

KNOX COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Honoring the past...building the future

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

KNOX COUNTY, TENNESSEE

Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2003

Table of Contents

INTRODUCTORY SECTION	i-xvii xviii xix	Letter of Transmittal GFOA Certificate of Achievement Roster of Publicly Elected Officials/Organization Chart
FINANCIAL SECTION	1-2 3-16 17 18 19 20 21 22 23 24 25 26 27 28-88	Report of Independent Auditors Management's Discussion and Analysis Basic Financial Statements: Government-wide Financial Statements: Statement of Net Assets Statement of Activities Fund Financial Statements: Balance Sheet - Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Statement of Net Assets - Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds Statement of Cash Flows - Proprietary Funds Statement of Fiduciary Net Assets - Fiduciary Funds Statement of Changes in Fiduciary Net Assets - Fiduciary Funds Notes to the Financial Statements
REQUIRED SUPPLEMENTAL INFORMATION SECTION	89 90 91	Required Supplementary Information: Schedules of Funding Progress Schedules of Employer Contributions Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2003

Table of Contents (Continued)

SUPPLEMENTAL SECTION

	Combining and Individual Fund Statements and Schedules:
92	Comparative Balance Sheets - General Fund
93	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - General Fund
94	Combining Balance Sheet - Constitutional Officers' Special Revenue Fund
95	Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Constitutional Officers' Special Revenue Fund
96	Comparative Balance Sheets - Public Improvement Capital Projects Fund (Major)
97	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Public Improvement Capital Projects Fund (Major)
98	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - Public Improvement Capital Projects Fund (Major)
99-101	Schedule of Construction Project Expenditures - Budget and Actual - Public Improvement Capital Projects Fund (Major)
102	Comparative Balance Sheets - Debt Service Fund
103	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Debt Service Fund
104	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Debt Service Fund
105	Combining Balance Sheet - Nonmajor Governmental Funds
106	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
107	Combining Balance Sheet - Nonmajor Special Revenue Funds
108	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
109	Comparative Balance Sheets - State and Federal Grants Special Revenue Fund

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2003

Table of Contents (Continued)

SUPPLEMENTAL SECTION	110	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - State and Federal Grants Special Revenue Fund
(Continued)	111	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - State and Federal Grants Special Revenue Fund
	112	Comparative Balance Sheets - Governmental Library Special Revenue Fund
	113	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Library Special Revenue Fund
	114	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Governmental Library Special Revenue Fund
	115	Comparative Balance Sheets - Public Library Special Revenue Fund
	116	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Public Library Special Revenue Fund
	117	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Public Library Special Revenue Fund
	118	Comparative Balance Sheets - Solid Waste Special Revenue Fund
	119	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Solid Waste Special Revenue Fund
	120	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Solid Waste Special Revenue Fund
	121	Comparative Balance Sheets - Hotel/Motel Tax Special Revenue Fund
	122	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Hotel/Motel Tax Special Revenue Fund

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2003

Table of Contents (Continued)

SUPPLEMENTAL SECTION	123	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Hotel/Motel Tax Special Revenue Fund
(Continued)	124	Comparative Balance Sheets - Fire District Special Revenue Fund
	125	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Fire District Special Revenue Fund
	126	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Fire District Special Revenue Fund
	127	Comparative Balance Sheets - Drug Control Special Revenue Fund
	128	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Drug Control Special Revenue Fund
	129	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Drug Control Special Revenue Fund
	130	Comparative Balance Sheets - Highway Special Revenue Fund
	131	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Highway Special Revenue Fund
	132	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Highway Special Revenue Fund
	133	Comparative Balance Sheets - Judicial District Drug Fund
	134	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Judicial District Drug Fund
	135	Comparative Balance Sheets - ADA Construction Capital Projects Fund (Nonmajor)
	136	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - ADA Construction Capital Projects Fund (Nonmajor)
	137	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - ADA Construction Capital Projects Fund (Nonmajor)

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2003

Table of Contents (Continued)

SUPPLEMENTAL SECTION	138	Combining Statement of Net Assets - Internal Service Funds
(Continued)	139	Combining Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Funds
	140	Combining Statement of Cash Flows - Internal Service Funds
	141	Comparative Statements of Net Assets - Vehicle Service Center Fund
	142	Comparative Statements of Revenues, Expenses and Changes in Net Assets - Vehicle Service Center Fund
	143	Comparative Statements of Net Assets - Printshop and Mailroom
	144	Comparative Statements of Revenues, Expenses and Changes in Net Assets - Printshop and Mailroom
	145	Comparative Statements of Net Assets - Employee Benefits Fund
	146	Comparative Statements of Revenues, Expenses and Changes in Net Assets - Employee Benefits Fund
	147	Comparative Statements of Net Assets - Employee Retirement Fund
	148	Comparative Statements of Revenues, Expenses and Changes in Net Assets - Employee Retirement Fund
	149	Comparative Statements of Net Assets - Self Insurance Fund
	150	Comparative Statements of Revenues, Expenses and Changes in Net Assets - Self Insurance Fund
	151	Comparative Statements of Net Assets - Central Maintenance Fund
	152	Comparative Statements of Revenues, Expenses and Changes in Net Assets - Central Maintenance Fund
	153	Comparative Statements of Net Assets - Technical Support Service Fund
	154	Comparative Statements of Revenues, Expenses and Changes in Net Assets - Technical Support Service Fund
	155	Comparative Statements of Net Assets - Capital Leasing Fund
	156	Comparative Statements of Revenues, Expenses and Changes in Net Assets - Capital Leasing Fund
	157	Combining Statement of Fiduciary Net Assets - Pension Trust Funds
	158	Combining Statement of Changes in Fiduciary Net Assets - Pension Trust Funds

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2003

Table of Contents (Continued)

SUPPLEMENTAL SECTION (Continued)	159	Comparative Statements of Fiduciary Net Assets - Pension Trust Fund - Defined Benefit Plan
	160	Comparative Statements of Changes in Fiduciary Net Assets - Pension Trust Fund - Defined Benefit Plan
	161	Comparative Statements of Fiduciary Net Assets - Pension Trust Fund - Defined Contribution Plan
	162	Comparative Statements of Changes in Fiduciary Net Assets - Pension Trust Fund - Defined Contribution Plan
	163	Comparative Statements of Fiduciary Net Assets - Pension Trust Fund - Medical Retirement Defined Contribution Plan
	164	Comparative Statements of Changes in Fiduciary Net Assets - Pension Trust Fund - Medical Retirement Defined Contribution Plan
	165	Combining Statement of Fiduciary Assets and Liabilities - Agency Funds
	166	Combining Statement of Changes in Assets and Liabilities - Agency Funds
	167	Combined Schedule of Assets and Liabilities - Trustee, Clerks, Register, and Sheriff
	168	Combined Schedule of Cash Receipts, Disbursements and Balances - Trustee, Clerks, Register, and Sheriff
	169	Combined Analysis of Fee and Commission Account - Trustee, Clerks, and Register
	170-171	Schedule of Debt Service Requirements - General Bonded Debt
	172-173	Schedule of Debt Service Requirements - General Bonded Debt - Discretely Presented Component Unit - Knox County Board of Education
	174	Schedule of Salaries and Bonds of Principal Elected Officials Capital Assets Used in the Operation of Governmental Funds:
	175	Comparative Schedule By Source
	176	Schedule By Function and Activity
	177	Schedule of Changes By Function and Activity

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2003

Table of Contents (Continued)

**COMPONENT UNIT -
BOARD OF EDUCATION
SECTION**

	Discretely Presented Governmental Component Unit - Knox County
	Board of Education:
178	Combining Balance Sheet - All Fund Types
179	Reconciliation of the Balance Sheet of Government Funds to the Statement of Net Assets
180	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types
181	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Government Funds to the Statement of Activities
182	Comparative Balance Sheets - General Fund - General Purpose School
183	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - General Fund - General Purpose School
184-185	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - General Fund - General Purpose School
186	Comparative Balance Sheets - School Construction Capital Projects Fund
187	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - School Construction Capital Projects Fund
188	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - School Construction Capital Projects Fund
189	Schedule of Construction Project Expenditures - Budget and Actual - School Construction Capital Projects Fund
190	Comparative Balance Sheets - School Federal Projects Special Revenue Fund
191	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - School Federal Projects Special Revenue Fund
192	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - School Federal Projects Special Revenue Fund

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2003

Table of Contents (Continued)

COMPONENT UNIT - BOARD OF EDUCATION SECTION (Continued)	193	Comparative Balance Sheets - School General Projects Special Revenue Fund
	194	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - School General Projects Special Revenue Fund
	195	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - School General Projects Special Revenue Fund
	196	Comparative Balance Sheets - Central Cafeteria Special Revenue Fund
	197	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Central Cafeteria Special Revenue Fund
	198	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Central Cafeteria Special Revenue Fund
	199	Statement of Fiduciary Net Assets - Fiduciary Funds
	200	Comparative Statements of Plan Net Assets - Pension Trust Fund - Defined Benefit Plan
	201	Comparative Statements of Changes in Plan Net Assets - Pension Trust Fund - Defined Benefit Plan
	202	Comparative Statements of Changes in Assets and Liabilities - Student Activity Funds
STATISTICAL SECTION (UNAUDITED)		Government-wide Information:
	203	Government-wide Expenses By Function
	204	Government-wide Revenues
		Fund Information:
	205	General Governmental Revenues By Source
	206	General Governmental Expenditures By Function
	207	Property Tax Levies and Collections
	208	Assessed and Actual Value of Taxable Property
	209	Property Tax Rates - Overlapping Governments

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2003

Table of Contents (Continued)

STATISTICAL SECTION	210	Combined Ratio of Net General Bonded Debt to Assessed Property Values and Net Bonded Debt Per Capita
(UNAUDITED)	211	Combined Schedule of Direct and Overlapping General Bonded Debt
(Continued)	212	Combined Ratio of Annual Debt Service Expenditures for General Bonded Debt to General Governmental Expenditures
	213-215	Demographic Statistics
	216	Principal Taxpayers
	217	Ten Largest Employers
	218	Uncollected Delinquent Property Taxes Filed in Chancery Court
	219	Property and Construction Values
	220	Listing of Financial Institutions Operating in Knox County
	221	Unemployment Figures
	222	Non Agricultural Employment, Annual Averages - Knoxville Area



OFFICE OF COUNTY MAYOR, MIKE RAGSDALE

400 Main Street, Suite 615, Knoxville, TN 37902

November 26, 2003

To the Board of Knox County Commissioners and the Citizens of Knox County, Tennessee:

The Comprehensive Annual Financial Report (CAFR) of Knox County, Tennessee (the County) for the fiscal year ended June 30, 2003, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentations, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County and its component units. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

The introductory section includes this transmittal letter, the County's organization chart, and a list of principal officials. The financial section includes Management's Discussion & Analysis (MD& A), the basic government-wide and fund financial statements and notes to the financial statements. The Financial Section also includes Required Supplementary Information and other supplemental information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The reader is directed to the MD& A for a narrative introduction, overview and analysis of the financial statements.

The County 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's Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including schedules of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

The financial reporting entity (the government) includes all the funds and the Primary Government (i.e., the County) as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. Component units are discretely presented in separate columns in the government-wide financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The Knox County Board of Education (the Board), Knox County Emergency Communications District (the District), the Knox County Tourist Commission (KCTC) and the Knox County Railroad Authority (KCRA) are reported as discretely presented component units.

The County and its Component Units provide a full range of services including, but not limited to, the construction and maintenance of highways, streets and infrastructure, public health and welfare, police protection, emergency telephone services, elementary and secondary education, community services, sanitation services, and recreational and cultural events. Because of the close relationship between the County and the Board and the fact the Board does not issue financial statements separate from those of the County, many of the supplemental schedules and other financial information have been consolidated to more properly reflect the joint activities of the County and the Board.

GOVERNMENTAL STRUCTURE

The County has operated under a County Mayor/County Commission form of government since September 1, 1980, and has been under a Home Rule Charter (Charter) since September 1, 1990. Policy making and legislative authority are vested in the County Mayor (the executive branch of the County) and the County Commission (the legislative branch of the County). The County Commission is responsible for, among other things, passing ordinances, adopting the budget and appointing committees. The County Mayor, elected at-large for a four-year term, is responsible for carrying out the policies and ordinances of the County Commission, overseeing the day-to-day operations of the government and appointing the heads of many of the County's departments.

OFFICE OF THE COUNTY MAYOR

Fiscal year 2003 was the first year in the first term of County Mayor Mike Ragsdale. Mike Ragsdale ran unopposed for the office in both the primary and general elections. In his initial year, he worked closely with the department heads and elected officials to “hit the ground running” to provide the highest quality County services and provision of the required infrastructure to support continuous improvement. This section of this document will review some of the successes of Knox County office and provide a summary of Mr. Ragsdale’s vision for the future.

Looking Back.....



Ten-Mile Creek Greenway Trail

The overall greenway efforts within the Department of Parks and Recreation are to be celebrated. We have added nine new greenways trails stretching across all parts of Knox County. That includes eight-plus miles of paved trails and fourteen-plus miles of natural surface. We have negotiated a long-term lease with the State to keep House Mountain Natural area open and to transfer House Mountain's operation to Knox County. All told, we have acquired 557 acres of park land and added 24 new sports fields.



Solway Recycling Center

In our engineering and public works department, we have paved nearly 800 miles of road in the county and striped over 600 miles. We have an adopt-a-highway program in place and have restructured our litter grant program. We constructed the Solway Green Waste Recycling facility, enabling the diversion of over 15,000 tons of tree and yard waste from area landfills and converted the waste to mulch.

We have rebuilt and remodeled John Sevier Convenience Center, constructed a facility at Forks of the Rivers that handles household garbage, yard waste and scrap tires. We are also in the process of relocating and modernizing the Halls Convenience Center.

We have completed Hardin Valley Phase II, Schaad/Callahan Phase I, Gallaher View/ Westland Drive, Conner Road, Fox Lonas Road, George Williams Road, Longmire Road Bridge Replacement, Murdoch Road, West Emory Church Road/Fox Road/Canton Hollow, Cornerstone Drive, Ebenezer Phases I and II, Middlebrook Pike/Truckers Lane, and Parkside Drive.

In 1997, we developed a stormwater management program, and we now have a traffic-calming program.

Our library system has been strengthened both by technological improvements and the construction of three new replacement libraries and two new branch libraries. We have made a commitment of over \$18 million to the build the East Tennessee History Center. This new addition, which will connect to the Custom House, will allow for needed expansion space and will



preserve and display our past for future generations. The East Tennessee History Center's collection also benefited from a one-time appropriation that allowed the Historical Society to acquire at auction significant Knox County artifacts from an East Knox County estate.

Our health department has overseen the expansion and renovation of the Mary B. Duffy Health Center, the construction of the Ralph Teague Preventive Health Clinic on Dante, and the purchase and renovation of a facility on Cedar Bluff Road. We have reestablished the Children's Dental Health program and a new mosquito spraying abatement and prevention program is underway. We now have evening clinical services available on Tuesday and Thursday evenings. We have encouraged and supported the development of a comprehensive school health program.



And we did what no one thought we could do -- through the leadership of the health department and a positive working relationship with the City of Knoxville -- we opened a new temporary Animal Center in record time and have broken ground on a permanent facility near the site where the temporary facility is located.

We have vastly expanded the use of computers in County Offices. We have standardized software countywide and increased technology training for all county employees. Satellite offices in County Government have been networked. We have assisted local not-for-profits like Knoxville's Promise and Koronet in their efforts to make computers and training available to disadvantaged citizens especially children, the elderly and the homebound. Through a strong interactive Web presence, we have improved citizens' access to County Officials and important information, and citizens can now have Internet access to all kinds of information. Bid solicitations, Commission agendas, and Election results are a few of the many kinds of information now available via the Internet.

Our employees are better trained and informed. We have a County newsletter published regularly each quarter, our employees participate in an annual health and benefits fair, and we have initiated the Bright Start Wellness Program.



We have developed a Supplier Diversity Program focusing on assuring equal access in contracting, have implemented a procurement card program, and have returned over \$2 million in revenue back to the general fund through surplus property disposal.

We have committed over forty-five million dollars to local community agencies and we made major, multi-year contributions to institutions like the Zoo, the Eastside YMCA, the Red Cross, Boys and Girls Clubs, and Helen Ross McNabb. A \$500,000 grant was instrumental in helping Pellissippi State open a satellite campus in East Knoxville in the old Catholic High School.

Through the efforts of the Development Corporation (TDC) we have seen the arrival of PBR Automotive to WestBridge Business Park. Since 1994, the Development Corporation has sold over \$14.4 million in industrial land within its parks and assisted in the sale of an additional \$6.8 million of land sales around the County. TDC has provided \$7.1 million in incentives to companies resulting in over \$300 million of private investment and 1,400 new, high wage jobs. In 1994, WestBridge had only two companies located in it representing a total of 190 jobs. Today there are only 35 available acres left and there are now over 1,400 employees at work in companies located in the park. As a founding partner of the National Transportation Research Center (NTRC) the Development Corporation provided discounted land upon which the NTRC

has located a multimillion dollar research facility that is bringing technology out of the lab and translating it into new business opportunities in this community. This is the first facility of its kind to be built outside the Oak Ridge reservation.

Generations of Knox County residents yet to come will be able to enjoy the absolute and perfect beauty of our new nature refuge, Seven Islands. It is a wonderful legacy for us to leave to our community. What we will be able to offer our citizens through the educational and conservation activities planned for the refuge as well as the host of passive recreational opportunities that will be pursued there will make it a special spot for years to come.



Going Forward . . .

(excerpts from Mike Ragsdale's inaugural speech)

Throughout our campaign as I spoke about the future of Knox County and the promise that is ours to capture, the point I made was, "Now is the time." For more than a year, I've traveled from one end of this county to the other. I've visited with people in their homes, their neighborhoods and their place of business. I've listened and I've learned. You've helped me chart a course. And now we are going to follow it through.

We are going to create new, better jobs for current and future generations of Knox Countians. We should have an economic results program that is the best in the Southeastern United States.

Each of us want our children and our grandchildren to go to great schools. It is time that we made our educational priority the future of our 52,000 Knox County school children. Let's strive to make each and every Knox County school a great school.

We have an obligation to America's greatest generation, our senior citizens. We are going to focus on their healthcare, housing, nutritional and recreational needs to make certain no senior in our community is overlooked, forgotten or left behind.

And we are going to work to make your local government better; every single day. Whether it's parks and recreation, public libraries, children's services or the proper spending of your tax dollars, we are going to constantly look for ways to serve you better.

These are things that can happen. These are things that should happen. And, with your help these are things that will happen and the time is now.

To the people of Knox County, I say again that this administration will be one of decisions, one of action, one of results. You deserve it. To the leadership and people of our neighboring counties, I say you will find in me a friend who wants to work with you because what is good for our region is good for Knox County.

Briefly, let me set forth three things that will be paramount in our administration.

Number one, cooperation over conflict. Let's find common ground. Identifying problems is far easier than solving them. What we need- what the people of Knox County want- are solutions. Let's give the people of Knox County what they want. Let's give them solutions. Let's do it together.

Number two, we'll be active, not passive. Our administration will constantly be probing, thinking, asking- and acting. We're ready for it. We're a big county. We're a county filled with people who know how to get things done. Knowing that is one thing. Taking advantage of it is another. We're going to be active. We're going to make things happen. We're going to move. And the time is now.

Number three, results over rhetoric. Results. They are the benchmark by which this administration will measure itself. I could talk all day about the results we hope to achieve. Let's save that. Let's achieve big things, then talk about them.

In the aftermath of the grim and terrible day of September 11, 2001, we learned something about America and about ourselves. We have seen daily examples of our country's unmatched strength and compassion. Nowhere is this more true than in our home of east Tennessee. The tragedy of September 11th was a moment around which Americans of all colors, all political beliefs, all points of the compass, rallied, drawing strength from each other.

President George W. Bush has called on all of us to show our resolve in this dangerous world, and be the best Americans we can be. Let's look to our neighborhoods, our workplaces, and our families and resolve together to be the best Knox County we can be.

If we do that, we will make our community stronger and America stronger.....this administration begins with confidence, with optimism, and with determination. In the future, I hope that people will look at this as a moment Knox County stopped asking itself, "Can we?" and started to say, "We can." And this is the message I leave with you. Together we can. And the time is now.

FISCAL YEAR 2003 - MAJOR INITIATIVES

Throughout the year, the County and the Board have been involved in a variety of projects. These projects reflect the County's continuing commitment to its stated mission:

“Delivering essential services to Knox County citizens, while building the economic base and related infrastructure needed to be competitive in the 21st century.”

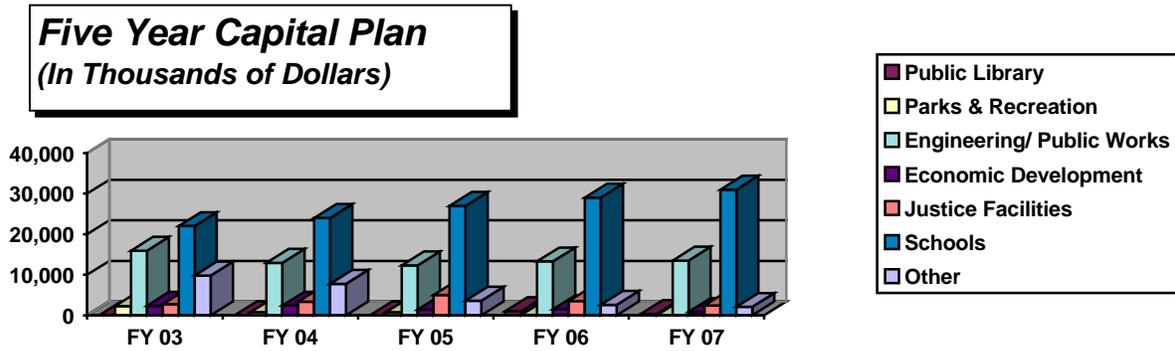
Knox County Mission Statement

Legislative Initiatives

Impact of State Funding: Knox County, like the other 94 county governments in Tennessee, receives significant support from state-shared revenues -- mainly in the form of education and highway dollars. Because of this dependence, the legislative activities of the Tennessee General Assembly are carefully monitored. Again this year, our Legislature devoted the majority of the session to discussions of the budget and taxes. Thanks to the leadership of our new Governor, consensus was reached, and the State passed a balanced budget. We at the local level would have liked a higher level of funding, but are thankful for the fiscal responsibility demonstrated by the State Legislature. We as Tennesseans hope this demonstrated financial responsibility will help enable the State to regain its “triple AAA” bond rating, as has been our tradition for a long time. A healthy State budget means more stable and predictable revenues for all Cities and Counties. We expect there to continue to be funding issues at the State level, and most expect the next budget year to look much like this fiscal year. We are glad the State “budget crisis” is over and can return to “regular business” for awhile. Since it is such a large part of our budget, future State funding will always be an issue closely monitored.

The County's response to the uncertainty at the State level has been well served. The County has continued to be conservative in predicting revenues, and will remain so. The County has “gone the extra mile” to be prepared in case the State decides to “pass its problems to the County.” With that, the County has maintained its traditionally strong reserves, plans to keep its capital plan very basic, continue to budget conservatively and to keep a very close eye on the State.

Capital Improvement Initiatives (Continued)

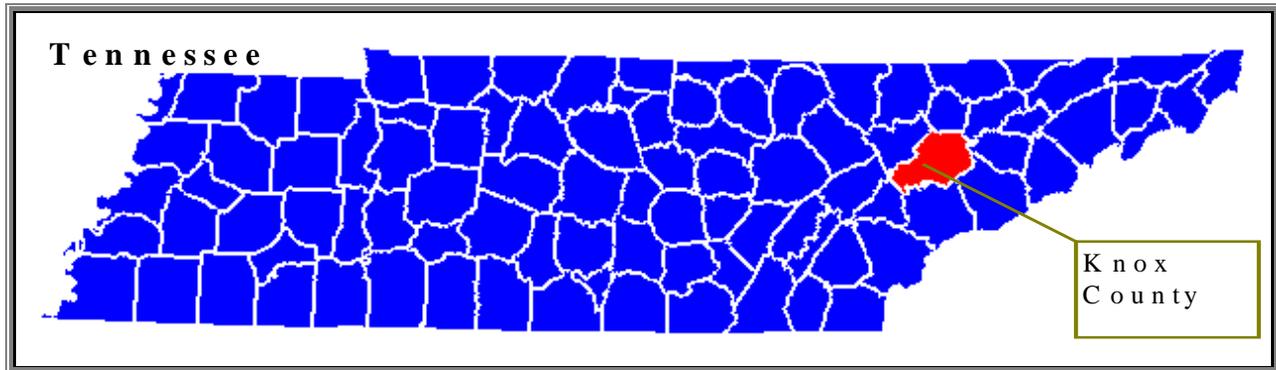


Other Selected Initiatives

Personal Property Tax Audits: As a result of a legal settlement between the State of Tennessee and certain public utilities, in 1998 the County began a personal property tax audit program of selected businesses with reported personal property valued in excess of \$50,000. The purpose of the program was to ensure equitable reporting of personal property. The results of the audits clearly indicated a significant inequity in reporting. Based on these findings, the County expanded the scope of the program to include an audit, within six years, of *all* businesses with personal property values greater than \$50,000. To date, as a result of the audits, the net tax assessed (total tax assessed less audit fees) has increased by approximately \$5.0 million, representing a 6:1 return to the County over the fees charged to complete the audits. Moreover, 81% of the audits have resulted in a positive discovery of additional fair market value subject to personal property taxation, with an average increase per audit of about 40%. Though business tax credits preclude a dollar-for-dollar increase in net tax revenue, the total fair market value discovered after audit since the program’s inception has been over \$488 million. The County has just renewed its contract to continue this project.

Sales and Hall Tax Audits: In 2002 the County initiated a study of sales and Hall taxes reported to the State by area businesses and individuals. As a result of the study, the County received a one-time gain of about \$3 million from sales and Hall taxes incorrectly being credited to other jurisdictions. The County will continue to work with the State to ensure future taxes are appropriately credited to the County. The benefits will not be as great in this year, but there is an opportunity cost to not continue.

LOCAL ECONOMIC CONDITION AND OUTLOOK



The County is the third most populated county in the State of Tennessee. Located in middle Eastern Tennessee at the head waters of the Tennessee River, it is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. As of the 2000 census, 382,032 citizens reside within the total land area of approximately 526 square miles that make up Knox County. Knoxville, the County seat, is about 50 miles west of the North Carolina state line.

The City of Knoxville's population in the 2000 census is 173,890 - it is the largest incorporated municipality in the County. The 2000 census also reports that Farragut, the only other municipality in the County, has a population of 17,720. Knoxville has a land area of approximately 93 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee.

Manufacturing and Commerce

Located in the northeastern portion of the State, the County, along with Anderson, Blount, Loudon, Sevier, and Union counties, is part of the Knoxville Metropolitan Statistical Area (MSA). Because of its central location in the eastern United States, the County metropolitan area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-third of the population of the United States. For many years the County has been known as one of the South's leading wholesale markets. Based on the 1998 census, there are more than 950 wholesale distribution houses, 1,980 retail establishments, and over 5,000 service industries, located in the County.

The area is the trade center for a 42-county region in East Tennessee, Kentucky, Virginia and North Carolina, which serves over two million people. It also is the cultural, tourist and professional center for this region.

Manufacturing firms in the MSA produce everything from shoulder pads for professional football teams to medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts. Of the 889 manufacturing firms in the MSA, over half (476) are in Knox County.

Industrial Investment

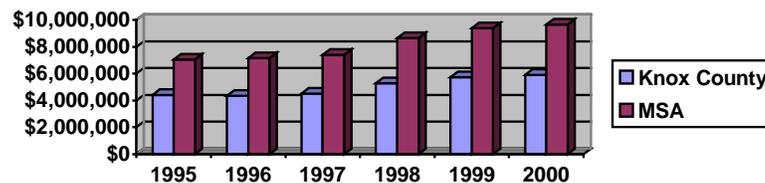
In 1999 the County's newest business park, the Pellissippi Corporate Center, was completed. This 154 acre development offers premiere location opportunities for hi-technology and precision manufacturing firms. The anchor of this park is the 80,000 square foot National Transportation Center, which opened in the late fall of 2000. The County continued to show its vibrancy with four new businesses adding at least 665 new jobs to our community. In the Knox County region, there were 9 new businesses and 86 expansions adding over 1,641 new jobs and \$566 million in new investments in 2002. Plans are underway to extend one of EastBridge's roads which, when complete, will open up an additional 300 acres of industrial property. The County now offers Westbridge, Eastbridge, Pellissippi Corporate Center, Center Point, I-640 business park and the Fairview Technology Center as ready for new business to come to Knox County as well as for our own to expand and grow. This is really an exciting time for Knox County's future! To complement industrial development and recruitment efforts, the Development Corporation of Knox County and the County teamed up to create the Knox County Industrial Scholar's Program. This program provides tuition reimbursement scholarships for students studying in five disciplines in which there is currently a lack of qualified workers.

Commercial Development

Four regional shopping malls, six major chain department stores, and a number of shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Of the nearly \$9.7 billion in retail sales in the MSA in 2000, Knox County accounted for 61% (about \$5.9 billion). Retail sales grew at a modest rate of about 3% in both the county and the MSA between 1999 and 2000, as represented in the following graph.

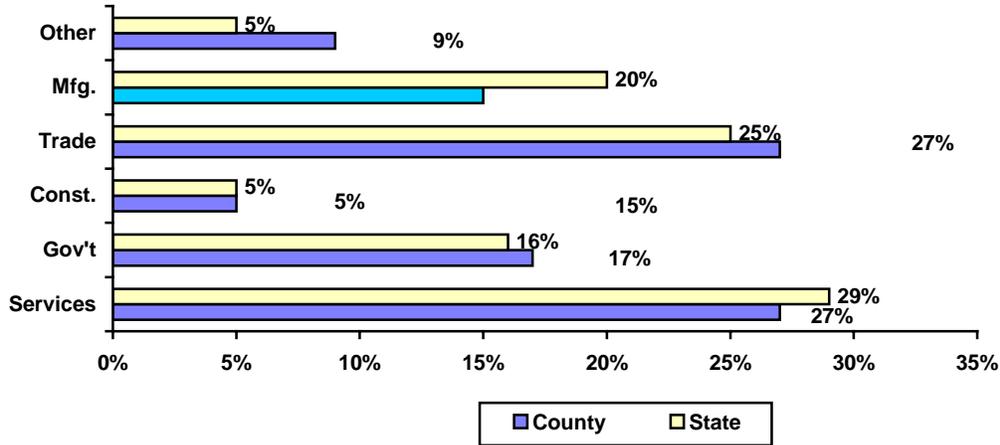
RETAIL SALES

(in thousands)



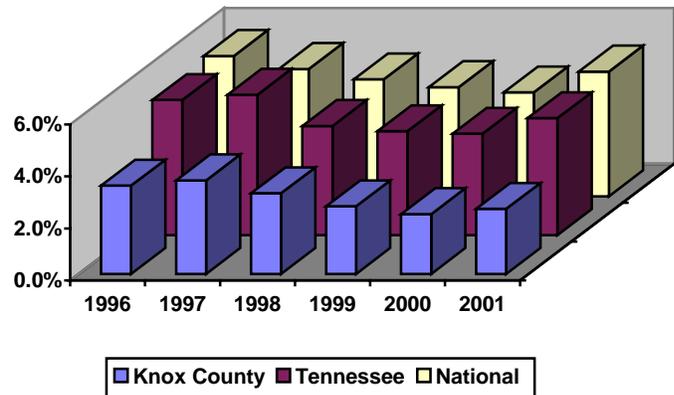
Employment Information

The diversification of the County’s labor force has been credited as the primary contributor to the area's relatively low unemployment rate.

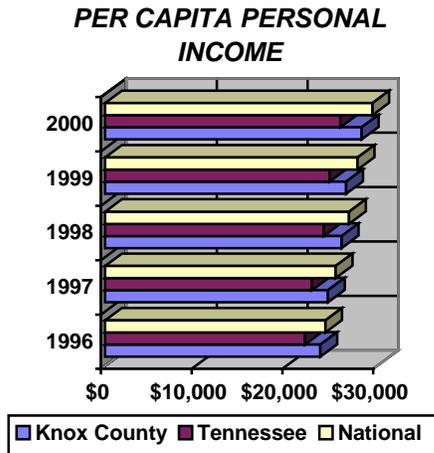


Low unemployment, while economically desirable, is a strong contributor to the difficulty experienced by Knox County employers in their on-going efforts to recruit, train, and retain a quality workforce. In the wake of the uncertainty of September 11, 2001, the economic strength was tested, and proved resilient. While we aren’t enjoying previous growth, our strength continues. For 2001, the unemployment rates according to the US Bureau of Labor Statistics for the County, state and nation stood at 2.5%, 4.5% and 4.8%, respectively.

UNEMPLOYMENT DATA



Economic Data



Historically, due to the County's strong economic base and its status as a regional center commercial activity, the County's level of per capita income has exceeded the State level.

Tourism



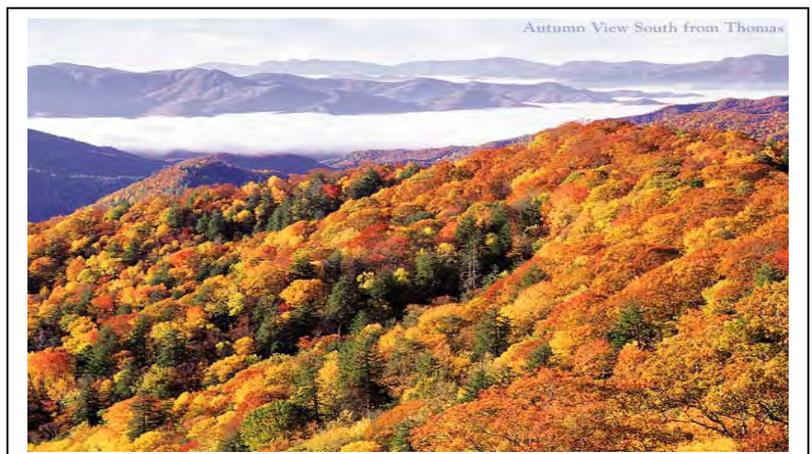
Although industry is frequently considered the core of an economic base, secondary and tertiary activities also make important contributions to economic development. The convention and tourism business contribute to the County's economic base by drawing income into the region -- resulting in employment and investment opportunities in tourist-related facilities.

Knoxville & Knox County - home of the University of the Tennessee Volunteers. Neyland Stadium - the second largest on-campus stadium in the country with accommodations for more than 108,000. Go Vols – 1998 National Champions

The influx of tourist dollars provides stimulus to economic development in the area. In recognition of the important role tourism plays in the economy of the County, local authorities created the Knox County Tourist Commission (KCTC) in 1978. KCTC's purpose was to encourage tourism and tourist-related activity. KCTC was dissolved in fiscal year 2003, and its net assets transferred to a successor organization that continues its mission of promoting tourism.

Two major interstate highways, I-40 and I-75, flow through the County, and the southern end of I-81 terminates just outside the County. The interstate and highway systems put the County within a day's drive of more than 70 million people.

The County is the principal gateway to the Great Smoky Mountains National Park located approximately 40 miles to the southeast. The park, over 500,000 acres, extends over the States of Tennessee and North Carolina. Visitors in 1998 numbered nearly ten million, ranking it as the most visited National Park in the United States.



Tourism (Continued)

Major attractions in the Smokies include Gatlinburg (approximately 40 miles southeast of the County), a tourist town in the mountains with overnight accommodations for over 60,000 people, and Pigeon Forge (approximately 20 miles southeast of the County), located at the foothills of the mountains with overnight accommodations for over 40,000 people. Numerous restaurants, gift and craft shops, along with a ski lodge, ski lifts and tramway, make Gatlinburg a year-round resort town. Pigeon Forge is known for being home to hundreds of retail outlets and Dollywood, a theme park developed by the country music singer, Dolly Parton.

FINANCIAL INFORMATION

Internal Controls

County management is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the County are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of the financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the County is responsible for adequate internal control structures in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management.

Budgetary Controls

In addition, the County maintains intensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget appropriated by the County Commission. Activities of the general fund, selected special revenue funds and the debt service fund are included in the budget. Project length budgets (as well as an annual budget for some projects) are adopted for the capital projects funds. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) for the County is at the major category level within divisions of departments. The major categories are: Personal Services, Employee Benefits, Contracted Services, Supplies and Materials, Other Charges, Debt Service and Capital Outlay.

As demonstrated in the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

Cash Management Policies and Practices

The County has a formal investment policy. Investment decisions are made by an investment committee in consultation with the Knox County Trustee. Investment options, policies, and practices defined in the policy, are based on the required liquidity of the available funds. Investments for operating needs, capital needs, and any surplus funds each have different levels of risk tolerance.

Operating funds, whose primary objective is the preservation of principal, have the lowest level of risk tolerance and are therefore invested in highly liquid, low risk instruments. Capital funds, whose primary objective is the preservation of principal and sufficient liquidity to meet capital funding needs, are subject to some volatility in risk tolerance depending on when payment for projects is due. Surplus funds, whose primary objective is to provide income for future use, have the highest level of risk tolerance in order to obtain additional income. Regardless of the type of funds invested, all investments are made in accordance with state statutes.

It is the County's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, the majority of the County's and the Board's deposits were either insured by federal depository insurance or collateralized. The majority of investments held by the County and the Board at June 30, 2003, were classified in Category 1 with the lowest credit risk as defined by the Governmental Accounting Standards Board (GASB) or not classified.

Cash temporarily idle during the year was invested in an investment sweep account, certificates of deposit, obligations of the U.S. Government, corporate bonds, and the State of Tennessee Local Government Investment Pool. The majority of interest earnings are transferred to the County's Debt Service fund to offset future debt service costs.

Pension Trust Operations/Employee Retirement Benefits

The employees of the County and the Board participate in a variety of retirement plans. The majority participate in a defined contribution plan (*County DC Plan*). Those not participating in the defined contribution plan participate in the County or the Board's respective *defined benefit* plans or the Tennessee Consolidated Retirement System. Both the County's and the Board's *defined benefit* plans are closed to new members. Participation in one of these plans for eligible employees is mandatory and a condition of employment. In the 1999 year, employees were given the option to voluntarily participate in the new *Medical Retirement Plan* (a defined contribution plan).

The defined contribution plans offer participants a variety of investment options depending on their sensitivity to risk in their personal portfolio. Plan benefits depend solely on amounts contributed to the respective plans plus investment earnings. The County determined for financial reporting purposes, since it acts as the administrator of these plans and maintains considerable fiduciary responsibility for these plans, the activities of the defined contribution plans should be reported as pension trust funds. The operations of the defined contribution plans are recorded as pension trust funds in the County's reporting entity. The County has taken action to increase yields and decrease fees and risk in the defined benefit plan. As of this report date, the County is well positioned to meet the requirements of the plan.

Risk Management

The County has a comprehensive risk management and self-insurance program for all areas of risk management including claims for employee health insurance, worker's compensation insurance and other claims and judgments against the County. The county has accounted for these activities in two internal service funds where resources are accumulated to meet potential losses. As part of the overall risk management strategy, during this fiscal year, the County transitioned to a fully-insured program for employee health insurance administered through the State of Tennessee. An analysis of these types of claims over the years has enabled the County to implement specific safety measures to reduce the risk of loss.

OTHER INFORMATION

Independent Audit

The accounting firm of Cherry, Bekaert & Holland, LLP, was selected by the County Commission to perform the annual audit by independent certified public accountants as required by Tennessee state law. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the federal Single Audit Act of 1984 and the related U.S. Office of Management and Budget Circular A-133. We have complied with the requirements and the independent auditor's report is included in this document.

Certificate of
Achievement
for Excellence
in Financial
Reporting
Presented to
Knox County, Tennessee



Awards

For the sixth consecutive time, the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2002. To qualify for this prestigious award, the County's Department of Finance and Administration issued an easily readable and efficiently organized CAFR. In addition, this report satisfied both generally accepted accounting principles and applicable legal requirements.

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

The County also received, for the fifth consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2002 Annual Operating Budget. In qualifying for the award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgments

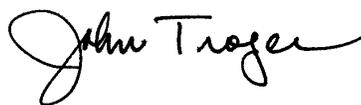
The preparation of the CAFR was made possible by the dedicated service of the Department of Finance and Administration. Those involved have our sincere appreciation for the individual and collective contributions made in the preparation of the report. It is especially important to recognize the additional efforts required implementing the new GASB Statement 34, and follow that effort with an extremely aggressive reporting schedule. In that, the efforts of Ann Acuff, Jack Blackburn, Chris Caldwell, Jeff Clark, Dora Compton, Patti Galvan, Peter Lin, David Skinner, John Troyer and Melanie Wilck all went above and beyond the call of duty to design and generate this report. Thank you very much for your professional dedication.

Recognition and appreciation are also extended to the County Commission and the Board of Education for their continued dedication in planning and conducting the operations of the County and the Board in a financially responsible and progressive manner.

Sincerely,



John J. Werner II
Senior Director of Finance



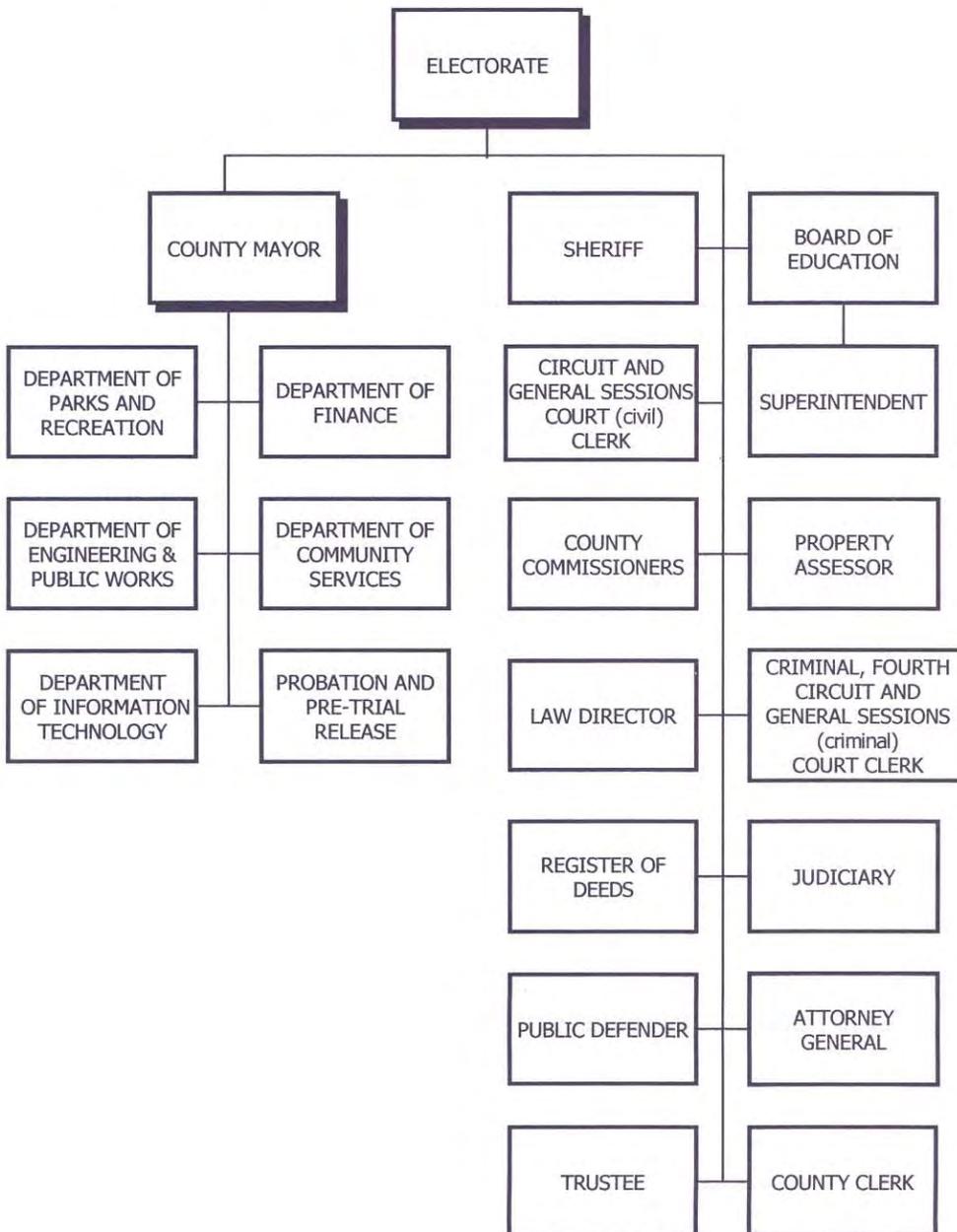
John M. Troyer, CPA
Deputy Director of Finance

Knox County, Tennessee
Roster of Publicly Elected Officials
June 30, 2003

Assessor of Property - John R. Whitehead
 Attorney General - Randall Nichols
 Circuit and General Sessions (civil) Court - Cathy Quist
 County Clerk - Wm Mike Padgett
 County Mayor - Michael R. Ragsdale
 Criminal, 4th Circuit & General Sessions (criminal) - Martha Phillips
 Law Director - Michael W. Moyers
 Public Defender - Mark Stephens
 Steve Hall - Register of Deeds
 Sheriff - Tim Hutchison
 Trustee - Mike Lowe



Knox County



Board of Commissioners:

Mike Arms	Craig Leuthold
Mark Cawood	Mike McMillan
Larry Clark	John Mills
David Collins	Scott Moore
John Griess	Wanda Moody
Phil Guthe	Howard Pinkston
Ivan Harmon	John Schmid
Mary Lou Horner	Larry Stephens
Diane Jordan	Thomas Strickland
	Billy J. Tindell

Board of Education:

Robert Bratton	Charles James
Sam Anderson	Dr. Paul Kelley
Diane Dozier	D. M. Miller
Brian Hornback	Daniel P. Murphy
	Jim Williams



REPORT OF INDEPENDENT AUDITORS

County Mayor and the County Commissioners of
Knox County, Tennessee

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Knox County, Tennessee ("County"), as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County as of June 30, 2003, 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.

Management's Discussion and Analysis and the other required supplementary information on pages 3-16 and 89 through 90, respectively, and the budgetary comparison information on page 91 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, miscellaneous schedules, and the tables in the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We did not audit the data included in the introductory or statistical sections of this report and, accordingly, we express no opinion on such data.

Cherry, Bekaert & Holland, L.L.P.

