ 6,875	$ 6,875	$ 3,780	$ (3,095)
State funds			175,000	175,000
	$ 6,875	$ 6,875	$ 178,780	$ 171,905
Expenditures-				
Capital outlay and other projects	$ 25,006,875	$ 25,006,875	$ 23,724,487	$ 1,282,388
Excess of Revenues Over (Under) Expenditures	$ (25,000,000)	$ (25,000,000)	$ (23,545,707)	$ 1,454,293
Other Financing Sourses (Uses)-				
Issuance of debt	25,000,000	25,000,000	24,701,153	(298,847)
Net change in fund balance	$ -0-	$ -0-	$ 1,155,446	$ 1,155,446
Fund Balance at beginning of year			(733,576)	
Fund Balance at end of year			$ 421,870	

CITY OF MURFREESBORO, TENNESSEE

2005 TML Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
State funds	$ -0-	$ 125,000	$ 125,000	$ -
Expenditures-				
Capital outlay and other projects	$ -0-	$ 12,479,000	$ 12,478,405	$ 595
Excess of Revenues Over (Under) Expenditures	$ -0-	$ (12,354,000)	$ (12,353,405)	$ 595
Fund Balance at beginning of year			-0-	
Fund Balance at end of year			$ (12,353,405)	

CITY OF MURFREESBORO, TENNESSEE

Gateway Project

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Interest income	$ 4,500	$ 4,500	$ 1,759	$ (2,741)
Miscellaneous			43,802	43,802
	$ 4,500	$ 4,500	$ 45,561	$ 41,061
Expenditures-				
Capital outlay and other projects	$ 2,830,000	$ 4,590,000	$ 4,589,826	$ 174
Excess of Revenues Over (Under) Expenditures	$ (2,825,500)	$ (4,585,500)	$ (4,544,265)	$ 41,235
Other Financing Source (Use)-				
Proceeds from sale of land	$ 5,770,306	$ 5,770,306	$ 2,817,980	$ (2,952,326)
Transfer to other fund	(1,644,861)	(1,198,467)	(1,198,467)	-
	$ 4,125,445	$ 4,571,839	$ 1,619,513	$ (2,952,326)
Net change in fund balance	$ 1,299,945	$ (13,661)	$ (2,924,752)	$ (2,911,091)
Fund Balance at beginning of year			(8,490,243)	
Fund Balance at end of year			$ (11,414,995)	

DEBT SERVICE FUND

Debt Service Fund accounts for the accumulation of resources for, and payment of, general long-term obligations.

CITY OF MURFREESBORO, TENNESSEE

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
Revenue from others	$ 30,000	$ 30,000	$ 28,161	$ (1,839)
Interest earned			43,106	43,106
	$ 30,000	$ 30,000	$ 71,267	$ 41,267
Expenditures -				
Principal retirement	$ 11,960,107	$ 11,960,107	$ 12,555,106	$ (594,999)
Interest	4,398,683	4,398,683	2,384,025	2,014,658
Bond issuance cost and fiscal agent fees	130,000	130,000	106,543	23,457
	$ 16,488,790	$ 16,488,790	$ 15,045,674	$ 1,443,116
Excess of Revenues Over (Under) Expenditures	$ (16,458,790)	$ (16,458,790)	$ (14,974,407)	$ 1,484,383
Other Financing Sources -				
Transfers in	$ 15,708,790	$ 15,708,790	$ 15,009,146	(699,644)
Net change in fund balance	$ (750,000)	$ (750,000)	$ 34,739	$ 784,739
Fund Balance at beginning of year			2,538,936	
Fund Balance at end of year			$ 2,573,675	

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for the operation of self-sustaining agencies rendering services to the general public on a user-charge basis. Activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

Industrial Building Funds account for land and buildings owned by the City, which were formerly leased to Foremost Dairies, Inc. and Alton Box Board Company. These funds are generally inactive.

Evergreen Cemetery Fund accounts for the operation and maintenance of the Evergreen Cemetery. Revenues are derived primarily from sales of lots, charges for services, and investment earnings.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Nonmajor Enterprise Funds

June 30, 2005

	Foremost Dairies, Inc. Plant	Alton Box Board Co. Plant	Evergreen Cemetery	Totals
ASSETS				
Current Assets -				
Cash and cash equivalents			$ 202,966	$ 202,966
Accounts receivable			74,656	74,656
Due from other funds	$ 21,910	$ 10,502		32,412
Inventories			40,814	40,814
Prepaid items			4,830	4,830
Total Current Assets	$ 21,910	$ 10,502	$ 323,266	$ 355,678
Noncurrent Assets -				
Land	$ 12,492	$ 11,000	$ 935	$ 24,427
Other capital assets, net of depreciation			141,663	141,663
Total Noncurrent Assets	$ 12,492	$ 11,000	$ 142,598	$ 166,090
Total Assets	$ 34,402	$ 21,502	$ 465,864	$ 521,768
LIABILITIES AND NET ASSETS				
Current Liabilities -				
Accrued and withheld liabilities			$ 9,670	$ 9,670
Total Current Liabilities			$ 9,670	$ 9,670
Net Assets -				
Invested in capital assets			$ 142,598	$ 142,598
Unrestricted	$ 34,402	$ 21,502	313,596	369,500
Total Net Assets	$ 34,402	$ 21,502	$ 456,194	$ 512,098
Total Liabilities and Net Assets	$ 34,402	$ 21,502	$ 465,864	$ 521,768

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenue, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds

Year Ended June 30, 2005

	Foremost Dairies, Inc. Plant	Alton Box Board Co. Plant	Evergreen Cemetery	Totals
Operating Revenues -				
Charges for services			$ 377,258	$ 377,258
Operating Expenses -				
Operating expenses			$ 355,690	$ 355,690
Depreciation and amortization expense			21,797	21,797
			$ 377,487	$ 377,487
Operating Income (Loss)			$ (229)	$ (229)
Nonoperating Revenues -				
Interest			850	850
Income (Loss) Before Transfers			$ 621	$ 621
Transfers in			48,316	48,316
Change in Net Assets			$ 48,937	$ 48,937
Net Assets at beginning of year	$ 34,402	$ 21,502	407,257	463,161
Net Assets at end of year	$ 34,402	$ 21,502	$ 456,194	$ 512,098

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Cash Flows
Nonmajor Enterprise Funds

Year Ended June 30, 2005

	Foremost Dairies, Inc. Plant	Alton Box Board Co. Plant	Evergreen Cemetery	Totals
Cash Flows from Operating Activities -				
Cash received from customers			$ 343,835	$ 343,835
Cash payments to suppliers			(120,629)	(120,629)
Cash payments to employees			(226,738)	(226,738)
Net Cash Provided by Operating Activities			$ (3,532)	$ (3,532)
Cash Flows from Noncapital Financing Activities -				
Transfers in			$ 48,316	$ 48,316
Net Cash Provided by Noncapital Financing Activities			$ 48,316	$ 48,316
Cash Flows From Capital and Related Financing Activities -				
Acquisition and construction of fixed assets			$ (15,534)	$ (15,534)
Net Cash Used by Capital and Related Financing Activities			$ (15,534)	$ (15,534)
Cash Flows From Investing Activities -				
Interest received			$ 850	$ 850
Net Cash Provided by Investing Activities			$ 850	$ 850
Net Increase in Cash and Cash Equivalents	$ -0-	$ -0-	$ 30,100	$ 30,100
Cash and Cash Equivalents at beginning of year	-0-	-0-	172,866	172,866
Cash and Cash Equivalents at end of year	$ -0-	$ -0-	$ 202,966	$ 202,966
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating loss			$ (229)	$ (229)
Adjustments to reconcile operating income to net cash provided by operating activities -				
Depreciation			21,797	21,797
Changes in assets and liabilities -				
Accounts receivable			(33,423)	(33,423)
Inventory			2,069	2,069
Prepaid expenses			(479)	(479)
Accounts payable			359	359
Accrued and withheld liabilities			6,374	6,374
Net Cash Provided by Operating Activities			$ (3,532)	$ (3,532)

INTERNAL SERVICE FUNDS

Internal Service Funds are used to provide goods and services to other governmental operating units such as departments or agencies on a cost reimbursement basis.

Insurance Fund accounts for revenues and costs associated with the City's self-funded group health insurance plan. Revenues are derived from premiums collected from the various City departments. Costs include medical claims and administrative expenses.

Risk Management Fund accounts for revenues and costs associated with the City's self-funded liability and worker's compensation insurance programs.

Fleet Services Fund accounts for fleet and equipment management to other departments or agencies of the City on a cost reimbursement basis.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Internal Service Funds

June 30, 2005

	Insurance	Risk Mangement	Fleet Services	Totals
ASSETS				
Current Assets -				
Cash and cash equivalents	$ 1,366,319	$ 3,362,910		$ 4,729,229
Accrued interest receivable		2,610		2,610
Due from other funds		2,535,000	$ 10,967	2,545,967
Due from other governments		18,750		18,750
Due from others	12,994	360		13,354
Prepaid items	57,548			57,548
Inventory			82,081	82,081
Total current assets	$ 1,436,861	$ 5,919,630	$ 93,048	$ 7,449,539
Total Assets	$ 1,436,861	$ 5,919,630	$ 93,048	$ 7,449,539
LIABILITIES AND NET ASSETS				
Current Liabilities -				
Accounts payable	$ 353,120	$ 299,460		$ 652,580
Due to other funds		3,690		3,690
Claims and judgments payable		1,638,800		1,638,800
Total Current Liabilities	$ 353,120	$ 1,941,950		$ 2,295,070
Noncurrent Liabilities -				
Claims and judgments payable		$ 1,561,200		$ 1,561,200
Total Liabilities	$ 353,120	$ 3,503,150		$ 3,856,270
Net Assets -				
Unrestricted	$ 1,083,741	$ 2,416,480	$ 93,048	$ 3,593,269
Total Net Assets	$ 1,083,741	$ 2,416,480	$ 93,048	$ 3,593,269
Total Liabilities and Net Assets	$ 1,436,861	$ 5,919,630	$ 93,048	$ 7,449,539

