

KNOX COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FOR THE FISCAL YEAR ENDED
JUNE 30, 2005**

**Michael R. Ragsdale
Knox County Mayor**

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
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OFFICE OF COUNTY MAYOR

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

November 21, 2005

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, 2005, 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 2005 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 11th was a moment around which Americans of all colors, all political beliefs, all points of the compass, rallied, drawing strength from each other.

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

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

FISCAL YEAR 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 – including a NEW high school!
- 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

- Four successful Senior Summits with over 300 seniors in attendance
- Developed No Senior Left Behind initiative
- Adding Senior facilities to the County

Great Schools

- Incorporated school telecommunications into the County contract, saving \$1 million over a 7 year period in the school budget
- Merging of School and County Payroll Departments in 2005 saving \$700,000 in the school's annual budget
- Establishing the Great Schools Partnership to enhance the education process and outputs in new and creative ways

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:

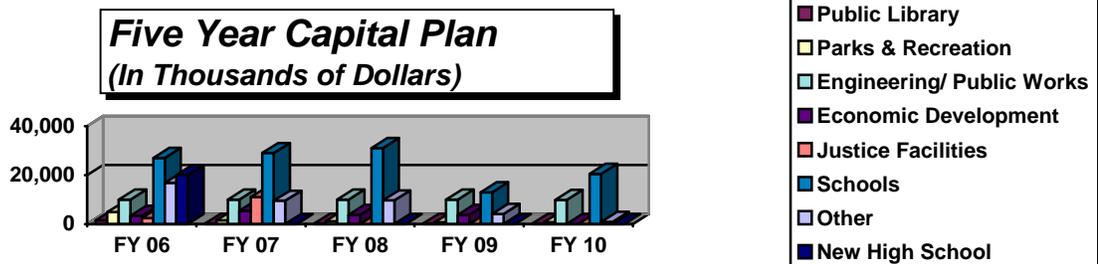
- Karns Connector
- Various Stormwater Improvements
- Dry Gap Pike
- Ball Camp Pike
- Tazewell Pike
- Parkside Drive
- Westland Drive

School Construction/Renovation:

- New High School
- Cedar Bluff K-5
- Gibbs Elementary
- Powell Middle
- Ball Camp K-5 renovation/addition
- Pond Gap Elementary
- New Hopewell/Gap Creek
- Inskip Elementary
- Roofing and HVAC upgrades
- Carter Elementary

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

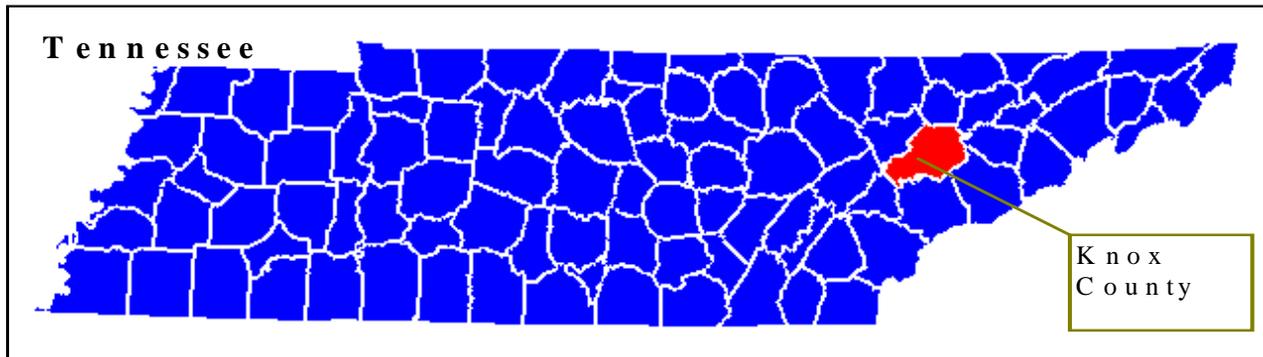
Project Description	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	TOTAL
Libraries	\$ 1,550	\$ 200	\$ 200	\$ 200	\$ 2,200	\$ 4,350
New High School	20,000	-	-	-	-	20,000
Parks & Recreation	4,905	1,500	1,225	755	745	9,130
Engineering & Public Works	9,999	9,994	9,999	9,980	9,920	49,892
Economic Development	3,375	5,500	3,750	3,750	-	16,375
Justice Facility – Law Enforcement	2,500	11,000	-	-	-	13,500
Schools	27,000	29,000	31,000	13,000	20,500	120,500
Other	16,815	9,573	9,687	10,315	4,635	51,025
Other Funding	(9,144)	(7,767)	(1,861)	-	-	(18,772)
Total – Bond Funding	\$ 77,000	\$ 59,000	\$ 54,000	\$ 38,000	\$ 38,000	\$ 266,000



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.

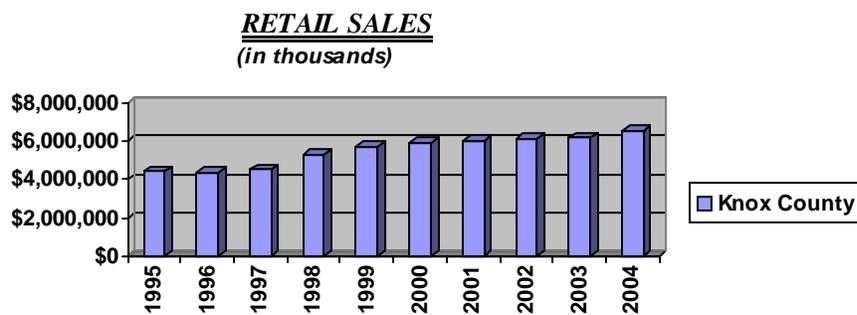
Manufacturing firms in the MSA produce everything from shoulder pads for professional football teams to medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts. Of the 889 manufacturing firms in the MSA, over half (476) are in Knox County.

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!