Knoxville, Tennessee
November 20, 2003

Management's Discussion and Analysis

As management of the Knox County Government, we offer readers of the Knox County Government's financial statements this narrative overview and analysis of the financial activities of the Knox County Government for the fiscal year ended June 30, 2003. This is the second year for the County to implement GASB 34, so comparative information is presented for the first time. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-xviii of this report. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the Knox County Primary Government Total Governmental Activities exceeded its liabilities at the close of the most recent fiscal year by \$331,003,080 (net assets), which compares to \$333,932,050 (restated) in 2002. The assets of the Knox County Government Total Reporting Unit exceeded its liabilities at the close of the most recent fiscal year by \$626,929,850 (net assets), which compares to \$637,357,733 (restated). However, most of the County's net assets is invested in capital assets, which will be used in the County's on-going operations. Conversely, the unrestricted net asset deficits of \$130,655,604 and \$118,897,973 for the Primary Government and Total Reporting Unit, respectively, represent amounts that will be needed to meet the government's obligations to citizens and creditors and will be financed with future tax revenues. This is an improvement over prior year deficits of \$139,550,038 and \$126,072,538 respectively.
- Of the Primary Government's \$ 331,003,080 (net assets), \$429,012,067 was invested in Capital Assets (net of related debt), \$30,639,497 was restricted for Debt Service, and \$2,007,120 was restricted for Other Purposes. The difference of \$130,655,604 (unrestricted net assets) is reported as a deficit, as opposed to available funds that normally could be used to meet the government's ongoing obligations to citizens and creditors. The reported deficit comes from the process by which the County issues debt on behalf of the Knox County Board of Education. The County issues general obligation funds for the Board, which is used for School projects which become Board assets. The Board then makes payments to the County from future budgets. Since the debt is issued in the County's legal name, the debt is reported as a liability of the Primary Government. The unrestricted net deficit demonstrates the expectation of the Board to fund its portion of the total debt in future years.
- The Primary Government's total net assets decreased by \$2,928,970 or 1.2% of the \$250,483,388 expenses of the Primary Government. This compares to the reported \$22,055,356 or 8.5% decrease from 2002. The primary reason for the difference is the amount borrowed on behalf of, and transferred to the Board of Education. In 2003, the amount was \$8.4 million while in 2002 it was \$30.6 million. These amounts are classified as expenses in the Primary Government. Without the transfers to the Board, the Primary Government would have reported a surplus in both years. The Total Reporting Unit's total net assets decreased by \$10,427,883, or 1.7% of 2003 expenses totaling \$617,449,173. The decrease is primarily attributable to the decline for the Board of Education of \$7.1 million. The Board had a planned spend-down of bond proceeds for capital projects of \$15.2 million. Included in the government-wide

expenses is depreciation expense of \$16.7 million and \$15.4 million for the County and Board of Education respectively. The individual funds are budgeted to “break even” prior to depreciation expense. The County continued an initiative to ensure local sales and state income taxes remitted to the State were appropriately credited to Knox County. As a result of these efforts, the County received some one-time revenue for back collections. Fees of County Officials were greater than expected largely as a result of the low interest rates increasing the recording activities in the Register of Deeds office. The County also continued its long record of operating within the approved budget.

- As of the close of the current fiscal year, the Knox County Government’s governmental funds reported combined ending fund balances of \$105,387,032, a decrease of \$13,780,433 in comparison with the prior year balances as restated. The decrease is primarily attributable to a planned spend-down of bond funds for capital projects. Approximately 65 percent of this total amount, \$68,180,068, is available for spending at the government’s discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$38,472,540 or 37% of total General Fund expenditures compared to \$42,486,896 (restated), or 40% for last year. This demonstrates the County’s fiscal discipline and positions the County well to meet unexpected emergencies, temporary cash needs and other uncertainties our County faces in the normal course of everyday operations.
- The Knox County Government’s total debt decreased by \$3,035,467 (1 percent) during the current fiscal year. The key factors in this decrease were: 1) the issuance of \$9.5 million in loan agreements for self-supporting capital projects. 2) The issuance of \$12 million in Bond Anticipation Notes to fund Capital Projects in accordance with the County’s Five-Year Capital Improvements Plan. 3) Principal paid of \$21.5 million. 4) Refunded debt of \$84.2 million funded with new debt of \$81.1 million to achieve savings for the County.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Knox County Government’s basic financial statements. The Knox County Government’s basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Knox County Government’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Knox County Government’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 Knox County Government 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 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).

Both of the government-wide financial statements distinguish functions of the Knox County Government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Knox County Government include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. Knox County Government reports no business type activities.

The government-wide financial statements include the Knox County Government itself (known as the *primary government*), but also a legally separate school district – the Board of Education (The Board), a legally separate Emergency Communications District, a legally separate Tourism Commission, and the Knox County Railroad Authority for which the Knox County Government is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The Emergency Communications District issues separate financial statements. Because it was merged into a new organization, Knox County Tourism Commission (KCTC) did not issue separate financial statements this year. The School Board and the Railroad Authority do not issue separate financial statements. The government-wide financial statements can be found on pages 17 and 18 of this report.

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

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

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

expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Knox County Government maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Constitutional Officers Special Revenue Fund, Capital Projects Public Improvement Fund and the Debt Service Fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Knox County Government adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund for information in the Required Supplemental Information section of the report. For a more detailed demonstration of budgetary compliance, the County also issues a separate Budget Report to the Citizenry, which is available at the County Finance Office.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary funds. There are two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Knox County Government does not use enterprise funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Knox County Government's various functions. Knox County Government uses internal service funds to account for its fleet service operations, for its printing and mailroom, its employee benefits, its retirement office operations, its self-insurance activities, its central maintenance operations, its technical support operations, and its fleet capital leasing activities. Because these services benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The eight Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Knox County Government's own programs. The accounting used for fiduciary funds is

much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 26 and 27 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 28-88 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 Knox County Government's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 89-91 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 105-107. Combining and individual fund statements for internal service funds can be found on pages 107-156 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The Total Reporting Unit assets exceeded liabilities by \$626,929,850 at the close of the most recent fiscal year, while the Primary Government's were \$331,003,080.

Knox County, Tennessee

Net Assets - Primary Government -- Governmental Activities

	June 30,	
	2003	2002 (restated)
Current and Other Assets	\$ 248,655,096	\$ 257,762,663
Capital Assets	638,716,557	625,283,989
Total Assets	887,371,653	883,046,652
Long-term Liabilities Outstanding	386,464,780	387,901,759
Other Liabilities	169,903,793	161,212,843
Total Liabilities	556,368,573	549,114,602
Net Assets:		
Invested in Capital Assets, net of Related Debt	429,012,067	439,996,102
Restricted	32,646,617	33,485,986
Unrestricted	(130,655,604)	(139,550,038)
Total Net Assets	\$ 331,003,080	\$ 333,932,050

By far the largest portion of the Knox County Government's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Knox County Government uses these capital assets to provide services to citizens; consequently, these

assets are *not* available for future spending. Although the Knox County Government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

KNOX COUNTY GOVERNMENT'S Net Assets

An additional portion of the Knox County Primary Government's net assets represents resources that are subject to external restriction on how they may be used. These include restricted for Debt Service \$30,639,497 and Other Purposes \$2,007,120. The remaining balance of *unrestricted net assets* (deficit) of (\$130,655,604), which compares to the prior year (deficit) of (\$139,550,038) (restated), would normally be available to be used to meet the government's ongoing obligations to citizens and creditors. The primary reason for the deficit is due to the County's recognition of long-term debt that will be funded through tax collections in future years. This helps to match the benefits of a long-term asset with the constituency who pays for it. The County issues debt for the Knox County School Board. As the Board and the County Commission identify school capital needs that require funding from bonds (through the long-term capital planning process), the County issues those bonds on behalf of the School Board. Repayment of the bonds is funded through the School budget each year. Since the County is the legal entity issuing the bonds, it is considered as a liability of the County, while the associated capital assets are reported with the Knox County Board of Education. The payments of the debt related to the bonds issued on behalf of the School Board are made from the Board's budgeted funding each year. At June 30, 2003, the amount of bonds and notes issued by the County on behalf of the School Board still outstanding was \$201,769,354 (excluding unamortized premium) compared to prior year of \$205,884,783. If this liability were shown with the Board's amounts to match the capital assets, the County would have a positive unrestricted net assets.

At the end of the current fiscal year, the Knox County Government is able to report positive balances in all three categories of Total net assets -- for the Total Reporting Unit, for the Primary Government and for its separate component units. The same situation held true for the prior fiscal year. During the year, the Knox County Tourism Commission merged operations with the Greater Knoxville Sports Authority to form a successor organization which is not a component unit of the County.

The reporting unit's net assets decreased by \$10,427,883 during the current fiscal year. Considering the \$2.9 million decrease in Primary Governmental Activities and the \$7.1 million decrease related to the School Board's operations, the County finished very much in line with expectations. Included in the \$10.4 million decline is \$16.7 million in depreciation for the Primary Government and \$15.4 million in depreciation for School Board capital assets. Depreciation is a noncash expense that was not traditionally been considered in at the individual fund level. The amounts again demonstrate the County's strong local economy combined with its ability and willingness to live within it means.

Governmental activities. Governmental activities decreased the Knox County Government's net assets by \$2,928,970. This compares favorably with the prior year's

\$22,055,356 decrease. The prior year included a \$30.6 million transfer of bond proceeds to the School Board, while the current year included only an \$8.4 million transfer of the bond anticipation note proceeds. This net effect included a \$13.8 million net decrease in the Governmental Funds combined with \$13.1 million in capital additions greater than depreciation, \$1.6 million in additional accruals for pension obligations, compensated absences and interest and \$0.9 million in net decline in Internal Service Funds – primarily due to increases in claim activity. The Knox County School Board activity decreased the County’s total net assets by \$7.1 million. This decline is primarily due to \$15.5 million in depreciation charges offset by \$8.4 million transfer from the Primary Government to the Board for the Bond Anticipation Note. The Board’s net assets decreased by \$7,076,330 with the Primary Government’s \$2,928,970 decline together which virtually matches the decline in net assets for the Total Reporting Unit of \$10.4 million.

KNOX COUNTY GOVERNMENT’S Changes in Net Assets

- The County Property Tax Rate remained at \$2.96 for both the tax year and fiscal year this is another indication of the County’s commitment to fiscal conservatism.

Knox County Primary Government's Changes in Net Assets

	Governmental Activities	
	2003	2002
		(as restated)
Revenues:		
Charges for Services	\$ 67,233,533	\$ 66,640,286
Operating Grants and Contributions	20,962,543	18,997,160
General Revenues:		
Taxes	133,991,541	125,747,870
Interest Income	2,839,049	3,738,576
Other Revenues	20,848,197	20,848,860
Contracts with Governments and Citizens	1,679,555	1,017,769
Total Revenues	247,554,418	236,990,521
Expenses:		
Finance and Administration	32,196,730	30,108,482
Administration of Justice	11,828,805	11,003,410
Public Safety	49,244,493	45,149,336
Public Health and Welfare	37,804,098	36,660,928
Social and Cultural Services	15,766,968	15,370,008
Other General Government	54,596,332	49,628,200
Highways	21,881,988	21,001,852
Debt Service	18,763,974	19,488,610
Education Payment to Component Unit	8,400,000	30,635,056
Total Expenses	250,483,388	259,045,882
Change in Net Assets	(2,928,970)	(22,055,361)
Net Assets - July 1	333,932,050	355,987,411
Net Assets - June 30	\$ 331,003,080	\$ 333,932,050

Once again, Education was the largest activity by far for the fiscal year. Public Safety, Finance and Administration, Public Health and Welfare are also integral parts of the County's operations. For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Knox County's Total Reporting Unit -- Governmental Activities

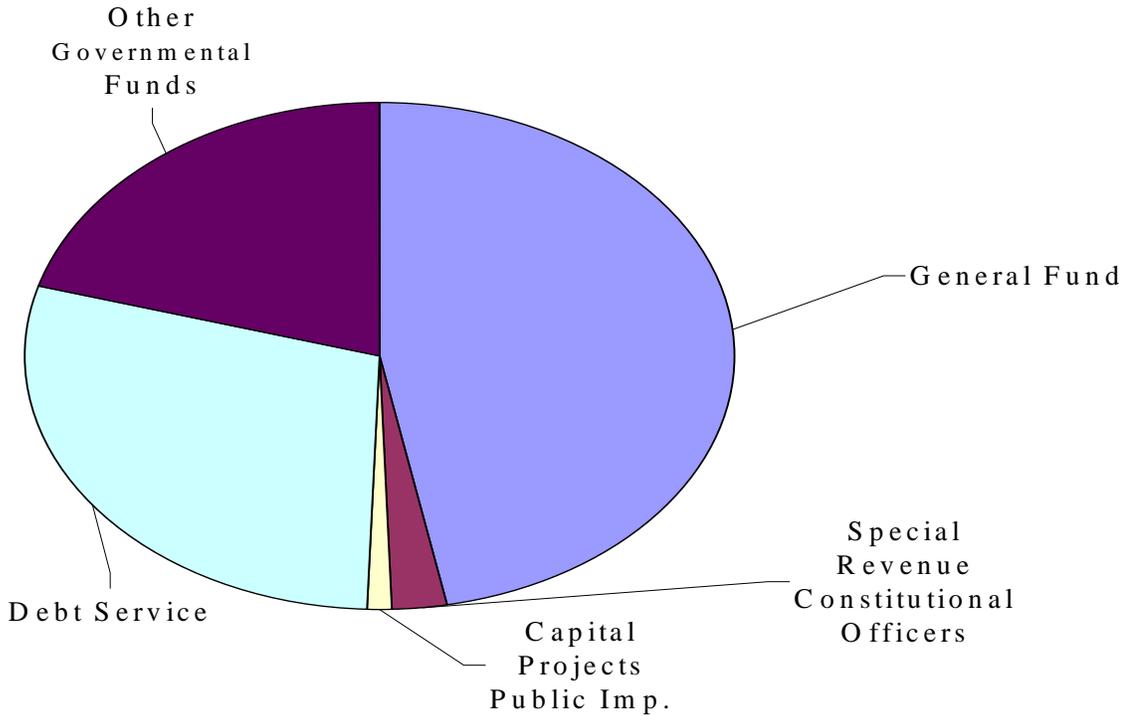
	<u>2003</u>	<u>2002</u>
Finance and Administration	\$ 32,196,730	\$ 30,108,481
Administration of Justice	11,828,805	11,003,409
Public Safety	49,244,493	45,149,336
Public Health and Welfare	37,804,098	36,660,927
Social and Cultural Services	15,766,968	15,370,008
Other General Government	55,104,839	49,702,565
Highways	21,881,988	21,001,851
Debt Service	18,763,974	19,488,610
Education	368,848,491	366,295,244
Emergency Communications	6,008,787	6,185,897
Tourist Commission	-	1,916,595
Total	<u>\$ 617,449,173</u>	<u>\$ 602,882,923</u>

Financial Analysis of the Government's Funds

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

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

Governmental Fund Balances



As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$105,387,032 a decrease of \$13,780,433 in comparison with the prior year. This planned decline was primarily related to the spend-down of prior year bond proceeds in the Capital Projects Public Improvement Fund. The net change in fund balances for this fund was a decline of \$16,997,966. Small increases in the General, Special Revenue Constitutional Officers, and Other Governmental Funds helped to offset this planned decline. The Debt Service Fund had a smaller than planned decline as well. The unreserved, undesignated portion is available for use in the County's discretion for the payment of its Debt. The Capital Projects Public Improvement Fund will be replenished in 2003-04 to continue the County's Five-Year Capital Improvements Plan with the issuance of \$72 million in new debt. The fund balances are for: 1) to liquidate contracts and purchase orders of the prior period and specially reserved items (\$37,206,964), 2) to be used for specific designated items (\$5,694,090), 3) to be used in conjunction with special revenue purposes (\$15,389,445), or 4) for capital projects (\$3,746,507) or 5) Debt Service \$25,500,852.

The General Fund is the chief operating fund of the Knox County Government. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$32,778,450 compared to \$41,294,737 (as restated) last year, while total fund balance reached \$49,410,220 from last year's \$47,851,272 (as restated). As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund

balance represents 28.9% of total General Fund expenditures which compares to 38.2% last year, while total fund balance represents 44.3% of that same amount compared to 43.9% last year. These amounts indicate the County is holding steady in its financial stability.

The total fund balance of the Knox County Government's General Fund increased by \$1,558,948 during the current fiscal year. Key factors in this growth are as follows:

- Local tax collections exceeded Budget by \$700,000. Licenses, permits, fines, forfeitures and charges for services exceeded Budget by \$1.2 million.
- Payments from other funds (namely amounts from the Constitutional Officers) were greater than expected by nearly \$2 million. Much of this was due to one-time fees from the Register of Deeds due to the high level of refinancing home mortgages.
- The General Fund departments, in their normal conservative pattern, showed their fiscal responsibility by turning back unspent budget of \$4,421,880 for the fiscal year.
- As intended, the County was able to fund a one-time payment of \$4.25 million to the five-year Capital Plan through the conservative budgeting and spending patterns of the County General Fund. This allowed the County to help keep debt levels at moderate levels, while responsibly implementing needed capital improvements. The \$4.25 million is shown in the designated fund balance of the General Fund, and will be shown as a transfer to the Capital Improvements Fund in the 2003-04 Budget.

The Debt Service Fund has a total fund balance of \$30,639,497 which compares to \$31,949,573 last year. Of which, \$25,500,852 and \$26,210,928 were undesignated respectively within the Debt Service Fund. The net decrease in fund balance during the current year was \$1,310,076. The planned decrease in the Fund was \$2.2 million. The positive variances were primarily from revenues slightly higher than Budget, and from savings from refinancing transactions. The County received one-time payments of \$828,014 from escrow balances related to the County's satisfaction of the Knoxville-Knox County Public Building Authority (PBA) debt for the County's Andrew Johnson Building and the Dwight Kessel Parking Garage. The County issued General Obligation Debt to replace the PBA debt in order to achieve savings. These one-time revenues helped to offset interest earnings, which were \$967,014 less than Budget due to the continued lower than anticipated interest rates.

Proprietary funds. The Knox County Government's proprietary fund statements provide underlying detailed of information found in the government-wide financial statements to support the information.

Unrestricted net assets of the Internal Service Funds at the end of the year amounted to \$2,163,830 compared to \$3,460,708 at the end of 2002. Most of the amounts remaining relate to the Capital Leasing Fund, which is used as a budgeting and planning tool for vehicle purchases. The County's Self-Insurance Fund is used to administer the County's risk management efforts. The total change in net assets for all funds was a \$917,253 decline, primarily due to an increase in activity in the Self-Insurance Fund from number of claims and the values of Workers' Compensation and Liability claims. Recently, the

State has increased the tort liability limits for Local Governments. The Employee Benefits Fund helps the County administer the benefits programs for its employees.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were within the normal course of County business and totaled \$5,666,648 increase in appropriations. Included in the increases were carryover appropriations for capital projects not completed during the previous fiscal year, appropriations for close-out of the fiscal year and several one-time projects from one-time funding sources such as the Smallpox Initiative and a mid-term solution for jail overcrowding. The County has a longer-term solution to address the jail population included in the five-year Capital Plan.

During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary provisions, eliminating the need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital assets. The Knox County Government Total Reporting Unit investment in capital assets (net of accumulated depreciation) for its governmental activities as of June 30, 2003, amounts to \$921,806,399 which compares to the prior year restated total of \$897,173,137. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the Knox County Government's investment in capital assets for the current fiscal year was \$24,633,262 or 2.7 percent, most of which relates to spending within the County's Five-Year Capital Plan.

Spending for major capital asset events during the current fiscal year included the following: A new Juvenile Center which opened during the year, The East Tennessee Historical Society Building which is well underway, the City-County Animal Center, Library facility projects at Fountain City, Karns, West Knox, and many road projects.

The County Primary Government's investment in capital assets for its governmental activities as of June 30, 2003, amounts to \$786,091,592 net of accumulated depreciation of \$147,375,035, leaving a resulting net book value of \$638,716,557. The prior year net book value totaled \$625,283,989 (restated), an increase of \$13,432,568 due to acquisition of capital assets in excess of current year depreciation. This investment in capital assets includes land and land improvements, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the County, such as roads and streets, bridges, sidewalks, lighting systems, and similar items.

Additional information on the Knox County Government's capital assets can be found in note III.C on pages 47-8 of this report and pages 175-7.

Long-term debt. At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$386,824,206 compared to \$401,859,673 at the end of

2002. All of this amount was compromised of debt backed by the full faith and credit of the County government. \$193,369,354 is outstanding debt which the government issued on behalf of the Board for school purposes. The remainder (\$193,454,852) of the Knox County Government's debt represents bonds issued solely for general government purposes. In June 2003, the County issued \$12 million in Bond Anticipation Notes -- \$3.6 million for General County Capital Projects and \$8.4 million for School Capital Projects. These notes funded Capital Plan expenditures through June 2003, and have been redeemed with part of the proceeds from the County's \$72 million issue early in fiscal 2004. Including the Bond Anticipation Notes, the County had \$197,054,852 in direct debt and \$201,769,354 in debt issued on behalf of the Knox County Schools for a total outstanding debt of \$398,824,206.

KNOX COUNTY GOVERNMENT'S Bonded Debt Changes during FY 2003:

Rollforward of Debt:	Government	Board	Total
Beginning Balance	\$ 195,974,890	\$ 205,884,783	\$ 401,859,673
Refunded Debt	(39,756,096)	(44,433,904)	(84,190,000)
Principal Paid	(10,672,625)	(10,782,842)	(21,455,467)
Issued Amounts(see below)	47,908,683	42,701,317	90,610,000
Ending Amount – Bonds	193,454,852	193,369,354	386,824,206
Series 2003 Bond Anticipation Notes	3,600,000	8,400,000	12,000,000
Total Bonds and Notes	\$ 197,054,852	\$ 201,769,354	\$ 398,824,206
Detail of Debt Issued:	Government	Board	Total
Series 2003A Refunding Bonds	\$ 33,086,700	\$ 30,578,300	\$ 63,665,000
E-911 Building Debt	4,500,000	-	4,500,000
Community Action Committee Debt	2,300,000	-	2,300,000
Public Defender Building Debt	2,700,000	-	2,700,000
Series 2003B Refunding Bonds	5,321,983	12,123,017	17,445,000
Total Debt Issued in FY 2003	\$ 47,908,683	\$ 42,701,317	\$ 90,610,000

The Knox County Government's total debt decreased by \$3,035,467 (less than 1 percent) during the current fiscal year. The key factors in this decrease were \$21,455,467 in principal payments offset by the issuance of \$9.5 million in new funding for self-supporting debt and \$12 million Bond Anticipation Notes to complete funding for capital spending for 2003. The County issued \$72 million in new funding in fiscal 2004 to fund the first year of the County's Capital Plan.

During the current fiscal year, the County again refinanced some of its existing debt to take advantage of favorable interest rates.

- The Knox County Government issued \$63,665,000 General Obligation Refunding Bonds to refinance previously outstanding bonds. The result will decrease future debt service payments of approximately \$516,000 per year for twelve years for a total savings of over \$6.2 million. The net present value benefit is over \$5.15 million in

savings. The savings will be apportioned between the County and the Board based on their proportion of the total principal amount of this transaction.

- The Knox County Government also issued \$17,445,000 in General Obligation Refunding Bonds refinancing that will decrease future debt service payments by varying amounts each year for 14 years for a total savings of \$2.177 million – which is more than \$1.74 net present value savings. The savings will be apportioned between the County and the Board based on their proportion of the total principal amount of this transaction.

The Knox County Government maintains a “AA” rating from Standard & Poor’s and a “Aa2” rating from Moody’s for general obligation debt. Concurrent with the issuance of the County’s debt, both rating agencies confirmed their ratings for the County. This continued confidence from the rating agencies confirms the County’s commitment to financial integrity, stability and strength.

States statutes set no limit for the amount of general obligation debt a governmental entity may issue. Current debt outstanding for the County Government is \$398,824,206. This translates to approximately \$1,044 per capita using the 2000 census population.

Additional information on the Knox County’s long-term debt can be found in the Notes to the Financial Statements of this report on pages 59-62.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the Knox County Government is currently 3.3 percent, which is a decrease from a rate of 3.4 percent a year earlier. This compares favorably to the state’s average rate of 4.8 percent currently and 4.5 last year, and the national averages of 5.6 percent and 4.8 percent respectively. Knox County has the lowest unemployment rate of Tennessee’s 5 Metropolitan Statistical Areas (MSA). This data was taken from the Tennessee Economic Overview, September 2002, published by the University of Tennessee Center for Business and Economic Research.
- Knox County, as well as the State and national economies have struggled with economic activity since the September 11, 2001 tragedy. Our underlying economic basics continue to be sound, with a need to return to the normal “growth” mode that is expected for Knox County. The new administration is committed to just that, inspire economic activity with investments and jobs in Knox County.
- The Knoxville leading index has sustained its positive year-over-year percent change indicating economic activity is at a higher level relative to last year. This is at a time when many areas and jurisdictions are experiencing a contraction in economic activity. Moderate growth is expected in the near term, while the longer term has a much more positive outlook.

All of these factors were considered in preparing the Knox County Government’s budget for the 2004 fiscal year.

During the current fiscal year, unreserved, undesignated fund balance in the General Fund decreased to \$32,778,450 from \$34,928,595. Knox County had re-appropriated \$2,821,256 of the beginning fund balance amount for spending in the 2003 fiscal year budget. In addition, the County was able to generate \$4.25 million in additional one-time savings, which was designated for one-time spending in the County's five-year Capital Plan. The gains received as a result of the County's initiative to conduct a study to ensure the County receives its proper credit for sales within its boundaries helped offset the decline of revenues from the State of Tennessee. These items highlight conservative nature of County operations by spending less than is allowed through the adopted budget. Conservative revenue projections and conservative spending have long been strengths of Knox County's operations.

Requests for Information

This financial report is designed to provide a general overview of the Knox County Government'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:

Knox County Government
Department of Finance
Suite 630
City/County Building
400 Main Street
Knoxville, TN 37902

KNOX COUNTY, TENNESSEE

Statement of Net Assets

June 30, 2003

	<u>Primary Government</u>	<u>Component Units</u>			<u>Total Reporting Unit</u>
	<u>Total -- Governmental Activities</u>	<u>Knox County Board of Education</u>	<u>Knox County Railroad Authority</u>	<u>Knox County Emergency Communications District</u>	
Assets					
Cash	\$ 64,192,828	\$ 42,855,309	\$ 7,791	\$ 3,928,289	\$ 110,984,217
Accounts Receivable	11,647,861	24,371,113	128	624,320	36,643,422
Property Taxes Receivable, net	114,013,886	95,339,467	-	-	209,353,353
Interest and Dividends Receivable	152,973	-	-	1,248	154,221
Notes Receivable	7,635,131	-	-	-	7,635,131
Investments	30,733,570	-	-	-	30,733,570
Due from Component Units	7,794,626	-	-	-	7,794,626
Due from Primary Government	-	131,275	-	26,979	158,254
Due from Other Governments	-	-	-	6,888	6,888
Inventories	788,866	1,363,510	-	-	2,152,376
Prepaid Items	430,582	1,869,162	-	22,980	2,322,724
Other Assets	1,545,762	-	-	-	1,545,762
Equity Interest in Joint Venture	5,995,829	-	-	-	5,995,829
Advances to Component Unit	3,723,182	-	-	-	3,723,182
Capital Assets:					
Land, Work in Process and Infrastructure	165,626,246	94,952,972	-	-	260,579,218
Other Capital Assets, Net of Accumulated Depreciation	473,090,311	178,666,043	-	9,470,827	661,227,181
Total Assets	<u>887,371,653</u>	<u>439,548,851</u>	<u>7,919</u>	<u>14,081,531</u>	<u>1,341,009,954</u>
Liabilities					
Accounts Payable	15,677,067	32,405,078	128	474,289	48,556,562
Due to Component Units	158,254	-	-	-	158,254
Due to Primary Government	-	7,775,053	-	19,573	7,794,626
Unearned Revenue	110,115,630	88,864,407	-	-	198,980,037
Accrued Interest	4,887,578	-	-	-	4,887,578
Accrued Pension Obligation	9,347,388	19,840,038	-	-	29,187,426
Advances from Primary Government	-	-	-	3,723,182	3,723,182
Self-insurance Liability	6,452,951	-	-	-	6,452,951
Long-term Obligations:					
Due in Less than One Year	23,264,925	1,273,533	-	706,871	25,245,329
Due in More than One Year	386,464,780	141,504	-	2,487,875	389,094,159
Total Liabilities	<u>556,368,573</u>	<u>150,299,613</u>	<u>128</u>	<u>7,411,790</u>	<u>714,080,104</u>
Net Assets					
Invested in Capital Assets	-	273,619,015	-	-	273,619,015
Invested in Capital Assets, Net of Related Debt	429,012,067	-	-	6,520,460	435,532,527
Restricted for:					
Debt Service	30,639,497	-	-	-	30,639,497
Capital Projects	-	60,861	-	-	60,861
Other Purposes	2,007,120	3,968,803	-	-	5,975,923
Net Assets - Unrestricted	(130,655,604)	11,600,559	7,791	149,281	(118,897,973)
Total Net Assets	<u>\$ 331,003,080</u>	<u>\$ 289,249,238</u>	<u>\$ 7,791</u>	<u>\$ 6,669,741</u>	<u>\$ 626,929,850</u>

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Primary Government Governmental Activities	Net (Expense) Revenue and Changes in Net Assets				Total Reporting Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Component Units				
					The Board	KCRA	The District	KCTC		
Primary government:										
Governmental activities:										
Finance and Administration	\$ 32,196,730	\$ 24,360,351	\$ 171,129	\$ -	\$ (7,665,250)				\$ (7,665,250)	
Administration of Justice	11,828,805	3,099,291	41,681	-	(8,687,833)				(8,687,833)	
Public Safety	48,108,309	789,430	3,251,067	-	(44,067,812)				(44,067,812)	
Public Safety-Payment to Component Unit	1,136,184	-	-	-	(1,136,184)				(1,136,184)	
Public Health and Welfare	37,804,098	4,085,553	8,082,229	-	(25,636,316)				(25,636,316)	
Social and Cultural Services	15,766,968	805,230	1,267,401	-	(13,694,337)				(13,694,337)	
Agricultural and Natural Resources	335,090	-	-	-	(335,090)				(335,090)	
Other General Government	54,261,242	34,091,186	2,446,829	-	(17,723,227)				(17,723,227)	
Highways	21,881,988	2,492	5,702,207	-	(16,177,289)				(16,177,289)	
Education - Payment to Component Unit	8,400,000	-	-	-	(8,400,000)				(8,400,000)	
Debt Service - Interest and Fees	18,389,968	-	-	-	(18,389,968)				(18,389,968)	
Debt Service - Other	374,006	-	-	-	(374,006)				(374,006)	
Total primary government	\$ 250,483,388	\$ 67,233,533	\$ 20,962,543	\$ -	(162,287,312)				(162,287,312)	
Component units:										
Board of Education	\$ 360,448,491	\$ 11,023,657	\$ 147,258,289		\$ (202,166,545)	\$ -	\$ -	\$ -	(202,166,545)	
Knox County Railroad Authority	508,507	-	516,298		-	7,791	-	-	7,791	
Knox County Emergency Communications District	6,008,787	3,768,771	-		-	-	(2,240,016)	-	(2,240,016)	
Total component units	\$ 366,965,785	\$ 14,792,428	\$ 147,774,587		(202,166,545)	7,791	(2,240,016)	-	(204,398,770)	
General Revenues:										
Taxes				133,991,541	186,505,994	-	-	-	320,497,535	
Interest Income				2,839,049	184,221	-	31,140	-	3,054,410	
Payments from Primary Government				-	8,400,000	-	1,136,184	-	9,536,184	
Other Revenues				20,849,073	-	-	-	-	20,849,073	
Contracts Other Governments and Citizens				1,679,555	-	-	1,518,452	-	3,198,007	
Miscellaneous				(876)	-	-	1,000	-	124	
Special Item - Distribution of Net Assets to Successor Organization				-	-	-	-	(877,134)	(877,134)	
Total General Revenues and Special Item				159,358,342	195,090,215	-	2,686,776	(877,134)	356,258,199	
Change in Net Assets				(2,928,970)	(7,076,330)	7,791	446,760	(877,134)	(10,427,883)	
Net Assets, July 1, as Restated				333,932,050	296,325,568	-	6,222,981	877,134	637,357,733	
Net Assets, June 30				\$ 331,003,080	\$ 289,249,238	\$ 7,791	\$ 6,669,741	\$ -	\$ 626,929,850	

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2003

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 8,957,047	\$ 3,375,098	\$ 2,992,259	\$ 19,133,332	\$ 21,528,208	\$ 55,985,944
Receivables:						
Accounts	3,604,603	-	1,239,301	143,552	6,295,584	11,283,040
Property Taxes	95,033,337	-	-	17,794,801	1,185,748	114,013,886
Interest and Dividends	-	-	823	152,150	-	152,973
Notes	-	-	-	5,135,000	2,482,626	7,617,626
Investments	30,733,570	-	-	-	-	30,733,570
Due from Other Funds	6,080,334	100,821	91,557	-	1,435,469	7,708,181
Due from Component Units	15,969	80,066	-	7,250,000	-	7,346,035
Inventories	663,850	-	-	-	11,037	674,887
Prepaid Items	341,232	-	1,270	-	80,292	422,794
Investment in Joint Venture	5,995,829	-	-	-	-	5,995,829
Advances to Other Funds	1,383,081	-	-	-	-	1,383,081
Advances to Component Unit	-	-	3,723,182	-	-	3,723,182
TOTAL ASSETS	\$ 152,808,852	\$ 3,555,985	\$ 8,048,392	\$ 49,608,835	\$ 33,018,964	\$ 247,041,028
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 6,344,797	\$ 122,886	\$ 3,359,418	\$ 26,763	\$ 4,192,539	\$ 14,046,403
Due to Other Funds	2,526,427	872,924	3,431,649	10,912	3,001,202	9,843,114
Due to Component Units	3,773	-	-	8,835	16,115	28,723
Deferred Revenue	94,523,635	-	-	17,589,495	4,252,045	116,365,175
Advances from Other Funds	-	-	-	1,333,333	37,248	1,370,581
TOTAL LIABILITIES	103,398,632	995,810	6,791,067	18,969,338	11,499,149	141,653,996
Fund balances:						
Reserved	10,937,680	-	18,746,776	5,138,645	2,383,863	37,206,964
Unreserved:						
Designated	5,694,090	-	-	-	-	5,694,090
Undesignated	32,778,450	2,560,175	(17,489,451)	25,500,852	-	43,350,026
Unreserved, reported in nonmajor:						
Special Revenue	-	-	-	-	15,389,445	15,389,445
Capital Projects	-	-	-	-	3,746,507	3,746,507
TOTAL FUND BALANCES	49,410,220	2,560,175	1,257,325	30,639,497	21,519,815	105,387,032
TOTAL LIABILITIES AND FUND BALANCES	\$ 152,808,852	\$ 3,555,985	\$ 8,048,392	\$ 49,608,835	\$ 33,018,964	\$ 247,041,028

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets**

June 30, 2003

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

Ending Fund Balance - Governmental Funds	\$ 105,387,032
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	635,024,172
Other long-term assets, consisting of deferred debt issuance costs, are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,545,762
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	5,856,215
Long-term liabilities, including bonds payable and related unamortized premium, capital leases, compensated absences, pension obligation, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	
Bonds Payable	\$ 386,824,206
Bond Anticipation Note Payable	12,000,000
Unamortized Bond Premium	14,172,878
Unamortized Amount on Refunding	(7,486,228)
Capital Lease Obligation	54,585
Pension Obligation	9,347,388
Accrued Interest	4,887,578
Compensated Absences	4,060,127
	<u>(423,860,534)</u>
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were deferred in the fund financial statements but have been recognized as revenues under the accrual basis.	<u>7,050,433</u>
Net Assets of Governmental Activities	<u><u>\$ 331,003,080</u></u>

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2003**

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
Local Taxes	\$ 93,011,447	\$ -	\$ 237,539	\$ 17,983,621	\$ 22,849,604	\$ 134,082,211
Licenses and Permits	2,840,878	-	-	-	-	2,840,878
Fines, Forfeitures and Penalties	2,711,395	-	-	-	134,885	2,846,280
Charges for Current Services	4,028,248	19,234,209	-	-	767,749	24,030,206
Other Local Revenues	1,514,988	-	920,641	1,511,056	470,041	4,416,726
Fees Received from County Officials	310,317	-	-	-	-	310,317
State of Tennessee	7,569,129	-	335,441	-	11,708,230	19,612,800
Federal Government	313,347	-	-	-	4,152,569	4,465,916
Other Governments and Citizen Groups	214,227	-	-	137,816	378,899	730,942
Payments from Component Units	-	-	-	16,457,417	-	16,457,417
Interest Earned	-	85,023	216,453	2,532,986	-	2,834,462
Total Revenues	112,513,976	19,319,232	1,710,074	38,622,896	40,461,977	212,628,155
Expenditures						
Current:						
Finance and Administration	18,217,659	12,276,605	-	-	1,614,572	32,108,836
Administration of Justice	11,016,151	-	-	-	217,538	11,233,689
Public Safety	43,411,097	-	-	-	3,242,956	46,654,053
Public Safety - Payments to Component Unit	1,136,184	-	-	-	-	1,136,184
Public Health and Welfare	27,667,255	-	-	-	9,200,359	36,867,614
Social and Cultural Services	4,774,087	-	-	-	9,412,270	14,186,357
Agricultural and Natural Resources	335,090	-	-	-	-	335,090
Other General Government	6,950,893	-	-	-	6,401,343	13,352,236
Highways	-	-	-	-	9,113,368	9,113,368
Capital Projects	-	-	30,978,243	-	534,695	31,512,938
Debt Service:						
Contracted Services	-	-	-	53,081	-	53,081
Trustee's Commission	-	-	-	374,006	-	374,006
Principal on Bonds	-	-	-	21,455,467	-	21,455,467
Interest on Bonds	-	-	-	18,251,918	-	18,251,918
Total expenditures	113,508,416	12,276,605	30,978,243	40,134,472	39,737,101	236,634,837
Excess (Deficiency) of Revenues Over (Under) Expenditures	(994,440)	7,042,627	(29,268,169)	(1,511,576)	724,876	(24,006,682)
Other financing sources (uses)						
Transfers from Other Funds	6,995,412	-	82,000	201,500	1,627,914	8,906,826
Transfers to Other Funds	(4,071,711)	(6,995,412)	-	-	(343,141)	(11,410,264)
Debt Issuance	-	-	12,188,203	88,722,550	911,797	101,822,550
Payments to Refunded Bond Escrow Agent	-	-	-	(88,722,550)	-	(88,722,550)
Decrease in Equity Interest in Joint Venture	(370,313)	-	-	-	-	(370,313)
Total Other Financing Sources (Uses)	2,553,388	(6,995,412)	12,270,203	201,500	2,196,570	10,226,249
Net Change in Fund Balances	1,558,948	47,215	(16,997,966)	(1,310,076)	2,921,446	(13,780,433)
Fund Balance, July 1, as restated	47,851,272	2,512,960	18,255,291	31,949,573	18,598,369	119,167,465
Fund Balance, June 30	\$ 49,410,220	\$ 2,560,175	\$ 1,257,325	\$ 30,639,497	\$ 21,519,815	\$ 105,387,032

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, 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, 2003

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

Net Change in Fund Balances - Total Governmental Funds \$ (13,780,433)

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 (\$29,777,056) exceeded depreciation (\$16,719,809) and loss on disposal of capital assets (\$4,304) in the current period. 13,052,943

Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements. 7,050,433

Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities. (7,141,103)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is reflected as an expenditure in the governmental funds, whereas the repayment reduces long-term liabilities in the statement of net assets. Bond principal payments (\$105,645,467) exceeded bond proceeds (\$90,610,000) and BAN proceeds (\$12,000,000) by this amount. 3,035,467

Bonds issued at a premium provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net assets. Conversely, the difference between the reacquisition price and the net carrying value of debt refunded results in a deferred amount on refunding, which is reported as a deduction from bonds payable. In addition, bond issuance costs are expenditures of governmental funds, but are deferred assets in the statement of net assets. Bond premiums (\$7,612,550) exceeded the deferred amount on refunding (\$3,861,982) and bond issuance costs (\$670,568) by this amount. (3,080,000)

Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$330,492) and amortization of deferred debt issuance costs (\$58,917). In addition, the amortization of bond premium results in reduction of expenses of \$661,941. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 272,532

Certain capital assets have been acquired under capital leases. Payment of the principal portion of capital leases is reported as an expenditure in governmental funds, whereas the repayment reduces long-term liabilities in the statement of net assets. 210,412

Expenses reported in the statement of activities for the increase in the liability for compensated absences (\$563,407), increase in net pension obligation (\$652,143), and accrued interest (\$416,418) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (1,631,968)

Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The net revenue (expense) amounts of the internal service funds are reported with governmental activities. (917,253)

Change in Net Assets of Governmental Activities \$ (2,928,970)

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Statement of Net Assets
Proprietary Funds
June 30, 2003**

	Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 8,206,884
Receivables:	
Accounts	364,821
Notes	17,505
Due from Other Funds	2,318,177
Due from Component Units	448,591
Inventories	113,979
Prepaid Items	7,788
	<hr/>
TOTAL CURRENT ASSETS	11,477,745
Capital Assets:	
Machinery and Equipment	9,627,557
Computer Software	34,067
Accumulated Depreciation	(5,969,239)
	<hr/>
Total Capital Assets (Net of Accumulated Depreciation)	3,692,385
	<hr/>
TOTAL ASSETS	15,170,130
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	1,630,664
Due to Other Funds	183,244
Due to Component Units	129,531
Deferred Revenue	800,888
Self Insured Claims Liability	6,452,951
Compensated Absences Payable	93,427
Advances from Other Funds	12,500
	<hr/>
TOTAL CURRENT LIABILITIES	9,303,205
Noncurrent Liabilities:	
Compensated Absences Payable	10,710
	<hr/>
TOTAL LIABILITIES	9,313,915
NET ASSETS	
Invested in Capital Assets	3,692,385
Unrestricted	2,163,830
	<hr/>
TOTAL NET ASSETS	\$ 5,856,215
	<hr/> <hr/>

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2003

	Internal Service Funds
Operating Revenues	
Charges for Services	\$ 34,091,072
Operating Expenses	
Cost of Sales and Services	955,842
General and Administration	4,100,795
Depreciation and Amortization	1,392,614
Medical Claims	12,638,027
Retirement Contributions	14,873,453
Other Employee Benefits	652,076
Worker's Compensation Claims	1,509,343
Other Expenses	2,315,474
Total Operating Expenses	38,437,624
Operating Loss	(4,346,552)
Nonoperating Revenues	
Payments from Component Units	361,828
Other Income	67,129
Transfers from Other Funds	3,000,342
Total Nonoperating Revenues	3,429,299
Change in Net Assets	(917,253)
Total Net Assets, July 1	6,773,468
Total Net Assets, June 30	\$ 5,856,215

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Statement of Cash Flows
Proprietary Funds**

For the Year Ended June 30, 2003

	<u>Internal Service Funds</u>
Operating Activities	
Cash Received from Interfund Services Provided	\$ 34,093,669
Cash Paid to Employees	(1,388,307)
Cash Paid for Goods and Services	(5,877,238)
Cash Paid on Behalf of Eemployees	(28,429,132)
Net Cash Used in Operating Activities	(1,601,008)
Noncapital Financing Activities	
Receipts from Subrogation Payments	51,786
Transfers from Other Funds	2,972,122
Advances from Other Funds	12,500
Net Cash Provided by Noncapital Financing Activities	3,036,408
Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(1,581,951)
Proceeds from Sale of Equipment	13,566
Net Cash Used in Capital and Related Financing Activities	(1,568,385)
Net Decrease in Cash and Cash Equivalents/Investments	(132,985)
Cash and Cash Equivalents/Investments Beginning of Year	8,339,869
End of Year	\$ 8,206,884
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (4,346,552)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization	1,392,614
Loss on Disposal of Capital Asset	20,176
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	136,560
Increase in Due from Other Funds	(403,657)
Increase in Due from Component Units	(377,294)
Decrease in Inventories	32,099
Decrease in Prepaid Items	23,289
Increase in Accounts Payable and Accrued Liabilities	73,650
Decrease in Due to Other Funds	(340,537)
Increase in Due to Component Units	26,578
Decrease in Compensated Absences	(19,447)
Increase in Deferred Revenue	2,181,513
Total Adjustments	2,745,544
Net Cash Used in Operating Activities	\$ (1,601,008)
Noncash Investing, Capital, and Financing Activities	
Accounts Payable Incurred for Capital Asset Acquisitions	\$ 49,850
Capital Assets Transferred from Other Funds	\$ 390,048

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2003

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 1,767,944	\$ 17,659,869
Receivables:		
Accounts	-	5,475,618
Interest and Dividends	172,486	-
Contributions	295,840	-
Investments	<u>198,971,313</u>	<u>-</u>
TOTAL ASSETS	<u>201,207,583</u>	<u>\$ 23,135,487</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	321,283	\$ 6,408,666
Due to Other Governments	-	2,862,217
Due to Litigants, Heirs and Others	<u>-</u>	<u>13,864,604</u>
TOTAL LIABILITIES	<u>321,283</u>	<u>\$ 23,135,487</u>
NET ASSETS		
Held in Trust for:		
Pension Benefits	<u>\$ 200,886,300</u>	

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds**

For the year ended June 30, 2003

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 6,588,323
Employees	8,422,137
Transfers from Other Plans	538,262
Total Contributions	<u>15,548,722</u>
Investment Earnings:	
Interest and Dividend Income	1,798,417
Net Appreciation in Fair Value of Investments	3,342,535
Total Investment Earnings	5,140,952
Less Investment Expenses	(252,670)
Net Investment Earnings	<u>4,888,282</u>
Total Additions	<u>20,437,004</u>
Deductions	
Benefits and Refunds	10,891,604
Transfers to Other Funds (Administrative and Professional)	496,904
Transfers to Other Plans	506,680
Total Deductions	<u>11,895,188</u>
Change in Net Assets	8,541,816
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>192,344,484</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 200,886,300</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

Index

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A.	Reporting Entity	28-29
B.	Government-wide and Fund Financial Statements	29-30
C.	Measurement Focus, Basis of Accounting, and Financial Statement Presentation	30-33
D.	Assets, Liabilities and Equity	33-37
E.	Additional Information	38-39

Note II - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A.	Budgetary Data	38-42
B.	Fund Deficit	42

Note III - DETAILED NOTES ON ALL FUNDS

A.	Deposits and Investments	42-44
B.	Receivables	45-46
C.	Capital Assets	47-48
D.	Interfund and Component Unit Receivables and Payables	49-55
E.	Transfers and Similar Transactions	55-57
F.	Deferred/Unearned Revenue	58-59
G.	Leases	59-60
H.	Long-Term Liabilities	61-65
I.	Fund Equity	66-70
J.	Property Taxes	70-71

Note IV - OTHER INFORMATION

A.	Joint Ventures	72-73
B.	Related Organizations	73-74
C.	Risk Financing	74-75
D.	Other Post Employment Benefits	75
E.	Commitments and Contingencies	75-77
F.	Deferred Compensation	77
G.	Constitutional Officers	77-79
H.	Prior Period Adjustments	80-81

Note V - EMPLOYEE RETIREMENT PLANS

A.	Defined Contribution Plan	82-83
B.	Defined Benefit Plans	84-88

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Knox County (the County), founded in 1792, is a political subdivision of the State of Tennessee. The County operates under a County Mayor – County Commission form of government pursuant to the Knox County Home Rule Charter (the Charter) established under Tennessee Code Annotated, Section 5-1-208, effective September 1, 1990. The County Mayor serves an elected term of four years. The nineteen County Commissioners serve four-year terms and are elected by district votes within the County. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its Component Units. The County is considered to be the primary government. Component Units are legally separate entities for which the County is considered to be financially accountable. These Component Units are discretely presented in separate columns in the government-wide financial statements to emphasize they are legally separate from the County.

