

# Knox County



## Tennessee

# Comprehensive Annual Financial Report

For the year ended  
June 30, 2004

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2004**

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## OFFICE OF COUNTY MAYOR

Department of Finance • 400 Main Street, Suite 630, Knoxville, TN 37902

November 23, 2004

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, 2004, 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. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. The reader is directed to the MD&A for a narrative introduction, overview and analysis of the financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Knox County's MD&A can be found immediately following the report of the independent auditors.

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), 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. Policymaking 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 2004 was another good 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 many road projects and continue to look forward to many improvements.

The County has an effective storm water 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 opened an \$18 million East Tennessee History Center. This new addition, which will connect to the Custom House,



*Carter Branch Library*

which 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 a bioterrorism readiness exercise as well as a countywide flu shot initiative to mitigate the effects on Knox County of the nationwide flu vaccine shortage. The entire department stepped up and answered the call to help Knox Countians. The Health Department continues to deliver necessary services to those who need it the most in a very efficient manner. The Health Department has encouraged and supported the development of a comprehensive school health program.



Knox Countians can be very proud of our community's efforts for its animal population. Through the leadership of the Health Department and a positive working relationship with the City of Knoxville as well as substantial private contributions – 2004 saw the opening of a new Animal Center as an example of our community coming together to meet a need. The Young-Williams Animal Center is a model people come from around the country to see.



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. 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.

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 County through surplus property disposal.



We have committed over one million dollars toward the Beck Cultural Center recognizing its importance in our history and our future. We have been able to contribute to many local

community agencies like Public TV of East Tennessee, Senior Citizens Home Assistance, Technology 2020, Second Harvest Food Bank, the Volunteer Ministry Center, the Interfaith Health Clinic and many others who make a difference for Knox County every day. Two \$1,500,000 grants were instrumental in helping toward the renovation of one of Knox County's treasures . . . the Historic Tennessee Theatre.

Through the continued efforts of the Development Corporation (TDC) we have seen the arrival of more businesses to Knox County each year. 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 brilliant 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 11<sup>th</sup> 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 2004 AND 2005 - 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*



## **KNOX COUNTY'S MAYOR**

*Michael R. Ragsdale*

### **Major Initiatives**

When I first decided to run for Knox County Mayor, I campaigned on four goals to make our community better: Senior Citizens, Better Schools, Economic Development and Making Government Better Everyday. With these goals in mind, I have proposed an ambitious budget for Knox County. This budget will allow us to move forward and make Knox County a great American community. I believe this budget is a crucial turning point for our community. I want you to know where we've been and where we're going in Knox County since I've taken office. Here are some of our achievements and goals for you to see...

#### **Senior Citizens**

- Veteran's Nursing Home slated to open in 2006 on Knox County property with \$6 million of Knox County capital invested.
- Opening 2 new senior centers and additions to another senior center
- Learning from consensus based on Senior Summits, expanding seniors services by using **No Senior Left Behind** as our roadmap for planning

## **Great Schools**

- **Every School A Great School** Foundation will generate \$31 million in funding to improve learning from birth to kindergarten focusing on an early career path for middle school children, and improving teacher compensation in difficult to staff schools
- 22 new school projects over the next 5 years
- Imagination Library to be implemented in Knox County providing every child from birth until they reach Kindergarten a book a month, at no cost to the child
- Expanding READ WITH ME- our a national award winning volunteer program that will place one volunteer in every 1st and 2nd grade classroom each week to help students read on grade level
- Economic Results Working on JOBS NOW! A campaign to create 35,000 new regional jobs in 5 years
- Knox County Technology and Jobs Fund will establish a loan pool for technology based companies relocating or expanding in our county
- Enterprise Resource Planning will use technology to provide more customer friendly services instead of additional employees

## **Economic Results**

- Working on JOBS NOW! A campaign to create 35,000 new regional jobs in 5 years
- Knox County Technology and Jobs Fund will establish a loan pool for technology based companies relocating or expanding in our county
- Enterprise Resource Planning will use technology to provide more customer friendly services instead of additional employees

## **What We've Implemented:**

### **Senior Citizens**

- Three successful Senior Summits with over 300 seniors in attendance
- Developed No Senior Left Behind initiative

### **Great Schools**

- Incorporated school telecommunications into the County contract, saving \$1 million over a 7 year period in the school budget
- Planned merger of school and county payroll departments in 2005 saving \$700,000 in the school's annual budget

## **Better Government**

- Combined and eliminated job duties through efficiencies and outsourced some non-mission critical functions, such as printing, resulting in the elimination of over 100 fulltime positions
- Restructured the Probation and Pretrial Release Program saving tax payer money in pretrial release services and increased revenue from probation fees by 400%
- Using low risk inmate labor to mow and clean up parks saving more than \$100,000 a year
- Privatized John Tarleton Home - saving \$2 million in 5 years
- Received over \$77 million in Federal grant funding over the past two years

## **Economic Results**

Established a Payment In Lieu of Taxes program, which will create 600 new jobs and generate \$94 million in capital investment.

### ***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. Thanks to the continuing leadership of our Governor, the State again passed a responsible, balanced budget. We at the local level are thankful for the fiscal responsibility demonstrated by the State Budget. The rating agencies have recognized these positive trends toward financial responsibility enabling the State to embark on the path toward regaining 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.

The County's response to the recent uncertainty at the State level and the national economic slowdown post 9/11/01 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 decided to "pass its problems to the local governments." With that, the County has "weathered the storm," and maintained its traditionally strong reserves, continued to budget conservatively and to be prepared for the next "rainy day."

### ***Capital Improvement Initiatives***

As evidence of the County's commitment to build the facilities necessary to serve the citizens of Knox County and promote economic development within the County and region, the County Commission adopted the Knox County Capital Improvement Plan. At the recommendation of the County Mayor, the five-year capital plan represents a road map of anticipated major capital projects. It does not represent appropriations and is subject to annual revisions or modifications. These individual projects will be primarily funded through general obligation bonded debt.

During the year, the County and the Board allocated significant resources in the following major construction/renovation projects in accordance with the County's Capital Plan:

*General Construction/Renovation:*

- Veterans' Nursing Home
- Burlington Branch Library
- Halls Senior Center
- South Knox Senior Center
- Corryton Senior Center
- Business Parks for Economic Development (4)
- Many Parks and Greenways Improvements

*Road Construction/Improvements:*

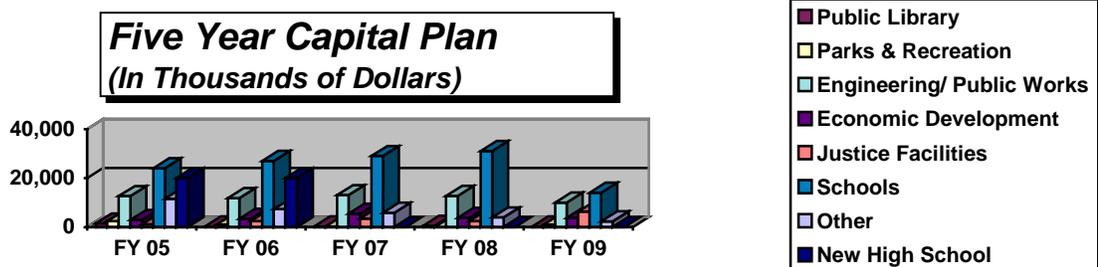
- Schaad/Callahan Road
- Carter School Road
- Dry Gap Pike
- Ball Camp Pike
- Walker Springs Connector
- Parkside Drive
- Westland Drive

*School Construction/Renovation:*

- New High School
- Cedar Bluff K-3
- Gibbs Elementary
- Powell Middle
- Ball Camp K-5 renovation/addition
- Gibbs High Vocational
- Bearden High
- Karns Middle
- Roofing and HVAC upgrades
- Carter Middle

The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

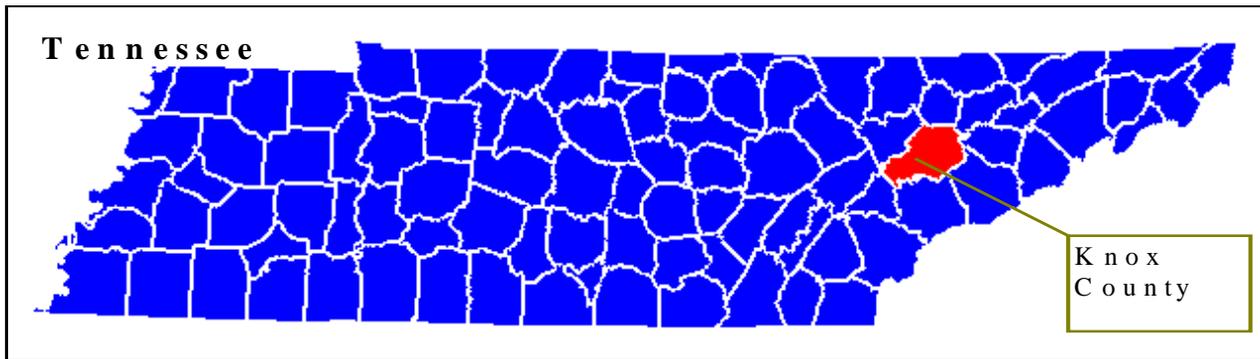
Project Description	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	TOTAL
Libraries	\$ 1,500	\$ 250	\$ 250	\$ 550	\$ 250	\$ 2,800
New High School	20,000	20,000	-	-	-	40,000
Parks & Recreation	2,403	1,000	300	-	1,100	4,803
Engineering & Public Works	2,671	11,824	13,049	12,769	10,000	60,313
Economic Development	2,965	3,375	5,500	3,750	3,750	19,340
Justice Facility – Law Enforcement	1,105	2,500	3,550	2,425	6,325	15,905
Schools	24,000	27,000	29,000	31,000	14,000	125,000
Other	11,564	7,363	5,832	3,968	2,325	31,052
Other Funding	(6,208)	(4,312)	(3,481)	(3,462)	(3,750)	(21,213)
<b>Total – Bond Funding</b>	<b>\$ 70,000</b>	<b>\$ 69,000</b>	<b>\$ 54,000</b>	<b>\$ 51,000</b>	<b>\$ 34,000</b>	<b>\$ 278,000</b>



### *Other Selected Initiatives*

*Sales and Hall Tax Audits:* The County continued its initiative to study of sales and Hall taxes reported to the State by area businesses and individuals. As a result of the study, the County again received a one-time gain of about \$1 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. Future benefits are not expected to be as great in this year, but the County is committed to ensure all its revenues are pursued appropriately.

## ***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.

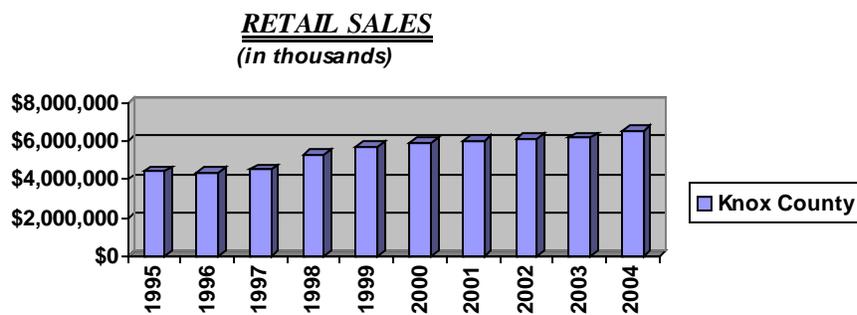
Manufacturing firms in the MSA produce everything from shoulder pads for professional football teams to medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts. Of the 889 manufacturing firms in the MSA, over half (476) are in Knox County.

### ***Industrial Investment***

The County's business park activity continues. So much so, that the County's five-year Capital Improvement Plan included significant investments in new land to meet the growing demand for land available for business location and expansion. With the Oak Ridge National Lab, the under construction Spallation Neutron Project, Tennessee Valley Authority Headquarters, the University of Tennessee so close, Knox County 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!

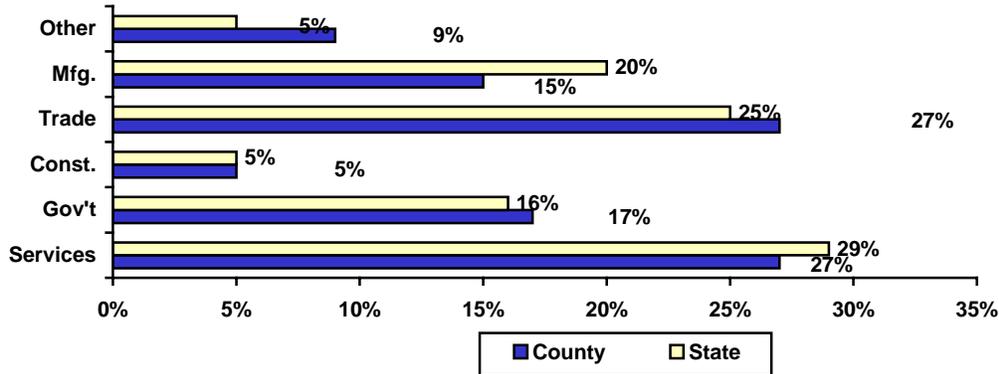
### ***Commercial Development***

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. Traditionally, Knox County accounts for more than 60% of the retail sales and economic activity of the MSA. Knox County continues as a regional economic leader. Retail sales grew at a rate of 5% between 2003 and 2004 as represented in the following graph:



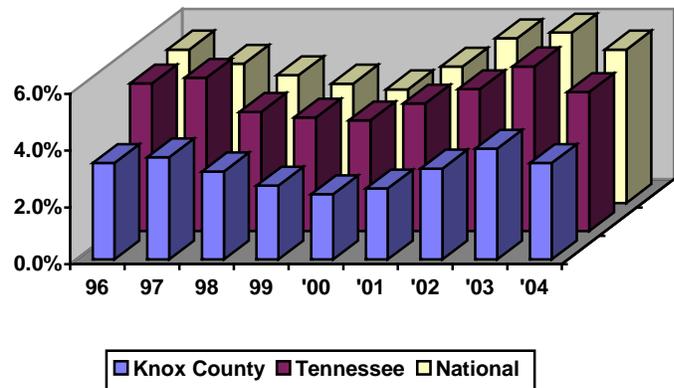
**Employment Information**

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

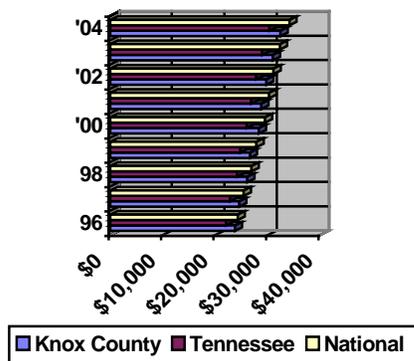


Low unemployment one indicator of economic activity, has been a hallmark of Knox County which has been ahead of the state and nation in this area. Even in the wake of the uncertainty of September 11, 2001, Knox County's economic strength was tested, and proved resilient. While we aren't enjoying previous growth, our strength continues. For 2004, the unemployment rates according to the US Bureau of Labor Statistics for the County, state and nation stood at 3.4%, 4.9% and 5.4%, respectively.

**UNEMPLOYMENT DATA**



**PER CAPITA PERSONAL INCOME**



**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*

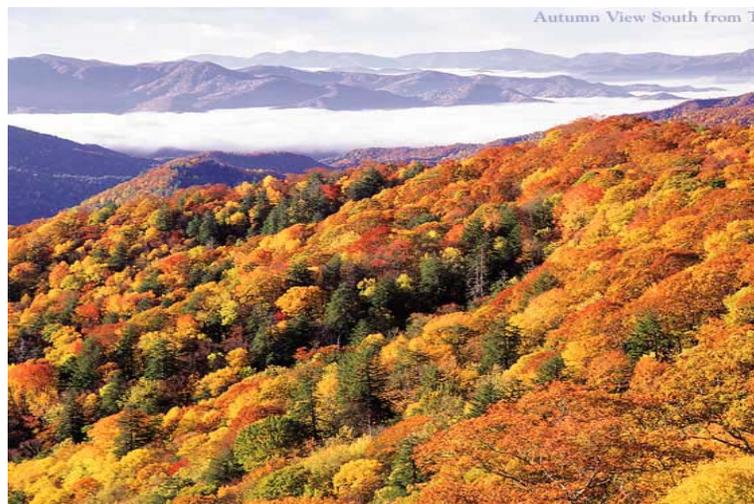


Although industry is frequently considered the core of an economic base, secondary and tertiary activities also make important contributions to economic development. The convention and tourism business contribute to the County's economic base by drawing income into the region -- resulting in employment 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 activity in the area. 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 numbered nearly ten million annually, 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, 2004, 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, and 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. Employees are 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 developed and implemented discounts for employee health insurance for wellness initiatives and for Tobacco cessation. These efforts and others position the County to better address the complex healthcare market while maintaining competitive benefits for employees. 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.

### ***Awards***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Knox County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our 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 sixth consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2003 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*

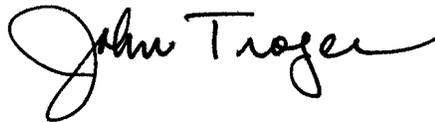
The preparation of the CAFR was made possible by the dedicated service of the Department of Finance and Administration. Those involved have our sincere appreciation for the individual and collective contributions made in the preparation of the report. It is especially important to recognize the additional efforts required to meet an extremely aggressive reporting schedule. The efforts of Ann Acuff, Jack Blackburn, Chris Caldwell, Jeff Clark, Dora Compton, Patti Galvan-Balzer, 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 in this effort. Thank you to the entire Department of Finance for your efforts to “get the job done well,” every day. You serve the citizens of Knox County very well.

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,

A handwritten signature in black ink, appearing to be "John J. Werner II". The signature is highly stylized and cursive, with a large, circular flourish on the left side and a long, sweeping tail on the right.

John J. Werner II  
Senior Director of Finance

A handwritten signature in black ink, appearing to be "John M. Troyer". The signature is written in a clear, cursive style with a distinct loop for the letter 'J' and a long, sweeping tail.

John M. Troyer, CPA  
Deputy Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Knox County,  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

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



President

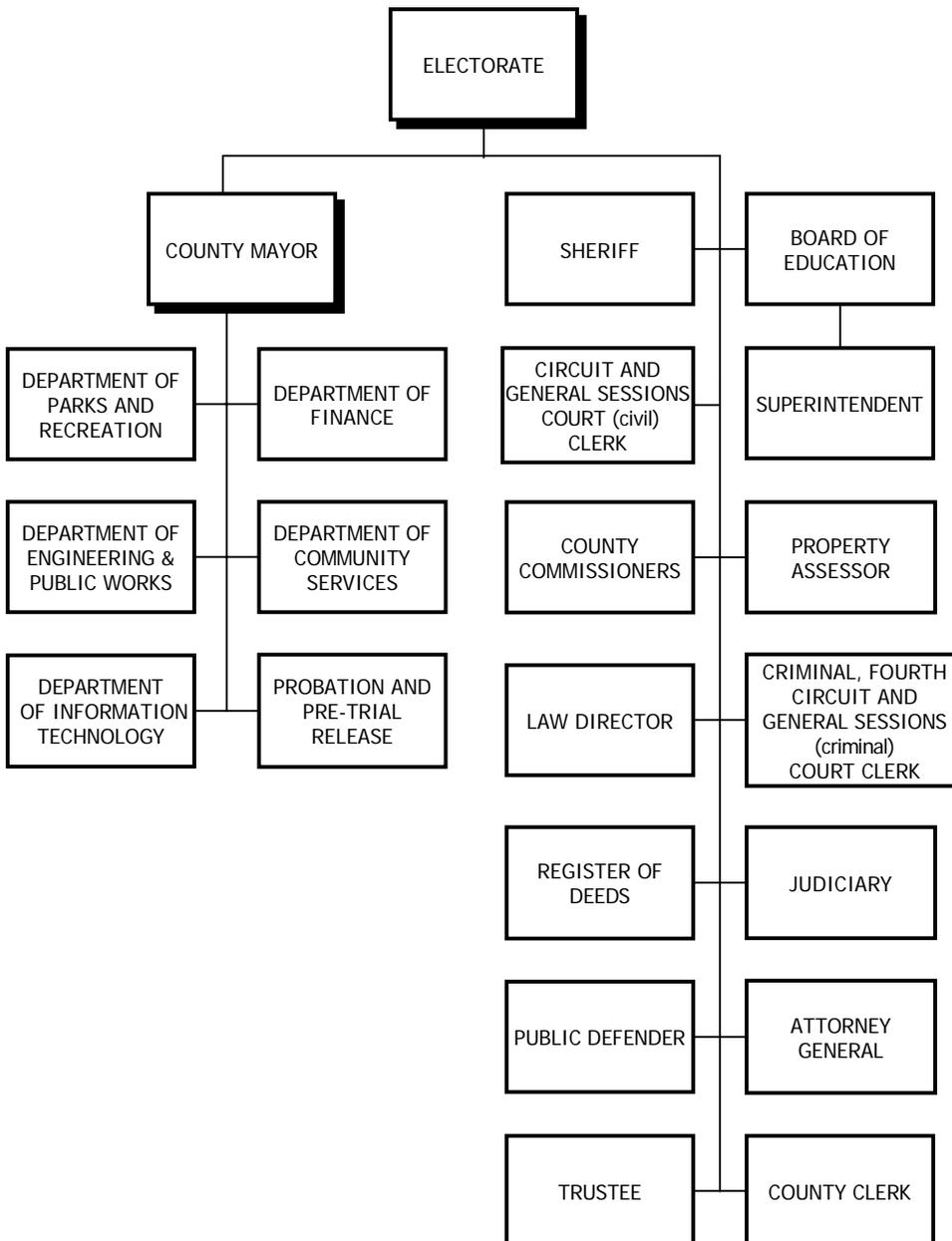
Executive Director

**Knox County, Tennessee**  
**Roster of Publicly Elected Officials**  
**June 30, 2004**

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	Karen Carson
Indya Kincannon	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, 2004, 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 and the Board's management. Our responsibility is to express opinions 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 opinions.

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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2004 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the other required supplementary information on pages 3-16 and 89 through 91, 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.

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, Behaert & Holland, L.L.P.*

Knoxville, Tennessee  
November 12, 2004

## 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, 2004. 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-xix 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 \$315,848,471 (net assets), which compares to \$338,969,880 (restated) in 2003. The assets of the Knox County Government Total Reporting Unit exceeded its liabilities at the close of the most recent fiscal year by \$601,552,864 (net assets), which compares to \$622,791,505 (restated) in 2003. 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 \$148,747,919 and \$114,796,035 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 compared to prior year deficits (restated) of \$117,364,887 and \$89,204,252 respectively.
- Of the Primary Government's \$ 315,848,471 (net assets), \$430,036,480 was invested in Capital Assets (net of related debt), \$32,633,174 was restricted for Debt Service, and \$1,926,736 was restricted for Other Purposes. The difference of \$148,747,919 (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 debt for the Board, the proceeds of which is used for School projects resulting in Board assets. The Board then makes debt service 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 \$23,121,409 or 7.8% of the \$295,256,359 expenses of the Primary Government. This compares to the reported 2003 decrease of \$2,928,970, or 1.2% of 2003 expenses totaling \$250,483,388. The primary reason for the difference is the amount borrowed on behalf of, and remitted to the Board of Education. In 2004, the amount was \$32.0 million while in 2003 it was \$8.4 million. These amounts are classified as expenses in the Primary Government. Without the payments to the Board, the Primary Government would have reported a surplus in both years. The Total Reporting Unit's total net assets

decreased by \$21,238,641 or 3.1% of 2004 expenses of \$689,060,526. This compares to the 2003 decrease of \$10,427,883, or 1.7% of 2003 expenses totaling \$617,449,173. The decrease is primarily attributable to the charges for depreciation. Included in the government-wide expenses is depreciation expense of \$17.2 million and \$7.9 million for the County (excluding Internal Service Funds) and Board of Education respectively. Without depreciation expense, the Total Reporting Unit would have reported a net surplus of \$3.8 million or 0.6% of total expenses. The individual funds are budgeted to “break even” prior to depreciation expense. These results demonstrate how closely matched revenues and expenses were as the County managed its Budget. The County continued initiatives 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. 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 \$97,547,337, a decrease of \$7,839,695 in comparison with the prior year balances of \$105,387,032. The decrease is primarily attributable to a planned spend-down of bond funds for capital projects (\$6,796,367) and some planned one-time spending from the Other Governmental Funds Balances (\$2,895,052). Approximately 68 percent of this total amount, \$66,473,036, is available for spending at the government’s discretion (unreserved fund balance). This compares to \$68,180,068 (65%) for the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$39,593,912 or 33% of total General Fund expenditures of \$119,565,228 compared to \$38,472,540, or 34% of last year’s spending of \$113,508,416. This demonstrates the County’s continued 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 of bonds and notes increased by \$31,709,533 (8 percent) during the current fiscal year. The key factors in this increase were: 1) The issuance of \$72 million in Loan Agreements to fund Capital Projects in accordance with the County’s Five-Year Capital Improvements Plan, 2) Principal paid of \$18.8 million, 3) Repayment on schedule of the \$12 million Bond Anticipation Notes, 4) Replacement of the \$9.5 million self-supporting debt as part of the new \$72 million issued, and 5) After year-end, the County issued \$70 million in “new money” to fund the Capital Plan and Refunded debt of approximately \$31 million to take advantage of lower interest rates 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 either 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*), and legally separate entities for which Knox County Government is financially accountable (component units): school district – the Board of Education (The Board), a legally separate Emergency Communications District, and the Knox County Railroad Authority for which the Knox County Government is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Emergency Communications District issues separate financial statements. 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 reconciliations 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 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 105-137. Combining and individual fund statements for internal service funds can be found on pages 138-156 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 \$601,552,864 at the close of the most recent fiscal year, which compares to \$622,791,505 (restated) from last year. The Primary Government's net assets were \$315,848,471, which compares to last year's (restated) net assets of \$338,969,880. This is in line with the County's expectations.

**Knox County, Tennessee**  
**Net Assets - Primary Government -- Governmental Activities**

	<b>June 30,</b>	
	<b>2004</b>	<b>2003 (restated)</b>
Current and Other Assets	\$ 252,535,421	\$ 252,598,425
Capital Assets	648,454,811	633,392,640
Total Assets	900,990,232	885,991,065
Long-term Liabilities Outstanding	416,492,137	386,464,780
Other Liabilities	168,649,624	160,556,405
Total Liabilities	585,141,761	547,021,185
<b>Net Assets:</b>		
Invested in Capital Assets, net of Related Debt	430,036,480	423,688,150
Restricted	34,559,910	32,646,617
Unrestricted (Deficit)	(148,747,919)	(117,364,887)
Total Net Assets	\$ 315,848,471	\$ 338,969,880

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 \$32,633,174 (last year \$30,639,497) and Other Purposes \$1,926,736 (last year \$2,007,120). The remaining balance of *unrestricted net assets* deficit of \$148,747,919, which compares to the prior year deficit of \$117,364,887 (restated), would normally be available to be used to meet the government's ongoing obligations to citizens and creditors. The decline of \$31,383,032 was nearly identical with the \$32 million in debt issued by the County on behalf of the Schools. This amount (\$32 million) is shown as an expense of the Primary Government. Without the transfer to the School Board, the Primary Government would have shown a small surplus for FY

2004. This is how the County intended its Budget to work. The primary reason for the deficit balance 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 Board of Education. 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, the bonds are considered 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, 2004, the amount of bonds and notes issued by the County on behalf of the School Board still outstanding was \$216,546,498 (excluding unamortized premium) compared to prior year of \$201,769,354. If this liability were shown with the Board's amounts to match the capital assets, the County would have had 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.

The Total Reporting Unit's net assets decreased by \$21,238,641 during the current fiscal year (\$10,427,883 reported last year). Without the \$25.1 million for depreciation (\$17.2 million in Primary Governmental Activities and \$7.9 million related to the School Board's operations), the County finished very much in line with expectations with an increase of approximately \$3.8 million. Depreciation is a non-cash expense that has not traditionally been considered at the individual fund level. These 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 \$23,121,409. Included in this amount is a payment of \$32 million in Bond proceeds to the School Board for funds borrowed on the Board's behalf. Excluding that payment, governmental activities increased net assets by \$8,878,591. This compares favorably with the prior year's \$5,471,030 increase that would result from adding back the \$8.4 million payment of Bond Anticipation Note proceeds to the reported net decrease of \$2,928,970. This net effect included a \$7.8 million net decrease in the Governmental Funds combined with \$15.6 million in capital additions greater than depreciation. The Knox County School Board activity increased the County's total net assets by \$2.2 million. This increase is primarily due to \$6.2 million net change in the Board's Fund Balances offset by \$3.5 million in depreciation charges greater than capital outlay. The Board's net assets increased by \$2,180,951 which, combined with the Primary Government's \$23,121,409 decline, virtually matches the decline in net assets for the Total Reporting Unit of \$21.2 million. This amount includes \$25.1 million in depreciation. Excluding depreciation, the Total Reporting Unit recorded a surplus of \$3,838,037 which is 0.6% of Total Expenses of \$689,060,526. The County's intent at the

start of the year was to “break even” before depreciation. These results confirm the County has again demonstrated its financial discipline in another successful year.

**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.

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003 (as restated)</b>
<b>Revenues:</b>		
Charges for Services	\$ 77,442,017	\$ 67,233,533
Operating Grants and Contributions	23,108,400	20,962,543
General Revenues:		
Taxes	136,055,059	133,991,541
Interest Income	2,016,481	2,839,049
Other Revenues	31,715,158	20,848,197
Contracts with Governments and Citizens	1,797,835	1,679,555
<b>Total Revenues</b>	<b>272,134,950</b>	<b>247,554,418</b>
<b>Expenses:</b>		
Finance and Administration	34,272,564	32,196,730
Administration of Justice	12,635,947	11,828,805
Public Safety	62,305,450	49,244,493
Public Health and Welfare	37,779,356	37,804,098
Social and Cultural Services	15,130,591	15,766,968
Other General Government	59,950,268	54,596,332
Highways	23,223,425	21,881,988
Debt Service	17,958,758	18,763,974
Education Payment to Component Unit	32,000,000	8,400,000
<b>Total Expenses</b>	<b>295,256,359</b>	<b>250,483,388</b>
<b>Change in Net Assets</b>	<b>(23,121,409)</b>	<b>(2,928,970)</b>
Net Assets - July 1 (as restated)	338,969,880	341,898,850
Net Assets - June 30	<b>\$ 315,848,471</b>	<b>\$ 338,969,880</b>

Once again, Education was the largest activity by far for the fiscal year. Public Safety has been a focus of the Mayor – increasing the pay of patrol officers. Public Health and Welfare is 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

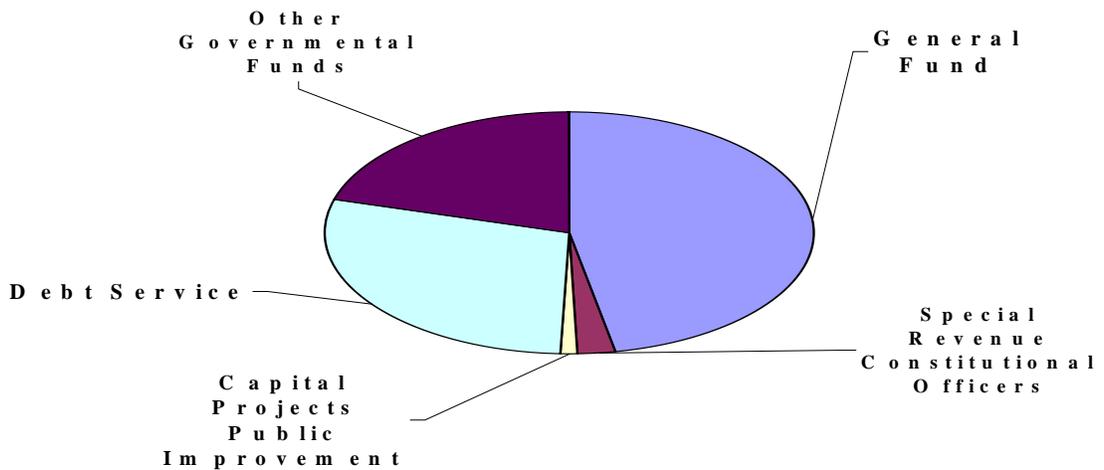
	2004	2003
Finance and Administration	\$ 34,272,564	\$ 32,196,730
Administration of Justice	12,635,947	11,828,805
Public Safety	62,305,450	49,244,493
Public Health and Welfare	37,779,356	37,804,098
Social and Cultural Services	15,130,591	15,766,968
Other General Government	60,171,232	55,104,839
Highways	23,223,425	21,881,988
Debt Service	17,958,758	18,763,974
Education	418,742,267	368,848,491
Emergency Communications	6,840,936	6,008,787
Total	\$ 689,060,526	\$ 617,449,173

### 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.

### G o v e r n m e n t a l F u n d B a l a n c e s



As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$97,547,337, a decrease of \$7,839,695 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 \$6,796,367. Small increases in the Special Revenue Constitutional Officers and the Debt Service Fund helped to offset this planned decline. The General Fund and Other Governmental Funds had smaller than planned declines as well. The unreserved, undesignated portion is available for use in the County's discretion. The Capital Projects Public Improvement Fund will be replenished in 2004-05 to continue the County's Five-Year Capital Improvements Plan with the issuance of \$70 million in new debt and from the planned transfers from Designated General Fund Savings of \$3.2 million and County Reserves held by the Knoxville-Knox County Public Building Authority of \$1.0 million. The fund balances are for: 1) to liquidate contracts and purchase orders of the prior period and specially reserved items (\$31,074,301), 2) to be used for specific designated items (\$4,492,260), 3) to be used in conjunction with special revenue purposes (\$12,446,396), or 4) for capital projects (\$3,659,466) or 5) Debt Service \$28,024,529. All of these amounts are in line with the County's expectations and intentions. The County continues to show its financial strength and stability.

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 \$35,101,652 compared to \$32,778,450 last year, while total fund balance finished with a comparable \$48,265,285 to last year's \$49,410,220. 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 29.4% of total General Fund expenditures which compares to 28.9% last year, while total fund balance represents 40.4% of that same amount compared to 43.5% last year. These amounts indicate that while the County has spent down some dedicated funds as planned, the County is continuing to hold steady in its financial stability and improve in its flexibility.

While the total fund balance of the County's General Fund decreased by \$1,144,935 during 2004 – compared to last year's \$1,558,948 increase, the undesignated portion grew \$2,323,202. Key factors in the growth of the General Fund are as follows:

- Charges for Current Services exceeded Budget by \$974,000. Local Taxes exceeded Budget by \$922,000 – of which \$715,000 was in Business Taxes due to increased collection efforts. Total Revenues exceeded Budget by \$2,794,864 or 2.2%.
- The General Fund Reserved Fund Balances and Designated Fund Balances declined \$2.2 million and \$1.2 million respectively. These decreases were planned as the County spent the funds as intended. The General Fund Undesignated Fund Balance – the most evident measure of the County's financial stability and flexibility – increased \$2.3 million.
- The General Fund departments, in their normal conservative pattern, showed their fiscal responsibility by turning back unspent budget of \$4,827,907 (3.9% of allowed budget of \$123,507,877) for the fiscal year.

- As intended, the County was able to fund a designated payment of \$3.2 million to the five-year Capital Plan through the conservative budgeting and spending patterns of the County General Fund. This properly matches one-time savings with one-time spending. This practice also allowed the County to help keep debt levels moderate, while responsibly implementing needed capital improvements. The \$3.2 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 2004-05 Budget.

The Debt Service Fund has a total fund balance of \$32,633,174 which compares to \$30,639,497 last year. The undesignated portion totaled \$28,042,529 and \$25,500,852 in 2004 and 2003 respectively. The net increase in fund balance during the current year was \$1,993,677. The Debt Service Fund was planned to break even for this fiscal year. The positive variances were primarily from expenditures less than Budget, resulting from savings on variable rate transactions in this low interest rate environment. These one-time savings will help give the County additional flexibility in the future. The County plans to continue its conservative financial planning.

**Proprietary funds.** The Knox County Government's proprietary fund statements provide underlying detail information included in the government-wide financial statements.

Unrestricted net assets of the Internal Service Funds at the end of the year amounted to \$3,004,055 compared to \$2,163,830 at the end of 2003. Over 75% of the balance relates 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 Internal Service Funds was a \$295,415 increase – which was less than 1% of the total Charges for Services. The increase was primarily due to a small increase in the Employee Benefits Fund which 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 a net \$8,505,375 increase in appropriations. Included in the increases were carryover appropriations for 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 an economic development initiative and a transfer of \$4.5 million from FY 2003 General Fund savings to help fund the County's Capital Plan.

This budgeted \$8.5 million increase in net expenditures was offset by positive actual results, including revenues exceeded amended budgetary estimates by \$2.8 million and expenditures were less than budgetary provisions by \$4.8 million and reserves and designations were reduced by \$3.4 million, therefore allowing Undesignated General Fund Balance to increase by \$2.3 million.

## **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, 2004, amounts to \$901,866,011 which compares to the prior year restated total of \$887,974,333. 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 a net \$13,891,678 or 1.6 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: The new City-County Animal Center opened (a great example of a working partnership between the City and the County), a new branch library in Halls, The East Tennessee Historical Society Building, a new 911 Center (another example of City and County cooperation), several parks projects and many road projects.