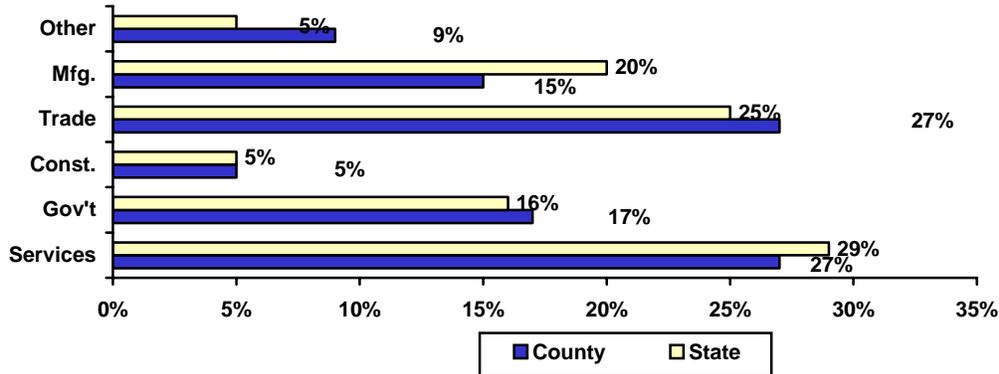
Commercial Development

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:



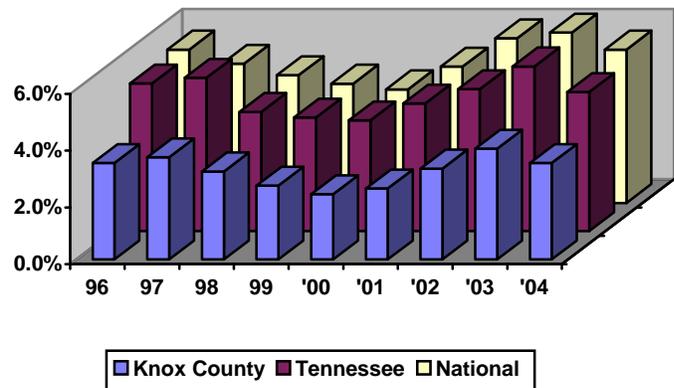
Employment Information

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

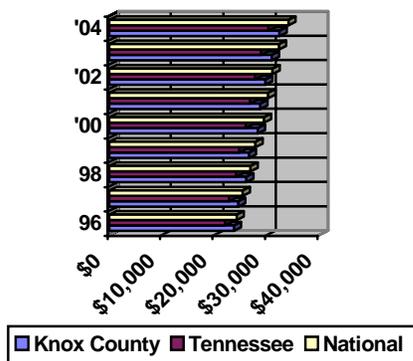


Low unemployment one indicator of economic activity, has been a hallmark of Knox County which has been ahead of the state and nation in this area. Even in the wake of the uncertainty of September 11, 2001, Knox County's economic strength was tested, and proved resilient. While we aren't enjoying previous 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

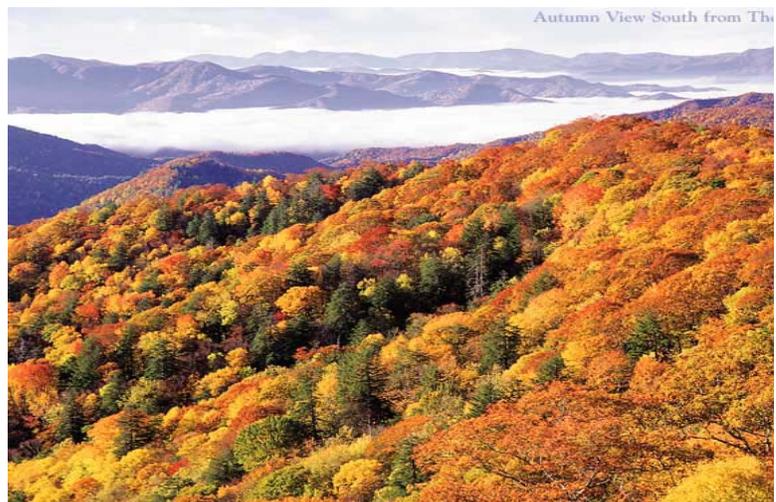


Although industry is frequently considered the core of an economic base, secondary and tertiary activities also make important contributions to economic development. The convention and tourism business contribute to the County's economic base by drawing income into the region -- resulting in employment 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 County's and the Board's deposits were either insured by federal depository insurance or collateralized. The investments held by the County at June 30, 2005, excluding the portion invested in the State Treasurer's investment pool and investments of the Pension Trust funds, consisted of securities of the U.S. Government or its agencies.

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 Knox County Charter limits the contract with an audit firm to four years. Through a competitive proposal process, the County selected the accounting firm of Rodefer Moss, LLP, 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, 2004. This was the eighth 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.

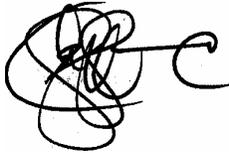
The County also received, for the seventh consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2004 Annual Operating Budget. In qualifying for the award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgments

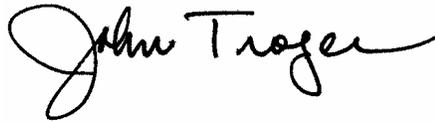
The preparation of the CAFR was made possible by the dedicated service of the Department of Finance. Those involved have our sincere appreciation for the individual and collective contributions made in the preparation of the report. It is especially important to recognize the additional efforts required 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, Jason Lay, 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 somewhat illegible due to its cursive nature.

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.