Discretely Presented Major Component Units

The **Knox County Board of Education** (the Board) consists of nine members elected by voters of the County and one superintendent appointed by members of the Board. The Board is fiscally dependent on the County because the County levies taxes for the Board, issues debt on behalf of the Board and approves the Board's Budget. The Board is responsible for elementary and secondary education within the County's jurisdiction. The Board operates a total of 82 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2002 - 2003 school year was 51,979 with a full time equivalent average daily attendance of 49,137. During the previous year, the full time equivalent average daily membership was 51,753 with a full time equivalent average daily attendance of 49,057.

The **Knox County Railroad Authority** (KCRA) was established by Knox County in April 1999, to provide for the continuation of rail service within the County. KCRA is governed by a two-member Board consisting of the County Mayor and a member selected by the County Commission. KCRA is fiscally dependent on the County for approval of all debt issuances.

The **Knox County Emergency Communications District** (the District) is an emergency response agency operating a consolidated public safety answering point service and emergency radio dispatch service for the residents of the County. The District is governed by an eleven-member Board of Directors, of whom the majority are appointed by the County. Debt issuances or lease agreements exceeding five years require County approval. The District has the authority to levy an emergency telephone service charge to be used to fund the emergency telephone service. The County, however, may reduce the levy provided the reduction does not preclude the District from the authorized activities established in the Tennessee Code Annotated.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The **Knox County Tourist Commission** (KCTC) was created by Knox County on June 12, 1978, for the purpose of promoting tourism throughout the County. The County Mayor appointed two of the seven-member governing Board of Commissioners. KCTC was fiscally dependent on the County for approval of KCTC's annual budget.

Effective for the fiscal year ended June 30, 2003, the County has abolished KCTC and transferred its net assets to a successor organization, the Tourism & Sports Development Corporation of Knoxville/Knox County (TSDC). TSDC is a not-for-profit organization established for the purpose of promoting tourism and sports events in Knox County. TSDC is governed by a 21-member board, 5 of which are appointed by the Knox County Mayor, subject to approval by the Knox County Commission. TSDC is not a component unit of the County. The transfer of the KCTC net assets to the TSDC has been reflected in the Government-wide Statement of Activities. As the dissolution of KCTC was effective on July 1, 2002, KCTC did not issue financial statements for fiscal year 2003.

Complete financial statements for the District may be obtained at the entity's administrative offices:

Knox County Emergency Communications District
400 Main Avenue
City County Building, Suite L-305
Knoxville, TN 37902

The Board and KCRA do not issue separate financial statements from those of the County. Fund financial statements for the Board are, therefore, included in these financial statements. The activities of KCRA are accounted for in a single fund, and the information presented in the government-wide financial statements also constitutes the fund financial statements.

B. Government-wide and Fund Financial Statements

The accompanying financial statements of the County have been prepared in conformity with accounting principles as generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In fiscal year 2002, the County implemented GASB Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Statement establishes financial reporting requirements for state and local governments throughout the United States. The standard provides for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and employ the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are "measurable and available". "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting, except for debt and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are considered susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the County are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Fund Accounting: The accounts of the County are organized, operated and presented on the basis of funds. Funds are independent fiscal and accounting entities with self-balancing sets of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The County reports the following major governmental funds:

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

The *Constitutional Officers Fund* accounts for activities associated with the administrative functions of the County's Constitutional Officers.

The *Public Improvement Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds, exclusive of construction activity related to the Americans with Disabilities Act.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

Additionally, the County reports the following fund types:

Internal service funds account for operations of the County that provide services to other departments, agencies, other governments, component units, and joint ventures on a cost reimbursement basis.

Activities accounted for in the internal service funds include: (1) provision of gasoline and maintenance services for County vehicles, (2) operation of a central mailroom, and provision of printing services (provision of printing services was eliminated during fiscal year 2003), (3) payment of employee medical and unemployment claims, (4) accounting for the County's retirement plan contributions, (5) accounting for the payment of workers' compensation and general liability claims, (6) provision of central maintenance for County buildings, (7) providing technical support for electronic data processing functions, and (8) providing leased vehicles and equipment to County departments.

Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Fiduciary funds include the following:

The *pension trust funds* are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The pension trust fund accounts for the assets of the County's defined benefit pension plan, defined contribution pension plan, and its defined contribution medical retirement plan. Plan member contributions are recognized in the period when contributions are due and payable in accordance with the terms of the plan. Employer contributions are recognized when due and the County makes a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Fiduciary funds also include agency funds used to account for the receipt and disbursement of funds held for various third parties. Agency funds include transactions related to (1) local sales taxes collected by the State of Tennessee and remitted to the County for distribution to other municipalities, (2) funds held on behalf of juvenile defendants, (3) funds held on behalf of subdivision developers pending completion of road and hydrology requirements, (4) cash held by the County on behalf of several external agencies and County joint ventures, and (5) funds held by various elected officials on behalf of state agencies and/or other funds.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Governments also have the option of following subsequent private-sector guidance for their business-type activities subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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, including special assessments. 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. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Component Units

The Board of Education uses two major governmental funds (general fund and school construction capital projects), three nonmajor governmental (special revenue) funds, and fiduciary funds (pension trust fund, agency). These fund types use the same measurement focus and basis of accounting as those of the County. KCRA follows the County's governmental funds measurement focus and basis of accounting. The Emergency Communications District follows the County's proprietary funds measurement focus and basis of accounting.

D. Assets, Liabilities and Equity

Deposits and Investments

The cash and cash equivalents of the County and its component units are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Deposits and Investments (Continued)

The County maintains a pooled cash system through the Knox County Trustee. The fair value of purchased investments and investment income at fiscal year end is allocated to major funds based on the total cash position of that fund at fiscal year end. In accordance with County directive, the majority of interest earned during the year is allocated to the Debt Service Fund for retirement of future debt.

State statutes and local ordinances authorize the County and the Board to invest in certificates of deposit, the State Local Government Investment Pool, U.S. Treasury obligations, U.S. agency issues, corporate bonds, equity funds, short-term bond funds, and guaranteed investment contracts.

The County's and its component units' investments are carried at fair value. Short-term investments, however, are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

Tennessee State Law requires financial institutions to secure a local government's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal at least 105% of the average daily balance of deposits. Alternatively, financial institutions that hold public deposits may participate in the State's collateral pool. See Note III A for additional collateralization information.

Receivables, Payables, and Deferred Revenue

In the County's fund financial reporting, transactions between County funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Transactions between the County and its component units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from Component Units." All other outstanding balances between the County and its component units are reported as "due to/from Component Units/Primary Government."

In the fund financial statements governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current accounting period. Governmental funds also defer recognition of revenues in connection with resources that have been received, but not yet earned

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

The County accrues additional assets (receivables) for certain non-exchange revenues in governmental funds. As governmental funds are subject to the modified accrual basis of accounting, any additional revenues recognized as receivable before the resources are available have been reported as deferred revenues with no resulting effect on fund equity. Unearned revenue in the government-wide financial statements consists of resources received that have not yet been earned.

All trade receivables are shown net of an allowance for doubtful accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1st, and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1 of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property taxes receivable are presented on the fund balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the court for collection. Delinquent taxes filed with the court for collection are considered uncollectible and are written off.

In the fund financial statements, the balance of notes receivable and advances between funds are offset by a fund balance reserve to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Assets

The County maintains material inventory balances in its proprietary and governmental funds. Inventories in the proprietary funds are stated at the lower of cost or market. Inventories in the governmental funds are stated at cost. Inventories are accounted for under the consumption method. Supplies for resale and the cost of oil and gasoline in the internal service funds use the first-in, first-out (FIFO) flow assumption in determining cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Inventories and Prepaid Assets (Continued)

The Board values school supplies inventories using the specific identification method. The Board's Central Cafeteria Fund inventories are composed of food supplies. These inventories are stated at cost.

The County's general fund inventory consists of land held for resale. The land is recorded at cost excluding the cost of infrastructure (roads, utilities, etc.). In the governmental funds the balance of prepaid assets and inventories are offset by a fund balance reserve to indicate that they are not available for appropriation and are not expendable, available financial resources.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Building Improvements	20
Public Domain Infrastructure	40
System Infrastructure	25
Vehicles	5
Office Equipment	5
Computer Equipment	5

It is the County's and the District's policy to capitalize the cost of the rights to externally acquired software as an intangible asset.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Compensated Absences

It is the policy of the County and its component units to permit employees to accumulate, in varying amounts, earned but unused vacation, compensatory time and sick pay benefits. There is no liability recorded for unpaid accumulated sick leave since the County does not have a policy to pay any such amounts upon separation from employment. Vacation and compensatory pay from the County's and the Board's governmental funds is not reported in their respective fund financial statements because it is not expected to be liquidated with expendable available financial resources. No expenditure is reported for these amounts. The compensated absences liability and the related change in liability are reported in the government-wide and proprietary fund financial statements of the County and its component units.

Long-Term Obligations

The County and the Board record long-term debt in the government-wide financial statements. Similarly, long-term debt and other obligations financed by the County's proprietary funds and the District are recorded as liabilities in the appropriate funds.

Bond premiums and discounts, as well as issuance costs and deferred amounts on refundings, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and unamortized deferred amounts on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

In the fund financial statements of the governmental funds, reservations of fund balances represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change and are available for appropriation at the discretion of management.

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted, and unrestricted. Restricted net assets represent constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by County law.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Additional Information

Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements to provide an understanding of the changes in the financial position and operations of the County and the Board. Comparative totals have not been included on statements where their inclusion would not provide enhanced understanding of the reporting entity's financial position and operations or would cause the statements to be unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

Budget Basis/Authority

Annual budgets, as required by the County Charter and applicable County ordinances, are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Constitutional Officers, Drug Control, and portions of the Capital Projects Funds.

The Constitutional Officers Special Revenue Fund is used to account for the transactions of the fee and commission accounts of the County Trustee, Register of Deeds, County Clerk, Criminal and Fourth Circuit Court Clerk, Circuit and General Sessions Court Clerk, and Clerk and Master. These separately elected officials pay salaries and related expenditures from fees and commissions earned by their offices.

Excess fees and commissions are transferred to other funds. In some instances, all fees and commissions earned are transferred to other funds. Transactions related to the Constitutional Officers Special Revenue Fund are not subject to the budgetary control of the County Commission. Therefore, this fund is presented as an unbudgeted special revenue fund.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

The Drug Control Special Revenue Fund was established in the 1998 fiscal year pursuant to an amendment of Tennessee Code Annotated Section 39-17-420, stipulating drug control activities to be reported in a special revenue fund. The budget for this fund is a separately adopted budget presented by the Sheriff and approved by the County Commission. It is not part of the annual adopted budget presented to the County Commission.

The County's Public Improvement Capital Projects Fund and the Board's School Construction Capital Projects Fund each adopt project-length budgets for major construction projects rather than annual budgets for these projects. The County and the Board adopt annual budget amounts for certain expenditures within these funds. The County's Americans with Disabilities Act (ADA) Construction Capital Projects Fund's budget is adopted on an annual basis.

Budgets for portions of the County's State and Federal Grants Fund and all of the Board's School Projects and School Federal Projects Funds are generally adopted at the time the grant or program has been approved by the grantor, so the Commission can fulfill any requirement to appropriate local matching funds at the time of adoption.

With the exception of project length budgets and grants, all appropriations lapse at fiscal year end.

Budgetary Process

On or before April 15, heads of all County departments and agencies submit requests for appropriations to the County Department of Finance and Administration. The Board prepares a comprehensive budgetary request that is also sent to the Department of Finance and Administration. This budget has been approved by the members of the Board of Education and is sent to the County for adoption.

The Department of Finance in conjunction with the Office of the County Mayor compiles the requests, negotiates with the various departments and submits a comprehensive budget to the County Commission. By July 1, the final County and Board budget is adopted by County Commissioners.

The appropriated County budget is prepared at the fund, department, and major category level. For the County, the legal level of budgetary control, that is, the level at which management cannot overspend funds without a budget amendment approved by the Finance Committee of the County Commission, is the major category level within departments. The major categories are Personal Services, Employee Benefits, Contracted Services, Supplies and Materials, Other Charges, Debt Service and Capital Outlay.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

The budget adopted by the County for the Board is recommended by the County Mayor and adopted in total. The County does not exercise control over the Board at the department or major category level. After the budget for the Board is approved, the Board of Education may modify it within the total appropriation granted by the County Commission.

The budget and actual schedules included herein are not intended to demonstrate compliance at the legal level of budgetary control. Such statements and schedules are included in the County's separately issued *Knox County Citizens' Budget Report*. Copies of the report may be obtained from the Knox County Department of Finance and Administration.

Knox County Department of Finance and Administration
Room 630
City County Building
400 Main Avenue
Knoxville, TN 37902.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances are reappropriated in the subsequent year.

Supplemental Appropriations

The following schedule shows the annual budget originally adopted (excluding transfers to other funds and component units) for the County and the Board, and the revisions to that budget as authorized by the County Commission, for the year ended June 30, 2003:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Fund	Original Budget	Revisions	Revised Budget
Primary Government:			
General Fund	\$ 114,096,371	\$ 3,833,925	\$ 117,930,296
Special Revenue Funds:			
State and Federal Grants	888,885	19,005,655	19,894,540
Governmental Library	163,657	1,900	165,557
Public Library	9,020,919	629,695	9,650,614
Solid Waste	3,782,522	1,957,028	5,739,550
Hotel/Motel Tax	3,496,663	379,000	3,875,663
Fire District	155,660	-	155,660
Highway	10,823,851	(125,007)	10,698,844
Total Special Revenue Funds	28,332,157	21,848,271	50,180,428
Debt Service Fund	40,819,984	-	40,819,984
Capital Projects Funds:			
Public Improvement	207,500	68,868	276,368
ADA Construction	776,902	155,999	932,901
Total Capital Projects Funds	984,402	224,867	1,209,269
Total - Primary Government	\$ 184,232,914	\$ 25,907,063	\$ 210,139,977
Component Unit - the Board:			
General Fund:			
General Purpose School	\$ 293,139,359	\$ 995,243	\$ 294,134,602
Special Revenue Fund:			
Central Cafeteria	16,481,700	785,045	17,266,745
Total - the Board	\$ 309,621,059	\$ 1,780,288	\$ 311,401,347

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Designated funds, as of June 30, 2003, in the General Fund, the Board, and the Highway Fund re-appropriated in the subsequent fiscal year totaled \$5,694,090, \$1,717, and \$1,083,988, respectively.

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2003, and grant awards appropriated at the time the award is received.

A local ordinance requires a two-thirds approval of the County Commission before reducing any County fund balance below an amount equal to five percent of the total amount budgeted in the fund. State law stipulates that the Board's General Purpose School Fund balance in excess of three percent of the budgeted annual operating expenses for the current fiscal year may be budgeted and expended for nonrecurring purposes but shall not be used for recurring annual operating expenses.

B. Fund Deficit

The Fire District nonmajor special revenue fund had a fund deficit of \$4,639 as of June 30, 2003. The revenues for this fund consist of separate taxes for fire protection services, which are billed to businesses located in the designated fire protection area. During the fiscal year the responsibilities for billing these taxes were transferred to a County department that previously did not have such responsibilities. In conjunction with this change, a planned spending down of the existing fund balance occurred and a new billing cycle was adopted. The combination of these factors led to a shortfall of revenues for the year. It is expected that the revenues for the subsequent fiscal year will be adequate to eliminate the fund deficit.

NOTE III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and Cash Equivalents

The County, the Board and the District maintain a cash and investment pool through the County Trustee's office. The County Trustee is the treasurer of the County and in this capacity is responsible for receiving, disbursing, depositing and investing most funds. The carrying amount of balances approximates bank balances.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

A portion of the County's, the Board's and the District's deposits at June 30, 2003 were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee (the State). Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must equal between 90 - 115 percent of the average daily balance of public deposits held and must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. The members of the pool may be required to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered entirely insured or collateralized (category 1).

Other investments are held in the State of Tennessee's Local Government Investment Pool ("LGIP") and are not subject to categorization. Fair value of investments held in the LGIP approximates carrying value.

Remaining deposits are entirely insured or collateralized with securities held by the government or its agent in the County's or the Board's name.

The District's bank balances at June 30, 2003, were entirely insured or collateralized with securities held by the District or by their agents in the District's name (category 1).

Investments

The Trustee of Knox County utilizes a negotiated sweep agreement for a portion of funds held by the Trustee. These funds are invested each night in various instruments, but under the County's policy these funds are classified as Cash and Cash Equivalents.

The County's and the Board's investments (except pension trust funds) are in U.S. Government securities which are insured or registered or are securities held by the government or its agent in the County's or Board's name.

The County's and the Board's Pension Trust Funds are invested in mutual funds which are not subject to categorization. At June 30, 2003 the County and the Board maintained \$198,971,313 and \$62,134,959 in mutual funds, respectively.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

A reconciliation of cash and investments for the County and its Component Units as shown in the financial statements follows:

	Primary Government	Component Units		
		The Board	KCRA	The District
Cash on Hand	\$ 33,165	\$ 165	\$ 7,791	\$ -
Carrying Amount of Deposits	67,224,462	50,181,243	-	3,928,289
U.S. Government Securities	22,031,770	-	-	-
Mutual Funds (Pension Trust Funds)	198,971,313	62,134,959	-	-
Investment in State Treasurer's Investment Pool	25,064,814	-	-	-
Total	\$ 313,325,524	\$ 112,316,367	\$ 7,791	\$ 3,928,289
Cash and Cash Equivalents	\$ 83,620,641	\$ 50,181,408	\$ 7,791	\$ 3,928,289
Investments	229,704,883	62,134,959	-	-
Total	\$ 313,325,524	\$ 112,316,367	\$ 7,791	\$ 3,928,289

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

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

Primary Government

	Major Governmental Funds				Nonmajor Governmental Funds	Internal Service	Total Government- Wide	Trust and Agency
	General	Const. Officers	Debt Service	Public Improvement				
Receivables:								
Interest	\$ -	\$ -	\$ 152,150	\$ 823	\$ -	\$ -	\$ 152,973	\$ 172,486
Taxes	96,991,810	-	18,248,271	-	1,460,735	-	116,700,816	-
Accounts	3,604,603	-	143,552	1,239,301	6,295,584	364,821	11,647,861	5,475,618
Contributions	-	-	-	-	-	-	-	295,840
Gross Receivables	100,596,413	-	18,543,973	1,240,124	7,756,319	364,821	128,501,650	5,943,944
Less: Allowances for Uncollectibles	(1,958,473)	-	(453,470)	-	(274,987)	-	(2,686,930)	-
Net Total Receivables	\$ 98,637,940	\$ -	\$ 18,090,503	\$ 1,240,124	\$ 7,481,332	\$ 364,821	\$ 125,814,720	\$ 5,943,944

Receivables for the County's component units as of year-end, including the allowances for uncollectible accounts are:

Component Units:

	Government-wide Totals			The Board - Pension Trust
	The Board	KCRA	The District	
Receivables:				
Interest	\$ -	\$ -	\$ 1,248	\$ 159,283
Taxes	97,574,481	-	-	-
Accounts	24,371,113	128	624,320	-
Contributions	-	-	-	69,789
Gross Receivables	121,945,594	128	625,568	229,072
Less: Allowances for Uncollectibles	(2,235,014)	-	-	-
Net Total Receivables	\$ 119,710,580	\$ 128	\$ 625,568	\$ 229,072

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

The County's Debt Service Fund has the following notes receivable at June 30, 2003:

A non-interest bearing note receivable from the Development Corporation (the Corporation) in the amount of \$1,200,000 payable in ten equal annual installments of \$300,000, which began in January 1998. This note was given by the Corporation, in exchange for transfers from the County, effective January 1, 1992, of land developments commonly known as Westbridge Industrial Park, Eastbridge Industrial Park, and Centerpoint Park.

Notes receivable from the Knox-Chapman Utility District (KCUD) in the amount of \$1,935,000 and the West Knox Utility District of Knox County (WKUD) in the amount of \$2,000,000. The basis of these notes is an agreement made by the County to participate with the utility districts to expedite utility relocation and upgrading necessary for construction of improved roadways within the northwest portion of the County. Each district was advanced up to \$2,000,000, which was disbursed by the County in installments upon receipt of draw notices. The advances are non-interest bearing and are individually payable in four varying installments every five years based on the completion dates of the respective projects. The amount to be repaid also includes \$140,000, recognized as revenue when received, each district must pay to cover the County's administrative, accounting and financial costs associated with the agreements.

The State and Federal Grants Special Revenue Fund had \$2,482,626 of notes receivable at June 30, 2003. These note agreements are from eligible County citizens participating in various state and federal low-income housing projects. These notes are executed with a range of below market interest rates and varying repayment terms.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Activity in the County's and the Board's capital assets for the fiscal year ended June 30, 2003, was the following:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 70,932,798	\$ 4,064,970	\$ 220,247	\$ 74,777,521
Construction in Progress	94,523,485	21,303,374	24,978,134	90,848,725
Total Capital Assets, not being depreciated	<u>165,456,283</u>	<u>25,368,344</u>	<u>25,198,381</u>	<u>165,626,246</u>
Capital Assets being depreciated:				
Buildings	134,724,435	3,411,153	-	138,135,588
Land Improvements	9,907,180	1,337,986	-	11,245,166
Machinery and Equipment	25,338,559	4,850,003	430,439	29,758,123
Intangible Assets	531,990	9,306	-	541,296
Infrastructure	418,980,547	21,804,626	-	440,785,173
Total Capital Assets being depreciated	<u>589,482,711</u>	<u>31,413,074</u>	<u>430,439</u>	<u>620,465,346</u>
Less Accumulated Depreciation for:				
Buildings	39,474,817	3,109,971	-	42,584,788
Land Improvements	3,353,803	609,629	-	3,963,432
Machinery and Equipment	13,810,991	2,876,085	392,393	16,294,683
Intangible Assets	388,511	46,699	-	435,210
Infrastructure	72,626,883	11,470,039	-	84,096,922
Total Accumulated Depreciation	<u>129,655,005</u>	<u>18,112,423</u>	<u>392,393</u>	<u>147,375,035</u>
Total Capital Assets, being depreciated, net	<u>459,827,706</u>	<u>13,300,651</u>	<u>38,046</u>	<u>473,090,311</u>
Governmental Activities Capital Assets, net	<u>\$ 625,283,989</u>	<u>\$ 38,668,995</u>	<u>\$ 25,236,427</u>	<u>\$ 638,716,557</u>

Depreciation expense was charged to primary government functions as follows:

Finance and Administration	\$ 365,938
Administration of Justice	526,941
Public Safety	2,513,605
Public Health and Welfare	958,863
Social and Cultural Services	1,132,229
Other General Government	851,057
Highways	<u>11,763,790</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 18,112,423</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Board of Education

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - The Board:				
Capital Assets, not being depreciated:				
Land	\$ 12,613,962	\$ 2,716,874	\$ -	\$ 15,330,836
Construction in Progress	129,444,483	12,203,240	62,025,587	79,622,136
Total Capital Assets, not being depreciated	142,058,445	14,920,114	62,025,587	94,952,972
Capital Assets being depreciated:				
Buildings	196,664,493	63,753,139	-	260,417,632
Machinery and Equipment	7,514,633	7,145,047	-	14,659,680
Intangible Assets	146,786	35,110	-	181,896
Total Capital Assets being depreciated	204,325,912	70,933,296	-	275,259,208
Less Accumulated Depreciation for:				
Buildings	75,473,514	12,820,655	-	88,294,169
Machinery and Equipment	5,590,592	2,607,255	-	8,197,847
Intangible Assets	71,792	29,357	-	101,149
Total Accumulated Depreciation	81,135,898	15,457,267	-	96,593,165
Total Capital Assets, being depreciated, net	123,190,014	55,476,029	-	178,666,043
Governmental Activities Capital Assets, net	\$ 265,248,459	\$ 70,396,143	\$ 62,025,587	\$ 273,619,015

The following is a summary of the District's capital assets at June 30, 2003:

	The District
Land and Buildings	\$ 560,886
Construction in Progress	5,243,751
Machinery and Equipment	7,961,363
Intangible Assets	1,013,560
Leasehold Improvements	297,058
Less: Accumulated Depreciation	(5,605,791)
Total	<u>\$ 9,470,827</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The composition of the County and component unit interfund receivables and payables as of June 30, 2003, is as follows:

Due to/from Other Funds - Primary Government:

Receivable Fund	Payable Fund	Amount
Major Funds:		
General	State and Federal Grants	\$ 2,568,673
	Public Library	1,775
	Solid Waste	5,912
	Fire District	16,922
	Highway	7,861
	Constitutional Officers' Special Revenue Fund	872,924
	Vehicle Service Center	147,776
	Public Improvement	2,438,439
	Printshop and Mailroom	14,552
	Self Insurance	994
	Technical Support Service	4,506
		<u>6,080,334</u>
Constitutional Officers	General	68,752
	ADA Construction	178
	Governmental Library	248
	Public Library	2,457
	Solid Waste	721
	Hotel/Motel Tax	8,470
	Drug Control	425
	Highway	11,444
	Public Improvement	1,487
	Debt Service	6,639
		<u>100,821</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects - Public Improvement	General	15,000
	Solid Waste	76,557
		<u>91,557</u>
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants	General	407,919
	Judicial District Drug	4,923
	Debt Service	4,273
		<u>417,115</u>
Governmental Library	General	<u>30,000</u>
Solid Waste	Public Improvement	<u>988,354</u>
Total Nonmajor Governmental Funds		<u>1,435,469</u>
Total Governmental Funds		<u>\$ 7,708,181</u>
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 77,197
	State and Federal Grants	543
	Public Library	834
	Solid Waste	5,375
	Highway	46,099
	Self Insurance	774
	Public Improvement	3,206
		<u>134,028</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables (Continued)

Receivable Fund	Payable Fund	Amount
Printshop and Mailroom	General	22,748
	State and Federal Grants	118
	Governmental Library	72
	Highway	17
	Employee Retirement	330
	Self Insurance	73
		<u>23,358</u>
Employee Benefits	General	287,837
	State and Federal Grants	5,471
	Governmental Library	13
	Public Library	1,510
	Solid Waste	233
	Highway	961
	Public Improvement	77
	Vehicle Service Center	3,818
	Printshop and Mailroom	5,687
	Employee Retirement	3,102
	Self Insurance	84
	Central Maintenance	<u>1,167</u>
	<u>309,960</u>	
Self Insurance	General	1,500,032
	Highway	<u>233,390</u>
	<u>1,733,422</u>	
Central Maintenance	General	<u>1,167</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables (Continued)

Receivable Fund	Payable Fund	Amount
Technical Support	General	2,384
	Public Improvement	86
	Self Insurance	85
	Employee Retirement	37
		<u>2,592</u>
Capital Leasing	General	113,391
	Self Insurance	259
		<u>113,650</u>
Total Internal Service Funds		<u>\$ 2,318,177</u>

Advances from/to Other Funds - Primary Government:

Payable Fund	Receivable Fund	Amount
Debt Service (Major Fund)	General	\$ 1,333,333
Governmental Library (Nonmajor Fund)	General	37,248
Employee Benefits (Internal Service)	General	<u>12,500</u>
Primary Government - Total Advances		<u>\$ 1,383,081</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables (Continued)

Due to/from Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
<u>Primary Government - Major Funds:</u>		
General	Component Unit - the Board, General Purpose School	\$ 2,619
	Component Unit - the District	13,350
		\$ 15,969
Constitutional Officers	Component Unit - the Board, General Purpose School	\$ 77,074
	Component Unit - the Board, School Construction	198
	Component Unit - the District	2,794
		\$ 80,066
Debt Service	Component Unit - the Board, School Construction	\$ 7,250,000
<u>Primary Government:</u>		
<u>Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the Board, General Purpose School	\$ 4,450
	Component Unit - the Board, School Federal Projects	4,410
	Component Unit - the District	199
		9,059
Employee Benefits	Component Unit - the Board, General Purpose School	169,371
	Component Unit - the Board, School General Projects	701
	Component Unit - the Board, School Federal Projects	35,805
	Component Unit - the District	980
		206,857

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables (Continued)

Receivable Fund	Payable Fund	Amount
Employee Retirement	Component Unit - the District	2,250
Self Insurance	Component Unit - the Board, General Purpose School	230,000
Technical Support	Component Unit - the Board, General Purpose School	425
Primary Government - Total Internal Service Funds		\$ 448,591
Component Unit - the Board, General Purpose School	Primary Government - General	\$ 1,589
	Primary Government - Highway	155
	Primary Government - Employee Benefits	129,491
	Primary Government - Retirement	40
		\$ 131,275
Component Unit - the District	Primary Government - General	\$ 2,184
	Primary Government - Highway	15,960
	Primary Government - Debt Service	8,835
		\$ 26,979

Advances from/to Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Primary Government -Major Fund: Capital Projects - Public Improvement	Component Unit - the District	\$ 3,723,182

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables (Continued)

Due to/from Other Funds - The Board:

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose		
School	School General Projects	\$ 247,572
	School Federal Projects	3,167,730
	Central Cafeteria	156,380
		<u>3,571,682</u>
Capital Projects - School Construction	General Purpose School	<u>179,069</u>
<u>Nonmajor Special Revenue Funds:</u>		
School General Projects	General Purpose School	1,324,721
	School Construction	41,949
	School Federal Projects	166,863
		<u>1,533,533</u>
School Federal Projects	General Purpose School	51,140
	School General Projects	710
	School Construction	108
		<u>51,958</u>
Central Cafeteria	General Purpose School	591,650
	School Federal Projects	17,343
		<u>608,993</u>
Total Nonmajor Special Revenue Funds		<u>2,194,484</u>
Total Board of Education		<u>\$ 5,945,235</u>

E. Transfers and Similar Transactions

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The composition of primary government transfers for the year ended June 30, 2003, is as follows:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions (Continued)

Primary Government:

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 6,995,412
Debt Service	General	201,500
Capital Projects - Public Improvement	General	82,000
<u>Nonmajor Governmental Funds:</u>		
<u>Special Revenue Funds:</u>		
State and Federal Grants	General	1,466,580
	Judicial District Drug	4,923
	Highway	104,828
		1,576,331
Governmental Library	General	51,583
Total Nonmajor Governmental Funds		1,627,914
Total Governmental Funds		\$ 8,906,826
<u>Internal Service Funds:</u>		
Printshop and Mailroom	General	\$ 130,000
Employee Benefits	General	250,000
Employee Retirement	Pension Trust - Defined Benefit	496,904
Self Insurance	General	1,500,000
	Highway	233,390
		1,733,390
Capital Leasing	General	390,048
Total Internal Service Funds		\$ 3,000,342

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions (Continued)

Transfers Within Component Unit – the Board:

Transfers - In	Transfers - Out	Amount
General Purpose School (Major Fund)	School General Projects	\$ 10,000
School Construction (Major Fund)	General Purpose School	282,000
	School General Projects	128,000
		<u>410,000</u>
Special Revenue Funds (Nonmajor):		
School General Projects	General Purpose School	<u>2,602,678</u>
School Federal Projects	General Purpose School	<u>109,303</u>
Total Nonmajor Special Revenue Funds		<u>2,711,981</u>
Total Board of Education		<u>\$ 3,131,981</u>

Transactions between Primary Government and Component Units:

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Primary Government - Debt Service (Major Fund)	Component Unit - the Board, General Purpose School	\$ 2,179,394
	Component Unit - the Board, School Construction	14,250,000
	Component Unit - the District	<u>28,023</u>
Total Primary Government - Debt Service		<u>\$ 16,457,417</u>
Primary Government - Employee Retirement (Proprietary Fund)	Component Unit - the Board, Pension Trust - Defined Benefit	<u>\$ 361,828</u>
Component Unit - the District	Primary Government - General	<u>\$ 1,136,184</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Deferred/Unearned Revenues

Amounts reported as deferred revenue in the fund financial statements and as unearned revenue in the government-wide financial statements consist of the following:

	Deferred Revenue	Unearned Revenue
Primary Government - Major Funds:		
<u>General Fund:</u>		
Taxes receivable, earned in current fiscal year	\$ 5,086,271	\$ -
Taxes receivable, applicable to subsequent fiscal year	89,437,364	89,437,364
	94,523,635	
<u>Debt Service Fund:</u>		
Taxes receivable, earned in current fiscal year	1,148,803	-
Taxes receivable, applicable to subsequent fiscal year	16,440,692	16,440,692
	17,589,495	
Primary Government - Nonmajor Funds:		
<u>General Grants Fund:</u>		
Unexpended grant funds	3,202,203	3,202,203
<u>Public Library Fund:</u>		
Taxes receivable, earned in current fiscal year	559,886	-
Unexpended donations	21,102	21,102
	580,988	
<u>Solid Waste Fund:</u>		
Taxes receivable, earned in current fiscal year	205,706	-
<u>Fire District Fund:</u>		
Taxes receivable, applicable to subsequent fiscal year	213,381	213,381
<u>ADA Construction Fund:</u>		
Taxes receivable, earned in current fiscal year	49,767	-
Total Nonmajor Governmental Funds	4,252,045	
<u>Internal Service - Employee Benefits Fund:</u>		
Unearned revenue	800,888	800,888
Total - Primary Government	\$ 117,166,063	\$ 110,115,630

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Deferred/Unearned Revenues (Continued)

	Deferred Revenue	Unearned Revenue
Component Unit - the Board - Major Fund		
<u>General Purpose School:</u>		
Taxes receivable, earned in current fiscal year	\$ 5,569,829	\$ -
Taxes receivable, applicable to subsequent fiscal year	88,779,735	88,779,735
	94,349,564	
Component Unit - the Board - Nonmajor Funds		
<u>School Federal Projects:</u>		
Unexpended grant funds	67,628	67,628
<u>School General Projects:</u>		
Unexpended grant funds	15,000	15,000
<u>Central Cafeteria:</u>		
Unearned revenue	2,044	2,044
Total Component Unit - the Board	\$ 94,434,236	\$ 88,864,407

G. Leases

Operating Leases

The County leases various facilities under noncancelable operating leases. Total costs for such leases for the County were \$2,400 for the year ended June 30, 2003. The future minimum lease payments as of June 30, 2003, were as follows:

Year Ending June 30	Primary Government
2004	\$ 2,400
2005	2,400
2006	2,400
2007	2,400
2008	2,400
2009-2013	12,000
2014-2018	12,000
2019-2023	12,000
Total	\$ 48,000

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases (Continued)

Capital Leases

The County and the Board lease various buildings and equipment through capital leasing arrangements. The agreements for obligations of the governmental funds are recorded as long-term liabilities for the government-wide financial statements. The County's proprietary funds and the District's capital lease obligations are reflected as fund liabilities.

The future minimum lease obligations for the County and its Component Unit as of June 30, 2003, were as follows:

Year Ending June 30,	Primary Government	Component Unit
	Governmental Activities	The District
2004	\$ 55,128	\$ 604,895
2005	-	604,895
2006	-	604,895
2007	-	604,895
2008	-	604,895
2009-2014	-	302,446
Total Minimum Lease Payments	55,128	3,326,921
Less: Amounts Representing Interest	(543)	(376,554)
Present Value of Minimum Lease Payments	<u>\$ 54,585</u>	<u>\$ 2,950,367</u>

Capital lease obligations currently outstanding for the County and its Component Unit are as follows:

Lessor	Purpose	Interest Rate	Last Maturity Date	Principal Balance
Primary Government:				
Governmental Activities				
Academic Service Corporation	Machinery and Equipment	5.95%	09/23/03	<u>\$ 54,585</u>
Component Unit:				
The District				
G.E. Capital	Communications Equipment	4.28%	12/18/2008	<u>\$ 2,950,367</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities

General Obligation and Public Improvement Bonds

The County issues general obligation and public improvement bonds to provide funds for the acquisition and construction of major capital facilities.

For financial reporting purposes, the portion of those bond issues related to the Board are recorded directly as bond proceeds in the Board's Capital Projects Fund. The County issues all the debt on behalf of the Board, in the County's name and with a full faith and credit pledge from the County. Therefore, from a legal perspective, the debt is County debt. In practice, the County's Five-Year Capital Plan, its Debt Service Fund and its Operating Budget are all developed with the Board providing funds from its operations to make the debt payments related to County debt issued on behalf of the Board. However, as all bonded indebtedness is County debt, the entire balance is recorded as a liability of the primary government in the government-wide financial statements.

Bond indebtedness for the County is backed by the full faith and credit of the County.

Bonds payable to be repaid from resources of the County and the Board currently outstanding are as follows:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

	Interest Rate	Last Maturity Date	Principal Balance
Governmental Activities:			
General Obligation Public Improvement, Series 1997	4.45-6.13%	02/01/17	\$ 430,151
General Obligation, Series 1998	4.00-5.25%	04/01/19	16,766,400
General Obligation - Women's Basketball Hall of Fame	Variable Rate	06/01/18	7,420,000
General Obligation - Series 2000	5.00-6.00%	05/01/20	7,813,470
General Obligation - Refunding Series 2001	4.00-5.50%	04/01/12	33,444,515
General Obligation Public Improvement, Series 2001	4.00-5.50%	05/01/21	48,125,000
Andrew Johnson Series 2002	3.00-4.50%	05/01/11	2,343,728
General Obligation - Refunding Series 2002	3.50-5.50%	04/01/19	30,928,308
General Obligation - E-911, Series 2003	Variable Rate	05/25/27	4,500,000
General Obligation - CAC, Series 2003	Variable Rate	05/25/22	2,300,000
General Obligation Public Defender, Series 2003	Variable Rate	05/25/22	2,700,000
General Obligation - Refunding Bonds, Series 2003	4.00-5.00%	04/01/14	31,361,297
General Obligation - Refunding Bonds, Series 2003A	2.00-5.00%	02/01/17	5,321,983
			<hr/>
Total Bonded Debt to be repaid by Governmental Activities			193,454,852
 The Board:			
General Obligation Public Improvement, Series 1997	4.45-6.13%	02/01/17	979,849
General Obligation Pension Refunding Bonds	6.50-6.63%	05/01/18	13,435,000
General Obligation, Series 1998	4.00-5.25%	04/01/19	23,153,600
General Obligation - Series 2000	5.00-6.00%	05/01/20	12,501,530
Qualified Zone Academy Bonds	-	11/01/11	1,939,203
General Obligation - Refunding Series 2001	4.00-5.50%	04/01/12	15,525,488
General Obligation Public Improvement, Series 2001	4.00-5.50%	05/01/21	28,875,000
Andrew Johnson Series 2002	3.00-4.50%	05/01/11	4,501,272
General Obligation - Refunding Series 2002	3.50-5.50%	04/01/19	51,351,692
General Obligation - Refunding Series 2003	4.00-5.00%	04/01/14	28,983,703
General Obligation - Refunding Series 2003A	2.00-5.00%	02/01/17	12,123,017
			<hr/>
Total Bonded Debt to be repaid by the Board			193,369,354
			<hr/>
Total Bonded Debt			386,824,206
Add: Unamortized Bond Premium			14,172,878
Less: Unamortized Amount of Refunding			(7,486,228)
			<hr/>
Total Bonded Debt - Primary Government			\$ 393,510,856

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity for bonds and notes payable to be repaid by the County and the Board are as follows:

Fiscal Year Ending June 30,	Primary Government Debt			To be Repaid By:		
	Principal	Interest	Total	County	Board	Total
2004	\$ 18,781,468	\$ 18,633,236	\$ 37,414,704	\$ 19,242,856	\$ 18,171,848	\$ 37,414,704
2005	19,348,467	18,150,708	37,499,175	19,346,747	18,152,428	37,499,175
2006	20,550,468	17,280,902	37,831,370	19,436,203	18,395,167	37,831,370
2007	21,422,467	16,373,391	37,795,858	19,409,217	18,386,641	37,795,858
2008	22,338,467	15,409,870	37,748,337	19,378,838	18,369,499	37,748,337
2009-13	126,036,869	59,934,164	185,971,033	92,721,852	93,249,181	185,971,033
2014-18	121,943,000	26,181,356	148,124,356	66,033,262	82,091,094	148,124,356
2019-22	35,348,000	3,236,657	38,584,657	21,423,840	17,160,817	38,584,657
2023-27	1,055,000	90,081	1,145,081	1,145,081	-	1,145,081
Total	\$ 386,824,206	\$ 175,290,365	\$ 562,114,571	\$ 278,137,896	\$ 283,976,675	\$ 562,114,571

The total bonded debt service requirements to be repaid by the County and the Board included interest of \$84,683,044 and \$90,607,321, respectively, for a total of \$175,290,365.

Changes in General Long-Term Liabilities

The following represents the changes in long-term liabilities for the County, the Board, and the District for the year ended June 30, 2003:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<u>Primary Government</u>					
Bonded Debt	\$ 401,859,673	\$ 90,610,000	\$ (105,645,467)	\$ 386,824,206	\$ 18,781,468
Unamortized Bond Premium	7,222,269	7,612,550	(661,941)	14,172,878	1,408,580
Unamortized Amount on Refunding	(3,954,738)	(3,861,982)	330,492	(7,486,228)	(727,249)
Bond Anticipation Note	-	12,000,000	-	12,000,000	-
Capital Leases	264,997	-	(210,412)	54,585	54,585
Compensated Absences	3,620,304	5,353,235	(4,809,275)	4,164,264	3,747,541
Total - Primary Government	\$ 409,012,505	\$ 111,713,803	\$ (110,996,603)	\$ 409,729,705	\$ 23,264,925
<u>Component Unit - the Board</u>					
Compensated Absences	\$ 1,572,774	\$ 1,729,580	\$ (1,887,317)	\$ 1,415,037	\$ 1,273,533
<u>Component Unit - the District</u>					
Capital Leases	\$ 3,484,295	\$ -	\$ (533,928)	\$ 2,950,367	\$ 486,356
Compensated Absences	239,313	289,115	(284,049)	244,379	220,515
Total - the District	\$ 3,723,608	\$ 289,115	\$ (817,977)	\$ 3,194,746	\$ 706,871

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Advance Refunding Issue

During the year, the County issued general obligation \$17,445,000 refunding bonds to advance refund general obligation issues. The issuance proceeds were placed in an irrevocable trust, which will provide resources for all future debt service payments on the refunded debt. The refunded debts are considered defeased and \$18,625,000 of liabilities has been removed from the statement of net assets. The advance refunding reduced cash flows required for future debt service to be repaid by the County and the Board by \$664,198 and \$1,512,988 respectively, over the next 14 years. The refunding resulted in a combined economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$1,742,097.

Current Refunding Issue

The County also issued general obligation bonds to provide funds to refund Knox County bonds Series 1996. The refunded bonds were called at 102% of par. The refunding reduced cash flows required for future debt service to be repaid by the County and Board by \$3,222,280 and \$2,977,990 respectively, over the next 11 years. The refunding resulted in a combined economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$5,151,602.

Prior Year Defeasance of Debt

In prior years, the County defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2003, \$110,780,000 of bonds outstanding is considered defeased.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Other Long-Term Liabilities

In 2003, the County issued a bond anticipation note totaling \$12,000,000. Proceeds from the note, which constitutes a general obligation of the primary government, were used to provide financing for capital projects of the primary government and of the Board. The portion of the proceeds provided to the Board, \$8,400,000, has been reflected as a payment from the primary government to the Board in the government-wide financial statements.

In October 2003, the County entered into a financing agreement and issued long-term debt totaling \$72,000,000, a portion of which was earmarked for the repayment of the bond anticipation note. On the scheduled maturity date of November 1, 2003, the bond anticipation note was paid in full from the applicable portion of the debt issued subsequent to the fiscal year end. Accordingly, the bond anticipation note has been classified with the long-term liabilities of the primary government as of June 30, 2003.