The County Primary Government's investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$814,125,448 net of accumulated depreciation of \$165,670,637, leaving a resulting net book value of \$648,454,881. The prior year net book value totaled \$633,392,640 (restated), an increase of \$15,062,171 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 \$430,533,739 compared to \$386,824,206 at the end of 2003. All of this amount consisted of debt backed by the full faith and credit of the County government. \$216,546,498 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remainder (\$213,987,241) of the Knox County Government's debt represents bonds issued solely for general government purposes. In Fiscal 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 were repaid as planned with part of the proceeds from the County's \$72 million issue early in fiscal 2004. Including the Bond Anticipation Notes, at the end of FY 2003, 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 2004:**

<b>Rollforward of Debt:</b>	<b>Primary Government</b>	<b>Board</b>	<b>Total</b>
Beginning Balance	\$ 193,454,852	\$ 193,369,354	\$ 386,824,206
Refunded Debt	(9,500,000)	-	(9,500,000)
Principal Paid	(9,967,611)	(8,822,856)	(18,790,467)
Issued Amounts (see below)	40,000,000	32,000,000	72,000,000
Ending Amount – Bonds	<u>\$ 213,987,241</u>	<u>\$ 216,546,498</u>	<u>\$ 430,533,739</u>

<b>Detail of Debt Issued:</b>	<b>Primary Government</b>	<b>Board</b>	<b>Total</b>
Repay 2003 Bond Anticipation Notes	\$ 3,600,000	\$ 8,400,000	\$ 12,000,000
Refund E-911 Building Debt	4,500,000	-	4,500,000
Refund CAC Debt	2,300,000	-	2,300,000
Refund Public Defender Debt	2,700,000	-	2,700,000
Series 2003 Capital Plan Funding	26,900,000	23,600,000	50,500,000
Total Debt Issued in FY 2004	<u>\$ 40,000,000</u>	<u>\$ 32,000,000</u>	<u>\$ 72,000,000</u>

The Knox County Government’s total bonded debt increased by \$43,709,533 (11.3 percent) during the current fiscal year. The key factors in this increase were the repayment of the 2003 Bond Anticipation Notes with bond financing of \$12 million, repayments of \$9.5 million in debt to consolidate payments and \$50.5 million to fund new capital spending in accordance with the County’s five year Capital Plan. After year-end, the County issued an additional \$70 million in new funding in fiscal 2005 to fund the first year of the County’s five year Capital Plan.

Subsequent to the current fiscal year, the County refinanced approximately \$31 million of its existing debt to again take advantage of favorable interest rates. The savings will be apportioned between the County and the Board based on their proportion of the total principal 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 \$430,533,739. This translates to approximately \$1,127 per capita using the 2000 census population. This compares to \$1,044 per capita last year.

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 59-64.

## **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the Knox County Government is currently 2.9 percent, which is a decrease from a rate of 3.3 percent a year earlier. This compares favorably to the state's average rate of 4.9 percent currently and 4.8 last year, and the national averages of 5.5 percent and 5.6 percent respectively. Knox County has the lowest unemployment rate of Tennessee's 6 Metropolitan Statistical Areas (MSA). This data was taken from the Tennessee Economic Overview, published by the University of Tennessee Center for Business and Economic Research.
- Knox County, 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 do 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 to continue 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 and 2005 fiscal years.

During the current fiscal year, unreserved, undesignated fund balance in the General Fund increased to \$35,101,652 from \$32,778,450. This increase is indicative of the County's ability and willingness to maintain financial stability. In addition, the County was able to set aside \$3.2 million in additional one-time savings, which was designated for one-time spending in the County's five-year Capital Plan. 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, 2004

	<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>	
<b>Assets</b>					
Cash and Cash Equivalents	\$ 66,941,452	\$ 41,744,627	\$ 9,497	\$ 5,587,566	\$ 114,283,142
Accounts Receivable	13,334,847	27,405,589	4,862	636,453	41,381,751
Property Taxes Receivable, net	114,823,922	96,093,728	-	-	210,917,650
Interest and Dividends Receivable	87,913	-	-	2,248	90,161
Notes Receivable	9,517,221	-	-	-	9,517,221
Investments	30,904,053	-	-	-	30,904,053
Due from Component Units	315,081	-	-	-	315,081
Due from Primary Government	-	643,497	-	44,811	688,308
Due from Other Governments	-	-	-	30,812	30,812
Inventories	286,903	1,173,711	-	-	1,460,614
Prepaid Items	847,347	3,569	-	-	850,916
Other Assets	1,574,231	-	-	-	1,574,231
Pension Asset	3,910,001	-	-	-	3,910,001
Equity Interest in Joint Venture	5,553,200	-	-	-	5,553,200
Advances to Component Unit	4,439,250	-	-	-	4,439,250
Capital Assets:					
Land and Construction in Process	158,233,809	25,889,021	-	67,425	184,190,255
Other Capital Assets, Net of Accumulated Depreciation	490,221,002	215,748,397	-	11,706,357	717,675,756
<b>Total Assets</b>	<u>900,990,232</u>	<u>408,702,139</u>	<u>14,359</u>	<u>18,075,672</u>	<u>1,327,782,402</u>
<b>Liabilities</b>					
Accounts Payable	13,575,065	33,858,133	4,862	273,906	47,711,966
Due to Component Units	688,308	-	-	-	688,308
Due to Primary Government	-	309,013	-	6,068	315,081
Unearned Revenue	118,281,933	90,343,617	-	-	208,625,550
Accrued Interest	4,295,157	-	-	-	4,295,157
Accrued Pension Obligation	-	3,413,870	-	-	3,413,870
Advances from Primary Government	-	-	-	4,439,250	4,439,250
Self-insurance Liability	7,495,942	-	-	-	7,495,942
Long-term Obligations:					
Due in Less than One Year	24,313,219	1,307,216	-	1,305,594	26,926,029
Due in More than One Year	416,492,137	145,246	-	5,681,002	422,318,385
<b>Total Liabilities</b>	<u>585,141,761</u>	<u>129,377,095</u>	<u>4,862</u>	<u>11,705,820</u>	<u>726,229,538</u>
<b>Net Assets</b>					
Invested in Capital Assets	-	241,637,418	-	-	241,637,418
Invested in Capital Assets, Net of Related Debt	430,036,480	-	-	5,059,771	435,096,251
Restricted for:					
Debt Service	32,633,174	-	-	-	32,633,174
Capital Projects	-	2,321,133	-	-	2,321,133
Other Purposes	1,926,736	2,724,187	-	-	4,650,923
Net Assets - Unrestricted	(148,747,919)	32,642,306	9,497	1,310,081	(114,786,035)
<b>Total Net Assets</b>	<u>\$ 315,848,471</u>	<u>\$ 279,325,044</u>	<u>\$ 9,497</u>	<u>\$ 6,369,852</u>	<u>\$ 601,552,864</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, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Total Reporting Unit</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>		
					<u>The Board</u>	<u>KCRA</u>	<u>The District</u>	
<b>Primary government:</b>								
Governmental activities:								
Finance and Administration	\$ 34,272,564	\$ 26,732,880	\$ 413,844	\$ -	\$ (7,125,840)			\$ (7,125,840)
Administration of Justice	12,635,947	3,212,895	45,690	-	(9,377,362)			(9,377,362)
Public Safety	61,702,000	903,493	5,625,222	-	(55,173,285)			(55,173,285)
Public Safety-Payment to Component Unit	603,450	-	-	-	(603,450)			(603,450)
Public Health and Welfare	37,216,721	5,086,478	8,546,195	-	(23,584,048)			(23,584,048)
Public Health and Welfare-Payment to Component Unit	562,635	-	-	-	(562,635)			(562,635)
Social and Cultural Services	15,130,591	2,206,814	1,134,660	-	(11,789,117)			(11,789,117)
Agricultural and Natural Resources	346,591	-	-	-	(346,591)			(346,591)
Other General Government	59,603,677	39,248,765	2,334,165	-	(18,020,747)			(18,020,747)
Highways	23,223,425	50,692	5,008,624	-	(18,164,109)			(18,164,109)
Education - Payment to Component Unit	32,000,000	-	-	-	(32,000,000)			(32,000,000)
Debt Service - Interest and Fees	17,958,758	-	-	-	(17,958,758)			(17,958,758)
<b>Total primary government</b>	<b>\$ 295,256,359</b>	<b>\$ 77,442,017</b>	<b>\$ 23,108,400</b>	<b>\$ -</b>	<b>(194,705,942)</b>			<b>(194,705,942)</b>
<b>Component units:</b>								
Board of Education	\$ 386,742,267	\$ 11,723,822	\$ 149,925,401		\$ (225,093,044)	\$ -	\$ -	(225,093,044)
Knox County Railroad Authority	220,964	-	222,670		-	1,706	-	1,706
Knox County Emergency Communications District	6,840,936	3,806,247	-		-	-	(3,034,689)	(3,034,689)
<b>Total component units</b>	<b>\$ 393,804,167</b>	<b>\$ 15,530,069</b>	<b>\$ 150,148,071</b>		<b>(225,093,044)</b>	<b>1,706</b>	<b>(3,034,689)</b>	<b>(228,126,027)</b>
<b>General Revenues:</b>								
Property Taxes				113,293,837	88,924,962	-	-	202,218,799
Sales Taxes				9,185,734	104,990,997	-	-	114,176,731
Lodging Taxes				4,025,335	-	-	-	4,025,335
Business Taxes				5,115,059	-	-	-	5,115,059
Other Local Taxes				4,435,094	1,186,075	-	-	5,621,169
Interest Income				2,016,481	171,961	-	50,255	2,238,697
Payments from Primary Government				-	32,000,000	-	1,166,085	33,166,085
Other Revenues				31,715,158	-	-	-	31,715,158
Contracts - Other Governments and Citizens				1,797,835	-	-	1,518,460	3,316,295
<b>Total General Revenues</b>				<b>171,584,533</b>	<b>227,273,995</b>	<b>-</b>	<b>2,734,800</b>	<b>401,593,328</b>
Change in Net Assets				(23,121,409)	2,180,951	1,706	(299,889)	(21,238,641)
Net Assets, July 1, as Restated				338,969,880	277,144,093	7,791	6,669,741	622,791,505
Net Assets, June 30				<b>\$ 315,848,471</b>	<b>\$ 279,325,044</b>	<b>\$ 9,497</b>	<b>\$ 6,369,852</b>	<b>\$ 601,552,864</b>

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

**KNOX COUNTY, TENNESSEE**

**Balance Sheet  
Governmental Funds**

June 30, 2004

	<b>General</b>	<b>Special Revenue Constitutional Officers</b>	<b>Capital Projects Public Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 2,362,764	\$ 4,273,373	\$ 12,234,815	\$ 18,167,649	\$ 18,051,739	\$ 55,090,340
Receivables:						
Accounts	3,764,679	-	1,188,729	162,270	7,967,679	13,083,357
Property Taxes	96,443,661	-	-	17,843,999	536,262	114,823,922
Interest and Dividends	-	-	1,499	86,414	-	87,913
Notes	-	-	-	6,817,000	2,677,528	9,494,528
Investments	30,904,053	-	-	-	-	30,904,053
Due from Other Funds	11,841,531	125,638	15,526	9,810,891	436,327	22,229,913
Due from Component Units	10,458	74,031	-	-	-	84,489
Inventories	169,772	-	-	-	11,708	181,480
Prepaid Items	760,830	-	-	-	77,926	838,756
Investment in Joint Venture	5,553,200	-	-	-	-	5,553,200
Advances to Other Funds	112,248	-	-	-	-	112,248
Advances to Component Unit	-	-	-	4,439,250	-	4,439,250
<b>TOTAL ASSETS</b>	<b>\$ 151,923,196</b>	<b>\$ 4,473,042</b>	<b>\$ 13,440,569</b>	<b>\$ 57,327,473</b>	<b>\$ 29,759,169</b>	<b>\$ 256,923,449</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable and Accrued Liabilities	\$ 6,011,416	\$ -	\$ 2,809,059	\$ 157,065	\$ 2,991,613	\$ 11,969,153
Due to Other Funds	1,274,597	909,885	16,160,552	5,704	4,346,794	22,697,532
Due to Component Units	348,103	-	-	195,025	79	543,207
Deferred Revenue	96,023,795	-	10,000	24,336,505	3,758,672	124,128,972
Advances from Other Funds	-	-	-	-	37,248	37,248
<b>TOTAL LIABILITIES</b>	<b>103,657,911</b>	<b>909,885</b>	<b>18,979,611</b>	<b>24,694,299</b>	<b>11,134,406</b>	<b>159,376,112</b>
<b>Fund balances (Deficit):</b>						
Reserved	8,671,373	-	15,275,382	4,608,645	2,518,901	31,074,301
Unreserved:						
Designated	4,492,260	-	-	-	-	4,492,260
Undesignated	35,101,652	3,563,157	(20,814,424)	28,024,529	-	45,874,914
Unreserved, reported in nonmajor:						
Special Revenue	-	-	-	-	12,446,396	12,446,396
Capital Projects	-	-	-	-	3,659,466	3,659,466
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>48,265,285</b>	<b>3,563,157</b>	<b>(5,539,042)</b>	<b>32,633,174</b>	<b>18,624,763</b>	<b>97,547,337</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 151,923,196</b>	<b>\$ 4,473,042</b>	<b>\$ 13,440,569</b>	<b>\$ 57,327,473</b>	<b>\$ 29,759,169</b>	<b>\$ 256,923,449</b>

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

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**KNOX COUNTY, TENNESSEE**

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

June 30, 2004

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

Ending Fund Balance - Governmental Funds	\$	97,547,337
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		645,307,236
Other long-term assets, consisting of deferred debt issuance costs (\$1,574,231) and pension asset (\$3,910,001), are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		5,484,232
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.		6,151,630
Long-term liabilities, including bonds payable and related unamortized premium, capital leases, compensated absences, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	\$	430,533,739
Unamortized Bond Premium		12,764,298
Unamortized Amount on Refunding		(6,758,979)
Accrued Interest		4,295,157
Compensated Absences		4,156,377
		(444,990,592)
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>6,348,628</u>
Net Assets of Governmental Activities	\$	<u><u>315,848,471</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, 2004

	<b>General</b>	<b>Special Revenue Constitutional Officers</b>	<b>Capital Projects Public Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Local Taxes	\$ 109,288,046	\$ -	\$ 250,103	\$ 16,656,260	\$ 10,562,455	\$ 136,756,864
Licenses and Permits	3,226,481	-	-	-	-	3,226,481
Fines, Forfeitures and Penalties:	2,644,134	-	-	-	212,174	2,856,308
Charges for Current Services:	4,936,659	21,342,543	-	-	863,585	27,142,787
Other Local Revenues	1,453,243	-	1,657,148	82,750	1,078,847	4,271,988
Fees Received from County Official	370,274	-	-	-	-	370,274
State of Tennessee	6,537,932	-	330,533	-	12,789,145	19,657,610
Federal Government	833,283	-	544,425	-	5,095,258	6,472,966
Other Governments and Citizen Group:	378,106	-	1,000	1,440,682	502,124	2,321,912
Payments from Component Unit:	-	-	-	27,473,875	-	27,473,875
Interest Earned	-	70,641	69,715	1,875,367	-	2,015,723
Total Revenues	<u>129,668,158</u>	<u>21,413,184</u>	<u>2,852,924</u>	<u>47,528,934</u>	<u>31,103,588</u>	<u>232,566,788</u>
<b>Expenditures</b>						
Current:						
Finance and Administration	19,363,067	13,086,705	-	-	1,555,148	34,004,920
Administration of Justice	11,868,023	-	-	-	271,465	12,139,488
Public Safety	49,806,359	-	-	-	5,725,242	55,531,601
Public Safety - Payments to Component Unit	603,450	-	-	-	-	603,450
Public Health and Welfare	27,316,477	-	-	-	9,065,980	36,382,457
Public Health and Welfare - Payments to Component Unit	562,635	-	-	-	-	562,635
Social and Cultural Services	3,966,223	-	-	-	9,988,824	13,955,047
Agricultural and Natural Resources	346,591	-	-	-	-	346,591
Other General Government	5,289,774	-	-	-	8,335,807	13,625,581
Highways	-	-	-	-	11,938,273	11,938,273
Decrease in Equity Interest in Joint Venture	442,629	-	-	-	-	442,629
Debt Proceeds Paid to Component Unit	-	-	32,000,000	-	-	32,000,000
Debt Issuance Cost	-	-	144,875	-	-	144,875
Capital Projects	-	-	39,567,291	-	573,668	40,140,959
Debt Service:						
Contracted Services	-	-	-	212,965	-	212,965
Trustee's Commission	-	-	-	346,629	-	346,629
Principal on Bonds	-	-	-	18,790,467	-	18,790,467
Interest on Bonds	-	-	-	18,567,892	-	18,567,892
Total expenditures	<u>119,565,228</u>	<u>13,086,705</u>	<u>71,712,166</u>	<u>37,917,953</u>	<u>47,454,407</u>	<u>289,736,459</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>10,102,930</u>	<u>8,326,479</u>	<u>(68,859,242)</u>	<u>9,610,981</u>	<u>(16,350,819)</u>	<u>(57,169,671)</u>
<b>Other financing sources (uses)</b>						
Transfers from Other Funds	9,244,497	-	5,662,875	13,987,720	13,486,767	42,381,859
Transfers to Other Funds	(20,492,362)	(7,323,497)	(15,600,000)	-	(31,000)	(43,446,859)
Long-term Debt Issued	-	-	72,000,000	-	-	72,000,000
Payments to Holders of Refunded Debt	-	-	-	(21,605,024)	-	(21,605,024)
Total Other Financing Sources (Uses)	<u>(11,247,865)</u>	<u>(7,323,497)</u>	<u>62,062,875</u>	<u>(7,617,304)</u>	<u>13,455,767</u>	<u>49,329,976</u>
<b>Net Change in Fund Balances</b>	<u>(1,144,935)</u>	<u>1,002,982</u>	<u>(6,796,367)</u>	<u>1,993,677</u>	<u>(2,895,052)</u>	<u>(7,839,695)</u>
<b>Fund Balance, July 1</b>	<u>49,410,220</u>	<u>2,560,175</u>	<u>1,257,325</u>	<u>30,639,497</u>	<u>21,519,815</u>	<u>105,387,032</u>
<b>Fund Balance (Deficit), June 30</b>	<u>\$ 48,265,285</u>	<u>\$ 3,563,157</u>	<u>\$ (5,539,042)</u>	<u>\$ 32,633,174</u>	<u>\$ 18,624,763</u>	<u>\$ 97,547,337</u>

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

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**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, 2004

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

Net Change in Fund Balances - Total Governmental Funds \$ (7,839,695)

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 (\$32,766,309) exceeded depreciation (\$17,159,328) in the current period. 15,606,981

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. 6,348,628

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. (7,050,433)

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 proceeds (\$72,000,000) exceeded debt principal payments (\$40,290,467) by this amount. (31,709,533)

Bond issuance costs are expenditures of governmental funds, but are deferred assets in the statement of net assets. 144,875

Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$727,249) and amortization of deferred debt issuance costs (\$116,406). In addition, the amortization of bond premium results in reduction of expenses of \$1,408,580. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 564,925

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. 54,585

Expenses reported in the statement of activities include the increase in the liability for compensated absences (\$96,250), and the decrease in net pension asset (\$33,328). In addition, the reduction of the balance of accrued interest results in the reduction of expenses of \$592,421. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 462,843

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. 295,415

Change in Net Assets of Governmental Activities \$ (23,121,409)

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

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KNOX COUNTY, TENNESSEE

Statement of Net Assets  
Proprietary Funds  
June 30, 2004

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	<b>Internal Service Funds</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 11,851,112
Receivables:	
Accounts	251,490
Notes	22,693
Due from Other Funds	751,473
Due from Component Units	230,592
Inventories	105,423
Prepaid Items	8,591
	<hr/>
TOTAL CURRENT ASSETS	13,221,374
<b>Capital Assets:</b>	
Machinery and Equipment	10,346,403
Computer Software	15,538
Accumulated Depreciation	(7,214,366)
	<hr/>
Capital Assets (Net of Accumulated Depreciation)	3,147,575
	<hr/>
TOTAL ASSETS	16,368,949
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable and Accrued Liabilities	1,605,912
Due to Other Funds	283,854
Due to Component Units	145,101
Deferred Revenue	501,589
Self Insured Claims Liability	7,495,942
Compensated Absences Payable	98,928
Advances from Other Funds	75,000
	<hr/>
TOTAL CURRENT LIABILITIES	10,206,326
<b>Noncurrent Liabilities:</b>	
Compensated Absences Payable	10,993
	<hr/>
TOTAL LIABILITIES	10,217,319
<b>NET ASSETS</b>	
Invested in Capital Assets	3,147,575
Unrestricted	3,004,055
	<hr/>
TOTAL NET ASSETS	<u>\$ 6,151,630</u>

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

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**KNOX COUNTY, TENNESSEE**

**Statement of Revenues, Expenses and Changes in Fund Net Assets**

**Proprietary Funds**

For the Year Ended June 30, 2004

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	<b>Internal Service Funds</b>
<b>Operating Revenues</b>	
Charges for Services	\$ 39,248,744
<b>Operating Expenses</b>	
Cost of Sales and Services	888,672
General and Administration	4,375,280
Depreciation and Amortization	1,377,399
Medical Claims	14,039,557
Retirement Contributions	16,240,895
Other Employee Benefits	744,771
Worker's Compensation Claims	431,359
Loss on Disposal of Capital Assets	50,066
Other Expenses	2,882,213
Total Operating Expenses	41,030,212
<b>Operating Loss</b>	(1,781,468)
<b>Nonoperating Revenues</b>	
Payments from Component Units	385,483
Other Income	163,651
Total Nonoperating Revenues	549,134
<b>Loss before Transfers</b>	(1,232,334)
<b>Transfers</b>	
Transfers from Other Funds	1,527,749
<b>Change in Net Assets</b>	295,415
<b>Total Net Assets, July 1</b>	5,856,215
<b>Total Net Assets, June 30</b>	\$ 6,151,630

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

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KNOX COUNTY, TENNESSEE

Statement of Cash Flows  
Proprietary Funds

For the Year Ended June 30, 2004

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	<b>Internal Service Funds</b>
<b>Operating Activities</b>	
Cash Received from Interfund Services Provided	\$ 40,865,512
Cash Paid to Employees	(1,207,998)
Cash Paid for Goods and Services	(5,969,109)
Cash Paid on Behalf of Employees	(31,254,829)
<b>Net Cash Provided by Operating Activities</b>	<u>2,433,576</u>
<b>Noncapital Financing Activities</b>	
Receipts from Subrogation Payments	140,430
Transfers from Other Funds	1,913,232
Advances from Other Funds	62,500
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>2,116,162</u>
<b>Capital and Related Financing Activities</b>	
Acquisition and Construction of Capital Assets	<u>(905,510)</u>
<b>Net Increase in Cash and Cash Equivalents/Investments</b>	3,644,228
<b>Cash and Cash Equivalents/Investments Beginning of Year</b>	<u>8,206,884</u>
<b>End of Year</b>	<u>\$ 11,851,112</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating Loss	\$ (1,781,468)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization	1,377,399
Loss on Disposal of Capital Asset	50,066
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	131,364
Decrease in Due from Other Funds	1,566,704
Decrease in Due from Component Units	217,999
Decrease in Inventories	8,556
Increase in Prepaid Items	(803)
Decrease in Accounts Payable and Accrued Liabilities	(1,897)
Increase in Due to Other Funds	100,610
Increase in Due to Component Units	15,570
Increase in Compensated Absences	5,784
Increase in Deferred Revenue	743,692
Total Adjustments	<u>4,215,044</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 2,433,576</u>
<b>Noncash Investing, Capital, and Financing Activities</b>	
Accounts Payable Incurred for Capital Asset Acquisitions	<u>\$ 26,995</u>

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

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**KNOX COUNTY, TENNESSEE**

**Statement of Fiduciary Net Assets**

**Fiduciary Funds**

June 30, 2004

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	Pension Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 399,854	\$ 18,351,738
Receivables:		
Accounts	-	5,616,278
Interest and Dividends	259,877	-
Contributions	41,921	-
Investments	229,870,998	-
Prepaid Items	68,857	-
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	230,641,507	<u>\$ 23,968,016</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	17,813	\$ 6,881,370
Due to Other Governments	-	3,918,503
Due to Litigants, Heirs and Others	-	13,168,143
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	17,813	<u>\$ 23,968,016</u>
<b>NET ASSETS</b>		
Held in Trust for:		
Pension Benefits	<u>\$ 230,623,694</u>	

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**KNOX COUNTY, TENNESSEE**

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

For the year ended June 30, 2004

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	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 6,903,603
Employees	8,717,342
Transfers from Other Plans	442,212
Total Contributions	<u>16,063,157</u>
Investment Earnings:	
Interest and Dividend Income	1,794,256
Net Appreciation in Fair Value of Investments	25,222,487
Total Investment Earnings	<u>27,016,743</u>
Less Investment Expenses	(148,520)
Net Investment Earnings	<u>26,868,223</u>
Total Additions	<u>42,931,380</u>
<b>Deductions</b>	
Benefits and Refunds	12,604,793
Transfers to Other Funds (Administrative and Professional)	462,749
Transfers to Other Plans	126,444
Total Deductions	<u>13,193,986</u>
<b>Change in Net Assets</b>	29,737,394
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>200,886,300</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u>\$ 230,623,694</u>

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

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KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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 2003 - 2004 school year was 52,595 with a full time equivalent average daily attendance of 49,554. During the previous year, the full time equivalent average daily membership was 51,979 with a full time equivalent average daily attendance of 49,137.

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, 2004*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

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

Knox County Emergency Communications District  
605 Bernard Avenue  
Knoxville, TN 37921

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.

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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

*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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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, (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.

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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 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, 2004*

**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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

been received, but not yet earned. The County accrues additional assets (receivables) for certain nonexchange 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 1<sup>st</sup>, 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, 2004*

**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
Land Improvements	10 - 20
Public Domain Infrastructure	40
System Infrastructure	25
Vehicles	5
Machinery and Equipment	5 - 20
Intangibles	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, 2004*

**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, 2004*

**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, 2004*

**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, 2004*

**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 *Budget Report to Citizenry*. Copies of the report may be obtained from the Knox County Department of Finance:

Knox County Department of Finance  
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) for the County and the Board, and the revisions to that budget as authorized by the County Commission, for the year ended June 30, 2004:

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Data (Continued)**

Fund	Original Budget	Revisions	Revised Budget
<b>Governmental Funds:</b>			
General Fund	\$ 120,656,526	\$ 2,851,351	\$ 123,507,877
Special Revenue Funds:			
State and Federal Grants	577,213	23,988,787	24,566,000
Governmental Library	131,842	60,000	191,842
Public Library	9,558,651	469,993	10,028,644
Solid Waste	3,634,947	1,022,825	4,657,772
Hotel/Motel Tax	5,460,000	-	5,460,000
Fire District	160,000	-	160,000
Highway	11,032,000	1,582,264	12,614,264
Drug Control	-	532,397	532,397
Total Special Revenue Funds	30,554,653	27,656,266	58,210,919
Debt Service Fund	41,450,000	(871,490)	40,578,510
Capital Projects Funds:			
Public Improvement	222,500	58,793	281,293
ADA Construction	750,000	998,207	1,748,207
Total Capital Projects Funds	972,500	1,057,000	2,029,500
Total - Governmental Funds	\$ 193,633,679	\$ 30,693,127	\$ 224,326,806

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Data (Continued)**

Fund	Original Budget	Revisions	Revised Budget
<b>Component Unit - the Board:</b>			
General Fund:			
General Purpose School	\$ 298,513,300	\$ 4,516,645	\$ 303,029,945
Special Revenue Funds:			
School Federal Projects	-	36,783,782	36,783,782
School General Projects	-	6,208,699	6,208,699
Central Cafeteria	16,611,500	805,499	17,416,999
Total Special Revenue Funds	16,611,500	43,797,980	60,409,480
Capital Projects Fund:			
School Construction	16,400,000	10,879,600	27,279,600
Total - the Board	<u>\$ 331,524,800</u>	<u>\$ 59,194,225</u>	<u>\$ 390,719,025</u>

Designated funds, as of June 30, 2004, in the General Fund, State and Federal Grants Fund, Public Library Fund, the Board, and the Highway Fund reappropriated in the subsequent fiscal year totaled \$4,492,260, \$54,473, \$43,818, \$300,390, and \$139,478, respectively.

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2004, 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Fund Deficit**

The County's Public Improvement Capital Projects Fund had a fund deficit of \$5,539,042. The deficit is attributable to the timing of the County's debt issuance after the end of the fiscal year. Prior to June 30, 2004, the County Commission had approved the issuance of \$70,000,000 in new bonds for public improvement purposes. The new debt has been issued during the subsequent fiscal year ending June 30, 2005. Out of the proceeds of that issue, the Public Improvement Capital Projects Fund is to be reimbursed for expenditures incurred prior to June 30, 2004. All expenditures were appropriately appropriated by the County Commission, and the funding was specifically identified as "Bonds to be Issued" according to the County's accounting records. Reimbursing for some capital expenditures allows the County to save on the fixed costs of issuing debt, and to access the capital markets in the most efficient manner possible.

**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.

A portion of the County's, the Board's and the District's deposits at June 30, 2004 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, 2004, were entirely insured or collateralized with securities held by the District or by their agents in the District's name (category 1).

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

*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, 2004 the County and the Board maintained \$229,870,998 and \$69,929,126 in mutual funds, respectively.

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	\$ 34,355	\$ 165	\$ 9,497	\$ -
Carrying Amount of Deposits	80,632,812	47,938,417	-	5,587,566
U.S. Government Securities	30,890,767	-	-	-
Mutual Funds (Pension Trust Funds)	229,870,998	69,929,126	-	-
Investment in State Treasurer's Investment Pool	5,039,163	-	-	-
<b>Total</b>	<b>\$ 346,468,095</b>	<b>\$ 117,867,708</b>	<b>\$ 9,497</b>	<b>\$ 5,587,566</b>
Cash and Cash Equivalents	\$ 85,693,044	\$ 47,938,582	\$ 9,497	\$ 5,587,566
Investments	260,775,051	69,929,126	-	-
<b>Total</b>	<b>\$ 346,468,095</b>	<b>\$ 117,867,708</b>	<b>\$ 9,497</b>	<b>\$ 5,587,566</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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	Debt Service	Public Improvement				
Receivables:							
Interest	\$ -	\$ 86,414	\$ 1,499	\$ -	\$ -	\$ 87,913	\$ 259,877
Taxes	98,559,050	18,314,299	-	786,452	-	117,659,801	-
Accounts	3,764,679	162,270	1,188,729	7,967,679	251,490	13,334,847	5,616,278
Contributions	-	-	-	-	-	-	41,921
Gross Receivables	102,323,729	18,562,983	1,190,228	8,754,131	251,490	131,082,561	5,918,076
Less: Allowances for Uncollectibles	(2,115,389)	(470,300)	-	(250,190)	-	(2,835,879)	-
Net Total Receivables	\$ 100,208,340	\$ 18,092,683	\$ 1,190,228	\$ 8,503,941	\$ 251,490	\$ 128,246,682	\$ 5,918,076

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	\$ -	\$ -	\$ 2,248	\$ 237,926
Taxes	98,447,099	-	-	-
Accounts	27,405,589	4,862	636,453	-
Contributions	-	-	-	102,826
Gross Receivables	125,852,688	4,862	638,701	340,752
Less: Allowances for Uncollectibles	(2,353,371)	-	-	-
Net Total Receivables	\$ 123,499,317	\$ 4,862	\$ 638,701	\$ 340,752

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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, 2004:

- (1) A non-interest bearing note receivable from the Development Corporation (the Corporation) with a current balance of \$900,000 payable in equal annual installments of \$300,000 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.
- (2) Notes receivable from the Knox-Chapman Utility District (KCUD) and the West Knox Utility District of Knox County (WKUD) have current balances of \$1,770,000 and \$1,935,000 respectively. 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, that each district must pay to cover the County's administrative, accounting and financial costs associated with the agreements.
- (3) A note receivable from the Knoxville-Knox County Community Action Committee (CAC) with an initial balance of \$2,300,000 was originated during the fiscal year ended June 30, 2004. The note resulted from an arrangement between the County and CAC whereby certain proceeds from debt issued by the County were used to construct a facility on CAC's behalf. CAC agreed to reimburse the County by repaying the annual amounts of the County's related debt service requirements. The resulting note receivable is due in varying principal installments, plus interest, through 2022. As of June 30, 2004, \$2,212,000 remained outstanding.

The State and Federal Grants Special Revenue Fund had \$2,677,528 of notes receivable at June 30, 2004. 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, 2004*

**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, 2004, was the following:

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 78,203,702	\$ 8,665,574	\$ 288,676	\$ 86,580,600
Construction in Progress	82,098,627	19,697,144	30,142,562	71,653,209
<b>Total Capital Assets, not being depreciated</b>	<b>160,302,329</b>	<b>28,362,718</b>	<b>30,431,238</b>	<b>158,233,809</b>
Capital Assets being depreciated:				
Buildings	138,135,588	16,389,253	-	154,524,841
Land Improvements	11,245,166	1,534,500	-	12,779,666
Machinery and Equipment	29,758,123	3,386,320	291,191	32,853,252
Intangible Assets	541,296	344,997	-	886,293
Infrastructure	440,785,173	14,062,414	-	454,847,587
<b>Total Capital Assets being depreciated</b>	<b>620,465,346</b>	<b>35,717,484</b>	<b>291,191</b>	<b>655,891,639</b>
Less Accumulated Depreciation for:				
Buildings	42,584,788	3,235,349	-	45,820,137
Land Improvements	3,963,432	573,939	-	4,537,371
Machinery and Equipment	16,294,683	3,365,792	241,125	19,419,350
Intangible Assets	435,210	120,211	-	555,421
Infrastructure	84,096,922	11,241,436	-	95,338,358
<b>Total Accumulated Depreciation</b>	<b>147,375,035</b>	<b>18,536,727</b>	<b>241,125</b>	<b>165,670,637</b>
<b>Total Capital Assets being depreciated, net</b>	<b>473,090,311</b>	<b>17,180,757</b>	<b>50,066</b>	<b>490,221,002</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 633,392,640</b>	<b>\$ 45,543,475</b>	<b>\$ 30,481,304</b>	<b>\$ 648,454,811</b>

Depreciation expense was charged to primary government functions as follows:

Finance and Administration	\$ 429,124
Administration of Justice	537,294
Public Safety	2,969,940
Public Health and Welfare	984,251
Social and Cultural Services	1,228,036
Other General Government	827,722
Highways	11,560,360
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 18,536,727</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

**Board of Education**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Component Unit - The Board:</b>				
Capital Assets, not being depreciated:				
Land	\$ 15,330,836	\$ 1,549,962	\$ -	\$ 16,880,798
Construction in Progress	51,113,987	13,593,315	55,699,079	9,008,223
<b>Total Capital Assets, not being depreciated</b>	<b>66,444,823</b>	<b>15,143,277</b>	<b>55,699,079</b>	<b>25,889,021</b>
Capital Assets being depreciated:				
Buildings	282,821,163	42,545,506	-	325,366,669
Machinery and Equipment	14,659,680	3,867,927	1,430,329	17,097,278
Intangible Assets	181,896	-	-	181,896
<b>Total Capital Assets being depreciated</b>	<b>297,662,739</b>	<b>46,413,433</b>	<b>1,430,329</b>	<b>342,645,843</b>
Less Accumulated Depreciation for:				
Buildings	110,697,700	6,913,722	-	117,611,422
Machinery and Equipment	8,197,847	973,769	16,600	9,155,016
Intangible Assets	101,149	29,859	-	131,008
<b>Total Accumulated Depreciation</b>	<b>118,996,696</b>	<b>7,917,350</b>	<b>16,600</b>	<b>126,897,446</b>
<b>Total Capital Assets being depreciated, net</b>	<b>178,666,043</b>	<b>38,496,083</b>	<b>1,413,729</b>	<b>215,748,397</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 245,110,866</b>	<b>\$ 53,639,360</b>	<b>\$ 57,112,808</b>	<b>\$ 241,637,418</b>

The following is a summary of the District's capital assets at June 30, 2004:

	<u>The District</u>
Land and Buildings	\$ 5,005,941
Construction in Progress	67,425
Machinery and Equipment	12,011,414
Intangible Assets	1,013,560
Leasehold Improvements	297,058
Less: Accumulated Depreciation	<u>(6,621,616)</u>
<b>Total</b>	<b><u><u>\$ 11,773,782</u></u></b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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, 2004, is as follows:

***Due to/from Other Funds - Primary Government:***

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General	State and Federal Grants	\$ 4,299,115
	Public Library	1,065
	Solid Waste	2,171
	Highway	6,054
	Constitutional Officers' Special Revenue Fund	909,885
	Vehicle Service Center	264,936
	Public Improvement	6,347,019
	Mailroom	5,451
	Retirement	411
	Self Insurance	246
	Technical Support Service	5,178
		<u>11,841,531</u>
Debt Service	Public Improvement	<u>9,810,891</u>
Constitutional Officers	General	96,705
	ADA Construction	68
	Governmental Library	187
	Public Library	1,292
	Solid Waste	281
	Hotel/Motel Tax	7,067
	Drug Control	864
	Highway	11,413
	Public Improvement	2,642
	Debt Service	5,119
		<u>125,638</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

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

Receivable Fund	Payable Fund	Amount
Capital Projects - Public Improvement	General	15,526
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants	General	429,893
	Solid Waste	49
	Debt Service	585
		<u>430,527</u>
Public Library	Employee Benefits	<u>5,800</u>
Total Nonmajor Governmental Funds		<u>436,327</u>
Total Governmental Funds		<u><u>\$ 22,229,913</u></u>
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 252,286
	State and Federal Grants	1,508
	Public Library	662
	Solid Waste	4,020
	Highway	1,807
	Self Insurance	246
		<u>260,529</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