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds

Year Ended June 30, 2005

	Insurance	Risk Management	Fleet Services	Totals
Operating Revenues -				
Premiums from City departments	$ 5,280,695	$ 2,921,905		$ 8,202,600
Premiums from others	1,126,121			1,126,121
Charges for services			$ 1,366,389	1,366,389
Miscellaneous		10	614	624
	$ 6,406,816	$ 2,921,915	$ 1,367,003	$ 10,695,734
Operating Expenses -				
Claims and administrative expense	$ 6,461,840	$ 2,864,465		$ 9,326,305
Labor expense		172,125	$ 461,268	633,393
Parts and lubricants			688,836	688,836
Operation and maintenance			9,085	9,085
Supplies		5,381	24,234	29,615
Insurance			23,069	23,069
Social Security		13,743	34,510	48,253
Group insurance		8,317	56,227	64,544
Retirement		17,130	45,101	62,231
Utilities		1,683	16,581	18,264
Travel		10,012	4,800	14,812
Training personnel		3,392	1,954	5,346
Miscellaneous		406,870	373	407,243
Capital outlay			21,239	21,239
	$ 6,461,840	$ 3,503,118	$ 1,387,277	$ 11,352,235
Operating Income (Loss)	$ (55,024)	$ (581,203)	$ (20,274)	$ (656,501)
Nonoperating Revenue -				
Interest earned	17,345	68,089	-0-	85,434
Net Income (Loss)	$ (37,679)	$ (513,114)	$ (20,274)	$ (571,067)
Net Assets at beginning of year	1,121,420	2,929,594	113,322	4,164,336
Net Assets at end of year	$ 1,083,741	$ 2,416,480	$ 93,048	$ 3,593,269

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2005

	Insurance	Risk Management	Fleet Services	Totals
Cash Flows From Operating Activities-				
Cash received from interfund services provided	$ 6,415,445	$ 2,886,905	$ 1,371,515	$ 10,673,865
Cash payments to suppliers			(910,861)	(910,861)
Cash payments to employees		(172,125)	(461,268)	(633,393)
Cash payments of claims and administrative expenses	(6,511,156)	(2,270,002)		(8,781,158)
Other receipts		10	614	624
Other payments		(469,268)		(469,268)
Net Cash Provided (Used) by Operating Activities	$ (95,711)	$ (24,480)	$ -0-	$ (120,191)
Cash Flows From Investing Activities-				
Interest received	$ 17,345	$ 68,047		$ 85,392
Net Cash Provided by Investing Activities	$ 17,345	$ 68,047		$ 85,392
Net Increase in Cash and Cash Equivalents	$ (78,366)	$ 43,567	$ -0-	$ (34,799)
Cash and Cash Equivalents at beginning of year	1,444,685	3,319,343		4,764,028
Cash and Cash Equivalents at end of year	$ 1,366,319	$ 3,362,910	$ -0-	$ 4,729,229
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	$ (55,024)	$ (581,203)	$ (20,274)	$ (656,501)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Changes in assets and liabilities -				
Due from other funds	8,628	(35,000)	5,127	(21,245)
Due from other governments				-
Due from others	3,769			3,769
Prepaid items	(54,961)			(54,961)
Inventory			15,147	15,147
Accounts payable	1,877	594,463		596,340
Due to other funds		(2,740)		(2,740)
Net Cash Provided (Used) by Operating Activities	$ (95,711)	$ (24,480)	$ -0-	$ (120,191)

PENSION TRUST FUNDS

Pension Trust Funds account for assets held in trust on behalf of City employees. The funds are accounted for in the same manner as proprietary funds.

Employees' Pension Trust Fund accounts for revenues and expenses associated with the City's defined benefit employee pension plan. Revenues are derived primarily from contributions made by the City, employees, and earnings on investments.

Electric Department Employee Pension Fund accounts for revenues and expenses associated with the administration of the pension plan on behalf of the employees of the Murfreesboro Electric Department. Revenues are derived primarily from contributions made by the employer, employees, and investment earnings.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Net Assets
Pension Trust Funds

June 30, 2005

	Employees' Pension	Electric Department Pension	Totals
ASSETS			
Cash and cash equivalents	$ 1,858,543	$ 237,886	$ 2,096,429
Investments, at fair value			
Mutual funds	14,512,581		14,512,581
U.S. Government notes and bonds	16,053,626	2,239,608	18,293,234
Corporate notes and bonds	7,505,825	2,135,059	9,640,884
Common stock	16,950,782	5,037,678	21,988,460
Accrued interest receivable		73,393	73,393
Contributions receivable	249,928	551,578	801,506
Due from trustee	19,629		19,629
	$ 57,150,914	$ 10,275,202	$ 67,426,116
NET ASSETS			
Net Assets -			
Held in trust for pension benefits	$ 57,150,914	$ 10,275,202	$ 67,426,116

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds

Year Ended June 30, 2005

	Employees' Pension	Electric Department Pension	Totals
Additions -			
Contributions -			
Employer	$ 2,978,886	$ 551,578	$ 3,530,464
Investment income-			
Net appreciation in fair value of investments	$ 1,400,301	$ 525,149	$ 1,925,450
Interest	1,139,093	206,002	1,345,095
Dividends	1,059,871	107,633	1,167,504
Total investment income	$ 3,599,265	$ 838,784	$ 4,438,049
Less investment fees		(31,027)	(31,027)
Net investment income	$ 3,599,265	$ 807,757	$ 4,407,022
Total additions	$ 6,578,151	$ 1,359,335	$ 7,937,486
Deductions -			
Benefits to participants	$ 1,559,255	$ 427,618	$ 1,986,873
Insurance premiums	419,758		419,758
Total deductions	$ 1,979,013	$ 427,618	$ 2,406,631
Net Increase (Decrease)	$ 4,599,138	$ 931,717	$ 5,530,855
Net Assets Held in Trust for Pension Benefits -			
Beginning of year	52,551,776	9,343,485	61,895,261
End of year	$ 57,150,914	$ 10,275,202	$ 67,426,116

FINANCIAL SCHEDULES

Financial Schedules are presented to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements, and present other information deemed useful.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Certificates of Deposit by Fund

June 30, 2005

	Interest Rate	Maturity Date	Amount
Enterprise Funds -			
Murfreesboro Electric Department -			
First Tennessee Bank	3.70 %	04-08-06	$ 1,381,000
Evergreen Cemetery Commission -			
Cavalry Banking	2.25 %	01-06-06	$ 6,437
Cavalry Banking	2.25	09-28-05	16,690
Cavalry Banking	1.95	10-04-05	17,220
			$ 40,347
Internal Service Funds -			
Risk Management Fund -			
US Bank, Murfreesboro	1.61 %	02-14-06	$ 429,077
Total Certificates of Deposit			$ 1,850,424

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund

June 30, 2005

	Interest Rate	Maturity Date	Fair Value
Employees' Pension Trust Fund -			
United States Treasury Notes	6.000 %	08-15-09	$ 1,314,689
United States Treasury Notes	3.500	11-15-06	1,787,977
United States Treasury Notes	4.875	02-15-12	159,305
United States Treasury Notes	3.875	02-15-13	40,049
United States Treasury Notes	4.250	08-15-13	1,275,100
United States Treasury Notes	1.875	11-30-05	581,595
United States Treasury Notes	3.125	05-17-07	1,797,848
United States Treasury Notes	3.500	11-15-09	1,635,497
United States Treasury Notes	3.375	02-28-07	159,301
United States Treasury Notes	4.125	05-15-15	20,292
United States Treasury Notes	3.625	06-15-10	532,662
United States Treasury Notes	6.000	08-15-09	244,618
Federal Home Loan Bank	4.000	10-15-08	500,025
Federal Home Loan Bank	4.000	09-10-08	249,102
Federal Home Loan Bank	4.020	09-24-07	100,026
Federal Home Loan Bank	4.050	04-13-07	299,993
Federal Home Loan Bank	4.150	11-17-08	250,020
Federal Home Loan Bank	4.000	01-29-09	199,133
Federal National Mortgage Assn	4.000	03-28-07	249,695
Federal National Mortgage Assn	5.500	11-01-33	4,563,543
Government National Mortgage Assn	7.000	09-15-11	61,915
Government National Mortgage Assn II	6.500	04-20-29	31,242
American Std Inc	7.625	02-15-10	27,931
Bank of America Corporation	5.125	11-15-14	41,804
CIT Group Incorporated	5.125	09-30-14	45,732
Capital One Financial Corporation	4.800	02-21-12	94,515
Citigroup Inc	5.125	05-05-14	46,946
Comcast Cable Communications	7.125	06-15-13	57,301
Cox Communications Inc	4.625	06-01-13	24,268
Credit Suisse First Boston USA	6.500	01-15-12	50,012
Daimlerchrysler North America Holding	7.300	01-15-12	50,284
Donnelley R R & Sons Company	4.950	04-01-14	28,355
Exelon Corporation	4.900	06-15-15	62,221
First Union Corporation	7.550	08-18-05	55,264
Ford Motor Credit Company Notes	7.000	10-01-13	45,096
Fund American Cos Inc	5.875	05-15-13	57,286
General Electric Company	5.000	02-01-13	20,650
General Electric Cap Corp	4.250	01-15-08	80,309
Golden West Financial Corp	4.125	08-15-07	30,067
Goldman Sachs	4.750	07-15-13	59,950
Harrahs Oper Inc	5.375	12-15-13	20,291

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2005

	Interest Rate	Maturity Date	Fair Value
Employees' Pension Trust Fund (continued) -			
Household Finance Corporation	4.125 %	12-15-08	$ 129,165
JP Morgan Chase & Company	6.625	03-15-12	61,229
John Deere Cap Corporation	3.900	01-15-08	34,781
Kinder Morgan Inc	6.500	09-01-12	33,046
Lennar Corp	5.950	03-01-13	31,882
Marriott International Inc	4.625	06-15-12	44,556
Merrill Lynch & Company	3.700	04-21-08	24,711
Merrill Lynch & Company	5.000	01-15-15	25,598
Metlife Inc	5.000	06-15-15	20,297
Morgan Stanley	5.800	04-01-07	71,952
Morgan Stanley	5.300	03-01-13	62,354
News American Holdings Inc	9.250	02-01-13	37,916
Prudential Financial Inc	3.750	05-01-08	29,735
Prudential Financial Inc	5.100	09-20-14	15,439
Pulte Homes Inc	5.250	01-15-14	19,992
Pulte Homes Inc	4.875	07-15-09	30,046
SBC Communications Inc	5.625	06-15-16	31,632
Simon Property Group L P	6.375	11-15-07	52,200
Southwest Airlines Company	5.125	03-01-17	34,320
Sprint Cap Corporation	8.375	03-15-12	48,113
Time Warner Cos Inc	9.125	01-15-13	63,182
United Technologies Corporation	4.875	05-01-15	40,917
Verizon Global Fdg Corporation	7.250	12-01-10	68,011
Wells Fargo & Company	5.125	02-15-07	81,322
Deutsche Telekom International Fin B V	Var Rt	06-15-10	52,152
Inco Ltd	5.700	10-15-15	36,433
Alcan Inc	5.000	06-01-15	25,115
Anheuser Busch Company Incorporated Debenture	7.125	07-01-17	403,365
Banc One Corporation	6.500	02-01-06	101,558
Banc One Texas Subordinate Notes	6.250	02-15-08	237,083
BankBoston NA	6.375	03-25-08	158,835
CAT Finanacial	4.050	07-15-11	98,198
Citicorp	6.375	11-15-08	160,328
Daimlerchrysler NA Holding Notes	5.700	01-15-07	152,941
Ford Motor Credit	6.125	01-09-06	100,657
Ford Motor Credit	6.250	12-08-05	251,495
Ford Motor Credit	7.600	08-01-05	100,224
GTE South	6.125	06-15-07	104,192
Goldman Sachs	6.650	05-01-09	216,080
Household Financial Corporation International	7.625	11-15-05	101,321