The amounts to be repaid from resources of the primary government and the Board are as follows:

	Interest Rate	Last Maturity Date	Principal Balance
Primary Government:			
Bond Anticipation Notes	1.00%	11/1/2003	\$ 3,600,000
The Board:			
Bond Anticipation Notes	1.00%	11/1/2003	<u>8,400,000</u>
Total Notes			<u><u>\$ 12,000,000</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity

Reserves and Designations

The amounts reported on the balance sheets as reserved fund balance and designated fund balance for the County are comprised of the following:

Primary Government	Reserved Fund Balance	Designated Fund Balance
<u>Major Funds:</u>		
General Fund:		
Advances	\$ 1,383,081	\$ -
Inventories	663,850	-
Prepaid Items	341,232	-
Investment in Joint Venture	5,995,829	-
Reserved for Appropriations	419,006	-
Encumbrances	1,454,310	-
Designated for Appropriations	-	32,400
Equipment	-	581,324
Programs	-	505,275
Donations	16,803	-
Juvenile Court	104,239	-
Attorney General	197,235	-
Indigent Care	19,838	-
Motor Vehicle	-	183,100
Building Improvements	-	141,991
Capital Improvements	-	4,250,000
Sheriff's Rewards	2,000	-

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity (Continued)

<u>Primary Government</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
General Fund (Continued)		
John Tarleton	2,030	-
School Health Program	200,118	-
Outstanding Checks	46	-
Public Defender	138,063	-
Total General Fund	<u>10,937,680</u>	<u>5,694,090</u>
<u>Major Capital Projects Fund:</u>		
Public Improvement Fund:		
Encumbrances	<u>18,746,776</u>	-
Debt Service Fund:		
Notes Receivable/Coupons Matured	<u>5,138,645</u>	-
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants Fund:		
Encumbrances	1,506,654	-
Prepaid Items	28,013	-
Inventories	11,037	-
Reserve for Appropriation	2,607	-
Permit Fees	-	151,782
Designated for Appropriations	-	134,872
Government Library Fund:		
Prepaid Items	123	-
Public Library Fund:		
Encumbrances	14,146	-
Prepaid Items	27,922	-
Reserve for Appropriation	31,729	-

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity (Continued)

Primary Government	Reserved Fund Balance	Designated Fund Balance
<u>Nonmajor Special Revenue Funds (Continued)</u>		
Public Library Fund (Continued):		
Designated for Appropriations	-	101,546
Solid Waste Fund:		
Encumbrances	213,112	-
Prepays	5,733	-
Drug Control Fund:		
Encumbrances	4,649	-
Drug Seizures	32,305	-
Highway Fund:		
Encumbrances	422,723	-
Prepaid Items	18,501	-
Designated for Appropriations	-	1,083,988
Total Nonmajor Special Revenue Funds	<u>2,319,254</u>	<u>1,472,188</u>
<u>Nonmajor Capital Projects Fund:</u>		
ADA Construction Fund:		
Encumbrances	64,609	-
Total Nonmajor Governmental Funds	<u>2,383,863</u>	<u>1,472,188</u>
<u>Fiduciary Funds:</u>		
Pension Trust - DB Plan		
Employee's Pension Benefits	72,548,467	-
Pension Trust - DC Plan	123,281,539	-
Pension Trust - Medical DC Plan	5,056,294	-
Total Fiduciary Funds	<u>200,886,300</u>	<u>-</u>
Total - Primary Government	<u>\$ 238,093,264</u>	<u>\$ 7,166,278</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity (Continued)

The amounts reported on the balance sheets as reserved fund balance and designated fund balance for the Board, are comprised of the following:

<u>Component Unit - the Board</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
<u>Major Funds:</u>		
General Fund:		
General Purpose School Fund:		
Encumbrances	\$ 993,253	\$ -
Inventories	1,063,190	-
Prepaid Items	1,862,438	-
Designated for Appropriations	-	1,717
Total General Purpose School Fund	<u>3,918,881</u>	<u>1,717</u>
Capital Projects Fund:		
School Construction Fund:		
Encumbrances	<u>19,270,122</u>	-
Total Capital Projects Fund	<u>19,270,122</u>	-
<u>Nonmajor Special Revenue Funds:</u>		
School General Projects Fund:		
Encumbrances	94,375	-
Programs	3,919,232	-
School Federal Projects Fund:		
Encumbrances	64,496	-
Donations	5,048	-
Prepaid Items	6,723	-
Central Cafeteria Fund:		
Encumbrances	16,946	-
Inventories	<u>300,320</u>	-
Total Nonmajor Special Revenue Funds	<u>4,407,140</u>	-

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity (Continued)

Component Unit - the Board	Reserved Fund Balance	Designated Fund Balance
Fiduciary Fund:		
Pension Trust Fund:		
Employee's Pension Benefits	64,049,126	-
Total - the Board	\$ 91,645,269	\$ 1,717

J. Property Taxes

Property taxes levied by the County Commission are the primary source of revenue for the County and the Board. Assessed values are established by the State of Tennessee at the following rates of assumed market value:

Personal Property	30 %
Railroads, Industrial and Commercial Property	40 %
Public Utility	55 %
Residential and Farm Real Property	25 %

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Property Taxes (Continued)

Taxes were levied at a rate of \$2.96 per \$100 of assessed values. Tax collections of \$181,786,456 for fiscal year 2003 were approximately 95.3 percent of the total tax levy.

The 2003 fiscal year property tax rate of \$2.96 was divided between the County and the Board as follows:

	Amount	Percent of Total Levy
<u>Primary Government:</u>		
General Fund	\$ 1.143	38.61%
<u>Special Revenue Funds:</u>		
Public Library	0.135	4.56%
Solid Waste	0.050	1.69%
Debt Service Fund	0.277	9.36%
<u>Capital Projects Funds:</u>		
ADA Construction	0.012	0.41%
Total - Primary Government	1.617	54.63%
<u>Component Unit - the Board:</u>		
General Fund - General Purpose School	1.343	45.37%
 Total Tax Levy	 \$ 2.960	 100.00%

The 2004 fiscal year property tax rate of \$2.96 is divided as follows:

	Amount	Total
<u>Primary Government:</u>		
General Fund	\$ 1.360	45.95%
Debt Service Fund	0.250	8.44%
Total - Primary Government	1.610	54.39%
<u>Component Unit - the Board:</u>		
General Fund - General Purpose School Fund	1.350	45.61%
 Total Tax Levy	 \$ 2.960	 100.00%

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE IV. OTHER INFORMATION

A. Joint Ventures

The County is a participant in a joint venture with the City of Knoxville and the Knoxville Utilities Board in the operation of the Geographic Information Systems. The Geographic Information Systems was established to create and maintain a digitized mapping system of Knox County. Each of the participants appoints one of the three board members who oversee the operations. In March 1987, the County issued public improvement bonds, which included \$5,500,000 used to install the geographic information system. In accordance with the terms of the joint venture agreement, payments are shared between the County, the City of Knoxville and the Knoxville Utilities Board. In the 2003 fiscal year, the joint venture received 81 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$325,972 in user service fees for the year ended June 30, 2003. The County does not retain an equity interest in the joint venture. Complete separate financial statements for the Geographic Information Systems may be obtained at 606 Main Street, Suite 150, Main Place, Knoxville, TN 37902.

The County is a participant in a joint venture with the City of Knoxville in the operation of the Animal Center, which was established by the Knoxville – Knox County Animal Center Board to administer the service delivery system for the care of animals. The Board consists of eleven members appointed by the Mayor of the City of Knoxville, the Knox County Mayor, the Knox County Commission, and the Knoxville Academy of Veterinary Medicine. The Center's operations are primarily funded by the City of Knoxville and Knox County. In the 2003 fiscal year, the joint venture received 61 percent of its revenues from the City of Knoxville and Knox County. Complete separate financial statements may be obtained at 3111 Division Street, Knoxville, TN 37919.

The County is a participant in a joint venture with the City of Knoxville in the operation of the *Public Building Authority of the County of Knox and the City of Knoxville, Tennessee* (PBA). The Authority was created to purchase, construct, refurbish, maintain and operate certain public building complexes to house the governments of the County and the City of Knoxville. The County appoints six of an eleven-member board of directors, which oversee the operations of PBA. The fact that the County appoints a majority of the board is negated by the participants' agreements calling for joint control of PBA. The County retains an equity interest in the joint venture. Complete separate financial statements for PBA may be obtained at Room M-22, City County Building, 400 Main Avenue, Knoxville, TN 37902.

The County was a participant in a joint venture with the City of Knoxville in the operation of the Knoxville – Knox County Telecommunications Group. The Group was created to coordinate the Telecommunications efforts of the City and County in the most effective and efficient manner possible. The Group was led by the Telecommunications Administrator and serviced by staff and outside vendors.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE IV. OTHER INFORMATION (Continued)

A. Joint Ventures (Continued)

The Group had a Coordinating Committee to oversee the direction and operations of the Group. The Coordinating Committee consisted of two members appointed by the Mayor of Knoxville and two members appointed by the County Mayor. During the fiscal year ended June 30, 2003, the parties terminated their agreement regarding the joint venture. The telecommunication functions formerly performed by the Knoxville-Knox County Telecommunications Group, were subsequently, assumed by the Public Building Authority. Complete separate financial statements may be obtained at the County Finance Office located at 400 Main Street, Suite 630, Knoxville, TN 37902.

B. Related Organizations

The County is responsible for all of the board appointments of the Knox County Housing Authority and the Knox County Industrial Development Board. However, the County has no further accountability for either of these organizations.

The County is responsible for a minority of the board appointments for the Knoxville-Knox County Community Action Committee. During the year ended June 30, 2003, the County appropriated operating subsidies of \$998,227 to the Community Action Committee.

The County and the Tourism & Sports Development Corporation of Knoxville/Knox County (TSDC) have entered into a contract for the operations management of the Women's Basketball Hall of Fame (the Hall). The County will pay TSDC a management fee. Pursuant to that contract, TSDC will manage the day-to-day operations and events at the facility and will collect revenues for the County and pay the operating expenses from these revenues. All revenues collected by TSDC are the property of the County and held by TSDC in trust as public funds and applied to pay operating expenses in accordance with the budget. To the extent revenues are insufficient, TSDC will pay operating expenses out of its management fee. The revenues and expenses for the operation of the Hall are as follows:

Revenues from Operations	\$	466,313
Management Fee		150,000
Total Revenues		<u>616,313</u>
Total Expenses		(610,565)
Net Income	\$	<u><u>5,748</u></u>

Pursuant to the contract, which commenced on September 1, 1999 and expires on June 30, 2013, to the extent revenues and the management fee payable to TSDC are insufficient to cover operating expenses, such deficiency shall be paid by TSDC from such funds as are available to TSDC for such purpose.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE IV. OTHER INFORMATION (Continued)

B. Related Organizations (Continued)

During the year, the Knox County Tourism Commission and the Greater Knoxville Sport Corporation merged organizations for greater coordination of effort. The Tourism Commission was previously reported as a component unit while the new combined organization is not (see Note I, A).

C. Risk Financing

The County has established risk-financing funds (the Employee Benefits Fund and the Self Insurance Fund) associated with the employee's health insurance plan and payments to cover worker's compensation and general liability claims and settlements, respectively. The Board and the District (component units), the Geographic Information Systems, Animal Center and Knoxville-Knox County Telecommunications (joint ventures between the County and the City of Knoxville), and the Knox County-City of Knoxville Metropolitan Planning Commission (a separate governmental organization) also participate in the plan.

The risk financing funds are accounted for as internal service funds where assets are set aside for claim settlements. Through December 31, 2002, the County continued offering fully insured health benefits administered by the State of Tennessee. Claims were administered by provider companies, which were under contract to provide these and other services to the State. As of January 1, 2003, the County discontinued health insurance services provided through the State of Tennessee and began offering fully-insured health coverage to County employees and their families through either Cigna Healthcare of Tennessee or Cariten Healthcare.

In the Self Insurance Fund, each fund, participating Component Unit, and participating outside entity is charged for claims incurred during the year and estimated claims at year-end. The total charges for the funds are calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Liabilities of the funds are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation and recent claim settlements. Changes in the balances of claims during the past two fiscal years are as follows:

	Employee Benefits Fund - Medical Claims, and Unemployment Compensation		Self Insurance Fund - General Liability, and Workers' Compensation	
	Fiscal Year 2003	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2002
Unpaid Claims - Beginning Balance	\$ -	\$ -	\$ 4,918,426	\$ 3,826,998
Incurred Claims (Including IBNR's)	130,369	144,033	3,762,106	2,580,198
Claim Payments	(130,369)	(144,033)	(2,227,581)	(1,488,770)
Unpaid Claims - Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,452,951</u>	<u>\$ 4,918,426</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Financing (Continued)

The County and the Board purchase insurance coverage for personal and real property. The Board also purchases health insurance coverage. The District purchases insurance coverage for personal and real property, general liability and workers' compensation coverage. The County and its component units have had no significant reduction in insurance coverage over the last three years. Settlements have not exceeded insurance coverage in the past three fiscal years.

D. Other Post Employment Benefits

As authorized in a local resolution, the County provides post-retirement health care benefits for County and non-certified school retirees and their dependents. The retiree is responsible for paying 100 percent of the related premium. The premiums are recorded as revenue in the County's Employee Benefits Fund and used to offset retiree insurance expenditures during the year. The retirees who have chosen to participate in the County's medical insurance plan have not been evaluated on a separate experience rating from those of existing County and Board employees. Therefore, participating retirees contribute the same premium as existing employees, plus the amount the employer contributes for existing employees.

During the 2003 fiscal year, an average of 391 retirees and/or their dependents were participating in the plan. For the fiscal year ended June 30, 2003, retiree insurance expenditures were \$765,466 and total retiree contributions were \$783,235.

E. Commitments and Contingencies

The County and its component units are parties to various legal proceedings, a number of which normally occur in governmental operations. As discussed in Note IV.C., amounts have been accrued in the County's Self Insurance Fund for the estimated amounts of claims liabilities.

The County receives significant financial assistance from the Federal and State governments in the form of grants and entitlements. These programs are subject to various terms and conditions, compliance with which is the responsibility of the County. These programs are subject to financial and compliance audits by the grantor agencies. Any costs disallowed as a result of such audits could become a liability of the County. As of June 30, 2003, the amount of any liabilities that could result from such audits cannot be determined. However, the County believes that any such amounts would not have a material adverse effect on the County's financial position.

The County and the Board have several outstanding construction projects as of June 30, 2003. The County also has a five-year Capital Improvement Plan which addresses major capital needs for the County and the Board. Although the Capital Improvement Plan does not represent legal appropriations or contractual commitments, it does represent priorities as determined by the County and the Board.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

The following represents capital projects funds spent to date, current contractual obligations, and future plans as presented in the Capital Improvement Plan for the five fiscal years beginning July 1, 2002 and ending June 30, 2007:

	Spent to Date	Contractual Commitment Remaining at June 30, 2003	Capital Improvement Plan July 1, 2002 - June 30, 2007
<u>Primary Government:</u>			
Dutchtown Road Functional Planning	\$ 2,001,914	\$ 146,469	\$ 6,767,879
Animal Center - Permanent	641,226	463,952	3,150,000
DUI Building	53,498	233,365	-
East Tennessee Historical Society	10,729,028	7,084,183	14,290,333
Westland Drive	2,254,576	1,922,288	5,305,867
Halls Library	1,507,230	836,733	1,527,672
Fountain City Library	506,514	1,466,191	1,904,329
Schaad Road/Callahan Road	12,733,084	466,381	1,331,918
Ballcamp Road Improvements	1,424,809	147,529	10,313,305
Hardin Valley Road	8,458,823	2,718,094	4,073,684
Stormwater Management Plan	3,380,229	461,793	3,175,000
Karns Connector	599,972	157,497	4,016,673
Lovell Road	1,941,296	693,752	300,000
Community Kitchen - CAC	1,501,259	512,259	-
Other Projects	152,829,367	1,436,290	100,654,997
Total - Primary Government	\$ 200,562,825	\$ 18,746,776	\$ 156,811,657
<u>Component Unit - the Board:</u>			
Ridgedale Elementary	\$ 1,312,877	\$ 13,478,078	\$ 16,550,000
Stadiums	216,963	480,111	3,750,000
Brickey Elementary	10,770,506	2,111,684	7,782,134
Holston Middle	2,566,189	135,369	7,500,000
Other Projects	193,040,503	3,064,880	117,891,443
Total - the Board	\$ 207,907,038	\$ 19,270,122	\$ 153,473,577

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

Construction projects for both the County and the Board are primarily funded by general obligation bonds.

F. Deferred Compensation

The County and the Board jointly offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The District also offers its employees a separate deferred compensation plan. The plans, available to all full-time County, Board and District employees at their option, permit participants to defer a portion of their salary, at least \$20 per month, until future years. The deferred compensation is not available to participants until termination, retirement, death or an unforeseeable emergency.

G. Constitutional Officers

The Constitutional Officers Special Revenue Fund includes the operations of the following elected officials:

Trustee - serves as the treasurer and primary investment manager of the County's funds and manages property tax collection efforts.

Knox County Clerk - serves as the Clerk of the County Commission. Principally engaged in the sale of motor vehicle licenses and acceptance of applications of motor vehicle registrations of the State of Tennessee.

Circuit and General Sessions, Criminal and Fourth Circuit Courts Clerks and Clerk and Master - serve as the clerical and support staff for the various courts for both civil and criminal proceedings.

Register of Deeds - collects various fees for the recording of conveyances, trust deeds, chattels, charters, plats and other legal instruments.

These officials, responsible for the collection and remittance of State, County and other funds, earn fees and commissions for their services.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE IV. OTHER INFORMATION (Continued)

G. Constitutional Officers (Continued)

The operations of the Constitutional Officers are operated under the provisions of Section 8-22-104, Tennessee Code Annotated (TCA). Salaries and related benefits of the officials and staff are paid from fees and commissions earned. Fees earned in excess of these costs are remitted to the County's General Fund, less an allowance of three months of anticipated operating expenses retained in the respective fee account. Salaries for clerical assistance were supported by chancery court decrees that were obtained under provisions of Section 8-20-101, et seq., TCA. These activities are accounted for in the County's Constitutional Officers' Special Revenue Fund.

Collections and payments for litigants, heirs and others are accounted for in the County's Constitutional Officers' Agency Fund.

Other operating costs of these offices (excluding salaries and benefits) are accounted for in the County's General Fund. These budgeted amounts are approved by the County Commission in accordance with the County Charter. Fees remitted by the officials in excess of salaries and benefits are used to offset the cost to the General Fund.

Included in the Supplementary Schedules of the County's Comprehensive Annual Financial Report are schedules (reported on the cash basis of accounting) of detailed operations of the respective offices for the fiscal year ended June 30, 2003. These schedules only include the cash operations of the offices. They do not include the expenditures reported in the County's general fund.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE IV. OTHER INFORMATION (Continued)

G. Constitutional Officers (Continued)

The following schedule presents the activity reported in the Constitutional Officers' Special Revenue Fund and expenditures reported in the County's General Fund.

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds
Constitutional Officers Special Revenue Fund:						
Revenues	\$ 5,935,025	\$ 3,599,048	\$ 1,279,157	\$ 3,241,924	\$ 1,168,229	\$ 4,095,849
Expenditures	(1,990,803)	(3,731,052)	(1,179,899)	(3,021,681)	(880,069)	(1,473,101)
Excess of Revenues Over (Under) Expenditures	3,944,222	(132,004)	99,258	220,243	288,160	2,622,748
Fees Remitted to County General Fund	(3,949,523)	-	-	(100,000)	(287,841)	(2,658,048)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Fees Remitted	\$ (5,301)	\$ (132,004)	\$ 99,258	\$ 120,243	\$ 319	\$ (35,300)
Fees Remitted to County General Fund	\$ 3,949,523	\$ -	\$ -	\$ 100,000	\$ 287,841	\$ 2,658,048
Expenditures:						
Personal Services/						
Employee Benefits	-	(132)	-	(16,797)	-	-
Contracted Services	(192,899)	(315,798)	(81,699)	(223,252)	(68,612)	(370,577)
Supplies and Materials	(132,171)	(94,197)	(27,690)	(77,922)	(22,117)	(50,589)
Other Charges	(66,879)	(235,833)	(78,293)	(157,133)	(120,233)	(105,032)
Total General Fund Expenditures	(391,949)	(645,960)	(187,682)	(475,104)	(210,962)	(526,198)
Excess (Deficiency) of Fees Remitted Over (Under) General Fund Expenditures	\$ 3,557,574	\$ (645,960)	\$ (187,682)	\$ (375,104)	\$ 76,879	\$ 2,131,850

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE IV. OTHER INFORMATION (Continued)

H. Prior Period Adjustments

As described in Note IV (A), the County is a participant in a joint venture with the City of Knoxville in the operation of the *Public Building Authority of the County of Knox and the City of Knoxville, Tennessee* (the Authority). The Authority holds title to certain properties used for County and City operations. In addition, the Authority holds financial resources that have been obtained from the County and the City pursuant to the Authority's operations related to property management and other similar functions performed on behalf of the joint venture participants.

The Authority has implemented the provisions of GASB Statement 34 effective for the fiscal year ended June 30, 2003. In conjunction with that change, the details of the agreements between the Authority and the participants have been re-examined. In prior years, the County had not recorded an equity interest in the assets of the joint venture. As a result of the re-examination of the arrangement among the parties, it has been determined that the County should record its equity interest in the net assets of the joint venture. Accordingly, the fund balance of the General Fund as of the beginning of the fiscal year has been restated, as follows:

Fund Balance, as previously reported	\$	41,485,130
Adjustment for equity interest in net financial assets		6,366,142
Fund Balance, as restated	\$	47,851,272

In addition to the financial assets reported in the General Fund, PBA holds title to certain capital assets consisting of office buildings and parking facilities used in County operations. In conjunction with the reexamination of the agreements between the joint venture participants, it has been determined that the County has an undivided interest in these capital assets, which was not recorded in the County's financial statements for the prior year. In addition, during the current year, it was discovered that certain capital assets, primarily construction in progress and vehicles, had been duplicated in the County's fixed asset records as of the end of the preceding year. Therefore, the net book value of the recorded capital assets and the related net assets balance were overstated due to this duplication.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE IV. OTHER INFORMATION (Continued)

H. Prior Period Adjustments (Continued)

As the aforementioned assets were acquired with governmental fund resources but are not current financial resources, these assets are recorded as capital assets in the government-wide statements. Accordingly, the net assets balance applicable to the County's governmental activities as of the beginning of the fiscal year has been restated, as follows:

Beginning Net Assets, as previously reported	\$	331,488,555
Adjustment for equity interest in net financial assets		6,366,142
Adjustment for undivided interest in capital assets		18,882,190
Adjustment for duplication of net book value of certain capital assets		<u>(22,804,837)</u>
Beginning Net Assets, as restated	\$	<u><u>333,932,050</u></u>

NOTE V: EMPLOYEE RETIREMENT PLANS

County and Board employees are covered by a variety of retirement plans. These plans fall into two categories - defined contribution and defined benefit plans. The majority of County and Board employees participate in *defined contribution plans*. Those not included in the defined contribution plan are certificated teachers covered under the Board's Article IX Defined Benefit Plan for former Knoxville City School teachers, all certificated County school teachers, and certain non-certificated employees who elected not to transfer to the primary defined contribution plan. Required disclosures for the Defined Contribution Plans are presented in Note V-A. County certificated school teachers participate in the State Retirement Plan for Teachers as administered by the Tennessee Consolidated Retirement System (TCRS). Certain County Officials also participate in this plan.

The State of Tennessee provides benefits for participants in the TCRS, a multiple-employer Public Employee Retirement System (PERS). In a multiple-employer PERS, all risks and costs are shared proportionately among the participating employers. A single actuarial valuation is computed for the TCRS as a whole and all participating employer groups make payments to the TCRS based on a pre-determined contribution rate. However, as the TCRS prepares a separate financial report on its multiple-employer defined benefit plan, the operations and activities of this plan are not included in the County's reporting entity and are not included in the accompanying financial statements.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

The two asset accumulation plans and the two single employer defined benefit plans are part of the County's financial reporting entity and are included in the accompanying financial statements. The operations of the Knox County Employee Benefit System (County DB Plan), the County's Defined Contribution Plan (County DC Plan) and the County's Medical Retirement Defined Contribution Plan (Medical Retirement DC Plan) are recorded as County pension trust funds. The operations of the Board's Certificated Teacher's Defined Benefit Plan (Teacher's DB Plan) are recorded in the Board's pension trust fund.

A. Defined Contribution Plans

The *County DC Plan* is a defined contribution plan (an asset accumulation plan) established by Knox County under Section 401(a)(9) of the Internal Revenue Code. The plan covers substantially all full time employees of the County. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Participation begins on the first day of employment and all eligible employees not participating in another County, Board or state retirement plan are required to participate.

Prior to July 1, 1999, plan members were required to contribute a minimum of four percent and could contribute up to a maximum of fifteen percent of compensation. The County and the Board matched member contributions up to six percent of compensation.

Effective, July 1, 1999, the Knox County Retirement Board amended plan provisions to require all participants to contribute a minimum of six percent of compensation.

At June 30, 2003, there were 6,016 plan members. During the year, the employer and member contributions (prior to forfeitures) amounted to \$6,972,810 and \$7,506,983 respectively.

The *Medical Retirement Plan*, a voluntary defined contribution plan (an asset accumulation plan), was established by the County on July 1, 1998, under Section 401(a)(9) of the Internal Revenue Code. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Voluntary participation begins upon enrollment; eligible employees may begin participation on the first day of employment. The Plan was specifically created to assist employees in planning and investing for anticipated medical expenses upon retirement. Plan provisions and contribution requirements are established and may be amended by the Knox County Retirement Board.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

A. Defined Contribution Plans (Continued)

Prior to July 1, 1999:

- (1) A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum distribution of \$100 for each year of eligible service from the Knox County Retirement & Pension Board, and
- (2) A participant reaching age 40 and completing at least five years of credited service could make contributions to the plan in which the Pension Board would contribute a matching contribution of 50 percent up to a maximum of \$104 per year.

Effective July 1, 1999:

- (1) A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum distribution of \$100 for each year of eligible service from the Knox County Retirement & Pension Board, and
- (2) A participant making contributions through payroll deductions to the Medical Retirement Plan would be eligible for a percent match contribution from the Knox County Retirement & Pension Board based on the percent approved by the Board for the year in question.
- (3) Retirees are eligible for an additional distribution of a specific amount approved by the Board annually to help defer the retiree's medical costs. The history of this distribution is as follows:

Calendar Year 1999	\$600
Calendar Year 2000	\$600
Calendar Year 2001	\$840
Calendar Year 2002	\$420
Calendar Year 2003	\$120

The contributions are funded using excess funds as actuarially determined from the *County DB Plan* and are recorded as a transfer from the *County DB Plan* to the *Medical Retirement DC Plan*.

At June 30, 2003, there were 3,425 members. During the year employer and member contributions amounted to \$500,044 and \$408,366, respectively.

Plan provisions and contribution requirements for both defined contribution plans are established and may be amended by the Knox County Retirement Board. Both plans are administered by the Knox County Retirement Board. Administrative costs of the plans are financed through investment earnings. Financial reports for the County DC Plan and the Medical Retirement DC Plan are not separately prepared.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Benefit Plans

Plan Descriptions

Primary Government. The *County DB Plan* is a single-employer public employee retirement pension plan established by the County Commission pursuant to House Bill Number 886 of Chapter 246 of the 1967 Private Acts of the State of Tennessee as amended and continued by the County's charter.

On October 1, 1991 through January 31, 1992, approximately one-half of the participants in the *County DB Plan* transferred from the *County DB Plan* to the *County DC Plan*. The transferred participants plus "new" enrollees in the defined contribution plan are non-contributing participants and continue to be covered under the *County Plan* disability and death benefit provisions. Effective September 30, 1991, the *County DB Plan* was closed to new participants.

The *County DB Plan* covered virtually all full-time County employees prior to October 1, 1991. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Board. The *Teachers' DB Plan*, established under Article IX of the Knox County Employee Benefit System, is a single-employer public employee retirement pension plan. Retirement benefits are provided to certain "covered certificated members" who are participants in Divisions A and B of the City of Knoxville Pension Plan. Pursuant to the abolition of the Knoxville City Schools on June 30, 1987, and the execution of the "Certificated Employees Participation Agreement" in November, 1994, both the City of Knoxville and the Board are each jointly and severally responsible for providing a portion of benefits. The County has established a trust for the purpose of funding its portion of total benefits attributable to the "covered certificated members." A "covered certificated member," is defined as that certificated teacher who (1) became an employee of the Knox County Board of Education as a result of the abolition of the Knoxville City Schools and (2) is entitled to maintain at his/her option a local pension plan membership as provided by decree of the Court of Appeals of Tennessee, Docket Number 736 dated December 30, 1987.

The *Teachers DB Plan* consists of Divisions A and B. There were no remaining Division B participants active as of June 30, 1995. Both Divisions A and B are closed to new Plan members. The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries.

In both the *County DB Plan* and the *Teachers' DB Plan*, provisions and contribution requirements are established and may be amended by the Knox County Retirement Board. The Knox County Retirement Board administers both Plans. Administrative costs of the plans are financed through assets of the *County DB Plan* and the *Teachers' DB Plan*. Financial reports for the *County DB Plan* and the *Teachers' DB Plan* are separately prepared.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Benefit Plans (Continued)

Participant data at January 1, 2003 was as follows:

<i>Description</i>	<i>County DB Plan</i>	<i>Teachers' DB Plan</i>
Actives Contributing	413	259
Actives Not Contributing, DC Plan	4,707	4
Retirees, Beneficiaries, and Disableds	1,275	255
Inactives with Contribution Accounts	330	-
Inactives, DC Plan	288	-
Total Participants	7,013	518

The Knox County Schools contribute 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 highest five-year's 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). The Tennessee General Assembly amends state statutes. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

Some of the Officials are members of the Political Subdivision Pension Plan (PSPP), and 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 ten 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Benefit Plans (Continued)

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 system after July 1, 1979 become vested after ten years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). The Tennessee General Assembly amends state statutes. Political Subdivisions such as Knox County Mayor and Officials 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 publicly available financial reports that include financial statements and required supplementary information for the SETHEPP and PSPP. These reports may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy

In the *County DB Plan*, plan members are required to make contributions at the rate of 5.0% of earnable compensation. The County, however, is required to make contributions only to the extent necessary to maintain the funded status of the plan as actuarially determined.

In the *Teachers' DB Plan*, plan members are required to contribute 5.0% of salary to the plan. The employer contribution rate for the Board is established at an actuarially determined rate and was 6.39 % of annual covered payroll for the year ending June 30, 2003.

Under the TCRS plan, teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Knox County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2003 was 3.40% of annual covered payroll.

The employer contribution requirement for Knox County 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, 2003, 2002, and 2001 were, \$5,809,732, \$6,277,142, \$5,980,400, respectively, equal to the required contributions for each year.

The TCRS plan for some Knox County Officials requires employees to contribute 5.0% of earnable compensation.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
 June 30, 2003

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Benefit Plans (Continued)

Knox County Mayor and Officials are required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2003 was 0.00% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Knox County Mayor and Officials is established and may be amended by the TCRS Board of Trustees. The annual required contributions for the current year were determined as part of actuarial valuations using the following significant assumptions:

	<i>Primary Government</i>		<i>Component Unit - The Board</i>
	<i>County DB Plan</i>	<i>TCRS</i>	<i>Teachers' DB Plan</i>
Actuarial Valuation Date	January 1, 2003	July 1, 2001	January 1, 2003
Actuarial Cost Method	Aggregate Cost Method	Frozen Entry Age	Aggregate Cost Method
Actuarial Valuation of Assets	Smoothed Market Value Over 5 Years	Smoothed Market Value Over 5 Years	Smoothed Market Value Over 5 Years
Inflation Rate	3.00%	3.00%	2.75%
Investment Return	7.50%	7.50%	8.00%
Projected Salary Increases	4.00%	4.75%	4.50%
Post Retirement Increases (Cost of Living Adjustments)	3.00%	3.00%	2.75%

Under the aggregated actuarial cost method unfunded actuarial liabilities are not identified or separately amortized.

In the TCRS, the unfunded actuarial liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2001 was 20 years.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2003

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Benefit Plans (Continued)

The changes in the Net Pension Obligation, components of the Annual Required Contribution, and adjustments to the Annual Required Contribution are as follows:

Description	Primary Government County DB Plan			Component Unit - The Board Teachers' DB Plan		
	2003	2002	2001	2003	2002	2001
Net Pension Obligation 1/1	\$ (8,695,245)	\$ (8,088,600)	\$ (7,524,279)	\$ (18,196,743)	\$ (16,612,180)	\$ (15,011,278)
Annual Pension Cost:						
Annual Required Contribution*	-	-	-	412,445	344,411	-
Interest on Net Pension Obligation	(652,143)	(606,645)	(564,321)	(1,455,740)	(1,328,974)	(1,200,902)
Adjustments to Annual Required Contribution	N/A	N/A	N/A	N/A	N/A	-
Total Annual Pension Cost	(652,143)	(606,645)	(564,321)	(1,043,295)	(984,563)	(1,200,902)
Contributions Made	-	-	-	(600,000)	(600,000)	(400,000)
Increase in Net Pension Obligation	\$ (652,143)	\$ (606,645)	\$ (564,321)	\$ (1,643,295)	\$ (1,584,563)	\$ (1,600,902)
Net Pension Obligation 12/31	\$ (9,347,388)	\$ (8,695,245)	\$ (8,088,600)	\$ (19,840,038)	\$ (18,196,743)	\$ (16,612,180)
Percentage Annual Pension Cost Contributed	0.00%	0.00%	0.00%	57.51%	60.94%	33.31%
Amortization Period	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate	7.50%	7.50%	7.50%	8.00%	8.00%	8.00%

*The adjustment to the Annual Required Contribution is a level dollar amortization of the Net Pension Obligation at the beginning of the period

Trend Information (TCRS)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2003	\$ -	100.00%	\$ -
June 30, 2002	\$ -	100.00%	\$ -
June 30, 2001	\$ -	100.00%	\$ -

KNOX COUNTY, TENNESSEE
Required Supplementary Information

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
County DB Plan:						
1/1/1997	\$ 80,067,931	\$ 80,067,931	\$ -	100.00%	\$ 18,757,024	0.00%
1/1/1998	89,622,330	89,622,330	-	100.00%	16,839,606	0.00%
1/1/1999	89,289,817	89,289,817	-	100.00%	11,894,535	0.00%
1/1/2000	90,400,104	90,400,104	-	100.00%	10,582,373	0.00%
1/1/2001	90,876,819	90,876,819	-	100.00%	10,292,951	0.00%
1/1/2002	90,458,876	90,458,876	-	100.00%	9,245,646	0.00%
1/1/2003	84,553,434	84,553,434	-	100.00%	8,024,076	0.00%
Teachers' DB Plan *						
1/1/1997	\$ 31,532,498	\$ 31,532,498	\$ -	100.00%	\$ 16,518,534	0.00%
1/1/1998	55,425,760	55,425,760	-	100.00%	16,280,062	0.00%
1/1/1999	62,622,721	62,622,721	-	100.00%	15,714,131	0.00%
1/1/2000	70,243,735	70,243,735	-	100.00%	14,392,249	0.00%
1/1/2001	69,634,862	69,634,862	-	100.00%	14,009,264	0.00%
1/1/2002	72,917,044	72,917,044	-	100.00%	13,254,219	0.00%
1/1/2003	71,458,839	71,458,839	-	100.00%	12,286,006	0.00%
TCRS (Amounts Expressed in Thousands):						
6/30/1991	\$ 296	\$ 296	\$ -	100.00%	\$ 141	0.00%
6/30/1993	371	371	-	100.00%	157	0.00%
6/30/1995	441	441	-	100.00%	74	0.00%
6/30/1997	600	600	-	100.00%	77	0.00%
6/30/1999	704	704	-	100.00%	81	0.00%
6/30/2001	792	792	-	100.00%	81	0.00%

* A modification was made in the actuarial funding method utilized in the GASB disclosure information for the Teachers' Plan. The Aggregate method was used to provide consistency across all plans maintained by the County.

KNOX COUNTY, TENNESSEE
Required Supplementary Information

Schedules of Employer Contributions

Year Ended June 30	<i>County DB Plan</i>		<i>Teachers' DB Plan</i>	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1994	\$ -	N/A	\$ 2,939,765	100.00%
1995	-	N/A	2,650,000	100.00%
1996	-	N/A	2,747,575	100.00%
1997	-	N/A	2,797,910	102.21%
1998	-	N/A	2,522,434	685.17%
1999	-	N/A	773,683	100.64%
2000	-	N/A	357,275	96.15%
2001	-	N/A	-	N/A
2002	-	N/A	344,411	174.21%
2003	-	N/A	412,445	145.47%
2004	-	N/A	784,838	100.00%

Note: This analysis is shown for years available. Additional years will be shown as they become available.

KNOX COUNTY, TENNESSEE

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (GAAP Basis) - General Fund
 For the year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Local Taxes	\$ 92,257,785	\$ 92,301,709	\$ 93,011,447	\$ 709,738
Licenses and Permits	2,648,600	2,648,600	2,840,878	192,278
Fines, Forfeitures and Penalties	2,376,650	2,376,774	2,711,395	334,621
Charges for Current Services	3,374,380	3,378,480	4,028,248	649,768
Other Local Revenues	921,780	927,485	1,514,988	587,503
Fees Received from County Officials	251,850	251,850	310,317	58,467
State of Tennessee	7,713,724	8,091,160	7,569,129	(522,031)
Federal Government	262,750	262,750	313,347	50,597
Other Governments and Citizen Groups	75,000	143,978	214,227	70,249
Total Revenues	109,882,519	110,382,786	112,513,976	2,131,190
Expenditures				
Current:				
Finance and Administration	17,975,155	19,264,002	18,217,659	1,046,343
Administration of Justice	11,354,794	11,253,662	11,016,151	237,511
Public Safety	43,643,953	44,442,480	43,411,097	1,031,383
Public Safety - Payments to Component Unit	1,136,184	1,136,184	1,136,184	-
Public Health and Welfare	28,420,767	29,003,088	27,667,255	1,335,833
Social and Cultural Services	4,769,863	4,789,754	4,774,087	15,667
Agricultural and Natural Resources	351,494	343,189	335,090	8,099
Other General Government	6,444,161	7,697,937	6,950,893	747,044
Total Expenditures	114,096,371	117,930,296	113,508,416	4,421,880
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,213,852)	(7,547,510)	(994,440)	6,553,070
Other Financing Sources (Uses)				
Transfers from Other Funds	4,950,000	4,950,000	6,995,412	2,045,412
Transfers to Other Funds	(734,784)	(4,071,711)	(4,071,711)	-
Decrease in Equity Interest in Joint Venture	-	-	(370,313)	(370,313)
Total Other Financing Sources (Uses)	4,215,216	878,289	2,553,388	1,675,099
Net Change in Fund Balances	\$ 1,364	\$ (6,669,221)	1,558,948	\$ 8,228,169
Fund Balances, July 1, as Restated			47,851,272	
Fund Balances, June 30			\$ 49,410,220	

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the County (i.e. public safety, recreation, health and welfare, general government, etc.). These activities are funded principally by property taxes on individuals and businesses.

KNOX COUNTY, TENNESSEE

**General Fund
Comparative Balance Sheet
June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 8,957,047	\$ 9,048,305
Receivables (Net of Allowances for Uncollectibles):		
Accounts	3,604,603	5,116,133
Property Taxes	95,033,337	79,179,416
Investments	30,733,570	29,799,913
Due from Other Funds	6,080,334	1,895,284
Due from Component Units	15,969	787,902
Inventories	663,850	672,186
Prepaid Items	341,232	243,105
Investment in Joint Venture	5,995,829	6,366,142
Advances to Other Funds	1,383,081	1,637,248
	<hr/>	<hr/>
TOTAL ASSETS	\$ 152,808,852	\$ 134,745,634
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 6,344,797	\$ 6,496,772
Due to Other Funds	2,526,427	1,570,982
Due to Component Units	3,773	5,379
Deferred Revenue	94,523,635	78,821,229
	<hr/>	<hr/>
TOTAL LIABILITIES	103,398,632	86,894,362
	<hr/>	<hr/>
Fund Balances:		
Reserved	10,937,680	11,730,518
Unreserved:		
Designated	5,694,090	1,192,159
Undesignated	32,778,450	34,928,595
	<hr/>	<hr/>
TOTAL FUND BALANCES	49,410,220	47,851,272
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 152,808,852	\$ 134,745,634
	<hr/> <hr/>	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

General Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2003 and June 30, 2002

	2003	2002
Revenues		
Local Taxes	\$ 93,011,447	\$ 90,270,560
Licenses and Permits	2,840,878	2,379,483
Fines, Forfeitures and Penalties	2,711,395	2,551,159
Charges for Current Services	4,028,248	3,973,304
Other Local Revenues	1,514,988	1,635,615
Fees Received from County Officials	310,317	271,420
State of Tennessee	7,569,129	10,072,995
Federal Government	313,347	235,129
Other Governments and Citizen Groups	214,227	267,985
Total Revenues	<u>112,513,976</u>	<u>111,657,650</u>
Expenditures		
Current:		
General Government:		
Finance and Administration	18,217,659	16,695,444
Administration of Justice	11,016,151	10,194,802
Public Safety	43,411,097	40,152,147
Public Safety - Payments to Component Unit	1,136,184	1,073,360
Public Health and Welfare	27,667,255	27,235,209
Social and Cultural Services	4,774,087	3,348,094
Agricultural and Natural Resources	335,090	318,902
Other General Government	6,950,893	10,002,088
Total Expenditures	<u>113,508,416</u>	<u>109,020,046</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(994,440)</u>	<u>2,637,604</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	6,995,412	7,180,191
Transfers to Other Funds	(4,071,711)	(1,233,361)
Decrease in Equity Interest in Joint Venture	(370,313)	-
Total Other Financing Sources (Uses)	<u>2,553,388</u>	<u>5,946,830</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,558,948	8,584,434
Fund Balances, July 1, as Restated	<u>47,851,272</u>	<u>39,266,838</u>
Fund Balances, June 30	<u>\$ 49,410,220</u>	<u>\$ 47,851,272</u>

The Notes to Financial Statements are an integral part of this statement.

SPECIAL REVENUE FUNDS - MAJOR

Constitutional Officers Fund: This fund is used to account for revenues and expenditures associated with the administrative functions of the Constitutional Officers.

KNOX COUNTY, TENNESSEE

**Constitutional Officers' Special Revenue Fund
Combining Balance Sheets**

June 30, 2003

(With Comparative Totals for June 30, 2002)

	Trustee	County Clerk	Circuit and General Sessions	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2003	2002
ASSETS								
Cash and Cash Equivalents	\$ 486,644	\$ 34,895	\$ 409,846	\$ 971,932	\$ 415,241	\$ 1,056,540	\$ 3,375,098	\$ 2,920,255
Due from Other Funds	100,821	-	-	-	-	-	100,821	90,563
Due from Component Units	80,066	-	-	-	-	-	80,066	76,167
TOTAL ASSETS	\$ 667,531	\$ 34,895	\$ 409,846	\$ 971,932	\$ 415,241	\$ 1,056,540	\$ 3,555,985	\$ 3,086,985
LIABILITIES AND FUND BALANCES (DEFICITS)								
Liabilities:								
Accrued Payroll	\$ -	\$ 38,569	\$ 46,035	\$ -	\$ -	\$ 38,282	\$ 122,886	\$ -
Due to Other Funds	-	-	-	-	58,924	814,000	872,924	574,025
TOTAL LIABILITIES	-	38,569	46,035	-	58,924	852,282	995,810	574,025
Fund Balances (Deficits):								
Unreserved, Undesignated	667,531	(3,674)	363,811	971,932	356,317	204,258	2,560,175	2,512,960
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 667,531	\$ 34,895	\$ 409,846	\$ 971,932	\$ 415,241	\$ 1,056,540	\$ 3,555,985	\$ 3,086,985

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Constitutional Officers' Special Revenue Fund
Combining Schedule of Revenues, Expenditures
And Changes in Fund Balances**

For the year ended June 30, 2003

(With comparative totals for the year ended June 30, 2002)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2003	2002
Revenues								
Charges for Services	\$ 5,933,035	\$ 3,588,679	\$ 1,211,012	\$ 3,241,924	\$ 1,168,229	\$ 4,091,330	\$ 19,234,209	\$ 18,658,484
Interest Income	1,990	10,369	68,145	-	-	4,519	85,023	104,254
Total Revenues	5,935,025	3,599,048	1,279,157	3,241,924	1,168,229	4,095,849	19,319,232	18,762,738
Expenditures								
Current:								
General Government:								
Finance and Administration:								
Salaries - County Officials	87,745	87,955	56,546	84,955	84,955	83,304	485,460	476,292
Salaries - Staff	1,410,934	2,737,611	888,099	2,306,082	633,385	1,137,226	9,113,337	8,593,563
Travel	51,075	85,850	4,000	-	-	5,700	146,625	152,125
Employee Benefits and Payroll Taxes	364,324	819,110	226,254	630,644	161,729	245,172	2,447,233	2,197,756
Consulting Fees	-	526	-	-	-	-	526	283
Office Supplies	76,725	-	5,000	-	-	1,699	83,424	286,959
Total Expenditures	1,990,803	3,731,052	1,179,899	3,021,681	880,069	1,473,101	12,276,605	11,706,978
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,944,222	(132,004)	99,258	220,243	288,160	2,622,748	7,042,627	7,055,760
Other Financing Sources (Uses)								
Transfers to Other Funds	(3,949,523)	-	-	(100,000)	(287,841)	(2,658,048)	(6,995,412)	(7,166,616)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(5,301)	(132,004)	99,258	120,243	319	(35,300)	47,215	(110,856)
Fund Balances , July 1	672,832	128,330	264,553	851,689	355,998	239,558	2,512,960	2,623,816
Fund Balances (Deficits), June 30	\$ 667,531	\$ (3,674)	\$ 363,811	\$ 971,932	\$ 356,317	\$ 204,258	\$ 2,560,175	\$ 2,512,960

CAPITAL PROJECTS FUNDS - MAJOR

Capital Projects Funds are used to account for the acquisition and construction of major facilities other than those financed by proprietary or trust funds.

Public Improvement Fund: This fund is used to account for the County construction projects in process. These public improvement construction projects include, but are not limited to, the Penal Farm, roads, the Farmers' Market, sewer lines, Hillcrest Nursing Home, recreation facilities, public library facilities, Juvenile Court renovations, City-County Building renovations, John Tarleton Home renovations, Knox Central facilities, and golf course improvements.