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

Receivable Fund	Payable Fund	Amount
Mailroom	General	23,413
	State and Federal Grants	162
	Governmental Library	2
	Highway	482
	Employee Retirement	669
	Self Insurance	57
		<u>24,785</u>
Employee Benefits	General	31,049
	State and Federal Grants	5,775
	Governmental Library	13
	Public Library	1,468
	Solid Waste	201
	Highway	1,068
	Vehicle Service Center	247
	Employee Retirement	275
	Self Insurance	79
		<u>40,175</u>
Self Insurance	General	<u>315,000</u>
Technical Support	General	<u>580</u>
Capital Leasing	General	110,145
	Self Insurance	<u>259</u>
		<u>110,404</u>
Total Internal Service Funds		<u><u>\$ 751,473</u></u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

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

*Advances from/to Other Funds - Primary Government:*

Payable Fund	Receivable Fund	Amount
Governmental Library (Nonmajor Fund)	General	\$ 37,248
Employee Benefits (Internal Service)	General	75,000
Primary Government - Total Advances		\$ 112,248

*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	\$ 8,366
	Component Unit - the Board, School Federal Projects	968
	Component Unit - the Board, School General Projects	1,124
		\$ 10,458
Constitutional Officers	Component Unit - the Board, General Purpose School	\$ 74,031

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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 (Continued):*

Receivable Fund	Payable Fund	Amount
<u>Primary Government:</u>		
<u>Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the Board, General Purpose School	\$ 12,520
	Component Unit - the Board, School Federal Projects	1,511
	Component Unit - the District	157
		<u>14,188</u>
Employee Benefits	Component Unit - the Board, General Purpose School	169,188
	Component Unit - the Board, School General Projects	908
	Component Unit - the Board, School Federal Projects	40,312
	Component Unit - the District	5,911
		<u>216,319</u>
Technical Support	Component Unit - the Board, General Purpose School	85
Primary Government - Total Internal Service Funds		<u>\$ 230,592</u>
Component Unit - the Board, General Purpose School	Primary Government - General	\$ 340,603
	Primary Government - Highway	79
	Primary Government - Employee Benefits	144,947
	Primary Government - Retirement	154
		<u>\$ 485,783</u>
Component Unit - the Board, Capital Projects - School Construction	Primary Government - Debt Service	\$ 157,714
Component Unit - the District	Primary Government - General	\$ 7,500
	Primary Government - Debt Service	37,311
		<u>\$ 44,811</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

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

*Advances from/to Primary Government and Component Units:*

Receivable Fund	Payable Fund	Amount
Primary Government -Major Fund: Debt Service	Component Unit - the District	\$ 4,439,250

*Due to/from Other Funds - The Board:*

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose School	School General Projects School Federal Projects Central Cafeteria	\$ 10,720 5,476,011 115,703 <u>5,602,434</u>
Capital Projects - School Construction	General Purpose School	80,000
<u>Nonmajor Special Revenue Funds:</u>		
School General Projects	General Purpose School School Federal Projects	1,396,972 17,522 <u>1,414,494</u>
School Federal Projects	General Purpose School School General Projects	32,459 751 <u>33,210</u>
Central Cafeteria	General Purpose School School Federal Projects	643,452 4 <u>643,456</u>
Total Nonmajor Special Revenue Funds		2,091,160
Total Board of Education		\$ 7,773,594

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**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, 2004, is as follows:

***Primary Government:***

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 7,323,497
	Solid Waste	21,000
	Capital Projects - Public Improvement	1,900,000
		<u>9,244,497</u>
Debt Service	General	887,720
	Capital Projects - Public Improvement	13,100,000
		<u>13,987,720</u>
Capital Projects - Public Improvement	General	<u>5,662,875</u>
<u>Nonmajor Governmental Funds:</u>		
Special Revenue Funds:		
State and Federal Grants	General	1,256,175
	Drug Control	10,000
		<u>1,266,175</u>
Governmental Library	General	51,842
Public Library	General	8,618,750
Solid Waste	General	2,950,000
ADA Construction	General	<u>600,000</u>
Total Nonmajor Governmental Funds		<u>13,486,767</u>
Total Governmental Funds		<u>\$ 42,381,859</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Transfers and Similar Transactions (Continued)**

Transfers - In	Transfers - Out	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 150,000
Employee Retirement	Pension Trust - Defined Benefit	462,749
Self Insurance	General	315,000
Technical Support Service	Capital Projects - Public Improvement	<u>600,000</u>
Total Internal Service Funds		<u>\$ 1,527,749</u>

***Transfers Within Component Unit – the Board:***

Transfers - In	Transfers - Out	Amount
General Purpose School (Major Fund)	School General Projects	<u>\$ 960,000</u>
School Construction (Major Fund)	General Purpose School	<u>4,925,000</u>
Special Revenue Funds (Nonmajor):		
School General Projects	General Purpose School	1,260,093
School Federal Projects	General Purpose School	<u>89,963</u>
Total Nonmajor Special Revenue Funds		<u>1,350,056</u>
Total Board of Education		<u>\$ 7,235,056</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Transfers and Similar Transactions (Continued)**

*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	\$ 2,673,875
	Component Unit - the Board, School Construction	<u>24,800,000</u>
Total Primary Government - Debt Service		<u><u>\$ 27,473,875</u></u>
Primary Government - Employee Retirement (Proprietary Fund)	Component Unit - the Board, Pension Trust - Defined Benefit	<u>\$ 385,483</u>
Component Unit - School Construction	Primary Government - Public Improvement	<u>\$ 32,000,000</u>
Component Unit - the District	Primary Government - General	<u>\$ 1,166,085</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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	\$ 5,089,605	\$ -
Taxes receivable, applicable to subsequent fiscal year	90,934,190	90,934,190
	96,023,795	
 <u>Public Improvement:</u>		
Unexpended donations	10,000	10,000
 <u>Debt Service Fund:</u>		
Taxes receivable, earned in current fiscal year	969,411	-
Taxes receivable, applicable to subsequent fiscal year	16,715,844	16,715,844
Notes receivable, applicable to subsequent fiscal year	6,651,250	6,651,250
	24,336,505	
 Primary Government - Nonmajor Funds:		
<u>General Grants Fund:</u>		
Unexpended grant funds	3,258,453	3,258,453
 <u>Governmental Library:</u>		
Taxes receivable, earned in current fiscal year	180	-
 <u>Public Library Fund:</u>		
Taxes receivable, earned in current fiscal year	198,746	-
Unexpended donations	15,583	15,583
	214,329	
 <u>Solid Waste Fund:</u>		
Taxes receivable, earned in current fiscal year	73,020	-
 <u>Fire District Fund:</u>		
Taxes receivable, applicable to subsequent fiscal year	195,024	195,024
 <u>ADA Construction Fund:</u>		
Taxes receivable, earned in current fiscal year	17,666	-
 Total Nonmajor Governmental Funds	 3,758,672	
 <u>Internal Service - Employee Benefits Fund:</u>		
Unearned revenue	501,589	501,589
 Total - Primary Government	 \$ 124,630,561	 \$ 118,281,933

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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	\$ 5,009,872	\$ -
Taxes receivable, applicable to subsequent fiscal year	90,265,556	90,265,556
	95,275,428	
Component Unit - the Board - Nonmajor Funds		
<u>School Federal Projects:</u>		
Unexpended grant funds	70,093	70,093
<u>School General Projects:</u>		
Unexpended grant funds	5,767	5,767
<u>Central Cafeteria:</u>		
Unearned revenue	2,201	2,201
Total Component Unit - the Board	\$ 95,353,489	\$ 90,343,617

**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, 2004. The future minimum lease payments as of June 30, 2004, were as follows:

Year Ending June 30	Primary Government
2005	\$ 2,400
2006	2,400
2007	2,400
2008	2,400
2009	2,400
2010-2014	12,000
2015-2019	12,000
2020-2023	9,600
Total	\$ 45,600

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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 District, a Component Unit of the County, as of June 30, 2004, are as follows:

Year Ending June 30,	Component Unit The District
2005	\$ 1,291,385
2006	1,287,766
2007	1,288,568
2008	1,283,791
2009	980,985
2010-2015	1,348,444
Total Minimum Lease Payments	7,480,939
Less: Amounts Representing Interest	(766,928)
Present Value of Minimum Lease Payments	\$ 6,714,011

Capital lease obligations currently outstanding for the District, a Component Unit of the County are as follows:

Lessor	Purpose	Interest Rate	Last Maturity Date	Principal Balance
<b><u>Component Unit:</u></b>				
<b>The District</b>				
G.E. Capital	Communications Equipment	4.28%	12/18/2008	\$ 2,464,011
Sun Trust Leasing	CAD/CTI Equipment	3.31%	10/1/2010	\$ 4,250,000

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

	Interest Rate	Last Maturity Date	Principal Balance
<b>Governmental Activities:</b>			
General Obligation, Series 1998	4.00-5.25%	04/01/19	\$ 15,571,500
General Obligation - Women's Basketball Hall of Fame	Variable Rate	06/01/18	7,075,000
General Obligation - Series 2000	5.00-6.00%	05/01/20	6,953,855
General Obligation - Refunding Series 2001	4.00-5.50%	04/01/12	30,217,916
General Obligation Public Improvement, Series 2001	4.00-5.50%	05/01/21	46,218,750
Andrew Johnson Series 2002	3.00-4.50%	05/01/11	2,086,928
General Obligation - Refunding Series 2002	3.50-5.50%	04/01/19	30,909,425
General Obligation - Refunding Bonds, Series 2003	4.00-5.00%	04/01/14	29,825,584
General Obligation - Refunding Bonds, Series 2003A	2.00-5.00%	02/01/17	5,321,983
General Obligation - Series 2003	Variable Rate	06/01/29	<u>39,806,300</u>
Total Bonded Debt to be repaid by Governmental Activities			<u>213,987,241</u>
<b>The Board:</b>			
General Obligation Pension Refunding Bonds	6.50-6.63%	05/01/18	12,885,000
General Obligation, Series 1998	4.00-5.25%	04/01/19	21,503,500
General Obligation - Series 2000	5.00-6.00%	05/01/20	11,126,145
Qualified Zone Academy Bonds	0.00%	11/01/11	1,723,736
General Obligation - Refunding Series 2001	4.00-5.50%	04/01/12	14,567,086
General Obligation Public Improvement, Series 2001	4.00-5.50%	05/01/21	27,731,250
Andrew Johnson Series 2002	3.00-4.50%	05/01/11	4,008,072
General Obligation - Refunding Series 2002	3.50-5.50%	04/01/19	51,320,575
General Obligation - Refunding Series 2003	4.00-5.00%	04/01/14	27,564,417
General Obligation - Refunding Series 2003A	2.00-5.00%	02/01/17	12,123,017
General Obligation - Series 2003	Variable Rate	06/01/29	<u>31,993,700</u>
Total Bonded Debt to be repaid by the Board			<u>216,546,498</u>
Total Bonded Debt			<u>\$ 430,533,739</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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
2005	\$ 19,820,467	\$ 20,709,926	\$ 40,530,393	\$ 21,082,817	\$ 19,447,576	\$ 40,530,393
2006	21,060,468	19,819,140	40,879,608	21,180,809	19,698,799	40,879,608
2007	21,970,467	18,889,053	40,859,520	21,161,127	19,698,393	40,859,520
2008	22,950,467	17,901,360	40,851,827	21,144,620	19,707,207	40,851,827
2009	23,980,467	16,836,933	40,817,400	21,116,247	19,701,153	40,817,400
2010-14	137,046,404	65,316,766	202,363,170	99,351,223	103,011,947	202,363,170
2015-19	122,480,000	29,745,053	152,225,053	68,208,505	84,016,548	152,225,053
2020-24	35,775,000	8,608,469	44,383,469	23,649,760	20,733,709	44,383,469
2025-29	25,449,999	3,176,000	28,625,999	13,695,292	14,930,707	28,625,999
Total	\$ 430,533,739	\$ 201,002,700	\$ 631,536,439	\$ 310,590,400	\$ 320,946,039	\$ 631,536,439

The total bonded debt service requirements to be repaid by the County and the Board included interest of \$96,603,159 and \$104,399,541, respectively, for a total of \$201,002,700.

***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, 2004:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<b><u>Primary Government</u></b>					
Bonded Debt	\$ 386,824,206	\$ 72,000,000	\$ (28,290,467)	\$ 430,533,739	\$ 19,820,467
Unamortized Bond Premium	14,172,878	-	(1,408,580)	12,764,298	1,349,341
Unamortized Amount on Refunding	(7,486,228)	-	727,249	(6,758,979)	(696,257)
Bond Anticipation Note	12,000,000	-	(12,000,000)	-	-
Capital Leases	54,585	-	(54,585)	-	-
Compensated Absences	4,164,264	4,867,189	(4,765,155)	4,266,298	3,839,668
Total - Primary Government	\$ 409,729,705	\$ 76,867,189	\$ (45,791,538)	\$ 440,805,356	\$ 24,313,219
<b><u>Component Unit - the Board</u></b>					
Compensated Absences	\$ 1,415,037	\$ 1,556,116	\$ (1,518,691)	\$ 1,452,462	\$ 1,307,216
<b><u>Component Unit - the District</u></b>					
Capital Leases	\$ 2,950,367	\$ 4,250,000	\$ (486,356)	\$ 6,714,011	\$ 1,062,508
Compensated Absences	244,379	293,217	(265,011)	272,585	243,086
Total - the District	\$ 3,194,746	\$ 4,543,217	\$ (751,367)	\$ 6,986,596	\$ 1,305,594

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

*Current Refunding Issue*

During the fiscal year, the County issued \$72,000,000 general obligation bonds, for the primary purpose of providing funds for the County's and the Board's capital plans. A portion of the proceeds was used to repay, in a current refunding transaction, \$21,500,000 of obligations. Of the amount currently refunded, \$12,000,000 consisted of the bond anticipation note reported with long-term liabilities as of the end of the preceding fiscal year. No gain or loss resulted from this transaction.

*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, 2004, \$63,190,000 of bonds outstanding is considered defeased.

*Subsequent Event-Debt Issuance*

Subsequent to June 30, 2004, the County issued \$70,000,000 in general obligation bonds for the purpose of providing funds for capital improvements for the County and the Board, in accordance with the County's Five-Year Capital Plan.

In addition, subsequent to June 30, 2004, the County issued general obligation refunding bonds in the amount of \$34,550,000 to advance refund certain existing general obligation debt. 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 debt is considered defeased, and \$36,155,000 will be removed from the statement of net assets. The advance refunding will reduce cash flows required for future debt service to be repaid by the County and the Board by \$1,800,000 over the next 16 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 \$1,300,000.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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:

<u>Primary Government</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
<u>Major Funds:</u>		
<u>General Fund:</u>		
Advances	\$ 112,248	\$ -
Inventories	169,772	-
Prepaid Items	760,830	-
Investment in Joint Venture	5,553,200	-
Reserved for Appropriations	268,124	-
Encumbrances	927,655	-
Designated for Appropriations	-	54,611
Equipment	-	1,026
Programs	-	700,000
Donations	3,829	-
Juvenile Court	6,510	-
Attorney General	310,764	-
Indigent Care	19,421	-
Motor Vehicle	-	367,200
Building Improvements	-	213,953
Capital Improvements	-	3,155,470
Sheriff's Rewards	2,000	-

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity (Continued)**

Primary Government	Reserved Fund Balance	Designated Fund Balance
General Fund (Continued)		
John Tarleton	2,030	-
School Health Program	396,881	-
Outstanding Checks	46	-
Public Defender	138,063	-
Total General Fund	8,671,373	4,492,260
<u>Major Capital Projects Fund:</u>		
Public Improvement Fund:		
Encumbrances	15,275,382	-
Debt Service Fund:		
Notes Receivable/Coupons Matured	4,608,645	-
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants Fund:		
Encumbrances	1,815,569	-
Prepaid Items	34,472	-
Inventories	11,708	-
Reserve for Appropriation	10,514	-
Designated for Appropriations	-	54,473
Government Library Fund:		
Prepaid Items	137	-
Public Library Fund:		
Encumbrances	39,249	-
Prepaid Items	19,583	-
Reserve for Appropriation	19,588	-

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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	-	43,818
Solid Waste Fund:		
Encumbrances	6,750	-
Prepays	4,609	-
Drug Control Fund:		
Encumbrances	700	-
Drug Seizures	88,866	-
Highway Fund:		
Encumbrances	235,023	-
Prepaid Items	19,125	-
Designated for Appropriations	-	139,478
Total Nonmajor Special Revenue Funds	2,305,893	237,769
<u>Nonmajor Capital Projects Fund:</u>		
ADA Construction Fund:		
Encumbrances	213,008	-
Total Nonmajor Governmental Funds	2,518,901	237,769
<u>Fiduciary Funds:</u>		
Pension Trust - DB Plan		
Employee's Pension Benefits	77,116,098	-
Pension Trust - DC Plan	148,246,559	-
Pension Trust - Medical DC Plan	5,261,037	-
Total Fiduciary Funds	230,623,694	-
Total - Primary Government	\$ 261,697,995	\$ 4,730,029

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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:

Component Unit - the Board	Reserved Fund Balance	Designated Fund Balance
<u>Major Funds:</u>		
General Fund:		
General Purpose School Fund:		
Encumbrances	\$ 3,415,200	\$ -
Inventories	894,414	-
Prepaid Items	3,569	-
Designated for Appropriations	-	300,390
Total General Purpose School Fund	4,313,183	300,390
Capital Projects Fund:		
School Construction Fund:		
Encumbrances	22,288,575	-
<u>Nonmajor Special Revenue Funds:</u>		
School General Projects Fund:		
Encumbrances	262,290	-
Programs	2,720,809	-
School Federal Projects Fund:		
Encumbrances	339,968	-
Donations	1,956	-
Central Cafeteria Fund:		
Encumbrances	47,358	-
Inventories	279,297	-
Total Nonmajor Special Revenue Funds	3,651,678	-

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity (Continued)**

Component Unit - the Board	Reserved Fund Balance	Designated Fund Balance
<u>Fiduciary Fund:</u>		
Pension Trust Fund:		
Employee's Pension Benefits	70,639,594	-
Total - the Board	\$ 100,893,030	\$ 300,390

**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, 2004*

**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 \$186,380,156 for fiscal year 2004 were approximately 96.2 percent of the total tax levy.

The 2004 fiscal year property tax rate of \$2.96 was divided between the County and the Board as follows:

	Amount	Percent of 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%

The 2005 fiscal year property tax rate of \$2.96 is divided as follows:

	Amount	Percent of 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, 2004*

**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 2004 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 \$318,152 in user service fees for the year ended June 30, 2004. 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 to administer the service delivery system for the care of animals. The Animal Center 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 2004 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 3201 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE IV. OTHER INFORMATION (Continued)**

**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, 2004, the County appropriated operating subsidies of \$1,080,205 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	\$	404,324
Management Fee		150,000
Total Revenues		<u>554,324</u>
Total Expenses		<u>(674,574)</u>
Net Loss from Operations		(120,250)
Inter-Company Transfer		315,448
Net Income	\$	<u><u>195,198</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, 2004*

**NOTE IV. OTHER INFORMATION (Continued)**

**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 and the Animal Center (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. Throughout fiscal year 2004, the County continued 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 2004	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2003
Unpaid Claims - Beginning Balance	\$ -	\$ -	\$ 6,452,951	\$ 4,918,426
Incurring Claims (Including IBNR's)	199,454	130,369	3,166,062	3,762,106
Claim Payments	(199,454)	(130,369)	(2,123,071)	(2,227,581)
Unpaid Claims - Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,495,942</u>	<u>\$ 6,452,951</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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 2004 fiscal year, an average of 309 retirees and/or their dependents were participating in the plan. For the fiscal year ended June 30, 2004, retiree insurance expenditures were \$744,322 and total retiree contributions were \$780,579.

**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, 2004, 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, 2004. 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, 2004*

**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, 2004 and ending June 30, 2008:

	Spent to Date	Contractual Commitment Remaining at June 30, 2004	Capital Improvement Plan July 1, 2004 - June 30, 2008
<u>Primary Government:</u>			
Dutchtown Road Functional Planning	\$ 2,848,767	\$ 1,873	\$ 5,409,852
East Tennessee Historical Society	16,216,416	1,877,581	-
Westland Drive	3,424,230	840,678	2,882,585
Ballcamp Road Improvements	7,188,994	91,760	17,396,008
Hardin Valley Road	10,059,057	1,316,436	-
Stormwater Management Plan	3,594,531	311,479	9,603,573
Karns Connector	1,357,750	1,448,008	2,959,570
Lovell Road	1,942,295	700,463	-
Frank Strang Center	157,327	458,988	500,000
Beck Cultural Center	63,093	42,230	1,250,000
Halls Senior Center	14,611	95,231	1,000,000
Finance Software Upgrade System	2,387,590	2,903,664	2,500,000
Maloney Road/Maryville	173,288	906,704	404,000
Washington Pike	306,469	1,281,092	-
Powell Branch Library	307,854	100,836	-
Other Projects	155,506,358	2,898,359	63,094,412
<b>Total - Primary Government</b>	<b>\$ 205,548,630</b>	<b>\$ 15,275,382</b>	<b>\$ 107,000,000</b>
<u>Component Unit - the Board:</u>			
Ridgedale Elementary	\$ 6,235,562	\$ 8,629,440	\$ 14,878,147
Stadiums	1,134,944	221,982	-
Brickey Elementary	14,047,529	283,842	-
Holston Middle	4,185,551	8,456,597	7,364,117
Cedar Bluff Primary - Roof	283,019	636,001	-
Gibbs Elementary	1,363,606	448,463	-
Other Projects	199,260,432	3,612,250	110,757,736
<b>Total - the Board</b>	<b>\$ 226,510,643</b>	<b>\$ 22,288,575</b>	<b>\$ 133,000,000</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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, 2004*

**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, 2004. 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, 2004*

**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
<b>Constitutional Officers Special Revenue Fund:</b>						
Revenues	\$ 7,136,755	\$ 4,308,648	\$ 1,168,197	\$ 3,620,115	\$ 1,133,500	\$ 4,045,969
Expenditures	(2,210,314)	(3,920,213)	(1,114,529)	(3,331,872)	(912,429)	(1,597,348)
Excess of Revenues Over Expenditures	4,926,441	388,435	53,668	288,243	221,071	2,448,621
Fees Remitted to County General Fund	(4,480,321)	-	-	(200,000)	(220,600)	(2,422,576)
Excess of Revenues Over Expenditures and Fees Remitted	\$ 446,120	\$ 388,435	\$ 53,668	\$ 88,243	\$ 471	\$ 26,045
Fees Remitted to County General Fund	\$ 4,480,321	\$ -	\$ -	\$ 200,000	\$ 220,600	\$ 2,422,576
<b>Expenditures:</b>						
Personal Services/ Employee Benefits	-	-	-	(15,531)	-	-
Contracted Services	(188,133)	(297,504)	(90,678)	(215,149)	(65,394)	(212,920)
Supplies and Materials	(169,473)	(101,191)	(31,243)	(134,924)	(23,977)	(63,196)
Other Charges	(67,949)	(366,885)	(89,260)	(187,704)	(120,327)	(106,261)
Capital Outlay	-	-	(27,935)	-	-	(124,314)
Total General Fund Expenditures	(425,555)	(765,580)	(239,116)	(553,308)	(209,698)	(506,691)
Excess (Deficiency) of Fees Remitted Over (Under) General Fund Expenditures	\$ 4,054,766	\$ (765,580)	\$ (239,116)	\$ (353,308)	\$ 10,902	\$ 1,915,885

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE IV. OTHER INFORMATION (Continued)**

**H. Prior Period Adjustments**

During the fiscal year ended June 30, 2004, the County's actuarial consultant issued an amended Defined Benefit Actuarial Valuation report for the Knox County Employee Benefit System – Knox County Board of Education Retirement Plan and an amended report for the Knox County Employee Benefit System -- Knox County Retirement Plan. These reports were both dated August 4, 2004. Based on these amended reports, the County has recorded Prior Period Adjustments related to the revised net pension obligation (for the Board's Defined Benefit Plan) and revised net pension asset (for the County's Defined Benefit Plan) as of the end of the preceding fiscal year. In addition, during the fiscal year, the County discovered that certain capital assets recorded as a result of GASB Statement number 34 in the Government-wide Statements were duplicated in the County's and the Board's capital asset records as of the end of the preceding fiscal year.

Accordingly, the net assets balances applicable to the County's and the Board's governmental activities as of the beginning of the fiscal year have been restated, as follows:

	Knox County Primary Government	Board of Education Component Unit
Beginning net assets, as previously reported	\$ 331,003,080	\$ 289,249,238
Adjustment for overstatement of net pension obligation	13,290,717	16,403,004
Adjustment for duplication of net book value of certain capital assets	(5,323,917)	(28,508,149)
Beginning net assets, as restated	\$ 338,969,880	\$ 277,144,093

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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.

The two defined contribution 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**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, 2004, there were 5,923 plan members. During the year, the employer and member contributions (prior to forfeitures) amounted to \$7,318,040 and \$7,804,219 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.

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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**A. Defined Contribution Plans (Continued)**

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
Calendar Year 2004	\$0

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*.

Effective January 1, 2004, due to the drop in excess funds in the DB Plan, the Knox County Retirement and Pension Board voted to stop all contributions from the plan assets for 2004. Active employees can continue to make contributions to the Medical Plan, but no matching contributions will be made from the DB Plan Assets. In addition, no contribution will be made for the Retiree Bonus for 2004 and no contribution will be made when a participant reaches the age of 40 with 5 years of service. This will be subject to review and change for calendar year 2005.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**A. Defined Contribution Plans (Continued)**

At June 30, 2004, there were 3,196 members. During the year employer and member contributions amounted to \$301,094 and \$371,914, 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.

**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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Benefit Plans (Continued)**

*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.

Participant data at January 1, 2004 was as follows:

Description	County DB Plan	Teachers' DB Plan
Actives Contributing	371	228
Actives Not Contributing, DC Plan	4,674	6
Retirees, Beneficiaries, and Disableds	1,343	274
Inactives with Contribution Accounts	327	-
Inactives, DC Plan	323	-
Total Participants	7,038	508

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Benefit Plans (Continued)**

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 high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). 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 employees of Knox County Mayor and 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. 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Benefit Plans (Continued)**

The TCRS issues publicly available financial reports that include financial statements and required supplementary information for the SETHEEPP and PSPP. These reports may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://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*, most plan members are required to contribute 3.0% of the first \$4,000 then 5.0% thereafter of salary to the plan. The employer contribution rate for the Board is established at an actuarially determined rate and was 8.0% of annual covered payroll for the year ending June 30, 2004.

Under the TCRS plan, most 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, 2004 was 3.4% 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, 2004, 2003, and 2002 were, \$5,963,524, \$5,809,732, \$6,277,142, respectively, equal to the required contributions for each year.

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**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, 2004 was 0.0% 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, 2004	July 1, 2003	January 1, 2004
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, 2003 was 18 years.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2004*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Benefit Plans (Continued)**

The changes in the Net Pension Obligation (Asset), 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		
	2004	2003	2002	2004	2003	2002
Net Pension Obligation (Asset), Beginning of Year*	\$ (3,943,329)	\$ (3,976,941)	\$ (4,010,840)	\$ 3,437,034	\$ 3,649,183	\$ 3,931,267
Annual Pension Cost:						
Annual Required Contribution	-	-	-	784,838	412,445	344,411
Interest on Net Pension Obligation (Asset)	(295,750)	(298,271)	(300,813)	274,963	291,935	314,501
Adjustments to Annual Required Contribution**	329,078	331,883	334,712	(298,127)	(316,529)	(340,997)
Total Annual Pension Cost	33,328	33,612	33,899	761,674	387,851	317,915
Contributions Made	-	-	-	784,838	600,000	600,000
Increase in Net Pension Obligation (Asset)	33,328	33,612	33,899	(23,164)	(212,149)	(282,085)
Net Pension Obligation (Asset), End of Year	\$ (3,910,001)	\$ (3,943,329)	\$ (3,976,941)	\$ 3,413,870	\$ 3,437,034	\$ 3,649,182
Amortization Period (in years)	25	25	25	25	25	25
Interest Rate	7.50%	7.50%	7.50%	8.00%	8.00%	8.00%

\* A positive balance reflects a liability while a negative amount is an asset.

\*\*The adjustment to the Annual Required Contribution is a level dollar amortization of the Net Pension Obligation (Asset) 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, 2004	\$ -	100.00%	\$ -
June 30, 2003	\$ -	100.00%	\$ -
June 30, 2002	\$ -	100.00%	\$ -

KNOX COUNTY, TENNESSEE  
**Required Supplementary Information**  
*June 30, 2004*

**Schedule 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)
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%
6/30/2003	842	842	-	100.00%	83	0.00%

**Schedules of Employer Contributions  
(Last Ten Fiscal Years)**

Year Ended June 30	<i>County DB Plan</i>		<i>Teachers' DB Plan</i>	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1995	-	N/A	2,650,000	100.00%
1996	-	N/A	2,747,575	100.00%
1997	-	N/A	2,797,910	24.92%
1998	-	N/A	2,522,434	688.50%
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%

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, 2004

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Local Taxes	\$ 108,213,150	\$ 108,365,669	\$ 109,288,046	\$ 922,377
Licenses and Permits	2,913,600	2,913,600	3,226,481	312,881
Fines, Forfeitures and Penalties	2,547,750	2,743,189	2,644,134	(99,055)
Charges for Current Services	3,945,140	3,962,300	4,936,659	974,359
Other Local Revenues	1,284,691	1,539,241	1,453,243	(85,998)
Fees Received from County Officials	287,500	287,500	370,274	82,774
State of Tennessee	5,494,920	6,344,891	6,537,932	193,041
Federal Government	294,000	294,000	833,283	539,283
Other Governments and Citizen Groups	125,000	422,904	378,106	(44,798)
Total Revenues	<u>125,105,751</u>	<u>126,873,294</u>	<u>129,668,158</u>	<u>2,794,864</u>
<b>Expenditures</b>				
Current:				
Finance and Administration	19,031,829	20,593,871	19,363,067	1,230,804
Administration of Justice	12,496,525	12,580,286	11,868,023	712,263
Public Safety	49,887,482	50,611,576	49,806,359	805,217
Public Safety - Payments to Component Unit	603,450	603,450	603,450	-
Public Health and Welfare	28,419,784	28,447,470	27,316,477	1,130,993
Public Health and Welfare - Payments to Component Unit	562,635	562,635	562,635	-
Social and Cultural Services	4,099,352	4,072,718	3,966,223	106,495
Agricultural and Natural Resources	328,500	351,876	346,591	5,285
Other General Government	5,226,969	5,683,995	5,289,774	394,221
Decrease in Equity Interest in Joint Venture	-	-	442,629	(442,629)
Total Expenditures	<u>120,656,526</u>	<u>123,507,877</u>	<u>119,565,228</u>	<u>3,942,649</u>
<b>Excess of Revenues Over Expenditures</b>	<u>4,449,225</u>	<u>3,365,417</u>	<u>10,102,930</u>	<u>6,737,513</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	8,776,000	8,797,000	9,244,497	447,497
Transfers to Other Funds	(13,225,225)	(20,667,792)	(20,492,362)	175,430
Total Other Financing Sources (Uses)	<u>(4,449,225)</u>	<u>(11,870,792)</u>	<u>(11,247,865)</u>	<u>622,927</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ (8,505,375)</u>	<u>(1,144,935)</u>	<u>\$ 7,360,440</u>
Fund Balances, July 1			<u>49,410,220</u>	
Fund Balances, June 30			<u>\$ 48,265,285</u>	

**Note to Required Supplementary Information**

**June 30, 2004**

**Budgetary Reporting**

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) – General Fund presents comparisons of the original and final legally adopted budget with actual data.

The General Fund budget is prepared at the department and major category level. 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. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) – General Fund does not present the detail necessary to demonstrate compliance at the legal level of budgetary control. Such detailed schedules are included in the County's separately issued *Budget Report to Citizenry*. Copies of the report may be obtained from the Knox County Department of Finance:

Knox County Department of Finance  
Room 630  
City County Building  
400 Main Avenue  
Knoxville, Tennessee 37902

The County's Constitutional Officers Special Revenue Fund is the County's only major special revenue fund. The fund is used to account for the activities 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 officers earn various fees and commissions, pay certain expenses of their office operations, and transfer all or portions of the fees and commissions generated to other funds. The transactions related to the activities of these offices are not subject to the budgetary control of the County Commission. As there is no legally adopted budget for this fund, there is no budgetary comparison schedule presented in this report.