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2005

	Interest Rate	Maturity Date	Fair Value
Employees' Pension Trust Fund (continued) -			
JP Morgan	6.000 %	01-15-09	$ 211,190
John Hancock	4.100	12-15-12	95,110
Merrill Lynch & Company	6.375	10-15-08	213,608
Merrill Lynch & Company Inc Merri Mtnf	4.200	12-22-10	148,831
Morgan Stanley DW	6.100	04-15-06	152,608
Nationsbank Corporation	7.750	08-15-05	312,853
Nations Bank	6.375	02-15-08	105,819
Northern States Power	6.875	08-01-09	245,432
Salomon Smith Barney	6.500	02-15-08	158,902
Sara Lee Corporation	6.150	06-19-08	262,602
Suntrust Banks	6.250	06-01-08	423,080
United Technologies Corporation	7.000	09-15-06	258,740
Verizon Virginia Incorporated	4.625	03-15-13	246,565
Wachovia Corporation	6.375	02-01-09	160,827
Wachovia Corporation	6.250	08-04-08	42,510
Wachovia Corporation	6.150	03-15-09	101,374
Wachovia Corporation	7.450	07-15-05	75,102
3M Company Common Stock	N/A	N/A	361,500
AGL Res Incorporated Common Stock	N/A	N/A	386,500
Abbott Labs Common Stock	N/A	N/A	220,545
American Express Company Common Stock	N/A	N/A	399,225
Amgen Incorporated Common Stock	N/A	N/A	302,300
Amsouth Bancorporation Common Stock	N/A	N/A	393,900
Anheuser Busch Cos Inc Common Stock	N/A	N/A	137,250
Aon Corporation Common Stock	N/A	N/A	313,000
Automatic Data Processing Incoroporated Common Stock	N/A	N/A	289,593
Bank of America Corporation New Common Stock	N/A	N/A	456,100
Biomet Incorporated Common Stock	N/A	N/A	346,300
Boston Scientific Corporation Common Stock	N/A	N/A	81,000
Burlington Res Common Stock	N/A	N/A	414,300
CVS Corporation Common Stock	N/A	N/A	348,840
Chevrontexaco Corporation Common Stock	N/A	N/A	419,400
Cisco Systems Incorporated Common Stock	N/A	N/A	190,800
Conagra Foods Incorporated Common Stock	N/A	N/A	266,340
Conocophillips Common Stock	N/A	N/A	431,175
Duke Energy Corporation Common Stock	N/A	N/A	371,625
Eli Lilly & Company Common Stock	N/A	N/A	362,115
Exxon Mobil Corporation Common Stock	N/A	N/A	402,290
General Electric Company Common Stock	N/A	N/A	519,750
Goodrich Corporation Common Stock	N/A	N/A	327,680

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2005

	Interest Rate	Maturity Date	Fair Value
Employees' Pension Trust Fund (continued) -			
Home Depot Incorporated Common Stock	N/A	N/A	$ 389,000
Honeywell International Incorporated Common Stock	N/A	N/A	549,450
Intel Corporation Common Stock	N/A	N/A	286,220
International Business Machines Common Stock	N/A	N/A	185,500
Ishares Trust Russell 1000 Value Common Stock	N/A	N/A	623,084
Ishares Trust S&P Midcap Value Common Stock	N/A	N/A	690,966
JP Morgan Chase & Company Common Stock	N/A	N/A	353,200
Jefferson Pilot Corporation Common Stock	N/A	N/A	378,150
Johnson & Johnson Common Stock	N/A	N/A	341,250
Kerr McGee Corporation Common Stock	N/A	N/A	303,790
Kohl's Corporation (Wisconsin) Common Stock	N/A	N/A	167,730
L3 Communications Holdings Common Stock	N/A	N/A	344,610
Lauder Estee Companies Incorporated Common Stock	N/A	N/A	136,955
Lowes Companies Incorporated Common Stock	N/A	N/A	407,540
Medtronic Incorporated Common Stock	N/A	N/A	310,740
Microsoft Corporation Common Stock	N/A	N/A	298,080
Pepsico Incoporated Common Stock	N/A	N/A	339,759
Pfizer Incorporated Common Stock	N/A	N/A	344,750
Plum Creek Timber Company Incorporated Common Stock	N/A	N/A	308,550
Proctor & Gamble Company Common Stock	N/A	N/A	369,250
Sysco Corporation Common Stock	N/A	N/A	361,900
Target Corporation Common Stock	N/A	N/A	310,137
United Technologies Incorporated Cp Common Stock	N/A	N/A	359,450
Verizon Communications Incorporated Common Stock	N/A	N/A	276,400
Vulcan Materials Company	N/A	N/A	342,822
Washington Mutual Incorporated Common Stock	N/A	N/A	122,070
Wells Fargo and Company New Common Stock	N/A	N/A	307,900
STI Classic Fund - Seix Instl High Yield Fund	N/A	N/A	17
STI Classic Fund - Small Cap Growth Fund Trust Shares	N/A	N/A	2,354,257
STI Classic Fund - Small Cap Val Equity	N/A	N/A	2,354,599
STI Classic Fund - International Equity Index Fund Trust Shares	N/A	N/A	9,803,725
			$ 55,022,814

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2005

	Interest Rate	Maturity Date	Fair Value
Electric Department Employee Pension Fund -			
Federal Home Loan Bank	3.000 %	08-30-06	$ 98,778
Federal Home Loan Bank	3.040	08-30-06	187,758
Federal Home Loan Bank	3.100	06-30-06	99,051
Federal Home Loan Bank	3.180	05-03-07	100,000
Federal Home Loan Bank	3.500	05-05-06	49,752
Federal Home Loan Bank	4.000	10-15-08	247,833
Federal Home Loan Bank	4.000	09-10-08	151,961
Federal Home Loan Bank	4.000	08-17-07	99,218
Federal Home Loan Bank	4.020	09-24-07	149,565
Federal Home Loan Bank	4.050	04-13-07	199,044
Federal Home Loan Bank	4.150	12-30-08	74,171
Federal Home Loan Bank	4.200	11-23-09	99,702
Federal Home Loan Bank	5.000	12-22-11	150,072
Federal Home Loan Bank Debentures	4.010	04-07-10	136,369
Federal Home Loan Bank	4.000	01-21-09	195,836
Federal Home Loan Mortgage Corporation	5.000	12-31-12	50,001
Federal National Mortgage Association	6.400	09-27-05	150,499
American General Finance Notes	5.875	12-15-05	251,397
Bank One Corporation Notes	6.500	02-01-06	101,183
Boeing Capital Corporation Internotes	4.350	10-15-06	150,096
CIT Group Incorporated Internotes	4.100	05-15-08	98,800
Ford Motor Credit Notes	6.125	01-09-06	100,745
Ford Motor Credit Notes	7.600	08-01-05	50,008
Household Finance Corporation Notes	7.625	11-15-05	100,956
Household Finance Corporation Notes	5.250	09-15-05	50,052
International Lease Finance Corporation Notes	4.100	10-15-09	97,457
International Lease Finance Corporation Notes	4.400	05-15-09	98,723
International Lease Finance Corporation Notes	3.000	11-15-05	114,550
International Lease Finance Corporation Notes	4.000	08-15-08	49,087
Merrill Lynch & Company Notes	4.200	12-22-10	48,881
Merrill Lynch & Company Notes	6.375	10-15-08	105,448
Merrill Lynch Corporation Notes	4.000	11-15-07	198,004
Merrill Lynch Corporation Notes	6.000	02-17-09	104,534
Morgan Stanley Dean Witter	6.100	04-15-06	101,352
Nations Bank Notes	6.375	02-15-08	52,333
Suntrust Bank Notes	6.250	06-01-08	261,453
3M Company	N/A	N/A	150,000
AGL Res Incorporated Common Stock	N/A	N/A	249,925
Abbott Labs Common Stock	N/A	N/A	81,603
Amsouth Bankcorp Common Stock	N/A	N/A	139,550
Anheuser Busch Company	N/A	N/A	66,525
Aon Corporation Common Stock	N/A	N/A	95,400
Applied Materials Incorporated	N/A	N/A	55,440
Automatic Data Processing Incorporated	N/A	N/A	88,820
Bank of America Corporation New Common Stock	N/A	N/A	152,600
Biomet Incorporated Common Stock	N/A	N/A	162,052
Boston Scientific Corporation	N/A	N/A	28,950
Burlington Res Common Stock	N/A	N/A	208,357

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2005

	Interest Rate	Maturity Date	Fair Value
Electric Department Employee Pension Fund (continued) -			
CVS Corporation	N/A	N/A	$ 124,120
Chevrontexaco Corporation Common Stock	N/A	N/A	116,020
Conagra Foods Incorporated Common Stock	N/A	N/A	90,840
Conocophillips Common Stock	N/A	N/A	125,180
Duke Energy Corporation Common Stock	N/A	N/A	118,160
Eli Lilly & Company Common Stock	N/A	N/A	84,480
General Electric Company Common Stock	N/A	N/A	181,125
Goodrich Corporation Common Stock	N/A	N/A	199,080
Home Depot, Incorporated Common Stock	N/A	N/A	184,917
Honeywell International Incorporated Common Stock	N/A	N/A	78,560
Intel Corporation Common Stock	N/A	N/A	81,420
Ishares Tr Russell 1000Value Common Stock	N/A	N/A	305,953
Ishares TR S & P Midcap Value Common Stock	N/A	N/A	364,909
Ishares TR S & P Smallcap 600 Growth Common Stock	N/A	N/A	215,760
Jefferson Pilot Corporation Common Stock	N/A	N/A	150,510
Johnson & Johnson Common Stock	N/A	N/A	79,950
Kerr McGee Corporation Common Stock	N/A	N/A	93,123
L3 Communications Holdings Common Stock	N/A	N/A	78,230
Lauder Estee Companies Incorporated Common Stock	N/A	N/A	39,140
Medtronic Incorporated Common Stock	N/A	N/A	53,940
Pepsico Incorporated Common Stock	N/A	N/A	54,530
Pfizer Incorporated Common Stock	N/A	N/A	106,000
Plum Creek Timber Company Incorporated Common Stock	N/A	N/A	94,625
Procter & Gamble Company Incorporated Common Stock	N/A	N/A	139,075
Sysco Corporation Common Stock	N/A	N/A	108,180
Verizon Communications Incorporated Common Stock	N/A	N/A	59,902
Wal Mart Stores Incorporated Common Stock	N/A	N/A	69,090
Washington Mutual Incorporated Common Stock	N/A	N/A	84,960
Wells Fargo and Company New Common Stock	N/A	N/A	76,675
			$ 9,412,345
Evergreen Cemetery Commission -			
Federal Home Loan Bank	3.000 %	09-12-07	$ 49,095
Federal Home Loan Bank	3.040	08-30-06	74,298
Federal Home Loan Bank	3.180	05-03-07	50,000
Federal Home Loan Bank	4.000	10-15-08	100,005
Federal Home Loan Bank	4.000	09-28-07	49,916
Federal Home Loan Bank	4.020	08-25-08	24,850
Federal Home Loan Bank	4.150	11-17-08	100,008
Federal Home Loan Bank	5.000	12-22-11	75,114
Federal Home Loan Bank	4.010	04-07-10	49,627
Federal Home Loan Bank	4.000	01-21-09	149,350
Bank One Corporation	6.500	02-01-06	50,779
Boeing Cap Corporation	4.350	10-15-06	25,124
CIT Group Incorporated	4.100	05-15-08	49,864