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)

Comparative Balance Sheets

June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,992,259	\$ 21,069,421
Receivables (Net of Allowances for Uncollectibles):		
Accounts	1,239,301	504,207
Accrued Interest	823	1,252
Due From Other Funds	91,557	17,938
Prepaid Items	1,270	-
Advances to Component Units	3,723,182	-
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 8,048,392</u>	<u>\$ 21,592,818</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 3,359,418	\$ 3,064,952
Due to Other Funds	3,431,649	272,575
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>6,791,067</u>	<u>3,337,527</u>
 Fund Balances (Deficits):		
Reserved	18,746,776	28,132,827
Unreserved:		
Undesignated	(17,489,451)	(9,877,536)
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>1,257,325</u>	<u>18,255,291</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,048,392</u>	<u>\$ 21,592,818</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Interest Earned	\$ 216,453	\$ 2,253,959
Local Taxes	237,539	243,388
Other Local Revenues	920,641	806,496
State of Tennessee	335,441	360,312
Other Governments and Citizen Groups	-	298,898
	<u>1,710,074</u>	<u>3,963,053</u>
Expenditures		
Capital Projects	<u>30,978,243</u>	<u>20,769,587</u>
Deficiency of Revenues Under Expenditures	<u>(29,268,169)</u>	<u>(16,806,534)</u>
Other Financing Sources (Uses)		
Bond Proceeds	12,188,203	50,000,000
Transfers from Other Funds	82,000	50,000
Transfers to Other Funds	-	(832,235)
	<u>12,270,203</u>	<u>49,217,765</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(16,997,966)	32,411,231
Fund Balances (Deficits), July 1	<u>18,255,291</u>	<u>(14,155,940)</u>
Fund Balances, June 30	<u>\$ 1,257,325</u>	<u>\$ 18,255,291</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Comparative Statements of Revenues, Expenditures And
Changes in Fund Balances - Budget And Actual (Budget Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues	\$ 225,000	\$ 225,000	\$ 237,539	\$ 12,539	\$ 190,000	\$ 243,388	\$ 53,388
Expenditures							
Capital Projects:							
Contracted Services	9,000	17,684	10,026	7,658	6,533	4,990	1,543
Supplies & Materials	26,000	40,807	29,941	10,866	64,330	31,985	32,345
Other Charges	2,500	2,500	1,988	512	2,700	2,434	266
Capital Outlay	120,000	126,944	51,146	75,798	76,311	31,282	45,029
Miscellaneous	50,000	88,433	41,735	46,698	98,833	60,400	38,433
Total Expenditures	207,500	276,368	134,836	141,532	248,707	131,091	117,616
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,500	(51,368)	102,703	154,071	(58,707)	112,297	171,004
Fund Balances, July 1 (Budget Basis)	929,949	929,949	929,949	-	817,652	817,652	-
Fund Balances, June 30 (Budget Basis)	\$ 947,449	\$ 878,581	\$ 1,032,652	\$ 154,071	\$ 758,945	\$ 929,949	\$ 171,004

Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):

Fund Balance (Budget Basis)	\$ 1,032,652	\$ 929,949
Timing Difference:		
Project Length Budgets	<u>224,673</u>	<u>17,325,342</u>
Fund Balance (GAAP Basis)	<u>\$ 1,257,325</u>	<u>\$ 18,255,291</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Schedule of Construction Project Expenditures-
Budget And Actual
For the year ended June 30, 2003**

Project	Expenditures				Available
	Budget	Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Middlebrook Pike	\$ 7,122,728	\$ 6,986,483	\$ 1,818	\$ 6,988,301	\$ 134,427
Hardin Valley Road	11,646,240	7,566,071	892,752	8,458,823	3,187,417
Murdock Lane Road	2,965,514	2,663,827	-	2,663,827	301,687
Maloney Road/Maryville	383,308	158,408	3,130	161,538	221,770
Lovell Road	2,694,107	1,933,915	7,381	1,941,296	752,811
Dry Gap Pike	6,551,535	4,510,492	539,330	5,049,822	1,501,713
Westland Drive	4,364,759	1,344,661	-	1,344,661	3,020,098
Ballcamp Improvements	2,121,293	272,801	1,152,008	1,424,809	696,484
Kimberlyn Heights Road	330,305	24,080	218,125	242,205	88,100
Dutchtown Road Functional Plan	2,179,680	400,393	1,601,521	2,001,914	177,766
Schaad/Callahan Road	13,918,975	11,751,286	981,798	12,733,084	1,185,891
Murphy Road Improvements	1,798,503	1,658,404	26,421	1,684,825	113,678
Parkside Drive Extension	6,546,607	6,316,607	-	6,316,607	230,000
Maynard/Norris/Emory	197,780	162,796	-	162,796	34,984
Emory Church Road	795,215	794,906	309	795,215	-
Walker Springs Connector	2,631,740	1,639,401	4,015	1,643,416	988,324
Karns Connector	1,478,003	365,841	234,131	599,972	878,031
Carter School Road	945,778	868,008	14,690	882,698	63,080
Clinton Highway and Beaver Creek	124,787	27,500	37,000	64,500	60,287
Washington Pike	300,191	-	44,370	44,370	255,821
Knob Creek Bridge	1,666,108	-	-	-	1,666,108
Byington/Solway Bridge	150,000	-	-	-	150,000
Sherrill Lane	2,005,409	666,072	1,220,969	1,887,041	118,368
Central/Callahan/Dante Road	8,250	4,950	-	4,950	3,300
Westland Drive	4,364,759	1,344,661	909,915	2,254,576	2,110,183
	77,291,574	51,461,563	7,889,683	59,351,246	17,940,328
<i>Total Road Construction</i>					
<i>Building Renovations:</i>					
City/County Improvement	4,592,027	3,239,134	1,132,733	4,371,867	220,160
Juvenile Court/ Detention	13,723,528	13,707,391	15,272	13,722,663	865
Fairview Technical Center	360,000	354,002	4,450	358,452	1,548
John Tarleton	800,056	513,251	-	513,251	286,805
Karns Branch Library	1,598,970	1,584,924	8,544	1,593,468	5,502
Bonnie Kate Branch Library	1,340,232	1,340,232	-	1,340,232	-
Sheriff Training Facility	93,000	39,533	-	39,533	53,467
Sports Complex	3,816,500	1,430,741	256,883	1,687,624	2,128,876
Knox County Health Renovations	9,823,398	9,749,341	3,060	9,752,401	70,997
Lawson McGhee Library	132,596	114,978	-	114,978	17,618
Norwood Branch Library	70,204	64,795	-	64,795	5,409
Corryton Branch Library	53,847	-	51,655	51,655	2,192
County Wide Renovations	1,851,582	539,050	755,736	1,294,786	556,796
Knox Central	250,000	-	234,162	234,162	15,838
Detention Facility	144,239	-	-	-	144,239
DUI Building	357,258	53,498	-	53,498	303,760
Tennessee Theatre Renovations	2,000,000	-	2,000,000	2,000,000	-
	41,007,437	32,730,870	4,462,495	37,193,365	3,814,072
<i>Total Building Renovations</i>					

continued

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Schedule of Construction Project Expenditures-
Budget And Actual (Continued)
For the year ended June 30, 2003**

Project	Expenditures			Total	Available
	Budget	Prior Years	Current		
Expenditures (continued)					
<i>Capital Projects (continued):</i>					
<i>Building Construction:</i>					
Public Defender	\$ 3,196,328	\$ 591,091	\$ 2,579,539	\$ 3,170,630	\$ 25,698
Cedar Bluff Branch Library	2,144,823	2,144,823	-	2,144,823	-
West Knox Branch Library	2,236,056	2,223,539	6,910	2,230,449	5,607
Carter Branch Library	916,821	913,536	-	913,536	3,285
Halls Branch Library	2,684,099	405,828	1,101,402	1,507,230	1,176,869
Powell Branch Library	2,416,000	213,657	10,730	224,387	2,191,613
Women's Basketball Hall of Fame	8,350,000	8,297,177	-	8,297,177	52,823
North Knox Soccer Complex	618,000	615,888	-	615,888	2,112
Farragut Branch Library	1,380,599	1,380,599	-	1,380,599	-
Fountain City Branch Library	2,429,000	333,183	173,331	506,514	1,922,486
Community Kitchen - CAC	2,300,000	-	1,501,259	1,501,259	798,741
City/County Animal Center	1,477,038	1,350,186	-	1,350,186	126,852
E-911 Facility	4,500,000	-	22,500	22,500	4,477,500
Penal Farm	36,589,360	35,651,349	-	35,651,349	938,011
Animal Welfare - Permanent	3,850,000	16,213	625,013	641,226	3,208,774
<i>Total Building Construction:</i>	<i>75,088,124</i>	<i>54,137,069</i>	<i>6,020,684</i>	<i>60,157,753</i>	<i>14,930,371</i>
<i>Other:</i>					
Knox County Empowerment Zone	5,000,000	3,500,000	1,500,000	5,000,000	-
Westbridge	23,925	1,980	4,765	6,745	17,180
Justice System Software	1,850,000	1,584,438	92,461	1,676,899	173,101
East TN Historical Center	15,894,777	3,338,979	7,018,600	10,357,579	5,537,198
East TN Historical Renovations	2,600,521	284,150	87,299	371,449	2,229,072
John Tarleton Park	987,987	403,645	562,874	966,519	21,468
Parks & Greenways	12,181,536	7,874,558	-	7,874,558	4,306,978
Three Ridges Golf Course	815,362	622,758	91,200	713,958	101,404
Seven Island Foot Bridge	336,910	-	-	-	336,910
Seven Island	3,182,932	3,072,138	38,952	3,111,090	71,842
PBA Project Management	1,604,816	1,397,500	207,316	1,604,816	-
Knox County Health Department Land	945,000	926,150	-	926,150	18,850
Health Department Land	21,000	-	21,000	21,000	-
Maloney Road Park	100,000	-	54	54	99,946
Alcoaway Optimist Park	93,000	90,678	1,473	92,151	849
Gibbs Ruritan Park	6,500	5,209	947	6,156	344
Gibbs Ruritan Park	505,000	-	401,852	401,852	103,148
Concord Park	434,778	259,774	28,398	288,172	146,606
Powell Greenway	762,270	368,211	365,327	733,538	28,732
South Knoxville Park	500,148	499,724	424	500,148	-
Nicholas Ball Park	320,822	132,703	14	132,717	188,105
Halls Greenway	210,220	9,961	2,330	12,291	197,929
Crestwood Hills Park	100,000	94,915	763	95,678	4,322
North Knoxville Soccer Complex	618,000	615,889	-	615,889	2,111
Hillcrest Park	375,000	356,725	959	357,684	17,316
Powell Levi Park	120,000	102,226	2,502	104,728	15,272
Trustee Commission	200	-	124	124	76
Sterchi Hills Park	152,438	121,183	25,856	147,039	5,399
John Tarleton Park	515,000	228,196	283,512	511,708	3,292
Caswell Park	500,000	300,000	200,000	500,000	-
Stormwater Management	4,184,499	2,986,671	393,558	3,380,229	804,270
Beavercreek Watershed	15,000	210	2,146	2,356	12,644
Geometric Improvements	567,236	364,055	62,264	426,319	140,917
Functional Planning	237,200	103,820	126,776	230,596	6,604
Gulf Park Drive Sidewalk	220,830	17,826	25,358	43,184	177,646
Highway Project Management	1,111,770	801,817	230,854	1,032,671	79,099

continued

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)
 Schedule of Construction Project Expenditures-
 Budget And Actual (Continued)
 For the year ended June 30, 2003

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures (continued)					
<i>Capital Projects (continued):</i>					
<i>Other (continued):</i>					
Pellissippi Parkway Industrial Park	\$ 538,000	\$ -	\$ 537,330	\$ 537,330	\$ 670
Debt Issuance Costs	12,576	-	12,576	12,576	-
Northwest Tennis Courts	60,000	-	60,000	60,000	-
Sterchi Hills Greenway	200,000	100,732	51,643	152,375	47,625
French Park Greenway Trail	191,350	-	-	-	191,350
Ten Mile Creek Greenway	543,708	160,497	-	160,497	383,211
Solway Park	35,175	6,638	28,480	35,118	57
Spring Place Park	20,000	-	-	-	20,000
Frank Strang Center	20,000	19,334	558	19,892	108
Sequoyah Elementary School Trail	10,000	-	-	-	10,000
Powell Greenway - Levi Strauss	25,000	13,871	-	13,871	11,129
<i>Total Other</i>	<u>58,750,486</u>	<u>30,767,161</u>	<u>12,470,545</u>	<u>43,237,706</u>	<u>15,512,780</u>
<i>Total Capital Projects</i>	<u>\$ 252,137,621</u>	<u>\$ 169,096,663</u>	<u>\$ 30,843,407</u>	<u>\$ 199,940,070</u>	<u>\$ 52,197,551</u>
Project Expenditures			\$ 30,843,407		
Expenditures - Activities Budgeted on Annual Basis			<u>134,836</u>		
Total Public Improvement Fund Expenditures			<u>\$ 30,978,243</u>		

The Notes to Financial Statements are an integral part of this schedule.

DEBT SERVICE FUND - MAJOR

The Debt Service Fund is used to account for the accumulation of resources for, and related payments of, principal and interest on general long-term debt for the County and for the Knox County Board of Education, a discretely presented component unit.

KNOX COUNTY, TENNESSEE

Debt Service Fund (Major)
Comparative Balance Sheets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 19,133,332	\$ 27,814,104
Receivables (Net of Allowance for Uncollectibles):		
Accounts	143,552	-
Property Taxes	17,794,801	19,177,784
Accrued Interest	152,150	177,003
Notes	5,135,000	5,435,000
Due from Component Units	<u>7,250,000</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 49,608,835</u>	<u>\$ 52,603,891</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 26,763	\$ 33,633
Due to Other Funds	10,912	17,024
Due to Component Units	8,835	27,700
Deferred Revenue	17,589,495	18,975,961
Advances from Other Funds	<u>1,333,333</u>	<u>1,600,000</u>
TOTAL LIABILITIES	<u>18,969,338</u>	<u>20,654,318</u>
 Fund Balances:		
Reserved	5,138,645	5,738,645
Unreserved:		
Undesignated	<u>25,500,852</u>	<u>26,210,928</u>
TOTAL FUND BALANCES	<u>30,639,497</u>	<u>31,949,573</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 49,608,835</u>	<u>\$ 52,603,891</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE**Debt Service Fund (Major)**
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2003 and June 30, 2002

	2003	2002
Revenues		
Local Taxes	\$ 17,983,621	\$ 17,581,851
Other Governments/Citizen Groups	137,816	1,000,000
Interest Earned	2,532,986	3,299,722
Other Local Revenues	1,511,056	-
Payments from Component Units	16,457,417	15,795,391
Total Revenues	<u>38,622,896</u>	<u>37,676,964</u>
Expenditures		
Debt Service:		
Contracted Services	53,081	170,749
Trustee's Commission	374,006	368,441
Principal on Bonds	21,455,467	17,985,467
Interest on Bonds	18,251,918	18,634,020
Total Expenditures	<u>40,134,472</u>	<u>37,158,677</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,511,576)</u>	<u>518,287</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	201,500	-
Proceeds of Refunding Bonds	88,722,550	35,343,403
Payment to Refunded Bond Escrow Agent	(88,722,550)	(35,329,874)
Total Other Financing Sources (Uses)	<u>201,500</u>	<u>13,529</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,310,076)</u>	<u>531,816</u>
Fund Balances, July 1	<u>31,949,573</u>	<u>31,417,757</u>
Fund Balances, June 30	<u>\$ 30,639,497</u>	<u>\$ 31,949,573</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Debt Service Fund (Major)
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
 For the years ended June 30, 2003 and June 30, 2002

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 17,971,607	\$ 17,971,607	\$ 17,983,621	\$ 12,014	\$ 17,002,648	\$ 17,581,851	\$ 579,203
Other Governments/Citizen Groups	576,190	576,190	137,816	(438,374)	495,569	1,000,000	504,431
Interest Earned	3,500,000	3,500,000	2,532,986	(967,014)	5,500,287	3,299,722	(2,200,565)
Other Local Revenue	-	-	1,511,056	1,511,056	-	-	-
Payments from Component Units	16,293,541	16,293,541	16,457,417	163,876	15,795,391	15,795,391	-
Total Revenues	38,341,338	38,341,338	38,622,896	281,558	38,793,895	37,676,964	(1,116,931)
Expenditures							
Debt Service:							
Contracted Services	191,000	191,000	53,081	137,919	186,000	170,749	15,251
Trustee's Commission	390,000	390,000	374,006	15,994	385,000	368,441	16,559
Principal on Bonds	19,945,467	21,455,467	21,455,467	-	17,985,467	17,985,467	-
Interest on Bonds	20,293,517	18,783,517	18,251,918	531,599	18,634,022	18,634,020	2
Total Expenditures	40,819,984	40,819,984	40,134,472	685,512	37,190,489	37,158,677	31,812
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,478,646)	(2,478,646)	(1,511,576)	967,070	1,603,406	518,287	(1,085,119)
Other Financing Sources (Uses)							
Transfers from Other Funds	201,500	201,500	201,500	-	-	-	-
Proceeds of Refunding Bonds	-	88,722,550	88,722,550	-	35,343,403	35,343,403	-
Payment to Refunded Bond Escrow Agent	-	(88,722,550)	(88,722,550)	-	(35,343,689)	(35,329,874)	13,815
Total Other Financing Sources	201,500	201,500	201,500	-	(286)	13,529	13,815
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,277,146)	(2,277,146)	(1,310,076)	967,070	1,603,120	531,816	(1,071,304)
Fund Balances, July 1	31,949,573	31,949,573	31,949,573	-	31,417,757	31,417,757	-
Fund Balances, June 30	\$ 29,672,427	\$ 29,672,427	\$ 30,639,497	\$ 967,070	\$ 33,020,877	\$ 31,949,573	\$ (1,071,304)

The Notes to Financial Statements are an integral part of this statement.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

State and Federal Grants Fund: This fund is used to account for most State and Federal grant revenues.

Governmental Library Fund: This fund accounts for the operation of the law library that is available to the public but is used primarily by attorneys practicing in the courts. User fees are charged by the Governmental Library.

Public Library Fund: This fund is used to account for the operation of the County-wide public library system.

Solid Waste Fund: This fund is used to account for all solid waste and recycling activities.

Hotel/Motel Tax Fund: This fund accounts for the collection and use of the amusement tax to promote tourism and related economic activity in the County.

Fire District Fund: This fund is used to account for a separate tax for fire protection for businesses in an area commonly known as the Forks of the River Industrial Park.

Drug Control Fund: This fund was established pursuant to an amendment of Tennessee Code Annotated Section 39-17-420. This fund is used to account for drug control activities restricted for drug enforcement, drug education and non-recurring general law enforcement expenditures. This fund is primarily funded from the receipt of fines and costs related to drug enforcement cases.

Highway Fund: This fund is used to account for the County's share of the State gasoline and motor fuel taxes that are utilized to maintain non-state roads within the county.

Judicial District Drug Fund: This fund is used to account for investigations of violations of controlled substance laws and is funded primarily by state grants.

CAPITAL PROJECTS FUND

ADA Construction Fund: This fund is used to account for construction activity related to the Americans with Disabilities Act.

KNOX COUNTY, TENNESSEE**Combining Balance Sheet
Nonmajor Governmental Funds**June 30, 2003

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 17,564,037	\$ 3,964,171	\$ 21,528,208
Receivables (Net of Allowance for Uncollectibles):			
Accounts	6,295,584	-	6,295,584
Property Taxes	1,127,087	58,661	1,185,748
Notes	2,482,626	-	2,482,626
Due from Other Funds	1,435,469	-	1,435,469
Inventories	11,037	-	11,037
Prepaid Items	80,292	-	80,292
TOTAL ASSETS	\$ 28,996,132	\$ 4,022,832	\$ 33,018,964
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 4,030,768	\$ 161,771	\$ 4,192,539
Due to Other Funds	3,001,024	178	3,001,202
Due to Component Units	16,115	-	16,115
Deferred Revenue	4,202,278	49,767	4,252,045
Advances from Other Funds	37,248	-	37,248
TOTAL LIABILITIES	11,287,433	211,716	11,499,149
Fund balances:			
Reserved	2,319,254	64,609	2,383,863
Unreserved:			
Designated	1,472,188	-	1,472,188
Undesignated	13,917,257	3,746,507	17,663,764
TOTAL FUND BALANCES	17,708,699	3,811,116	21,519,815
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,996,132	\$ 4,022,832	\$ 33,018,964

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2003**

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
Revenues			
Local Taxes	\$ 22,070,945	\$ 778,659	\$ 22,849,604
Fines, Forfeitures and Penalties	134,885	-	134,885
Charges for Current Services	767,749	-	767,749
Other Local Revenues	470,041	-	470,041
State of Tennessee	11,708,230	-	11,708,230
Federal Government	4,152,569	-	4,152,569
Other Governments and Citizen Groups	378,899	-	378,899
Total Revenues	39,683,318	778,659	40,461,977
Expenditures			
Current:			
Finance and Administration	1,614,572	-	1,614,572
Administration of Justice	217,538	-	217,538
Public Safety	3,242,956	-	3,242,956
Public Health and Welfare	9,200,359	-	9,200,359
Social and Cultural Services	9,412,270	-	9,412,270
Other General Government	6,401,343	-	6,401,343
Highways	9,113,368	-	9,113,368
Capital Projects	-	534,695	534,695
Total Expenditures	39,202,406	534,695	39,737,101
Excess (Deficiency) of Revenues Over (Under) Expenditures	480,912	243,964	724,876
Other Financing Sources (Uses)			
Transfers from Other Funds	1,627,914	-	1,627,914
Transfers to Other Funds	(343,141)	-	(343,141)
Debt Issuance	911,797	-	911,797
Total Other Financing Sources (Uses)	2,196,570	-	2,196,570
Net Change in Fund Balances	2,677,482	243,964	2,921,446
Fund Balances, July 1	15,031,217	3,567,152	18,598,369
Fund Balances, June 30	\$ 17,708,699	\$ 3,811,116	\$ 21,519,815

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003**

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Fire District	Drug Control	Highway	Judicial District Drug	Total Nonmajor Special Revenue Funds
ASSETS										
Cash and Cash Equivalents	\$ 2,341,149	\$ 26,094	\$ 3,529,639	\$ 1,860,482	\$ 4,756,004	\$ -	\$ 459,521	\$ 4,586,225	\$ 4,923	\$ 17,564,037
Receivables (Net of Allowance for Uncollectibles):										
Accounts	3,198,061	4,005	7,067	475,724	421,187	-	-	2,189,540	-	6,295,584
Property Taxes	-	-	659,669	241,754	-	225,664	-	-	-	1,127,087
Notes	2,482,626	-	-	-	-	-	-	-	-	2,482,626
Due from Other Funds	417,115	30,000	-	988,354	-	-	-	-	-	1,435,469
Inventories	11,037	-	-	-	-	-	-	-	-	11,037
Prepaid Items	28,013	123	27,922	5,733	-	-	-	18,501	-	80,292
TOTAL ASSETS	\$ 8,478,001	\$ 60,222	\$ 4,224,297	\$ 3,572,047	\$ 5,177,191	\$ 225,664	\$ 459,521	\$ 6,794,266	\$ 4,923	\$ 28,996,132
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts Payable and Accrued Liabilities	\$ 693,873	\$ 14,501	\$ 412,699	\$ 357,227	\$ 1,352,863	\$ -	\$ 5,060	\$ 1,194,545	\$ -	\$ 4,030,768
Due to Other Funds	2,574,805	333	6,576	88,798	8,470	16,922	425	299,772	4,923	3,001,024
Due to Component Units	-	-	-	-	-	-	-	16,115	-	16,115
Deferred Revenue	3,202,203	-	580,988	205,706	-	213,381	-	-	-	4,202,278
Advances from Other Funds	-	37,248	-	-	-	-	-	-	-	37,248
TOTAL LIABILITIES	6,470,881	52,082	1,000,263	651,731	1,361,333	230,303	5,485	1,510,432	4,923	11,287,433
Fund Balances (Deficits):										
Reserved	1,548,311	123	73,797	218,845	-	-	36,954	441,224	-	2,319,254
Unreserved:										
Designated	286,654	-	101,546	-	-	-	-	1,083,988	-	1,472,188
Undesignated	172,155	8,017	3,048,691	2,701,471	3,815,858	(4,639)	417,082	3,758,622	-	13,917,257
TOTAL FUND BALANCES (DEFICITS)	2,007,120	8,140	3,224,034	2,920,316	3,815,858	(4,639)	454,036	5,283,834	-	17,708,699
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,478,001	\$ 60,222	\$ 4,224,297	\$ 3,572,047	\$ 5,177,191	\$ 225,664	\$ 459,521	\$ 6,794,266	\$ 4,923	\$ 28,996,132

KNOX COUNTY, TENNESSEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2003

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Fire District	Drug Control	Highway	Judicial District Drug	Total Nonmajor Special Revenue Funds
Revenues										
Local Taxes	\$ -	\$ 95,268	\$ 8,761,197	\$ 3,211,797	\$ 4,272,762	\$ 85,018	\$ -	\$ 5,644,903	\$ -	\$ 22,070,945
Fines, Forfeitures and Penalties	-	-	-	-	-	-	134,885	-	-	134,885
Charges for Current Services	487,033	15,183	265,533	-	-	-	-	-	-	767,749
Other Local Revenues	153,291	650	72,180	205,695	114	-	35,563	2,548	-	470,041
State of Tennessee	5,453,258	-	100,014	452,751	-	-	-	5,702,207	-	11,708,230
Federal Government	4,150,069	-	2,500	-	-	-	-	-	-	4,152,569
Other Governments and Citizen Groups	216,791	-	30,272	-	-	-	131,836	-	-	378,899
Total revenues	10,460,442	111,101	9,231,696	3,870,243	4,272,876	85,018	302,284	11,349,658	-	39,683,318
Expenditures										
Current:										
Finance and Administration	1,339,253	-	-	-	-	-	275,319	-	-	1,614,572
Administration of Justice	217,538	-	-	-	-	-	-	-	-	217,538
Public Safety	2,867,528	-	-	-	-	149,214	226,214	-	-	3,242,956
Public Health and Welfare	4,592,941	-	-	4,607,418	-	-	-	-	-	9,200,359
Social and Cultural Services	1,200	163,218	9,247,852	-	-	-	-	-	-	9,412,270
Other General Government	2,547,606	-	-	-	3,853,737	-	-	-	-	6,401,343
Highways	-	-	-	-	-	-	-	9,113,368	-	9,113,368
Total expenditures	11,566,066	163,218	9,247,852	4,607,418	3,853,737	149,214	501,533	9,113,368	-	39,202,406
Excess (deficiency) of revenues over (under) expenditures	(1,105,624)	(52,117)	(16,156)	(737,175)	419,139	(64,196)	(199,249)	2,236,290	-	480,912
Other financing sources (uses)										
Transfers from Other Funds	1,576,331	51,583	-	-	-	-	-	-	-	1,627,914
Transfers to Other Funds	-	-	-	-	-	-	-	(338,218)	(4,923)	(343,141)
Proceeds from Borrowing	-	-	-	911,797	-	-	-	-	-	911,797
Total other financing sources (uses)	1,576,331	51,583	-	911,797	-	-	-	(338,218)	(4,923)	2,196,570
Net change in fund balances	470,707	(534)	(16,156)	174,622	419,139	(64,196)	(199,249)	1,898,072	(4,923)	2,677,482
Fund Balance, July 1	1,536,413	8,674	3,240,190	2,745,694	3,396,719	59,557	653,285	3,385,762	4,923	15,031,217
Fund Balance (Deficit), June 30	\$ 2,007,120	\$ 8,140	\$ 3,224,034	\$ 2,920,316	\$ 3,815,858	\$ (4,639)	\$ 454,036	\$ 5,283,834	\$ -	\$ 17,708,699

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

State and Federal Grants Special Revenue Fund
Comparative Balance Sheets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,341,149	\$ 1,173,478
Receivables (Net of Allowances for Uncollectibles):		
Accounts	3,198,061	1,854,633
Notes	2,482,626	2,513,693
Due from Other Funds	417,115	102,867
Inventories	11,037	39,981
Prepaid Items	28,013	22,790
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 8,478,001</u>	<u>\$ 5,707,442</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 693,873	\$ 396,859
Due to Other Funds	2,574,805	926,277
Due to Component Units	-	2,997
Deferred Revenue	3,202,203	2,844,896
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>6,470,881</u>	<u>4,171,029</u>
 Fund Balances:		
Reserved	1,548,311	439,908
Unreserved:		
Designated	286,654	335,133
Undesignated	172,155	761,372
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>2,007,120</u>	<u>1,536,413</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,478,001</u>	<u>\$ 5,707,442</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**State and Federal Grants Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Charges for Current Services	\$ 487,033	\$ 611,036
Other Local Revenues	153,291	250,470
State of Tennessee	5,453,258	4,607,083
Federal Government	4,150,069	2,501,219
Other Governmental and Citizen Groups	<u>216,791</u>	<u>226,519</u>
Total Revenues	<u>10,460,442</u>	<u>8,196,327</u>
Expenditures		
Current:		
General Government:		
Finance and Administration	1,339,253	1,441,639
Administration of Justice	217,538	99,917
Public Safety	2,867,528	1,246,495
Public Health and Welfare	4,592,941	4,056,535
Social and Cultural Services	1,200	36,400
Other General Government	<u>2,547,606</u>	<u>1,535,123</u>
Total Expenditures	<u>11,566,066</u>	<u>8,416,109</u>
Deficiency of Revenues Under Expenditures	<u>(1,105,624)</u>	<u>(219,782)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	1,576,331	622,329
Transfers to Other Funds	<u>-</u>	<u>(13,575)</u>
Total Other Financing Sources (Uses)	<u>1,576,331</u>	<u>608,754</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	470,707	388,972
Fund Balances, July 1	<u>1,536,413</u>	<u>1,147,441</u>
Fund Balances, June 30	<u>\$ 2,007,120</u>	<u>\$ 1,536,413</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**State and Federal Grants Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 410,000	\$ 575,786	\$ 487,033	\$ (88,753)	\$ 542,933	\$ 611,036	\$ 68,103
Other Local Revenues	114,917	387,617	153,291	(234,326)	105,623	250,470	144,847
State of Tennessee	-	8,994,643	5,453,258	(3,541,385)	6,002,449	4,607,083	(1,395,366)
Federal Government	228,340	8,564,495	4,150,069	(4,414,426)	5,870,192	2,501,219	(3,368,973)
Other Governmental and Citizen Groups	-	863,657	216,791	(646,866)	805,692	226,519	(579,173)
Total Revenues	753,257	19,386,198	10,460,442	(8,925,756)	13,326,889	8,196,327	(5,130,562)
Expenditures							
Current:							
General Government:							
Personal Services	473,287	6,716,872	5,159,293	1,557,579	630,790	4,372,509	(3,741,719)
Employee Benefits	100,517	1,649,677	1,191,449	458,228	139,331	936,844	(797,513)
Contracted Services	67,250	6,859,183	2,964,581	3,894,602	150,578	1,695,079	(1,544,501)
Supplies and Materials	102,215	1,343,940	744,469	599,471	150,332	434,316	(283,984)
Other Charges	114,957	395,980	306,529	89,451	89,726	248,835	(159,109)
Capital Outlay	30,659	4,483,620	1,199,745	3,283,875	336,613	728,526	(391,913)
Total Expenditures	888,885	21,449,272	11,566,066	9,883,206	1,497,370	8,416,109	(6,918,739)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(135,628)	(2,063,074)	(1,105,624)	957,450	11,829,519	(219,782)	(12,049,301)
Other Financing Sources (Uses)							
Transfers from Other Funds	212,406	212,406	1,576,331	1,363,925	249,962	622,329	372,367
Transfers to Other Funds	-	(13,357)	-	13,357	(13,575)	(13,575)	-
Total Other Financing Sources (Uses)	212,406	199,049	1,576,331	1,377,282	236,387	608,754	372,367
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	76,778	(1,864,025)	470,707	2,334,732	12,065,906	388,972	(11,676,934)
Fund Balances, July 1	1,536,413	1,536,413	1,536,413	-	1,147,441	1,147,441	-
Fund Balances, June 30	\$ 1,613,191	\$ (327,612)	\$ 2,007,120	\$ 2,334,732	\$ 13,213,347	\$ 1,536,413	\$ (11,676,934)

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Governmental Library Special Revenue Fund

Comparative Balance Sheets

June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 26,094	\$ 46,935
Receivables (Net of Allowances for Uncollectibles):		
Accounts	4,005	3,943
Due from Other Funds	30,000	-
Prepaid Items	<u>123</u>	<u>110</u>
TOTAL ASSETS	<u><u>\$ 60,222</u></u>	<u><u>\$ 50,988</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 14,501	\$ 4,858
Due to Other Funds	333	208
Advances from Other Funds	<u>37,248</u>	<u>37,248</u>
TOTAL LIABILITIES	<u>52,082</u>	<u>42,314</u>
 Fund Balances:		
Reserved	123	111
Unreserved, undesignated	<u>8,017</u>	<u>8,563</u>
TOTAL FUND BALANCES	<u>8,140</u>	<u>8,674</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 60,222</u></u>	<u><u>\$ 50,988</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Governmental Library Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Local Taxes	\$ 95,268	\$ 107,261
Charges for Current Services	15,183	15,815
Other Local Revenues	<u>650</u>	<u>389</u>
Total Revenues	<u>111,101</u>	<u>123,465</u>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	<u>163,218</u>	<u>170,801</u>
Deficiency of Revenues Under Expenditures	<u>(52,117)</u>	<u>(47,336)</u>
Other Financing Sources		
Transfers from Other Funds	<u>51,583</u>	<u>73,258</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(534)	25,922
Fund Balances (Deficits), July 1	<u>8,674</u>	<u>(17,248)</u>
Fund Balances, June 30	<u>\$ 8,140</u>	<u>\$ 8,674</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Governmental Library Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 126,474	\$ 126,474	\$ 95,268	\$ (31,206)	\$ 97,925	\$ 107,261	\$ 9,336
Charges for Current Services	15,500	15,500	15,183	(317)	19,750	15,815	(3,935)
Other Local Revenues	100	100	650	550	2,100	389	(1,711)
Total Revenues	142,074	142,074	111,101	(30,973)	119,775	123,465	3,690
Expenditures							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	37,250	37,250	37,058	192	33,529	33,329	200
Employee Benefits	8,003	8,003	7,548	455	6,853	6,777	76
Contracted Services	6,895	4,965	3,921	1,044	5,885	3,765	2,120
Supplies and Materials	89,806	91,706	91,701	5	104,779	102,417	2,362
Other Charges	21,703	23,633	22,990	643	24,739	24,513	226
Total Expenditures	163,657	165,557	163,218	2,339	175,785	170,801	4,984
Deficiency of Revenues Under Expenditures	(21,583)	(23,483)	(52,117)	(28,634)	(56,010)	(47,336)	8,674
Other Financing Sources							
Transfers from Other Funds	21,583	23,483	51,583	28,100	73,258	73,258	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	(534)	(534)	17,248	25,922	8,674
Fund Balances (Deficits), July 1	8,674	8,674	8,674	-	(17,248)	(17,248)	-
Fund Balances, June 30	\$ 8,674	\$ 8,674	\$ 8,140	\$ (534)	\$ -	\$ 8,674	\$ 8,674

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Public Library Special Revenue Fund

Comparative Balance Sheets

June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,529,639	\$ 3,428,362
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	7,067	25,622
Property Taxes	659,669	9,345,727
Prepaid Items	<u>27,922</u>	<u>17,855</u>
TOTAL ASSETS	<u>\$ 4,224,297</u>	<u>\$ 12,817,566</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 412,699	\$ 293,747
Due to Other Funds	6,576	16,588
Deferred Revenue	<u>580,988</u>	<u>9,267,041</u>
TOTAL LIABILITIES	<u>1,000,263</u>	<u>9,577,376</u>
 Fund Balances:		
Reserved	73,797	177,185
Unreserved:		
Designated	101,546	341,416
Undesignated	<u>3,048,691</u>	<u>2,721,589</u>
TOTAL FUND BALANCES	<u>3,224,034</u>	<u>3,240,190</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,224,297</u>	<u>\$ 12,817,566</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Public Library Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Local Taxes	\$ 8,761,197	\$ 8,498,992
Charges for Current Services	265,533	247,805
Other Local Revenues	72,180	56,343
State of Tennessee	100,014	29,986
Federal Government	2,500	-
Other Governments and Citizens Groups	<u>30,272</u>	<u>27,148</u>
Total Revenues	<u>9,231,696</u>	<u>8,860,274</u>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	<u>9,247,852</u>	<u>8,998,588</u>
Deficiency of Revenues Under Expenditures	(16,156)	(138,314)
Fund Balances, July 1	<u>3,240,190</u>	<u>3,378,504</u>
Fund Balances, June 30	<u><u>\$ 3,224,034</u></u>	<u><u>\$ 3,240,190</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Public Library Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 8,754,919	\$ 8,754,919	\$ 8,761,197	\$ 6,278	\$ 8,194,397	\$ 8,498,992	\$ 304,595
Charges for Current Services	256,000	256,000	265,533	9,533	247,000	247,805	805
Other Local Revenues	10,000	42,560	72,180	29,620	48,668	56,343	7,675
State of Tennessee	-	100,014	100,014	-	2,500	29,986	27,486
Federal Government	-	2,500	2,500	-	-	-	-
Other Governments and Citizens Groups	21,000	39,801	30,272	(9,529)	36,000	27,148	(8,852)
Total Revenues	9,041,919	9,195,794	9,231,696	35,902	8,528,565	8,860,274	331,709
Expenditures							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	4,963,951	4,864,901	4,864,809	92	4,694,113	4,557,698	136,415
Employee Benefits	1,001,072	1,080,669	1,080,668	1	989,954	969,216	20,738
Contracted Services	850,571	938,574	781,110	157,464	976,421	802,209	174,212
Supplies and Materials	1,927,175	2,324,907	2,178,961	145,946	1,762,522	1,674,691	87,831
Other Charges	252,695	272,944	264,824	8,120	297,941	273,649	24,292
Capital Outlay	25,455	168,619	77,480	91,139	990,829	721,125	269,704
Total Expenditures	9,020,919	9,650,614	9,247,852	402,762	9,711,780	8,998,588	713,192
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,000	(454,820)	(16,156)	438,664	(1,183,215)	(138,314)	1,044,901
Fund Balances, July 1	3,240,190	3,240,190	3,240,190	-	3,378,504	3,378,504	-
Fund Balances, June 30	\$ 3,261,190	\$ 2,785,370	\$ 3,224,034	\$ 438,664	\$ 2,195,289	\$ 3,240,190	\$ 1,044,901

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Solid Waste Special Revenue Fund

Comparative Balance Sheets

June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,860,482	\$ 2,555,177
Receivables (Net of Allowances for Uncollectibles):		
Accounts	475,724	206,391
Property Taxes	241,754	3,431,901
Due from Other Funds	988,354	262,856
Prepaid Items	<u>5,733</u>	<u>4,086</u>
TOTAL ASSETS	<u><u>\$ 3,572,047</u></u>	<u><u>\$ 6,460,411</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 357,227	\$ 303,355
Due to Other Funds	88,798	11,751
Due to Component Units	-	1,750
Deferred Revenue	<u>205,706</u>	<u>3,397,861</u>
TOTAL LIABILITIES	<u>651,731</u>	<u>3,714,717</u>
 Fund Balances:		
Reserved	218,845	1,605,342
Unreserved:		
Designated	-	23,595
Undesignated	<u>2,701,471</u>	<u>1,116,757</u>
TOTAL FUND BALANCES	<u>2,920,316</u>	<u>2,745,694</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,572,047</u></u>	<u><u>\$ 6,460,411</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Solid Waste Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Local Taxes	\$ 3,211,797	\$ 2,981,824
Other Local Revenues	205,695	127,302
State of Tennessee	452,751	438,532
Total Revenues	<u>3,870,243</u>	<u>3,547,658</u>
Expenditures		
Current:		
General Government:		
Public Health and Welfare	<u>4,607,418</u>	<u>4,482,262</u>
Deficiency of Revenues		
Under Expenditures	<u>(737,175)</u>	<u>(934,604)</u>
Other Financing Sources		
Proceeds from Borrowing	911,797	-
Transfers from Other Funds	<u>-</u>	<u>832,235</u>
Total Other Financing Sources	<u>911,797</u>	<u>832,235</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	174,622	(102,369)
Fund Balances, July 1	<u>2,745,694</u>	<u>2,848,063</u>
Fund Balances, June 30	<u>\$ 2,920,316</u>	<u>\$ 2,745,694</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Solid Waste Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 3,208,500	\$ 3,208,500	\$ 3,211,797	\$ 3,297	\$ 2,895,758	\$ 2,981,824	\$ 86,066
Other Local Revenues	125,000	135,159	205,695	70,536	186,092	127,302	(58,790)
State of Tennessee	449,022	458,132	452,751	(5,381)	574,882	438,532	(136,350)
Total Revenues	3,782,522	3,801,791	3,870,243	68,452	3,656,732	3,547,658	(109,074)
Expenditures							
Current:							
General Government:							
Public Health and Welfare:							
Personal Services	666,346	701,846	700,562	1,284	625,787	625,764	23
Employee Benefits	201,151	210,102	208,110	1,992	177,373	172,880	4,493
Contracted Services	2,507,123	2,630,472	2,425,706	204,766	2,588,653	2,528,321	60,332
Supplies and Materials	87,020	176,587	161,847	14,740	115,858	94,119	21,739
Other Charges	132,605	123,915	109,792	14,123	136,000	104,846	31,154
Capital Outlay	-	1,667,296	808,398	858,898	1,762,856	787,733	975,123
Litter and Trash Collection:							
Personal Services	68,747	58,747	57,114	1,633	70,239	59,750	10,489
Employee Benefits	22,394	22,394	20,188	2,206	18,105	18,105	-
Contracted Services	54,914	73,712	72,050	1,662	54,212	52,551	1,661
Supplies and Materials	9,222	17,884	15,432	2,452	8,324	8,127	197
Other Charges	-	-	-	-	6,804	6,803	1
Capital Outlay	33,000	56,595	28,219	28,376	45,000	23,263	21,737
Total Expenditures	3,782,522	5,739,550	4,607,418	1,132,132	5,609,211	4,482,262	1,126,949
Deficiency of Revenues Under Expenditures	-	(1,937,759)	(737,175)	1,200,584	(1,952,479)	(934,604)	1,017,875
Other Financing Sources							
Bond Proceeds	-	919,480	911,797	(7,683)	-	-	-
Transfers from Other Funds	-	-	-	-	-	832,235	832,235
Total Other Financing Sources	-	919,480	911,797	(7,683)	-	832,235	832,235
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	(1,018,279)	174,622	1,192,901	(1,952,479)	(102,369)	1,850,110
Fund Balances, July 1	2,745,694	2,745,694	2,745,694	-	2,848,063	2,848,063	-
Fund Balances, June 30	\$ 2,745,694	\$ 1,727,415	\$ 2,920,316	\$ 1,192,901	\$ 895,584	\$ 2,745,694	\$ 1,850,110

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Hotel/Motel Tax Special Revenue Fund
Comparative Balance Sheets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,756,004	\$ 4,198,230
Accounts Receivable	<u>421,187</u>	<u>429,849</u>
TOTAL ASSETS	<u><u>\$ 5,177,191</u></u>	<u><u>\$ 4,628,079</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,352,863	\$ 1,223,470
Due to Other Funds	<u>8,470</u>	<u>7,890</u>
TOTAL LIABILITIES	1,361,333	1,231,360
 Fund Balances:		
Unreserved, undesignated	<u>3,815,858</u>	<u>3,396,719</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 5,177,191</u></u>	<u><u>\$ 4,628,079</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Hotel/Motel Tax Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Local Taxes	\$ 4,272,762	\$ 3,857,548
Other Local Revenues	114	265
Total Revenues	<u>4,272,876</u>	<u>3,857,813</u>
Expenditures		
Current:		
General Government:		
Other General Government	<u>3,853,737</u>	<u>2,136,337</u>
Excess of Revenues Over Expenditures	419,139	1,721,476
Other Financing Uses		
Payments to Component Unit	<u>-</u>	<u>(1,504,800)</u>
Excess of Revenues Over Expenditures and Other Financing Uses	419,139	216,676
Fund Balances, July 1	<u>3,396,719</u>	<u>3,180,043</u>
Fund Balances, June 30	<u>\$ 3,815,858</u>	<u>\$ 3,396,719</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Hotel/Motel Tax Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 3,800,000	\$ 3,851,575	\$ 4,272,762	\$ 421,187	\$ 3,857,547	\$ 3,857,548	\$ 1
Other Local Revenues	-	-	114	114	-	265	265
Total Revenues	3,800,000	3,851,575	4,272,876	421,301	3,857,547	3,857,813	266
Expenditures							
Current:							
General Government:							
Other General Government:							
Contracted Services	1,482,375	1,873,375	1,852,305	21,070	1,684,811	1,684,812	(1)
Other Charges	38,000	45,000	44,144	856	38,777	38,575	202
Miscellaneous	1,976,288	1,957,288	1,957,288	-	412,949	412,950	(1)
Total Expenditures	3,496,663	3,875,663	3,853,737	21,926	2,136,537	2,136,337	200
Excess (Deficiency) of Revenues Over (Under) Expenditures	303,337	(24,088)	419,139	443,227	1,721,010	1,721,476	466
Other Financing Uses							
Payments to Component Unit	-	-	-	-	(1,504,800)	(1,504,800)	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	303,337	(24,088)	419,139	443,227	216,210	216,676	466
Fund Balances, July 1	3,396,719	3,396,719	3,396,719	-	3,180,043	3,180,043	-
Fund Balances, June 30	\$ 3,700,056	\$ 3,372,631	\$ 3,815,858	\$ 443,227	\$ 3,396,253	\$ 3,396,719	\$ 466

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Fire District Special Revenue Fund

Comparative Balance Sheets

June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 37,073
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>225,664</u>	<u>162,571</u>
TOTAL ASSETS	<u>\$ 225,664</u>	<u>\$ 199,644</u>
 LIABILITIES AND FUND BALANCES (DEFICIT)		
Liabilities:		
Due to Other Funds	\$ 16,922	\$ 243
Deferred Revenue	<u>213,381</u>	<u>139,844</u>
TOTAL LIABILITIES	<u>230,303</u>	<u>140,087</u>
 Fund Balances (Deficit):		
Unreserved, Undesignated	<u>(4,639)</u>	<u>59,557</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 225,664</u>	<u>\$ 199,644</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Fire District Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Local Taxes	<u>\$ 85,018</u>	<u>\$ 139,869</u>
Expenditures		
Current:		
General Government:		
Public Safety	<u>149,214</u>	<u>150,206</u>
Deficiency of Revenues Under Expenditures	(64,196)	(10,337)
Fund Balances, July 1	<u>59,557</u>	<u>69,894</u>
Fund Balances (Deficit), June 30	<u><u>\$ (4,639)</u></u>	<u><u>\$ 59,557</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Fire District Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 132,852	\$ 132,852	\$ 85,018	\$ (47,834)	\$ 137,000	\$ 139,869	\$ 2,869
Expenditures							
Current:							
General Government:							
Public Safety:							
Contracted Services	152,860	152,860	147,548	5,312	147,233	147,233	-
Other Charges	2,800	2,800	1,666	1,134	2,975	2,973	2
Total Expenditures	155,660	155,660	149,214	6,446	150,208	150,206	2
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,808)	(22,808)	(64,196)	(41,388)	(13,208)	(10,337)	2,871
Fund Balances, July 1	59,557	59,557	59,557	-	69,894	69,894	-
Fund Balances (Deficit), June 30	\$ 36,749	\$ 36,749	\$ (4,639)	\$ (41,388)	\$ 56,686	\$ 59,557	\$ 2,871