## **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.

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**KNOX COUNTY, TENNESSEE**

**General Fund  
Comparative Balance Sheets  
June 30, 2004 and June 30, 2003**

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,362,764	\$ 8,957,047
Receivables (Net of Allowances for Uncollectibles):		
Accounts	3,764,679	3,604,603
Property Taxes	96,443,661	95,033,337
Investments	30,904,053	30,733,570
Due from Other Funds	11,841,531	6,080,334
Due from Component Units	10,458	15,969
Inventories	169,772	663,850
Prepaid Items	760,830	341,232
Investment in Joint Venture	5,553,200	5,995,829
Advances to Other Funds	112,248	1,383,081
	<hr/>	<hr/>
TOTAL ASSETS	\$ 151,923,196	\$ 152,808,852
	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 6,011,416	\$ 6,344,797
Due to Other Funds	1,274,597	2,526,427
Due to Component Units	348,103	3,773
Deferred Revenue	96,023,795	94,523,635
	<hr/>	<hr/>
TOTAL LIABILITIES	103,657,911	103,398,632
	<hr/>	<hr/>
<b>Fund Balances:</b>		
Reserved	8,671,373	10,937,680
Unreserved:		
Designated	4,492,260	5,694,090
Undesignated	35,101,652	32,778,450
	<hr/>	<hr/>
TOTAL FUND BALANCES	48,265,285	49,410,220
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 151,923,196	\$ 152,808,852
	<hr/>	<hr/>

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**KNOX COUNTY, TENNESSEE**

**General Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2004 and June 30, 2003

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	2004	2003
<b>Revenues</b>		
Local Taxes	\$ 109,288,046	\$ 93,011,447
Licenses and Permits	3,226,481	2,840,878
Fines, Forfeitures and Penalties	2,644,134	2,711,395
Charges for Current Services	4,936,659	4,028,248
Other Local Revenues	1,453,243	1,514,988
Fees Received from County Officials	370,274	310,317
State of Tennessee	6,537,932	7,569,129
Federal Government	833,283	313,347
Other Governments and Citizen Groups	378,106	214,227
Total Revenues	<u>129,668,158</u>	<u>112,513,976</u>
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	19,363,067	18,217,659
Administration of Justice	11,868,023	11,016,151
Public Safety	49,806,359	43,411,097
Public Safety - Payments to Component Unit	603,450	603,450
Public Health and Welfare	27,316,477	27,667,255
Public Health and Welfare - Payments to Component Unit	562,635	532,734
Social and Cultural Services	3,966,223	4,774,087
Agricultural and Natural Resources	346,591	335,090
Other General Government	5,289,774	6,950,893
Decrease in Equity Interest in Joint Venture	442,629	370,313
Total Expenditures	<u>119,565,228</u>	<u>113,878,729</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,102,930</u>	<u>(1,364,753)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	9,244,497	6,995,412
Transfers to Other Funds	<u>(20,492,362)</u>	<u>(4,071,711)</u>
Total Other Financing Sources (Uses)	<u>(11,247,865)</u>	<u>2,923,701</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,144,935)	1,558,948
Fund Balances, July 1	<u>49,410,220</u>	<u>47,851,272</u>
Fund Balances, June 30	<u>\$ 48,265,285</u>	<u>\$ 49,410,220</u>

## **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, 2004  
(With Comparative Totals for June 30, 2003)**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2004	2003
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 1,263,982	\$ 384,761	\$ 417,479	\$ 1,060,175	\$ 387,673	\$ 759,303	\$ 4,273,373	\$ 3,375,098
Due from Other Funds	125,638	-	-	-	-	-	125,638	100,821
Due from Component Units	74,031	-	-	-	-	-	74,031	80,066
<b>TOTAL ASSETS</b>	<b>\$ 1,463,651</b>	<b>\$ 384,761</b>	<b>\$ 417,479</b>	<b>\$ 1,060,175</b>	<b>\$ 387,673</b>	<b>\$ 759,303</b>	<b>\$ 4,473,042</b>	<b>\$ 3,555,985</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accrued Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,886
Due to Other Funds	350,000	-	-	-	30,885	529,000	909,885	872,924
<b>TOTAL LIABILITIES</b>	<b>350,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,885</b>	<b>529,000</b>	<b>909,885</b>	<b>995,810</b>
<b>Fund Balances:</b>								
Unreserved, Undesignated	1,113,651	384,761	417,479	1,060,175	356,788	230,303	3,563,157	2,560,175
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,463,651</b>	<b>\$ 384,761</b>	<b>\$ 417,479</b>	<b>\$ 1,060,175</b>	<b>\$ 387,673</b>	<b>\$ 759,303</b>	<b>\$ 4,473,042</b>	<b>\$ 3,555,985</b>

**KNOX COUNTY, TENNESSEE**

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

For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2004	2003
<b>Revenues</b>								
Charges for Services	\$ 7,135,086	\$ 4,296,630	\$ 1,113,518	\$ 3,620,115	\$ 1,133,500	\$ 4,043,694	\$ 21,342,543	\$ 19,234,209
Interest Income	1,669	12,018	54,679	-	-	2,275	70,641	85,023
<b>Total Revenues</b>	<b>7,136,755</b>	<b>4,308,648</b>	<b>1,168,197</b>	<b>3,620,115</b>	<b>1,133,500</b>	<b>4,045,969</b>	<b>21,413,184</b>	<b>19,319,232</b>
<b>Expenditures</b>								
Current:								
General Government:								
Finance and Administration:								
Salaries - County Officials	89,279	89,469	58,200	86,469	79,263	89,625	492,305	485,460
Salaries - Staff	1,562,261	2,866,031	794,643	2,429,941	644,083	1,214,356	9,511,315	9,113,337
Travel	49,350	81,825	5,445	-	-	7,477	144,097	146,625
Employee Benefits and Payroll Taxes	392,684	882,606	252,241	815,462	189,083	284,315	2,816,391	2,447,233
Consulting Fees	-	282	-	-	-	-	282	526
Office Supplies	116,740	-	4,000	-	-	1,575	122,315	83,424
<b>Total Expenditures</b>	<b>2,210,314</b>	<b>3,920,213</b>	<b>1,114,529</b>	<b>3,331,872</b>	<b>912,429</b>	<b>1,597,348</b>	<b>13,086,705</b>	<b>12,276,605</b>
Excess of Revenues Over Expenditures	4,926,441	388,435	53,668	288,243	221,071	2,448,621	8,326,479	7,042,627
<b>Other Financing Uses</b>								
Transfers to Other Funds	(4,480,321)	-	-	(200,000)	(220,600)	(2,422,576)	(7,323,497)	(6,995,412)
Excess of Revenues Over Expenditures and Other Financing Uses	446,120	388,435	53,668	88,243	471	26,045	1,002,982	47,215
Fund Balances (Deficits), July 1	667,531	(3,674)	363,811	971,932	356,317	204,258	2,560,175	2,512,960
<b>Fund Balances, June 30</b>	<b>\$ 1,113,651</b>	<b>\$ 384,761</b>	<b>\$ 417,479</b>	<b>\$ 1,060,175</b>	<b>\$ 356,788</b>	<b>\$ 230,303</b>	<b>\$ 3,563,157</b>	<b>\$ 2,560,175</b>

## **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.

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**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)**

**Comparative Balance Sheets**

June 30, 2004 and June 30, 2003

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	2004	2003
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 12,234,815	\$ 2,992,259
Receivables (Net of Allowances for Uncollectibles):		
Accounts	1,188,729	1,239,301
Accrued Interest	1,499	823
Due From Other Funds	15,526	91,557
Prepaid Items	-	1,270
Advances to Component Units	-	3,723,182
<b>TOTAL ASSETS</b>	<b>\$ 13,440,569</b>	<b>\$ 8,048,392</b>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 2,809,059	\$ 3,359,418
Due to Other Funds	16,160,552	3,431,649
Deferred Revenue	10,000	-
<b>TOTAL LIABILITIES</b>	<b>18,979,611</b>	<b>6,791,067</b>
<b>Fund Balances (Deficits):</b>		
Reserved	15,275,382	18,746,776
Unreserved:		
Undesignated	(20,814,424)	(17,489,451)
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<b>(5,539,042)</b>	<b>1,257,325</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,440,569</b>	<b>\$ 8,048,392</b>

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**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, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Interest Earned	\$ 69,715	\$ 216,453
Local Taxes	250,103	237,539
Other Local Revenues	1,657,148	920,641
State of Tennessee	330,533	335,441
Federal Government	544,425	-
Other Governments and Citizen Groups	1,000	-
	<u>2,852,924</u>	<u>1,710,074</u>
<b>Expenditures</b>		
Capital Projects	39,567,291	30,978,243
Debt Proceeds Paid to Component Unit	32,000,000	8,400,000
Debt Issuance Costs	144,875	-
	<u>71,712,166</u>	<u>39,378,243</u>
Total Revenues	<u>2,852,924</u>	<u>1,710,074</u>
Total Expenditures	<u>71,712,166</u>	<u>39,378,243</u>
Deficiency of Revenues Under Expenditures	<u>(68,859,242)</u>	<u>(37,668,169)</u>
<b>Other Financing Sources (Uses)</b>		
Long-term Debt Issued	72,000,000	20,588,203
Transfers from Other Funds	5,662,875	82,000
Transfers to Other Funds	(15,600,000)	-
	<u>62,062,875</u>	<u>20,670,203</u>
Total Other Financing Sources	<u>62,062,875</u>	<u>20,670,203</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	<u>(6,796,367)</u>	<u>(16,997,966)</u>
Fund Balance, July 1	<u>1,257,325</u>	<u>18,255,291</u>
Fund Balance (Deficit), June 30	<u>\$ (5,539,042)</u>	<u>\$ 1,257,325</u>

**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)  
Comparative Schedules of Revenues, Expenditures And  
Changes in Fund Balances - Budget And Actual (Budget Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>	\$ 222,500	\$ 222,500	\$ 250,103	\$ 27,603	\$ 225,000	\$ 237,539	\$ 12,539
<b>Expenditures</b>							
Capital Projects:							
Contracted Services	52,000	86,561	86,561	-	17,684	10,026	7,658
Supplies & Materials	53,000	28,922	22,646	6,276	40,807	29,941	10,866
Other Charges	2,500	3,012	2,807	205	2,500	1,988	512
Capital Outlay	65,000	66,100	36,100	30,000	126,944	51,146	75,798
Miscellaneous	50,000	96,698	38,945	57,753	88,433	41,735	46,698
Total Expenditures	222,500	281,293	187,059	94,234	276,368	134,836	141,532
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(58,793)	63,044	121,837	(51,368)	102,703	154,071
Fund Balances, July 1 (Budget Basis)	1,032,652	1,032,652	1,032,652	-	929,949	929,949	-
Fund Balances, June 30 (Budget Basis)	\$ 1,032,652	\$ 973,859	\$ 1,095,696	\$ 121,837	\$ 878,581	\$ 1,032,652	\$ 154,071

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

Fund Balance (Budget Basis)	\$ 1,095,696	\$ 1,032,652
Timing Difference:		
Project Length Budgets	(6,634,738)	224,673
Fund Balance (Deficit) (GAAP Basis)	<u>\$ (5,539,042)</u>	<u>\$ 1,257,325</u>

**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)  
Schedule of Construction Project Expenditures-  
Budget And Actual**

For the year ended June 30, 2004

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Middlebrook Pike	\$ 7,168,130	\$ 6,988,302	\$ -	\$ 6,988,302	\$ 179,828
Hardin Valley Road	11,654,822	8,458,824	1,600,233	10,059,057	1,595,765
Murdock Lane Road	2,663,827	2,663,827	-	2,663,827	-
Maloney Road/Maryville	1,173,288	161,538	11,750	173,288	1,000,000
Lovell Road	2,702,585	1,941,295	1,000	1,942,295	760,290
Dry Gap Pike	5,175,160	5,049,822	2,091	5,051,913	123,247
Ballcamp Improvements	7,993,300	1,424,809	5,764,185	7,188,994	804,306
Kimberlyn Heights Road	242,265	242,205	60	242,265	-
Dutchtown Road Functional Plan	3,861,284	2,001,915	846,852	2,848,767	1,012,517
Schaad/Callahan Road	13,918,975	12,733,084	455,041	13,188,125	730,850
Murphy Road Improvements	1,798,503	1,684,827	92,626	1,777,453	21,050
Parkside Drive Extension	8,299,827	6,316,607	115,024	6,431,631	1,868,196
Maynard/Norris/Emory	197,780	162,796	-	162,796	34,984
Walker Springs Connector	2,637,179	1,643,415	98,359	1,741,774	895,405
Karns Connector	3,553,204	599,972	757,778	1,357,750	2,195,454
Carter School Road	945,778	882,698	1,360	884,058	61,720
Clinton Highway and Beaver Creek	124,794	64,500	-	64,500	60,294
Washington Pike	1,693,550	44,370	262,099	306,469	1,387,081
Knob Creek Bridge	1,782,975	-	679	679	1,782,296
Byington/Solway Bridge	109,362	-	109,362	109,362	-
Sherrill Lane	1,968,306	1,887,041	3,375	1,890,416	77,890
Central/Callahan/Dante Road	8,250	4,950	-	4,950	3,300
Bridge Replacement	1,470,000	-	-	-	1,470,000
Westland Drive	4,364,759	2,254,576	1,169,654	3,424,230	940,529
	<b>85,507,903</b>	<b>57,211,373</b>	<b>11,291,528</b>	<b>68,502,901</b>	<b>17,005,002</b>
<i>Total Road Construction</i>					
<i>Building Renovations:</i>					
City/County Improvement	5,742,027	4,371,867	794,826	5,166,693	575,334
Juvenile Court/ Detention	13,723,528	13,722,662	200	13,722,862	666
Fairview Technical Center	360,000	358,452	-	358,452	1,548
Karns Branch Library	1,598,970	1,593,468	-	1,593,468	5,502
Sheriff Training Facility	93,000	39,533	-	39,533	53,467
Sports Complex	3,816,500	1,687,625	1,044,568	2,732,193	1,084,307
Knox County Health Renovations	9,968,584	9,752,401	102,407	9,854,808	113,776
Norwood Branch Library	70,204	64,795	3,572	68,367	1,837
Corryton Branch Library	53,847	51,655	-	51,655	2,192
County Wide Renovations	2,120,562	1,294,786	330,890	1,625,676	494,886
Knox Central	305,360	289,521	995	290,516	14,844
Detention Facility	750,345	-	671,917	671,917	78,428
DUI Building	357,258	53,498	297,444	350,942	6,316
Jacob Building Renovation	100,000	-	100,000	100,000	-
Bijou Theatre Renovations	100,000	-	100,000	100,000	-
	<b>39,160,185</b>	<b>33,280,263</b>	<b>3,446,819</b>	<b>36,727,082</b>	<b>2,433,103</b>
<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, 2004

Project	Expenditures			Total	Available
	Budget	Prior Years	Current		
<b>Expenditures (continued)</b>					
<i>Capital Projects (continued):</i>					
<i>Building Construction:</i>					
Public Defender	\$ 3,211,328	\$ 3,165,641	\$ 24,112	\$ 3,189,753	\$ 21,575
West Knox Branch Library	2,236,056	2,230,449	40	2,230,489	5,567
Halls Branch Library	2,630,280	1,507,230	907,607	2,414,837	215,443
Powell Branch Library	2,416,000	224,387	83,467	307,854	2,108,146
North Knox Soccer Complex	618,000	615,889	-	615,889	2,111
Fountain City Branch Library	2,509,297	506,514	1,681,302	2,187,816	321,481
Community Kitchen - CAC	2,300,000	1,501,260	786,940	2,288,200	11,800
E-911 Facility	4,500,000	22,500	4,439,250	4,461,750	38,250
Penal Farm	36,589,360	35,651,349	252,421	35,903,770	685,590
Beck Cultural Center	250,000	-	63,093	63,093	186,907
Halls Senior Center	500,000	-	14,611	14,611	485,389
Veteran's Nursing Home	2,000,000	-	126,311	126,311	1,873,689
Animal Welfare - Permanent	3,850,000	641,226	3,173,156	3,814,382	35,618
<i>Total Building Construction:</i>	63,610,321	46,066,445	11,552,310	57,618,755	5,991,566
<i>Other:</i>					
Westbridge	23,925	6,745	-	6,745	17,180
Justice System Software	1,850,000	1,676,899	4,952	1,681,851	168,149
East TN Historical Center	15,675,403	10,357,579	4,898,223	15,255,802	419,601
East TN Historical Renovations	2,890,426	371,449	634,165	1,005,614	1,884,812
John Tarleton Park Improvements	987,987	966,518	4,500	971,018	16,969
Three Ridges Golf Course	1,065,361	713,958	211,693	925,651	139,710
Seven Island Foot Bridge	1,164,550	-	63	63	1,164,487
Seven Island	3,182,932	3,111,089	3,750	3,114,839	68,093
PBA Project Management	2,042,533	1,604,816	437,717	2,042,533	-
Maloney Road Park	100,000	54	40,901	40,955	59,045
Alcoaway Optimist Park	93,000	92,151	849	93,000	-
Gibbs Ruritan Park	6,156	6,156	-	6,156	-
Gibbs Ruritan Park	511,994	401,852	73,737	475,589	36,405
Concord Park	434,778	288,172	146,585	434,757	21
Powell Greenway	759,369	733,539	25,830	759,369	-
Nicholas Ball Park	320,822	132,718	48,611	181,329	139,493
Halls Greenway	210,220	12,291	25,113	37,404	172,816
Halls Community Park	500,000	-	-	-	500,000
Crestwood Hills Park	95,711	95,678	33	95,711	-
Hillcrest Park	363,326	357,684	642	358,326	5,000
Powell Levi Park	104,743	104,728	15	104,743	-
Trustee Commission	10,374	9,562	93	9,655	719
Sterchi Hills Park	148,918	147,039	1,879	148,918	-
John Tarleton Building & Parking Lot	515,000	511,708	2,219	513,927	1,073
Stormwater Management	4,323,170	3,364,376	230,155	3,594,531	728,639
Beavercreek Watershed	15,000	2,356	5,302	7,658	7,342
Geometric Improvements	723,258	426,319	35,644	461,963	261,295
Functional Planning	237,200	230,596	3,864	234,460	2,740
Gulf Park Drive Sidewalk	220,830	43,184	160,284	203,468	17,362
Highway Project Management	1,111,770	1,032,671	8	1,032,679	79,091
Halls Wetland Restoration	8,109	-	8,109	8,109	-

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, 2004

Project	Expenditures			Total	Available
	Budget	Prior Years	Current		
<b>Expenditures (continued)</b>					
<i>Capital Projects (continued):</i>					
<i>Other (continued):</i>					
Powell Convenience Center	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
Gibbs Convenience Center	150,000	-	-	-	150,000
East Beaver Acquisition	21,000	-	-	-	21,000
Turkey Creek Wetlands	10,000	-	-	-	10,000
Long Term Economic Development	2,800,000	-	1,800,000	1,800,000	1,000,000
Financial Software Upgrade	5,261,286	-	2,387,590	2,387,590	2,873,696
Pellissippi Parkway Industrial Park	537,330	537,330	-	537,330	-
Sterchi Hills Greenway	200,000	152,375	-	152,375	47,625
French Park Greenway Trail	191,350	-	30,916	30,916	160,434
Ten Mile Creek Greenway	544,318	160,497	-	160,497	383,821
Spring Place Park	20,000	-	40	40	19,960
County Wide Rehab	234,635	213,009	5,890	218,899	15,736
Frank Strang Center	668,819	-	157,327	157,327	511,492
Sequoyah Elementary School Trail	785	-	785	785	-
John O'Connor Center Expansion	415,000	-	336,790	336,790	78,210
Project Planning 5 Points	500,000	-	500,000	500,000	-
Downtown Development	338,370	-	302,335	302,335	36,035
Carl Cowan Park	281,000	56,524	223,153	279,677	1,323
Powell Greenway - Levi Strauss	25,000	13,871	10,070	23,941	1,059
Various Park	1,379,596	1,325,074	-	1,325,074	54,522
John Tarleton Park Maintenance	334,127	259,874	68,121	327,995	6,132
Solway Yard Waste Facility	975,000	-	260,148	260,148	714,852
Concord Park Maintenance	89,876	89,876	1,474	91,350	(1,474)
<i>Total Other</i>	<u>54,924,357</u>	<u>29,610,317</u>	<u>13,089,575</u>	<u>42,699,892</u>	<u>12,224,465</u>
<i>Total Capital Projects</i>	<u>\$ 243,202,766</u>	<u>\$ 166,168,398</u>	<u>\$ 39,380,232</u>	<u>\$ 205,548,630</u>	<u>\$ 37,654,136</u>
Project Expenditures			\$ 39,380,232		
Expenditures - Activities Budgeted on Annual Basis			<u>187,059</u>		
Total Public Improvement Fund Expenditures			<u>\$ 39,567,291</u>		

## **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.

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**KNOX COUNTY, TENNESSEE**

**Debt Service Fund (Major)**  
**Comparative Balance Sheets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 18,167,649	\$ 19,133,332
Receivables (Net of Allowance for Uncollectibles):		
Accounts	162,270	143,552
Property Taxes	17,843,999	17,794,801
Accrued Interest	86,414	152,150
Notes	6,817,000	5,135,000
Due from Other Funds	9,810,891	-
Due from Component Units	4,439,250	7,250,000
<b>TOTAL ASSETS</b>	<u>\$ 57,327,473</u>	<u>\$ 49,608,835</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 157,065	\$ 26,763
Due to Other Funds	5,704	10,912
Due to Component Units	195,025	8,835
Deferred Revenue	24,336,505	17,589,495
Advances from Other Funds	-	1,333,333
<b>TOTAL LIABILITIES</b>	<u>24,694,299</u>	<u>18,969,338</u>
 <b>Fund Balances:</b>		
Reserved	4,608,645	5,138,645
Unreserved:		
Undesignated	28,024,529	25,500,852
<b>TOTAL FUND BALANCES</b>	<u>32,633,174</u>	<u>30,639,497</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 57,327,473</u>	<u>\$ 49,608,835</u>

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**KNOX COUNTY, TENNESSEE**

**Debt Service Fund (Major)**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Local Taxes	\$ 16,656,260	\$ 17,983,621
Other Governments/Citizen Groups	1,440,682	137,816
Interest Earned	1,875,367	2,532,986
Other Local Revenues	82,750	1,511,056
Payments from Component Units	<u>27,473,875</u>	<u>16,457,417</u>
Total Revenues	<u>47,528,934</u>	<u>38,622,896</u>
<b>Expenditures</b>		
Debt Service:		
Contracted Services	212,965	53,081
Trustee's Commission	346,629	374,006
Principal on Bonds	18,790,467	21,455,467
Interest on Bonds	<u>18,567,892</u>	<u>18,251,918</u>
Total Expenditures	<u>37,917,953</u>	<u>40,134,472</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,610,981</u>	<u>(1,511,576)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	13,987,720	201,500
Proceeds of Refunding Bonds	-	88,722,550
Payment to Refunded Bond Escrow Agent	-	(88,722,550)
Payment to Holders of Refunded Debt	<u>(21,605,024)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(7,617,304)</u>	<u>201,500</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,993,677	(1,310,076)
Fund Balances, July 1	<u>30,639,497</u>	<u>31,949,573</u>
Fund Balances, June 30	<u>\$ 32,633,174</u>	<u>\$ 30,639,497</u>

**KNOX COUNTY, TENNESSEE**

**Debt Service Fund (Major)**  
**Comparative Schedules of Revenues, Expenditures**  
**And Changes in Fund Balances - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2004 and June 30, 2003

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 18,190,000	\$ 18,190,000	\$ 16,656,260	\$ (1,533,740)	\$ 17,971,607	\$ 17,983,621	\$ 12,014
Other Governments/Citizen Groups	316,480	316,480	1,440,682	1,124,202	576,190	137,816	(438,374)
Interest Earned	1,946,486	1,946,486	1,875,367	(71,119)	3,500,000	2,532,986	(967,014)
Other Local Revenue	-	-	82,750	82,750	-	1,511,056	1,511,056
Payments from Component Units	19,456,006	27,856,006	27,473,875	(382,131)	16,293,541	16,457,417	163,876
<b>Total Revenues</b>	<b>39,908,972</b>	<b>48,308,972</b>	<b>47,528,934</b>	<b>(780,038)</b>	<b>38,341,338</b>	<b>38,622,896</b>	<b>281,558</b>
<b>Expenditures</b>							
Debt Service:							
Contracted Services	210,000	221,000	212,965	8,035	191,000	53,081	137,919
Trustee's Commission	410,000	410,000	346,629	63,371	390,000	374,006	15,994
Principal on Bonds	18,781,468	18,781,468	18,790,467	(8,999)	21,455,467	21,455,467	-
Interest on Bonds	22,048,532	21,166,042	18,567,892	2,598,150	18,783,517	18,251,918	531,599
<b>Total Expenditures</b>	<b>41,450,000</b>	<b>40,578,510</b>	<b>37,917,953</b>	<b>2,660,557</b>	<b>40,819,984</b>	<b>40,134,472</b>	<b>685,512</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,541,028)	7,730,462	9,610,981	1,880,519	(2,478,646)	(1,511,576)	967,070
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	1,541,028	14,641,028	13,987,720	(653,308)	201,500	201,500	-
Proceeds of Refunding Bonds	-	-	-	-	88,722,550	88,722,550	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	(88,722,550)	(88,722,550)	-
Payment to Holders of Refunded Debt	-	(22,371,490)	(21,605,024)	766,466	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,541,028</b>	<b>(7,730,462)</b>	<b>(7,617,304)</b>	<b>113,158</b>	<b>201,500</b>	<b>201,500</b>	<b>-</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	1,993,677	1,993,677	(2,277,146)	(1,310,076)	967,070
Fund Balance, July 1	30,639,497	30,639,497	30,639,497	-	31,949,573	31,949,573	-
Fund Balance, June 30	\$ 30,639,497	\$ 30,639,497	\$ 32,633,174	\$ 1,993,677	\$ 29,672,427	\$ 30,639,497	\$ 967,070

## **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.

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**KNOX COUNTY, TENNESSEE****Combining Balance Sheet  
Nonmajor Governmental Funds**June 30, 2004

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	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 14,182,254	\$ 3,869,485	\$ 18,051,739
Receivables (Net of Allowance for Uncollectibles):			
Accounts	7,967,679	-	7,967,679
Property Taxes	515,539	20,723	536,262
Notes	2,677,528	-	2,677,528
Due from Other Funds	436,327	-	436,327
Inventories	11,708	-	11,708
Prepaid Items	77,926	-	77,926
<b>TOTAL ASSETS</b>	<b>\$ 25,868,961</b>	<b>\$ 3,890,208</b>	<b>\$ 29,759,169</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ 2,991,613	\$ -	\$ 2,991,613
Due to Other Funds	4,346,726	68	4,346,794
Due to Component Units	79	-	79
Deferred Revenue	3,741,006	17,666	3,758,672
Advances from Other Funds	37,248	-	37,248
<b>TOTAL LIABILITIES</b>	<b>11,116,672</b>	<b>17,734</b>	<b>11,134,406</b>
<b>Fund balances:</b>			
Reserved	2,305,893	213,008	2,518,901
Unreserved:			
Designated	237,769	-	237,769
Undesignated	12,208,627	3,659,466	15,868,093
<b>TOTAL FUND BALANCES</b>	<b>14,752,289</b>	<b>3,872,474</b>	<b>18,624,763</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 25,868,961</b>	<b>\$ 3,890,208</b>	<b>\$ 29,759,169</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the year ended June 30, 2004**

	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Local Taxes	\$ 10,527,429	\$ 35,026	\$ 10,562,455
Fines, Forfeitures and Penalties	212,174	-	212,174
Charges for Current Services	863,585	-	863,585
Other Local Revenues	1,078,847	-	1,078,847
State of Tennessee	12,789,145	-	12,789,145
Federal Government	5,095,258	-	5,095,258
Other Governments and Citizen Groups	502,124	-	502,124
<b>Total Revenues</b>	<b>31,068,562</b>	<b>35,026</b>	<b>31,103,588</b>
<b>Expenditures</b>			
Current:			
Finance and Administration	1,555,148	-	1,555,148
Administration of Justice	271,465	-	271,465
Public Safety	5,725,242	-	5,725,242
Public Health and Welfare	9,065,980	-	9,065,980
Social and Cultural Services	9,988,824	-	9,988,824
Other General Government	8,335,807	-	8,335,807
Highways	11,938,273	-	11,938,273
Capital Projects	-	573,668	573,668
<b>Total Expenditures</b>	<b>46,880,739</b>	<b>573,668</b>	<b>47,454,407</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(15,812,177)</b>	<b>(538,642)</b>	<b>(16,350,819)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	12,886,767	600,000	13,486,767
Transfers to Other Funds	(31,000)	-	(31,000)
Debt Issuance	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>12,855,767</b>	<b>600,000</b>	<b>13,455,767</b>
<b>Net Change in Fund Balances</b>	<b>(2,956,410)</b>	<b>61,358</b>	<b>(2,895,052)</b>
<b>Fund Balances, July 1</b>	<b>17,708,699</b>	<b>3,811,116</b>	<b>21,519,815</b>
<b>Fund Balances, June 30</b>	<b>\$ 14,752,289</b>	<b>\$ 3,872,474</b>	<b>\$ 18,624,763</b>

**KNOX COUNTY, TENNESSEE**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2004**

	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
<b>ASSETS</b>										
Cash and Cash Equivalents	\$ 1,642,567	\$ 44,428	\$ 3,460,670	\$ 2,868,345	\$ 2,824,485	\$ 10,394	\$ 447,682	\$ 2,883,683	\$ -	\$ 14,182,254
Receivables (Net of Allowance for Uncollectibles):										
Accounts	5,522,533	2,982	93,500	1,548	371,725	-	-	1,975,391	-	7,967,679
Property Taxes	-	-	233,134	85,654	-	196,751	-	-	-	515,539
Notes	2,677,528	-	-	-	-	-	-	-	-	2,677,528
Due from Other Funds	430,527	-	5,800	-	-	-	-	-	-	436,327
Inventories	11,708	-	-	-	-	-	-	-	-	11,708
Prepaid Items	34,472	137	19,583	4,609	-	-	-	19,125	-	77,926
<b>TOTAL ASSETS</b>	<b>\$ 10,319,335</b>	<b>\$ 47,547</b>	<b>\$ 3,812,687</b>	<b>\$ 2,960,156</b>	<b>\$ 3,196,210</b>	<b>\$ 207,145</b>	<b>\$ 447,682</b>	<b>\$ 4,878,199</b>	<b>\$ -</b>	<b>\$ 25,868,961</b>
<b>LIABILITIES AND FUND BALANCE</b>										
Liabilities:										
Accounts Payable and Accrued Liabilities	\$ 827,586	\$ 2,040	\$ 544,310	\$ 279,542	\$ 502,032	\$ -	\$ 4,023	\$ 832,080	\$ -	\$ 2,991,613
Due to Other Funds	4,306,560	202	4,487	6,722	7,067	-	864	20,824	-	4,346,726
Due to Component Units	-	-	-	-	-	-	-	79	-	79
Deferred Revenue	3,258,453	180	214,329	73,020	-	195,024	-	-	-	3,741,006
Advances from Other Funds	-	37,248	-	-	-	-	-	-	-	37,248
<b>TOTAL LIABILITIES</b>	<b>8,392,599</b>	<b>39,670</b>	<b>763,126</b>	<b>359,284</b>	<b>509,099</b>	<b>195,024</b>	<b>4,887</b>	<b>852,983</b>	<b>-</b>	<b>11,116,672</b>
Fund Balances (Deficits):										
Reserved	1,872,263	137	78,420	11,359	-	-	89,566	254,148	-	2,305,893
Unreserved:										
Designated	54,473	-	43,818	-	-	-	-	139,478	-	237,769
Undesignated	-	7,740	2,927,323	2,589,513	2,687,111	12,121	353,229	3,631,590	-	12,208,627
<b>TOTAL FUND BALANCES</b>	<b>1,926,736</b>	<b>7,877</b>	<b>3,049,561</b>	<b>2,600,872</b>	<b>2,687,111</b>	<b>12,121</b>	<b>442,795</b>	<b>4,025,216</b>	<b>-</b>	<b>14,752,289</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,319,335</b>	<b>\$ 47,547</b>	<b>\$ 3,812,687</b>	<b>\$ 2,960,156</b>	<b>\$ 3,196,210</b>	<b>\$ 207,145</b>	<b>\$ 447,682</b>	<b>\$ 4,878,199</b>	<b>\$ -</b>	<b>\$ 25,868,961</b>

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the year ended June 30, 2004

	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
<b>Revenues</b>										
Local Taxes	\$ -	\$ 94,644	\$ 393,366	\$ 143,037	\$ 4,025,335	\$ 168,218	\$ -	\$ 5,702,829	\$ -	\$ 10,527,429
Fines, Forfeitures and Penalties	-	-	-	-	-	-	212,174	-	-	212,174
Charges for Current Services	568,523	13,873	281,189	-	-	-	-	-	-	863,585
Other Local Revenues	511,675	372	189,866	255,718	21	-	70,493	50,702	-	1,078,847
State of Tennessee	7,415,404	-	97,705	349,912	-	-	-	4,926,124	-	12,789,145
Federal Government	5,075,258	-	-	-	-	-	20,000	-	-	5,095,258
Other Governments and Citizen Groups	316,222	500	29,281	39,797	-	-	116,324	-	-	502,124
Total revenues	13,887,082	109,389	991,407	788,464	4,025,356	168,218	418,991	10,679,655	-	31,068,562
<b>Expenditures</b>										
Current:										
Finance and Administration	1,276,965	-	-	-	-	-	278,183	-	-	1,555,148
Administration of Justice	271,465	-	-	-	-	-	-	-	-	271,465
Public Safety	5,431,735	-	-	-	-	151,458	142,049	-	-	5,725,242
Public Health and Welfare	5,029,072	-	-	4,036,908	-	-	-	-	-	9,065,980
Social and Cultural Services	42,700	161,494	9,784,630	-	-	-	-	-	-	9,988,824
Other General Government	3,181,704	-	-	-	5,154,103	-	-	-	-	8,335,807
Highways	-	-	-	-	-	-	-	11,938,273	-	11,938,273
Total expenditures	15,233,641	161,494	9,784,630	4,036,908	5,154,103	151,458	420,232	11,938,273	-	46,880,739
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,346,559)	(52,105)	(8,793,223)	(3,248,444)	(1,128,747)	16,760	(1,241)	(1,258,618)	-	(15,812,177)
<b>Other financing sources (uses)</b>										
Transfers from Other Funds	1,266,175	51,842	8,618,750	2,950,000	-	-	-	-	-	12,886,767
Transfers to Other Funds	-	-	-	(21,000)	-	-	(10,000)	-	-	(31,000)
Proceeds from Borrowing	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,266,175	51,842	8,618,750	2,929,000	-	-	(10,000)	-	-	12,855,767
<b>Net change in fund balances</b>	(80,384)	(263)	(174,473)	(319,444)	(1,128,747)	16,760	(11,241)	(1,258,618)	-	(2,956,410)
<b>Fund Balance (Deficit), July 1</b>	2,007,120	8,140	3,224,034	2,920,316	3,815,858	(4,639)	454,036	5,283,834	-	17,708,699
<b>Fund Balance, June 30</b>	\$ 1,926,736	\$ 7,877	\$ 3,049,561	\$ 2,600,872	\$ 2,687,111	\$ 12,121	\$ 442,795	\$ 4,025,216	\$ -	\$ 14,752,289

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**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,642,567	\$ 2,341,149
Receivables (Net of Allowances for Uncollectibles):		
Accounts	5,522,533	3,198,061
Notes	2,677,528	2,482,626
Due from Other Funds	430,527	417,115
Inventories	11,708	11,037
Prepaid Items	34,472	28,013
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 10,319,335</u>	<u>\$ 8,478,001</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 827,586	\$ 693,873
Due to Other Funds	4,306,560	2,574,805
Deferred Revenue	3,258,453	3,202,203
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>8,392,599</u>	<u>6,470,881</u>
 <b>Fund Balances:</b>		
Reserved	1,872,263	1,548,311
Unreserved:		
Designated	54,473	286,654
Undesignated	-	172,155
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>1,926,736</u>	<u>2,007,120</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,319,335</u>	<u>\$ 8,478,001</u>

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**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, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Charges for Current Services	\$ 568,523	\$ 487,033
Other Local Revenues	511,675	153,291
State of Tennessee	7,415,404	5,453,258
Federal Government	5,075,258	4,150,069
Other Governmental and Citizen Groups	<u>316,222</u>	<u>216,791</u>
Total Revenues	<u>13,887,082</u>	<u>10,460,442</u>
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	1,276,965	1,339,253
Administration of Justice	271,465	217,538
Public Safety	5,431,735	2,867,528
Public Health and Welfare	5,029,072	4,592,941
Social and Cultural Services	42,700	1,200
Other General Government	<u>3,181,704</u>	<u>2,547,606</u>
Total Expenditures	<u>15,233,641</u>	<u>11,566,066</u>
Deficiency of Revenues Under Expenditures	<u>(1,346,559)</u>	<u>(1,105,624)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>1,266,175</u>	<u>1,576,331</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(80,384)	470,707
Fund Balances, July 1	<u>2,007,120</u>	<u>1,536,413</u>
Fund Balances, June 30	<u>\$ 1,926,736</u>	<u>\$ 2,007,120</u>

**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 410,000	\$ 588,970	\$ 568,523	\$ (20,447)	\$ 575,786	\$ 487,033	\$ (88,753)
Other Local Revenues	114,917	784,846	511,675	(273,171)	387,617	153,291	(234,326)
State of Tennessee	-	10,067,201	7,415,404	(2,651,797)	8,994,643	5,453,258	(3,541,385)
Federal Government	228,340	11,014,056	5,075,258	(5,938,798)	8,564,495	4,150,069	(4,414,426)
Other Governmental and Citizen Groups	-	311,798	316,222	4,424	863,657	216,791	(646,866)
<b>Total Revenues</b>	<b>753,257</b>	<b>22,766,871</b>	<b>13,887,082</b>	<b>(8,879,789)</b>	<b>19,386,198</b>	<b>10,460,442</b>	<b>(8,925,756)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Personal Services	249,392	8,125,106	5,940,108	2,184,998	6,716,872	5,159,293	1,557,579
Employee Benefits	66,562	2,223,660	1,411,168	812,492	1,649,677	1,191,449	458,228
Contracted Services	50,810	7,131,550	4,012,841	3,118,709	6,859,183	2,964,581	3,894,602
Supplies and Materials	83,682	2,641,199	915,516	1,725,683	1,343,940	744,469	599,471
Other Charges	118,217	532,774	436,728	96,046	395,980	306,529	89,451
Capital Outlay	8,550	3,911,711	2,517,280	1,394,431	4,483,620	1,199,745	3,283,875
<b>Total Expenditures</b>	<b>577,213</b>	<b>24,566,000</b>	<b>15,233,641</b>	<b>9,332,359</b>	<b>21,449,272</b>	<b>11,566,066</b>	<b>9,883,206</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	176,044	(1,799,129)	(1,346,559)	452,570	(2,063,074)	(1,105,624)	957,450
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	203,906	1,020,151	1,266,175	246,024	212,406	1,576,331	1,363,925
Transfers to Other Funds	-	-	-	-	(13,357)	-	13,357
<b>Total Other Financing Sources (Uses)</b>	<b>203,906</b>	<b>1,020,151</b>	<b>1,266,175</b>	<b>246,024</b>	<b>199,049</b>	<b>1,576,331</b>	<b>1,377,282</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	379,950	(778,978)	(80,384)	698,594	(1,864,025)	470,707	2,334,732
Fund Balances, July 1	2,007,120	2,007,120	2,007,120	-	1,536,413	1,536,413	-
Fund Balances, June 30	\$ 2,387,070	\$ 1,228,142	\$ 1,926,736	\$ 698,594	\$ (327,612)	\$ 2,007,120	\$ 2,334,732

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**KNOX COUNTY, TENNESSEE**

**Governmental Library Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 44,428	\$ 26,094
Receivables (Net of Allowances for Uncollectibles):		
Accounts	2,982	4,005
Due from Other Funds	-	30,000
Prepaid Items	<u>137</u>	<u>123</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 47,547</u></u>	<u><u>\$ 60,222</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 2,040	\$ 14,501
Due to Other Funds	202	333
Advances from Other Funds	37,248	37,248
Deferred Revenue	<u>180</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>39,670</u>	<u>52,082</u>
 <b>Fund Balances:</b>		
Reserved	137	123
Unreserved, undesignated	<u>7,740</u>	<u>8,017</u>
<b>TOTAL FUND BALANCES</b>	<u>7,877</u>	<u>8,140</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 47,547</u></u>	<u><u>\$ 60,222</u></u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Local Taxes	\$ 94,644	\$ 95,268
Charges for Current Services	13,873	15,183
Other Local Revenues	372	650
Other Governments and Citizens Groups	500	-
	<u>109,389</u>	<u>111,101</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	161,494	163,218
	<u>161,494</u>	<u>163,218</u>
Deficiency of Revenues Under Expenditures	<u>(52,105)</u>	<u>(52,117)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	51,842	51,583
	<u>51,842</u>	<u>51,583</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures	(263)	(534)
Fund Balances, July 1	<u>8,140</u>	<u>8,674</u>
Fund Balances, June 30	<u>\$ 7,877</u>	<u>\$ 8,140</u>

**KNOX COUNTY, TENNESSEE**

**Governmental Library Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 95,400	\$ 95,400	\$ 94,644	\$ (756)	\$ 126,474	\$ 95,268	\$ (31,206)
Charges for Current Services	14,500	14,500	13,873	(627)	15,500	15,183	(317)
Other Local Revenues	100	100	372	272	100	650	550
Other Governments and Citizens Groups	-	-	500	500	-	-	-
<b>Total Revenues</b>	<b>110,000</b>	<b>110,000</b>	<b>109,389</b>	<b>(611)</b>	<b>142,074</b>	<b>111,101</b>	<b>(30,973)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	39,115	39,920	39,920	-	37,250	37,058	192
Employee Benefits	8,473	8,473	8,231	242	8,003	7,548	455
Contracted Services	6,830	6,830	4,634	2,196	4,965	3,921	1,044
Supplies and Materials	55,035	113,230	85,691	27,539	91,706	91,701	5
Other Charges	22,389	23,389	23,018	371	23,633	22,990	643
<b>Total Expenditures</b>	<b>131,842</b>	<b>191,842</b>	<b>161,494</b>	<b>30,348</b>	<b>165,557</b>	<b>163,218</b>	<b>2,339</b>
Deficiency of Revenues Under Expenditures	(21,842)	(81,842)	(52,105)	29,737	(23,483)	(52,117)	(28,634)
<b>Other Financing Sources</b>							
Transfers from Other Funds	21,842	51,842	51,842	-	23,483	51,583	28,100
Deficiency of Revenues and Other Financing Sources Under Expenditures	-	(30,000)	(263)	29,737	-	(534)	(534)
Fund Balances, July 1	8,140	8,140	8,140	-	8,674	8,674	-
Fund Balances (Deficits), June 30	<b>\$ 8,140</b>	<b>\$ (21,860)</b>	<b>\$ 7,877</b>	<b>\$ 29,737</b>	<b>\$ 8,674</b>	<b>\$ 8,140</b>	<b>\$ (534)</b>