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2005

	Interest Rate	Maturity Date	Fair Value
Evergreen Cemetery Commission (continued)			
Citicorp	7.125	01-09-06	$ 51,379
Ford Motor Credit	6.125	01-09-06	50,329
Goldman Sachs Group Incorporated	5.150	01-15-14	25,379
International Lease Finance Corporation	4.100	10-15-09	49,571
International Lease Finance Corporation	4.400	05-15-09	50,139
JP Morgan & Chase & Company	5.125	09-15-14	25,766
Merrill Lynch & Company	7.375	05-15-06	51,521
Morgan Stanley	6.100	04-15-06	50,869
NationsBank	6.375	02-15-08	52,909
Wachovia CorporaTion	6.250	08-04-08	31,882
WAL Mart Stores	4.125	02-15-11	24,869
Federated Prime Obligation Fund	N/A	N/A	39,743
			$ 1,352,386
Total Investments			$ 65,787,545

CITY OF MURFREESBORO, TENNESSEE

Schedule of Property Taxes Receivable

Year Ended June 30, 2005

Year of Levy	Property Taxes Receivable	Allowance for Uncollectible Taxes	Net Amount
1995	$ 21,498	$ 21,498	
1996	30,334	30,334	
1997	28,762	28,762	
1998	18,870	18,870	
1999	24,189	24,189	
2000	41,844	41,844	
2001	70,462	70,462	
2002	94,448	94,448	
2003	191,909	191,909	
2004	688,341	517,763	$ 170,578
2005	27,603,852	537,445	27,066,407
	$ 28,814,509	$ 1,577,524	$ 27,236,985
Less: Partial payments received	24,091		24,091
	$ 28,790,418	$ 1,577,524	$ 27,212,894

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year

June 30, 2005

Fiscal Year Ended June 30,	Issue	Interest Rate	Principal	Interest	Total Principal and Interest
General Long-Term Debt -					
2006	General Improvement Refunding Bonds, Series 1993	4.90	$ 815,000	$ 19,968	$ 834,968
			$ 815,000	$ 19,968	$ 834,968
2006	General Obligation Refunding Bonds, Series 2003	2.00	$ 1,240,000	$ 108,638	$ 1,348,638
2007		2.25	1,260,000	82,063	1,342,063
2008		2.50	1,280,000	51,887	1,331,887
2009		2.75	1,305,000	17,944	1,322,944
			$ 5,085,000	$ 260,532	$ 5,345,532
2006	Tennessee Municipal Bond Fund Loan (1)		$ 392,500	$ 43,947	$ 436,447
2007			420,000	33,801	453,801
2008			449,400	22,944	472,344
2009			480,800	11,327	492,127
			$ 1,742,700	$ 112,019	$ 1,854,719
2006	Tennessee Municipal Bond Fund Loan (2)		$ 1,805,000	$ 304,444	$ 2,109,444
2007			1,905,000	257,478	2,162,478
2008			2,010,000	207,912	2,217,912
2009			2,120,000	155,616	2,275,616
2010			2,235,000	100,460	2,335,460
2011			1,830,000	43,447	1,873,447
			$ 11,905,000	$ 1,069,357	$ 12,974,357
2006	Tennessee Municipal Bond Fund Loan (1)		$ 281,000	$ 75,650	$ 356,650
2007			295,000	68,398	363,398
2008			310,000	60,785	370,785
2009			325,000	52,786	377,786
2010			342,000	44,397	386,397
2011			359,000	35,571	394,571
2012			376,000	26,308	402,308
2013			395,000	16,604	411,604
2014			284,000	6,691	290,691
			$ 2,967,000	$ 387,190	$ 3,354,190
2006	Tennessee Municipal Bond Fund Loan (1)		$ 1,389,239	$ 379,268	$ 1,768,507
2007			1,458,633	343,416	1,802,049
2008			1,531,551	305,773	1,837,324
2009			1,608,156	266,248	1,874,404
2010			1,688,628	224,746	1,913,374
2011			1,773,026	181,168	1,954,194
2012			1,861,656	135,411	1,997,067
2013			1,954,715	87,367	2,042,082
2014			1,607,686	37,874	1,645,560
			$ 14,873,290	$ 1,961,271	$ 16,834,561

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2005

Fiscal Year Ended June 30,	Issue	Interest Rate	Principal	Interest	Total Principal and Interest
General Long-Term Debt (continued) -					
2006	Tennessee Municipal Bond Fund		$ 2,529,487	$ 566,008	$ 3,095,495
2007	Loan (3)		2,630,499	502,814	3,133,313
2008			2,285,311	438,031	2,723,342
2009			2,376,724	380,937	2,757,661
2010			2,471,793	321,560	2,793,353
2011			2,570,664	259,807	2,830,471
2012			2,673,491	195,584	2,869,075
2013			2,780,430	128,792	2,909,222
2014			2,623,648	59,885	2,683,533
			$ 22,942,047	$ 2,853,418	$ 25,795,465
2006	Tennessee Municipal Bond Fund		$ 2,740,580	$ 664,328	$ 3,404,908
2007	Loan (4)		2,001,790	596,817	2,598,607
2008			2,081,660	546,204	2,627,864
2009			2,164,710	493,572	2,658,282
2010			2,251,090	438,840	2,689,930
2011			2,340,900	381,924	2,722,824
2012			2,434,310	322,737	2,757,047
2013			2,531,440	261,188	2,792,628
2014			2,632,440	197,184	2,829,624
2015			2,737,480	130,626	2,868,106
2016			2,674,200	61,774	2,735,974
			$ 26,590,600	$ 4,095,194	$ 30,685,794
2006	Tennessee Municipal Bond Fund		$ 577,000	$ 75,680	$ 652,680
2007	Loan (5)		595,000	62,316	657,316
2008			614,000	48,535	662,535
2009			634,000	34,313	668,313
2010			654,000	19,629	673,629
2011			238,000	5,323	243,323
2012			12,257	259	12,516
			$ 3,324,257	$ 246,055	$ 3,570,312

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2005

Fiscal Year Ended June 30,	Issue	Interest Rate	Principal	Interest	Total Principal and Interest
General Long-Term Debt (continued) -					
2006	Tennessee Municipal Bond Fund		$ 1,782,000	$ 567,166	$ 2,349,166
2007	Loan (5)		1,830,000	525,910	2,355,910
2008			1,879,000	483,542	2,362,542
2009			1,930,000	440,039	2,370,039
2010			1,982,000	395,356	2,377,356
2011			2,035,000	349,470	2,384,470
2012			1,542,000	303,410	1,845,410
2013			1,583,000	267,711	1,850,711
2014			1,626,000	231,061	1,857,061
2015			1,670,000	193,416	1,863,416
2016			1,715,000	154,752	1,869,752
2017			1,761,000	115,047	1,876,047
2018			1,808,000	74,278	1,882,278
2019			1,558,154	32,994	1,591,148
			$ 24,701,154	$ 4,134,152	$ 28,835,306
Total General Long-Term Debt			$ 114,946,048	$ 15,139,156	$ 130,085,204
Murfreesboro Water and Sewer -					
2006	Water and Sewer Revenue and	6.85	$ 145,000	$ 4,966	$ 149,966
	Tax Bonds, Series 1990		$ 145,000	$ 4,966	$ 149,966
2006	Water and Sewer System	2.00	$ 160,000	$ 12,850	$ 172,850
2007	Revenue and Tax Bonds,	2.00	165,000	9,600	174,600
2008	Series 2003	2.25	170,000	6,038	176,038
2009		2.50	165,000	2,062	167,062
			$ 660,000	$ 30,550	$ 690,550
2006	Tennessee Municipal Bond Fund (6)		$ 597,324	$ 92,998	$ 690,322
2007			621,125	80,053	701,178
2008			395,175	67,043	462,218
2009			410,982	58,479	469,461
2010			427,421	49,572	476,993
2011			444,518	40,309	484,827
2012			462,298	30,675	492,973
2013			480,790	20,656	501,446
2014			515,593	11,137	526,730
			$ 4,355,226	$ 450,922	$ 4,806,148

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2005

Fiscal Year Ended June 30,	Issue	Interest Rate	Principal	Interest	Total Principal and Interest
Murfreesboro Water and Sewer (continued) -					
2006	Tennessee Municipal Bond Fund (6)		$ 322,000	$ 96,288	$ 418,288
2007			332,000	89,315	421,315
2008			343,000	82,124	425,124
2009			354,000	74,695	428,695
2010			365,000	67,029	432,029
2011			377,000	59,124	436,124
2012			389,000	50,959	439,959
2013			402,000	42,533	444,533
2014			415,000	33,826	448,826
2015			428,000	24,839	452,839
2016			442,000	15,569	457,569
2017			315,619	11,232	326,851
			$ 4,484,619	$ 647,533	$ 5,132,152
2006	Tennessee Municipal Bond Fund (6)		$ 853,000	$ 257,007	$ 1,110,007
2007			877,000	238,539	1,115,539
2008			902,000	219,550	1,121,550
2009			927,000	200,022	1,127,022
2010			953,000	179,952	1,132,952
2011			980,000	159,319	1,139,319
2012			1,008,000	138,100	1,146,100
2013			1,037,000	116,275	1,153,275
2014			1,066,000	93,824	1,159,824
2015			1,096,000	70,744	1,166,744
2016			1,127,000	47,015	1,174,015
2017			1,143,534	22,643	1,166,177
			$ 11,969,534	$ 1,742,990	$ 13,712,524
2006	State Revolving Loan (7)		$ 4,707,802	$ 1,997,964	$ 6,705,766
2007			2,240,244	1,905,120	4,145,364
2008			2,337,096	1,808,268	4,145,364
2009			2,438,136	1,707,228	4,145,364
2010			2,543,544	1,601,820	4,145,364
2011			2,653,512	1,491,852	4,145,364
2012			2,768,232	1,377,132	4,145,364
2013			2,887,920	1,257,444	4,145,364
2014			3,012,768	1,132,596	4,145,364
2015			3,143,028	1,002,336	4,145,364
2016			3,278,904	866,460	4,145,364
2017			3,420,672	724,692	4,145,364
2018			3,568,560	576,804	4,145,364
2019			3,722,844	422,520	4,145,364
2020			3,883,788	261,576	4,145,364
2021			4,051,709	93,660	4,145,369
			$ 50,658,759	$ 18,227,472	$ 68,886,231
Total Murfreesboro Water and Sewer			$ 72,273,138	$ 21,104,433	$ 93,377,571