KNOX COUNTY, TENNESSEE

Drug Control Special Revenue Fund

Comparative Balance Sheets

June 30, 2003 and June 30, 2002

	2003	2002
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 459,521	\$ 694,687
Receivables (Net of Allowances for Uncollectibles):		
Accounts	<u> -</u>	<u> 588</u>
TOTAL ASSETS	<u><u>\$ 459,521</u></u>	<u><u>\$ 695,275</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 5,060	\$ 41,631
Due to Other Funds	<u> 425</u>	<u> 359</u>
TOTAL LIABILITIES	<u> 5,485</u>	<u> 41,990</u>
Fund Balances:		
Reserved	36,954	112,017
Unreserved:		
Undesignated	<u> 417,082</u>	<u> 541,268</u>
TOTAL FUND BALANCES	<u> 454,036</u>	<u> 653,285</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 459,521</u></u>	<u><u>\$ 695,275</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Drug Control Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 134,885	\$ 482,397
Other Local Revenues	35,563	67,641
Other Governments and Citizens Groups	<u>131,836</u>	<u>145,566</u>
Total Revenues	<u>302,284</u>	<u>695,604</u>
Expenditures		
Current:		
General Government:		
Finance & Administration	275,319	341,761
Public Safety	<u>226,214</u>	<u>-</u>
Total Expenditures	<u>501,533</u>	<u>341,761</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(199,249)	353,843
Fund Balances, July 1	<u>653,285</u>	<u>299,442</u>
Fund Balances, June 30	<u><u>\$ 454,036</u></u>	<u><u>\$ 653,285</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Drug Control Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Fines, Forfeitures, and Penalties	\$ -	\$ 135,827	\$ 134,885	\$ (942)	\$ -	\$ 482,397	\$ 482,397
Other Local Revenues	-	15,045	35,563	20,518	-	67,641	67,641
Other Governments and Citizens Groups	-	10,442	131,836	121,394	-	145,566	145,566
Total Revenues	-	161,314	302,284	140,970	-	695,604	695,604
Expenditures							
Current:							
General Government:							
Finance & Administration:							
Contracted Services	-	112,000	103,879	8,121	227,983	260,843	(32,860)
Supplies and Materials	-	110,000	109,999	1	69,767	37,725	32,042
Other Charges	-	48,000	41,081	6,919	5,000	4,307	693
Capital Outlay	-	80,000	20,360	59,640	47,250	38,886	8,364
Public Safety							
Contracted Services	-	226,214	226,214	-	-	-	-
Total Expenditures	-	576,214	501,533	74,681	350,000	341,761	8,239
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(414,900)	(199,249)	215,651	(350,000)	353,843	703,843
Fund Balances, July 1	653,285	653,285	653,285	-	299,442	299,442	-
Fund Balances (Deficit), June 30	\$ 653,285	\$ 238,385	\$ 454,036	\$ 215,651	\$ (50,558)	\$ 653,285	\$ 703,843

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Highway Special Revenue Fund
Comparative Balance Sheets
June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,586,225	\$ 2,927,909
Receivables (Net of Allowances for Uncollectibles):		
Accounts	2,189,540	1,765,681
Prepaid Items	18,501	13,594
	<u>6,794,266</u>	<u>4,707,184</u>
TOTAL ASSETS	\$ 6,794,266	\$ 4,707,184
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,194,545	\$ 960,243
Due to Other Funds	299,772	361,179
Due to Component Units	16,115	-
	<u>1,510,432</u>	<u>1,321,422</u>
TOTAL LIABILITIES	1,510,432	1,321,422
 Fund Balances:		
Reserved	441,224	225,792
Unreserved:		
Designated	1,083,988	-
Undesignated	3,758,622	3,159,970
	<u>5,283,834</u>	<u>3,385,762</u>
TOTAL FUND BALANCES	5,283,834	3,385,762
	<u>\$ 6,794,266</u>	<u>\$ 4,707,184</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,794,266	\$ 4,707,184

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Highway Special Revenue Fund Comparative Statements of Revenues, Expenditures And Changes in Fund Balances

For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Local Taxes	\$ 5,644,903	\$ 4,335,221
Other Local Revenues	2,548	10,872
State of Tennessee	<u>5,702,207</u>	<u>5,029,328</u>
Total Revenues	<u>11,349,658</u>	<u>9,375,421</u>
Expenditures		
Current:		
Highways	<u>9,113,368</u>	<u>9,829,051</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,236,290</u>	<u>(453,630)</u>
Other Financing Uses:		
Transfers to Other Funds	<u>(338,218)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	1,898,072	(453,630)
Fund Balances, July 1	<u>3,385,762</u>	<u>3,839,392</u>
Fund Balances, June 30	<u>\$ 5,283,834</u>	<u>\$ 3,385,762</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Highway Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balance - Budget And Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 5,511,500	\$ 5,511,500	\$ 5,644,903	\$ 133,403	\$ 4,360,595	\$ 4,335,221	\$ (25,374)
Other Local Revenues	150	1,060	2,548	1,488	2,117	10,872	8,755
State of Tennessee	5,312,201	5,312,201	5,702,207	390,006	5,219,416	5,029,328	(190,088)
Total Revenues	10,823,851	10,824,761	11,349,658	524,897	9,582,128	9,375,421	(206,707)
Expenditures							
Current:							
Highways:							
Administration:							
Personal Services	162,464	162,464	157,137	5,327	151,864	151,849	15
Employee Benefits	29,142	29,142	27,060	2,082	26,116	26,110	6
Contracted Services	46,940	46,940	33,602	13,338	48,585	38,923	9,662
Supplies and Materials	67,892	70,532	62,439	8,093	52,013	46,453	5,560
Other Charges	1,042	2,042	1,655	387	91,842	91,842	-
Capital Outlay	2,721	-	-	-	3,961	3,118	843
Highways and Bridge Maintenance:							
Personal Services	2,254,036	2,234,036	2,214,839	19,197	2,140,411	2,140,379	32
Employee Benefits	603,062	603,062	578,922	24,140	513,041	512,952	89
Contracted Services	687,876	810,099	808,014	2,085	762,422	739,143	23,279
Supplies and Materials	5,073,724	4,770,872	3,715,236	1,055,636	3,858,449	3,825,601	32,848
Other Charges	51,400	(2,290)	(2,292)	2	756,811	756,811	-
Various Highway:							
Personal Services	491,911	491,911	477,306	14,605	470,734	468,671	2,063
Employee Benefits	124,039	124,039	120,623	3,416	111,653	110,932	721
Contracted Services	302,950	332,191	245,111	87,080	195,817	158,530	37,287
Supplies and Materials	301,152	222,305	202,363	19,942	271,246	242,665	28,581
Other Charges	-	-	-	-	60	30	30
Capital Outlay	277,500	389,735	98,208	291,527	53,028	16,451	36,577
Other Charges:							
Other Charges	190,000	106,300	104,680	1,620	92,000	91,035	965
Capital Outlay:							
Contracted Services	-	-	-	-	88,125	34,751	53,374
Capital Outlay	156,000	305,464	268,465	36,999	537,139	372,805	164,334
Total Expenditures	10,823,851	10,698,844	9,113,368	1,585,476	10,225,317	9,829,051	396,266
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	125,917	2,236,290	2,110,373	(643,189)	(453,630)	189,559
Other Financing Uses							
Transfers to Other Funds	-	(338,218)	(338,218)	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	-	(212,301)	1,898,072	2,110,373	(643,189)	(453,630)	189,559
Fund Balances, July 1	3,385,762	3,385,762	3,385,762	-	3,839,392	3,839,392	-
Fund Balances, June 30	\$ 3,385,762	\$ 3,173,461	\$ 5,283,834	\$ 2,110,373	\$ 3,196,203	\$ 3,385,762	\$ 189,559

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Judicial District Drug Fund
Comparative Balance Sheets
June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,923	\$ 1,087
Receivables (Net of Allowances for Uncollectibles):		
Accounts	-	5,897
TOTAL ASSETS	<u>\$ 4,923</u>	<u>\$ 6,984</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,087
Due to Other Funds	4,923	974
TOTAL LIABILITIES	<u>4,923</u>	<u>2,061</u>
 Fund Balances:		
Unreserved:		
Designated	-	3,261
Undesignated	-	1,662
TOTAL FUND BALANCES	<u>-</u>	<u>4,923</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,923</u>	<u>\$ 6,984</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Judicial District Drug Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues		
State of Tennessee	\$ -	\$ 20,241
Expenditures		
Current:		
Public Safety	<u>-</u>	<u>27,667</u>
Deficiency of Revenues Under Expenditures	-	(7,426)
Other Financing Sources		
Transfers to Other Funds	<u>(4,923)</u>	<u>-</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures	(4,923)	(7,426)
Fund Balances, July 1	<u>4,923</u>	<u>12,349</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ 4,923</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

ADA Construction Capital Projects Fund (Nonmajor)

Comparative Balance Sheets

June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,964,171	\$ 3,609,862
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>58,661</u>	<u>830,681</u>
TOTAL ASSETS	<u><u>\$ 4,022,832</u></u>	<u><u>\$ 4,440,543</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 161,771	\$ 51,156
Due to Other Funds	178	172
Deferred Revenue	<u>49,767</u>	<u>822,063</u>
TOTAL LIABILITIES	<u>211,716</u>	<u>873,391</u>
 Fund Balances		
Reserved	64,609	155,999
Unreserved, Undesignated	<u>3,746,507</u>	<u>3,411,153</u>
TOTAL FUND BALANCES	<u>3,811,116</u>	<u>3,567,152</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,022,832</u></u>	<u><u>\$ 4,440,543</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**ADA Construction Capital Projects Fund (Nonmajor)
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Local Taxes	<u>\$ 778,659</u>	<u>\$ 760,349</u>
Expenditures		
Capital Projects:		
Capital Projects	<u>534,695</u>	<u>222,591</u>
Excess of Revenues Over Expenditures	243,964	537,758
Fund Balances, July 1	<u>3,567,152</u>	<u>3,029,394</u>
Fund Balances, June 30	<u><u>\$ 3,811,116</u></u>	<u><u>\$ 3,567,152</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**ADA Construction Capital Projects Fund (Nonmajor)
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 776,902	\$ 776,902	\$ 778,659	\$ 1,757	\$ 710,583	\$ 760,349	\$ 49,766
Expenditures							
Capital Projects:							
Contracted Services	100,000	175,849	11,370	164,479	224,045	137,774	86,271
Supplies & Materials	50,000	50,000	-	50,000	51,441	2,799	48,642
Other Charges	15,500	15,650	15,576	74	15,249	15,209	40
Capital Outlay	611,402	691,402	507,749	183,653	519,204	66,809	452,395
Total Expenditures	776,902	932,901	534,695	398,206	809,939	222,591	587,348
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(155,999)	243,964	399,963	(99,356)	537,758	637,114
Fund Balances, July 1	3,567,152	3,567,152	3,567,152	-	3,029,394	3,029,394	-
Fund Balances, June 30	\$ 3,567,152	\$ 3,411,153	\$ 3,811,116	\$ 399,963	\$ 2,930,038	\$ 3,567,152	\$ 637,114

The Notes to Financial Statements are an integral part of this statement.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one of the County's departments or agencies to other departments or agencies and to the County's various discretely presented component units and joint ventures.

Vehicle Service Center Fund: This fund is used to account for all gasoline and maintenance services for County vehicles.

Printshop and Mailroom Fund: This fund includes central printing services (discontinued during the fiscal year ended June 30, 2003) and a central mailroom service for the County.

Employee Benefits Fund: This fund is used to account for the payment of medical and unemployment claims.

Employee Retirement Fund: This fund is used to account for the County's retirement plan contributions.

Self Insurance Fund: This fund is used to account for the payment of workers compensation and general liability claims against the County.

Central Maintenance Fund: This fund is used to account for all maintenance services for Knox Central buildings.

Technical Support Service Fund: This fund accounts for technical support and technical repairs associated with electronic data processing.

Capital Leasing Fund: This fund is used for lease/purchase transactions to other department. The fund also serves as a leasing entity for a fleet of vehicles or other equipment.

KNOX COUNTY, TENNESSEE

Combining Statement of Net Assets
Internal Service Funds

June 30, 2003

	Vehicle Service Center	Printshop and Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
ASSETS									
Current Assets:									
Cash and Cash Equivalents	\$ 29,594	\$ 1,913	\$ 1,445,931	\$ 26,808	\$ 4,661,244	\$ 46,643	\$ 204,475	\$ 1,790,276	\$ 8,206,884
Receivables:									
Accounts	51,975	1,476	202,770	92,832	15,768	-	-	-	364,821
Notes Receivable	-	-	-	-	17,505	-	-	-	17,505
Due from Other Funds	134,028	23,358	309,960	-	1,733,422	1,167	2,592	113,650	2,318,177
Due from Component Units	9,059	-	206,857	2,250	230,000	-	425	-	448,591
Inventories	100,046	13,933	-	-	-	-	-	-	113,979
Prepaid Items	5,400	123	-	1,264	1,001	-	-	-	7,788
TOTAL CURRENT ASSETS	330,102	40,803	2,165,518	123,154	6,658,940	47,810	207,492	1,903,926	11,477,745
Capital Assets:									
Machinery and Equipment	95,578	21,090	-	51,815	15,576	61,992	95,282	9,286,224	9,627,557
Computer Software	-	-	-	34,067	-	-	-	-	34,067
Accumulated Depreciation	(54,697)	(21,090)	-	(41,478)	(11,422)	(30,174)	(43,729)	(5,766,649)	(5,969,239)
Capital Assets (Net of Accumulated Depreciation)	40,881	-	-	44,404	4,154	31,818	51,553	3,519,575	3,692,385
TOTAL ASSETS	370,983	40,803	2,165,518	167,558	6,663,094	79,628	259,045	5,423,501	15,170,130
LIABILITIES									
Current liabilities:									
Accounts Payable and Accrued Liabilities	89,591	4,723	1,187,348	42,721	187,061	54,255	15,115	49,850	1,630,664
Due to Other Funds	151,594	20,239	-	3,469	2,269	1,167	4,506	-	183,244
Due to Component Units	-	-	129,491	40	-	-	-	-	129,531
Deferred Revenue	-	-	800,888	-	-	-	-	-	800,888
Self Insured Claims Liability	-	-	-	-	6,452,951	-	-	-	6,452,951
Compensated Absences Payable	58,276	3,765	-	12,654	18,732	-	-	-	93,427
Advances from Other Funds	-	-	12,500	-	-	-	-	-	12,500
TOTAL CURRENT LIABILITIES	299,461	28,727	2,130,227	58,884	6,661,013	55,422	19,621	49,850	9,303,205
Noncurrent Liabilities:									
Compensated Absences Payable	6,805	418	-	1,406	2,081	-	-	-	10,710
TOTAL LIABILITIES	306,266	29,145	2,130,227	60,290	6,663,094	55,422	19,621	49,850	9,313,915
NET ASSETS									
Invested in Capital Assets	40,881	-	-	44,404	4,154	31,818	51,553	3,519,575	3,692,385
Unrestricted	23,836	11,658	35,291	62,864	(4,154)	(7,612)	187,871	1,854,076	2,163,830
TOTAL NET ASSETS	\$ 64,717	\$ 11,658	\$ 35,291	\$ 107,268	\$ -	\$ 24,206	\$ 239,424	\$ 5,373,651	\$ 5,856,215

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2003**

	Vehicle Service Center	Printshop and Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
Operating Revenues									
Charges for Services	\$ 2,138,351	\$ 477,355	\$ 27,873,758	\$ 9,000	\$ 1,580,000	\$ 349,952	\$ 322,578	\$ 1,340,078	\$ 34,091,072
Operating Expenses									
Cost of Sales and Services	535,422	352,502	-	-	-	-	-	67,918	955,842
General and Administration	1,626,077	258,843	22,148	839,401	623,693	365,898	364,735	-	4,100,795
Depreciation and Amortization	11,806	6,749	-	26,974	3,115	4,481	17,857	1,321,632	1,392,614
Medical Claims	-	-	12,638,027	-	-	-	-	-	12,638,027
Retirement Contributions	-	-	14,873,453	-	-	-	-	-	14,873,453
Other Employee Benefits	-	-	652,076	-	-	-	-	-	652,076
Worker's Compensation Claims	-	-	-	3,025	1,506,318	-	-	-	1,509,343
Other Expenses	510	18,048	-	19,329	2,272,230	5,357	-	-	2,315,474
Total Operating Expenses	2,173,815	636,142	28,185,704	888,729	4,405,356	375,736	382,592	1,389,550	38,437,624
Operating Loss	(35,464)	(158,787)	(311,946)	(879,729)	(2,825,356)	(25,784)	(60,014)	(49,472)	(4,346,552)
Nonoperating Revenues									
Payments from Component Units	-	-	-	361,828	-	-	-	-	361,828
Other Income	-	-	-	-	67,129	-	-	-	67,129
Transfers from Other Funds	-	130,000	250,000	496,904	1,733,390	-	-	390,048	3,000,342
Total Nonoperating Revenues	-	130,000	250,000	858,732	1,800,519	-	-	390,048	3,429,299
Change in Net Assets	(35,464)	(28,787)	(61,946)	(20,997)	(1,024,837)	(25,784)	(60,014)	340,576	(917,253)
Total Net Assets, July 1	100,181	40,445	97,237	128,265	1,024,837	49,990	299,438	5,033,075	6,773,468
Total Net Assets, June 30	\$ 64,717	\$ 11,658	\$ 35,291	\$ 107,268	\$ -	\$ 24,206	\$ 239,424	\$ 5,373,651	\$ 5,856,215

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2003

	Vehicle Service Center	Printshop and Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
Operating Activities									
Cash Received from Interfund Services Provided	\$ 2,450,978	\$ 487,586	\$ 28,786,500	\$ (237,715)	\$ 605,520	\$ 348,787	\$ 324,330	\$ 1,327,683	\$ 34,093,669
Cash Paid to Employees	(604,032)	(112,268)	-	(285,994)	(288,712)	(97,301)	-	-	(1,388,307)
Cash Paid for Goods and Services	(1,678,864)	(499,612)	(22,148)	(526,365)	(2,479,447)	(232,864)	(370,020)	(67,918)	(5,877,238)
Cash Paid on Behalf of Employee:	(166,231)	(24,201)	(28,088,506)	(64,385)	(66,593)	(19,216)	-	-	(28,429,132)
Net Cash Provided by (Used in) Operating Activities	1,851	(148,495)	675,846	(1,114,459)	(2,229,232)	(594)	(45,690)	1,259,765	(1,601,008)
Noncapital Financing Activities									
Receipts from Subrogation Payments	-	-	-	-	51,786	-	-	-	51,786
Transfers from Other Funds	-	130,000	250,000	858,732	1,733,390	-	-	-	2,972,122
Advances from Other Funds	-	-	12,500	-	-	-	-	-	12,500
Net Cash Provided by Noncapital Financing Activities	-	130,000	262,500	858,732	1,785,176	-	-	-	3,036,408
Capital and Related Financing Activities									
Acquisition and Construction of Capital Assets	-	-	-	-	-	(10,525)	(5,995)	(1,565,431)	(1,581,951)
Proceeds from Sale of Equipment	-	13,566	-	-	-	-	-	-	13,566
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	13,566	-	-	-	(10,525)	(5,995)	(1,565,431)	(1,568,385)
Net Increase (Decrease) in Cash and Cash Equivalents/Investments	1,851	(4,929)	938,346	(255,727)	(444,056)	(11,119)	(51,685)	(305,666)	(132,985)
Cash and Cash Equivalents/Investments Beginning of Year	27,743	6,842	507,585	282,535	5,105,300	57,762	256,160	2,095,942	8,339,869
End of Year	\$ 29,594	\$ 1,913	\$ 1,445,931	\$ 26,808	\$ 4,661,244	\$ 46,643	\$ 204,475	\$ 1,790,276	\$ 8,206,884
Reconciliation of Operating Loss to Net Cash Used in Operating Activities									
Operating Loss	\$ (35,464)	\$ (158,787)	\$ (311,946)	\$ (879,729)	\$ (2,825,356)	\$ (25,784)	\$ (60,014)	\$ (49,472)	\$ (4,346,552)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:									
Depreciation and Amortization	11,806	6,749	-	26,974	3,115	4,481	17,857	1,321,632	1,392,614
Loss on Disposal of Fixed Asset	-	20,176	-	-	-	-	-	-	20,176
Change in Assets and Liabilities									
(Increase) Decrease in Accounts Receivable	(12,689)	943	240,906	(92,815)	-	-	215	-	136,560
(Increase) Decrease in Due from Other Funds	327,436	9,240	75,278	-	(803,923)	(1,165)	1,872	(12,395)	(403,657)
(Increase) Decrease in Due from Component Units	(2,120)	48	(204,330)	-	(170,557)	-	(335)	-	(377,294)
Decrease in Inventories	16,300	15,799	-	-	-	-	-	-	32,099
(Increase) Decrease in Prepaid Items	(2,522)	481	23,592	8	1,472	258	-	-	23,289
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(13,408)	(5,208)	24,446	(17,952)	50,858	36,190	(1,276)	-	73,650
Increase (Decrease) in Due to Other Funds	(290,287)	(33,088)	-	2,714	(13,255)	(2,612)	(4,009)	-	(340,537)
Increase (Decrease) in Due to Component Units	-	(397)	27,012	40	-	(77)	-	-	26,578
Increase (Decrease) in Compensated Absences	2,799	(4,451)	-	201	(6,111)	(11,885)	-	-	(19,447)
Increase (Decrease) in Deferred Revenues	-	-	800,888	(153,900)	1,534,525	-	-	-	2,181,513
Total Adjustments	37,315	10,292	987,792	(234,730)	596,124	25,190	14,324	1,309,237	2,745,544
Net Cash Provided by (Used in) Operating Activities	\$ 1,851	\$ (148,495)	\$ 675,846	\$ (1,114,459)	\$ (2,229,232)	\$ (594)	\$ (45,690)	\$ 1,259,765	\$ (1,601,008)
Noncash Investing, Capital, and Financing Activities									
Accounts Payable Incurred for Capital Asset Acquisition:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,850	\$ 49,850
Capital Assets Transferred from Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 390,048	\$ 390,048

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund
Comparative Statements of Net Assets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 29,594	\$ 27,743
Accounts Receivable	51,975	39,286
Due from Other Funds	134,028	461,464
Due from Component Units	9,059	6,939
Inventories	100,046	116,346
Prepaid Items	<u>5,400</u>	<u>2,878</u>
TOTAL CURRENT ASSETS	<u>330,102</u>	<u>654,656</u>
Capital Assets:		
Machinery and Equipment	95,578	95,578
Accumulated Depreciation	<u>(54,697)</u>	<u>(42,891)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>40,881</u>	<u>52,687</u>
TOTAL ASSETS	<u>370,983</u>	<u>707,343</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	89,591	102,999
Due to Other Funds	151,594	441,881
Compensated Absences	<u>58,276</u>	<u>56,054</u>
TOTAL CURRENT LIABILITIES	<u>299,461</u>	<u>600,934</u>
Noncurrent Liabilities:		
Compensated Absences	<u>6,805</u>	<u>6,228</u>
TOTAL LIABILITIES	<u>306,266</u>	<u>607,162</u>
NET ASSETS		
Invested in Capital Assets	40,881	52,687
Unrestricted	<u>23,836</u>	<u>47,494</u>
TOTAL NET ASSETS	<u>\$ 64,717</u>	<u>\$ 100,181</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund
Comparative Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 2,138,351</u>	<u>\$ 2,100,335</u>
Operating Expenses		
Costs of Sales and Services	535,422	525,858
General and Administrative	1,626,077	1,605,380
Depreciation and Amortization	11,806	10,288
Other Expenses	<u>510</u>	<u>212,303</u>
Total Operating Expenses	<u>2,173,815</u>	<u>2,353,829</u>
Operating Loss	(35,464)	(253,494)
Nonoperating Revenues		
Transfers from Other Funds	<u>-</u>	<u>350,000</u>
Change in Net Assets	(35,464)	96,506
Net Assets, July 1	<u>100,181</u>	<u>3,675</u>
Net Assets, June 30	<u>\$ 64,717</u>	<u>\$ 100,181</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Printshop and Mailroom Fund
Comparative Statements of Net Assets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,913	\$ 6,842
Accounts Receivable	1,476	2,419
Due from Other Funds	23,358	32,598
Due from Component Units	-	48
Inventories	13,933	29,732
Prepaid Items	<u>123</u>	<u>604</u>
TOTAL CURRENT ASSETS	<u>40,803</u>	<u>72,243</u>
Capital Assets:		
Machinery and Equipment	21,090	66,080
Accumulated Depreciation	<u>(21,090)</u>	<u>(25,589)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>40,491</u>
TOTAL ASSETS	<u>40,803</u>	<u>112,734</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	4,723	9,931
Due to Other Funds	20,239	53,327
Compensated Absences	3,765	7,771
Due to Component Units	<u>-</u>	<u>397</u>
TOTAL CURRENT LIABILITIES	<u>28,727</u>	<u>71,426</u>
Noncurrent Liabilities:		
Compensated Absences	<u>418</u>	<u>863</u>
TOTAL LIABILITIES	<u>29,145</u>	<u>72,289</u>
NET ASSETS		
Invested in Capital Assets	-	40,491
Unrestricted	<u>11,658</u>	<u>(46)</u>
TOTAL NET ASSETS	<u>\$ 11,658</u>	<u>\$ 40,445</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Printshop and Mailroom Fund
Comparative Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 477,355</u>	<u>\$ 520,496</u>
Operating Expenses		
Costs of Sales and Services	352,502	290,527
General and Administrative	258,843	278,344
Depreciation and Amortization	6,749	4,499
Other Expenses	<u>18,048</u>	<u>40,180</u>
Total Operating Expenses	<u>636,142</u>	<u>613,550</u>
Operating Loss	(158,787)	(93,054)
Nonoperating Revenues		
Transfers from Other Funds	<u>130,000</u>	<u>134,100</u>
Change in Net Assets	(28,787)	41,046
Net Assets (Deficit), July 1	<u>40,445</u>	<u>(601)</u>
Net Assets, June 30	<u><u>\$ 11,658</u></u>	<u><u>\$ 40,445</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Employee Benefits Fund
Comparative Statements of Net Assets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,445,931	\$ 507,585
Accounts Receivable	202,770	443,676
Due from Other Funds	309,960	385,238
Due from Component Units	206,857	2,527
Prepaid Items	-	23,592
	<u>2,165,518</u>	<u>1,362,618</u>
TOTAL ASSETS		
	<u>2,165,518</u>	<u>1,362,618</u>
LIABILITIES		
Liabilities:		
Accounts Payable and		
Accrued Liabilities	1,187,348	1,162,902
Deferred Revenue	800,888	-
Due to Component Units	129,491	102,479
Advances from Other Funds	12,500	-
	<u>2,130,227</u>	<u>1,265,381</u>
TOTAL LIABILITIES		
	<u>2,130,227</u>	<u>1,265,381</u>
NET ASSETS		
Unrestricted	<u>\$ 35,291</u>	<u>\$ 97,237</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Employee Benefits Fund
Comparative Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 27,873,758</u>	<u>\$ 25,780,341</u>
Operating Expenses		
General and Administrative	22,148	20,355
Medical Claims	12,638,027	10,799,129
Retirement Contributions	14,873,453	14,824,391
Other Employee Benefits	652,076	615,168
Other Expenses	<u>-</u>	<u>907</u>
Total Operating Expenses	<u>28,185,704</u>	<u>26,259,950</u>
Operating Loss	(311,946)	(479,609)
Nonoperating Revenues		
Transfers from Other Funds	<u>250,000</u>	<u>-</u>
Change in Net Assets	(61,946)	(479,609)
Net Assets, July 1	<u>97,237</u>	<u>576,846</u>
Net Assets, June 30	<u><u>\$ 35,291</u></u>	<u><u>\$ 97,237</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Employee Retirement Fund
Comparative Statements of Net Assets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 26,808	\$ 282,535
Accounts Receivable	92,832	17
Due from Component Units	2,250	2,250
Prepaid Items	1,264	1,272
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	123,154	286,074
Capital Assets:		
Machinery and Equipment	51,815	51,815
Computer Software	34,067	52,596
Accumulated Depreciation	(41,478)	(33,033)
	<hr/>	<hr/>
Capital Assets (Net of Accumulated Depreciation)	44,404	71,378
	<hr/>	<hr/>
TOTAL ASSETS	167,558	357,452
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	42,721	60,673
Due to Other Funds	3,469	755
Compensated Absences	12,654	12,473
Deferred Revenue	-	153,900
Due to Component Units	40	-
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	58,884	227,801
Noncurrent Liabilities:		
Compensated Absences	1,406	1,386
	<hr/>	<hr/>
TOTAL LIABILITIES	60,290	229,187
NET ASSETS		
Invested in Capital Assets	44,404	71,378
Unrestricted	62,864	56,887
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 107,268	\$ 128,265

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Employee Retirement Fund
Comparative Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Charges for Sales and Services	\$ 9,000	\$ 9,000
Operating Expenses		
General and Administrative	839,401	918,668
Depreciation and Amortization	26,974	28,892
Workers' Compensation Claims	3,025	-
Other Expenses	19,329	17,760
Total Operating Expenses	888,729	965,320
Operating Loss	(879,729)	(956,320)
Nonoperating Revenues		
Payments from Component Units	361,828	405,434
Transfers from Other Funds	496,904	559,885
Total Nonoperating Revenues	858,732	965,319
Change in Net Assets	(20,997)	8,999
Net Assets, July 1	128,265	119,266
Net Assets, June 30	<u>\$ 107,268</u>	<u>\$ 128,265</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Self Insurance Fund
Comparative Statements of Net Assets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,661,244	\$ 5,105,300
Accounts Receivable	15,768	-
Notes Receivable	17,505	17,930
Due from Other Funds	1,733,422	929,499
Due from Component Units	230,000	59,443
Prepaid Items	1,001	2,473
	<u>6,658,940</u>	<u>6,114,645</u>
TOTAL CURRENT ASSETS		
Capital Assets:		
Machinery and Equipment	15,576	15,576
Accumulated Depreciation	<u>(11,422)</u>	<u>(8,307)</u>
	4,154	7,269
Capital Assets (Net of Accumulated Depreciation)	<u>4,154</u>	<u>7,269</u>
	<u>6,663,094</u>	<u>6,121,914</u>
TOTAL ASSETS		
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	187,061	136,203
Due to Other Funds	2,269	15,524
Self Insured Claims Liability	6,452,951	4,918,426
Compensated Absences	18,732	24,232
	<u>6,661,013</u>	<u>5,094,385</u>
TOTAL CURRENT LIABILITIES		
Noncurrent Liabilities:		
Compensated Absences	<u>2,081</u>	<u>2,692</u>
	<u>6,663,094</u>	<u>5,097,077</u>
TOTAL LIABILITIES		
NET ASSETS		
Invested in Capital Assets	4,154	7,269
Unrestricted	<u>(4,154)</u>	<u>1,017,568</u>
	<u>\$ -</u>	<u>\$ 1,024,837</u>
TOTAL NET ASSETS		

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Self Insurance Fund

Comparative Statements of Revenues, Expenses and Changes in Net Assets

For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Charges for Sales and Services	\$ 1,580,000	\$ 3,044,561
Operating Expenses		
General and Administrative	623,693	445,634
Depreciation and Amortization	3,115	3,115
Workers' Compensation Claims	1,506,318	232,248
Other Claims	<u>2,272,230</u>	<u>2,365,213</u>
Total Operating Expenses	<u>4,405,356</u>	<u>3,046,210</u>
Operating Loss	(2,825,356)	(1,649)
Nonoperating Revenues		
Subrogations	67,129	39,262
Transfers From Other Funds	<u>1,733,390</u>	<u>-</u>
Total Nonoperating Revenues	<u>1,800,519</u>	<u>39,262</u>
Change in Net Assets	(1,024,837)	37,613
Net Assets, July 1	<u>1,024,837</u>	<u>987,224</u>
Net Assets, June 30	<u><u>\$ -</u></u>	<u><u>\$ 1,024,837</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Central Maintenance Fund
Comparative Statements of Net Assets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 46,643	\$ 57,762
Due from Other Funds	1,167	2
Prepaid Items	-	258
	<u>47,810</u>	<u>58,022</u>
TOTAL CURRENT ASSETS	<u>47,810</u>	<u>58,022</u>
Capital Assets:		
Machinery and Equipment	61,992	51,467
Accumulated Depreciation	(30,174)	(25,693)
	<u>31,818</u>	<u>25,774</u>
Capital Assets (Net of Accumulated Depreciation)	<u>31,818</u>	<u>25,774</u>
TOTAL ASSETS	<u>79,628</u>	<u>83,796</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	54,255	18,065
Due to Other Funds	1,167	3,779
Compensated Absences	-	10,697
Due to Component Units	-	77
	<u>55,422</u>	<u>32,618</u>
TOTAL CURRENT LIABILITIES	<u>55,422</u>	<u>32,618</u>
Noncurrent Liabilities:		
Compensated Absences	-	1,188
	<u>55,422</u>	<u>33,806</u>
TOTAL LIABILITIES	<u>55,422</u>	<u>33,806</u>
NET ASSETS		
Invested in Capital Assets	31,818	25,774
Unrestricted	(7,612)	24,216
	<u>24,206</u>	<u>49,990</u>
TOTAL NET ASSETS	<u>\$ 24,206</u>	<u>\$ 49,990</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Central Maintenance Fund
Comparative Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 349,952</u>	<u>\$ 324,185</u>
Operating Expenses		
General and Administrative	365,898	306,407
Depreciation and Amortization	4,481	3,692
Other Expenses	<u>5,357</u>	<u>4,286</u>
Total Operating Expenses	<u>375,736</u>	<u>314,385</u>
Change in Net Assets	(25,784)	9,800
Net Assets, July 1	<u>49,990</u>	<u>40,190</u>
Net Assets, June 30	<u><u>\$ 24,206</u></u>	<u><u>\$ 49,990</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Technical Support Service Fund
Comparative Statements of Net Assets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 204,475	\$ 256,160
Accounts Receivable	-	215
Due from Other Funds	2,592	4,464
Due from Component Units	425	90
	<u>207,492</u>	<u>260,929</u>
TOTAL CURRENT ASSETS	<u>207,492</u>	<u>260,929</u>
Capital Assets:		
Machinery and Equipment	95,282	89,287
Accumulated Depreciation	(43,729)	(25,872)
	<u>51,553</u>	<u>63,415</u>
Capital Assets (Net of Accumulated Depreciation)	<u>51,553</u>	<u>63,415</u>
TOTAL ASSETS	<u>259,045</u>	<u>324,344</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	15,115	16,391
Due to Other Funds	4,506	8,515
	<u>19,621</u>	<u>24,906</u>
TOTAL LIABILITIES	<u>19,621</u>	<u>24,906</u>
NET ASSETS		
Invested in Capital Assets	51,553	63,415
Unrestricted	187,871	236,023
	<u>239,424</u>	<u>299,438</u>
TOTAL NET ASSETS	<u>\$ 239,424</u>	<u>\$ 299,438</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Technical Support Service Fund
Comparative Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 322,578</u>	<u>\$ 293,498</u>
Operating Expenses		
General and Administrative	364,735	181,131
Depreciation and Amortization	<u>17,857</u>	<u>8,561</u>
Total Operating Expenses	<u>382,592</u>	<u>189,692</u>
Change in Net Assets	(60,014)	103,806
Net Assets, July 1	<u>299,438</u>	<u>195,632</u>
Net Assets, June 30	<u><u>\$ 239,424</u></u>	<u><u>\$ 299,438</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Capital Leasing Fund
Comparative Statements of Net Assets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,790,276	\$ 2,095,942
Due from Other Funds	<u>113,650</u>	<u>101,255</u>
TOTAL CURRENT ASSETS	<u>1,903,926</u>	<u>2,197,197</u>
Capital Assets:		
Machinery and Equipment	9,286,224	7,496,763
Accumulated Depreciation	<u>(5,766,649)</u>	<u>(4,445,017)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>3,519,575</u>	<u>3,051,746</u>
TOTAL ASSETS	<u>5,423,501</u>	<u>5,248,943</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>49,850</u>	<u>215,868</u>
NET ASSETS		
Invested in Capital Assets	3,519,575	3,051,746
Unrestricted	<u>1,854,076</u>	<u>1,981,329</u>
TOTAL NET ASSETS	<u>\$ 5,373,651</u>	<u>\$ 5,033,075</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Capital Leasing Fund
Comparative Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Charges for Sales and Services	\$ 1,340,078	\$ 1,242,191
Operating Expenses		
Costs of Sales and Services	67,918	89,381
Depreciation and Amortization	<u>1,321,632</u>	<u>1,216,562</u>
Total Operating Expenses	<u>1,389,550</u>	<u>1,305,943</u>
Operating Loss	(49,472)	(63,752)
Nonoperating Revenues (Expenses)		
Transfers From Other Funds	390,048	87,774
Transfers To Other Funds	<u>-</u>	<u>(84,100)</u>
Total Nonoperating Revenues (Expenses)	<u>390,048</u>	<u>3,674</u>
Change in Net Assets	340,576	(60,078)
Net Assets, July 1	<u>5,033,075</u>	<u>5,093,153</u>
Net Assets, June 30	<u>\$ 5,373,651</u>	<u>\$ 5,033,075</u>

The Notes to Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

Trust funds are used to account for assets held by the County in a trustee capacity. Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

PENSION TRUST FUNDS

Pension Trust Fund Defined Benefit: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined benefit plan.

Pension Trust Fund Defined Contribution: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined contribution (asset accumulation) plan.

Pension Trust Fund Medical Retirement Defined Contribution: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined contribution (asset accumulation) plan. This plan assists employees in planning and investing for anticipated medical expenses upon retirement.

AGENCY FUNDS

Municipal Sales Tax Fund: This fund accounts for the local sales tax levied by local municipalities. These funds are collected by the State of Tennessee and remitted to the County for distribution to the municipalities.

Juvenile Court Fund: This fund accounts for the receipt and disposition of funds held on behalf of juvenile defendants.

Subdivision Bonds: This fund accounts for the receipt and distribution of funds held by the County from subdivision developers pending completion of road and hydrology requirements.

External Agencies Fund: This fund accounts for the cash of several external agencies and County joint ventures held by the County Trustee on their behalf.

Constitutional Officers: The various elected officials use this fund to account for the receipt and disbursement of funds on behalf of state agencies and/or other funds.

KNOX COUNTY, TENNESSEE**Combining Statement of Fiduciary Net Assets****Pension Trust Funds**June 30, 2003

	Defined Benefit Plan	Defined Contribution Plan	Medical Retirement Plan	Total
ASSETS				
Cash and Cash Equivalents	\$ 1,767,944	\$ -	\$ -	\$ 1,767,944
Receivables:				
Interest and Dividends	172,486	-	-	172,486
Contributions	27,266	-	268,574	295,840
Investments	70,902,054	123,281,539	4,787,720	198,971,313
TOTAL ASSETS	72,869,750	123,281,539	5,056,294	201,207,583
LIABILITIES				
Accounts Payable and Accrued Liabilities	321,283	-	-	321,283
NET ASSETS				
Held in Trust for:				
Pension Benefits	\$ 72,548,467	\$ 123,281,539	\$ 5,056,294	\$ 200,886,300

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the year ended June 30, 2003

	Defined Benefit Plan	Defined Contribution Plan	Medical Retirement Plan	Total
Additions				
Contributions:				
Employer	\$ -	\$ 6,588,323	\$ -	\$ 6,588,323
Employees	506,788	7,506,983	408,366	8,422,137
Transfers from Other Plans	-	38,218	500,044	538,262
Total Contributions	<u>506,788</u>	<u>14,133,524</u>	<u>908,410</u>	<u>15,548,722</u>
Investment Earnings:				
Interest and Dividend Income	1,798,417	-	-	1,798,417
Net Appreciation in Fair Value of Investments	190,491	3,002,590	149,454	3,342,535
Total Investment Earnings	<u>1,988,908</u>	<u>3,002,590</u>	<u>149,454</u>	<u>5,140,952</u>
Less Investment Expenses	(252,670)	-	-	(252,670)
Net Investment Earnings	<u>1,736,238</u>	<u>3,002,590</u>	<u>149,454</u>	<u>4,888,282</u>
Total Additions	<u>2,243,026</u>	<u>17,136,114</u>	<u>1,057,864</u>	<u>20,437,004</u>
Deductions				
Benefits and Refunds	5,435,884	4,781,594	674,126	10,891,604
Transfers to Other Funds (Administrative and Professional)	496,904	-	-	496,904
Transfers to Other Plans	506,680	-	-	506,680
Total Deductions	<u>6,439,468</u>	<u>4,781,594</u>	<u>674,126</u>	<u>11,895,188</u>
Change in Net Assets	(4,196,442)	12,354,520	383,738	8,541,816
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>76,744,909</u>	<u>110,927,019</u>	<u>4,672,556</u>	<u>192,344,484</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 72,548,467</u>	<u>\$ 123,281,539</u>	<u>\$ 5,056,294</u>	<u>\$ 200,886,300</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,767,944	\$ 1,684,374
Receivables:		
Interest and Dividends	172,486	205,380
Contributions	27,266	30,022
Investments	70,902,054	75,015,480
Prepaid Items	<u>-</u>	<u>92,910</u>
TOTAL ASSETS	<u>72,869,750</u>	<u>77,028,166</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	321,283	14,294
Due to Other Governments	<u>-</u>	<u>268,963</u>
TOTAL LIABILITIES	<u>321,283</u>	<u>283,257</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 72,548,467</u>	<u>\$ 76,744,909</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Comparative Statements of Changes in Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan**

For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Additions		
Contributions:		
Employees	\$ 506,788	\$ 581,807
Investment Earnings:		
Interest and Dividend Income	1,798,417	3,208,281
Net Appreciation (Depreciation) in Fair Value of Investments	190,491	(6,785,095)
Total Investment Earnings (Loss)	1,988,908	(3,576,814)
Less Investment Expenses	(252,670)	(162,279)
Net Investment Earnings (Loss)	1,736,238	(3,739,093)
Total Additions	<u>2,243,026</u>	<u>(3,157,286)</u>
Deductions		
Benefits and Refunds	5,435,884	4,740,956
Transfers to Other Funds (Administrative and Professional)	496,904	559,885
Transfers to Other Plans	506,680	1,153,602
Total Deductions	<u>6,439,468</u>	<u>6,454,443</u>
Change in Net Assets	(4,196,442)	(9,611,729)
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>76,744,909</u>	<u>86,356,638</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 72,548,467</u>	<u>\$ 76,744,909</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Defined Contribution Plan**

June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 123,281,539</u>	<u>\$ 110,927,019</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u><u>\$ 123,281,539</u></u>	<u><u>\$ 110,927,019</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Assets Pension Trust Fund - Defined Contribution Plan For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Additions		
Contributions:		
Employer	\$ 6,588,323	\$ 6,464,922
Employees	7,506,983	6,839,683
Transfers from Other Plans	38,218	27,520
Total Contributions	<u>14,133,524</u>	<u>13,332,125</u>
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>3,002,590</u>	<u>(13,540,407)</u>
Total Additions	17,136,114	(208,282)
Deductions		
Benefits and Refunds	<u>4,781,594</u>	<u>5,966,225</u>
Change in Net Assets	12,354,520	(6,174,507)
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>110,927,019</u>	<u>117,101,526</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u><u>\$ 123,281,539</u></u>	<u><u>\$ 110,927,019</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Medical Retirement Defined Contribution Plan
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 4,787,720	\$ 4,384,187
Receivables:		
Contributions	<u>268,574</u>	<u>288,369</u>
TOTAL ASSETS	<u>5,056,294</u>	<u>4,672,556</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 5,056,294</u>	<u>\$ 4,672,556</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Comparative Statements of Changes in Fiduciary Net Assets
Pension Trust Fund - Medical Retirement Defined Contribution Plan**

For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Additions		
Contributions:		
Employees	\$ 408,366	\$ 380,704
Transfers from Other Plans	500,044	914,207
Total Contributions	<u>908,410</u>	<u>1,294,911</u>
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	149,454	(154,267)
Total Additions	<u>1,057,864</u>	<u>1,140,644</u>
Deductions		
Benefits and Refunds	<u>674,126</u>	<u>1,053,384</u>
Change in Net Assets	383,738	87,260
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>4,672,556</u>	<u>4,585,296</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u><u>\$ 5,056,294</u></u>	<u><u>\$ 4,672,556</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

(With comparative totals for June 30, 2002)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2003	2002
ASSETS							
Cash and Cash Equivalents	\$ -	\$ 151,814	\$ 58,446	\$ 1,013,762	\$ 16,435,847	\$ 17,659,869	\$ 17,499,598
Receivables:							
Accounts	5,394,904	-	-	-	80,714	5,475,618	4,767,977
TOTAL ASSETS	<u>\$ 5,394,904</u>	<u>\$ 151,814</u>	<u>\$ 58,446</u>	<u>\$ 1,013,762</u>	<u>\$ 16,516,561</u>	<u>\$ 23,135,487</u>	<u>\$ 22,267,575</u>
LIABILITIES							
Accounts Payable and Accrued Liabilities	\$ 5,394,904	\$ -	\$ -	1,013,762	\$ -	\$ 6,408,666	\$ 5,935,696
Due to Other Governments	-	-	-	-	2,862,217	2,862,217	1,420,123
Due to Litigants, Heirs and Others	-	151,814	58,446	-	13,654,344	13,864,604	14,911,756
TOTAL LIABILITIES	<u>\$ 5,394,904</u>	<u>\$ 151,814</u>	<u>\$ 58,446</u>	<u>\$ 1,013,762</u>	<u>\$ 16,516,561</u>	<u>\$ 23,135,487</u>	<u>\$ 22,267,575</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds**

For the year ended June 30, 2003

(With comparative totals for the year ended June 30, 2002)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2003	2002
Assets and Liabilities, July 1	\$ 4,747,616	\$ 176,791	\$ 38,446	\$ 1,188,080	\$ 16,116,642	\$ 22,267,575	\$ 20,214,628
Additions	29,275,012	151,814	20,000	39,005,065	76,512,012	144,963,903	136,287,999
Deductions	(28,627,724)	(176,791)	-	(39,179,383)	(76,112,093)	(144,095,991)	(134,235,052)
Assets and Liabilities, June 30	<u>\$ 5,394,904</u>	<u>\$ 151,814</u>	<u>\$ 58,446</u>	<u>\$ 1,013,762</u>	<u>\$ 16,516,561</u>	<u>\$ 23,135,487</u>	<u>\$ 22,267,575</u>