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**KNOX COUNTY, TENNESSEE**

**Public Library Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,460,670	\$ 3,529,639
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	93,500	7,067
Property Taxes	233,134	659,669
Due from Other Funds	5,800	-
Prepaid Items	<u>19,583</u>	<u>27,922</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,812,687</u></u>	<u><u>\$ 4,224,297</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 544,310	\$ 412,699
Due to Other Funds	4,487	6,576
Deferred Revenue	<u>214,329</u>	<u>580,988</u>
<b>TOTAL LIABILITIES</b>	<u>763,126</u>	<u>1,000,263</u>
 <b>Fund Balances:</b>		
Reserved	78,420	73,797
Unreserved:		
Designated	43,818	101,546
Undesignated	<u>2,927,323</u>	<u>3,048,691</u>
<b>TOTAL FUND BALANCES</b>	<u>3,049,561</u>	<u>3,224,034</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,812,687</u></u>	<u><u>\$ 4,224,297</u></u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Local Taxes	\$ 393,366	\$ 8,761,197
Charges for Current Services	281,189	265,533
Other Local Revenues	189,866	72,180
State of Tennessee	97,705	100,014
Federal Government	-	2,500
Other Governments and Citizens Groups	<u>29,281</u>	<u>30,272</u>
Total Revenues	<u>991,407</u>	<u>9,231,696</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>9,784,630</u>	<u>9,247,852</u>
Deficiency of Revenues Under Expenditures	(8,793,223)	(16,156)
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>8,618,750</u>	<u>-</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures	(174,473)	(16,156)
Fund Balances, July 1	<u>3,224,034</u>	<u>3,240,190</u>
Fund Balances, June 30	<u>\$ 3,049,561</u>	<u>\$ 3,224,034</u>

**KNOX COUNTY, TENNESSEE**

**Public Library Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Local Taxes	\$ -	\$ -	\$ 393,366	\$ 393,366	\$ 8,754,919	\$ 8,761,197	\$ 6,278	
Charges for Current Services	266,000	266,000	281,189	15,189	256,000	265,533	9,533	
Other Local Revenues	20,000	202,945	189,866	(13,079)	42,560	72,180	29,620	
State of Tennessee	-	97,758	97,705	(53)	100,014	100,014	-	
Federal Government	-	-	-	-	2,500	2,500	-	
Other Governments and Citizens Groups	21,000	54,724	29,281	(25,443)	39,801	30,272	(9,529)	
<b>Total Revenues</b>	<b>307,000</b>	<b>621,427</b>	<b>991,407</b>	<b>369,980</b>	<b>9,195,794</b>	<b>9,231,696</b>	<b>35,902</b>	
<b>Expenditures</b>								
Current:								
General Government:								
Social and Cultural Services:								
Personal Services	5,096,725	4,859,634	4,829,823	29,811	4,864,901	4,864,809	92	
Employee Benefits	1,196,690	1,161,147	1,090,502	70,645	1,080,669	1,080,668	1	
Contracted Services	834,907	1,965,515	1,946,215	19,300	938,574	781,110	157,464	
Supplies and Materials	1,983,153	1,392,709	1,326,182	66,527	2,324,907	2,178,961	145,946	
Other Charges	139,195	200,998	198,064	2,934	272,944	264,824	8,120	
Capital Outlay	307,981	448,641	393,844	54,797	168,619	77,480	91,139	
<b>Total Expenditures</b>	<b>9,558,651</b>	<b>10,028,644</b>	<b>9,784,630</b>	<b>244,014</b>	<b>9,650,614</b>	<b>9,247,852</b>	<b>402,762</b>	
Deficiency of Revenues Under Expenditures	(9,251,651)	(9,407,217)	(8,793,223)	613,994	(454,820)	(16,156)	438,664	
<b>Other Financing Sources</b>								
Transfers from Other Funds	8,825,000	8,825,000	8,618,750	(206,250)	-	-	-	
Deficiency of Revenues and Other Financing Sources Under Expenditures	(426,651)	(582,217)	(174,473)	407,744	(454,820)	(16,156)	438,664	
Fund Balances, July 1	3,224,034	3,224,034	3,224,034	-	3,240,190	3,240,190	-	
Fund Balances, June 30	\$ 2,797,383	\$ 2,641,817	\$ 3,049,561	\$ 407,744	\$ 2,785,370	\$ 3,224,034	\$ 438,664	

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**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,868,345	\$ 1,860,482
Receivables (Net of Allowances for Uncollectibles):		
Accounts	1,548	475,724
Property Taxes	85,654	241,754
Due from Other Funds	-	988,354
Prepaid Items	4,609	5,733
	<u>4,609</u>	<u>5,733</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,960,156</u>	<u>\$ 3,572,047</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 279,542	\$ 357,227
Due to Other Funds	6,722	88,798
Deferred Revenue	73,020	205,706
	<u>73,020</u>	<u>205,706</u>
<b>TOTAL LIABILITIES</b>	<u>359,284</u>	<u>651,731</u>
 <b>Fund Balances:</b>		
Reserved	11,359	218,845
Unreserved:		
Undesignated	2,589,513	2,701,471
	<u>2,589,513</u>	<u>2,701,471</u>
<b>TOTAL FUND BALANCES</b>	<u>2,600,872</u>	<u>2,920,316</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,960,156</u>	<u>\$ 3,572,047</u>

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**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Local Taxes	\$ 143,037	\$ 3,211,797
Other Local Revenues	255,718	205,695
State of Tennessee	349,912	452,751
Other Governments and Citizens Groups	<u>39,797</u>	<u>-</u>
Total Revenues	<u>788,464</u>	<u>3,870,243</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Health and Welfare	<u>4,036,908</u>	<u>4,607,418</u>
Deficiency of Revenues		
Under Expenditures	<u>(3,248,444)</u>	<u>(737,175)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds from Borrowing	-	911,797
Transfers from Other Funds	2,950,000	-
Transfers to Other Funds	<u>(21,000)</u>	<u>-</u>
Total Other Financing Sources	<u>2,929,000</u>	<u>911,797</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(319,444)	174,622
Fund Balances, July 1	<u>2,920,316</u>	<u>2,745,694</u>
Fund Balances, June 30	<u>\$ 2,600,872</u>	<u>\$ 2,920,316</u>

**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Local Taxes	\$ -	\$ 115,000	\$ 143,037	\$ 28,037	\$ 3,208,500	\$ 3,211,797	\$ 3,297	
Charges for Current Services	-	30,000	-	(30,000)	-	-	-	
Other Local Revenues	184,947	223,042	255,718	32,676	135,159	205,695	70,536	
State of Tennessee	450,000	350,000	349,912	(88)	458,132	452,751	(5,381)	
Other Governments and Citizens Groups	-	39,000	39,797	797	-	-	-	
<b>Total Revenues</b>	<b>634,947</b>	<b>757,042</b>	<b>788,464</b>	<b>31,422</b>	<b>3,801,791</b>	<b>3,870,243</b>	<b>68,452</b>	
<b>Expenditures</b>								
Current:								
General Government:								
Public Health and Welfare:								
Personal Services	724,023	690,794	687,994	2,800	701,846	700,562	1,284	
Employee Benefits	233,928	213,283	211,988	1,295	210,102	208,110	1,992	
Contracted Services	2,329,215	2,758,144	2,676,711	81,433	2,630,472	2,425,706	204,766	
Supplies and Materials	66,920	93,573	85,387	8,186	176,587	161,847	14,740	
Other Charges	116,692	52,894	52,223	671	123,915	109,792	14,123	
Capital Outlay	-	820,697	294,218	526,479	1,667,296	808,398	858,898	
Litter and Trash Collection:								
Personal Services	65,070	-	-	-	58,747	57,114	1,633	
Employee Benefits	25,449	-	-	-	22,394	20,188	2,206	
Contracted Services	55,300	-	-	-	73,712	72,050	1,662	
Supplies and Materials	9,250	28,387	28,387	-	17,884	15,432	2,452	
Other Charges	9,100	-	-	-	-	-	-	
Capital Outlay	-	-	-	-	56,595	28,219	28,376	
<b>Total Expenditures</b>	<b>3,634,947</b>	<b>4,657,772</b>	<b>4,036,908</b>	<b>620,864</b>	<b>5,739,550</b>	<b>4,607,418</b>	<b>1,132,132</b>	
Deficiency of Revenues Under Expenditures	(3,000,000)	(3,900,730)	(3,248,444)	652,286	(1,937,759)	(737,175)	1,200,584	
<b>Other Financing Sources (Uses)</b>								
Bond Proceeds	-	-	-	-	919,480	911,797	(7,683)	
Transfers from Other Funds	3,000,000	3,000,000	2,950,000	(50,000)	-	-	-	
Transfers to Other Funds	-	(21,000)	(21,000)	-	-	-	-	
<b>Total Other Financing Sources</b>	<b>3,000,000</b>	<b>2,979,000</b>	<b>2,929,000</b>	<b>(50,000)</b>	<b>919,480</b>	<b>911,797</b>	<b>(7,683)</b>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	(921,730)	(319,444)	602,286	(1,018,279)	174,622	1,192,901	
Fund Balances, July 1	2,920,316	2,920,316	2,920,316	-	2,745,694	2,745,694	-	
Fund Balances, June 30	\$ 2,920,316	\$ 1,998,586	\$ 2,600,872	\$ 602,286	\$ 1,727,415	\$ 2,920,316	\$ 1,192,901	

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**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,824,485	\$ 4,756,004
Accounts Receivable	<u>371,725</u>	<u>421,187</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,196,210</u></u>	<u><u>\$ 5,177,191</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 502,032	\$ 1,352,863
Due to Other Funds	<u>7,067</u>	<u>8,470</u>
<b>TOTAL LIABILITIES</b>	<u>509,099</u>	<u>1,361,333</u>
 <b>Fund Balances:</b>		
Unreserved, undesignated	<u>2,687,111</u>	<u>3,815,858</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,196,210</u></u>	<u><u>\$ 5,177,191</u></u>

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**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, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Local Taxes	\$ 4,025,335	\$ 4,272,762
Other Local Revenues	<u>21</u>	<u>114</u>
Total Revenues	<u>4,025,356</u>	<u>4,272,876</u>
<b>Expenditures</b>		
Current:		
General Government:		
Other General Government	<u>5,154,103</u>	<u>3,853,737</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,128,747)	419,139
Fund Balances, July 1	<u>3,815,858</u>	<u>3,396,719</u>
Fund Balances, June 30	<u><u>\$ 2,687,111</u></u>	<u><u>\$ 3,815,858</u></u>

**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 2,400,000	\$ 2,400,000	\$ 4,025,335	\$ 1,625,335	\$ 3,851,575	\$ 4,272,762	\$ 421,187
Other Local Revenues	-	-	21	21	-	114	114
<b>Total Revenues</b>	<b>2,400,000</b>	<b>2,400,000</b>	<b>4,025,356</b>	<b>1,625,356</b>	<b>3,851,575</b>	<b>4,272,876</b>	<b>421,301</b>
<b>Expenditures</b>							
Current:							
General Government:							
Other General Government:							
Contracted Services	2,050,000	2,035,000	1,744,033	290,967	1,873,375	1,852,305	21,070
Other Charges	40,000	55,000	40,070	14,930	45,000	44,144	856
Miscellaneous	3,370,000	3,370,000	3,370,000	-	1,957,288	1,957,288	-
<b>Total Expenditures</b>	<b>5,460,000</b>	<b>5,460,000</b>	<b>5,154,103</b>	<b>305,897</b>	<b>3,875,663</b>	<b>3,853,737</b>	<b>21,926</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,060,000)	(3,060,000)	(1,128,747)	1,931,253	(24,088)	419,139	443,227
Fund Balances, July 1	3,815,858	3,815,858	3,815,858	-	3,396,719	3,396,719	-
Fund Balances, June 30	\$ 755,858	\$ 755,858	\$ 2,687,111	\$ 1,931,253	\$ 3,372,631	\$ 3,815,858	\$ 443,227

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KNOX COUNTY, TENNESSEE

Fire District Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 10,394	\$ -
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>196,751</u>	<u>225,664</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 207,145</u></u>	<u><u>\$ 225,664</u></u>
 <b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>		
<b>Liabilities:</b>		
Due to Other Funds	\$ -	\$ 16,922
Deferred Revenue	<u>195,024</u>	<u>213,381</u>
<b>TOTAL LIABILITIES</b>	<u>195,024</u>	<u>230,303</u>
 <b>Fund Balances (Deficit):</b>		
Unreserved, Undesignated	<u>12,121</u>	<u>(4,639)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 207,145</u></u>	<u><u>\$ 225,664</u></u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Local Taxes	<u>\$ 168,218</u>	<u>\$ 85,018</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Safety	<u>151,458</u>	<u>149,214</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,760	(64,196)
Fund Balances (Deficit), July 1	<u>(4,639)</u>	<u>59,557</u>
Fund Balances (Deficit), June 30	<u><u>\$ 12,121</u></u>	<u><u>\$ (4,639)</u></u>

**KNOX COUNTY, TENNESSEE**

**Fire District Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 160,000	\$ 160,000	\$ 168,218	\$ 8,218	\$ 132,852	\$ 85,018	\$ (47,834)
<b>Expenditures</b>							
Current:							
General Government:							
Public Safety:							
Contracted Services	156,000	156,000	147,882	8,118	152,860	147,548	5,312
Other Charges	4,000	4,000	3,576	424	2,800	1,666	1,134
Total Expenditures	160,000	160,000	151,458	8,542	155,660	149,214	6,446
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	16,760	16,760	(22,808)	(64,196)	(41,388)
Fund Balances (Deficit), July 1	(4,639)	(4,639)	(4,639)	-	59,557	59,557	-
Fund Balances (Deficit), June 30	\$ (4,639)	\$ (4,639)	\$ 12,121	\$ 16,760	\$ 36,749	\$ (4,639)	\$ (41,388)

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**KNOX COUNTY, TENNESSEE**

**Drug Control Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 447,682	\$ 459,521
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 4,023	\$ 5,060
Due to Other Funds	864	425
<b>TOTAL LIABILITIES</b>	<u>4,887</u>	<u>5,485</u>
<b>Fund Balances:</b>		
Reserved	89,566	36,954
Unreserved:		
Undesignated	<u>353,229</u>	<u>417,082</u>
<b>TOTAL FUND BALANCES</b>	<u>442,795</u>	<u>454,036</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 447,682</u>	<u>\$ 459,521</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2004 and June 30, 2003

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	2004	2003
	<u>          </u>	<u>          </u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 212,174	\$ 134,885
Other Local Revenues	70,493	35,563
Federal Government	20,000	-
Other Governments and Citizens Groups	<u>116,324</u>	<u>131,836</u>
Total Revenues	<u>418,991</u>	<u>302,284</u>
<b>Expenditures</b>		
Current:		
General Government:		
Finance & Administration	278,183	275,319
Public Safety	<u>142,049</u>	<u>226,214</u>
Total Expenditures	<u>420,232</u>	<u>501,533</u>
Deficiency of Revenues Under Expenditures	(1,241)	(199,249)
<b>Other Financing Uses:</b>		
Transfers to Other Funds	<u>(10,000)</u>	<u>-</u>
Deficiency of Revenues Under Expenditures and Other Financing Uses	(11,241)	(199,249)
Fund Balances, July 1	<u>454,036</u>	<u>653,285</u>
Fund Balances, June 30	<u>\$ 442,795</u>	<u>\$ 454,036</u>

**KNOX COUNTY, TENNESSEE**

**Drug Control Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Fines, Forfeitures, and Penalties	\$ -	\$ 190,000	\$ 212,174	\$ 22,174	\$ 135,827	\$ 134,885	\$ (942)
Other Local Revenues	-	35,000	70,493	35,493	15,045	35,563	20,518
Federal Government	-	20,000	20,000	-	-	-	-
Other Governments and Citizens Groups	-	125,000	116,324	(8,676)	10,442	131,836	121,394
<b>Total Revenues</b>	<b>-</b>	<b>370,000</b>	<b>418,991</b>	<b>48,991</b>	<b>161,314</b>	<b>302,284</b>	<b>140,970</b>
<b>Expenditures</b>							
Current:							
General Government:							
Finance & Administration:							
Contracted Services	-	171,348	137,494	33,854	112,000	103,879	8,121
Supplies and Materials	-	101,000	60,322	40,678	110,000	109,999	1
Other Charges	-	63,000	47,552	15,448	48,000	41,081	6,919
Capital Outlay	-	55,000	32,815	22,185	80,000	20,360	59,640
Public Safety							
Contracted Services	-	142,049	142,049	-	226,214	226,214	-
<b>Total Expenditures</b>	<b>-</b>	<b>532,397</b>	<b>420,232</b>	<b>112,165</b>	<b>576,214</b>	<b>501,533</b>	<b>74,681</b>
Deficiency of Revenues Under Expenditures	-	(162,397)	(1,241)	161,156	(414,900)	(199,249)	215,651
<b>Other Financing Uses</b>							
Transfers to Other Funds	-	-	(10,000)	(10,000)	-	-	-
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	-	(162,397)	(11,241)	151,156	(414,900)	(199,249)	215,651
Fund Balances, July 1	454,036	454,036	454,036	-	653,285	653,285	-
Fund Balances, June 30	\$ 454,036	\$ 291,639	\$ 442,795	\$ 151,156	\$ 238,385	\$ 454,036	\$ 215,651

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KNOX COUNTY, TENNESSEE

Highway Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,883,683	\$ 4,586,225
Receivables (Net of Allowances for Uncollectibles):		
Accounts	1,975,391	2,189,540
Prepaid Items	<u>19,125</u>	<u>18,501</u>
TOTAL ASSETS	<u>\$ 4,878,199</u>	<u>\$ 6,794,266</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 832,080	\$ 1,194,545
Due to Other Funds	20,824	299,772
Due to Component Units	<u>79</u>	<u>16,115</u>
TOTAL LIABILITIES	<u>852,983</u>	<u>1,510,432</u>
<b>Fund Balances:</b>		
Reserved	254,148	441,224
Unreserved:		
Designated	139,478	1,083,988
Undesignated	<u>3,631,590</u>	<u>3,758,622</u>
TOTAL FUND BALANCES	<u>4,025,216</u>	<u>5,283,834</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,878,199</u>	<u>\$ 6,794,266</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Local Taxes	\$ 5,702,829	\$ 5,644,903
Other Local Revenues	50,702	2,548
State of Tennessee	<u>4,926,124</u>	<u>5,702,207</u>
Total Revenues	<u>10,679,655</u>	<u>11,349,658</u>
<b>Expenditures</b>		
Current:		
Highways	<u>11,938,273</u>	<u>9,113,368</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,258,618)</u>	<u>2,236,290</u>
<b>Other Financing Uses:</b>		
Transfers to Other Funds	<u>-</u>	<u>(338,218)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(1,258,618)	1,898,072
Fund Balances, July 1	<u>5,283,834</u>	<u>3,385,762</u>
Fund Balances, June 30	<u><u>\$ 4,025,216</u></u>	<u><u>\$ 5,283,834</u></u>

**KNOX COUNTY, TENNESSEE**

**Highway Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balance - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 5,642,423	\$ 5,642,423	\$ 5,702,829	\$ 60,406	\$ 5,511,500	\$ 5,644,903	\$ 133,403
Other Local Revenues	100	35,644	50,702	15,058	1,060	2,548	1,488
State of Tennessee	5,207,477	5,247,477	4,926,124	(321,353)	5,312,201	5,702,207	390,006
<b>Total Revenues</b>	<b>10,850,000</b>	<b>10,925,544</b>	<b>10,679,655</b>	<b>(245,889)</b>	<b>10,824,761</b>	<b>11,349,658</b>	<b>524,897</b>
<b>Expenditures</b>							
Current:							
Highways:							
Administration:							
Personal Services	488,553	513,058	469,473	43,585	162,464	157,137	5,327
Employee Benefits	91,536	97,031	93,095	3,936	29,142	27,060	2,082
Contracted Services	74,819	119,819	72,306	47,513	46,940	33,602	13,338
Supplies and Materials	85,135	85,669	73,017	12,652	70,532	62,439	8,093
Other Charges	73,592	73,592	71,851	1,741	2,042	1,655	387
Highways and Bridge Maintenance:							
Personal Services	2,338,248	2,318,248	2,261,989	56,259	2,234,036	2,214,839	19,197
Employee Benefits	689,296	649,296	637,526	11,770	603,062	578,922	24,140
Contracted Services	687,876	727,876	719,855	8,021	810,099	808,014	2,085
Supplies and Materials	4,455,107	5,509,383	5,493,837	15,546	4,770,872	3,715,236	1,055,636
Other Charges	391,500	391,500	339,896	51,604	(2,290)	(2,292)	2
Various Highway:							
Personal Services	519,791	521,191	516,014	5,177	491,911	477,306	14,605
Employee Benefits	142,905	141,505	134,945	6,560	124,039	120,623	3,416
Contracted Services	298,324	552,913	360,150	192,763	332,191	245,111	87,080
Supplies and Materials	255,318	230,818	202,586	28,232	222,305	202,363	19,942
Other Charges	1,000	1,000	1,000	-	-	-	-
Capital Outlay	135,000	320,367	251,273	69,094	389,735	98,208	291,527
Other Charges:							
Other Charges	90,000	110,000	102,939	7,061	106,300	104,680	1,620
Capital Outlay:							
Capital Outlay	214,000	250,998	136,521	114,477	305,464	268,465	36,999
<b>Total Expenditures</b>	<b>11,032,000</b>	<b>12,614,264</b>	<b>11,938,273</b>	<b>675,991</b>	<b>10,698,844</b>	<b>9,113,368</b>	<b>1,585,476</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(182,000)	(1,688,720)	(1,258,618)	430,102	125,917	2,236,290	2,110,373
<b>Other Financing Uses</b>							
Transfers to Other Funds	-	-	-	-	(338,218)	(338,218)	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(182,000)	(1,688,720)	(1,258,618)	430,102	(212,301)	1,898,072	2,110,373
Fund Balances, July 1	5,283,834	5,283,834	5,283,834	-	3,385,762	3,385,762	-
Fund Balances, June 30	\$ 5,101,834	\$ 3,595,114	\$ 4,025,216	\$ 430,102	\$ 3,173,461	\$ 5,283,834	\$ 2,110,373

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**KNOX COUNTY, TENNESSEE**

**Judicial District Drug Fund**  
**Comparative Balance Sheets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 4,923</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Due to Other Funds	<u>\$ -</u>	<u>\$ 4,923</u>

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**KNOX COUNTY, TENNESSEE**

**Judicial District Drug Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2004 and 2003

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	<u>2004</u>	<u>2003</u>
<b>Other Financing Uses</b>		
Transfers to Other Funds	\$ -	\$ (4,923)
Fund Balances, July 1	<u>-</u>	<u>4,923</u>
Fund Balances, June 30	<u>\$ -</u>	<u>\$ -</u>

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**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund (Nonmajor)**  
**Comparative Balance Sheets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,869,485	\$ 3,964,171
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>20,723</u>	<u>58,661</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,890,208</u></u>	<u><u>\$ 4,022,832</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ -	\$ 161,771
Due to Other Funds	68	178
Deferred Revenue	<u>17,666</u>	<u>49,767</u>
<b>TOTAL LIABILITIES</b>	<u>17,734</u>	<u>211,716</u>
 <b>Fund Balances</b>		
Reserved	213,008	64,609
Unreserved, Undesignated	<u>3,659,466</u>	<u>3,746,507</u>
<b>TOTAL FUND BALANCES</b>	<u>3,872,474</u>	<u>3,811,116</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,890,208</u></u>	<u><u>\$ 4,022,832</u></u>

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**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, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Local Taxes	\$ 35,026	\$ 778,659
<b>Expenditures</b>		
Capital Projects:		
Capital Projects	<u>573,668</u>	<u>534,695</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(538,642)	243,964
<b>Other Financing Sources:</b>		
Transfers from Other Funds	<u>600,000</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over Expenditures	61,358	243,964
Fund Balances, July 1	<u>3,811,116</u>	<u>3,567,152</u>
Fund Balances, June 30	<u><u>\$ 3,872,474</u></u>	<u><u>\$ 3,811,116</u></u>

**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund (Nonmajor)  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ -	\$ -	\$ 35,026	\$ 35,026	\$ 776,902	\$ 778,659	\$ 1,757
<b>Expenditures</b>							
Capital Projects:							
Contracted Services	60,000	264,480	44,792	219,688	175,849	11,370	164,479
Supplies & Materials	50,000	100,000	-	100,000	50,000	-	50,000
Other Charges	10,000	10,074	707	9,367	15,650	15,576	74
Capital Outlay	630,000	1,373,653	528,169	845,484	691,402	507,749	183,653
Total Expenditures	750,000	1,748,207	573,668	1,174,539	932,901	534,695	398,206
Excess (Deficiency) of Revenues Over (Under) Expenditures	(750,000)	(1,748,207)	(538,642)	1,209,565	(155,999)	243,964	399,963
<b>Other Financing Sources:</b>							
Transfers from Other Funds	-	600,000	600,000	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(750,000)	(1,148,207)	61,358	1,209,565	(155,999)	243,964	399,963
Fund Balances, July 1	3,811,116	3,811,116	3,811,116	-	3,567,152	3,567,152	-
Fund Balances, June 30	\$ 3,061,116	\$ 2,662,909	\$ 3,872,474	\$ 1,209,565	\$ 3,411,153	\$ 3,811,116	\$ 399,963

## 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, 2004

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
<b>ASSETS</b>									
<b>Current Assets:</b>									
Cash and Cash Equivalents	\$ 25,553	\$ -	\$ 1,794,531	\$ 204,447	\$ 7,282,948	\$ 643	\$ 323,870	\$ 2,219,120	\$ 11,851,112
Receivables:									
Accounts	29,174	1,642	186,588	-	33,801	-	285	-	251,490
Notes Receivable	-	-	-	-	22,693	-	-	-	22,693
Due from Other Funds	260,529	24,785	40,175	-	315,000	-	580	110,404	751,473
Due from Component Units	14,188	-	216,319	-	-	-	85	-	230,592
Inventories	95,046	10,377	-	-	-	-	-	-	105,423
Prepaid Items	6,224	-	-	1,259	1,108	-	-	-	8,591
<b>TOTAL CURRENT ASSETS</b>	<b>430,714</b>	<b>36,804</b>	<b>2,237,613</b>	<b>205,706</b>	<b>7,655,550</b>	<b>643</b>	<b>324,820</b>	<b>2,329,524</b>	<b>13,221,374</b>
<b>Capital Assets:</b>									
Machinery and Equipment	95,578	21,090	-	51,815	15,576	61,992	101,277	9,999,075	10,346,403
Computer Software	-	-	-	15,538	-	-	-	-	15,538
Accumulated Depreciation	(66,303)	(21,090)	-	(48,007)	(14,538)	(34,919)	(59,876)	(6,969,633)	(7,214,366)
Capital Assets (Net of Accumulated Depreciation)	29,275	-	-	19,346	1,038	27,073	41,401	3,029,442	3,147,575
<b>TOTAL ASSETS</b>	<b>459,989</b>	<b>36,804</b>	<b>2,237,613</b>	<b>225,052</b>	<b>7,656,588</b>	<b>27,716</b>	<b>366,221</b>	<b>5,358,966</b>	<b>16,368,949</b>
<b>LIABILITIES</b>									
<b>Current liabilities:</b>									
Accounts Payable and Accrued Liabilities	51,491	2,373	1,275,832	116,655	100,963	-	31,603	26,995	1,605,912
Due to Other Funds	265,183	5,451	5,800	1,355	887	-	5,178	-	283,854
Due to Component Units	-	-	144,947	154	-	-	-	-	145,101
Deferred Revenue	-	-	501,589	-	-	-	-	-	501,589
Self Insured Claims Liability	-	-	-	-	7,495,942	-	-	-	7,495,942
Compensated Absences Payable	63,430	-	-	14,109	21,389	-	-	-	98,928
Advances from Other Funds	-	-	75,000	-	-	-	-	-	75,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>380,104</b>	<b>7,824</b>	<b>2,003,168</b>	<b>132,273</b>	<b>7,619,181</b>	<b>-</b>	<b>36,781</b>	<b>26,995</b>	<b>10,206,326</b>
<b>Noncurrent Liabilities:</b>									
Compensated Absences Payable	7,048	-	-	1,568	2,377	-	-	-	10,993
<b>TOTAL LIABILITIES</b>	<b>387,152</b>	<b>7,824</b>	<b>2,003,168</b>	<b>133,841</b>	<b>7,621,558</b>	<b>-</b>	<b>36,781</b>	<b>26,995</b>	<b>10,217,319</b>
<b>NET ASSETS</b>									
Invested in Capital Assets	29,275	-	-	19,346	1,038	27,073	41,401	3,029,442	3,147,575
Unrestricted	43,562	28,980	234,445	71,865	33,992	643	288,039	2,302,529	3,004,055
<b>TOTAL NET ASSETS</b>	<b>\$ 72,837</b>	<b>\$ 28,980</b>	<b>\$ 234,445</b>	<b>\$ 91,211</b>	<b>\$ 35,030</b>	<b>\$ 27,716</b>	<b>\$ 329,440</b>	<b>\$ 5,331,971</b>	<b>\$ 6,151,630</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2004**

	<b>Vehicle Service Center</b>	<b>Mailroom</b>	<b>Employee Benefits</b>	<b>Employee Retirement</b>	<b>Self Insurance</b>	<b>Central Maintenance</b>	<b>Technical Support Service</b>	<b>Capital Leasing</b>	<b>Total</b>
<b>Operating Revenues</b>									
Charges for Services	\$ 2,263,662	\$ 307,078	\$ 31,277,699	\$ 9,000	\$ 3,295,631	\$ 391,891	\$ 335,169	\$ 1,368,614	\$ 39,248,744
<b>Operating Expenses</b>									
Cost of Sales and Services	593,490	251,681	-	-	-	-	-	43,501	888,672
General and Administration	1,699,565	38,075	53,322	828,583	543,093	383,636	829,006	-	4,375,280
Depreciation and Amortization	11,606	-	-	25,058	3,116	4,745	16,147	1,316,727	1,377,399
Medical Claims	-	-	14,039,557	-	-	-	-	-	14,039,557
Retirement Contributions	-	-	16,240,895	-	-	-	-	-	16,240,895
Other Employee Benefits	-	-	744,771	-	-	-	-	-	744,771
Worker's Compensation Claims	-	-	-	204	431,155	-	-	-	431,359
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	50,066	50,066
Other Expenses	100,881	-	-	19,444	2,761,888	-	-	-	2,882,213
Total Operating Expenses	2,405,542	289,756	31,078,545	873,289	3,739,252	388,381	845,153	1,410,294	41,030,212
<b>Operating (Gain) Loss</b>	(141,880)	17,322	199,154	(864,289)	(443,621)	3,510	(509,984)	(41,680)	(1,781,468)
<b>Nonoperating Revenues</b>									
Payments from Component Units	-	-	-	385,483	-	-	-	-	385,483
Other Income	-	-	-	-	163,651	-	-	-	163,651
Total Nonoperating Revenues	-	-	-	385,483	163,651	-	-	-	549,134
<b>Gain (Loss) before Transfers</b>	(141,880)	17,322	199,154	(478,806)	(279,970)	3,510	(509,984)	(41,680)	(1,232,334)
<b>Transfers</b>									
Transfers from Other Funds	150,000	-	-	462,749	315,000	-	600,000	-	1,527,749
<b>Change in Net Assets</b>	8,120	17,322	199,154	(16,057)	35,030	3,510	90,016	(41,680)	295,415
<b>Total Net Assets, July 1</b>	64,717	11,658	35,291	107,268	-	24,206	239,424	5,373,651	5,856,215
<b>Total Net Assets, June 30</b>	\$ 72,837	\$ 28,980	\$ 234,445	\$ 91,211	\$ 35,030	\$ 27,716	\$ 329,440	\$ 5,331,971	\$ 6,151,630

KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2004

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
<b>Operating Activities</b>									
Cash Received from Interfund Services Provided	\$ 2,154,833	\$ 305,485	\$ 31,254,905	\$ 104,082	\$ 4,944,053	\$ 393,058	\$ 337,236	\$ 1,371,860	\$ 40,865,512
Cash Paid to Employees	(660,940)	(3,867)	-	(252,736)	(290,455)	-	-	-	(1,207,998)
Cash Paid for Goods and Services	(1,465,966)	(303,215)	(20,000)	(459,888)	(2,426,802)	(437,891)	(811,846)	(43,501)	(5,969,109)
Cash Paid on Behalf of Employees	(181,968)	(316)	(30,948,805)	(62,051)	(60,522)	(1,167)	-	-	(31,254,829)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(154,041)</b>	<b>(1,913)</b>	<b>286,100</b>	<b>(670,593)</b>	<b>2,166,274</b>	<b>(46,000)</b>	<b>(474,610)</b>	<b>1,328,359</b>	<b>2,433,576</b>
<b>Noncapital Financing Activities</b>									
Receipts from Subrogation Payments	-	-	-	-	140,430	-	-	-	140,430
Transfers from Other Funds	150,000	-	-	848,232	315,000	-	600,000	-	1,913,232
Advances from Other Funds	-	-	62,500	-	-	-	-	-	62,500
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>150,000</b>	<b>-</b>	<b>62,500</b>	<b>848,232</b>	<b>455,430</b>	<b>-</b>	<b>600,000</b>	<b>-</b>	<b>2,116,162</b>
<b>Capital and Related Financing Activities</b>									
Acquisition and Construction of Capital Asset:	-	-	-	-	-	-	(5,995)	(899,515)	(905,510)
<b>Net Increase (Decrease) in Cash and Cash Equivalents/Investments</b>	<b>(4,041)</b>	<b>(1,913)</b>	<b>348,600</b>	<b>177,639</b>	<b>2,621,704</b>	<b>(46,000)</b>	<b>119,395</b>	<b>428,844</b>	<b>3,644,228</b>
<b>Cash and Cash Equivalents/Investments Beginning of Year</b>	<b>29,594</b>	<b>1,913</b>	<b>1,445,931</b>	<b>26,808</b>	<b>4,661,244</b>	<b>46,643</b>	<b>204,475</b>	<b>1,790,276</b>	<b>8,206,884</b>
<b>End of Year</b>	<b>\$ 25,553</b>	<b>\$ -</b>	<b>\$ 1,794,531</b>	<b>\$ 204,447</b>	<b>\$ 7,282,948</b>	<b>\$ 643</b>	<b>\$ 323,870</b>	<b>\$ 2,219,120</b>	<b>\$ 11,851,112</b>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>									
Operating Gain (Loss)	\$ (141,880)	\$ 17,322	\$ 199,154	\$ (864,289)	\$ (443,621)	\$ 3,510	\$ (509,984)	\$ (41,680)	\$ (1,781,468)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used in Operating Activities:									
Depreciation and Amortization	11,606	-	-	25,058	3,116	4,745	16,147	1,316,727	1,377,399
Loss on Disposal of Fixed Asset	-	-	-	-	-	-	-	50,066	50,066
Change in Assets and Liabilities									
(Increase) Decrease in Accounts Receivable	22,801	(166)	16,182	92,832	-	-	(285)	-	131,364
(Increase) Decrease in Due from Other Funds	(126,501)	(1,427)	269,785	-	1,418,422	1,167	2,012	3,246	1,566,704
(Increase) Decrease in Due from Component Units	(5,129)	-	(9,462)	2,250	230,000	-	340	-	217,999
Decrease in Inventories	5,000	3,556	-	-	-	-	-	-	8,556
(Increase) Decrease in Prepaid Items	(824)	123	-	5	(107)	-	-	-	(803)
Increase (Decrease) in Accounts Payable and Accrued Liability	(38,100)	(2,350)	88,484	73,934	(86,098)	(54,255)	16,488	-	(1,897)
Increase (Decrease) in Due to Other Funds	113,589	(14,788)	5,800	(2,114)	(1,382)	(1,167)	672	-	100,610
Increase in Due to Component Units	-	-	15,456	114	-	-	-	-	15,570
Increase (Decrease) in Compensated Absences	5,397	(4,183)	-	1,617	2,953	-	-	-	5,784
Increase (Decrease) in Deferred Revenues	-	-	(299,299)	-	1,042,991	-	-	-	743,692
Total Adjustments	(12,161)	(19,235)	86,946	193,696	2,609,895	(49,510)	35,374	1,370,039	4,215,044
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (154,041)</b>	<b>\$ (1,913)</b>	<b>\$ 286,100</b>	<b>\$ (670,593)</b>	<b>\$ 2,166,274</b>	<b>\$ (46,000)</b>	<b>\$ (474,610)</b>	<b>\$ 1,328,359</b>	<b>\$ 2,433,576</b>
<b>Noncash Investing, Capital, and Financing Activities</b>									
Accounts Payable Incurred for Capital Asset Acquisition:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,995	\$ 26,995

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KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund  
Comparative Statements of Net Assets  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 25,553	\$ 29,594
Accounts Receivable	29,174	51,975
Due from Other Funds	260,529	134,028
Due from Component Units	14,188	9,059
Inventories	95,046	100,046
Prepaid Items	<u>6,224</u>	<u>5,400</u>
<b>TOTAL CURRENT ASSETS</b>	<u>430,714</u>	<u>330,102</u>
<b>Capital Assets:</b>		
Machinery and Equipment	95,578	95,578
Accumulated Depreciation	<u>(66,303)</u>	<u>(54,697)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>29,275</u>	<u>40,881</u>
<b>TOTAL ASSETS</b>	<u>459,989</u>	<u>370,983</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	51,491	89,591
Due to Other Funds	265,183	151,594
Compensated Absences	<u>63,430</u>	<u>58,276</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>380,104</u>	<u>299,461</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>7,048</u>	<u>6,805</u>
<b>TOTAL LIABILITIES</b>	<u>387,152</u>	<u>306,266</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	29,275	40,881
Unrestricted	<u>43,562</u>	<u>23,836</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 72,837</u>	<u>\$ 64,717</u>

KNOX COUNTY, TENNESSEE

**Vehicle Service Center Fund**  
**Comparative Schedules of Revenues, Expenses**  
**and Changes in Net Assets - Budget And Actual (GAAP Basis)**  
For the years ended June 30, 2004 and June 30, 2003

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>							
Charges for Sales and Services	\$ 2,600,000	\$ 2,600,000	\$ 2,263,662	\$ (336,338)	\$ -	\$ 2,138,351	\$ 2,138,351
<b>Operating Expenses</b>							
Costs of Sales and Services	602,500	602,500	593,490	9,010	-	535,422	(535,422)
General and Administrative	1,805,100	1,805,100	1,699,565	105,535	-	1,626,077	(1,626,077)
Depreciation and Amortization	9,000	9,000	11,606	(2,606)	-	11,806	(11,806)
Other Expenses	183,400	183,400	100,881	82,519	-	510	(510)
Total Operating Expenses	2,600,000	2,600,000	2,405,542	194,458	-	2,173,815	(2,173,815)
Operating Loss	-	-	(141,880)	(141,880)	-	(35,464)	(35,464)
<b>Transfers</b>							
Transfers from Other Funds	150,000	-	150,000	150,000	-	-	-
Change in Net Assets	150,000	-	8,120	8,120	-	(35,464)	(35,464)
Net Assets, July 1	64,717	64,717	64,717	-	-	100,181	100,181
Net Assets, June 30	\$ 214,717	\$ 64,717	\$ 72,837	\$ 8,120	\$ -	\$ 64,717	\$ 64,717

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**KNOX COUNTY, TENNESSEE**

**Printshop and Mailroom Fund**  
**Comparative Statements of Net Assets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ -	\$ 1,913
Accounts Receivable	1,642	1,476
Due from Other Funds	24,785	23,358
Inventories	10,377	13,933
Prepaid Items	-	123
	<u>36,804</u>	<u>40,803</u>
<b>TOTAL CURRENT ASSETS</b>	<u>36,804</u>	<u>40,803</u>
<b>Capital Assets:</b>		
Machinery and Equipment	21,090	21,090
Accumulated Depreciation	(21,090)	(21,090)
	<u>-</u>	<u>-</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>36,804</u>	<u>40,803</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	2,373	4,723
Due to Other Funds	5,451	20,239
Compensated Absences	-	3,765
	<u>7,824</u>	<u>28,727</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>7,824</u>	<u>28,727</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	-	418
	<u>7,824</u>	<u>29,145</u>
<b>TOTAL LIABILITIES</b>	<u>7,824</u>	<u>29,145</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 28,980</u>	<u>\$ 11,658</u>

\* This fund includes central printing services (discontinued during the fiscal year ended June 30, 2003) and a central mailroom service for the county.