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2005

Fiscal Year Ended June 30,	Issue	Interest Rate	Principal	Interest	Total Principal and Interest
Murfreesboro Electric Department -					
2006	Electric System Revenue Bonds	5.25	$ 265,000	$ 80,663	$ 345,663
2007	Series 1995	5.38	280,000	66,750	346,750
2008		5.50	295,000	51,700	346,700
2009		5.50	315,000	35,475	350,475
2010		5.50	330,000	18,150	348,150
			$ 1,485,000	$ 252,738	$ 1,737,738
2006	Electric System Revenue Bonds	4.50	$ 620,000	$ 168,973	$ 788,973
2007	Series 1999	4.40	645,000	141,693	786,693
2008		4.50	285,000	112,668	397,668
2009		4.60	300,000	99,558	399,558
2010		4.70	315,000	85,458	400,458
2011		4.80	330,000	70,338	400,338
2012		4.88	345,000	54,250	399,250
2013		5.00	360,000	37,000	397,000
2014		5.00	380,000	19,000	399,000
			$ 3,580,000	$ 788,938	$ 4,368,938
2006	Tennessee Municipal Bond Fund (6)		$ 325,000	$ 132,150	$ 457,150
2007			341,000	115,900	456,900
2008			358,000	98,850	456,850
2009			376,000	80,950	456,950
2010			394,000	62,150	456,150
2011			414,000	42,450	456,450
2012			435,000	21,750	456,750
			$ 2,643,000	$ 554,200	$ 3,197,200
2006	Tennessee Municipal Bond Fund (6)		$ 1,375,000	$ 330,786	$ 1,705,786
2007			1,412,000	262,036	1,674,036
2008			1,450,000	191,436	1,641,436
2009			1,489,000	118,935	1,607,935
2010			889,712	44,485	934,197
			$ 6,615,712	$ 947,678	$ 7,563,390
Total Murfreesboro Electric Department			$ 14,323,712	$ 2,543,554	$ 16,867,266
Total Indebtedness			$ 201,542,898	$ 38,787,143	$ 240,330,041

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2005

Fiscal Year Ended June 30,	Issue	Interest Rate	Principal	Interest	Total Principal and Interest

Notes: (1) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 2.57% was used which was the rate in effect at June 30, 2005.
(2) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 2.59% was used which was the rate in effect at June 30, 2005.
(3) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 2.49% was used which was the rate in effect at June 30, 2005.
(4) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 2.52% was used which was the rate in effect at June 30, 2005.
(5) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 2.31% was used which was the rate in effect at June 30, 2005.
(6) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 2.16% was used which was the rate in effect at June 30, 2005.
(7) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate ranging from 3.71% to 4.28% per annum. For purposes of this schedule, an interest rate of 4.24% was used.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Interfund Transfers - All Funds

June 30, 2005

Transfer From	Transfer To	Amount
General Fund	General Purpose School Fund	$ 4,810,103
	City Recreation Fund	4,942,791
	Senior Citizens Fund	359,101
	Solid Waste Fund	3,335,700
	Debt Service Fund	12,674,561
	Airport	3,109
	Drug Fund	73,604
General Purpose School Fund	Capital Improvement Funds	416,738
State Street Aid Fund	Debt Service Fund	600,000
Golf Course Fund	Debt Service Fund	235,918
Airport Fund	Debt Service Fund	50,000
Solid Waste Fund	Debt Service Fund	250,000
Gateway Project Fund	Debt Service Fund	1,198,467
Capital Improvements Fund	General Purpose School Fund	1,121,930
Community Development Fund	Senior Citizens	8,000
Perpetual Care Cemetary Fund	Evergreen Cemetery Fund	48,316
Extended School Program	General Purpose School Fund	30,000
		$ 30,158,338

STATISTICAL SECTION
(UNAUDITED)

CITY OF MURFREESBORO, TENNESSEE

General Governmental Revenues By Source (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Property Taxes	Other Local Taxes	Licenses, Permits and Fines	Inter-Governmental	Charges for Services	Interest	Other	Total
1996	$ 16,607,630	$ 12,556,427	$ 1,551,696	$ 29,407,396	$ 3,014,733	$ 279,474	$ 2,011,823	$ 65,429,179
1997	17,321,428	13,920,313	1,571,570	33,405,356	3,297,966	241,626	2,377,867	72,136,126
1998	18,431,102	15,142,595	2,070,388	34,360,719	4,258,889	231,787	3,698,316	78,193,796
1999	20,165,648	16,934,294	2,178,165	36,820,271	4,419,553	746,365	3,534,200	84,798,496
2000	21,922,224	18,260,991	2,626,750	42,037,954	4,574,013	1,172,562	6,496,196	97,090,690
2001	22,793,606	21,316,800	3,039,720	44,456,365	4,365,681	1,461,883	4,528,696	101,962,751
2002	24,355,979	21,084,654	3,697,069	43,131,242	5,554,663	809,012	7,630,870	106,263,489
2003	25,478,328	22,245,800	3,887,346	44,206,914	5,397,770	587,604	4,072,410	105,876,172
2004	27,076,804	26,193,803	4,599,889	48,507,093	5,907,855	446,717	7,836,385	120,568,546
2005	28,503,582	27,252,761	4,631,835	55,825,684	6,842,495	741,017	6,099,685	129,897,059

Source: Current year and prior years combined financial statements.
Note: General governmental revenues include the revenues of governmental funds.

CITY OF MURFREESBORO, TENNESSEE

General Governmental Expenditures By Function (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Administrative and General	Police and Fire Protection	Legal and Judicial	Public Works	Education	Recreation	Community Development	Other	Capital Outlay	Debt Service	Total
1996	$ 5,310,649	$ 9,628,991	$ 493,016	$ 7,247,142	$ 25,356,817	$ 3,732,271	$ 539,568	$ 3,667,007	$ 6,235,298	$ 7,686,356	$ 69,897,115
1997	5,915,725	11,120,773	459,229	8,256,218	26,518,791	4,114,425	786,535	2,717,360	14,518,678	7,942,819	82,350,553
1998	6,615,085	11,703,446	530,931	9,968,643	27,814,264	4,752,308	1,290,448	2,466,947	13,374,190	8,761,244	87,277,506
1999	7,011,727	12,969,965	548,548	8,307,045	30,434,359	5,175,392	592,782	2,250,307	22,949,255	10,324,668	100,564,048
2000	7,749,888	14,665,031	601,271	12,121,410	32,542,947	5,230,224	671,462	2,152,009	16,207,145	14,393,012	106,334,399
2001	8,709,582	15,119,186	639,489	12,021,050	35,468,288	5,552,647	1,042,530	2,124,200	13,851,250	14,101,397	108,629,619
2002	9,485,317	15,744,872	723,064	9,287,627	36,782,935	5,907,853	732,989	* 5,050,479	22,807,323	14,039,993	120,562,452
2003	10,451,393	16,523,491	635,226	10,538,448	37,854,844	5,902,100	700,350	5,976,920	21,495,444	18,616,334	128,694,550
2004	10,870,180	16,961,544	657,574	11,902,150	40,827,158	6,684,636	852,389	6,386,240	30,714,965	21,938,038	147,794,874
2005	** 3,548,731	26,832,660	855,145	12,893,124	44,139,617	7,601,274	866,010	5,601,127	53,632,139	15,045,674	171,015,501

Source: Current year and prior years combined financial statements.

Note: General governmental expenditures include the expenditures of governmental funds.

Certain reclassifications have been made to expenditures by function in order to conform to GASB 34 in the fiscal year ended 2002.

* Included in other expenditures for years subsequent to 2001 are food service expenditures which were not included in this expenditure function in years prior to 2002.

** Certain reclassifications were made of employee benefits, insurance and utilities from administration and general to other departments during the fiscal year ended 2005.

CITY OF MURFREESBORO, TENNESSEE

Property Tax Levies and Collections (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes (1)	Outstanding Delinquent Taxes as Percent of Current Levy
1996	$ 15,083,508	$ 14,702,971	97.48 %	$ 364,461	$ 15,067,432	99.89 %	$ 875,456	5.80 %
1997	15,559,449	14,927,830	95.94	481,923	15,409,753	99.04	1,031,871	6.63
1998	16,788,096	16,481,701	98.17	642,785	17,124,486	102.00	740,233	4.41
1999	18,551,678	18,114,001	97.64	327,874	18,441,875	99.41	909,757	4.90
2000	20,059,353	19,418,410	96.80	472,336	19,890,746	99.16	1,165,290	5.81
2001	21,294,122	20,459,065	96.08	645,045	21,104,110	99.11	1,408,585	6.61
2002	22,268,457	21,510,561	96.60	822,096	22,332,657	100.29	1,372,325	6.16
2003	23,434,512	22,586,197	96.38	807,134	23,393,331	99.82	1,376,572	5.87
2004	24,495,265	23,830,440	97.29	830,601	24,661,041	100.68	1,302,195	5.32
2005	25,888,134	25,275,241	97.63	759,063	26,034,304	100.56	1,210,657	4.68

Source: City of Murfreesboro Tax Department

(1) Outstanding delinquent taxes for the fiscal years June 30, 1996 through June 30, 2004 have been filed with the chancery court of Rutherford County.