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, Register and Sheriff
Combined Schedule of Assets and Liabilities
June 30, 2003**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Domestic Relations Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total (Memorandum Only)
ASSETS								
Cash and Cash Equivalents	\$ 93,050,532	\$ 1,139,976	\$ 7,648,892	\$ 3,266,903	\$ 4,259,707	\$ 2,425,048	\$ 35,258	\$ 111,826,316
Investments	30,733,570	-	-	-	-	-	-	30,733,570
Accounts Receivable	-	-	59,968	-	-	20,746	-	80,714
Total Assets	\$ 123,784,102	\$ 1,139,976	\$ 7,708,860	\$ 3,266,903	\$ 4,259,707	\$ 2,445,794	\$ 35,258	\$ 142,640,600
LIABILITIES								
Due to Other Governments	\$ -	\$ 1,105,081	\$ 180	\$ 417,109	\$ -	\$ 1,339,847	\$ -	\$ 2,862,217
Due to Litigants, Heirs and Others	489,593	-	7,298,834	1,877,862	3,903,390	49,407	35,258	13,654,344
Fee and Commission Account	486,644	34,895	409,846	971,932	356,317	1,056,540	-	3,316,174
Amounts Held in Custody for								
Other County Funds:								
General Fund	34,802,381	-	-	-	-	-	-	34,802,381
Special Revenue Funds	43,379,409	-	-	-	-	-	-	43,379,409
Debt Service Fund	19,133,332	-	-	-	-	-	-	19,133,332
Capital Projects Fund - Component Units	7,932,603	-	-	-	-	-	-	7,932,603
Capital Projects Fund - Public Improvement	528,338	-	-	-	-	-	-	528,338
Capital Projects Fund - ADA Construction	3,964,171	-	-	-	-	-	-	3,964,171
Internal Service Funds	8,050,743	-	-	-	-	-	-	8,050,743
Fiduciary Funds/Other	5,016,888	-	-	-	-	-	-	5,016,888
Total Liabilities	\$ 123,784,102	\$ 1,139,976	\$ 7,708,860	\$ 3,266,903	\$ 4,259,707	\$ 2,445,794	\$ 35,258	\$ 142,640,600

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, Register and Sheriff
 Combined Schedule of Cash Receipts, Disbursements and Balances
 For the Year Ended June 30, 2003**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Domestic Relations Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total (Memorandum Only)
Receipts								
Fund Accounts	\$ 21,806,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,806,466
Litigants, Heirs and Others	49,896,734	-	11,902,171	2,811,088	7,035,653	730,881	1,308,280	73,684,807
State of Tennessee	-	22,381,475	273,627	1,658,164	102,239	12,205,982	-	36,621,487
Knox County	-	11,131,349	708,982	3,359,381	150,862	-	-	15,350,574
Fees and Commissions	6,341,345	3,599,048	1,279,157	3,241,924	1,168,229	4,095,849	-	19,725,552
Cities - Clerk Collections	-	-	-	262,285	-	-	-	262,285
Total Receipts	78,044,545	37,111,872	14,163,937	11,332,842	8,456,983	17,032,712	1,308,280	167,451,171
Disbursements	(78,793,058)	(36,304,707)	(14,367,043)	(11,401,383)	(8,812,720)	(16,156,032)	(1,332,567)	(167,167,510)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(748,513)	807,165	(203,106)	(68,541)	(355,737)	876,680	(24,287)	283,661
Other Financing Sources (Uses)								
Proceeds from Advance from General Fund	-	-	-	2,640	-	-	-	2,640
Payments on Advances from General Fund	-	-	-	(2,640)	-	-	-	(2,640)
Net Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
Balances, July 1, 2001	124,532,615	332,811	7,911,966	3,335,444	4,615,444	1,569,114	59,545	142,356,939
Balances, June 30, 2002	\$ 123,784,102	\$ 1,139,976	\$ 7,708,860	\$ 3,266,903	\$ 4,259,707	\$ 2,445,794	\$ 35,258	\$ 142,640,600

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, Register and Sheriff
Combined Analysis of Fee and Commission Account
For the Year Ended June 30, 2003**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Domestic Relations Court Clerk	Clerk and Master	Register of Deeds	Total (Memorandum Only)
Revenues							
Fees and Commissions	\$ 6,339,355	\$ 3,588,679	\$ 1,211,012	\$ 3,241,924	\$ 1,168,229	\$ 4,091,330	\$ 19,640,529
Interest Earned	1,990	10,369	68,145	-	-	4,519	85,023
Total Revenues	6,341,345	3,599,048	1,279,157	3,241,924	1,168,229	4,095,849	19,725,552
Expenditures and Other Uses							
Expenditures:							
Salaries-Staff	1,410,934	2,699,042	842,064	2,306,082	633,385	1,098,944	8,990,451
Payroll Taxes/Benefits	364,324	819,110	226,254	630,644	161,729	245,172	2,447,233
County Official/Administrative Officer	87,745	87,955	56,546	84,955	84,955	83,304	485,460
Travel	51,075	85,850	4,000	-	-	5,700	146,625
Office Supplies/Expenditures	76,725	-	5,000	-	-	1,699	83,424
Consulting Fees	-	526	-	-	-	-	526
Total Expenditures	1,990,803	3,692,483	1,133,864	3,021,681	880,069	1,434,819	12,153,719
Other Uses:							
Proceeds from Advances from General Fund	-	-	-	2,640	-	-	2,640
Fees and Commissions to County (General Fund)	4,370,000	-	-	200,000	287,841	2,294,048	7,151,889
Payments on Advances from General Fund	-	-	-	(2,640)	-	-	(2,640)
Net Other Uses	4,370,000	-	-	200,000	287,841	2,294,048	7,151,889
Total Expenditures and Other Uses	6,360,803	3,692,483	1,133,864	3,221,681	1,167,910	3,728,867	19,305,608
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Uses	(19,458)	(93,435)	145,293	20,243	319	366,982	419,944
Balances, July 1, 2002	506,102	128,330	264,553	951,689	355,998	689,558	2,896,230
Balances, June 30, 2003	\$ 486,644	\$ 34,895	\$ 409,846	\$ 971,932	\$ 356,317	\$ 1,056,540	\$ 3,316,174

KNOX COUNTY, TENNESSEE

**Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2003**

Fiscal Year Ending	\$21,355,038 General Obligation Series 1997		\$31,500,000 General Obligation Series 1998		\$8,350,000 Women's Basketball Hall of Fame		\$25,000,000 General Obligation Series 2000		\$39,467,607 General Obligation Refunding Series 2001		\$50,000,000 General Obligation Public Improvement Series 2001		\$2,597,104 Andrew Johnson GO Refunding Series 2002	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 430,151	\$ 19,573	\$ 1,194,900	\$ 747,179	\$ 345,000	\$ 358,308	\$ 859,615	\$ 402,901	\$ 3,226,599	\$ 1,649,440	\$ 1,906,250	\$ 2,457,844	\$ 256,800	\$ 95,701
2005	-	-	1,243,200	699,383	360,000	343,645	901,922	357,772	3,380,496	1,489,557	1,959,375	2,381,594	265,360	86,713
2006	-	-	1,295,700	643,439	380,000	327,985	946,153	312,676	3,558,511	1,321,958	2,015,625	2,283,625	275,632	76,098
2007	-	-	1,352,400	591,611	400,000	311,265	994,230	265,368	3,716,350	1,160,507	2,081,250	2,182,844	287,616	65,073
2008	-	-	1,413,300	537,515	415,000	293,465	1,044,230	215,657	4,413,710	990,669	2,156,250	2,068,375	297,888	53,568
2009	-	-	1,474,200	479,570	440,000	274,687	1,096,153	162,401	4,610,449	789,146	2,237,500	1,949,781	306,448	41,653
2010	-	-	-	417,653	460,000	254,336	-	105,949	4,850,775	555,871	2,321,875	1,832,313	320,144	28,629
2011	-	-	-	417,653	485,000	232,602	-	105,949	5,092,738	309,720	2,415,625	1,710,414	333,840	15,023
2012	-	-	-	417,653	505,000	209,200	-	105,948	594,887	29,744	2,515,625	1,577,555	-	-
2013	-	-	-	417,653	535,000	184,329	-	105,949	-	-	2,625,000	1,439,195	-	-
2014	-	-	-	417,653	560,000	157,846	-	105,949	-	-	2,740,625	1,301,383	-	-
2015	-	-	-	417,653	590,000	129,833	-	105,949	-	-	2,862,500	1,157,500	-	-
2016	-	-	2,039,100	417,653	615,000	100,038	-	105,949	-	-	2,993,750	1,014,375	-	-
2017	-	-	2,142,000	320,796	650,000	68,673	-	105,950	-	-	3,137,500	864,688	-	-
2018	-	-	2,249,100	219,051	680,000	35,360	-	105,949	-	-	3,287,500	707,813	-	-
2019	-	-	2,362,500	112,219	-	-	-	105,949	-	-	3,446,875	543,438	-	-
2020	-	-	-	-	-	-	1,971,167	105,950	-	-	3,618,750	371,094	-	-
2021	-	-	-	-	-	-	-	-	-	-	3,803,125	190,156	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 430,151	\$ 19,573	\$ 16,766,400	\$ 7,274,334	\$ 7,420,000	\$ 3,281,572	\$ 7,813,470	\$ 2,882,215	\$ 33,444,515	\$ 8,296,612	\$ 48,125,000	\$ 26,033,987	\$ 2,343,728	\$ 462,458

continued

KNOX COUNTY, TENNESSEE

**Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2003**

Fiscal Year Ending	\$31,200,221 General Obligation Refunding Series 2002A		\$4,500,000 General Obligation E-911 Series 2003		\$2,300,000 General Obligation CAC Series 2003		\$2,700,000 General Obligation Public Defender Series 2003		\$31,361,297 General Obligation Refunding Bonds Series 2003		\$5,321,983 General Obligation Refunding Bonds Series 2003A		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 18,883	\$ 1,598,940	\$ -	\$ 151,200	\$ 88,000	\$ 77,280	\$ 103,000	\$ 90,720	\$ 1,535,713	\$ 1,478,930	\$ -	\$ 149,929	\$ 9,964,911	\$ 9,277,945
2005	18,883	1,598,279	131,000	151,200	91,000	74,323	106,000	87,259	1,603,275	1,417,501	343,207	255,803	10,403,718	8,943,029
2006	574,015	1,517,674	136,000	146,798	94,000	71,266	110,000	83,698	1,663,040	1,353,370	-	248,940	11,048,676	8,387,527
2007	597,314	1,494,661	141,000	142,229	97,000	68,107	114,000	80,002	1,730,601	1,286,849	-	248,940	11,511,761	7,897,456
2008	11,408	1,558,967	145,000	137,491	100,000	64,848	118,000	76,171	1,800,761	1,217,625	-	248,940	11,915,547	7,463,291
2009	11,408	1,558,482	150,000	132,619	104,000	61,488	122,000	72,206	1,886,511	1,136,590	-	248,940	12,438,669	6,907,563
2010	2,645,234	1,617,615	156,000	127,579	107,000	57,994	126,000	68,107	1,972,261	1,046,981	-	248,940	12,959,289	6,361,967
2011	2,753,367	1,498,340	161,000	122,338	111,000	54,398	130,000	63,874	2,063,209	953,299	-	248,939	13,545,779	5,732,549
2012	2,867,488	1,374,268	167,000	116,928	115,000	50,669	135,000	59,506	5,433,464	855,296	-	248,939	12,333,464	5,045,706
2013	3,748,390	1,168,784	172,000	111,317	119,000	46,805	140,000	54,970	5,695,912	583,623	-	248,939	13,035,302	4,361,564
2014	3,626,100	977,704	178,000	105,538	123,000	42,806	145,000	50,266	5,976,550	298,827	-	248,939	13,349,275	3,706,911
2015	7,280,815	700,601	184,000	99,557	127,000	38,674	149,000	45,394	-	-	-	248,939	11,193,315	2,944,100
2016	1,573,077	332,976	191,000	93,374	132,000	34,406	155,000	40,387	-	-	3,163,596	248,939	10,862,523	2,388,097
2017	1,648,077	258,255	197,000	86,957	136,000	29,971	160,000	35,179	-	-	1,815,180	90,759	9,885,757	1,861,228
2018	1,730,770	179,970	204,000	80,338	141,000	25,402	166,000	29,803	-	-	-	-	8,458,370	1,383,686
2019	1,823,079	93,432	211,000	73,483	146,000	20,664	171,000	24,226	-	-	-	-	8,160,454	973,411
2020	-	-	219,000	66,394	151,000	15,758	177,000	18,480	-	-	-	-	6,136,917	577,676
2021	-	-	226,000	59,035	156,000	10,685	183,000	12,533	-	-	-	-	4,368,125	272,409
2022	-	-	234,000	51,442	162,000	5,443	190,000	6,384	-	-	-	-	586,000	63,269
2023	-	-	242,000	43,579	-	-	-	-	-	-	-	-	242,000	43,579
2024	-	-	251,000	35,448	-	-	-	-	-	-	-	-	251,000	35,448
2025	-	-	259,000	27,014	-	-	-	-	-	-	-	-	259,000	27,014
2026	-	-	268,000	18,312	-	-	-	-	-	-	-	-	268,000	18,312
2027	-	-	277,000	9,307	-	-	-	-	-	-	-	-	277,000	9,307
Totals	\$ 30,928,308	\$ 17,528,948	\$ 4,500,000	\$ 2,189,477	\$ 2,300,000	\$ 850,987	\$ 2,700,000	\$ 999,165	\$ 31,361,297	\$ 11,628,891	\$ 5,321,983	\$ 3,234,825	\$ 193,454,852	\$ 84,683,044

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2003**

Fiscal Year Ending June 30,	\$48,644,962 General Obligation Series 1997		\$15,750,000 General Obligation Pension Bonds, Series 1998		\$43,500,000 General Obligation Series 1998		\$40,000,000 General Obligation Series 2000		\$2,585,603 Qualified Zone Academy		\$17,277,393 Refunding Bonds Series 2001	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 979,849	\$ 44,583	\$ 550,000	\$ 875,350	\$ 1,650,100	\$ 1,031,818	\$ 1,375,385	\$ 644,645	\$ 215,467	-	\$ 958,402	\$ 757,160
2005	-	-	585,000	839,600	1,716,800	965,815	1,443,078	572,437	215,467	-	1,004,504	707,793
2006	-	-	625,000	801,575	1,789,300	888,558	1,513,847	500,283	215,467	-	1,056,490	656,142
2007	-	-	665,000	761,731	1,867,600	816,987	1,590,770	424,591	215,467	-	1,103,650	609,918
2008	-	-	705,000	719,338	1,951,700	742,282	1,670,770	345,052	215,467	-	2,331,290	562,856
2009	-	-	755,000	674,394	2,035,800	662,263	1,753,847	259,843	215,467	-	2,439,551	460,854
2010	-	-	800,000	626,262	-	576,759	-	169,520	215,467	-	2,569,225	341,629
2011	-	-	855,000	575,262	-	576,760	-	169,520	215,467	-	2,707,262	216,780
2012	-	-	915,000	520,756	-	576,759	-	169,520	215,467	-	1,355,114	67,756
2013	-	-	975,000	462,425	-	576,759	-	169,519	-	-	-	-
2014	-	-	1,045,000	397,831	-	576,759	-	169,519	-	-	-	-
2015	-	-	1,115,000	328,600	-	576,759	-	169,519	-	-	-	-
2016	-	-	1,195,000	254,731	2,815,900	576,759	-	169,520	-	-	-	-
2017	-	-	1,280,000	175,563	2,958,000	443,004	-	169,519	-	-	-	-
2018	-	-	1,370,000	90,763	3,105,900	302,499	-	169,520	-	-	-	-
2019	-	-	-	-	3,262,500	154,969	-	169,521	-	-	-	-
2020	-	-	-	-	-	-	3,153,833	169,519	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 979,849	\$ 44,583	\$ 13,435,000	\$ 8,104,181	\$ 23,153,600	\$ 10,045,509	\$ 12,501,530	\$ 4,611,567	\$ 1,939,203	\$ -	\$ 15,525,488	\$ 4,380,888

continued

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt (Continued)**

June 30, 2003

Fiscal Year Ending June 30,	\$30,000,000 GO Public Improvement Series 2001		\$4,987,896 AJ Refunding Bonds Series 2001		\$51,799,779 Refunding Bonds Series 2001		\$28,983,704 Refunding Bonds Series 2003		\$12,123,017 Refunding Bonds Series 2003A		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 1,143,750	\$ 1,474,706	\$ 493,200	\$ 183,799	\$ 31,117	\$ 2,634,897	\$ 1,419,287	\$ 1,366,808	\$ -	\$ 341,525	\$ 8,816,557	\$ 9,355,291
2005	1,175,625	1,428,956	509,640	166,537	31,117	2,633,808	1,481,725	1,310,036	781,793	582,697	8,944,749	9,207,679
2006	1,209,375	1,370,175	529,368	146,152	1,025,985	2,712,663	1,536,960	1,250,767	-	567,060	9,501,792	8,893,375
2007	1,248,750	1,309,706	552,384	124,977	1,067,686	2,671,676	1,599,399	1,189,289	-	567,060	9,910,706	8,475,935
2008	1,293,750	1,241,025	572,112	102,882	18,592	2,540,771	1,664,239	1,125,313	-	567,060	10,422,920	7,946,579
2009	1,342,500	1,169,869	588,552	79,997	18,592	2,539,981	1,743,489	1,050,422	-	567,060	10,892,798	7,464,683
2010	1,393,125	1,099,387	614,856	54,984	4,054,766	2,479,573	1,822,739	967,606	-	567,060	11,470,178	6,882,780
2011	1,449,375	1,026,248	641,160	28,852	4,221,633	2,297,348	1,906,791	881,026	-	567,061	11,996,688	6,338,857
2012	1,509,375	946,533	-	-	4,397,512	2,107,544	5,021,536	790,454	-	567,061	13,414,004	5,746,383
2013	1,575,000	863,517	-	-	6,136,610	1,913,454	5,264,088	539,377	-	567,061	13,950,698	5,092,112
2014	1,644,375	780,830	-	-	5,788,900	1,560,859	5,523,450	276,173	-	567,061	14,001,725	4,329,032
2015	1,717,500	694,500	-	-	13,719,185	1,320,137	-	-	-	567,061	16,551,685	3,656,576
2016	1,796,250	608,625	-	-	2,516,923	532,760	-	-	7,206,404	567,061	15,530,477	2,709,456
2017	1,882,500	518,812	-	-	2,636,923	413,208	-	-	4,134,820	206,741	12,892,243	1,926,847
2018	1,972,500	424,687	-	-	2,769,230	287,954	-	-	-	-	9,217,630	1,275,423
2019	2,068,125	326,062	-	-	2,916,921	149,492	-	-	-	-	8,247,546	800,044
2020	2,171,250	222,656	-	-	-	-	-	-	-	-	5,325,083	392,175
2021	2,281,875	114,094	-	-	-	-	-	-	-	-	2,281,875	114,094
Totals	\$ 28,875,000	\$ 15,620,388	\$ 4,501,272	\$888,180	\$ 51,351,692	\$ 28,796,125	\$28,983,703	\$10,747,271	\$12,123,017	\$7,368,629	\$ 193,369,354	\$ 90,607,321

KNOX COUNTY, TENNESSEE

Schedule of Salaries and Bonds of Principal Elected Officials
For the year ended June 30, 2003

OFFICIAL	AUTHORIZATION FOR SALARY	SALARY PAID DURING YEAR	BOND AMOUNT	SURETY
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 101,998	\$ 10,000	Hartford Fire Insurance
Attorney General	Section 8-6-104, T.C.A.	\$ 5,500	\$ -	-
Circuit and Civil Sessions Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 88,555	\$ 300,000	Hartford Fire Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 84,955	\$ 60,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 128,919	\$ 50,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 84,955	\$ 250,000	Hartford Fire Insurance
Law Director	Section 3.08, Knox County Charter	\$ 111,060	\$ -	-
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 83,304	\$ 100,000	Hartford Fire Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 99,452	\$ 25,000	Hartford Fire Insurance
Trustee	Section 8-24-102 (k), T.C.A.	\$ 84,955	\$ 10,360,207	Hartford Fire Insurance

KNOX COUNTY, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules by Source^{1,2}

June 30, 2003 and 2002

(In Thousands of Dollars)

	<u>2003</u>	<u>2002</u>
Governmental Funds Capital Assets:		
Land	\$ 74,778	\$ 70,933
Buildings	138,136	134,724
Improvements Other than Buildings	11,245	9,907
Machinery and Equipment	20,131	17,472
Intangibles	489	479
Infrastructure	440,785	418,981
Construction in Progress	90,849	95,523
Total Governmental Funds Capital Assets	<u>\$ 776,413</u>	<u>\$ 748,019</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 4,236	\$ 4,963
Special Revenue Funds	5,393	4,538
Capital Projects Funds	766,784	738,518
Total Governmental Funds Capital Assets	<u>\$ 776,413</u>	<u>\$ 748,019</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

²In 2003, the Knoxville-Knox County Public Building Authority (PBA) adopted GASB 34. As a result of the reporting changes for the PBA, the County has reported a prior period adjustment to include the City County Building, Andrew Johnson Building, and the Dwight Kessel Memorial Parking Garage, in the amounts of \$19,992,682, \$5,462,300, and \$6,400,507 net of accumulated depreciation of \$9,693,628, \$2,118,003, and \$1,161,668 respectively.

KNOX COUNTY, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity^{1,2}

June 30, 2003 and 2002

(In Thousands of Dollars)

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery And Equipment	Intangibles	Infrastructure	Construction In Progress	Total
General Government:								
Finance and Administration	\$ -	\$ -	\$ -	\$ 1,914	\$ 414	\$ -	\$ -	\$ 2,328
Administration of Justice	3,176	21,937	-	244	-	-	10,890	36,247
Public Safety	367	34,548	-	10,184	9	-	6,429	51,537
Public Health and Welfare	3,782	33,405	-	1,242	-	-	3,865	42,294
Social and Cultural Services	16,347	17,778	11,245	1,879	66	-	29,771	77,086
Other General Government	3,427	28,429	-	644	-	-	-	32,500
Total General Government	27,099	136,097	11,245	16,107	489	-	50,955	241,992
Highways	47,679	2,039	-	4,024	-	440,785	39,894	534,421
Total Governmental Funds Capital Assets	\$ 74,778	\$ 138,136	\$ 11,245	\$ 20,131	\$ 489	\$ 440,785	\$ 90,849	\$ 776,413

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

²In 2003, the Knoxville-Knox County Public Building Authority (PBA) adopted GASB 34. As a result of the reporting changes for the PBA, the County has reported a prior period adjustment to include the City County Building, Andrew Johnson Building, and the Dwight Kessel Memorial Parking Garage, in the amounts of \$19,992,682, \$5,462,300, and \$6,400,507 net of accumulated depreciation of \$9,693,628, \$2,118,003, and \$1,161,668 respectively.

KNOX COUNTY, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity^{1, 2}

For the Fiscal Year Ended June 30, 2003

(In Thousands of Dollars)

Function and Activity	Governmental Funds Capital Assets July 1, 2002	Additions	Deductions	Governmental Funds Capital Assets June 30, 2003
General Government:				
Finance and Administration	\$ 1,891	\$ 471	\$ 34	\$ 2,328
Administration of Justice	36,741	2,670	3,164	36,247
Public Safety	50,745	792	-	51,537
Public Health and Welfare	40,368	3,290	1,364	42,294
Social and Cultural Services	61,830	15,476	220	77,086
Other General Government	32,590	33	123	32,500
Total General Government	<u>224,165</u>	<u>22,732</u>	<u>4,905</u>	<u>241,992</u>
Highways	<u>523,854</u>	<u>31,245</u>	<u>20,678</u>	<u>534,421</u>
Total Governmental Funds Capital Assets	<u>\$ 748,019</u>	<u>\$ 53,977</u>	<u>\$ 25,583</u>	<u>\$ 776,413</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

²In 2003, the Knoxville-Knox County Public Building Authority (PBA) adopted GASB 34. As a result of the reporting changes for the PBA, the County has reported a prior period adjustment to include the City County Building, Andrew Johnson Building, and the Dwight Kessel Memorial Parking Garage, in the amounts of \$19,992,682, \$5,462,300, and \$6,400,507 net of accumulated depreciation of \$9,693,628, \$2,118,003, and \$1,161,668 respectively.

DISCRETELY PRESENTED COMPONENT UNIT KNOX COUNTY BOARD OF EDUCATION

This section presents combining and individual fund financial statements for the Knox County Board of Education (the Board), a discretely presented component unit. The Board uses a general fund, a capital projects fund, three special revenue funds, a pension trust fund, and an agency fund.

MAJOR FUNDS

GENERAL FUND

General Purpose School Fund: This fund is used to account for general operations of the Board. Major funding is provided through local tax levies and state education funds.

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUND

School Construction Fund: This fund is used to account for the Schools' building construction and renovations of the Board.

SPECIAL REVENUE FUNDS

School Federal Projects Fund: This fund is used to account for restricted federal revenues that must be expended on specific education programs.

School General Projects Fund: This fund is used to account for state, local and federal pass-through revenues which must be expended on specific education programs.

Central Cafeteria Fund: This fund is used to account for the cafeteria operations in each of the individual schools. The primary sources of funding are federal and state revenues for the school lunch program and sales to students and adults.

FIDUCIARY FUND

Pension Trust Fund: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the Board's defined benefit plan for certificated teachers.

AGENCY FUND

School Activity Fund: This fund accounts for the activity related to individual public school funds held in an agency capacity since these funds legally belong to students.

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Balance Sheet

Governmental Funds

June 30, 2003

	General Purpose School	School Construction Capital Projects	Nonmajor			Total Governmental Funds
			School Federal Projects	School General Projects	Central Cafeteria	
ASSETS						
Cash and Cash Equivalents	\$ 30,104,995	\$ 7,993,463	\$ -	\$ 2,640,565	\$ 2,116,286	\$ 42,855,309
Receivables (Net of Allowance for Uncollectibles):						
Accounts	15,441,039	2,908,524	5,482,347	257,677	281,526	24,371,113
Property Taxes	95,329,573	9,894	-	-	-	95,339,467
Due from Other Funds	3,571,682	179,069	51,958	1,533,533	608,993	5,945,235
Due from Component Units	-	-	-	-	-	-
Due from Primary Government	131,275	-	-	-	-	131,275
Inventories	1,063,190	-	-	-	300,320	1,363,510
Prepaid Items	1,862,439	-	6,723	-	-	1,869,162
TOTAL ASSETS	\$ 147,504,193	\$ 11,090,950	\$ 5,541,028	\$ 4,431,775	\$ 3,307,125	\$ 171,875,071
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 28,180,023	\$ 1,720,850	\$ 2,031,677	\$ 248,561	\$ 223,967	\$ 32,405,078
Due to Other Funds	2,146,580	42,057	3,351,936	248,282	156,380	5,945,235
Due to Primary Government	483,939	7,250,198	40,215	701	-	7,775,053
Deferred Revenue	94,349,564	-	67,628	15,000	2,044	94,434,236
TOTAL LIABILITIES	125,160,106	9,013,105	5,491,456	512,544	382,391	140,559,602
Fund balances:						
Reserved	3,918,881	19,270,122	76,267	4,013,607	317,266	27,596,143
Unreserved:						
Designated	1,717	-	-	-	-	1,717
Undesignated	18,423,489	(17,192,277)	(26,695)	(94,376)	2,607,468	3,717,609
TOTAL FUND BALANCES	22,344,087	2,077,845	49,572	3,919,231	2,924,734	31,315,469
TOTAL LIABILITIES AND FUND BALANCES	\$ 147,504,193	\$ 11,090,950	\$ 5,541,028	\$ 4,431,775	\$ 3,307,125	\$ 171,875,071

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE
Discretely Presented Component Unit
Knox County Board of Education
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2003

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

Ending Fund Balance - Governmental Funds	\$ 31,315,469
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	273,619,015
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were deferred in the fund financial statements but have been recognized under the accrual basis.	5,569,829
Long-term liabilities, consisting of compensated absences (\$1,415,037) and pension obligation (\$19,840,038), are not due and payable in the current period and therefore are not reported in the funds.	<u>(21,255,075)</u>
Net Assets of Governmental Activities	<u>\$ 289,249,238</u>

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE
Discretely Presented Component Unit
Knox County Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2003

	General Purpose School	School Construction Capital Projects	Nonmajor			Total Governmental Funds
			School Federal Projects	School General Projects	Central Cafeteria	
Revenues						
Local Taxes	\$ 171,039,930	\$ 15,286,620	\$ -	\$ -	\$ -	\$ 186,326,550
Licenses and Permits	32,300	-	-	4,684	-	36,984
Charges for Current Services	260,434	-	19,941	202,921	8,150,476	8,633,772
Other Local Revenues	538,843	142,800	82,865	526,494	1,246,470	2,537,472
State of Tennessee	117,324,198	-	24,926	503,123	239,528	118,091,775
Federal Government	552,416	-	20,370,818	-	7,667,850	28,591,084
Other Governments and Citizen Groups	-	125	-	390,734	-	390,859
Interest Earned	-	184,221	-	-	-	184,221
Total Revenues	289,748,121	15,613,766	20,498,550	1,627,956	17,304,324	344,792,717
Expenditures						
Current:						
Education	284,818,156	-	20,630,252	3,623,925	16,444,122	325,516,455
Capital Outlay	-	25,358,296	-	-	-	25,358,296
Payments to Primary Government	2,179,394	14,250,000	-	-	-	16,429,394
Total Expenditures	286,997,550	39,608,296	20,630,252	3,623,925	16,444,122	367,304,145
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,750,571	(23,994,530)	(131,702)	(1,995,969)	860,202	(22,511,428)
Other Financing Sources (Uses)						
Transfers from Other Funds	10,000	410,000	109,303	2,602,678	-	3,131,981
Transfers to Other Funds	(2,993,981)	-	-	(138,000)	-	(3,131,981)
Proceeds from Debt Issuance	-	8,400,000	-	-	-	8,400,000
Debt Issuance Costs	-	(29,344)	-	-	-	(29,344)
Total Other Financing Sources (Uses)	(2,983,981)	8,780,656	109,303	2,464,678	-	8,370,656
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(233,410)	(15,213,874)	(22,399)	468,709	860,202	(14,140,772)
Fund Balance, July 1	22,577,497	17,291,719	71,971	3,450,522	2,064,532	45,456,241
Fund Balance, June 30	\$ 22,344,087	\$ 2,077,845	\$ 49,572	\$ 3,919,231	\$ 2,924,734	\$ 31,315,469

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE
Discretely Presented Component Unit
Knox County Board of Education
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, 2003

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

Net Change in Fund Balances - Total Governmental Funds \$ (14,140,772)

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 (\$23,827,823) exceeded depreciation (\$15,457,267) in the current period. 8,370,556

Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements. 5,569,829

Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities. (5,390,385)

Expenses reported in the statement of activities for the increase in net pension obligation (\$1,643,295) and the decrease in the liability for compensated absences (\$157,737) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (1,485,558)

Change in Net Assets of Governmental Activities \$ (7,076,330)

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Balance Sheets
June 30, 2003 and June 30, 2002

	2003	2002
ASSETS		
Cash and Cash Equivalents	\$ 30,104,995	\$ 27,818,267
Receivables (Net of Allowance for Uncollectibles):		
Accounts	15,441,039	15,550,162
Property Taxes	95,329,573	92,937,117
Due from Other Funds	3,571,682	4,490,672
Due from Primary Government	131,275	113,079
Prepaid Items	1,862,439	11,082
Inventories	1,063,190	972,221
TOTAL ASSETS	<u>\$ 147,504,193</u>	<u>\$ 141,892,600</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 28,180,023	\$ 23,751,562
Due to Other Funds	2,146,580	2,635,175
Due to Primary Government	483,939	925,778
Deferred Revenue	94,349,564	92,002,588
TOTAL LIABILITIES	<u>125,160,106</u>	<u>119,315,103</u>
 Fund Balances:		
Reserved	3,918,881	1,889,314
Unreserved:		
Designated	1,717	1,700,000
Undesignated	18,423,489	18,988,183
TOTAL FUND BALANCES	<u>22,344,087</u>	<u>22,577,497</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 147,504,193</u>	<u>\$ 141,892,600</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
For the years ended June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
Revenues		
Local Taxes	\$ 171,039,930	\$ 167,212,473
Licenses and Permits	32,300	35,644
Charges for Current Services	260,434	303,493
Other Local Revenues	538,843	1,373,997
State of Tennessee	117,324,198	113,876,404
Federal Government	<u>552,416</u>	<u>536,408</u>
Total Revenues	<u>289,748,121</u>	<u>283,338,419</u>
Expenditures		
Current:		
Education:		
Instruction	179,777,448	175,012,750
Support Services	105,040,708	100,823,632
Payments to Primary Government	<u>2,179,394</u>	<u>2,045,391</u>
Total Expenditures	<u>286,997,550</u>	<u>277,881,773</u>
Excess of Revenues Over Expenditures	<u>2,750,571</u>	<u>5,456,646</u>
Other Financing Sources (Uses)		
Transfers From Other Funds	10,000	11,230
Transfers To Other Funds	<u>(2,993,981)</u>	<u>(1,988,599)</u>
Total Other Financing Sources (Uses)	<u>(2,983,981)</u>	<u>(1,977,369)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	(233,410)	3,479,277
Fund Balances, July 1	<u>22,577,497</u>	<u>19,098,220</u>
Fund Balances, June 30	<u>\$ 22,344,087</u>	<u>\$ 22,577,497</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Local Taxes	\$ 172,561,839	\$ 172,561,839	\$ 171,039,930	\$ (1,521,909)	\$ 165,903,138	\$ 167,212,473	\$ 1,309,335	
Licenses and Permits	36,000	36,000	32,300	(3,700)	37,500	35,644	(1,856)	
Charges for Current Services	326,000	326,000	260,434	(65,566)	326,000	303,493	(22,507)	
Other Local Revenues	419,000	500,962	538,843	37,881	763,975	1,373,997	610,022	
State of Tennessee	116,713,272	116,713,272	117,324,198	610,926	113,432,366	113,876,404	444,038	
Federal Government	371,100	501,151	552,416	51,265	586,376	536,408	(49,968)	
Total Revenues	290,427,211	290,639,224	289,748,121	(891,103)	281,049,355	283,338,419	2,289,064	
Expenditures								
Current:								
Education:								
Instruction:								
Personal Services	150,582,845	147,917,546	146,251,913	1,665,633	145,713,241	144,365,720	1,347,521	
Employee Benefits	24,939,639	27,481,633	25,671,878	1,809,755	24,441,583	23,575,261	866,322	
Contracted Services	1,495,597	1,292,325	775,084	517,241	1,304,865	1,153,851	151,014	
Supplies and Materials	7,451,434	8,057,939	6,660,688	1,397,251	7,054,836	5,523,732	1,531,104	
Other Charges	140,580	140,384	82,056	58,328	3,000	2,143	857	
Capital Outlay	34,945	341,087	335,830	5,257	392,919	392,043	876	
Support Services:								
Personal Services	58,973,620	58,041,190	55,758,777	2,282,413	56,208,416	54,917,446	1,290,970	
Employee Benefits	10,209,100	10,560,746	10,146,954	413,792	9,529,363	9,115,552	413,811	
Contracted Services	16,903,811	17,029,847	16,852,573	177,274	16,206,255	16,069,311	136,944	
Supplies and Materials	14,834,400	14,974,915	14,868,127	106,788	14,364,557	14,107,382	257,175	
Other Charges	7,222,349	7,108,918	6,813,733	295,185	6,643,246	6,290,846	352,400	
Capital Outlay	351,039	615,182	600,543	14,639	369,992	323,095	46,897	
Payments to Primary Government	-	572,890	2,179,394	(1,606,504)	2,045,391	2,045,391	-	
Total Expenditures	293,139,359	294,134,602	286,997,550	7,137,052	284,277,664	277,881,773	6,395,891	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,712,148)	(3,495,378)	2,750,571	6,245,949	(3,228,309)	5,456,646	8,684,955	

continued

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
 Knox County Board of Education
 General Fund - General Purpose School
 Comparative Statements of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual (GAAP Basis) (Continued)
 For the years ended June 30, 2003 and June 30, 2002

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)							
Transfers From Other Funds	\$ 500,000	\$ 510,000	\$ 10,000	\$ (500,000)	\$ 367,000	\$ 11,230	\$ (355,770)
Transfers To Other Funds	(2,587,852)	(4,620,633)	(2,993,981)	1,626,652	(2,005,606)	(1,988,599)	17,007
Total Other Financing (Uses)	(2,087,852)	(4,110,633)	(2,983,981)	1,126,652	(1,638,606)	(1,977,369)	(338,763)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,800,000)	(7,606,011)	(233,410)	7,372,601	(4,866,915)	3,479,277	8,346,192
Fund Balances, July 1	22,577,497	22,577,497	22,577,497	-	19,098,220	19,098,220	-
Fund Balances, June 30	\$ 17,777,497	\$ 14,971,486	\$ 22,344,087	\$ 7,372,601	\$ 14,231,305	\$ 22,577,497	\$ 8,346,192

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Balance Sheets
June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 7,993,463	\$ 18,481,634
Receivables (Net of Allowance for Uncollectibles):		
Accounts	2,908,524	2,722,849
Property Taxes	9,894	28,776
Due from Other Funds	179,069	74,772
Prepaid Items	<u>-</u>	<u>4,000</u>
TOTAL ASSETS	<u><u>\$ 11,090,950</u></u>	<u><u>\$ 21,312,031</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,720,850	\$ 1,858,954
Due to Other Funds	42,057	2,160,782
Due to Primary Government	<u>7,250,198</u>	<u>576</u>
TOTAL LIABILITIES	<u>9,013,105</u>	<u>4,020,312</u>
 Fund Balances (Deficits):		
Reserved	19,270,122	19,211,897
Unreserved, Undesignated	<u>(17,192,277)</u>	<u>(1,920,178)</u>
TOTAL FUND BALANCES	<u>2,077,845</u>	<u>17,291,719</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 11,090,950</u></u>	<u><u>\$ 21,312,031</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
For the years ended June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
Revenues		
Local Taxes	\$ 15,286,620	\$ 15,204,363
Other Local Revenues	142,800	8,373
Other Governments and Citizen Groups	125	-
Interest Earned	<u>184,221</u>	<u>256,995</u>
Total Revenues	<u>15,613,766</u>	<u>15,469,731</u>
Expenditures		
Capital Projects	25,358,296	25,649,112
Payments to Primary Government	<u>14,250,000</u>	<u>13,750,000</u>
Total Expenditures	<u>39,608,296</u>	<u>39,399,112</u>
Deficiency of Revenues Under Expenditures	<u>(23,994,530)</u>	<u>(23,929,381)</u>
Other Financing Sources (Uses)		
Proceeds from Debt Issuance	8,400,000	90,526,766
Transfers from Other Funds	410,000	-
Debt Issuance Costs	(29,344)	-
Payments to Refunded Bond Escrow Agent	<u>-</u>	<u>(59,471,711)</u>
Total Other Financing Sources (Uses)	<u>8,780,656</u>	<u>31,055,055</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(15,213,874)	7,125,674
Fund Balances, July 1	<u>17,291,719</u>	<u>10,166,045</u>
Fund Balances, June 30	<u><u>\$ 2,077,845</u></u>	<u><u>\$ 17,291,719</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
 Knox County Board of Education
 School Construction Capital Projects Fund
 Comparative Statements of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual (Budget Basis)
 For the years ended June 30, 2003 and June 30, 2002

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 15,550,771	\$ 15,550,771	\$ 15,286,620	\$ (264,151)	\$ 15,410,026	\$ 15,204,363	\$ (205,663)
Other Local Revenue	-	142,800	142,800	-	-	-	-
Other Governments & Citizens Groups	-	125	125	-	-	-	-
Total Revenues	15,550,771	15,693,696	15,429,545	(264,151)	15,410,026	15,204,363	(205,663)
Expenditures							
Capital Projects:							
Contractual Services	365,771	199,649	162,967	36,682	-	-	-
Supplies & Materials	175,000	34,773	11,045	23,728	-	-	-
Other Charges	160,000	160,000	155,451	4,549	195,000	153,526	41,474
Capital Outlay	600,000	2,415,991	1,249,451	1,166,540	6,000,000	1,648,717	4,351,283
Other Charges:							
Payments to Primary Government	14,250,000	14,250,000	14,250,000	-	13,750,000	13,750,000	-
Total Expenditures	15,550,771	17,060,413	15,828,914	1,231,499	19,945,000	15,552,243	4,392,757
Deficiency of Revenues Under Expenditures	-	(1,366,717)	(399,369)	967,348	(4,534,974)	(347,880)	4,187,094
Other Financing Sources							
Proceeds from Borrowing	-	8,400,000	8,400,000	-	-	-	-
Transfers From Other Funds	-	410,000	410,000	-	-	-	-
Total Other Financing Sources	-	8,810,000	8,810,000	-	-	-	-
Excess of Revenues and Other Financing Sources Over Expenditures	-	7,443,283	8,410,631	967,348	(4,534,974)	(347,880)	4,187,094
Fund Balances, July 1 (Budget Basis)	7,423,966	7,423,966	7,423,966	-	7,771,846	7,771,846	-
Fund Balances, June 30 (Budget Basis)	\$ 7,423,966	\$ 14,867,249	\$ 15,834,597	\$ 967,348	\$ 3,236,872	\$ 7,423,966	\$ 4,187,094
Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):							
Fund Balance (Budget Basis)			\$ 15,834,597			\$ 7,423,966	
Timing Differences:							
Project Length Budgets			(13,756,752)			9,867,753	
Fund Balance (GAAP Basis)			\$ 2,077,845			\$ 17,291,719	

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Schedule of Construction Project Expenditures -
Budget and Actual
For the Year Ended June 30, 2003

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Sequoyah Elementary	\$ 3,775,269	\$ 3,639,898	\$ 57,780	\$ 3,697,678	\$ 77,591
Ritta Elementary	5,237,706	5,208,555	29,151	5,237,706	-
Christenberry Elementary	8,867,532	8,866,865	667	8,867,532	-
Dogwood Elementary	6,880,566	6,879,801	765	6,880,566	-
Green Elementary	1,677,568	1,677,568	-	1,677,568	-
Ridgedale Elementary	16,246,500	-	1,312,877	1,312,877	14,933,623
Cedar Bluff K-3	995,185	-	-	-	995,185
Sarah Moore Green Elementary	7,523,131	7,515,124	8,007	7,523,131	-
Beaumont Elementary	2,314,307	2,314,307	-	2,314,307	-
Northwest (Hardin Valley) Elementary	16,768,451	16,309,581	66,452	16,376,033	392,418
Brickey Elementary	15,806,578	3,430,842	7,339,664	10,770,506	5,036,072
Karns 5th and 6th	2,714,500	2,714,500	-	2,714,500	-
Chilhowee Elementary	87,040	87,040	-	87,040	-
Bearden Elementary	193,185	159,026	13,763	172,789	20,396
Pleasant Ridge Elementary	77,350	77,151	199	77,350	-
Halls Elementary	4,275,000	2,622,551	737,957	3,360,508	914,492
Bonny Kate Elementary	282,410	91,390	95,873	187,263	95,147
Lonsdale Elementary	325,000	324,321	679	325,000	-
Ball Camp Elementary Expansion	198,725	193,025	5,700	198,725	-
A.L. Lotts Land Acquisition	458,800	-	316,408	316,408	142,392
New Hopewell Elementary	361,500	-	-	-	361,500
South Doyle Middle	1,224,183	1,131,214	92,969	1,224,183	-
Northwest Middle	2,615,009	2,615,009	-	2,615,009	-
Whittle Springs Middle	3,468,568	3,270,789	72,819	3,343,608	124,960
Karns Middle	19,164,846	18,582,998	355,539	18,938,537	226,309
Vine Middle	4,772,748	4,615,300	157,448	4,772,748	-
Holston Middle	2,807,759	2,094,782	471,407	2,566,189	241,570
West Valley Middle	17,845,296	17,449,610	170,723	17,620,333	224,963
Chilhowee Intermediate Expansion	109,900	98,940	10,960	109,900	-
Powell Middle	940,954	937,054	3,900	940,954	-
Austin East Renovations	17,655,625	17,583,202	61,375	17,644,577	11,048
South Doyle High	989,784	988,926	858	989,784	-
Fulton Renovation	18,545,919	18,503,464	42,455	18,545,919	-
Karns High	659,066	655,239	3,827	659,066	-
Bearden High	14,292,998	13,890,050	392,920	14,282,970	10,028
Magnet Equipment	3,942,809	2,483,578	702,841	3,186,419	756,390
Powell High	405,000	402,423	2,577	405,000	-
Historic Knox High	762,532	216,940	171,184	388,124	374,408
Carter School Expansion	1,047,500	-	1,024,534	1,024,534	22,966
Gibbs Elementary School	1,092,315	-	1,155	1,155	1,091,160
Land Investigation	178,737	-	157,997	157,997	20,740
Roofing and HVAC	18,652,487	10,640,999	4,646,703	15,287,702	3,364,785
Physical Plant Upgrades - Bond	8,600,000	5,679,593	2,920,407	8,600,000	-
Stadium Bleachers	813,164	-	216,963	216,963	596,201
Gibbs Fieldhouse	200,000	-	200,000	200,000	-
Feasibility Study	70,217	-	-	-	70,217
Professional Development Technology Center	1,241,000	176,000	1,027,368	1,203,368	37,632
Facilities Reassessments	246,000	-	204,650	204,650	41,350
School Maintenance Consolidation	1,023,000	-	679,861	679,861	343,139
Contingency	255	-	-	-	255
Total Capital Projects:	\$ 238,433,974	\$ 184,127,655	\$ 23,779,382	\$ 207,907,037	\$ 30,526,937

Project Expenditures	\$ 23,779,382
Expenditures - Activities Budgeted on Annual Basis	15,828,914
Total School Construction Fund Expenditures	\$ 39,608,296