KNOX COUNTY, TENNESSEE

**Printshop and Mailroom Fund**  
**Comparative Schedules of Revenues, Expenses**  
**and Changes in Net Assets - Budget And Actual (GAAP Basis)**  
For the years ended June 30, 2004 and June 30, 2003

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>							
Charges for Sales and Services	\$ 500,000	\$ 500,000	\$ 307,078	\$ (192,922)	\$ -	\$ 477,355	\$ 477,355
<b>Operating Expenses</b>							
Costs of Sales and Services	416,787	416,787	251,681	165,106	-	352,502	(352,502)
General and Administrative	58,213	58,213	38,075	20,138	-	258,843	(258,843)
Depreciation and Amortization	25,000	25,000	-	25,000	-	6,749	(6,749)
Other Expenses	-	-	-	-	-	18,048	(18,048)
Total Operating Expenses	500,000	500,000	289,756	210,244	-	636,142	(636,142)
Operating Gain (Loss)	-	-	17,322	17,322	-	(158,787)	(158,787)
<b>Transfers</b>							
Transfers from Other Funds	-	-	-	-	-	130,000	130,000
Change in Net Assets	-	-	17,322	17,322	-	(28,787)	(28,787)
Net Assets, July 1	11,658	11,658	11,658	-	-	40,445	40,445
Net Assets, June 30	\$ 11,658	\$ 11,658	\$ 28,980	\$ 17,322	\$ -	\$ 11,658	\$ 11,658

\* This fund includes central printing services (discontinued during the fiscal year ended June 30, 2003) and a central mailroom service for the county.

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**KNOX COUNTY, TENNESSEE**

**Employee Benefits Fund**  
**Comparative Statements of Net Assets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,794,531	\$ 1,445,931
Accounts Receivable	186,588	202,770
Due from Other Funds	40,175	309,960
Due from Component Units	<u>216,319</u>	<u>206,857</u>
 TOTAL ASSETS	 <u>2,237,613</u>	 <u>2,165,518</u>
 <b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	1,275,832	1,187,348
Due to Other Funds	5,800	-
Deferred Revenue	501,589	800,888
Due to Component Units	144,947	129,491
Advances from Other Funds	<u>75,000</u>	<u>12,500</u>
 TOTAL LIABILITIES	 <u>2,003,168</u>	 <u>2,130,227</u>
 <b>NET ASSETS</b>		
Unrestricted	 <u>\$ 234,445</u>	 <u>\$ 35,291</u>

KNOX COUNTY, TENNESSEE

**Employee Benefits Fund**  
**Comparative Schedules of Revenues, Expenses**  
**and Changes in Net Assets - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2004 and June 30, 2003

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>							
Charges for Sales and Services	\$ 34,000,000	\$ 34,000,000	\$ 31,277,699	\$ (2,722,301)	\$ -	\$ 27,873,758	\$ 27,873,758
<b>Operating Expenses</b>							
Finance and Administration:							
Costs of Sales and Services	25,000	25,000	-	25,000	-	-	-
General and Administrative	425,979	425,979	53,322	372,657	-	22,148	(22,148)
Medical Claims	16,423,511	16,423,511	14,039,557	2,383,954	-	12,638,027	(12,638,027)
Retirement Contributions	16,478,836	16,478,836	16,240,895	237,941	-	14,873,453	(14,873,453)
Other Employee Benefits	646,674	646,674	744,771	(98,097)	-	652,076	(652,076)
Total Operating Expenses	34,000,000	34,000,000	31,078,545	2,921,455	-	28,185,704	(28,185,704)
Operating Income (Loss)	-	-	199,154	199,154	-	(311,946)	(311,946)
<b>Transfers</b>							
Transfers from Other Funds	-	-	-	-	-	250,000	250,000
Change in Net Assets	-	-	199,154	199,154	-	(61,946)	(61,946)
Net Assets, July 1	35,291	35,291	35,291	-	97,237	97,237	-
Net Assets, June 30	\$ 35,291	\$ 35,291	\$ 234,445	\$ 199,154	\$ 97,237	\$ 35,291	\$ (61,946)

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KNOX COUNTY, TENNESSEE

**Employee Retirement Fund**  
**Comparative Statements of Net Assets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 204,447	\$ 26,808
Accounts Receivable	-	92,832
Due from Component Units	-	2,250
Prepaid Items	1,259	1,264
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	205,706	123,154
<b>Capital Assets:</b>		
Machinery and Equipment	51,815	51,815
Computer Software	15,538	34,067
Accumulated Depreciation	(48,007)	(41,478)
	<hr/>	<hr/>
Capital Assets (Net of Accumulated Depreciation)	19,346	44,404
	<hr/>	<hr/>
TOTAL ASSETS	225,052	167,558
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	116,655	42,721
Due to Other Funds	1,355	3,469
Compensated Absences	14,109	12,654
Due to Component Units	154	40
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	132,273	58,884
<b>Noncurrent Liabilities:</b>		
Compensated Absences	1,568	1,406
	<hr/>	<hr/>
TOTAL LIABILITIES	133,841	60,290
<b>NET ASSETS</b>		
Invested in Capital Assets	19,346	44,404
Unrestricted	71,865	62,864
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>\$ 91,211</u>	<u>\$ 107,268</u>

KNOX COUNTY, TENNESSEE

Employee Retirement Fund  
 Comparative Schedules of Revenues, Expenses  
 and Changes in Net Assets - Budget And Actual (GAAP Basis)  
 For the years ended June 30, 2004 and June 30, 2003

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>							
Charges for Sales and Services	\$ -	\$ -	\$ 9,000	\$ 9,000	\$ -	\$ 9,000	\$ 9,000
<b>Operating Expenses</b>							
General and Administrative	1,269,500	1,254,999	828,583	426,416	-	839,401	(839,401)
Depreciation and Amortization	10,000	24,501	25,058	(557)	-	26,974	(26,974)
Workers' Compensation Claims	500	500	204	296	-	3,025	(3,025)
Other Expenses	20,000	20,000	19,444	556	-	19,329	(19,329)
Total Operating Expenses	1,300,000	1,300,000	873,289	426,711	-	888,729	(888,729)
Operating Loss	(1,300,000)	(1,300,000)	(864,289)	435,711	-	(879,729)	(879,729)
<b>Nonoperating Revenues</b>							
Payments from Component Units	-	-	385,483	385,483	-	361,828	361,828
Loss before Transfers	(1,300,000)	(1,300,000)	(478,806)	821,194	-	(517,901)	(517,901)
<b>Transfers</b>							
Transfers from Other Funds	1,300,000	1,300,000	462,749	(837,251)	-	496,904	496,904
Change in Net Assets	-	-	(16,057)	(16,057)	-	(20,997)	(20,997)
Net Assets, July 1	107,268	107,268	107,268	-	128,265	128,265	-
Net Assets, June 30	\$ 107,268	\$ 107,268	\$ 91,211	\$ (16,057)	\$ 128,265	\$ 107,268	\$ (20,997)

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**KNOX COUNTY, TENNESSEE**

**Self Insurance Fund**  
**Comparative Statements of Net Assets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 7,282,948	\$ 4,661,244
Accounts Receivable	33,801	15,768
Notes Receivable	22,693	17,505
Due from Other Funds	315,000	1,733,422
Due from Component Units	-	230,000
Prepaid Items	1,108	1,001
	<u>7,655,550</u>	<u>6,658,940</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>Capital Assets:</b>		
Machinery and Equipment	15,576	15,576
Accumulated Depreciation	<u>(14,538)</u>	<u>(11,422)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>1,038</u>	<u>4,154</u>
<b>TOTAL ASSETS</b>	<u>7,656,588</u>	<u>6,663,094</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	100,963	187,061
Due to Other Funds	887	2,269
Self Insured Claims Liability	7,495,942	6,452,951
Compensated Absences	<u>21,389</u>	<u>18,732</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>7,619,181</u>	<u>6,661,013</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>2,377</u>	<u>2,081</u>
<b>TOTAL LIABILITIES</b>	<u>7,621,558</u>	<u>6,663,094</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	1,038	4,154
Unrestricted	<u>33,992</u>	<u>(4,154)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 35,030</u>	<u>\$ -</u>

KNOX COUNTY, TENNESSEE

**Self Insurance Fund**  
**Comparative Schedules of Revenues, Expenses**  
**and Changes in Net Assets - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2004 and June 30, 2003

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>							
Charges for Sales and Services	\$ 3,900,000	\$ 3,900,000	\$ 3,295,631	\$ (604,369)	\$ -	\$ 1,580,000	\$ 1,580,000
<b>Operating Expenses</b>							
General and Administrative	612,889	609,773	543,093	66,680	-	623,693	(623,693)
Depreciation and Amortization	-	3,116	3,116	-	-	3,115	(3,115)
Workers' Compensation Claims	840,000	840,000	431,155	408,845	-	1,506,318	(1,506,318)
Other Claims	2,547,111	2,547,111	2,761,888	(214,777)	-	2,272,230	(2,272,230)
Total Operating Expenses	4,000,000	4,000,000	3,739,252	260,748	-	4,405,356	(4,405,356)
Operating Loss	(100,000)	(100,000)	(443,621)	(343,621)	-	(2,825,356)	(2,825,356)
<b>Nonoperating Revenues</b>							
Subrogations	100,000	100,000	163,651	63,651	-	67,129	67,129
Loss before Transfers	-	-	(279,970)	(279,970)	-	(2,758,227)	(2,758,227)
<b>Transfers</b>							
Transfers From Other Funds	-	-	315,000	315,000	-	1,733,390	1,733,390
Change in Net Assets	-	-	35,030	35,030	-	(1,024,837)	(1,024,837)
Net Assets, July 1	-	-	-	-	1,024,837	1,024,837	-
Net Assets, June 30	\$ -	\$ -	\$ 35,030	\$ 35,030	\$ 1,024,837	\$ -	\$ (1,024,837)

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**KNOX COUNTY, TENNESSEE**

**Central Maintenance Fund**  
**Comparative Statements of Net Assets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 643	\$ 46,643
Due from Other Funds	-	1,167
	<u>643</u>	<u>47,810</u>
<b>TOTAL CURRENT ASSETS</b>	<u>643</u>	<u>47,810</u>
<b>Capital Assets:</b>		
Machinery and Equipment	61,992	61,992
Accumulated Depreciation	<u>(34,919)</u>	<u>(30,174)</u>
	<u>27,073</u>	<u>31,818</u>
Capital Assets (Net of Accumulated Depreciation)	<u>27,073</u>	<u>31,818</u>
<b>TOTAL ASSETS</b>	<u>27,716</u>	<u>79,628</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	-	54,255
Due to Other Funds	<u>-</u>	<u>1,167</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>55,422</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	27,073	31,818
Unrestricted	<u>643</u>	<u>(7,612)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 27,716</u>	<u>\$ 24,206</u>

KNOX COUNTY, TENNESSEE

Central Maintenance Fund  
 Comparative Schedules of Revenues, Expenses  
 and Changes in Net Assets - Budget And Actual (GAAP Basis)  
 For the years ended June 30, 2004 and June 30, 2003

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>							
Charges for Sales and Services	\$ 385,000	\$ 391,891	\$ 391,891	\$ -	\$ -	\$ 349,952	\$ 349,952
<b>Operating Expenses</b>							
General and Administrative	383,636	383,636	383,636	-	-	365,898	(365,898)
Depreciation and Amortization	4,745	6,891	4,745	2,146	-	4,481	(4,481)
Other Expenses	1,364	1,364	-	1,364	-	5,357	(5,357)
Total Operating Expenses	389,745	391,891	388,381	3,510	-	375,736	(375,736)
Change in Net Assets	(4,745)	-	3,510	3,510	-	(25,784)	(25,784)
Net Assets, July 1	24,206	24,206	24,206	-	49,990	49,990	-
Net Assets, June 30	\$ 19,461	\$ 24,206	\$ 27,716	\$ 3,510	\$ 49,990	\$ 24,206	\$ (25,784)

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**KNOX COUNTY, TENNESSEE**

**Technical Support Service Fund**  
**Comparative Statements of Net Assets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 323,870	\$ 204,475
Accounts Receivable	285	-
Due from Other Funds	580	2,592
Due from Component Units	<u>85</u>	<u>425</u>
<b>TOTAL CURRENT ASSETS</b>	<u>324,820</u>	<u>207,492</u>
<b>Capital Assets:</b>		
Machinery and Equipment	101,277	95,282
Accumulated Depreciation	<u>(59,876)</u>	<u>(43,729)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>41,401</u>	<u>51,553</u>
<b>TOTAL ASSETS</b>	<u>366,221</u>	<u>259,045</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	31,603	15,115
Due to Other Funds	<u>5,178</u>	<u>4,506</u>
<b>TOTAL LIABILITIES</b>	<u>36,781</u>	<u>19,621</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	41,401	51,553
Unrestricted	<u>288,039</u>	<u>187,871</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 329,440</u>	<u>\$ 239,424</u>

KNOX COUNTY, TENNESSEE

Technical Support Service Fund  
 Comparative Schedules of Revenues, Expenses  
 and Changes in Net Assets - Budget And Actual (GAAP Basis)  
 For the years ended June 30, 2004 and June 30, 2003

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>							
Charges for Sales and Services	\$ 500,000	\$ 500,000	\$ 335,169	\$ (164,831)	\$ -	\$ 322,578	\$ 322,578
<b>Operating Expenses</b>							
General and Administrative	950,000	844,508	829,006	15,502	-	364,735	(364,735)
Depreciation and Amortization	150,000	6,147	16,147	(10,000)	-	17,857	(17,857)
Total Operating Expenses	1,100,000	850,655	845,153	5,502	-	382,592	(382,592)
Operating Loss	(600,000)	(350,655)	(509,984)	(159,329)	-	(60,014)	(60,014)
<b>Nonoperating Revenues</b>							
Bond Proceeds	600,000	-	-	-	-	-	-
Loss before Transfers	-	(350,655)	(509,984)	(159,329)	-	(60,014)	(60,014)
<b>Transfers</b>							
Transfers from Other Funds	-	600,000	600,000	-	-	-	-
Change in Net Assets	-	249,345	90,016	(159,329)	-	(60,014)	(60,014)
Net Assets, July 1	239,424	239,424	239,424	-	299,438	299,438	-
Net Assets, June 30	\$ 239,424	\$ 488,769	\$ 329,440	\$ (159,329)	\$ 299,438	\$ 239,424	\$ (60,014)

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**KNOX COUNTY, TENNESSEE**

**Capital Leasing Fund**  
**Comparative Statements of Net Assets**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 2,219,120	\$ 1,790,276
Due from Other Funds	110,404	113,650
	<u>2,329,524</u>	<u>1,903,926</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>Capital Assets:</b>		
Machinery and Equipment	9,999,075	9,286,224
Accumulated Depreciation	<u>(6,969,633)</u>	<u>(5,766,649)</u>
	<u>3,029,442</u>	<u>3,519,575</u>
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>5,358,966</u>	<u>5,423,501</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>26,995</u>	<u>49,850</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	3,029,442	3,519,575
Unrestricted	<u>2,302,529</u>	<u>1,854,076</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,331,971</u>	<u>\$ 5,373,651</u>

KNOX COUNTY, TENNESSEE

Capital Leasing Fund  
 Comparative Schedules of Revenues, Expenses  
 and Changes in Net Assets - Budget And Actual (GAAP Basis)  
 For the years ended June 30, 2004 and June 30, 2003

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>							
Charges for Sales and Services	\$ 3,200,000	\$ 3,200,000	\$ 1,368,614	\$ (1,831,386)	\$ -	\$ 1,340,078	\$ 1,340,078
<b>Operating Expenses</b>							
Costs of Sales and Services	1,800,000	1,800,000	43,501	1,756,499	-	67,918	(67,918)
Depreciation and Amortization	1,400,000	1,400,000	1,316,727	83,273	-	1,321,632	(1,321,632)
Loss on Disposal of Assets	-	-	50,066	(50,066)	-	-	-
Total Operating Expenses	3,200,000	3,200,000	1,410,294	1,789,706	-	1,389,550	(1,389,550)
Operating Loss	-	-	(41,680)	(41,680)	-	(49,472)	(49,472)
<b>Transfers</b>							
Transfers From Other Funds	-	-	-	-	-	390,048	390,048
Change in Net Assets	-	-	(41,680)	(41,680)	-	340,576	340,576
Net Assets, July 1	5,373,651	5,373,651	5,373,651	-	5,033,075	5,033,075	-
Net Assets, June 30	\$ 5,373,651	\$ 5,373,651	\$ 5,331,971	\$ (41,680)	\$ 5,033,075	\$ 5,373,651	\$ 340,576

## 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.

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**KNOX COUNTY, TENNESSEE****Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
June 30, 2004

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	Defined Benefit Plan	Defined Contribution Plan	Medical Retirement Plan	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 399,854	\$ -	\$ -	\$ 399,854
Receivables:				
Interest and Dividends	259,877	-	-	259,877
Contributions	24,548	-	17,373	41,921
Investments	76,380,775	148,246,559	5,243,664	229,870,998
Prepaid Items	68,857	-	-	68,857
<b>TOTAL ASSETS</b>	<b>77,133,911</b>	<b>148,246,559</b>	<b>5,261,037</b>	<b>230,641,507</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	17,813	-	-	17,813
<b>NET ASSETS</b>				
Held in Trust for:				
Pension Benefits	<u>\$ 77,116,098</u>	<u>\$ 148,246,559</u>	<u>\$ 5,261,037</u>	<u>\$ 230,623,694</u>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds  
For the year ended June 30, 2004**

	Defined Benefit Plan	Defined Contribution Plan	Medical Retirement Plan	Total
<b>Additions</b>				
Contributions:				
Employer	\$ -	\$ 6,903,603	\$ -	\$ 6,903,603
Employees	469,612	7,885,709	362,021	8,717,342
Transfers from Other Plans	241,335	141,091	59,786	442,212
Total Contributions	<u>710,947</u>	<u>14,930,403</u>	<u>421,807</u>	<u>16,063,157</u>
Investment Earnings:				
Interest and Dividend Income	1,794,256	-	-	1,794,256
Net Appreciation in Fair Value of Investments	8,546,795	16,387,598	288,094	25,222,487
Total Investment Earnings	<u>10,341,051</u>	<u>16,387,598</u>	<u>288,094</u>	<u>27,016,743</u>
Less Investment Expenses	(148,520)	-	-	(148,520)
Net Investment Earnings	<u>10,192,531</u>	<u>16,387,598</u>	<u>288,094</u>	<u>26,868,223</u>
Total Additions	<u>10,903,478</u>	<u>31,318,001</u>	<u>709,901</u>	<u>42,931,380</u>
<b>Deductions</b>				
Benefits and Refunds	5,746,654	6,352,981	505,158	12,604,793
Transfers to Other Funds (Administrative and Professional)	462,749	-	-	462,749
Transfers to Other Plans	126,444	-	-	126,444
Total Deductions	<u>6,335,847</u>	<u>6,352,981</u>	<u>505,158</u>	<u>13,193,986</u>
<b>Change in Net Assets</b>	4,567,631	24,965,020	204,743	29,737,394
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>72,548,467</u>	<u>123,281,539</u>	<u>5,056,294</u>	<u>200,886,300</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u>\$ 77,116,098</u>	<u>\$ 148,246,559</u>	<u>\$ 5,261,037</u>	<u>\$ 230,623,694</u>

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**KNOX COUNTY, TENNESSEE**

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

June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 399,854	\$ 1,767,944
Receivables:		
Interest and Dividends	259,877	172,486
Contributions	24,548	27,266
Investments	76,380,775	70,902,054
Prepaid Items	<u>68,857</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>77,133,911</u>	<u>72,869,750</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	<u>17,813</u>	<u>321,283</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 77,116,098</u>	<u>\$ 72,548,467</u>

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## KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Additions</b>		
Contributions:		
Employees	\$ 469,612	\$ 506,788
Transfers from Other Plans	241,335	-
Total Contributions	<u>710,947</u>	<u>506,788</u>
Investment Earnings:		
Interest and Dividend Income	1,794,256	1,798,417
Net Appreciation in Fair Value of Investments	8,546,795	190,491
Total Investment Earnings	<u>10,341,051</u>	<u>1,988,908</u>
Less Investment Expenses	<u>(148,520)</u>	<u>(252,670)</u>
Net Investment Earnings	<u>10,192,531</u>	<u>1,736,238</u>
Total Additions	<u>10,903,478</u>	<u>2,243,026</u>
<b>Deductions</b>		
Benefits and Refunds	5,746,654	5,435,884
Transfers to Other Funds (Administrative and Professional)	462,749	496,904
Transfers to Other Plans	126,444	506,680
Total Deductions	<u>6,335,847</u>	<u>6,439,468</u>
<b>Change in Net Assets</b>	4,567,631	(4,196,442)
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>72,548,467</u>	<u>76,744,909</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u>\$ 77,116,098</u>	<u>\$ 72,548,467</u>

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**KNOX COUNTY, TENNESSEE**

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

June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 148,246,559</u>	<u>\$ 123,281,539</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 148,246,559</u>	<u>\$ 123,281,539</u>

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## KNOX COUNTY, TENNESSEE

### Comparative Statements of Changes in Fiduciary Net Assets Pension Trust Fund - Defined Contribution Plan For the years ended June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 6,903,603	\$ 6,588,323
Employees	7,885,709	7,506,983
Transfers from Other Plans	141,091	38,218
Total Contributions	<u>14,930,403</u>	<u>14,133,524</u>
Investment Earnings:		
Net Appreciation in Fair Value of Investments	<u>16,387,598</u>	<u>3,002,590</u>
Total Additions	<u>31,318,001</u>	<u>17,136,114</u>
<b>Deductions</b>		
Benefits and Refunds	<u>6,352,981</u>	<u>4,781,594</u>
<b>Change in Net Assets</b>	24,965,020	12,354,520
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>123,281,539</u>	<u>110,927,019</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u>\$ 148,246,559</u>	<u>\$ 123,281,539</u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets**  
**Pension Trust Fund - Medical Retirement Defined Contribution Plan**  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	\$ 5,243,664	\$ 4,787,720
Receivables:		
Contributions	<u>17,373</u>	<u>268,574</u>
<b>TOTAL ASSETS</b>	<u>5,261,037</u>	<u>5,056,294</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 5,261,037</u>	<u>\$ 5,056,294</u>

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**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, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Additions</b>		
Contributions:		
Employees	\$ 362,021	\$ 408,366
Transfers from Other Plans	59,786	500,044
Total Contributions	<u>421,807</u>	<u>908,410</u>
Investment Earnings:		
Net Appreciation in Fair Value of Investments	<u>288,094</u>	<u>149,454</u>
Total Additions	<u>709,901</u>	<u>1,057,864</u>
<b>Deductions</b>		
Benefits and Refunds	<u>505,158</u>	<u>674,126</u>
<b>Change in Net Assets</b>	204,743	383,738
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>5,056,294</u>	<u>4,672,556</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u>\$ 5,261,037</u>	<u>\$ 5,056,294</u>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Fiduciary Assets and Liabilities**

**Agency Funds**

June 30, 2004

(With comparative totals for June 30, 2003)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2004	2003
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ -	\$ 180,922	\$ 53,446	\$ 1,340,149	\$ 16,777,221	\$ 18,351,738	\$ 17,659,869
Receivables:							
Accounts	5,541,221	-	-	-	75,057	5,616,278	5,475,618
<b>TOTAL ASSETS</b>	<u>\$ 5,541,221</u>	<u>\$ 180,922</u>	<u>\$ 53,446</u>	<u>\$ 1,340,149</u>	<u>\$ 16,852,278</u>	<u>\$ 23,968,016</u>	<u>\$ 23,135,487</u>
<b>LIABILITIES</b>							
Accounts Payable and Accrued Liabilities	\$ 5,541,221	\$ -	\$ -	1,340,149	\$ -	\$ 6,881,370	\$ 6,408,666
Due to Other Governments	-	-	-	-	3,918,503	3,918,503	2,862,217
Due to Litigants, Heirs and Others	-	180,922	53,446	-	12,933,775	13,168,143	13,864,604
<b>TOTAL LIABILITIES</b>	<u>\$ 5,541,221</u>	<u>\$ 180,922</u>	<u>\$ 53,446</u>	<u>\$ 1,340,149</u>	<u>\$ 16,852,278</u>	<u>\$ 23,968,016</u>	<u>\$ 23,135,487</u>

**KNOX COUNTY, TENNESSEE**

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

For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2004	2003
Assets and Liabilities, July 1	\$ 5,394,904	\$ 151,814	\$ 58,446	\$ 1,013,762	\$ 16,516,561	\$ 23,135,487	\$ 22,267,575
Additions	32,890,382	180,922	-	38,626,559	81,271,833	152,969,696	144,963,903
Deductions	(32,744,065)	(151,814)	(5,000)	(38,300,172)	(80,936,116)	(152,137,167)	(144,095,991)
Assets and Liabilities, June 30	\$ 5,541,221	\$ 180,922	\$ 53,446	\$ 1,340,149	\$ 16,852,278	\$ 23,968,016	\$ 23,135,487

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, Register and Sheriff  
Combined Schedule of Assets and Liabilities  
June 30, 2004**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total (Memorandum Only)
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 78,265,752	\$ 2,358,803	\$ 6,341,877	\$ 3,698,310	\$ 4,379,884	\$ 2,254,352	\$ 26,537	\$ 97,325,515
Investments	30,904,053	-	-	-	-	-	-	30,904,053
Accounts Receivable	-	-	53,896	-	-	21,161	-	75,057
<b>Total Assets</b>	<b>\$ 109,169,805</b>	<b>\$ 2,358,803</b>	<b>\$ 6,395,773</b>	<b>\$ 3,698,310</b>	<b>\$ 4,379,884</b>	<b>\$ 2,275,513</b>	<b>\$ 26,537</b>	<b>\$ 128,304,625</b>
<b>LIABILITIES</b>								
Due to Other Governments	\$ -	\$ 1,974,042	\$ 180	\$ 482,232	\$ -	\$ 1,462,049	\$ -	\$ 3,918,503
Due to Litigants, Heirs and Others	695,964	-	5,978,114	2,155,903	4,023,096	54,161	26,537	12,933,775
Fee and Commission Account	913,982	384,761	417,479	1,060,175	356,788	759,303	-	3,892,488
Amounts Held in Custody for								
Other County Funds:								
General Fund	27,839,024	-	-	-	-	-	-	27,839,024
Special Revenue Funds	38,283,920	-	-	-	-	-	-	38,283,920
Debt Service Fund	18,161,753	-	-	-	-	-	-	18,161,753
Capital Projects Fund - Component Units	247,804	-	-	-	-	-	-	247,804
Capital Projects Fund - Public Improvement	486,331	-	-	-	-	-	-	486,331
Capital Projects Fund - ADA Construction	3,869,485	-	-	-	-	-	-	3,869,485
Internal Service Funds	11,687,721	-	-	-	-	-	-	11,687,721
Fiduciary Funds/Other	6,983,821	-	-	-	-	-	-	6,983,821
<b>Total Liabilities</b>	<b>\$ 109,169,805</b>	<b>\$ 2,358,803</b>	<b>\$ 6,395,773</b>	<b>\$ 3,698,310</b>	<b>\$ 4,379,884</b>	<b>\$ 2,275,513</b>	<b>\$ 26,537</b>	<b>\$ 128,304,625</b>

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, Register and Sheriff  
Combined Schedule of Cash Receipts, Disbursements and Balances  
For the Year Ended June 30, 2004**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total (Memorandum Only)
<b>Receipts</b>								
Fund Accounts	\$ 663,351	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 663,351
Litigants, Heirs and Others	52,805,085	-	10,248,032	3,001,883	3,792,342	1,423,041	1,250,931	72,521,314
State of Tennessee	-	26,694,292	276,282	1,681,095	98,096	13,578,639	-	42,328,404
Knox County	-	13,690,452	691,054	3,720,052	143,793	-	-	18,245,351
Fees and Commissions	6,457,652	4,308,648	1,218,054	3,620,115	1,133,500	4,045,969	-	20,783,938
Cities - Clerk Collections	-	-	-	285,885	-	-	-	285,885
<b>Total Receipts</b>	<b>59,926,088</b>	<b>44,693,392</b>	<b>12,433,422</b>	<b>12,309,030</b>	<b>5,167,731</b>	<b>19,047,649</b>	<b>1,250,931</b>	<b>154,828,243</b>
<b>Disbursements</b>	<b>(74,540,385)</b>	<b>(43,474,565)</b>	<b>(13,746,509)</b>	<b>(11,877,623)</b>	<b>(5,047,554)</b>	<b>(19,217,930)</b>	<b>(1,259,652)</b>	<b>(169,164,218)</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>(14,614,297)</b>	<b>1,218,827</b>	<b>(1,313,087)</b>	<b>431,407</b>	<b>120,177</b>	<b>(170,281)</b>	<b>(8,721)</b>	<b>(14,335,975)</b>
<b>Other Financing Sources (Uses)</b>								
Proceeds from Advance from General Fund	-	-	-	2,440	-	-	-	2,440
Payments on Advances from General Fund	-	-	-	(2,440)	-	-	-	(2,440)
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>(14,614,297)</b>	<b>1,218,827</b>	<b>(1,313,087)</b>	<b>431,407</b>	<b>120,177</b>	<b>(170,281)</b>	<b>(8,721)</b>	<b>(14,335,975)</b>
<b>Balances, July 1, 2003</b>	<b>123,784,102</b>	<b>1,139,976</b>	<b>7,708,860</b>	<b>3,266,903</b>	<b>4,259,707</b>	<b>2,445,794</b>	<b>35,258</b>	<b>142,640,600</b>
<b>Balances, June 30, 2004</b>	<b>\$ 109,169,805</b>	<b>\$ 2,358,803</b>	<b>\$ 6,395,773</b>	<b>\$ 3,698,310</b>	<b>\$ 4,379,884</b>	<b>\$ 2,275,513</b>	<b>\$ 26,537</b>	<b>\$ 128,304,625</b>

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, and Register  
Combined Analysis of Fee and Commission Accounts  
For the Year Ended June 30, 2004**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total (Memorandum Only)
<b>Revenues</b>							
Fees and Commissions	\$ 6,455,983	\$ 4,296,630	\$ 1,163,375	\$ 3,620,115	\$ 1,133,500	\$ 4,043,694	\$ 20,713,297
Interest Earned	1,669	12,018	54,679	-	-	2,275	70,641
<b>Total Revenues</b>	<b>6,457,652</b>	<b>4,308,648</b>	<b>1,218,054</b>	<b>3,620,115</b>	<b>1,133,500</b>	<b>4,045,969</b>	<b>20,783,938</b>
<b>Expenditures</b>							
Salaries-Staff	1,562,261	2,904,600	840,678	2,429,941	644,083	1,252,638	9,634,201
Payroll Taxes/Benefits	392,684	882,606	252,241	815,462	189,083	284,315	2,816,391
County Official/Administrative Officer	89,279	89,469	58,200	86,469	79,263	89,625	492,305
Travel	49,350	81,825	5,445	-	-	7,477	144,097
Office Supplies/Expenditures	116,740	-	4,000	-	-	1,575	122,315
Consulting Fees	-	282	-	-	-	-	282
<b>Total Expenditures</b>	<b>2,210,314</b>	<b>3,958,782</b>	<b>1,160,564</b>	<b>3,331,872</b>	<b>912,429</b>	<b>1,635,630</b>	<b>13,209,591</b>
<b>Other (Sources) Uses</b>							
Proceeds from advances from General Fund	-	-	-	(2,440)	-	-	(2,440)
Fees and Commissions to County (General Fund)	3,820,000	-	49,857	200,000	220,600	2,707,576	6,998,033
Payments on advance from General Fund	-	-	-	2,440	-	-	2,440
<b>Net Other Uses</b>	<b>3,820,000</b>	<b>-</b>	<b>49,857</b>	<b>200,000</b>	<b>220,600</b>	<b>2,707,576</b>	<b>6,998,033</b>
<b>Total Expenditures and Other Uses</b>	<b>6,030,314</b>	<b>3,958,782</b>	<b>1,210,421</b>	<b>3,531,872</b>	<b>1,133,029</b>	<b>4,343,206</b>	<b>20,207,624</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>427,338</b>	<b>349,866</b>	<b>7,633</b>	<b>88,243</b>	<b>471</b>	<b>(297,237)</b>	<b>576,314</b>
Balances, July 1, 2003	486,644	34,895	409,846	971,932	356,317	1,056,540	3,316,174
<b>Balances, June 30, 2004</b>	<b>\$ 913,982</b>	<b>\$ 384,761</b>	<b>\$ 417,479</b>	<b>\$ 1,060,175</b>	<b>\$ 356,788</b>	<b>\$ 759,303</b>	<b>\$ 3,892,488</b>

**KNOX COUNTY, TENNESSEE**

**Schedule of Debt Service Requirements**

**General Bonded Debt**

June 30, 2004

Fiscal Year Ending	\$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
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	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 15,571,500</b>	<b>\$ 6,527,155</b>	<b>\$ 7,075,000</b>	<b>\$ 2,923,264</b>	<b>\$ 6,953,855</b>	<b>\$ 2,479,314</b>	<b>\$ 30,217,916</b>	<b>\$ 6,647,172</b>	<b>\$ 46,218,750</b>	<b>\$ 23,576,143</b>	<b>\$ 2,086,928</b>	<b>\$ 366,757</b>