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, 2004

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



Nancy L. Zjelle

President

Jeffrey R. Emmer

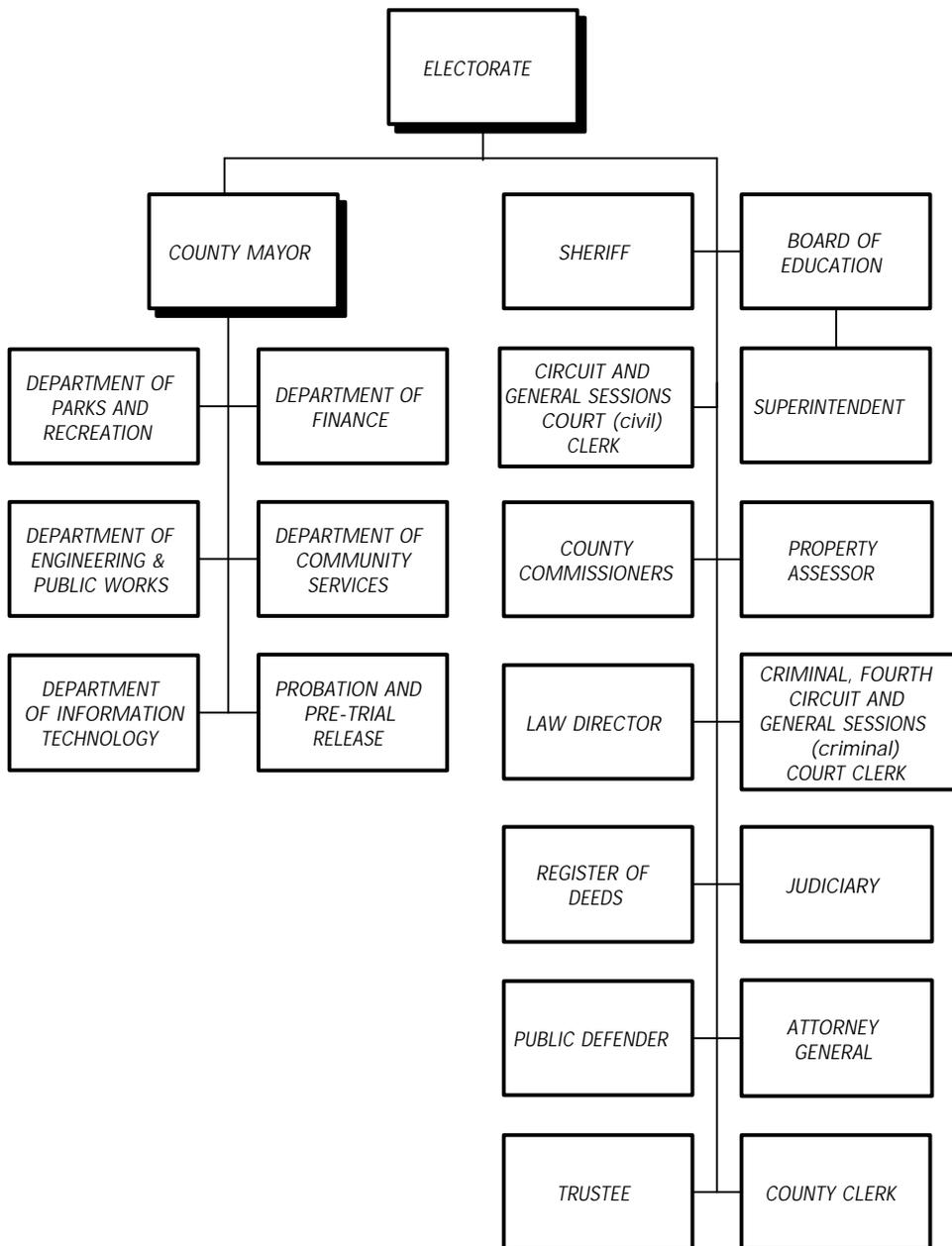
Executive Director

Knox County, Tennessee
 Roster of Publicly Elected Officials
 June 30, 2005



Knox County

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
 Register of Deeds - Steve Hall
 Sheriff - Tim Hutchison
 Trustee - Mike Lowe



Board of Commissioners:

Mike Hammond	Craig Leuthold
Mark Cawood	Mike McMillan
Larry Clark	John Mills
David Collins	Scott Moore
John Griess	Wanda Moody
Phil Guthe	Paul 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	Cynthia Buttry
Diane Dozier	Karen Carson
Indya Kincannon	Daniel P. Murphy
	Jim Williams



- ▶ CERTIFIED PUBLIC ACCOUNTANTS
- ▶ BUSINESS ADVISORS
- ▶ TECHNOLOGY CONSULTANTS

Report of Independent Auditors

1729 Midpark Road
Suite C-200
Knoxville, TN 37921

865-583-0091 phone
865-583-0560 fax

www.rodefermoss.com

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, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year 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 21, 2005, 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 88 through 91, respectively, 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.

Rodefer Moss + Co, PLLC

Knoxville, Tennessee
November 21, 2005

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, 2005. 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 \$305,049,761 (net assets), which compares to \$315,848,471 in 2004. The assets of the Knox County Government Total Reporting Unit exceeded its liabilities at the close of the most recent fiscal year by \$600,466,308 (net assets), which compares to \$601,552,864 in 2004. 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 assets amounts of \$150,361,587 deficit and \$111,387,520 surplus 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 amounts of \$148,747,919 deficit and \$101,760,461 surplus respectively.
- Of the Primary Government's \$ 305,049,761 (net assets), \$395,113,478 was invested in Capital Assets (net of related debt), \$35,214,873 was restricted for Debt Service, and \$2,236,072 was restricted for Other Purposes. The difference of \$150,361,587 (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 are 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 \$10,798,710 or 3.6% of the \$297,329,542 expenses of the Primary Government. This compares to the reported 2004 decrease of \$23,121,409, or 7.8% of 2004 expenses totaling \$295,256,359. The primary reason for the difference is the amount borrowed on behalf of, and remitted to, the Board of Education. In 2005, the amount was \$24.8 million while in 2004 it was \$32.0 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 \$1,086,556 or 0.2% of 2005 expenses of \$699,833,783. This compares to the 2004 decrease of \$21,238,641, or 3.1% of 2004 expenses totaling \$689,060,526. These amounts include charges for depreciation. Included in the government-wide expenses is depreciation expense of \$18.0 million and \$8.9 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 \$25.8 million or 3.7% of total expenses. These results closely match the combined \$29.0 million increase in the Capital Projects funds. This increase is temporary. As the County builds the new high school and other projects in the Capital Improvements Plan -- the funds temporarily built up will be spent. 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 very well again this year. Cost saving measures enabled the County to receive some one-time savings from operations. The County again 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 \$130,661,812, an increase of \$33,114,475 in comparison with the prior year balances of \$97,547,337. The increase is primarily attributable to the planned build-up of bond funds for capital projects (\$27,941,011) and a one-time, temporary increase in Debt Service Fund Balance (\$2,581,699). Approximately 75 percent of this total amount, \$98,102,339, is available for spending at the government’s discretion (unreserved fund balance). This compares to \$66,473,036 (68%) for the prior year. Again, 94% of the increase or \$27.9 million was due to the temporary build-up of capital funds in accordance with the County’s Capital Improvement Plan.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$40,799,145 or 32% of total General Fund expenditures of \$127,494,463 compared to \$39,593,912, or 33% of last year’s spending of \$119,565,228. 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 \$48,334,532 (11 percent) during the current fiscal year. The key factors in this increase were: 1) The issuance of \$70 million in Loan Agreements to fund Capital Projects in accordance with the County’s Five-Year Capital Improvements Plan, 2) Principal paid of \$20.0 million, 3) Funding of \$93.3 million in bonds to replace \$94.9 million to take advantage of lower interest rates and to achieve savings for the County, and 4) After year-end, the County issued \$77 million in “new money” to fund the Capital Plan.