CITY OF MURFREESBORO, TENNESSEE

Assessed Value and Estimated Actual Value of Taxable Property (Unaudited)

Last Ten Fiscal Years

Year Ended June 30,	Tax Rate (1)	Assessed Valuation			Total Estimated Actual Value	Ratio of Assessed Value to Estimated Actual Value
		Property	Public Utilities	Total		
1996	2.28	$ 633,893,912	$ 27,656,528	$ 661,550,440	$ 2,091,681,990	31.6%
1997	2.26	664,514,705	23,956,476	688,471,181	2,178,706,269	31.6%
1998	2.26	719,584,419	23,251,665	742,836,084	2,350,747,101	31.6%
1999	1.90	947,477,835	28,926,341	976,404,176	3,089,886,633	31.6%
2000	1.90	1,024,583,966	31,149,479	1,055,733,445	3,379,155,672	31.2%
2001	1.90	1,087,344,584	33,371,877	1,120,716,461	3,623,256,503	30.9%
2002	1.90	1,137,883,832	34,117,576	1,172,001,408	3,804,249,039	30.8%
2003	1.72	1,322,192,474	40,258,926	1,362,451,400	4,385,931,670	31.1%
2004	1.72	1,386,515,720	37,606,092	1,424,121,812	4,577,797,298	31.1%
2005	1.72	1,466,352,090	38,743,254	1,505,095,344	4,889,014,858	30.8%

(1) Per $100 of assessed value.
Source: City of Murfreesboro Tax Department

CITY OF MURFREESBORO, TENNESSEE

Property Tax Rates and Levies - Direct and Overlapping Governments (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Tax Rate Per $100 Assessed Value			Tax Levies		
	City	County	Total	City	County	Total
1996	$ 2.28	$ 3.15	$ 5.43	$ 15,083,508	$ 20,838,839	$ 35,922,347
1997	2.26	3.30	5.56	15,559,449	22,719,549	38,278,998
1998	2.26	3.37	5.63	16,788,096	25,033,576	41,821,672
1999	1.90	2.78	4.68	18,551,678	27,144,036	45,695,714
2000	1.90	2.78	4.68	20,059,353	29,349,390	49,408,743
2001	1.90	2.78	4.68	21,294,122	31,155,918	52,450,040
2002	1.90	2.78	4.68	22,268,457	32,581,639	54,850,096
2003	1.72	2.51	4.23	23,434,512	34,197,530	57,632,042
2004	1.72	2.80	4.52	24,495,265	39,875,411	64,370,676
2005	1.72	2.80	4.52	25,888,134	42,142,670	68,030,804

Source: City of Murfreesboro Tax Department

CITY OF MURFREESBORO, TENNESSEE

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Estimated Population (1)	Assessed Value	General Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	52,341	$ 661,550,440	$ 49,705,000	$ 223,602	$ 49,481,398	7.48 %	$ 945.37
1997	55,000	688,471,181	44,665,000	177,732	44,487,268	6.46	808.86
1998	59,506	742,836,084	39,385,000	201,047	39,183,953	5.27	658.49
1999	62,000	976,404,176	33,840,000	392,101	33,447,899	3.43	539.48
2000	68,816	1,055,733,445	25,375,000	1,637,060	23,737,940	2.25	344.95
2001	72,414	1,120,716,461	21,170,000	1,940,948	19,229,052	1.72	265.54
2002	76,012	1,172,001,408	16,770,000	3,048,805	13,721,195	1.17	180.51
2003	75,083	1,362,451,400	12,670,000	3,101,068	9,568,932	0.70	127.44
2004	84,000	1,424,121,812	8,930,000	2,538,936	6,391,064	0.45	76.08
2005	81,393	1,505,095,344	5,900,000	2,573,675	3,326,325	0.22	40.87

Note:

(1) Special Census conducted 1996, 1998 and 2003, federal census conducted 2000, others are estimated.

(2) The State of Tennessee has not mandated a legal debt margin requirement for municipalities. Therefore, a schedule of the computation of the legal debt margin is not applicable.

CITY OF MURFREESBORO, TENNESSEE

Ratio of Annual Debt Service
For General Bonded Debt to Total General Expenditures (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Debt Service	Total General Expenditures (1)	Ratio of Debt Service to Total General Expenditures
1996	$ 7,686,356	$ 69,897,115	11.0 %
1997	7,942,819	82,350,553	9.6
1998	8,761,244	87,277,506	10.0
1999	10,324,668	100,564,048	10.3
2000	14,393,012	106,334,399	13.5
2001	14,101,397	108,629,719	13.0
2002	14,039,993	120,562,452	11.6
2003	18,616,334	128,694,550	14.5
2004	21,938,038	147,794,874	14.8
2005	15,045,674	171,015,501	8.8

Source: Current year and prior years combined financial statements.
Note:
(1) Total general expenditures include the expenditures of all governmental fund types.

CITY OF MURFREESBORO, TENNESSEE

Computation of Direct and Estimated Overlapping Bonded Debt Payable from Ad Valorem Taxes (Unaudited)

June 30, 2005

Taxing Jurisdiction	General Bonded Debt (1)	Estimated Percent Applicable	Direct and Overlapping Bonded Debt
City of Murfreesboro	$ 5,900,000	100.00%	$ 5,900,000
Rutherford County (2)	302,245,000	38.75%	117,119,938
Total direct and estimated overlapping bonded debt			$ 123,019,938
Ratio, direct and estimated overlapping debt to 2004 assessed valuation (3)			8.17%
Per capita direct and estimated overlapping bonded debt (4)			$ 1,511

(1) As of June 30, 2005.
(2) Source: Rutherford County Comprehensive Annual Financial Report, June 30, 2005, Table 12.
(3) Based upon 2004 Taxable Assessed Valuation of $1,505,095,344
(4) Based upon estimated population of 81,393

CITY OF MURFREESBORO, TENNESSEE

Revenue Bond Coverage (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Gross Revenues (1)	Net Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service Requirement (3)	Times Coverage
Water and Sewer -					
1996	$ 14,307,118	$ 6,855,183	$ 7,451,935	$ 1,871,832	3.98
1997	15,003,364	7,466,242	7,537,122	1,882,386	4.00
1998	15,735,084	7,978,516	7,756,568	1,882,840	4.12
1999	17,008,794	8,534,714	8,474,080	1,887,761	4.49
2000	17,615,689	9,320,737	8,294,952	1,891,020	4.39
2001	17,497,224	9,875,658	7,621,566	331,933	22.96
2002	17,934,536	9,899,664	8,034,872	333,785	24.07
2003	18,421,275	10,901,787	7,519,488	330,061	22.78
2004	18,619,918	11,743,101	6,876,817	330,370	20.82
2005	21,220,250	12,219,404	9,000,846	320,556	28.08
Electric Department -					
1996	$ 53,012,767	$ 49,100,553	$ 3,912,214	$ 753,237	5.19
1997	53,142,643	48,784,924	4,357,719	749,973	5.81
1998	59,111,205	54,794,789	4,316,416	753,990	5.72
1999	62,671,072	58,040,874	4,630,198	752,902	6.15
2000	64,378,477	59,625,745	4,752,732	1,281,571	3.71
2001	68,260,667	62,610,100	5,650,567	1,266,556	4.46
2002	67,984,679	62,924,428	5,060,251	1,143,371	4.43
2003	73,136,230	67,912,598	5,223,632	1,138,771	4.59
2004	80,229,784	73,500,606	6,729,178	1,137,771	5.91
2005	83,838,324	76,804,735	7,033,589	1,139,761	6.17

Source: Current year and prior years combined financial statements.

Notes:

(1) Includes operating and nonoperating revenues.

(2) Includes operating expenses minus depreciation and amortization.

(3) Includes principal and interest of revenue bonds only.

CITY OF MURFREESBORO, TENNESSEE

Demographic Statistics (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population (1)	Per Capita Income (2)	Unemployment Rate (2)
1996	52,341	$ 22,041	3.60 %
1997	55,000	22,575	3.40
1998	59,506	24,321	3.80
1999	62,000	25,212	2.60
2000	68,816	25,716	2.50
2001	72,414	26,630	2.90
2002	76,012	26,533	3.80
2003	75,083	26,946	4.10
2004	84,000	26,935	4.10
2005	81,393	27,910	4.10

Notes:

(1) Special Census conducted 1996, 1998, 2003 and 2005 and Federal Census conducted 2000, others are estimated.

(2) Source: University of Tennessee, Center for Business & Economic Research, Tennessee Department of Education. These figures represent the entire County of which Murfreesboro is a part.

CITY OF MURFREESBORO, TENNESSEE

Property Value, Construction and Bank Deposits (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Non-Residential Construction Value (1)	Residential Construction (1)		Bank Deposits (2)	Total Taxable Assessed Value (3)
		Units	Value		
1996	$ 100,942,971	2,241	$ 139,556,344	$ 917,600,000	$ 661,550,440
1997	88,574,145	1,200	92,251,621	1,041,341,600	688,471,181
1998	88,747,506	722	67,892,203	1,079,988,000	742,836,084
1999	69,355,913	1,689	127,088,851	1,159,892,000	976,404,176
2000	100,529,467	1,774	122,203,582	1,224,854,000	1,055,733,445
2001	67,636,884	1,710	141,779,641	1,238,039,000	1,120,716,461
2002	57,770,219	1,191	117,448,803	1,295,977,000	1,172,001,408
2003	37,073,456	1,598	167,906,154	1,387,147,000	1,362,451,400
2004	71,333,819	2,703	257,668,582	1,939,000,000	1,424,121,812
2005	53,251,089	2,847	286,936,241	2,124,000,000	1,505,095,344

(1) Source: Murfreesboro Building and Codes Department and the Rutherford County Chamber of Commerce.
(2) Data is as of June 30 each year for branches of all depository institutions located within the City of Murfreesboro, except for the fiscal years ended June 2004 and 2005 which includes all depository institutions located within Rutherford County. Source: Federal Deposit Insurance Corporation website: www2.fdic.gov.
(3) Source: City of Murfreesboro tax department.

CITY OF MURFREESBORO, TENNESSEE

Principal Taxpayers (Unaudited)

June 30, 2005

Taxpayer	2004 Assessed Valuation	% of Total Assessed Valuation
General Mills/ Pillsbury Company	$ 26,077,884	1.73 %
Bellsouth Telecommunications	12,610,487	0.84
Stones River LLC	11,483,200	0.76
Mahle Tennex North America	10,715,604	0.71
Wal-Mart Stores Real Estate	9,953,796	0.66
State Farm Mutual Auto Insurance	9,922,379	0.66
Middle Tennessee Electric Membership	9,675,674	0.64
Buford Throneberry	8,788,135	0.58
Rich Products	8,054,830	0.54
Atmos Energy Corporation	7,682,703	0.51
	$ 114,964,692	7.63 %

Source: City of Murfreesboro tax department.