*continued*

**KNOX COUNTY, TENNESSEE**

**Schedule of Debt Service Requirements  
General Bonded Debt (Continued)**

June 30, 2004

Fiscal Year Ending	\$31,200,221 General Obligation Refunding Series 2002A		\$31,361,297 General Obligation Refunding Bonds Series 2003		\$5,321,983 General Obligation Refunding Bonds Series 2003A		\$40,000,000 General Obligation Series 2003		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2005	\$ 18,883	\$ 1,598,279	\$ 1,603,275	\$ 1,417,501	\$ 343,207	\$ 255,803	\$ 784,600	\$ 1,592,252	\$ 10,860,318
2006	574,015	1,517,674	1,663,040	1,353,370	-	248,940	825,500	1,560,868	11,534,176	9,646,633
2007	597,314	1,494,661	1,730,601	1,286,849	-	248,940	866,400	1,527,848	12,026,161	9,134,966
2008	11,408	1,558,967	1,800,761	1,217,625	-	248,940	914,100	1,493,192	12,466,647	8,677,973
2009	11,408	1,558,482	1,886,511	1,136,590	-	248,940	955,700	1,456,628	13,018,369	8,097,878
2010	2,645,234	1,617,615	1,972,261	1,046,981	-	248,940	760,217	1,418,400	13,330,506	7,526,687
2011	2,753,367	1,498,340	2,063,209	953,299	-	248,939	815,150	1,387,991	13,958,929	6,879,930
2012	2,867,488	1,374,268	5,433,464	855,296	-	248,939	1,214,400	1,355,385	13,130,864	6,173,988
2013	3,748,390	1,168,784	5,695,912	583,623	-	248,939	1,278,367	1,306,809	13,882,669	5,455,281
2014	3,626,100	977,704	5,976,550	298,827	-	248,939	1,345,117	1,255,676	14,248,392	4,763,977
2015	7,280,815	700,601	-	-	-	248,939	1,420,750	1,201,870	12,154,065	3,962,345
2016	1,573,077	332,976	-	-	3,163,596	248,939	1,499,183	1,145,040	11,883,706	3,364,970
2017	1,648,077	258,255	-	-	1,815,180	90,759	1,577,600	1,085,073	10,970,357	2,794,194
2018	1,730,770	179,970	-	-	-	-	1,665,617	1,021,969	9,612,987	2,270,112
2019	1,823,079	93,432	-	-	-	-	1,752,933	955,344	9,385,387	1,810,382
2020	-	-	-	-	-	-	1,843,733	885,227	7,433,650	1,362,271
2021	-	-	-	-	-	-	1,953,000	811,477	5,756,125	1,001,633
2022	-	-	-	-	-	-	2,064,367	733,357	2,064,367	733,357
2023	-	-	-	-	-	-	1,978,567	650,783	1,978,567	650,783
2024	-	-	-	-	-	-	2,097,367	571,640	2,097,367	571,640
2025	-	-	-	-	-	-	2,225,050	487,745	2,225,050	487,745
2026	-	-	-	-	-	-	2,353,433	398,743	2,353,433	398,743
2027	-	-	-	-	-	-	2,489,316	304,606	2,489,316	304,606
2028	-	-	-	-	-	-	2,487,500	205,033	2,487,500	205,033
2029	-	-	-	-	-	-	2,638,333	105,533	2,638,333	105,533
<b>Totals</b>	<b>\$ 30,909,425</b>	<b>\$ 15,930,008</b>	<b>\$ 29,825,584</b>	<b>\$ 10,149,961</b>	<b>\$ 5,321,983</b>	<b>\$ 3,084,896</b>	<b>\$ 39,806,300</b>	<b>\$ 24,918,489</b>	<b>\$ 213,987,241</b>	<b>\$ 96,603,159</b>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements**

**General Bonded Debt**

June 30, 2004

Fiscal Year Ending June 30,	\$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		\$30,000,000 GO Public Improvement Series 2001	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 585,000	\$ 839,600	\$ 1,716,800	\$ 965,815	\$ 1,443,078	\$ 572,437	\$ 215,467	\$ -	\$ 1,004,504	\$ 707,793	\$ 1,175,625	\$ 1,428,956
2006	625,000	801,575	1,789,300	888,558	1,513,847	500,283	215,467	-	1,056,490	656,142	1,209,375	1,370,175
2007	665,000	761,731	1,867,600	816,987	1,590,770	424,591	215,467	-	1,103,650	609,918	1,248,750	1,309,706
2008	705,000	719,338	1,951,700	742,282	1,670,770	345,052	215,467	-	2,331,290	562,856	1,293,750	1,241,025
2009	755,000	674,394	2,035,800	662,263	1,753,847	259,843	215,467	-	2,439,551	460,854	1,342,500	1,169,869
2010	800,000	626,262	-	576,759	-	169,520	215,467	-	2,569,225	341,629	1,393,125	1,099,387
2011	855,000	575,262	-	576,760	-	169,520	215,467	-	2,707,262	216,780	1,449,375	1,026,248
2012	915,000	520,756	-	576,759	-	169,520	215,467	-	1,355,114	67,756	1,509,375	946,533
2013	975,000	462,425	-	576,759	-	169,519	-	-	-	-	1,575,000	863,517
2014	1,045,000	397,831	-	576,759	-	169,519	-	-	-	-	1,644,375	780,830
2015	1,115,000	328,600	-	576,759	-	169,519	-	-	-	-	1,717,500	694,500
2016	1,195,000	254,731	2,815,900	576,759	-	169,520	-	-	-	-	1,796,250	608,625
2017	1,280,000	175,563	2,958,000	443,004	-	169,519	-	-	-	-	1,882,500	518,812
2018	1,370,000	90,763	3,105,900	302,499	-	169,520	-	-	-	-	1,972,500	424,687
2019	-	-	3,262,500	154,969	-	169,521	-	-	-	-	2,068,125	326,062
2020	-	-	-	-	3,153,833	169,519	-	-	-	-	2,171,250	222,656
2021	-	-	-	-	-	-	-	-	-	-	2,281,875	114,094
2022	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 12,885,000	\$ 7,228,831	\$ 21,503,500	\$ 9,013,691	\$ 11,126,145	\$ 3,966,922	\$ 1,723,736	\$ -	\$ 14,567,086	\$ 3,623,728	\$ 27,731,250	\$ 14,145,682

*continued*

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt (Continued)**

June 30, 2004

Fiscal Year Ending June 30,	\$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		\$32,000,000 G.O. Bonds Series 2003		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 509,640	\$ 166,537	\$ 31,117	\$ 2,633,808	\$ 1,481,725	\$ 1,310,036	\$ 781,793	\$ 582,697	\$ 15,400	\$ 1,279,748	\$ 8,960,149	\$ 10,487,427
2006	529,368	146,152	1,025,985	2,712,663	1,536,960	1,250,767	-	567,060	24,500	1,279,132	9,526,292	10,172,507
2007	552,384	124,977	1,067,686	2,671,676	1,599,399	1,189,289	-	567,060	33,600	1,278,152	9,944,306	9,754,087
2008	572,112	102,882	18,592	2,540,771	1,664,239	1,125,313	-	567,060	60,900	1,276,808	10,483,820	9,223,387
2009	588,552	79,997	18,592	2,539,981	1,743,489	1,050,422	-	567,060	69,300	1,274,372	10,962,098	8,739,055
2010	614,856	54,984	4,054,766	2,479,573	1,822,739	967,606	-	567,060	414,783	1,271,600	11,884,961	8,154,380
2011	641,160	28,852	4,221,633	2,297,348	1,906,791	881,026	-	567,061	484,850	1,255,009	12,481,538	7,593,866
2012	-	-	4,397,512	2,107,544	5,021,536	790,454	-	567,061	860,600	1,235,615	14,274,604	6,981,998
2013	-	-	6,136,610	1,913,454	5,264,088	539,377	-	567,061	921,633	1,201,191	14,872,331	6,293,303
2014	-	-	5,788,900	1,560,859	5,523,451	276,173	-	567,061	979,884	1,164,324	14,981,610	5,493,356
2015	-	-	13,719,185	1,320,137	-	-	-	567,061	1,054,250	1,125,130	17,605,935	4,781,706
2016	-	-	2,516,923	532,760	-	-	7,206,404	567,061	1,125,817	1,082,960	16,656,294	3,792,416
2017	-	-	2,636,923	413,208	-	-	4,134,820	206,741	1,197,400	1,037,927	14,089,643	2,964,774
2018	-	-	2,769,230	287,954	-	-	-	-	1,284,383	990,031	10,502,013	2,265,454
2019	-	-	2,916,921	149,492	-	-	-	-	1,372,067	938,656	9,619,613	1,738,700
2020	-	-	-	-	-	-	-	-	1,456,267	883,773	6,781,350	1,275,948
2021	-	-	-	-	-	-	-	-	1,572,000	825,523	3,853,875	939,617
2022	-	-	-	-	-	-	-	-	1,685,633	762,643	1,685,633	762,643
2023	-	-	-	-	-	-	-	-	1,996,433	695,217	1,996,433	695,217
2024	-	-	-	-	-	-	-	-	2,127,633	615,360	2,127,633	615,360
2025	-	-	-	-	-	-	-	-	2,274,950	530,255	2,274,950	530,255
2026	-	-	-	-	-	-	-	-	2,421,567	439,257	2,421,567	439,257
2027	-	-	-	-	-	-	-	-	2,585,683	342,394	2,585,683	342,394
2028	-	-	-	-	-	-	-	-	2,887,500	238,967	2,887,500	238,967
2029	-	-	-	-	-	-	-	-	3,086,667	123,467	3,086,667	123,467
<b>Totals</b>	<b>\$ 4,008,072</b>	<b>\$ 704,381</b>	<b>\$ 51,320,575</b>	<b>\$ 26,161,228</b>	<b>\$ 27,564,417</b>	<b>\$ 9,380,463</b>	<b>\$ 12,123,017</b>	<b>\$ 7,027,104</b>	<b>\$ 31,993,700</b>	<b>\$ 23,147,511</b>	<b>\$ 216,546,498</b>	<b>\$ 104,399,541</b>

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**KNOX COUNTY, TENNESSEE**

***Schedule of Salaries and Bonds of Principal Elected Officials***  
*For the year ended June 30, 2004*

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OFFICIAL	AUTHORIZATION FOR SALARY	SALARY PAID DURING YEAR	BOND AMOUNT	SURETY
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 104,829	\$ 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.	\$ 91,104	\$ 300,000	Hartford Fire Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 86,469	\$ 60,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 137,114	\$ 50,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 86,469	\$ 250,000	Hartford Fire Insurance
Law Director	Section 3.08, Knox County Charter	\$ 112,836	\$ -	-
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 86,450	\$ 100,000	Hartford Fire Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 104,435	\$ 25,000	Hartford Fire Insurance
Trustee	Section 8-24-102 (k), T.C.A.	\$ 86,450	\$ 10,360,207	Hartford Fire Insurance

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## KNOX COUNTY, TENNESSEE

### Capital Assets Used in the Operation of Governmental Funds

#### Comparative Schedules by Source<sup>1,2</sup>

**June 30, 2004 and 2003**

(In Thousands of Dollars)

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	<u>2004</u>	<u>2003</u>
Governmental Funds Capital Assets:		
Land	\$ 86,581	\$ 78,204
Buildings	154,525	138,136
Improvements Other than Buildings	12,780	11,245
Machinery and Equipment	22,507	20,131
Intangibles	757	489
Infrastructure	454,848	440,785
Construction in Progress	71,653	82,099
Total Governmental Funds Capital Assets	<u>\$ 803,651</u>	<u>\$ 771,089</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 4,579	\$ 4,236
Special Revenue Funds	5,892	5,393
Capital Projects Funds	793,180	761,460
Total Governmental Funds Capital Assets	<u>\$ 803,651</u>	<u>\$ 771,089</u>

<sup>1</sup>This 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.

<sup>2</sup>Knox County has reported a prior period adjustment to include \$3,426,181 in land for the City County Building, Andrew Johnson Building, and the Dwight Kessel Memorial Parking Garage. The amounts were inadvertently omitted from last years schedule. The prior period adjustment also reduces the construction in progress by \$8,780,098 for duplications in other sections. The net effect of the above items is a reduction of \$5,323,917 in total capital assets.

**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity<sup>1,2</sup>  
June 30, 2004 and 2003  
(In Thousands of Dollars)**

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery And Equipment	Intangibles	Infrastructure	Construction In Progress	Total
<b>General Government:</b>								
Finance and Administration	\$ -	\$ -	\$ -	\$ 1,988	\$ 436	\$ -	\$ 2,387	\$ 4,811
Administration of Justice	3,176	21,937	-	267	-	-	10,890	36,270
Public Safety	367	34,548	-	10,839	255	-	6,429	52,438
Public Health and Welfare	3,782	35,693	-	1,851	-	-	-	41,326
Social and Cultural Services	17,156	31,521	12,780	2,505	66	-	19,397	83,425
Other General Government	6,854	28,787	-	893	-	-	-	36,534
<b>Total General Government</b>	<b>31,335</b>	<b>152,486</b>	<b>12,780</b>	<b>18,343</b>	<b>757</b>	<b>-</b>	<b>39,103</b>	<b>254,804</b>
<b>Highways</b>	<b>55,246</b>	<b>2,039</b>	<b>-</b>	<b>4,164</b>	<b>-</b>	<b>454,848</b>	<b>32,550</b>	<b>548,847</b>
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 86,581</b>	<b>\$ 154,525</b>	<b>\$ 12,780</b>	<b>\$ 22,507</b>	<b>\$ 757</b>	<b>\$ 454,848</b>	<b>\$ 71,653</b>	<b>\$ 803,651</b>

<sup>1</sup>This 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.

<sup>2</sup>Knox County has reported a prior period adjustment to include \$3,426,181 in land for the City County Building, Andrew Johnson Building, and the Dwight Kessel Memorial Parking Garage. The amounts were inadvertently omitted from last years schedule. The prior period adjustment also reduces the construction in progress by \$8,780,098 for duplications in other sections. The net effect of the above items is a reduction of \$5,323,917 in total capital assets.

**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity<sup>1, 2</sup>  
For the Fiscal Year Ended June 30, 2004  
(In Thousands of Dollars)**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets July 1, 2003</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2004</b>
General Government:				
Finance and Administration	\$ 2,328	\$ 2,519	\$ 36	\$ 4,811
Administration of Justice	36,247	23	-	36,270
Public Safety	51,537	901	-	52,438
Public Health and Welfare	41,330	4,605	4,609	41,326
Social and Cultural Services	69,300	27,851	13,726	83,425
Other General Government	35,926	608	-	36,534
Total General Government	<u>236,668</u>	<u>36,507</u>	<u>18,371</u>	<u>254,804</u>
Highways	<u>534,421</u>	<u>26,615</u>	<u>12,189</u>	<u>548,847</u>
Total Governmental Funds Capital Assets	<u>\$ 771,089</u>	<u>\$ 63,122</u>	<u>\$ 30,560</u>	<u>\$ 803,651</u>

<sup>1</sup>This 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.

<sup>2</sup>Knox County has reported a prior period adjustment to include \$3,426,181 in land for the City County Building, Andrew Johnson Building, and the Dwight Kessel Memorial Parking Garage. The amounts were inadvertently omitted from last years schedule. The prior period adjustment also reduces the construction in progress by \$8,780,098 for duplications in other sections. The net effect of the above items is a reduction of \$5,323,917 in total capital assets.

## **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, 2004

	General Purpose School	School Construction Capital Projects	Nonmajor		Central Cafeteria	Total Governmental Funds
			School Federal Projects	School General Projects		
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 28,394,234	\$ 9,195,760	\$ -	\$ 1,665,830	\$ 2,488,803	\$ 41,744,627
Receivables (Net of Allowance for Uncollectibles):						
Accounts	16,302,037	2,727,309	7,986,728	277,270	112,245	27,405,589
Property Taxes	96,093,728	-	-	-	-	96,093,728
Due from Other Funds	5,602,434	80,000	33,210	1,414,494	643,456	7,773,594
Due from Primary Government	485,783	157,714	-	-	-	643,497
Inventories	894,414	-	-	-	279,297	1,173,711
Prepaid Items	3,569	-	-	-	-	3,569
<b>TOTAL ASSETS</b>	<b>\$ 147,776,199</b>	<b>\$ 12,160,783</b>	<b>\$ 8,019,938</b>	<b>\$ 3,357,594</b>	<b>\$ 3,523,801</b>	<b>\$ 174,838,315</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable and Accrued Liabilities	\$ 28,888,943	\$ 1,817,394	\$ 2,410,140	\$ 617,514	\$ 124,142	\$ 33,858,133
Due to Other Funds	2,152,883	-	5,493,537	11,471	115,703	7,773,594
Due to Primary Government	264,190	-	42,791	2,032	-	309,013
Deferred Revenue	95,275,428	-	70,093	5,767	2,201	95,353,489
<b>TOTAL LIABILITIES</b>	<b>126,581,444</b>	<b>1,817,394</b>	<b>8,016,561</b>	<b>636,784</b>	<b>242,046</b>	<b>137,294,229</b>
<b>Fund balances:</b>						
Reserved	4,313,183	22,288,575	341,924	2,983,099	326,655	30,253,436
Unreserved:						
Designated	300,390	-	-	-	-	300,390
Undesignated	16,581,182	(11,945,186)	(338,547)	(262,289)	2,955,100	6,990,260
<b>TOTAL FUND BALANCES</b>	<b>21,194,755</b>	<b>10,343,389</b>	<b>3,377</b>	<b>2,720,810</b>	<b>3,281,755</b>	<b>37,544,086</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 147,776,199</b>	<b>\$ 12,160,783</b>	<b>\$ 8,019,938</b>	<b>\$ 3,357,594</b>	<b>\$ 3,523,801</b>	<b>\$ 174,838,315</b>

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**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, 2004

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

Ending Fund Balance - Governmental Funds	\$ -
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	241,637,418
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.	5,009,872
Long-term liabilities, consisting of compensated absences (\$1,452,462) and pension obligation (\$3,413,870), are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,866,332)</u>
Net Assets of Governmental Activities	<u>\$ 241,780,958</u>

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, 2004

	General Purpose School	School Construction Capital Projects	Nonmajor			Total Governmental Funds
			School Federal Projects	School General Projects	Central Cafeteria	
<b>Revenues</b>						
Local Taxes	\$ 179,570,515	\$ 16,091,476	\$ -	\$ -	\$ -	\$ 195,661,991
Licenses and Permits	30,505	-	-	4,247	-	34,752
Charges for Current Services	210,369	-	19,179	170,972	8,475,550	8,876,070
Other Local Revenues	1,628,044	74,130	91,443	669,141	657,579	3,120,337
State of Tennessee	117,167,966	-	93,951	369,254	244,560	117,875,731
Federal Government	522,796	-	22,626,379	-	8,189,437	31,338,612
Other Governments and Citizen Groups	-	-	-	403,721	-	403,721
Interest Earned	-	171,961	-	-	-	171,961
Debt Proceeds Received from Primary Government	-	32,000,000	-	-	-	32,000,000
Total Revenues	299,130,195	48,337,567	22,830,952	1,617,335	17,567,126	389,483,175
<b>Expenditures</b>						
Current:						
Education	292,290,596	-	22,967,110	3,115,849	17,210,105	335,583,660
Capital Outlay	-	20,045,023	-	-	-	20,045,023
Payments to Primary Government	2,673,875	24,800,000	-	-	-	27,473,875
Other Charges	-	152,000	-	-	-	152,000
Total Expenditures	294,964,471	44,997,023	22,967,110	3,115,849	17,210,105	383,254,558
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	4,165,724	3,340,544	(136,158)	(1,498,514)	357,021	6,228,617
<b>Other Financing Sources (Uses)</b>						
Transfers from Other Funds	960,000	4,925,000	89,963	1,260,093	-	7,235,056
Transfers to Other Funds	(6,275,056)	-	-	(960,000)	-	(7,235,056)
Total Other Financing Sources (Uses)	(5,315,056)	4,925,000	89,963	300,093	-	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	(1,149,332)	8,265,544	(46,195)	(1,198,421)	357,021	6,228,617
<b>Fund Balance, July 1</b>	22,344,087	2,077,845	49,572	3,919,231	2,924,734	31,315,469
<b>Fund Balance, June 30</b>	\$ 21,194,755	\$ 10,343,389	\$ 3,377	\$ 2,720,810	\$ 3,281,755	\$ 37,544,086

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**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, 2004

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

Net Change in Fund Balances - Total Governmental Funds \$ 6,228,617

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 depreciation (\$7,917,350) exceeded capital outlays (\$4,443,902) in the current period. (3,473,448)

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. 5,009,872

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. (5,569,829)

Expenses reported in the statement of activities include the increase in the liability for compensated absences (\$37,425). In addition, the decrease in net pension obligation results in the reduction of expenses totaling \$23,164. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (14,261)

Change in Net Assets of Governmental Activities \$ 2,180,951

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Balance Sheets  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 28,394,234	\$ 30,104,995
Receivables (Net of Allowance for Uncollectibles):		
Accounts	16,302,037	15,441,039
Property Taxes	96,093,728	95,329,573
Due from Other Funds	5,602,434	3,571,682
Due from Primary Government	485,783	131,275
Prepaid Items	3,569	1,862,439
Inventories	<u>894,414</u>	<u>1,063,190</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 147,776,199</u></u>	<u><u>\$ 147,504,193</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 28,888,943	\$ 28,180,023
Due to Other Funds	2,152,883	2,146,580
Due to Primary Government	264,190	483,939
Deferred Revenue	<u>95,275,428</u>	<u>94,349,564</u>
<b>TOTAL LIABILITIES</b>	<u>126,581,444</u>	<u>125,160,106</u>
 <b>Fund Balances:</b>		
Reserved	4,313,183	3,918,881
Unreserved:		
Designated	300,390	1,717
Undesignated	<u>16,581,182</u>	<u>18,423,489</u>
<b>TOTAL FUND BALANCES</b>	<u>21,194,755</u>	<u>22,344,087</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 147,776,199</u></u>	<u><u>\$ 147,504,193</u></u>

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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, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Local Taxes	\$ 179,570,515	\$ 171,039,930
Licenses and Permits	30,505	32,300
Charges for Current Services	210,369	260,434
Other Local Revenues	1,628,044	538,843
State of Tennessee	117,167,966	117,324,198
Federal Government	<u>522,796</u>	<u>552,416</u>
Total Revenues	<u>299,130,195</u>	<u>289,748,121</u>
<b>Expenditures</b>		
Current:		
Education:		
Instruction	184,713,548	179,777,448
Support Services	107,577,048	105,040,708
Payments to Primary Government	<u>2,673,875</u>	<u>2,179,394</u>
Total Expenditures	<u>294,964,471</u>	<u>286,997,550</u>
Excess of Revenues Over Expenditures	<u>4,165,724</u>	<u>2,750,571</u>
<b>Other Financing Sources (Uses)</b>		
Transfers From Other Funds	960,000	10,000
Transfers To Other Funds	<u>(6,275,056)</u>	<u>(2,993,981)</u>
Total Other Financing Sources (Uses)	<u>(5,315,056)</u>	<u>(2,983,981)</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(1,149,332)	(233,410)
Fund Balances, July 1	<u>22,344,087</u>	<u>22,577,497</u>
Fund Balances, June 30	<u>\$ 21,194,755</u>	<u>\$ 22,344,087</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Local Taxes	\$ 177,118,900	\$ 177,118,900	\$ 179,570,515	\$ 2,451,615	\$ 172,561,839	\$ 171,039,930	\$ (1,521,909)	
Licenses and Permits	36,000	36,000	30,505	(5,495)	36,000	32,300	(3,700)	
Charges for Current Services	272,100	272,100	210,369	(61,731)	326,000	260,434	(65,566)	
Other Local Revenues	669,200	1,154,413	1,628,044	473,631	500,962	538,843	37,881	
State of Tennessee	117,082,100	117,534,100	117,167,966	(366,134)	116,713,272	117,324,198	610,926	
Federal Government	375,000	553,331	522,796	(30,535)	501,151	552,416	51,265	
<b>Total Revenues</b>	<b>295,553,300</b>	<b>296,668,844</b>	<b>299,130,195</b>	<b>2,461,351</b>	<b>290,639,224</b>	<b>289,748,121</b>	<b>(891,103)</b>	
<b>Expenditures</b>								
Current:								
Education:								
Instruction:								
Personal Services	153,903,666	151,615,975	149,387,158	2,228,817	147,917,546	146,251,913	1,665,633	
Employee Benefits	27,110,708	27,911,380	27,621,189	290,191	27,481,633	25,671,878	1,809,755	
Contracted Services	1,420,275	1,405,082	931,114	473,968	1,292,325	775,084	517,241	
Supplies and Materials	5,234,991	10,068,847	6,695,238	3,373,609	8,057,939	6,660,688	1,397,251	
Other Charges	12,945	16,700	16,685	15	140,384	82,056	58,328	
Capital Outlay	41,035	69,060	62,164	6,896	341,087	335,830	5,257	
Support Services:								
Personal Services	58,410,894	57,995,190	57,201,105	794,085	58,041,190	55,758,777	2,282,413	
Employee Benefits	11,175,182	11,443,736	11,083,711	360,025	10,560,746	10,146,954	413,792	
Contracted Services	16,105,309	16,367,469	16,280,768	86,701	17,029,847	16,852,573	177,274	
Supplies and Materials	15,566,028	16,553,593	16,397,445	156,148	14,974,915	14,868,127	106,788	
Other Charges	6,425,422	6,518,901	6,268,038	250,863	7,108,918	6,813,733	295,185	
Capital Outlay	413,921	371,088	345,981	25,107	615,182	600,543	14,639	
Payments to Primary Government	2,692,924	2,692,924	2,673,875	19,049	572,890	2,179,394	(1,606,504)	
<b>Total Expenditures</b>	<b>298,513,300</b>	<b>303,029,945</b>	<b>294,964,471</b>	<b>8,065,474</b>	<b>294,134,602</b>	<b>286,997,550</b>	<b>7,137,052</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,960,000)	(6,361,101)	4,165,724	10,526,825	(3,495,378)	2,750,571	6,245,949	

continued

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 General Fund - General Purpose School  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis) (Continued)  
 For the years ended June 30, 2004 and June 30, 2003

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Other Financing Sources (Uses)</b>							
Transfers From Other Funds	\$ 960,000	\$ 960,000	\$ 960,000	\$ -	\$ 510,000	\$ 10,000	\$ (500,000)
Transfers To Other Funds	-	(6,161,713)	(6,275,056)	(113,343)	(4,620,633)	(2,993,981)	1,626,652
<b>Total Other Financing Sources (Uses)</b>	<b>960,000</b>	<b>(5,201,713)</b>	<b>(5,315,056)</b>	<b>(113,343)</b>	<b>(4,110,633)</b>	<b>(2,983,981)</b>	<b>1,126,652</b>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(2,000,000)	(11,562,814)	(1,149,332)	10,413,482	(7,606,011)	(233,410)	7,372,601
Fund Balances, July 1	22,344,087	22,344,087	22,344,087	-	22,577,497	22,577,497	-
Fund Balances, June 30	\$ 20,344,087	\$ 10,781,273	\$ 21,194,755	\$ 10,413,482	\$ 14,971,486	\$ 22,344,087	\$ 7,372,601

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Balance Sheets  
June 30, 2004 and June 30, 2003

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	2004	2003
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 9,195,760	\$ 7,993,463
Receivables (Net of Allowance for Uncollectibles):		
Accounts	2,727,309	2,908,524
Property Taxes	-	9,894
Due from Other Funds	80,000	179,069
Due from Primary Government	157,714	-
	<hr/>	<hr/>
TOTAL ASSETS	\$ 12,160,783	\$ 11,090,950
	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 1,817,394	\$ 1,720,850
Due to Other Funds	-	42,057
Due to Primary Government	-	7,250,198
	<hr/>	<hr/>
TOTAL LIABILITIES	1,817,394	9,013,105
	<hr/>	<hr/>
<b>Fund Balances (Deficits):</b>		
Reserved	22,288,575	19,270,122
Unreserved, Undesignated	(11,945,186)	(17,192,277)
	<hr/>	<hr/>
TOTAL FUND BALANCES	10,343,389	2,077,845
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,160,783	\$ 11,090,950
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**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, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Local Taxes	\$ 16,091,476	\$ 15,286,620
Other Local Revenues	74,130	142,800
Other Governments and Citizen Groups	-	125
Interest Earned	171,961	184,221
Debt Proceeds Received from Primary Government	<u>32,000,000</u>	<u>8,400,000</u>
Total Revenues	<u>48,337,567</u>	<u>24,013,766</u>
<b>Expenditures</b>		
Capital Projects	20,045,023	25,358,296
Payments to Primary Government	24,800,000	14,250,000
Other Charges	<u>152,000</u>	<u>29,344</u>
Total Expenditures	<u>44,997,023</u>	<u>39,637,640</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,340,544	(15,623,874)
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>4,925,000</u>	<u>410,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	8,265,544	(15,213,874)
Fund Balances, July 1	<u>2,077,845</u>	<u>17,291,719</u>
Fund Balances, June 30	<u><u>\$ 10,343,389</u></u>	<u><u>\$ 2,077,845</u></u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (Budget Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 15,950,000	\$ 16,067,450	\$ 16,091,476	\$ 24,026	\$ 15,550,771	\$ 15,286,620	\$ (264,151)
Other Local Revenue	450,000	68,200	74,130	5,930	142,800	142,800	-
Other Governments & Citizens Groups	-	-	-	-	125	125	-
Debt Proceeds Received from Primary Government	-	8,400,000	32,000,000	23,600,000	8,400,000	8,400,000	-
<b>Total Revenues</b>	<b>16,400,000</b>	<b>24,535,650</b>	<b>48,165,606</b>	<b>23,629,956</b>	<b>24,093,696</b>	<b>23,829,545</b>	<b>(264,151)</b>
<b>Expenditures</b>							
Capital Projects:							
Contractual Services	-	73,882	71,348	2,534	199,649	162,967	36,682
Supplies & Materials	-	24,743	24,743	-	34,773	11,045	23,728
Other Charges	-	197,450	161,155	36,295	160,000	155,451	4,549
Capital Outlay	-	2,183,525	1,298,595	884,930	2,415,991	1,249,451	1,166,540
Other Charges:							
Payments to Primary Government	16,400,000	24,800,000	24,800,000	-	14,250,000	14,250,000	-
<b>Total Expenditures</b>	<b>16,400,000</b>	<b>27,279,600</b>	<b>26,355,841</b>	<b>923,759</b>	<b>17,060,413</b>	<b>15,828,914</b>	<b>1,231,499</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,743,950)	21,809,765	24,553,715	7,033,283	8,000,631	967,348
<b>Other Financing Sources</b>							
Transfers From Other Funds	-	5,173,000	4,925,000	(248,000)	410,000	410,000	-
Excess of Revenues and Other Financing Sources Over Expenditures	-	2,429,050	26,734,765	24,305,715	7,443,283	8,410,631	967,348
Fund Balances, July 1 (Budget Basis)	15,834,597	15,834,597	15,834,597	-	7,423,966	7,423,966	-
Fund Balances, June 30 (Budget Basis)	\$ 15,834,597	\$ 18,263,647	\$ 42,569,362	\$ 24,305,715	\$ 14,867,249	\$ 15,834,597	\$ 967,348
<b>Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):</b>							
Fund Balance (Budget Basis)			\$ 42,569,362			\$ 15,834,597	
Timing Differences:							
Project Length Budgets			(32,225,973)			(13,756,752)	
Fund Balance (GAAP Basis)			\$ 10,343,389			\$ 2,077,845	

**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, 2004

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Fire Alarm Upgrades	\$ 500,000	\$ -	\$ 23,140	\$ 23,140	\$ 476,860
Sequoyah Elementary	3,752,335	3,697,678	54,657	3,752,335	-
Ritta Elementary	5,237,706	5,237,706	-	5,237,706	-
Christenberry Elementary	8,867,532	8,867,532	-	8,867,532	-
Dogwood Elementary	6,880,566	6,880,566	-	6,880,566	-
Green Elementary	1,677,568	1,677,568	-	1,677,568	-
Ridgedale Elementary	16,246,500	1,312,877	4,922,685	6,235,562	10,010,938
Cedar Bluff K-3	1,777,113	-	283,019	283,019	1,494,094
Sarah Moore Green Elementary	7,523,131	7,523,131	-	7,523,131	-
Beaumont Elementary	2,314,307	2,314,307	-	2,314,307	-
Northwest (Hardin Valley) Elementary	16,377,259	16,376,033	1,226	16,377,259	-
Brickey Elementary	14,677,429	10,770,506	3,277,032	14,047,538	629,891
Karns 5th and 6th	2,714,500	2,714,500	-	2,714,500	-
Chilhowee Elementary	87,040	87,040	-	87,040	-
Bearden Elementary	172,789	172,789	-	172,789	-
Pleasant Ridge Elementary	77,350	77,350	-	77,350	-
Halls Elementary	3,532,131	3,360,508	99,130	3,459,638	72,493
Bonny Kate Elementary	282,410	187,263	-	187,263	95,147
Lonsdale Elementary	325,000	325,000	-	325,000	-
Maynard Elementary Expansion	69,400	69,400	-	69,400	-
Ball Camp Elementary Expansion	198,725	198,725	-	198,725	-
A.L. Lotts Land Acquisition	359,250	316,408	42,842	359,250	-
New Hopewell Elementary	341,100	-	341,100	341,100	-
South Doyle Middle	1,224,183	1,224,183	-	1,224,183	-
Northwest Middle	2,615,009	2,615,009	-	2,615,009	-
Whittle Springs Middle	3,405,816	3,343,608	60,208	3,403,816	2,000
Karns Middle	18,991,420	18,938,537	50,881	18,989,418	2,002
Vine Middle	4,772,748	4,772,748	-	4,772,748	-
Holston Middle	2,200,499	2,100,947	-	2,100,947	99,552
West Valley Middle	17,760,909	17,620,333	140,576	17,760,909	-
New Holston Middle	11,944,500	465,242	2,084,603	2,549,845	9,394,655
Chilhowee Intermediate Expansion	109,900	109,900	-	109,900	-
Powell Middle	940,954	940,954	-	940,954	-
Powell Middle	1,129,149	-	-	-	1,129,149
Maintenance Land Acquisition	68,000	-	-	-	68,000
West High Library/Cafeteria	161,372	-	89,692	89,692	71,680
Austin East Renovations	17,686,867	17,644,577	7,840	17,652,417	34,450
South Doyle High	989,784	989,784	-	989,784	-
Fulton Renovation	18,545,919	18,545,919	-	18,545,919	-
Karns High	659,066	659,066	-	659,066	-
Bearden High	14,285,298	14,282,970	2,328	14,285,298	-
Magnet Equipment	3,402,216	3,186,419	60,875	3,247,294	154,922
Powell High	405,000	405,000	-	405,000	-
Historic Knox High	396,805	388,124	8,681	396,805	-
Carter School Expansion	1,024,534	1,024,534	-	1,024,534	-
Gibbs Elementary School	1,904,720	1,155	1,362,451	1,363,606	541,114
Land Investigation	323,760	203,021	116,112	319,133	4,627
Roofing and HVAC	22,947,487	15,287,702	4,257,007	19,544,709	3,402,778
Physical Plant Upgrades - Bond	8,600,000	8,600,000	-	8,600,000	-
Stadium Bleachers	1,563,164	216,963	917,981	1,134,944	428,220
Gibbs Fieldhouse	200,000	200,000	-	200,000	-
Professional Development Technology Center	1,241,000	1,203,368	6,775	1,210,143	30,857
Facilities Reassessments	246,000	204,650	41,350	246,000	-
School Maintenance Consolidation	1,023,000	679,861	236,991	916,852	106,148
<b>Total Capital Projects:</b>	<b>\$ 254,760,220</b>	<b>\$ 208,021,461</b>	<b>\$ 18,489,182</b>	<b>\$ 226,510,643</b>	<b>\$ 28,249,577</b>

Project Expenditures	\$ 18,489,182
Expenditures - Activities Budgeted on Annual Basis	<u>26,355,841</u>
<b>Total School Construction Fund Expenditures</b>	<b><u>\$ 44,845,023</u></b>

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 7,986,728	\$ 5,482,347
Due from Other Funds	33,210	51,958
Prepaid Items	<u>-</u>	<u>6,723</u>
TOTAL ASSETS	<u>\$ 8,019,938</u>	<u>\$ 5,541,028</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 2,410,140	\$ 2,031,677
Due to Other Funds	5,493,537	3,351,936
Due to Primary Government	42,791	40,215
Deferred Revenue	<u>70,093</u>	<u>67,628</u>
TOTAL LIABILITIES	<u>8,016,561</u>	<u>5,491,456</u>
<b>Fund Balances (Deficits):</b>		
Reserved	341,924	76,267
Unreserved, Undesignated	<u>(338,547)</u>	<u>(26,695)</u>
TOTAL FUND BALANCES	<u>3,377</u>	<u>49,572</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,019,938</u>	<u>\$ 5,541,028</u>

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**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, 2004 and June 30, 2003**

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Charges for Current Services	\$ 19,179	\$ 19,941
Other Local Revenues	91,443	82,865
State of Tennessee	93,951	24,926
Federal Government	<u>22,626,379</u>	<u>20,370,818</u>
Total Revenues	<u>22,830,952</u>	<u>20,498,550</u>
<b>Expenditures</b>		
Current:		
Education:		
Instruction	17,291,992	16,193,988
Support Services	5,419,730	3,894,934
Non-Instructional Services	<u>255,388</u>	<u>541,330</u>
Total Expenditures	<u>22,967,110</u>	<u>20,630,252</u>
Deficiency of Revenues Under Expenditures	(136,158)	(131,702)
<b>Other Financing Sources</b>		
Transfers From Other Funds	<u>89,963</u>	<u>109,303</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures	(46,195)	(22,399)
Fund Balances, July 1	<u>49,572</u>	<u>71,971</u>
Fund Balances, June 30	<u><u>\$ 3,377</u></u>	<u><u>\$ 49,572</u></u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Charges for Current Services	\$ -	\$ 19,185	\$ 19,179	\$ (6)	\$ 19,185	\$ 19,941	\$ 756	
Other Local Revenues	-	83,520	91,443	7,923	87,368	82,865	(4,503)	
State of Tennessee	-	95,163	93,951	(1,212)	24,933	24,926	(7)	
Federal Government	-	36,447,337	22,626,379	(13,820,958)	29,143,215	20,370,818	(8,772,397)	
<b>Total Revenues</b>	<b>-</b>	<b>36,645,205</b>	<b>22,830,952</b>	<b>(13,814,253)</b>	<b>29,274,701</b>	<b>20,498,550</b>	<b>(8,776,151)</b>	
<b>Expenditures</b>								
Current:								
Education:								
Instruction:								
Personal Services	-	13,854,957	10,585,111	3,269,846	11,521,414	9,525,284	1,996,130	
Employee Benefits	-	3,061,833	2,160,138	901,695	2,529,482	1,872,266	657,216	
Contracted Services	-	3,183,542	883,833	2,299,709	2,500,763	799,885	1,700,878	
Supplies and Materials	-	4,748,275	2,429,153	2,319,122	4,083,743	2,632,643	1,451,100	
Other Charges	-	226,813	137,449	89,364	132,638	76,460	56,178	
Capital Outlay	-	1,488,477	1,096,308	392,169	1,623,163	1,287,449	335,714	
Support Services:								
Personal Services	-	3,790,017	2,803,419	986,598	2,386,917	1,798,340	588,577	
Employee Benefits	-	651,407	433,928	217,479	446,577	264,769	181,808	
Contracted Services	-	2,196,542	663,881	1,532,661	1,633,548	586,330	1,047,218	
Supplies and Materials	-	1,711,879	980,557	731,322	1,220,088	737,209	482,879	
Other Charges	-	674,952	314,795	360,157	253,233	162,264	90,969	
Capital Outlay	-	497,784	223,150	274,634	387,101	346,023	41,078	
Non-Instructional Services:								
Personal Services	-	509,824	108,225	401,599	524,356	267,075	257,281	
Employee Benefits	-	109,214	52,609	56,605	92,158	72,426	19,732	
Contracted Services	-	6,804	593	6,211	10,409	4,375	6,034	
Supplies and Materials	-	65,261	88,566	(23,305)	14,342	123,609	(109,267)	
Other Charges	-	6,201	5,395	806	98,079	73,845	24,234	
<b>Total Expenditures</b>	<b>-</b>	<b>36,783,782</b>	<b>22,967,110</b>	<b>13,816,672</b>	<b>29,458,011</b>	<b>20,630,252</b>	<b>8,827,759</b>	
Deficiency of Revenues Under Expenditures	-	(138,577)	(136,158)	2,419	(183,310)	(131,702)	51,608	
<b>Other Financing Sources</b>								
Transfer From Other Funds	-	90,405	89,963	(442)	112,748	109,303	(3,445)	
Deficiency of Revenues and Other Financing Sources Under Expenditures	-	(48,172)	(46,195)	1,977	(70,562)	(22,399)	48,163	
Fund Balances, July 1	-	49,572	49,572	-	71,971	71,971	-	
Fund Balances, June 30	\$ -	\$ 1,400	\$ 3,377	\$ 1,977	\$ 1,409	\$ 49,572	\$ 48,163	