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 thirteen 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 nine 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 28-87 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 88-91 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 105-135. Combining and individual fund statements for internal service funds can be found on pages 136-154 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 \$600,466,308 at the close of the most recent fiscal year, which compares to \$601,552,864 from last year. The Primary Government's net assets were \$305,049,761, which compares to last year's net assets of \$315,848,471. This is in line with the County's expectations.

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

	June 30,	
	2005	2004
Current and Other Assets	\$ 290,724,853	\$ 252,535,421
Capital Assets	653,170,140	648,454,811
Total Assets	943,894,993	900,990,232
Long-term Liabilities Outstanding	464,849,062	416,492,137
Other Liabilities	173,996,170	168,649,624
Total Liabilities	638,845,232	585,141,761
Net Assets:		
Invested in Capital Assets, net of Related Debt	395,113,478	430,036,480
Restricted	60,297,870	34,559,910
Unrestricted (Deficit)	(150,361,587)	(148,747,919)
Total Net Assets	\$ 305,049,761	\$ 315,848,471

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 \$35,214,873 (last year \$32,633,174) Capital Projects \$22,846,925 (last year \$0) and Other Purposes \$2,236,072 (last year \$1,926,736). The remaining balance of *unrestricted net assets* deficit of \$150,361,587, which compares to the prior year deficit of \$148,747,919, would normally be available to be used to meet the government's ongoing obligations to citizens and creditors. The decline of \$1,633,798 was nearly identical with the planned, one-time draw down of \$2.5 million of Hotel/Motel taxes for one-time purposes. Excluding the Hotel/Motel fund, the County would have reported a small surplus for Fiscal 2005. 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 operating 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, 2005, the amount of bonds and notes issued by the County on behalf of the School Board still outstanding was \$231,051,311 (excluding unamortized premium) compared to prior year of \$216,546,498. 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 only \$1,086,556 during the current fiscal year (\$21,238,641 reported last year). These activities include \$26.9 million for depreciation (\$18.0 million in Primary Governmental Activities and \$8.9 million related to the School Board's operations). The County finished very much in line with expectations. 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 \$10,798,710. Included in this amount is a payment of \$24.8 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 \$14,045,990. This compares favorably with the prior year's \$23,121,409 decrease (\$8,878,591 increase without the Bond Proceeds transfer). This net effect included a \$33.1 million net increase in the Governmental Funds combined with \$4.6 million in capital additions greater than depreciation and Bond Proceeds more than principal payments of \$48.3 million net. The Knox County School Board activity increased the County's total net assets by \$10.1 million. This increase is primarily due to \$0.2 million net change in the Board's Fund Balances combined with \$9.0 million in depreciation charges less than capital outlay and a \$1 million increase establishing the Great Schools Partnership. The Board's net assets increased by \$10,197,836 which, combined with the Primary Government's \$10,798,710 decline, virtually matches the decline in net assets for the Total Reporting Unit of \$1.1 million. This amount includes a \$2.5 million planned draw down of Hotel/Motel Fund Balance for one-time spending. The Total Reporting Unit recorded a deficit of \$1,086,556 which is 0.2% of Total Expenses of \$699,833,783. 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.

Knox County Primary Government's Changes in Net Assets

	Governmental Activities	
	Primary Government	
	2005	2004
Revenues:		
Charges for Services	\$ 87,392,233	\$ 77,442,017
Operating Grants and Contributions	22,760,584	23,108,400
General Revenues:		
Taxes	148,304,033	136,055,059
Interest Income	2,756,903	2,016,481
Other Revenues	25,009,725	31,715,158
Contracts with Governments and Citizens	307,354	1,797,835
Total Revenues	286,530,832	272,134,950
Expenses:		
Finance and Administration	36,027,013	34,272,564
Administration of Justice	13,701,681	12,635,947
Public Safety	59,658,807	62,305,450
Public Health and Welfare	38,931,249	37,779,356
Social and Cultural Services	16,592,017	15,130,591
Other General Government	64,599,046	59,950,268
Highways	21,570,330	23,223,425
Debt Service	21,404,699	17,958,758
Education Payment to Component Unit	24,844,700	32,000,000
Total Expenses	297,329,542	295,256,359
Change in Net Assets	(10,798,710)	(23,121,409)
Net Assets - July 1	315,848,471	338,969,880
Net Assets - June 30	\$ 305,049,761	\$ 315,848,471

Once again, Education was the largest activity by far for the fiscal year. Public Safety has been a focus of the Mayor – especially increasing the pay of patrol officers. Public Health and Welfare is also an integral part of the County's operations. For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