CITY OF MURFREESBORO, TENNESSEE

Salaries of Principal City Officials and Amounts Of Fidelity Bonds - (Unaudited)

Year Ended June 30, 2005

Name of Official	Position	Salary	Fidelity Bond
Tommy Bragg	Mayor	$ 12,000	$ 10,000
Chris Bratcher	Councilperson	11,255	10,000
Doug Young	Councilperson	11,255	10,000
Beth O'Brien	Councilperson	11,255	10,000
Bill Schacklett	Councilperson	11,255	10,000
Tolbert Gilley, III	Councilperson	11,255	10,000
Ronald Washington	Councilperson	11,255	10,000
Roger G. Haley	City Manager	114,916	10,000
James B. Penner	City Recorder	91,170	500,000
Susan McGannon	City Attorney	109,803	10,000
Sherry Carpenter	City Treasurer	92,733	500,000
Ewing Sellers	City Judge	48,600	10,000
Marilyn Mathis	City Schools Superintendent	101,804	75,000

Source - City of Murfreesboro

Note - The water and sewer department has a fidelity bond with a maximum limit of $10,000 per employee and the electric department with a maximum limit of $250,000 per employee. The City has a fidelity bond with a maximum limit of $50,000 per employee involved in the direct handling of cash.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Insurance Coverage (Unaudited)

Year Ended June 30, 2005

Type of Coverage	Amount of Coverage
All City Departments Excluding Murfreesboro Electric Department -	
Fire and Extended Coverage, Vandalism, and Malicious Mischief-	
Various City buildings and contents - $100,000 deductible	$250,000,000
Umbrella Liability	Self-insured
Comprehensive General Liability-	
Bodily injury and property damage	Self-insured
Automobile Liability-	
Bodily injury and property damage	Self-insured
Worker's compensation-	
Employer's liability	Self-insured
Law Enforcement Liability (in Excess of Retained Limit of $25,000)	2,000,000
Steam Boiler and Machinery - $5,000 deductible	25,000,000
Airport -	
General liability	5,000,000
Ground hangarkeepers - general liability - $1,000 deductible	500,000/3,000,000
Heliport – general liability	1,000,000
Murfreesboro Electric Department -	
Fire and Extended Coverage	
Building - 205 North Walnut Street	$ 1,440,000
Contents - 205 North Walnut Street	1,435,000
Warehouse - Corner of W. College and Front Streets	175,200
Inventory - North Front Street	215,000

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Insurance Coverage (Unaudited) (continued)

Year Ended June 30, 2005

Type of Coverage	Amount of Coverage
Murfreesboro Electric Department – (continued)	
Electronic equipment and data processing	1,227,527
Contractor's equipment	643,154
Communications/radio equipment	62,811
Substations	
Bridge Avenue	$4,415,000
South Church	1,225,000
Dill Lane	1,940,000
Pitts Lane	1,225,000
Jones Blvd.	1,225,000
Dill Lane and Mercury Blvd.	3,363,000
Butler Drive	2,123,000
Thompson Lane	2,123,000
Fleet Automobile and Truck	
Liability – Bodily injury and property damage	$1,000,000
Comprehensive	Stated Cash Values
Uninsured motorist (per accident)	$1,000,000
Auto physical damage - All automobiles	Stated Cash Values
General Liability	
Bodily injury/Property damage	
Per occurrence	$ 1,000,000
Aggregate	3,000,000
Worker's Compensation	
Murfreesboro Electric Department is covered under the City of Murfreesboro's self-insurance program for worker's compensation.	
Commercial Crime	
Employee dishonesty	$ 250,000
Theft, disappearance, destruction	250,000
Umbrella Policy	$ 3,000,000
Director and Officer Liability	$ 1,000,000

CITY OF MURFREESBORO, TENNESSEE

Schedule of Customers and Rate Structure (Unaudited)

Year Ended June 30, 2005

Murfreesboro Water and Sewer Department

As of June 30, 2005, Murfreesboro Water and Sewer Department serves approximately 23,661 customers and had the following rate structure in place:

Water:

$2.40 per 100 cubic feet of consumption ($.0240 per cubic foot)

The following minimum monthly water charges apply:

Meter Size	Charge	Allowance
5/8"	$ 7.20	300 cubic feet
1"	16.80	700 cubic feet
1-1/2"	36.00	1,500 cubic feet
2"	57.60	2,400 cubic feet
3"	144.00	6,000 cubic feet
4"	288.00	12,000 cubic feet
6"	600.00	25,000 cubic feet

Sewer:

100% of the above water rates is charged for sewerage service fee plus $.0070 per cubic foot is charged for operation and maintenance fee.

Murfreesboro Electric Department

As of June 30, 2005, Murfreesboro Electric Department serves approximately 44,500 customers and had the following rate structure in place:

Residential:

Customer Charge - $8.48 per month (also minimum bill)

Energy Charge - $.06317 per KWH up to 800 KWH, $.05674 over 800 KWH

Commercial:

General Power (GSA)

(1) Not more than 50 KWD (KWH not over 15,000)

Customer Charge	$12.50
Energy Charge	$.06666 per KWH

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Customers and Rate Structure (Unaudited) (continued)

Year Ended June 30, 2005

Murfreesboro Electric Department (continued)

Commercial (continued):

(2) Greater than 50 KWD but not more than 1,000 KWD or less than 50 KWD with KWH over 15,000

Customer Charge	$25.65
Energy Charge	
1st 15,000	$.06771 per KWH
over 15,000	$.03523 per KWH
Demand Charge	
1st 50	No Charge
over 50	$9.49 per KWH

(3) Greater than 1,000 KWD but not more than 5000 KWD

Customer Charge	$50.00
Energy Charge	$.03576 per KWH
Demand Charge	
1st 1,000 KWD	$9.00 per KW
over 1,000 KWH	$10.37 per KW

General Power (GSB)

Greater than 5,000 KWD but not more than 15,000 KWD

Customer Charge	$1,500.00
Energy Charge	
Up to 620 hrs. use of metered demand per month	$.03035 per KWH
Additional KWH	$.02477 per KWH
Demand Charge	$11.58 per KW

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Program Name	CFDA Number	Contract/Grant Number	Balance June 30, 2004 (Receivable)/ Deferred Revenue	Receipts	Expenditures (1)	Adjustments	Balance June 30, 2005 (Receivable)/ Deferred Revenue
U.S. DEPARTMENT OF AGRICULTURE							
Passed through the Tennessee Department of Education -							
National School Breakfast Program	10.553	N/A	$ (24,345)	$ 301,676	$ 312,984		$ (35,653)
National School Lunch Program	10.555	N/A	(96,891)	945,683	952,600		(103,808)
Emergency Food Assistance Program (Food Commodities)	10.569	N/A		333,393	333,393		
Department of Human Services -							
Summer Food Service Program	10.559	N/A	(21,988)	81,615	96,677		(37,050)
Child Care Food Program	10.558	D60001571	(4,636)	34,353	35,582		(5,865)
			$ (147,860)	$ 1,696,720	$ 1,731,236		$ (182,376)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grant	14.218	B-03-MC-47-0009	$ (200)	$ 577,107	$ 576,907		
Community Development Block Grant	14.218	B-04-MC-47-0009		404,157	507,841		$ (103,684)
Passed through the Murfreesboro Housing Authority -							
Public Housing Drug Elimination Program	14.156	TN43DEP0200196	(6,416)	77,639	77,848		(6,625)
Passed through the Tennessee Department of Human Services -							
Emergency Shelter Grant	14.231	Z-04015697-00	(3,727)	3,727			
Emergency Shelter Grant	14.231	Z-05020662-00		44,297	48,284		(3,987)
Passed through the Tennessee Housing Development Agency -							
HOME Program	14.239	DA0400070	(23,357)	96,001	73,006		(362)
			$ (33,700)	$ 1,202,928	$ 1,283,886		$ (114,658)
U.S. DEPARTMENT OF THE INTERIOR							
Stones River National Battlefield Trail	15.916	CA-5590-2-9001	$ (16,496)	$ 3,051			$ (13,445)
			$ (16,496)	$ 3,051			$ (13,445)
U.S. DEPARTMENT OF JUSTICE							
Local Law Enforcement Block Grant	16.592	2003-LB-BX-2369	$ 67,561		$ 58,660		$ 8,901
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0975		$ 33,671	33,219		452
Bulletproof Vest Program	16.607	N/A		4,531	4,531		
C.O.P.S. Universal Hiring (Parks)	16.710	96-UM-WX-1299	18,631				18,631
C.O.P.S. MORE 2000	16.710	00-CM-WX-0476	57,693				57,693
C.O.P.S. Homeland Security Overtime Program	16.710	2003OMWX0151	(3,452)		76,188		(79,640)
Passed through the Tennessee Department of Finance and Administration							
STOP Violence Against Women Grant Program	16.588	Z000143901		37,064	39,736		(2,672)
			$ 140,433	$ 75,266	$ 212,334		$ 3,365

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2005

Program Name	CFDA Number	Contract/Grant Number	Balance June 30, 2004 (Receivable)/ Deferred Revenue	Receipts	Expenditures (1)	Adjustments	Balance June 30, 2005 (Receivable)/ Deferred Revenue
FEDERAL HIGHWAY ADMINISTRATION							
Passed through the Tennessee Department of Transportation -							
Airport Safety Improvement Project	20.106	Z-03-01-4249-00		$ 373,794	$ 540,500		$ (166,706)
TEA-21 Stones River Battlefield Trail	20.205	N/A	$ (178,319)				(178,319)
TEA-21 Stones River Battlefield Trail	20.205	CPD-1999879	(52,936)	146,640	119,061		(25,357)
			$ (231,255)	$ 520,434	$ 659,561		$ (370,382)
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION							
Highway Safety - Crash Data Collection	20.600	PT-04-08	$ (6,555)	$ 22,011	$ 15,456		
			$ (6,555)	$ 22,011	$ 15,456		
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Passed through the Tennessee Emergency Management Agency -							
Public Assistance Grant	83.544	Z-03-017940-00	$ (370,941)			$ 102,820	$ (268,121)
Public Assistance Grant	83.544	Z-03-017941-00	(63,107)				(63,107)
Assistance to Firefighters Grant Program	83.554	EMW-2003-FG-18970		$ 31,297	$ 31,297		
			$ (434,048)	$ 31,297	$ 31,297	$ 102,820	$ (331,228)
U.S. DEPARTMENT OF EDUCATION							
Passed through Tennessee Department of Education -							
Title I Part A 04.01	84.010A	N/A	$ 108,029		$ 108,029		
Title I 05.01	84.010A	N/A		$ 876,267	904,920		$ (28,653)
IDEA, Part B Program	84.027	N/A	36,738	1,104,856	1,204,093		(62,499)
Preschool Grant Program 04.01	84.173	N/A	(11,086)	11,086			
Preschool Grant Program 05.01	84.173	N/A		31,850	31,850		
Safe and Drug Free Schools	84.186A	N/A	(29,967)	62,095	32,128		
Drug Abuse Resistance Education (DARE)	84.186A	Z-0401952700	(2,125)	2,125	2,125		(2,125)
Even Start Program MC 04.01	84.213C	Z-0301310100	(9,552)	9,552			
Even Start Program FH 04.01	84.213C	Z-0301310200	(37,015)	37,015			
Even Start Program MC 05.01	84.213C	Z-0301310100		148,702	165,500		(16,798)
Even Start Program FH 05.01	84.213C	Z-0301310200		162,637	211,000		(48,363)
FIE Earmark Grant (MNE Preschool)	84.215K	U-215K050028			27,079		(27,079)
Title IV 21st Century ATLAS	84.287	Z-0401592800	(100,561)	217,948	160,974		(43,587)
Title IV 21st Century Project Eagle	84.287C	Z-0401594700	(126,439)	209,581	125,000		(41,858)
Title IV 21st Century Project Triton	84.287C	Z-0401594700		48,187	99,247		(51,060)
Title V Program 03.21	84.298A	N/A	(3,001)	3,001			
Title V Program 04.01	84.298A	N/A	(8,389)	8,389			
Title V Program 05.01	84.298A	N/A		15,891	47,507		(31,616)