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School General Projects Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,665,830	\$ 2,640,565
Receivables (Net of Allowance for Uncollectibles):		
Accounts	277,270	257,677
Due from Other Funds	1,414,494	1,533,533
	<u>1,414,494</u>	<u>1,533,533</u>
TOTAL ASSETS	<u>\$ 3,357,594</u>	<u>\$ 4,431,775</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 617,514	\$ 248,561
Due to Other Funds	11,471	248,282
Due to Primary Government	2,032	701
Deferred Revenue	5,767	15,000
	<u>5,767</u>	<u>15,000</u>
TOTAL LIABILITIES	<u>636,784</u>	<u>512,544</u>
<b>Fund Balances (Deficits):</b>		
Reserved	2,983,099	4,013,607
Unreserved:		
Undesignated	(262,289)	(94,376)
	<u>(262,289)</u>	<u>(94,376)</u>
TOTAL FUND BALANCES	<u>2,720,810</u>	<u>3,919,231</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,357,594</u>	<u>\$ 4,431,775</u>

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**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, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Licenses and Permits	\$ 4,247	\$ 4,684
Charges for Current Services	170,972	202,921
Other Local Revenues	669,141	526,494
State of Tennessee	369,254	503,123
Other Governments and Citizens Groups	403,721	390,734
	<u>1,617,335</u>	<u>1,627,956</u>
Total Revenues		
	<u>1,617,335</u>	<u>1,627,956</u>
<b>Expenditures</b>		
Current:		
Education:		
Instruction	405,550	686,206
Support Services	1,280,710	1,503,613
Non-Instructional Services	49,648	-
Capital Outlay	1,379,941	1,434,106
	<u>3,115,849</u>	<u>3,623,925</u>
Total Expenditures		
	<u>3,115,849</u>	<u>3,623,925</u>
Deficiency of Revenues Under Expenditures	<u>(1,498,514)</u>	<u>(1,995,969)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers From Other Funds	1,260,093	2,602,678
Transfers To Other Funds	(960,000)	(138,000)
	<u>300,093</u>	<u>2,464,678</u>
Total Other Financing Sources (Uses)		
	<u>300,093</u>	<u>2,464,678</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,198,421)	468,709
Fund Balances, July 1	<u>3,919,231</u>	<u>3,450,522</u>
Fund Balances, June 30	<u>\$ 2,720,810</u>	<u>\$ 3,919,231</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School General Projects Special Revenue Fund  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
 For the years ended June 30, 2004 and June 30, 2003

	2004				2003		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Licenses and Permits	\$ -	\$ -	\$ 4,247	\$ 4,247	\$ -	\$ 4,684	\$ 4,684
Charges for Current Services	-	235,044	170,972	(64,072)	201,648	202,921	1,273
Other Local Revenues	-	871,702	669,141	(202,561)	513,529	526,494	12,965
State of Tennessee	-	400,373	369,254	(31,119)	776,081	503,123	(272,958)
Other Governments and Citizens Groups	-	402,991	403,721	730	407,361	390,734	(16,627)
<b>Total Revenues</b>	-	1,910,110	1,617,335	(292,775)	1,898,619	1,627,956	(270,663)
<b>Expenditures</b>							
Current:							
Education:							
Instruction:							
Personal Services	-	370,567	283,762	86,805	413,143	308,959	104,184
Employee Benefits	-	43,118	33,191	9,927	59,314	39,580	19,734
Contracted Services	-	32,630	14,492	18,138	63,690	41,651	22,039
Supplies and Materials	-	123,838	61,113	62,725	275,532	214,858	60,674
Other Charges	-	16,053	8,757	7,296	14,226	7,837	6,389
Capital Outlay	-	38,640	4,235	34,405	94,996	73,321	21,675
Support Services:							
Personal Services	-	682,009	557,338	124,671	595,016	468,171	126,845
Employee Benefits	-	123,129	99,364	23,765	90,407	78,599	11,808
Contracted Services	-	895,449	408,395	487,054	1,309,925	811,611	498,314
Supplies and Materials	-	369,975	204,409	165,566	390,244	144,560	245,684
Other Charges	-	14,061	707	13,354	2,767	672	2,095
Capital Outlay	-	148,840	10,497	138,343	1,067,596	-	1,067,596
Non Instructional Services:							
Personal Services	-	35,221	35,220	1	-	-	-
Employee Benefits	-	6,673	6,591	82	-	-	-
Contracted Services	-	1,105	1,125	(20)	-	-	-
Supplies and Materials	-	500	390	110	-	-	-
Other Charges	-	7,327	6,322	1,005	-	-	-
Capital Outlay							
Personal Services	-	135,103	-	135,103	343,413	208,310	135,103
Employee Benefits	-	28,625	-	28,625	58,508	38,832	19,676
Contracted Services	-	431,230	383,675	47,555	649,606	218,377	431,229
Supplies and Materials	-	240,324	149,098	91,226	333,049	320,045	13,004
Capital Outlay	-	2,464,282	847,168	1,617,114	2,130,197	648,542	1,481,655
<b>Total Expenditures</b>	-	6,208,699	3,115,849	3,092,850	7,891,629	3,623,925	4,267,704
Deficiency of Revenues Under Expenditures	-	(4,298,589)	(1,498,514)	2,800,075	(5,993,010)	(1,995,969)	3,997,041
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	-	1,339,358	1,260,093	(79,265)	2,680,587	2,602,678	(77,909)
Transfers to Other Funds	-	(960,000)	(960,000)	-	(138,000)	(138,000)	-
<b>Total Other Financing Sources (Uses)</b>	-	379,358	300,093	(79,265)	2,542,587	2,464,678	(77,909)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(3,919,231)	(1,198,421)	2,720,810	(3,450,423)	468,709	3,919,132
Fund Balances, July 1	-	3,919,231	3,919,231	-	3,450,522	3,450,522	-
Fund Balances, June 30	\$ -	\$ -	\$ 2,720,810	\$ 2,720,810	\$ 99	\$ 3,919,231	\$ 3,919,132

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  
Central Cafeteria Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2004 and June 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,488,803	\$ 2,116,286
Receivables (Net of Allowance for Uncollectibles):		
Accounts	112,245	281,526
Due from Other Funds	643,456	608,993
Inventories	<u>279,297</u>	<u>300,320</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,523,801</u>	<u>\$ 3,307,125</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 124,142	\$ 223,967
Due to Other Funds	115,703	156,380
Deferred Revenue	<u>2,201</u>	<u>2,044</u>
<b>TOTAL LIABILITIES</b>	<u>242,046</u>	<u>382,391</u>
<b>Fund Balances:</b>		
Reserved	326,655	317,266
Unreserved, Undesignated	<u>2,955,100</u>	<u>2,607,468</u>
<b>TOTAL FUND BALANCES</b>	<u>3,281,755</u>	<u>2,924,734</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,523,801</u>	<u>\$ 3,307,125</u>

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**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, 2004 and June 30, 2003**

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	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Charges for Current Services	\$ 8,475,550	\$ 8,150,476
Other Local Revenues	657,579	1,246,470
State of Tennessee	244,560	239,528
Federal Government	8,189,437	7,667,850
	<hr/>	<hr/>
Total Revenues	17,567,126	17,304,324
	<hr/>	<hr/>
<b>Expenditures</b>		
Current:		
Education		
Food Service	17,210,105	16,444,122
	<hr/>	<hr/>
Excess of Revenues Over Expenditures	357,021	860,202
Fund Balances, July 1	2,924,734	2,064,532
	<hr/>	<hr/>
Fund Balances, June 30	\$ 3,281,755	\$ 2,924,734
	<hr/> <hr/>	<hr/> <hr/>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2004 and June 30, 2003**

	2004				2003			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Charges for Current Services	\$ 8,400,000	\$ 8,516,487	\$ 8,475,550	\$ (40,937)	\$ 8,521,565	\$ 8,150,476	\$ (371,089)	
Other Local Revenues	1,518,000	866,000	657,579	(208,421)	1,325,000	1,246,470	(78,530)	
State of Tennessee	243,500	239,000	244,560	5,560	242,000	239,528	(2,472)	
Federal Government	6,450,000	7,768,600	8,189,437	420,837	7,178,180	7,667,850	489,670	
<b>Total Revenues</b>	<b>16,611,500</b>	<b>17,390,087</b>	<b>17,567,126</b>	<b>177,039</b>	<b>17,266,745</b>	<b>17,304,324</b>	<b>37,579</b>	
<b>Expenditures</b>								
Current:								
Education:								
Food Service:								
Personal Services	7,150,000	6,884,800	6,776,219	108,581	6,621,862	6,621,862	-	
Employee Benefits	1,350,000	1,643,000	1,641,746	1,254	1,718,837	1,488,989	229,848	
Contracted Services	370,000	398,481	384,025	14,456	668,000	408,332	259,668	
Supplies & Materials	7,561,500	8,151,993	8,095,023	56,970	7,942,673	7,697,789	244,884	
Other Charges	30,000	270,925	269,789	1,136	115,373	101,471	13,902	
Capital Outlay	150,000	67,800	43,303	24,497	200,000	125,679	74,321	
<b>Total Expenditures</b>	<b>16,611,500</b>	<b>17,416,999</b>	<b>17,210,105</b>	<b>206,894</b>	<b>17,266,745</b>	<b>16,444,122</b>	<b>822,623</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(26,912)	357,021	383,933	-	860,202	860,202	
Fund Balances, July 1	2,924,734	2,924,734	2,924,734	-	2,064,532	2,064,532	-	
Fund Balances, June 30	\$ 2,924,734	\$ 2,897,822	\$ 3,281,755	\$ 383,933	\$ 2,064,532	\$ 2,924,734	\$ 860,202	

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

**Statement of Fiduciary Net Assets**

**Fiduciary Funds**

June 30, 2004

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	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 366,080	\$ 5,827,875
Receivables (Net of Allowance for Uncollectibles):		
Interest and Dividends	237,926	-
Contributions	102,826	-
Investments	69,929,126	-
Prepaid Items	20,079	-
Other Assets	-	26,112
	<hr/>	<hr/>
TOTAL ASSETS	70,656,037	\$ 5,853,987
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	16,443	\$ 64,419
Liability for Student Activities	-	5,789,568
	<hr/>	<hr/>
TOTAL LIABILITIES	16,443	\$ 5,853,987
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Held in Trust for:		
Pension Benefits	\$ 70,639,594	
	<hr/>	

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**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, 2004 and June 30, 2003**

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	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 366,080	\$ 1,918,988
Interest and Dividends	237,926	159,283
Employee Contributions Receivable	102,826	69,789
Prepaid Items	20,079	-
Investments, at Fair Value		
Mutual Funds	<u>69,929,126</u>	<u>62,134,959</u>
<b>TOTAL ASSETS</b>	<u>70,656,037</u>	<u>64,283,019</u>
 <b>LIABILITIES</b>		
Accounts Payable	<u>16,443</u>	<u>233,893</u>
 <b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 70,639,594</u>	<u>\$ 64,049,126</u>

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**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, 2004 and June 30, 2003**

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	<u>2004</u>	<u>2003</u>
<b>Additions</b>		
Contributions		
Employer	\$ -	\$ 1,384,838
Employee	547,721	571,824
Total Contributions	<u>547,721</u>	<u>1,956,662</u>
Investment Income		
Net Appreciation in Fair Value of Investments	7,556,462	375,103
Interest and Dividends	1,746,986	1,481,929
Total Investment Earnings	9,303,448	1,857,032
Less Investment Expense	<u>(132,348)</u>	<u>(154,569)</u>
Net Investment Income	<u>9,171,100</u>	<u>1,702,463</u>
Total Additions	<u>9,718,821</u>	<u>3,659,125</u>
<b>Deductions</b>		
Benefits and Refunds	2,742,870	2,311,310
Administrative and Professional Expenses	385,483	361,828
Total Deductions	<u>3,128,353</u>	<u>2,673,138</u>
Net Increase	6,590,468	985,987
<b>Net Assets Held in Trust for Pension Benefits</b>		
Beginning of Year	<u>64,049,126</u>	<u>63,063,139</u>
End of Year	<u>\$ 70,639,594</u>	<u>\$ 64,049,126</u>

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**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, 2004 and June 30, 2003

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	<u>2004</u>	<u>2003</u>
Assets and Liabilities, July 1	\$ 5,377,199	\$ 5,494,832
Additions	16,151,301	15,403,649
Deductions	<u>(15,741,361)</u>	<u>(15,521,282)</u>
Assets and Liabilities, June 30	<u>\$ 5,787,139</u>	<u>\$ 5,377,199</u>

**KNOX COUNTY, TENNESSEE**

**Primary Government  
Government-wide Expenses by Function  
Last Ten Fiscal Years**

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
2004	\$ 34,272,564	\$ 12,635,947	\$ 62,305,450	\$ 37,779,356	\$ 15,130,591	\$ 346,591	\$ 59,603,677	\$ 32,000,000	\$ 23,223,425	\$ 17,958,758	\$ 295,256,359

*Only three 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**

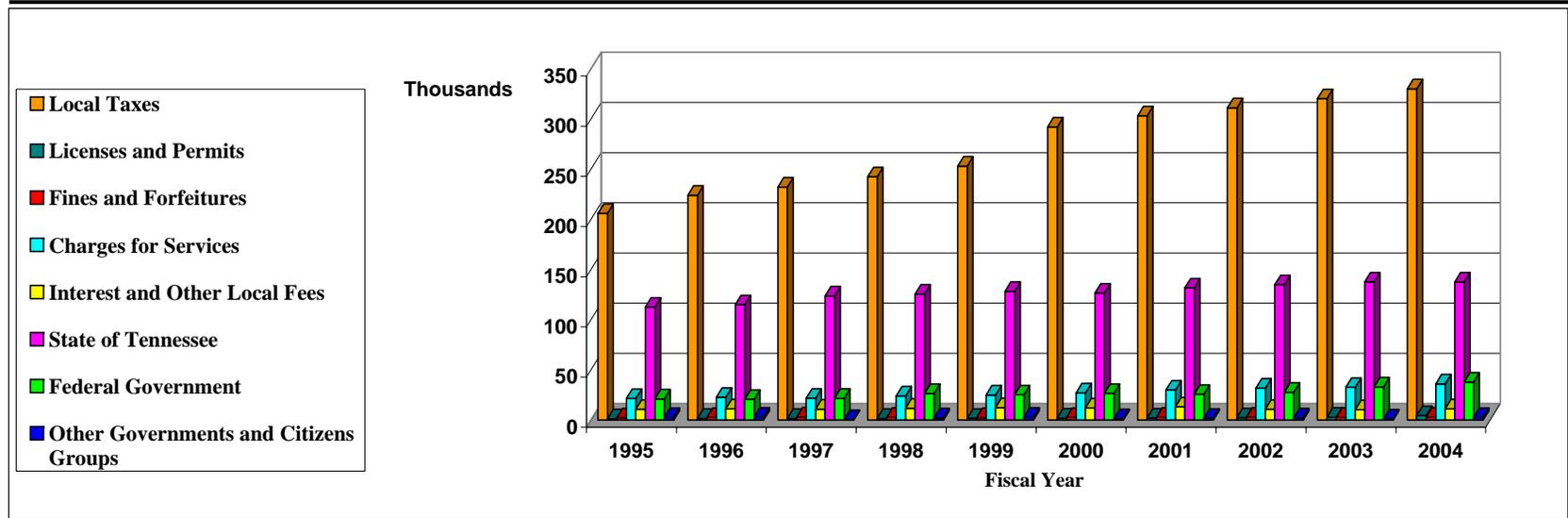
**Primary Government  
Government-wide Revenues  
Last Ten Fiscal Years**

<b>PROGRAM REVENUES</b>				<b>GENERAL REVENUES</b>				
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
2004	\$ 77,442,017	\$ 23,108,400	\$ -	\$ 136,055,059	\$ -	\$ 2,016,481	\$ 33,512,993	\$ 272,134,950

*Only three 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)**

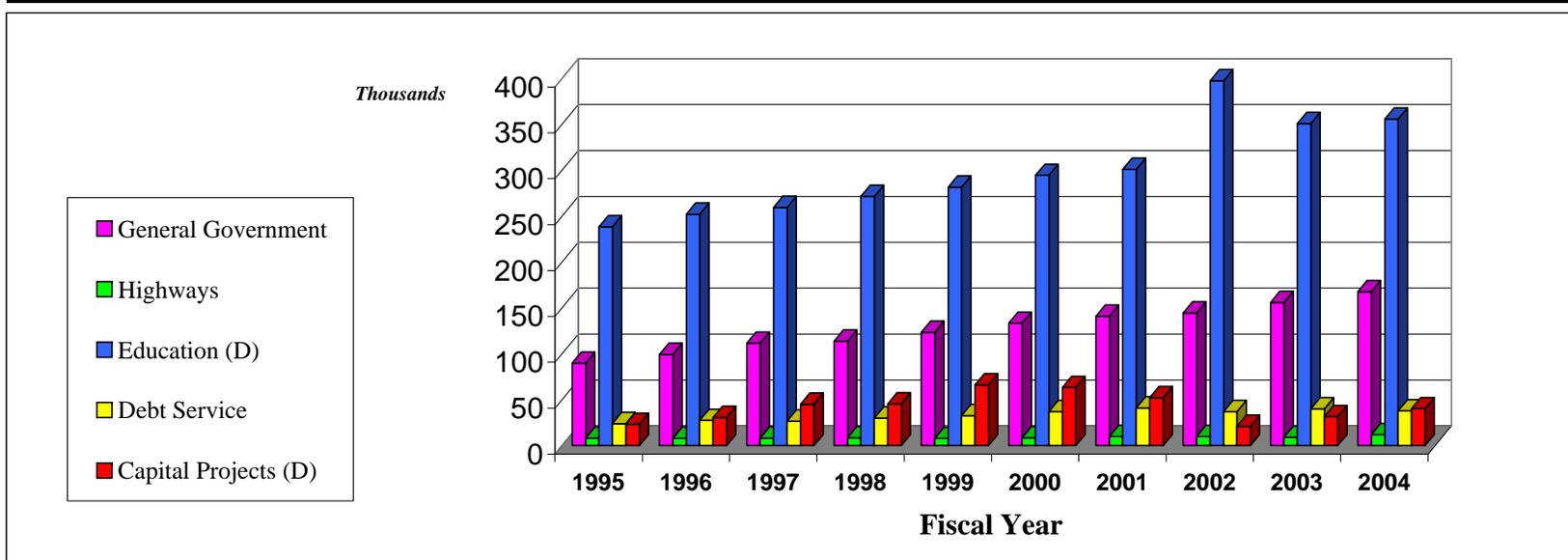


	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004
<b>Revenues (A)</b>										
Local Taxes (B), (C)	\$ 205,971	\$ 224,060	\$ 232,145	\$ 242,493	\$ 253,088	\$ 292,018	\$ 303,117	\$ 311,194	\$ 320,409	\$ 330,047
Licenses and Permits	1,349	1,632	1,633	1,612	1,852	1,929	2,046	2,419	2,878	4,447
Fines and Forfeitures	2,377	2,684	3,086	2,860	2,574	2,642	2,834	3,034	2,846	2,856
Charges for Services	21,582	22,712	21,811	24,089	24,937	27,137	29,947	31,822	32,664	36,019
Interest and Other Local Fees (C)	10,750	11,244	10,982	11,807	12,360	12,066	13,207	10,788	10,283	11,136
State of Tennessee	112,626	115,006	123,865	125,575	128,236	126,686	131,790	135,057	137,705	137,533
Federal Government	21,155	20,693	21,717	26,568	25,088	26,608	25,795	27,627	33,057	37,812
Other Governments and Citizens Groups (D)	2,699	2,986	483	2,172	2,794	1,401	1,771	2,373	1,122	2,726
<b>Total</b>	<b>\$ 378,509</b>	<b>\$ 401,017</b>	<b>\$ 415,722</b>	<b>\$ 437,176</b>	<b>\$ 450,929</b>	<b>\$ 490,487</b>	<b>\$ 510,507</b>	<b>\$ 524,314</b>	<b>\$ 540,964</b>	<b>\$ 562,576</b>

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) Includes interest income and excess fees remitted by Constitutional Officers.  
 (D) Effects of transactions between the primary government and the Board have been eliminated.

**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 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	Fiscal Year 2004
<b>Expenditures</b>										
General Government (A), (B)	\$89,808	\$99,471	\$111,527	\$113,722	\$123,473	\$133,309	\$140,829	\$144,465	\$155,874	\$167,594
Highways	8,069	7,953	8,307	8,704	7,734	8,690	9,928	9,829	9,113	11,938
Education (D)	238,370	252,098	259,390	271,597	281,537	294,424	301,083	397,437	350,875	355,781
Debt Service (C)	23,971	27,460	26,611	30,104	32,701	36,940	41,115	37,159	40,134	37,918
Capital Projects (D)	23,116	30,642	45,138	45,335	66,232	63,331	52,121	20,992	31,513	40,286
<b>Total</b>	<b>\$383,334</b>	<b>\$417,624</b>	<b>\$450,973</b>	<b>\$469,462</b>	<b>\$511,677</b>	<b>\$536,694</b>	<b>\$545,076</b>	<b>\$609,882</b>	<b>\$587,509</b>	<b>\$613,517</b>

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.  
 (D) Effects of transactions between the primary government and the Board have been eliminated.

**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
1995	\$ 111,014,379	\$ 106,078,721	95.6%	\$ 4,809,530	\$ 110,888,251	99.9%	\$ 126,128	0.1%
1996	\$ 123,326,851	\$ 118,094,687	95.8%	\$ 5,074,891	\$ 123,169,578	99.9%	\$ 157,273	0.1%
1997	\$ 127,625,922	\$ 121,838,326	95.5%	\$ 5,599,809	\$ 127,438,135	99.9%	\$ 187,788	0.1%
1998	\$ 131,890,043	\$ 126,039,387	95.6%	\$ 5,538,225	\$ 131,577,612	99.8%	\$ 312,431	0.2%
1999	\$ 137,991,961	\$ 131,623,390	95.4%	\$ 5,832,381	\$ 137,455,771	99.6%	\$ 536,190	0.4%
2000	\$ 172,107,272	\$ 163,210,597	94.8%	\$ 8,363,675	\$ 171,574,272	99.7%	\$ 533,000	0.3%
2001	\$ 178,549,662	\$ 169,058,907	94.7%	\$ 8,458,056	\$ 177,516,963	99.4%	\$ 1,032,699	0.6%
2002	\$ 186,630,269	\$ 177,651,252	95.2%	\$ 7,220,400	\$ 184,871,652	99.1%	\$ 1,758,617	0.9%
2003	\$ 190,941,444	\$ 181,786,456	95.2%	\$ 5,707,966	\$ 187,494,422	98.2%	\$ 3,447,022	1.8%
2004	\$ 193,784,258	\$ 186,380,156	96.2%	\$ -	\$ 186,380,156	96.2%	\$ 7,404,102	3.8%

**KNOX COUNTY, TENNESSEE**

**Assessed and Actual Value of Taxable Property  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Public Utility Property</b>		<b>Total Assessed Value</b>
	<b>Assessed Value</b>	<b>Actual Value</b>	<b>Assessed Value</b>	<b>Actual Value</b>	<b>Assessed Value</b>	<b>Assessed Value</b>	
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	
2004	\$ 5,973,238,855	\$ 20,717,124,400	\$ 517,162,396	\$ 1,723,872,595	\$ 229,803,507	\$ 6,720,204,758	

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.

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**KNOX COUNTY, TENNESSEE**

**Property Tax Rates - Overlapping Governments  
Last Ten Fiscal Years**

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<b>Fiscal Year</b>	<b>City of Knoxville</b>	<b>Knox County</b>	<b>Overlapping Tax Rate Inside Knoxville</b>
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
2004	3.05	2.96	6.01

NOTE: Tax Rates per \$100 of Assessed Values  
In FY'S 1997 and 2001, county-wide reappraisals were 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
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)	385,572	\$ 6,256,116,542	\$ 331,845,140	\$ 25,381,422	\$ 306,463,718	4.90%	\$ 795
2002	389,327	\$ 6,468,421,113	\$ 401,859,673	\$ 26,210,926	\$ 375,648,747	5.81%	\$ 965
2003	392,995	\$ 6,629,201,784	\$ 386,824,206	\$ 25,500,852	\$ 361,323,354	5.45%	\$ 919
2004	392,995	\$ 6,720,204,758	\$ 430,533,739	\$ 28,024,529	\$ 402,509,210	5.99%	\$ 1,024

NOTES: (A) Estimated population according to Tennessee Quick Facts.

(B) In fiscal year 2001, the County completed a reappraisal of real and personal property.

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**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, 2004**

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**Direct General Bonded Debt**

Knox County	\$ 430,533,739
Less: Amount Available in Debt Service Fund	<u>(28,024,529)</u>
Total Direct General Bonded Debt	<u>402,509,210</u>

**Overlapping General Bonded Debt**

City of Knoxville	261,290,000
Town of Farragut	<u>-</u>
Total Overlapping General Bonded Debt	<u>261,290,000</u>
Total General Bonded Debt	<u><u>\$ 663,799,210</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
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	5.36%
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	6.77%
2004	\$ 18,790,467	\$ 18,567,892	\$ 37,358,359	\$ 672,991	5.55%

## 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
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%
2002	389,327	0.97%	5,797,289	1.00%
2003	392,995	0.94%	5,841,748	0.77%

*Source: Bureau of the  
Census, State of  
Tennessee.*

#### *Cost of Living - First Quarter 2004*

	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
United States	100	100	100	100	100	100	100
Chattanooga	94.6	98.1	84.1	95	106.5	93.2	99.2
Cleveland	91.1	97.4	84.6	99.7	91.5	85	92.8
Johnson City	93	92.3	90.7	95.4	85.9	81.5	97.8
<b>Knoxville</b>	89.1	94.6	79.2	94.5	85.7	90.1	94.9
Memphis	91.1	93.9	79.7	91.3	95.2	87.5	99.2
Morristown	88.8	90.5	84.4	79.8	95.8	79.6	93.4
Nashville	94.7	102.3	83.2	91.3	99.5	93	101.5

*continued*

**KNOX COUNTY, TENNESSEE**

**Demographic Statistics (Continued)**

*Per Capita Personal Income Comparisons (in Current Dollars): 1993 - 2002*

Area	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Knoxville MSA</b>										
Anderson	\$ 19,076	\$ 21,299	\$ 22,264	\$ 22,687	\$ 23,504	\$ 24,337	\$ 25,181	\$ 26,032	\$ 27,194	\$ 27,100
Blount	\$ 16,941	\$ 19,112	\$ 19,924	\$ 20,485	\$ 21,599	\$ 22,227	\$ 23,416	\$ 24,262	\$ 25,370	\$ 25,353
<b>Knox</b>	\$ 20,534	\$ 22,350	\$ 23,211	\$ 23,921	\$ 24,969	\$ 26,451	\$ 27,376	\$ 28,281	\$ 29,426	\$ 30,327
Loudon	\$ 16,756	\$ 19,210	\$ 20,231	\$ 20,733	\$ 21,672	\$ 22,648	\$ 24,247	\$ 26,241	\$ 26,257	\$ 26,212
Sevier	\$ 16,490	\$ 18,483	\$ 19,635	\$ 20,161	\$ 21,176	\$ 21,913	\$ 22,679	\$ 22,275	\$ 22,942	\$ 24,603
Union	\$ 11,820	\$ 12,710	\$ 13,305	\$ 13,580	\$ 14,496	\$ 14,796	\$ 15,610	\$ 15,070	\$ 15,178	\$ 18,096
Tennessee	\$ 18,439	\$ 20,696	\$ 21,800	\$ 22,450	\$ 23,445	\$ 24,437	\$ 25,548	\$ 25,946	\$ 26,808	\$ 27,611
Southeast	\$ 18,659	\$ 20,563	\$ 21,500	\$ 22,477	\$ 23,545	\$ 24,601	\$ 25,743	\$ 26,194	\$ 27,169	\$ 27,837
United States	\$ 20,800	\$ 22,581	\$ 23,562	\$ 24,651	\$ 25,924	\$ 26,942	\$ 28,546	\$ 29,469	\$ 30,413	\$ 30,906
<b>Knox County as a Percent of:</b>										
Tennessee	111.36%	107.99%	106.47%	106.55%	106.50%	108.24%	107.16%	109.00%	109.77%	109.84%
Southeast	110.05%	108.69%	107.96%	106.42%	106.05%	107.52%	106.34%	107.97%	108.31%	108.94%
United States	98.72%	98.98%	98.51%	97.04%	96.32%	98.18%	95.90%	95.97%	96.75%	98.13%

*Source: Regional Economic Information System, Bureau of Economic Analysis.*

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## KNOX COUNTY, TENNESSEE

### Demographic Statistics (Continued)

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#### *Age and Sex Distribution - 2002 (Estimate)*

#### *Knoxville MSA*

	<u>Number</u>	<u>Percent</u>
Total Population	687,468	100
Male	334,391	49
Female	353,077	51
< 5 years	42,071	6
5 to 9 years	43,443	6
10 to 14 years	44,883	7
15 to 19 years	40,005	6
20 to 24 years	46,048	7
25 to 34 years	97,422	14
35 to 44 years	105,201	15
45 to 54 years	104,878	15
55 to 59 years	38,574	6
60 to 64 years	34,662	5
65 to 74 years	49,259	7
75 to 84 years	31,886	5
85 years and over	9,136	1
Median age (years)	38	-
18 years and over	531,369	77
21 years and over	509,097	74
62 years and over	109,945	16
65 years and over	90,281	13
Male	37,053	5
Female	53,228	8

*Source: Bureau of the Census, American Community Survey Profile.*

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**KNOX COUNTY, TENNESSEE**

**Principal Taxpayers**  
**Tax Year 2003**  
(For Fiscal Year 2004)

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<b>Taxpayer</b>	<b>Industry</b>	<b>2003 Assessed Property Valuation</b>	<b>Percentage of Total Assessed Property Valuation</b>
BellSouth	Telephone	\$ 83,177,205	1.25%
West Town Mall	Commercial	36,429,360	0.55%
Knoxville Center	Commercial	23,585,240	0.36%
Norfolk Southern	Transportation	12,682,911	0.19%
Parkway Properties LP	Commercial	12,098,520	0.18%
Fort Sanders Alliance	Hospital	10,475,680	0.16%
Concord Telephone	Telephone	10,333,148	0.16%
HPW Family Partnership	Commercial	9,060,120	0.14%
Daikin Drivetrain Components Corporation	Commercial	7,044,880	0.11%
East Tennessee Baptist Hospital	Hospital	6,573,080	0.10%
Total 2003 Assessed Property Valuation		<u>\$ 211,460,144</u>	<u>3.20%</u>

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**KNOX COUNTY, TENNESSEE**

**Ten Largest Employers**

June 30, 2004

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Company	Industry	Number of Employees
The University of Tennessee, Knoxville	Education	8,311
Covenant Health	Health Care	8,000
Knox County Public Schools	Education	7,230
Wal Mart Stores	Trade	4,173
University of Tennessee Medical Center	Health Care	3,707
St. Mary's Medical Center	Health Care	3,553
Baptist Health System of East Tennessee	Health Care	3,000
City of Knoxville	Government	2,798
Clayton Homes	Manufacturing	2,508
Knox County	Government	2,500

Source: Greater Knoxville Chamber Partnership

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**KNOX COUNTY, TENNESSEE**

**Uncollected Delinquent Property Taxes  
Filed in Chancery Court  
June 30, 2004**

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<u>Fiscal Year</u>	<u>Amount</u>
1995	126,128
1996	157,273
1997	187,788
1998	312,431
1999	536,190
2000	533,000
2001	1,032,699
2002	1,758,617
2003	3,447,022
2004	<u>7,404,102</u>
TOTAL	<u>\$ 15,495,250</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
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
2004	\$ 20,717,124	\$ 1,723,873	\$ 229,804	\$ 70,489	\$ 318,866	\$ 23

*Source:*

(1) Actual Value from the Schedule of Assessed and Actual Value of Taxable Property.

(2) Knox County Department of Code Administration and Inspection.

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**KNOX COUNTY, TENNESSEE**

**Listing of Financial Institutions Operating in Knox County  
June 30, 2004  
(In Thousands of Dollars)**

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<b>Bank</b>	<b>Total Assets Nationwide</b>	<b>Total Deposits Nationwide</b>
AmSouth Bank	\$ 48,341,045	\$ 32,139,244
BB&T Bank	\$ 97,348,000	\$ 66,663,000
Bank of America	\$ 1,037,202,000	\$ 575,413,000
First Horizon Bank	\$ 27,276,280	\$ 17,322,230
FSG Bank	\$ 659,294	\$ 551,515
Home Federal Bank (as of June 30, 2003)	\$ 800,483	\$ 621,381
National Bank of Commerce (as of December 31, 2003)	\$ 22,265,245	\$ 15,082,896
Regions Bank	\$ 49,756,793	\$ 34,436,961
SunTrust Bank	\$ 128,135,048	\$ 85,528,703
Union Planters Bank (as of December 31, 2003)	\$ 31,910,729	\$ 23,146,184

Source: Financial Information Published by Respective Financial Institutions.

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**KNOX COUNTY, TENNESSEE**

**Unemployment Figures**

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<b>Area</b>	<b>2001 Annual Average</b>	<b>2002 Annual Average</b>	<b>2003 Annual Average</b>
United States	4.8%	5.8%	6.0%
Tennessee	4.5%	5.1%	5.8%
Knoxville MSA	3.3%	3.5%	3.8%
Anderson County	4.0%	3.9%	4.6%
Blount County	4.0%	3.7%	4.0%
<b>Knox County</b>	2.5%	2.8%	3.1%
Loudon County	3.5%	4.2%	4.2%
Sevier County	5.9%	5.9%	6.5%
Union County	3.8%	3.9%	4.3%

*Source: Research and Statistical Division, Tennessee Department of Labor and Workforce Development.*

KNOX COUNTY, TENNESSEE

Non Agricultural Employment, Annual Averages - Knoxville Area

Industry	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	% Increase/ Decrease 2002 - 2003	% Increase/ Decrease 1994-2003	% of Employment
<i>Goods Producing:</i>													
Manufacturing	50,100	49,300	48,100	48,700	48,200	46,400	46,200	43,600	42,600	42,100	-1.19%	-19.00%	11.85%
Mining	500	500	500	500	500	500	500	300	300	300	0.00%	-66.67%	0.08%
Construction	15,000	17,300	14,000	15,400	16,200	15,900	16,200	16,400	16,300	16,800	3.07%	12.00%	4.73%
<i>Total Goods Producing</i>	65,600	67,100	62,600	64,600	64,900	62,800	62,900	60,300	59,200	59,200	0.00%	-10.81%	16.66%
<i>Service Producing:</i>													
Information*	12,200	13,000	14,100	14,200	14,200	6,700	6,900	6,100	6,200	6,300	1.61%	-93.65%	1.77%
Trade/Trans/PU**	78,100	80,900	81,400	83,700	87,300	67,100	68,900	71,800	73,600	74,700	1.49%	-4.35%	21.02%
Financial Activities***	11,400	11,600	13,200	13,700	14,600	15,100	15,000	16,000	16,700	18,000	7.78%	57.89%	5.06%
Services	81,400	84,200	84,000	86,300	88,200	125,500	129,900	130,300	134,100	138,500	3.28%	70.15%	38.97%
<i>Total Service Producing</i>	183,100	189,700	192,700	197,900	204,300	214,400	220,700	224,200	230,600	237,500	2.99%	29.71%	66.82%
<i>Government</i>	55,600	55,200	55,800	54,300	54,700	55,000	55,500	56,300	58,300	58,700	0.69%	5.58%	16.52%
<b>TOTAL</b>	<b>304,300</b>	<b>312,000</b>	<b>311,100</b>	<b>316,800</b>	<b>323,900</b>	<b>332,200</b>	<b>339,100</b>	<b>340,800</b>	<b>348,100</b>	<b>355,400</b>	<b>2.10%</b>	<b>16.79%</b>	<b>100.00%</b>

\* 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, as revised.