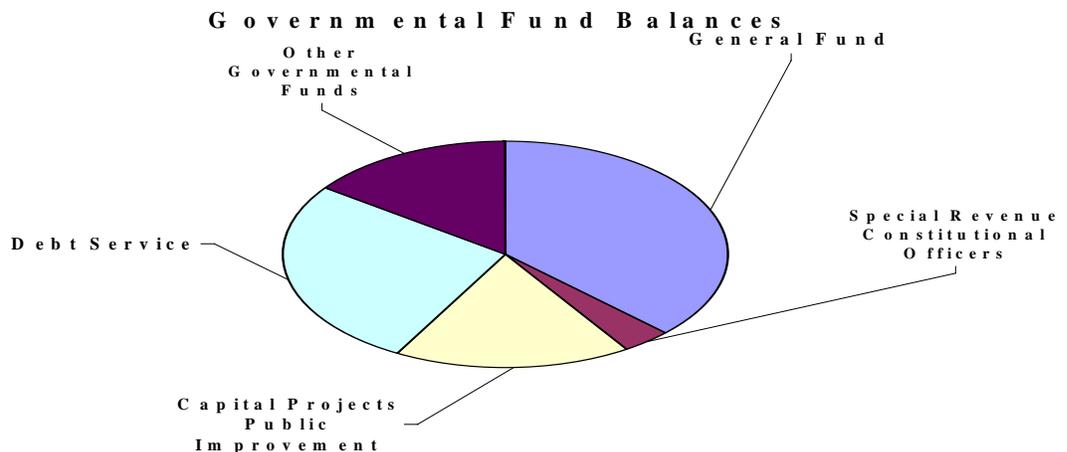
Knox County's Total Reporting Unit -- Governmental Activities

	2005	2004
Finance and Administration	\$ 36,027,013	\$ 34,272,564
Administration of Justice	13,701,681	12,635,947
Public Safety	59,658,807	62,305,450
Public Health and Welfare	38,931,249	37,779,356
Social and Cultural Services	16,592,017	15,130,591
Other General Government	64,662,864	60,171,232
Highways	21,570,330	23,223,425
Debt Service	21,404,699	17,958,758
Education	420,136,670	418,742,267
Emergency Communications	7,148,453	6,840,936
Total	\$ 699,833,783	\$ 689,060,526

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.



As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$130,661,812, an increase of \$33,114,475 in comparison with the prior year. This planned increase was primarily

related to the temporary build-up of bond proceeds in the Capital Projects Public Improvement Fund. The net change in fund balances for this fund was an increase of \$27,941,011. Small increases in the Special Revenue, Constitutional Officers, the Debt Service Fund, the General Fund, and Other Governmental Funds demonstrate another successful financial year. The unreserved, undesignated portion is available for use in the County's discretion. The Capital Projects Public Improvement Fund will be spent down in 2005-06 to continue the County's Five-Year Capital Improvements Plan. The fund balances are for: 1) to liquidate contracts and purchase orders of the prior period and specially reserved items (\$32,559,473), 2) to be used for specific designated items (\$6,047,915), 3) to be used in conjunction with special revenue purposes (\$12,292,357), or 4) capital projects (\$3,665,526) or 5) Debt Service \$28,906,228. 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 \$36,751,230 compared to \$35,101,652 last year, while total fund balance finished with a comparable \$48,734,076 to last year's \$48,265,285. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 28.8% of total General Fund expenditures which compares to 29.4% last year, while total fund balance represents 38.2% of that same amount compared to 40.4% last year. These amounts indicate that the County maintained the strong relationship between the Fund Balances and the size of its Budget and is continuing to hold steady in its financial stability and improve in its flexibility.

The total fund balance of the County's General Fund increased by \$468,791 during 2005 – compared to last year's \$1,144,935 decrease, and the undesignated portion grew \$1,649,578 continuing the County's positive trend. Key factors in the positive outcomes for the General Fund are as follows:

- Revenues except for the State, Federal and Other Governments exceeded Budget by \$1,136,981 or 0.9% which shows how closely the County is budgeting revenues while maintaining a conservative posture. State, Federal and Other Governmental Revenues exceeded Budget by \$2,122,388 much of which was one-time collections. Total Revenues exceeded Budget by \$3,259,369 or 2.5%.
- The General Fund Reserved Fund Balances and Designated Fund Balances declined \$0.7 million and \$0.4 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 \$1.6 million.
- The General Fund departments, in their normal conservative pattern, showed their fiscal responsibility by turning back unspent budget of \$4,457,990 (3.4% of allowed budget of \$131,952,453) for the fiscal year (3.2% last year).
- As intended, the County was able to fund a designated payment of \$2.0 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 \$2.0 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 2005-06 Budget.

The Debt Service Fund has a total fund balance of \$35,214,873 which compares to \$32,633,174 last year. The undesignated portion totaled \$28,906,228 and \$28,024,529 in 2005 and 2004 respectively. The net increase in fund balance during the current year was \$2,581,699 compared to \$1,993,677 last year. The undesignated portion of the Debt Service Fund increased \$881,699 on a planned break even 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 allowed the County to designate \$2 million (one time) toward the Capital Improvements Plan. 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 \$3,223,106 compared to \$3,004,055 at the end of 2004. The slight increase in the balance reinforces the break-even goal for the funds which are used as a budgeting and planning tools. 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 \$292,634 increase – which was less than 1% of the total Charges for Services. The increase was primarily due to risk management efforts in the workers' compensation and general liability areas.

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 \$6,656,745 increase in budgeted results of operations. 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 \$3.3 million from one time FY 2004 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 \$3.3 million and expenditures were less than budgetary provisions by \$4.5 million and reserves and designations were reduced by \$1.2 million, therefore allowing Undesignated General Fund Balance to increase by \$1.6 million. The overall General Fund Balance increased by \$0.5 million – which matches the County's intent to break even for fiscal 2005.

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, 2005, amounts to \$914,422,172 which compares to the prior year total of \$901,866,011. 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 \$12,556,161 or 1.4 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 Sports Complex park, new branch libraries in Burlington and Fountain City, Holston Middle School, West High Cafeteria/Library expansion and many road projects to name a few.

The County Primary Government's investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$826,235,776 net of accumulated depreciation of \$176,286,794, leaving a resulting net book value of \$649,948,982. The prior year net book value totaled \$645,307,236, an increase of \$4,641,746 due to acquisition of capital assets in excess of current year depreciation and retirements. 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 173-5.