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2005

Program Name	CFDA Number	Contract/Grant Number	Balance June 30, 2004 (Receivable)/ Deferred Revenue	Receipts	Expenditures (1)	Adjustments	Balance June 30, 2005 (Receivable)/ Deferred Revenue
U.S. DEPARTMENT OF EDUCATION (continued)							
Passed through Tennessee Department of Education -							
Title II Part D 03.21	84.318X	N/A	$ (592)	$ 592			
Title II Part D 05.01	84.318X	N/A		37,422	$ 37,422		
Title III ELL Program 03.21	84.365A	N/A	(4,902)	4,902			
Title III ELL Program 04.01	84.365A	N/A	398		398		
Title III ELL Program 05.01	84.365A	N/A		26,425	32,435		$ (6,010)
Title II Part A 05.01	84.367A	N/A		390,969	266,616		124,353
			$ (188,464)	$ 3,409,492	$ 3,456,323		$ (235,295)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed through the Greater Nashville Regional Council							
Aging Services - Title IIID	93.043	2005-23		$ 2,500	$ 2,500		
Aging Services - Title IIIB	93.044	2005-23		19,250	22,000		$ (2,750)
Passed through Tennessee Department of Education -							
Early Childhood Education	93.558	Z-02-007193-00	$ (195,000)	195,000	195,000		(195,000)
Families First	93.558	Z-05-022342-00	(25,630)	56,160	42,968		(12,438)
			$ (220,630)	$ 272,910	$ 262,468		$ (210,188)
DEPARTMENT OF HOMELAND SECURITY							
Passed through Tennessee Department of Military-							
State Domestic Preparedness Equipment							
Support Program	97.004	Z-03-017796-00	$ (26,925)	$ 26,925			
			$ (1,165,500)	$ 7,261,034	$ 7,652,561	$ 102,820	$ (1,454,207)

Notes -

(1) This schedule reflects only the grantor's share of the expenditures.

Information in this schedule is presented on the accrual basis of accounting.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of State Awards

Year Ended June 30, 2005

Program Name	Contract/Grant Number	Balance June 30, 2004 (Receivable)/ Deferred Revenue	Receipts	Expenditures	Balance June 30, 2005 (Receivable)/ Deferred Revenue
TENNESSEE COMMISSION ON AGING					
Passed through the Greater Nashville Regional Council -					
Aging Services	GR 0214294-00		$ 8,500	$ 8,500	
			$ 8,500	$ 8,500	
TENNESSEE DEPARTMENT OF EDUCATION					
Basic Education Program	N/A	$ 535,000	$ 17,270,801	$ 17,805,801	
School Food Service	N/A	31,112	37,005	18,776	$ 49,341
Career Ladder Program	N/A	39,160	361,156	360,772	39,544
Career Ladder Extended Contract	N/A	92,126	130,897	155,242	67,781
ESP Family Resource Center	N/A	(12,900)	12,900		
Family Resource Center	N/A		24,054	33,300	(9,246)
ESP Safe Schools Grant	N/A	(31,297)	31,297	36,894	(36,894)
		$ 653,201	$ 17,868,110	$ 18,410,785	$ 110,526
TENNESSEE DEPARTMENT OF TRANSPORTATION					
Airport Maintenance	Z-04-01-8110-00	$ (9,000)	$ 9,000		
Airport Maintenance	Z-05-02-3886-00			$ 9,000	$ (9,000)
		$ (9,000)	$ 9,000	$ 9,000	$ (9,000)
TENNESSEE ARTS COMMISSION					
Mosaic Workshop	Z-05-023354-00		$ 880	$ 2,200	$ (1,320)
			$ 880	$ 2,200	$ (1,320)
TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION					
Siegel Park at Cherry Lane Soccer Complex	Z-05-022822-00			$ 300,000	$ (300,000)
				$ 300,000	$ (300,000)
TENNESSEE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT					
FastTrack Infrastructure Development Program	GG-04-10983-00	$ 13,485	$ 342,306	$ 141,063	$ 214,728
		$ 657,686	$ 18,228,796	$ 18,871,548	$ 14,934

JOBE, HASTINGS & ASSOCIATES

Certified Public Accountants

Joel H. Jobe, CPA, CMPE
Donna K. Hastings, CPA
James R. Jobe, CPA

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

Honorable Mayor and City Council
City of Murfreesboro, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murfreesboro, Tennessee, as of and for the year ended June 30, 2005 which collectively comprise the City's basic financial statements and have issued our report thereon dated November 4, 2005. We did not audit the financial statements of the Murfreesboro City Schools, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Pension Plan, and the Evergreen Cemetery Commission whose statements reflect total assets of $19,659,304, $82,952,589, $272,102,744, $10,275,202, and $1,877,389, respectively, and total revenues of $41,910,078, $83,838,324, $21,220,250, $1,359,335, and $421,566, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Murfreesboro City Schools, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Department Pension Plan, and the Evergreen Cemetery Commission is based solely upon the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Murfreesboro, Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1, 2005-2, and 2005-3.

JOBE, HASTINGS & ASSOCIATES JHA CPA'S

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Murfreesboro, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We also noted certain other matters that we reported to management of the City of Murfreesboro in a separate letter dated November 4, 2005.

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

John, Hastings & Associates
Certified Public Accountants

Murfreesboro, Tennessee
November 4, 2005

JOBE, HASTINGS & ASSOCIATES

Certified Public Accountants

Joel H. Jobe, CPA, CMPE
Donna K. Hastings, CPA
James R. Jobe, CPA

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

Honorable Mayor and City Council
City of Murfreesboro, Tennessee

Compliance

We have audited the compliance of the City of Murfreesboro, Tennessee, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Murfreesboro, Tennessee's management. Our responsibility is to express an opinion on the City of Murfreesboro, Tennessee's compliance based on our audit.

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

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

Internal Control Over Compliance

The management of the City of Murfreesboro, Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Murfreesboro, Tennessee's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

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

Jobe, Hastings & Associates
Certified Public Accountants

Murfreesboro, Tennessee
November 4, 2005

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Murfreesboro, Tennessee.

2. Three reportable conditions disclosed during the audit of the financial statements are reported in the *Independent Auditor's Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards*. The conditions are reported as material weaknesses.

3. No instances of noncompliance material to the financial statements of the City of Murfreesboro, Tennessee were disclosed during the audit.

4. No reportable conditions in internal control over major federal award programs were disclosed during the audit.

5. The auditor's report on compliance for the major federal award programs for the City of Murfreesboro, Tennessee expresses an unqualified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The programs tested as major programs include the Community Development Block Grant, CFDA No. 14.218, the Airport Safety Improvement Project, CFDA No. 20.106, Title I, CFDA No. 84.010, Even Start Program, CFDA No. 84.213, School Breakfast Program, CFDA No. 10.553, School Lunch Program, CFDA No. 10.555, and Food Commodities Program, CFDA No. 10.569.

8. The threshold for distinguishing Types A and B programs as defined by *OMB Circular A-133* was $300,000.

9. The City of Murfreesboro, Tennessee was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

2005-1. Evergreen Cemetery Commission – Separation of Duties

Condition: One employee is currently responsible for executing, recording and controlling all cash transactions.

Criteria: Proper separation of duties requires that no one employee be responsible for an entire transaction cycle from beginning to end.

Effect: An unauthorized cash transaction could be executed and not be promptly discovered by the Commission's internal controls.

2005-1. Evergreen Cemetery Commission – Separation of Duties (continued)

Recommendation: To the extent possible, Management should separate the duties of executing, recording and controlling cash transactions.

Response: Management believes the cost of maintaining this control would exceed its benefits.

2005-2. Evergreen Cemetery Commission – Reconciliation of Accounts Receivable

Condition: The Commission's detailed receivable records are not reconciled to the general ledger accounts.

Criteria: Receivable records should be reconciled to the applicable general ledger accounts in order to maintain effective controls over cash receipts and financial reporting.

Effect: Notes receivable could be misstated in the general ledger and not be promptly discovered by the Commission's internal control structure resulting in unrecorded notes receivable and lot sales.

Recommendation: The Commission should implement procedures to reconcile receivable records to the applicable general ledger accounts on a monthly basis.

Response: Management concurs with the finding and is planning to implement procedures to reconcile receivable records to the general ledger accounts on a monthly basis.

2005-3. Summary Schedule of Grant Awards

Condition: The City does not maintain a summary schedule of grant monies awarded, received or expended.

Criteria: A summary schedule of all grant funds awarded should be maintained to strengthen internal controls surrounding the financial reporting of federal and state grant funds.

Effect: State and federal monies expended but not received as of the end of the fiscal year could be omitted from accrual in the financial statements, as well as, from the schedules of expenditures of state and federal awards.

Recommendation: The City should maintain a summary schedule of all its grants, which would include the source (i.e. federal or state), the amount, terms, dates of receipts, reporting requirements, and any restrictions and other pertinent information.

Response: Management concurs with the recommendation and will implement a grant tracking system.

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

REPORTABLE CONDITIONS - NONE

FEDERAL EMERGENCY MANAGEMENT AGENCY

FINDING 2004-2: Public Assistance Grant – CFDA No. 83.544 - Grant No Z-03-017940-00

Condition: This finding was a reportable condition stating that adequate procedures were not in place to ensure that the project summary records, required under this grant, accurately reported costs for actual time worked and actual overtime wage rates paid to employees working on the project. There was also no procedure in place in some departments of the City to maintain proper documentation of the time that the City owned equipment was in use on this project, thereby, making accurate reporting of equipment costs difficult. As a result, incorrect costs were reported to the grantor, and questioned costs in the amount of $2,601 were reported.

Recommendation: The auditor recommended that adequate procedures be developed, should this type of grant be awarded in the future, to ensure the accuracy of the grant records. Specifically, it was recommended that more detailed reviews of the required reports by someone other than the report preparer be made. In addition, the auditor recommended that decisions be made at the beginning of the grant about what source documentation should be used by each department to produce the reports, as well as, decisions currently about what types of documentation to be maintained on an ongoing basis in the event these types of records would have to be produced. Management concurred with the recommendations and indicated that it had already implemented procedures to maintain certain types of documentation essential to this type of reporting and would expand its procedures to comply with the auditor's recommendation.

Current Status: The finding was first reported in the June 30, 2003 schedule of findings and questioned costs in January 2004. The finding was reported again in June 30, 2004 schedule of findings and questioned costs as the expenditures for the grant occurred between May 2003 through October 2003. The recommendation was approved by management in January 2004. The grantor performed its final inspection for this grant in July 2005. No similar findings were noted in the June 30, 2005 audit.