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Special Revenue Fund
Comparative Balance Sheets
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 5,482,347	\$ 3,761,507
Due from Other Funds	51,958	95,708
Prepaid Items	<u>6,723</u>	<u>15,282</u>
TOTAL ASSETS	<u><u>\$ 5,541,028</u></u>	<u><u>\$ 3,872,497</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,031,677	\$ 1,637,353
Due to Other Funds	3,351,936	2,141,053
Due to Primary Government	40,215	2,859
Deferred Revenue	<u>67,628</u>	<u>19,261</u>
TOTAL LIABILITIES	<u>5,491,456</u>	<u>3,800,526</u>
Fund Balances (Deficits):		
Reserved	76,267	133,312
Unreserved, Undesignated	<u>(26,695)</u>	<u>(61,341)</u>
TOTAL FUND BALANCES	<u>49,572</u>	<u>71,971</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 5,541,028</u></u>	<u><u>\$ 3,872,497</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Special Revenue Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
For the years ended June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
Revenues		
Charges for Current Services	\$ 19,941	\$ -
Other Local Revenues	82,865	89,131
State of Tennessee	24,926	11,538
Federal Government	<u>20,370,818</u>	<u>17,316,129</u>
Total Revenues	<u>20,498,550</u>	<u>17,416,798</u>
Expenditures		
Current:		
Education:		
Instruction	16,193,988	14,538,537
Support Services	3,894,934	2,265,380
Non-Instructional Services	<u>541,330</u>	<u>795,679</u>
Total Expenditures	<u>20,630,252</u>	<u>17,599,596</u>
Deficiency of Revenues Under Expenditures	<u>(131,702)</u>	<u>(182,798)</u>
Other Financing Sources		
Transfers From Other Funds	<u>109,303</u>	<u>98,064</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures	(22,399)	(84,734)
Fund Balances, July 1	<u>71,971</u>	<u>156,705</u>
Fund Balances, June 30	<u><u>\$ 49,572</u></u>	<u><u>\$ 71,971</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Special Revenue Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ -	\$ 19,185	\$ 19,941	\$ 756	\$ -	\$ -	\$ -
Other Local Revenues	-	87,368	82,865	(4,503)	83,750	89,131	5,381
State of Tennessee	-	24,933	24,926	(7)	11,538	11,538	-
Federal Government	-	29,143,215	20,370,818	(8,772,397)	21,597,626	17,316,129	(4,281,497)
Total Revenues	-	29,274,701	20,498,550	(8,776,151)	21,692,914	17,416,798	(4,276,116)
Expenditures							
Current:							
Education:							
Instruction:							
Personal Services	-	11,521,414	9,525,284	1,996,130	11,616,401	10,145,906	1,470,495
Employee Benefits	-	2,529,482	1,872,266	657,216	2,355,645	1,805,082	550,563
Contracted Services	-	2,500,763	799,885	1,700,878	2,538,501	356,979	2,181,522
Supplies and Materials	-	4,083,743	2,632,643	1,451,100	1,860,032	1,140,790	719,242
Other Charges	-	132,638	76,460	56,178	233,531	173,801	59,730
Capital Outlay	-	1,623,163	1,287,449	335,714	1,211,392	915,979	295,413
Support Services:							
Personal Services	-	2,386,917	1,798,340	588,577	1,445,708	1,080,508	365,200
Employee Benefits	-	446,577	264,769	181,808	233,039	153,176	79,863
Contracted Services	-	1,633,548	586,330	1,047,218	916,227	557,780	358,447
Supplies and Materials	-	1,220,088	737,209	482,879	468,635	215,780	252,855
Other Charges	-	253,233	162,264	90,969	219,597	148,914	70,683
Capital Outlay	-	387,101	346,023	41,078	108,570	109,222	(652)
Non-Instructional Services:							
Personal Services	-	524,356	267,075	257,281	566,107	285,209	280,898
Employee Benefits	-	92,158	72,426	19,732	95,019	60,975	34,044
Contracted Services	-	10,409	4,375	6,034	33,973	13,519	20,454
Supplies and Materials	-	14,342	123,609	(109,267)	217,221	184,121	33,100
Other Charges	-	98,079	73,845	24,234	262,365	251,855	10,510
Total Expenditures	-	29,458,011	20,630,252	8,827,759	24,381,963	17,599,596	6,782,367
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(183,310)	(131,702)	51,608	(2,689,049)	(182,798)	2,506,251
Other Financing Sources							
Transfer From Other Funds	-	112,748	109,303	(3,445)	90,595	98,064	7,469
Deficiency of Revenues and Other Financing Sources Under Expenditures	-	(70,562)	(22,399)	48,163	(2,598,454)	(84,734)	2,513,720
Fund Balances, July 1	71,971	71,971	71,971	-	156,705	156,705	-
Fund Balances (Deficits), June 30	\$ 71,971	\$ 1,409	\$ 49,572	\$ 48,163	\$ (2,441,749)	\$ 71,971	\$ 2,513,720

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School General Projects Special Revenue Fund
Comparative Balance Sheets
June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,640,565	\$ 1,518,442
Receivables (Net of Allowance for Uncollectibles):		
Accounts	257,677	215,165
Due from Other Funds	<u>1,533,533</u>	<u>1,977,320</u>
TOTAL ASSETS	<u><u>\$ 4,431,775</u></u>	<u><u>\$ 3,710,927</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 248,561	\$ 143,110
Due to Other Funds	248,282	102,640
Due to Primary Government	701	195
Deferred Revenue	<u>15,000</u>	<u>14,460</u>
TOTAL LIABILITIES	<u>512,544</u>	<u>260,405</u>
Fund Balances:		
Reserved	4,013,607	955,462
Unreserved:		
Designated	-	2,559,545
Undesignated	<u>(94,376)</u>	<u>(64,485)</u>
TOTAL FUND BALANCES	<u>3,919,231</u>	<u>3,450,522</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,431,775</u></u>	<u><u>\$ 3,710,927</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School General Projects Special Revenue Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
For the years ended June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
Revenues		
Licenses and Permits	\$ 4,684	\$ 3,486
Charges for Current Services	202,921	197,408
Other Local Revenues	526,494	533,690
State of Tennessee	503,123	369,602
Other Governments and Citizens Groups	390,734	407,252
Total Revenues	<u>1,627,956</u>	<u>1,511,438</u>
Expenditures		
Current:		
Education:		
Instruction	686,206	581,607
Support Services	1,503,613	936,601
Capital Outlay	1,434,106	714,145
Total Expenditures	<u>3,623,925</u>	<u>2,232,353</u>
Deficiency of Revenues Under Expenditures	<u>(1,995,969)</u>	<u>(720,915)</u>
Other Financing Sources (Uses)		
Transfers From Other Funds	2,602,678	1,890,535
Transfers To Other Funds	(138,000)	(11,230)
Total Other Financing Sources (Uses)	<u>2,464,678</u>	<u>1,879,305</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	468,709	1,158,390
Fund Balances, July 1	<u>3,450,522</u>	<u>2,292,132</u>
Fund Balances, June 30	<u>\$ 3,919,231</u>	<u>\$ 3,450,522</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School General Projects Special Revenue Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Licenses and Permits	\$ -	\$ -	\$ 4,684	\$ 4,684	\$ -	\$ 3,486	\$ 3,486
Charges for Current Services	-	201,648	202,921	1,273	199,275	197,408	(1,867)
Other Local Revenues	-	513,529	526,494	12,965	513,765	533,690	19,925
State of Tennessee	-	776,081	503,123	(272,958)	583,809	369,602	(214,207)
Other Governments and Citizens Groups	-	407,361	390,734	(16,627)	443,310	407,252	(36,058)
Total Revenues	-	1,898,619	1,627,956	(270,663)	1,740,159	1,511,438	(228,721)
Expenditures							
Current:							
Education:							
Instruction:							
Personal Services	-	413,143	308,959	104,184	477,192	337,698	139,494
Employee Benefits	-	59,314	39,580	19,734	52,013	40,400	11,613
Contracted Services	-	63,690	41,651	22,039	58,767	23,685	35,082
Supplies and Materials	-	275,532	214,858	60,674	352,711	165,604	187,107
Other Charges	-	14,226	7,837	6,389	21,142	8,848	12,294
Capital Outlay	-	94,996	73,321	21,675	93,502	5,372	88,130
Support Services:							
Personal Services	-	595,016	468,171	126,845	538,105	478,006	60,099
Employee Benefits	-	90,407	78,599	11,808	88,056	78,705	9,351
Contracted Services	-	1,309,925	811,611	498,314	461,404	294,550	166,854
Supplies and Materials	-	390,244	144,560	245,684	224,348	84,979	139,369
Other Charges	-	2,767	672	2,095	400	361	39
Capital Outlay	-	1,067,596	-	1,067,596	302,379	-	302,379
Capital Outlay	-	3,514,773	1,434,106	2,080,667	3,271,715	714,145	2,557,570
Total Expenditures	-	7,891,629	3,623,925	4,267,704	5,941,734	2,232,353	3,709,381
Deficiency of Revenues Under Expenditures	-	(5,993,010)	(1,995,969)	3,997,041	(4,201,575)	(720,915)	3,480,660
Other Financing Sources (Uses)							
Transfers from Other Funds	-	2,680,587	2,602,678	(77,909)	1,929,443	1,890,535	(38,908)
Transfers to Other Funds	-	(138,000)	(138,000)	-	(20,000)	(11,230)	8,770
Total Other Financing Sources (Uses)	-	2,542,587	2,464,678	(77,909)	1,909,443	1,879,305	(30,138)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(3,450,423)	468,709	3,919,132	(2,292,132)	1,158,390	3,450,522
Fund Balances, July 1	3,450,522	3,450,522	3,450,522	-	2,292,132	2,292,132	-
Fund Balances, June 30	\$ 3,450,522	\$ 99	\$ 3,919,231	\$ 3,919,132	\$ -	\$ 3,450,522	\$ 3,450,522

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Central Cafeteria Special Revenue Fund
Comparative Balance Sheets
June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,116,286	\$ 481,834
Receivables (Net of Allowance for Uncollectibles):		
Accounts	281,526	1,278,933
Due from Other Funds	608,993	533,319
Inventories	<u>300,320</u>	<u>279,167</u>
TOTAL ASSETS	<u><u>\$ 3,307,125</u></u>	<u><u>\$ 2,573,253</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 223,967	\$ 375,502
Deferred Revenue	2,044	1,078
Due to Other Funds	<u>156,380</u>	<u>132,141</u>
TOTAL LIABILITIES	<u>382,391</u>	<u>508,721</u>
 Fund Balances:		
Reserved	317,266	584,760
Unreserved, Undesignated	<u>2,607,468</u>	<u>1,479,772</u>
TOTAL FUND BALANCES	<u>2,924,734</u>	<u>2,064,532</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,307,125</u></u>	<u><u>\$ 2,573,253</u></u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Central Cafeteria Special Revenue Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
For the years ended June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
Revenues		
Charges for Current Services	\$ 8,150,476	\$ 7,816,603
Other Local Revenues	1,246,470	1,580,119
State of Tennessee	239,528	240,660
Federal Government	7,667,850	7,037,984
	<hr/>	<hr/>
Total Revenues	17,304,324	16,675,366
	<hr/>	<hr/>
Expenditures		
Current:		
Education		
Food Service	16,444,122	16,658,924
	<hr/>	<hr/>
Excess of Revenues Over Expenditures	860,202	16,442
Fund Balances, July 1	2,064,532	2,048,090
	<hr/>	<hr/>
Fund Balances, June 30	\$ 2,924,734	\$ 2,064,532
	<hr/> <hr/>	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Central Cafeteria Special Revenue Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2003 and June 30, 2002**

	2003				2002		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 8,328,565	\$ 8,521,565	\$ 8,150,476	\$ (371,089)	\$ 8,216,384	\$ 7,816,603	\$ (399,781)
Other Local Revenues	1,518,000	1,325,000	1,246,470	(78,530)	2,018,614	1,580,119	(438,495)
State of Tennessee	242,000	242,000	239,528	(2,472)	238,000	240,660	2,660
Federal Government	6,393,135	7,178,180	7,667,850	489,670	6,198,183	7,037,984	839,801
Total Revenues	16,481,700	17,266,745	17,304,324	37,579	16,671,181	16,675,366	4,185
Expenditures							
Current:							
Education:							
Food Service:							
Personal Services	7,025,700	6,621,862	6,621,862	-	6,534,129	6,534,129	-
Employee Benefits	1,229,000	1,718,837	1,488,989	229,848	1,316,559	1,316,559	-
Contracted Services	388,500	668,000	408,332	259,668	588,870	588,870	-
Supplies & Materials	7,254,500	7,942,673	7,697,789	244,884	8,132,829	8,131,006	1,823
Other Charges	37,500	115,373	101,471	13,902	87,182	76,748	10,434
Capital Outlay	546,500	200,000	125,679	74,321	11,612	11,612	-
Total Expenditures	16,481,700	17,266,745	16,444,122	822,623	16,671,181	16,658,924	12,257
Excess of Revenues Over Expenditures	-	-	860,202	860,202	-	16,442	16,442
Fund Balances, July 1	2,064,532	2,064,532	2,064,532	-	2,048,090	2,048,090	-
Fund Balances, June 30	\$ 2,064,532	\$ 2,064,532	\$ 2,924,734	\$ 860,202	\$ 2,048,090	\$ 2,064,532	\$ 16,442

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE
Discretely Presented Component Unit
Knox County Board of Education
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 1,918,988	\$ 5,407,111
Receivables (Net of Allowance for Uncollectibles):		
Interest and Dividends	159,283	-
Contributions	69,789	-
Investments	62,134,959	-
Other Assets	-	47,198
TOTAL ASSETS	64,283,019	\$ 5,454,309
LIABILITIES		
Accounts Payable and Accrued Liabilities	233,893	\$ 77,110
Liability for Student Activities	-	5,377,199
TOTAL LIABILITIES	233,893	\$ 5,454,309
NET ASSETS		
Held in Trust for:		
Pension Benefits	<u>\$ 64,049,126</u>	

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan
June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,918,988	\$ 650,523
Interest and Dividends	159,283	179,207
Employee Contributions Receivable	69,789	79,359
Prepaid Items	-	60,990
Investments, at Fair Value		
Mutual Funds	<u>62,134,959</u>	<u>62,106,254</u>
TOTAL ASSETS	<u>64,283,019</u>	<u>63,076,333</u>
 LIABILITIES		
Accounts Payable	<u>233,893</u>	<u>13,194</u>
 NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 64,049,126</u>	<u>\$ 63,063,139</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Comparative Statements of Changes in Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan
For the years ended June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
Additions		
Contributions		
Employer	\$ 1,384,838	\$ 600,000
Employee	571,824	699,896
Total Contributions	<u>1,956,662</u>	<u>1,299,896</u>
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments	375,103	(5,054,997)
Interest and Dividends	1,481,929	2,394,097
Total Investment Earnings (Loss)	1,857,032	(2,660,900)
Less Investment Expense	<u>(154,569)</u>	<u>(110,100)</u>
Net Investment Income (Loss)	<u>1,702,463</u>	<u>(2,771,000)</u>
Total Additions	<u>3,659,125</u>	<u>(1,471,104)</u>
Deductions		
Benefits and Refunds	2,311,310	1,921,618
Administrative and Professional Expenses	361,828	405,434
Total Deductions	<u>2,673,138</u>	<u>2,327,052</u>
Net Increase (Decrease)	985,987	(3,798,156)
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	<u>63,063,139</u>	<u>66,861,295</u>
End of Year	<u>\$ 64,049,126</u>	<u>\$ 63,063,139</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Agency Fund - Student Activity Fund**
Comparative Statements of Changes in Fiduciary Assets and Liabilities
For the years ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Assets and Liabilities, July 1	\$ 5,494,832	\$ 5,690,470
Additions	15,403,649	14,523,014
Deductions	<u>(15,521,282)</u>	<u>(14,718,652)</u>
Assets and Liabilities, June 30	<u>\$ 5,377,199</u>	<u>\$ 5,494,832</u>

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Primary Government
Government-wide Expenses by Function
Last Ten Fiscal Years
(In Thousands of Dollars)**

Fiscal Year	Finance and Administration	Administration of Justice	Public Safety	Public Health & Welfare	Social Cultural Services	Agricultural & Natural Resources	Other General Government	Education	Highways	Debt Service	Total
2002	\$ 30,108,481	\$ 11,003,409	\$ 45,149,336	\$ 36,660,927	\$ 15,051,106	\$ 318,902	\$ 49,628,200	\$ 30,635,055	\$ 21,001,851	\$ 19,488,610	\$ 259,045,877
2003	\$ 32,196,730	\$ 11,828,805	\$ 49,244,493	\$ 37,804,098	\$ 15,766,968	\$ 335,090	\$ 54,261,242	\$ 8,400,000	\$ 21,881,988	\$ 18,763,974	\$ 250,483,388

Only two years are listed as Knox County implemented GASB 34 in fiscal year 2002. Additional years will be added in the future. For additional historical data, see page 206

KNOX COUNTY, TENNESSEE

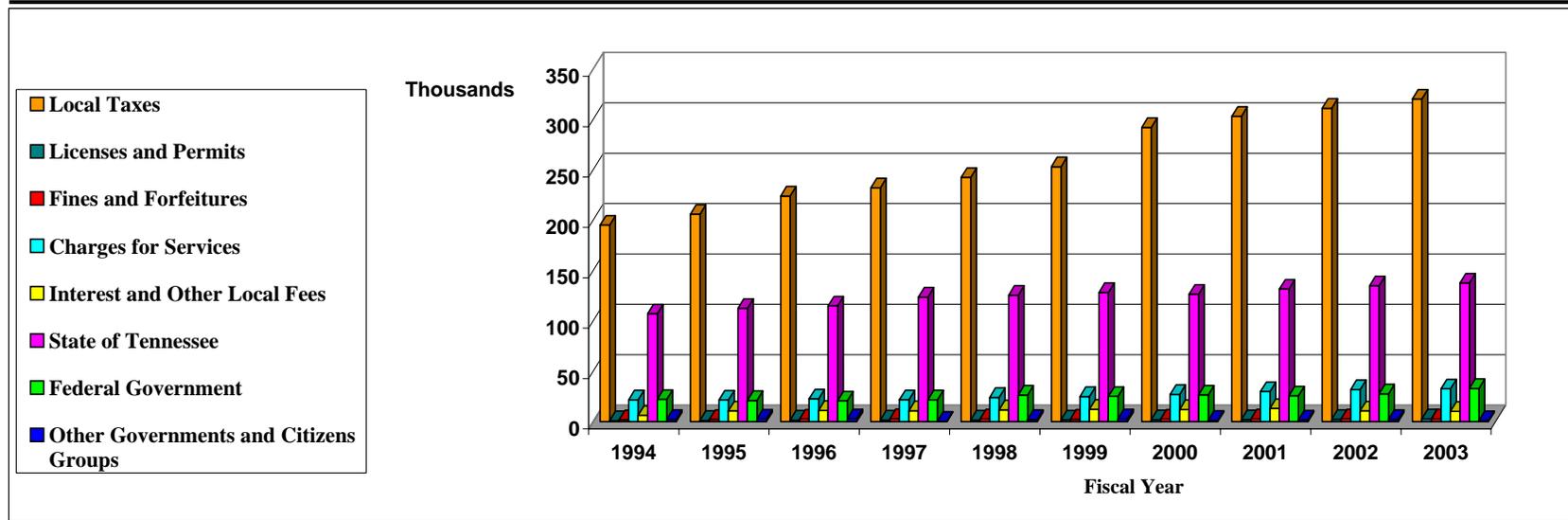
**Primary Government
Government-wide Revenues
Last Ten Fiscal Years
(In Thousands of Dollars)**

PROGRAM REVENUES				GENERAL REVENUES				
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Other	Total
2002	\$ 66,640,286	\$ 18,997,160	\$ -	\$ 125,747,870	\$ -	\$ 3,738,576	\$ 21,866,629	\$ 236,990,521
2003	\$ 67,233,533	\$ 20,962,543	\$ -	\$ 133,991,541	\$ -	\$ 2,839,049	\$ 22,527,752	\$ 247,554,418

Only two years are listed as Knox County implemented GASB 34 in fiscal year 2002. Additional years will be added in the future. For additional historical data, see page 205

**KNOX COUNTY, TENNESSEE
AND THE KNOX COUNTY BOARD OF EDUCATION
A DISCRETELY PRESENTED COMPONENT UNIT**

**Fund Information of General Governmental Revenues by Source
Last Ten Fiscal Years
(In Thousands of Dollars)**

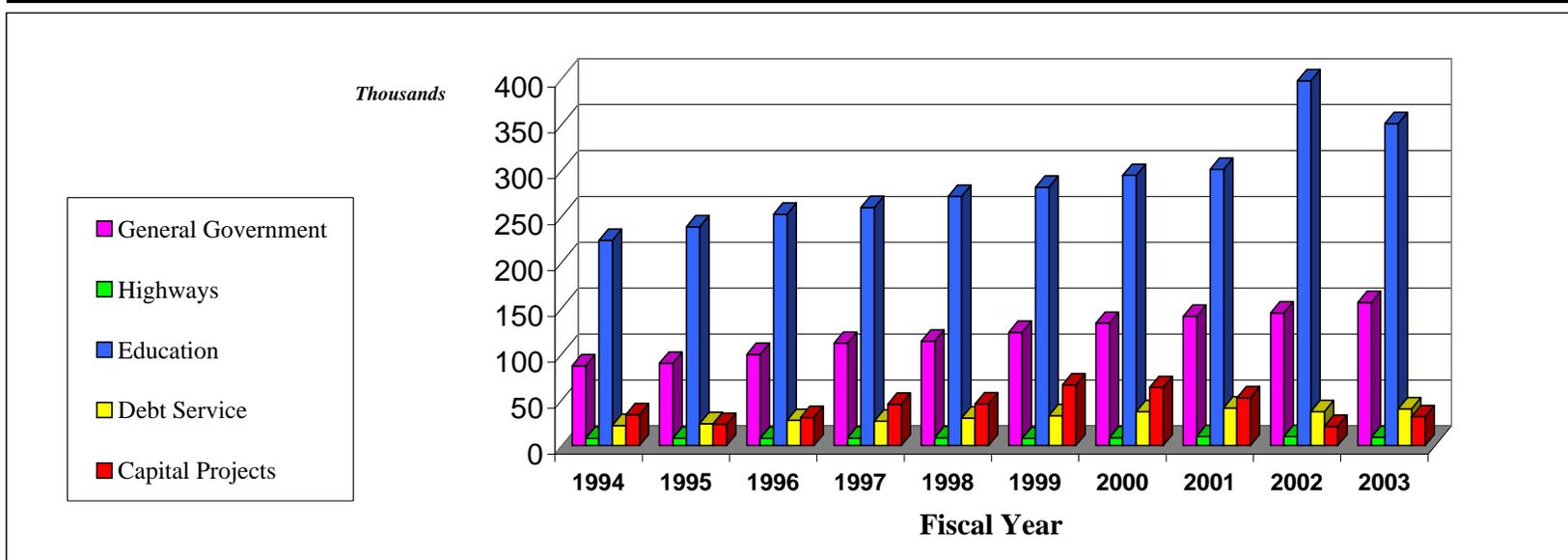


	Fiscal Year 1994	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Revenues (A)										
Local Taxes (B), (C)	\$ 195,195	\$ 205,971	\$ 224,060	\$ 232,145	\$ 242,493	\$ 253,088	\$ 292,018	\$ 303,117	\$ 311,194	\$ 320,409
Licenses and Permits	1,125	1,349	1,632	1,633	1,612	1,852	1,929	2,046	2,419	2,878
Fines and Forfeitures	1,985	2,377	2,684	3,086	2,860	2,574	2,642	2,834	3,034	2,846
Charges for Services	21,728	21,582	22,712	21,811	24,089	24,937	27,137	29,947	31,822	32,664
Interest and Other Local Fees (D)	6,267	10,750	11,244	10,982	11,807	12,360	12,066	13,207	10,788	10,283
State of Tennessee (C)	107,196	112,626	115,006	123,865	125,575	128,236	126,686	131,790	135,057	137,705
Federal Government	22,134	21,155	20,693	21,717	26,568	25,088	26,608	25,795	27,627	33,057
Other Governments and Citizens Groups	2,420	2,699	2,986	483	2,172	2,794	1,401	1,771	2,373	1,122
Total	\$ 358,050	\$ 378,509	\$ 401,017	\$ 415,722	\$ 437,176	\$ 450,929	\$ 490,487	\$ 510,507	\$ 524,314	\$ 540,964

NOTES: (A) Includes the General, Special Revenue, Debt Service and Capital Projects Funds for the County and The Board.
 (B) Local taxes includes Real and Personal Property Taxes, Hotel/Motel Taxes and Local Option Sales Taxes.
 (C) In fiscal year 1988, the Board acquired the City of Knoxville School System through a County-wide consolidation.
 (D) Includes interest income and excess fees remitted by Constitutional Officers.

**KNOX COUNTY, TENNESSEE
AND THE KNOX COUNTY BOARD OF EDUCATION
A DISCRETELY PRESENTED COMPONENT UNIT**

**Fund Information of General Governmental Expenditures By Function
Last Ten Fiscal Years
(In Thousands of Dollars)**



	Fiscal Year 1994	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Expenditures										
General Government (A), (B)	\$87,044	\$89,808	\$99,471	\$111,527	\$113,722	\$123,473	\$133,309	\$140,829	\$144,465	\$155,874
Highways	7,981	8,069	7,953	8,307	8,704	7,734	8,690	9,928	9,829	9,113
Education	223,571	238,370	252,098	259,390	271,597	281,537	294,424	301,083	397,437	350,875
Debt Service (C)	22,052	23,971	27,460	26,611	30,104	32,701	36,940	41,115	37,159	40,134
Capital Projects	33,660	23,116	30,642	45,138	45,335	66,232	63,331	52,121	20,992	31,513
Total	\$374,308	\$383,334	\$417,624	\$450,973	\$469,462	\$511,677	\$536,694	\$545,076	\$609,882	\$587,509

NOTES: (A) Includes General and all Special Revenue Funds with the exception of Highways.
 (B) General government expenditures include finance and administration, administration of justice, public safety, public health and welfare, social and cultural services, agricultural and natural resources, and other general government.
 (C) Debt Service includes principal and interest expenditures for General Bonded Debt and Capital Outlay Notes

KNOX COUNTY, TENNESSEE

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Taxes Collected	Total Taxes Collected	Percentage of Total Collections	Delinquent Taxes	Percentage of Levy Uncollected
1994	\$ 107,694,200	\$ 103,665,652	96.3%	\$ 3,935,631	\$ 107,601,283	99.9%	\$ 92,917	0.1%
1995	\$ 111,017,365	\$ 106,078,721	95.6%	\$ 4,804,694	\$ 110,883,415	99.9%	\$ 133,950	0.1%
1996	\$ 123,330,309	\$ 118,094,687	95.8%	\$ 5,068,875	\$ 123,163,562	99.9%	\$ 166,747	0.1%
1997	\$ 127,635,189	\$ 121,838,326	95.5%	\$ 5,588,438	\$ 127,426,764	99.8%	\$ 208,424	0.2%
1998	\$ 131,913,312	\$ 126,039,387	95.5%	\$ 5,517,166	\$ 131,556,553	99.7%	\$ 356,759	0.3%
1999	\$ 138,022,315	\$ 131,623,390	95.4%	\$ 5,782,457	\$ 137,405,847	99.6%	\$ 616,468	0.4%
2000	\$ 172,181,711	\$ 163,210,597	94.8%	\$ 8,140,340	\$ 171,350,937	99.5%	\$ 830,774	0.5%
2001	\$ 178,666,466	\$ 169,058,907	94.6%	\$ 7,934,828	\$ 176,993,735	99.1%	\$ 1,672,730	0.9%
2002	\$ 186,625,944	\$ 177,651,252	95.2%	\$ 5,456,681	\$ 183,107,933	98.1%	\$ 3,518,011	1.9%
2003	\$ 190,698,798	\$ 181,786,456	95.3%	\$ -	\$ 181,786,456	95.3%	\$ 8,912,342	4.7%

KNOX COUNTY, TENNESSEE

**Assessed and Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Property		Personal Property		Public Utility Property	Total Assessed Value
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	
1994	\$ 3,347,884,580	\$ 11,352,037,700	\$ 255,783,556	\$ 852,611,853	\$ 183,392,809	\$ 3,787,060,945
1995	\$ 3,396,253,445	\$ 11,530,280,445	\$ 276,139,121	\$ 920,463,737	\$ 188,141,725	\$ 3,860,534,291
1996	\$ 3,476,042,525	\$ 12,287,296,600	\$ 279,015,159	\$ 930,050,530	\$ 179,422,059	\$ 3,934,479,743
1997	\$ 4,201,861,455	\$ 14,537,699,100	\$ 361,596,998	\$ 1,205,322,121	\$ 186,330,195	\$ 4,749,788,648
1998	\$ 4,362,005,230	\$ 15,077,422,000	\$ 397,904,412	\$ 1,326,348,040	\$ 199,621,452	\$ 4,959,531,094
1999	\$ 4,507,343,335	\$ 15,574,817,500	\$ 444,339,356	\$ 1,481,131,186	\$ 214,390,729	\$ 5,166,073,420
2000	\$ 4,666,538,965	\$ 16,115,878,900	\$ 482,217,766	\$ 1,607,392,553	\$ 214,390,729	\$ 5,363,147,460
2001	\$ 5,505,632,220	\$ 19,015,078,500	\$ 535,256,469	\$ 1,784,188,230	\$ 215,227,853	\$ 6,256,116,542
2002	\$ 5,657,459,590	\$ 19,551,305,500	\$ 547,329,124	\$ 1,824,430,413	\$ 263,632,399	\$ 6,468,421,113
2003	\$ 5,819,799,685	\$ 20,134,308,700	\$ 552,014,141	\$ 1,840,045,342	\$ 257,387,958	\$ 6,629,201,784

NOTE: Assessment Rates are set by Tennessee State Law as follows:
 Real Property: Residential and Farm at 25% of value
 Commercial and Industrial at 40% of value
 Personal Property at 30% of value
 Public Utilities at 55% of value (Railroads 40%)
 In FY 2001, a county-wide reappraisal was completed

KNOX COUNTY, TENNESSEE

**Property Tax Rates - Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	City of Knoxville	Knox County	Overlapping Tax Rate Inside Knoxville
1994	2.73	2.91	5.64
1995	2.87	2.91	5.78
1996	2.87	3.16	6.03
1997	2.58	2.77	5.35
1998	2.85	2.77	5.62
1999	2.85	3.32	6.17
2000	3.04	3.32	6.36
2001	2.70	2.96	5.66
2002	2.70	2.96	5.66
2003	2.70	2.96	5.66

NOTE: Tax Rates per \$100 of Assessed Values
In FY'S 1997 and 2001 a county-wide reappraisal was completed.

**KNOX COUNTY, TENNESSEE
AND THE KNOX COUNTY BOARD OF EDUCATION
A DISCRETELY PRESENTED COMPONENT UNIT**

**Combined Ratio of Net General Bonded Debt
to Assessed Property Values and Net Bonded Debt Per Capita
Last Ten Fiscal Years**

Fiscal Year	Estimated Population (A)	Assessed Property Values	General Bonded Debt	Amount Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Values	Net Bonded Debt Per Capita
1994	356,590	\$ 3,787,060,945	\$ 149,395,000	\$ 4,077,824	\$ 145,317,176	3.84%	\$ 408
1995	361,407	\$ 3,860,534,291	\$ 198,390,000	\$ 10,681,002	\$ 187,708,998	4.86%	\$ 519
1996	364,566	\$ 3,934,479,743	\$ 188,535,000	\$ 10,005,152	\$ 178,529,848	4.54%	\$ 490
1997	365,900	\$ 4,749,788,648	\$ 242,910,001	\$ 16,424,070	\$ 226,485,931	4.77%	\$ 619
1998	374,693	\$ 4,959,531,094	\$ 242,190,000	\$ 20,836,995	\$ 221,353,005	4.46%	\$ 591
1999	376,039	\$ 5,166,073,420	\$ 308,005,000	\$ 23,395,714	\$ 284,609,286	5.51%	\$ 757
2000	382,032	\$ 5,363,147,460	\$ 354,875,603	\$ 25,525,215	\$ 329,350,388	6.14%	\$ 862
2001(B)	382,032	\$ 6,256,116,542	\$ 331,845,140	\$ 25,381,422	\$ 306,463,718	4.90%	\$ 802
2002	385,572	\$ 6,468,421,113	\$ 401,859,673	\$ 26,210,926	\$ 375,648,747	5.81%	\$ 974
2003	385,572	\$ 6,629,201,784	\$ 386,824,206	\$ 25,500,852	\$ 361,323,354	5.45%	\$ 937

NOTES: (A) Estimated population according to the Census Bureau.

(B) In fiscal year 2001, the County completed a reappraisal of real and personal property.

**KNOX COUNTY, TENNESSEE
AND THE KNOX COUNTY BOARD OF EDUCATION
A DISCRETELY PRESENTED COMPONENT UNIT**

**Combined Schedule of Direct
and Overlapping General Bonded Debt
June 30, 2003**

Direct General Bonded Debt

Knox County	\$ 386,824,206
Less: Amount Available in Debt Service Fund	<u>(25,500,852)</u>
Total Direct General Bonded Debt	<u>361,323,354</u>

Overlapping General Bonded Debt

City of Knoxville	240,945,000
Town of Farragut	<u>-</u>
Total Overlapping General Bonded Debt	<u>240,945,000</u>
Total General Bonded Debt	<u><u>\$ 602,268,354</u></u>

**KNOX COUNTY, TENNESSEE
AND THE KNOX COUNTY BOARD OF EDUCATION
A DISCRETELY PRESENTED COMPONENT UNIT**

**Combined Ratio of Annual Debt Service Expenditures for General
Bonded Debt to General Governmental Expenditures
Last Ten Fiscal Years**

Fiscal Year	Principal	Interest	Total Bonded Debt Service	(\$000's omitted) Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1994	\$ 13,510,000	\$ 6,827,421	\$ 20,337,421	\$ 374,308	5.43%
1995	\$ 14,255,000	\$ 9,117,188	\$ 23,372,188	\$ 383,334	6.10%
1996	\$ 15,060,000	\$ 10,774,332	\$ 25,834,332	\$ 482,268	5.35%
1997	\$ 15,625,000	\$ 10,217,300	\$ 25,842,300	\$ 450,973	5.73%
1998	\$ 16,350,000	\$ 12,919,711	\$ 29,269,711	\$ 469,462	6.23%
1999	\$ 17,535,000	\$ 14,378,014	\$ 31,913,014	\$ 511,677	6.24%
2000	\$ 20,715,000	\$ 15,662,428	\$ 36,377,428	\$ 536,694	6.78%
2001	\$ 21,833,829	\$ 18,610,537	\$ 40,444,366	\$ 545,076	7.42%
2002	\$ 17,985,467	\$ 18,634,020	\$ 36,619,487	\$ 609,882	6.00%
2003	\$ 21,455,467	\$ 18,251,918	\$ 39,707,385	\$ 586,373	7.00%

KNOX COUNTY, TENNESSEE

Demographic Statistics

Population Estimates for Tennessee Counties:

Year	Knox County	Average Annual Population Percent Change	Tennessee Counties	Average Annual Population Percent Change
1992	347,075	-	5,019,908	-
1993	351,259	1.21%	5,083,000	1.26%
1994	356,590	1.52%	5,158,000	1.48%
1995	361,407	1.35%	5,235,000	1.49%
1996	364,566	0.87%	5,307,000	1.38%
1997	365,900	0.37%	5,368,000	1.15%
1998	374,693	2.40%	5,432,679	1.20%
1999	376,039	0.36%	5,483,535	0.94%
2000	382,032	1.59%	5,689,283	3.75%
2001	385,572	0.93%	5,740,021	0.89%

*Source: Bureau of the
Census, State of
Tennessee*

Cost of Living - First Quarter 2003

	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
United States	100	100	100	100	100	100	100
Chattanooga	92.2	95.3	79.4	93.5	100.9	99	98.1
Cleveland	90.3	99.6	85.4	82.1	92.3	86.9	92.8
Johnson City	89.5	87	82.9	97.2	86.7	83.5	95.7
Knoxville	89.5	94.2	77.8	93.7	89.1	85.6	97
Memphis	90.1	91.2	81.3	83.9	96.4	90.9	97.2
Morristown	88.9	88.3	79.9	82.2	96.9	74.1	98.4
Nashville	97.1	106	83.5	93.7	117.3	84.7	101.7

continued

KNOX COUNTY, TENNESSEE

Demographic Statistics (Continued)

Per Capita Personal Income Comparisons (in Current Dollars): 1992 - 2001

Area	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Knoxville MSA										
Anderson	\$ 18,255	\$ 19,076	\$ 21,299	\$ 22,264	\$ 22,687	\$ 23,504	\$ 24,337	\$ 25,181	\$ 26,032	\$ 27,194
Blount	\$ 16,542	\$ 16,941	\$ 19,112	\$ 19,924	\$ 20,485	\$ 21,599	\$ 22,227	\$ 23,416	\$ 24,262	\$ 25,370
Knox	\$ 19,578	\$ 20,534	\$ 22,350	\$ 23,211	\$ 23,921	\$ 24,969	\$ 26,451	\$ 27,376	\$ 28,281	\$ 29,426
Loudon	\$ 15,966	\$ 16,756	\$ 19,210	\$ 20,231	\$ 20,733	\$ 21,672	\$ 22,648	\$ 24,247	\$ 26,241	\$ 26,257
Sevier	\$ 16,756	\$ 16,490	\$ 18,483	\$ 19,635	\$ 20,161	\$ 21,176	\$ 21,913	\$ 22,679	\$ 22,275	\$ 22,942
Union	\$ 11,166	\$ 11,820	\$ 12,710	\$ 13,305	\$ 13,580	\$ 14,496	\$ 14,796	\$ 15,610	\$ 15,070	\$ 15,178
Tennessee	\$ 17,674	\$ 18,439	\$ 20,696	\$ 21,800	\$ 22,450	\$ 23,445	\$ 24,437	\$ 25,548	\$ 25,946	\$ 26,808
Southeast	\$ 17,894	\$ 18,659	\$ 20,563	\$ 21,500	\$ 22,477	\$ 23,545	\$ 24,601	\$ 25,743	\$ 26,194	\$ 27,169
United States	\$ 20,137	\$ 20,800	\$ 22,581	\$ 23,562	\$ 24,651	\$ 25,924	\$ 26,942	\$ 28,546	\$ 29,469	\$ 30,413
Knox County as a Percent of:										
Tennessee	110.77%	111.36%	107.99%	106.47%	106.55%	106.50%	108.24%	107.16%	109.00%	109.77%
Southeast	109.41%	110.05%	108.69%	107.96%	106.42%	106.05%	107.52%	106.34%	107.97%	108.31%
United States	97.22%	98.72%	98.98%	98.51%	97.04%	96.32%	98.18%	95.90%	95.97%	96.75%

Source: Regional Economic Information System, Bureau of Economic Analysis

continued

KNOX COUNTY, TENNESSEE

Demographic Statistics (Continued)

*Age and Sex Distribution - 2000 Census
Knoxville MSA*

	Number	Percent
Total Population	382,032	100
Male	184,577	48
Female	197,455	52
< 5 years	23,371	6
5 to 9 years	23,984	6
10 to 14 years	23,846	6
15 to 19 years	26,976	7
20 to 24 years	31,408	8
25 to 34 years	55,057	14
35 to 44 years	60,900	16
45 to 54 years	53,742	14
55 to 59 years	19,170	5
60 to 64 years	15,163	4
65 to 74 years	25,983	7
75 to 84 years	16,839	4
85 years and over	5,593	2
Median age (years)	36	-
18 years and over	296,939	78
Male	140,719	37
Female	156,220	41
65 years and over	48,415	13
Male	18,859	5
Female	29,556	8

Source: Bureau of the Census, U.S. Department of Commerce.

KNOX COUNTY, TENNESSEE

**Principal Taxpayers
Tax Year 2002
(For Fiscal Year 2003)**

Taxpayer	Industry	2002 Assessed Property Valuation	Percentage of Total Assessed Property Valuation
BellSouth	Telephone	\$ 93,352,164	1.44%
West Town Mall	Commercial	38,120,400	0.59%
Knoxville Center	Commercial	26,803,160	0.41%
Norfolk Southern	Transportation	12,205,903	0.19%
Parkway Properties LP	Commercial	12,098,520	0.19%
Daikin Drivetrain Components Corp	Commercial	11,672,226	0.18%
Concord Telephone	Telephone	10,964,470	0.17%
Fort Sanders Alliance	Hospital	10,475,680	0.16%
River View Tower/City	Commercial	9,060,120	0.14%
AT & T Communications	Telephone	6,475,928	0.10%
Total 2002 Assessed Property Valuation		<u>\$ 231,228,571</u>	<u>3.70%</u>

KNOX COUNTY, TENNESSEE

Ten Largest Employers

June 30, 2003

Company	Industry	Number of Employees
The University of Tennessee, Knoxville	Education	9,317
Covenant Health	Health Care	8,000
Knox County Public Schools	Education	7,230
City of Knoxville	Government	3,500
St. Mary's Medical Center	Health Care	3,470
University of Tennessee Medical Center	Health Care	3,088
County of Knoxville	Government	2,500
Clayton Homes	Manufacturing	2,500
Wal Mart Stores	Trade	2,413
State of Tennessee, Regional Offices	Administration	2,401

Source: Greater Knoxville Chamber Partnership

KNOX COUNTY, TENNESSEE

**Uncollected Delinquent Property Taxes
Filed in Chancery Court
June 30, 2003**

<u>Fiscal Year</u>	<u>Amount</u>
1994	\$ 92,917
1995	133,950
1996	166,747
1997	208,424
1998	356,759
1999	616,468
2000	830,774
2001	1,672,730
2002	3,518,011
2003	<u>8,912,342</u>
TOTAL	<u>\$ 16,509,122</u>

KNOX COUNTY, TENNESSEE

**Property and Construction Values
Last Ten Fiscal Years (In Thousands of Dollars)**

Fiscal Year	Property Values (1)			Construction Values (2)		
	Real	Personal	Public Utility	Commercial	Residential	Other
1994	\$ 11,352,038	\$ 852,612	\$ 183,393	\$ 66,368	\$ 152,707	\$ 6,467
1995	\$ 11,530,280	\$ 920,464	\$ 188,142	\$ 62,718	\$ 146,014	\$ 12,941
1996	\$ 12,287,297	\$ 930,051	\$ 179,422	\$ 86,572	\$ 179,646	\$ 25,724
1997	\$ 14,537,699	\$ 1,205,322	\$ 186,330	\$ 106,262	\$ 159,937	\$ 22,465
1998	\$ 15,077,422	\$ 1,326,348	\$ 199,621	\$ 77,266	\$ 150,385	\$ 16,181
1999	\$ 15,574,818	\$ 1,481,131	\$ 214,391	\$ 75,543	\$ 185,982	\$ 13,355
2000	\$ 16,115,879	\$ 1,607,393	\$ 214,391	\$ 105,388	\$ 178,063	\$ 5,634
2001	\$ 19,015,079	\$ 1,784,188	\$ 215,228	\$ 81,647	\$ 225,950	\$ 1,866
2002	\$ 19,551,306	\$ 1,824,430	\$ 263,632	\$ 86,853	\$ 242,979	\$ 631
2003	\$ 20,134,309	\$ 1,840,245	\$ 257,388	\$ 44,147	\$ 249,574	\$ 97

Source:

(1) Actual value from the schedule of Assessed and Actual Value of Taxable Property

(2) Knox County Department of Code Administration and Inspection

KNOX COUNTY, TENNESSEE

**Listing of Financial Institutions Operating in Knox County
June 30, 2003
(In Thousands of Dollars)**

Bank	Total Assets Nationwide	Total Deposits Nationwide
AmSouth Bank	\$ 43,784,207	\$ 29,098,826
B B & T Bank	\$ 80,445,000	\$ 52,356,000
BankFirst	\$ 797,632	\$ 635,083
Bank of America	\$ 769,179,000	\$ 421,935,000
First Tennessee Bank	\$ 27,939,234	\$ 15,492,806
National Bank of Commerce (as of December 31, 2002)	\$ 1,077,456	\$ 817,447
Regions Bank	\$ 49,548,331	\$ 31,866,515
SunTrust Bank (as of December 31, 2002)	\$ 117,322,500	\$ 79,706,600
Union Planters Bank (as of December 31, 2002)	\$ 34,144,363	\$ 23,330,440
United Community Banks	\$ 3,905,929	\$ 2,870,926

Source: Financial Information Published by Respective Financial Institutions

KNOX COUNTY, TENNESSEE

Unemployment Figures

Area	2000 Annual Average	2001 Annual Average	2002 Annual Average
United States	4.0%	4.8%	5.8%
Tennessee	3.9%	4.5%	5.1%
Knoxville MSA	3.0%	3.3%	3.5%
Anderson County	3.6%	4.0%	3.9%
Blount County	3.1%	4.0%	3.7%
Knox County	2.3%	2.5%	2.8%
Loudon County	2.8%	3.5%	4.2%
Sevier County	6.0%	5.9%	5.9%
Union County	3.3%	3.8%	3.9%

Source: Research and Statistical Division, Tennessee Department of Labor and Workforce Development

KNOX COUNTY, TENNESSEE

Non Agricultural Employment, Annual Averages - Knoxville Area

Industry	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	% Increase/ Decrease 2001 - 2002	% Increase/ Decrease 1993-2002	% of Employment
<i>Goods Producing:</i>													
Manufacturing	50,400	50,100	49,300	48,100	48,700	48,200	48,900	47,700	45,500	42,300	-7.57%	-19.15%	12.25%
Mining	500	500	500	500	500	500	500	500	300	300	0.00%	-66.67%	0.09%
Construction	14,100	15,000	17,300	14,000	15,400	16,200	16,600	17,300	17,200	16,200	-6.17%	14.89%	4.69%
<i>Total Goods Producing</i>	65,000	65,600	67,100	62,600	64,600	64,900	66,000	65,500	63,000	58,800	-7.14%	-9.54%	17.03%
<i>Service Producing:</i>													
Information*	11,100	12,200	13,000	14,100	14,200	14,200	14,700	15,600	16,200	6,200	-61.73%	-44.14%	1.80%
Trade/Trans/PU**	73,100	78,100	80,900	81,400	83,700	87,300	88,300	91,000	93,700	73,100	-21.99%	0.00%	21.17%
Financial Activities***	10,600	11,400	11,600	13,200	13,700	14,600	15,400	15,100	15,400	16,300	5.84%	53.77%	4.72%
Services	80,500	81,400	84,200	84,000	86,300	88,200	91,100	96,400	99,400	133,800	34.61%	66.21%	38.75%
<i>Total Service Producing</i>	175,300	183,100	189,700	192,700	197,900	204,300	209,500	218,100	224,700	229,400	2.09%	30.86%	66.43%
<i>Government</i>	57,000	55,600	55,200	55,800	54,300	54,700	55,000	55,200	56,200	57,100	1.60%	0.18%	16.54%
TOTAL	297,300	304,300	312,000	311,100	316,800	323,900	330,500	338,800	343,900	345,300	0.41%	16.15%	100.00%

* Prior to 2002 this was labeled "T.C.P.U."

** Prior to 2002 this was labeled "Trade"

*** Prior to 2002 this was labeled "F.I.R.E."

The Knoxville MSA consists of six counties: Anderson, Blount, Knox, Loudon, Sevier, and Union counties

Source: Research and Statistics Division, Tennessee Department of Labor and Workforce Development