Long-term debt. At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$478,868,271 compared to \$430,533,739 at the end of 2004. All of this amount consisted of debt backed by the full faith and credit of the County government. \$231,051,311 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remainder (\$247,816,960) of the Knox County Government's debt represents bonds issued solely for general government purposes. In Fiscal 2005, the County issued \$93,310,000 in Refunding Bonds to replace \$94,935,000 in Bonds to achieve savings for the County and Schools. In Fiscal 2005, the County also issued \$70 million to fund the current year Capital Improvement Plan. Of these proceeds, \$46 million were for General County projects, while \$24 million were dedicated to the School Board. For comparison purposes, at the end of FY 2004, the County had \$213,987,241 in direct debt and \$216,546,498 in debt issued on behalf of the Knox County Schools for a total outstanding debt of \$430,533,739.

KNOX COUNTY GOVERNMENT'S Bonded Debt Changes during FY 2005:

Rollforward of Debt:	Primary		Total
	Government	Board	
Beginning Balance	\$ 213,987,241	\$ 216,546,498	\$ 430,533,739
Refunded Debt	(44,615,545)	(50,319,455)	(94,935,000)
Principal Paid	(10,975,830)	(9,064,638)	(20,040,468)
Issued Amounts (see below)	89,421,094	73,888,906	163,310,000
Ending Amount – Bonds	<u>\$ 247,816,960</u>	<u>\$ 231,051,311</u>	<u>\$ 478,868,271</u>

Detail of Debt Issued:	Primary		Total
	Government	Board	
Series 2004 Refunding Bonds	\$14,337,717	\$ 20,212,283	\$ 34,550,000
Series 2004 Capital Plan Funding	46,000,000	24,000,000	70,000,000
Series 2005A Refunding Bonds	29,083,377	18,526,623	47,610,000
Series 2005B Refunding Bonds	--	11,150,000	11,150,000
Total Debt Issued in FY 2005	<u>\$ 89,421,094</u>	<u>\$ 73,888,906</u>	<u>\$ 163,310,000</u>

The Knox County Government's total bonded debt increased by \$48,334,532 (11.2 percent) during the current fiscal year. The key factors in this increase were the issuance of the 2004 Bonds of \$70 million to fund new capital spending in accordance with the County's five year Capital Plan. After year-end, the County issued an additional \$77 million in new funding in fiscal 2006 to fund the first year of the County's five year Capital Plan.

During the current fiscal year, the County refinanced \$94.935 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 \$478,868,271. This translates to approximately \$1,253 per capita using the 2000 census population. This compares to \$1,127 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 3.6% (4.3% YTD), which is a decrease from a rate of 3.9% percent a year earlier (3.9% YTD). This compares favorably to the state's average rate of 5.7% percent currently and 5.4% last year, and the national averages of 5.1% and 5.5% 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 and the TN Department of Labor and Workforce Development.
- Knox County has been leading the State in economic development and full employment for the past several years. While other areas have struggled with economic activity since the September 11, 2001 tragedy, our underlying economic basics continue to be sound, which is expected for Knox County. The new administration is committed to inspire economic activity with investments and jobs.
- 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 2005 and 2006 fiscal years.

During the current fiscal year, unreserved, undesignated fund balance in the General Fund increased to \$36,751,230 from \$35,101,652. This increase is indicative of the County's ability and willingness to maintain financial stability. In addition, the County was able to set aside \$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, 2005

	<u>Primary Government</u>	<u>Component Units</u>			<u>Total Reporting Unit</u>
	<u>Total -- Governmental Activities</u>	<u>Knox County Board of Education</u>	<u>Knox County Railroad Authority</u>	<u>Knox County Emergency Communications District</u>	
Assets					
Cash and Cash Equivalents	\$ 96,796,514	\$ 45,294,347	\$ 9,944	\$ 4,901,221	\$ 147,002,026
Accounts Receivable	15,724,689	28,558,696	21,759	845,082	45,150,226
Property Taxes Receivable, net	119,337,721	100,331,069	-	-	219,668,790
Interest and Dividends Receivable	116,609	-	-	8,292	124,901
Notes Receivable	9,656,636	-	-	-	9,656,636
Investments	31,478,785	-	-	-	31,478,785
Due from Component Units	863,487	-	-	-	863,487
Due from Primary Government	-	385,420	-	90,296	475,716
Due from Other Governments	-	-	-	28,560	28,560
Inventories	281,339	1,405,539	-	-	1,686,878
Prepaid Items	642,394	1,104,925	-	-	1,747,319
Pension Asset	3,876,954	-	-	-	3,876,954
Equity Interest in Joint Venture	5,095,976	-	-	-	5,095,976
Advances to Component Unit	4,308,250	-	-	-	4,308,250
Capital Assets:					
Land and Construction in Process	116,063,814	27,477,942	-	-	143,541,756
Other Capital Assets, Net of Accumulated Depreciation	537,106,326	223,141,482	-	10,632,608	770,880,416
Deferred Bond Issue Costs, Net of Accumulated Amortization	2,525,369	-	-	-	2,525,369
Total Assets	943,874,863	427,699,420	31,703	16,506,059	1,388,112,045
Liabilities					
Accounts Payable	13,312,325	37,103,717	21,759	218,851	50,656,652
Due to Component Units	475,716	-	-	-	475,716
Due to Primary Government	-	634,681	-	228,806	863,487
Unearned Revenue	122,881,687	95,506,199	-	-	218,387,886
Accrued Interest	3,912,150	-	-	-	3,912,150
Accrued Pension Obligation	-	3,385,016	-	-	3,385,016
Advances from Primary Government	-	-	-	4,308,250	4,308,250
Self-insurance Liability	7,057,135	-	-	-	7,057,135
Long-term Obligations:					
Due in Less than One Year	26,337,027	1,392,234	-	1,291,251	29,020,512
Due in More than One Year	464,849,062	154,693	-	4,575,177	469,578,932
Total Liabilities	638,825,102	138,176,540	21,759	10,622,335	787,645,736
Net Assets					
Invested in Capital Assets	-	250,619,424	-	-	250,619,424
Invested in Capital Assets, Net of Related Debt	395,113,478	-	-	4,981,105	169,043,272
Restricted for:					
Debt Service	35,214,873	-	-	-	35,214,873
Capital Projects	22,846,925	6,687,200	-	-	29,534,125
Other Purposes	2,236,072	2,431,022	-	-	4,667,094
Net Assets - Unrestricted	(150,361,587)	29,785,234	9,944	902,618	111,387,520
Total Net Assets	\$ 305,049,761	\$ 289,522,880	\$ 9,944	\$ 5,883,723	\$ 600,466,308

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, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Total Reporting Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units			
					Governmental Activities	The Board	KCRA	The District	
Primary government:									
Governmental activities:									
Finance and Administration	\$ 36,027,013	\$ 28,316,120	\$ 234,208	\$ -	\$ (7,476,685)				\$ (7,476,685)
Administration of Justice	13,701,681	3,657,019	75,744	-	(9,968,918)				(9,968,918)
Public Safety	59,055,357	1,032,281	5,797,754	-	(52,225,322)				(52,225,322)
Public Safety-Payment to Component Unit	603,450	-	-	-	(603,450)				(603,450)
Public Health and Welfare	38,368,614	4,901,207	7,491,516	-	(25,975,891)				(25,975,891)
Public Health and Welfare-Payment to Component Unit	562,635	-	-	-	(562,635)				(562,635)
Social and Cultural Services	16,592,017	1,873,889	885,182	-	(13,832,946)				(13,832,946)
Agricultural and Natural Resources	390,615	-	-	-	(390,615)				(390,615)
Other General Government	64,208,431	47,591,147	2,484,770	-	(14,132,514)				(14,132,514)
Highways	21,570,330	20,570	5,791,410	-	(15,758,350)				(15,758,350)
Education - Payment to Component Unit	24,844,700	-	-	-	(24,844,700)				(24,844,700)
Debt Service - Interest and Fees	21,404,699	-	-	-	(21,404,699)				(21,404,699)
Total primary government	\$ 297,329,542	\$ 87,392,233	\$ 22,760,584	\$ -	(187,176,725)				(187,176,725)
Component units:									
Board of Education	\$ 395,291,970	\$ 12,199,060	\$ 166,099,985	\$ -		\$ (216,992,925)	\$ -	\$ -	(216,992,925)
Knox County Railroad Authority	63,818	-	64,265	-		-	447	-	447
Knox County Emergency Communications District	7,148,453	3,867,183	-	-		-	-	(3,281,270)	(3,281,270)
Total component units	\$ 402,504,241	\$ 16,066,243	\$ 166,164,250	\$ -		(216,992,925)	447	(3,281,270)	(220,273,748)
General Revenues:									
Property Taxes					116,504,303	91,224,003	-	-	207,728,306
Sales Taxes					9,133,387	109,296,323	-	-	118,429,710
Lodging Taxes					4,207,643	-	-	-	4,207,643
Business Taxes					5,605,190	-	-	-	5,605,190
Wheel Taxes					9,182,465	1,500,000	-	-	10,682,465
Other Local Taxes					3,671,045	-	-	-	3,671,045
Interest Income					2,756,903	250,735	-	110,596	3,118,234
Payments from Primary Government					-	24,844,700	-	1,166,085	26,010,785
Other Revenues					25,001,861	-	-	-	25,001,861
Contracts - Other Governments and Citizens					307,354	75,000	-	1,518,460	1,900,814
Miscellaneous					7,864	-	-	-	7,864
Total General Revenues					176,378,015	227,190,761	-	2,795,141	406,363,917
Change in Net Assets					(10,798,710)	10,197,836	447	(486,129)	(1,086,556)
Net Assets, July 1					315,848,471	279,325,044	9,497	6,369,852	601,552,864
Net Assets, June 30					\$ 305,049,761	\$ 289,522,880	\$ 9,944	\$ 5,883,723	\$ 600,466,308

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

KNOX COUNTY, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2005

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 7,146,885	\$ 6,556,568	\$ 33,070,059	\$ 21,164,320	\$ 18,145,721	\$ 86,083,553
Receivables:						
Accounts	7,181,547	-	433,045	296	7,806,864	15,421,752
Property Taxes	101,025,238	-	-	17,999,200	313,283	119,337,721
Interest and Dividends	-	-	-	116,609	-	116,609
Notes	-	-	-	6,426,000	3,211,472	9,637,472
Investments	31,478,785	-	-	-	-	31,478,785
Due from Other Funds	5,362,803	86,484	-	9,810,891	671,562	15,931,740
Due from Component Units	238,768	20,787	-	-	-	259,555
Inventories	160,302	-	-	-	5,537	165,839
Prepaid Items	545,120	-	-	-	88,217	633,337
Investment in Joint Venture	5,095,976	-	-	-	-	5,095,976
Advances to Other Funds	162,248	-	-	-	-	162,248
Advances to Component Unit	-	-	-	4,308,250	-	4,308,250
TOTAL ASSETS	\$ 158,397,672	\$ 6,663,839	\$ 33,503,104	\$ 59,825,566	\$ 30,242,656	\$ 288,632,837
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 7,606,073	\$ -	\$ 892,904	\$ 21,813	\$ 3,316,595	\$ 11,837,385
Due to Other Funds	1,414,379	1,870,056	10,208,231	8,068	3,344,552	16,845,286
Due to Component Units	5,697	-	-	336,275	917	342,889
Deferred Revenue	100,637,447	-	-	24,244,537	4,026,233	128,908,217
Advances from Other Funds	-	-	-	-	37,248	37,248
TOTAL LIABILITIES	109,663,596	1,870,056	11,101,135	24,610,693	10,725,545	157,971,025
Fund balances:						
Reserved	7,934,931	-	16,756,669	4,308,645	3,559,228	32,559,473
Unreserved:						
Designated	4,047,915	-	-	2,000,000	-	6,047,915
Undesignated	36,751,230	4,793,783	5,645,300	28,906,228	-	76,096,541
Unreserved, reported in nonmajor:						
Special Revenue	-	-	-	-	12,292,357	12,292,357
Capital Projects	-	-	-	-	3,665,526	3,665,526
TOTAL FUND BALANCES	48,734,076	4,793,783	22,401,969	35,214,873	19,517,111	130,661,812
TOTAL LIABILITIES AND FUND BALANCES	\$ 158,397,672	\$ 6,663,839	\$ 33,503,104	\$ 59,825,566	\$ 30,242,656	\$ 288,632,837

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

KNOX COUNTY, TENNESSEE

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

June 30, 2005

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

Ending Fund Balance - Governmental Funds \$ 130,661,812

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 649,948,982

Other long-term assets, consisting of deferred debt issuance costs (\$2,525,369) and pension asset (\$3,876,954), are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 6,402,323

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. 6,444,264

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	\$ 478,868,271	
Unamortized Bond Premium	19,653,668	
Unamortized Amount on Refunding	(11,939,335)	
Accrued Interest	3,912,150	
Compensated Absences	<u>4,494,502</u>	(494,989,256)

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. 6,581,636

Net Assets of Governmental Activities \$ 305,049,761

KNOX COUNTY, TENNESSEE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2005**

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
Local Taxes	\$ 114,343,327	\$ -	\$ 1,526,475	\$ 20,710,173	\$ 11,491,050	\$ 148,071,025
Licenses and Permits	3,472,814	-	-	-	-	3,472,814
Fines, Forfeitures and Penalties	2,980,362	-	-	-	251,531	3,231,893
Charges for Current Services	4,639,016	22,132,516	1,192	-	1,062,695	27,835,419
Other Local Revenues	1,702,915	-	1,969,281	-	711,467	4,383,663
Fees Received from County Officials	426,736	-	-	-	-	426,736
State of Tennessee	7,185,463	-	159,611	-	11,967,294	19,312,368
Federal Government	741,228	-	246	-	5,037,649	5,779,123
Other Governments and Citizen Groups	182,180	-	601,000	297,354	374,854	1,455,388
Payments from Component Units	-	-	-	20,838,840	-	20,838,840
Interest Earned	-	105,634	64,788	2,543,349	-	2,713,771
Total Revenues	135,674,041	22,238,150	4,322,593	44,389,716	30,896,540	237,521,040
Expenditures						
Current:						
Finance and Administration	21,805,059	13,604,534	-	-	383,309	35,792,902
Finance and Administration - Payments to Component Unit	1,000,000	-	-	-	-	1,000,000
Administration of Justice	12,775,176	-	-	-	294,048	13,069,224
Public Safety	52,522,985	-	-	-	4,712,389	57,235,374
Public Safety - Payments to Component Unit	603,450	-	-	-	-	603,450
Public Health and Welfare	27,474,927	-	-	-	9,843,701	37,318,628
Public Health and Welfare - Payments to Component Unit	562,635	-	-	-	-	562,635
Social and Cultural Services	3,970,464	-	-	-	10,717,768	14,688,232
Agricultural and Natural Resources	390,615	-	-	-	-	390,615
Other General Government	5,931,928	-	-	-	7,601,908	13,533,836
Highways	-	-	-	-	8,607,547	8,607,547
Decrease in Equity Interest in Joint Venture	457,224	-	-	-	-	457,224
Debt Proceeds Paid to Component Unit	-	-	24,000,000	-	-	24,000,000
Debt Issuance Cost	-	-	308,200	-	-	308,200
Payments to Component Unit	-	-	5,500	-	-	5,500
Capital Projects	-	-	24,273,805	-	117	24,273,922
Debt Service:						
Contracted Services	-	-	-	518,386	-	518,386
Trustee's Commission	-	-	-	350,373	-	350,373
Principal on Bonds	-	-	-	20,040,468	-	20,040,468
Interest on Bonds	-	-	-	21,439,049	-	21,439,049
Total expenditures	127,494,463	13,604,534	48,587,505	42,348,276	42,160,787	274,195,565
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,179,578	8,633,616	(44,264,912)	2,041,440	(11,264,247)	(36,674,525)
Other financing sources (uses)						
Transfers from Other Funds	7,402,990	-	2,602,735	540,259	13,176,595	23,722,579
Transfers to Other Funds	(15,113,777)	(7,402,990)	(396,812)	-	(1,020,000)	(23,933,579)
Long-term Debt Issued	-	-	70,000,000	101,548,711	-	171,548,711
Payments to Holders of Refunded Debt	-	-	-	(101,548,711)	-	(101,548,711)
Total Other Financing Sources (Uses)	(7,710,787)	(7,402,990)	72,205,923	540,259	12,156,595	69,789,000
Net Change in Fund Balances	468,791	1,230,626	27,941,011	2,581,699	892,348	33,114,475
Fund Balance (Deficit), July 1	48,265,285	3,563,157	(5,539,042)	32,633,174	18,624,763	97,547,337
Fund Balance, June 30	\$ 48,734,076	\$ 4,793,783	\$ 22,401,969	\$ 35,214,873	\$ 19,517,111	\$ 130,661,812

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

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2005

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

Net Change in Fund Balances - Total Governmental Funds	\$ 33,114,475
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 (\$22,632,139) exceeded depreciation (\$17,990,393) in the current period.	4,641,746
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.	6,581,636
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.	(6,348,628)
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 (\$163,310,000) exceeded debt principal payments (\$114,975,468) by this amount.	(48,334,532)
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$696,257) and amortization of deferred debt issuance costs (\$254,960). In addition, the amortization of bond premium results in reduction of expenses of \$1,349,341. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	398,124
Bonds issued at a premium provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net assets. Conversely, the difference between the reacquisition price and the net carrying value of debt refunded results in a deferred amount on refunding, which is reported as a deduction from bonds payable. In addition, bond issuance costs are expenditures of governmental funds, but are deferred assets in the statement of net assets. Bond premiums (\$8,238,711) exceeded the deferred amount on refunding (\$5,876,613) and bond issuance costs (\$1,206,098) by this amount.	(1,156,000)
Expenses reported in the statement of activities include the increase in the liability for compensated absences (\$338,125), and the decrease in net pension asset (\$33,047). In addition, the reduction of the balance of accrued interest results in the reduction of expenses of \$383,007. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	11,835
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.	<u>292,634</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (10,798,710)</u></u>

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

KNOX COUNTY, TENNESSEE

Statement of Net Assets
Proprietary Funds
June 30, 2005

	Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 10,712,961
Receivables:	
Accounts	302,937
Notes	19,164
Due from Other Funds	1,171,594
Due from Component Units	603,932
Inventories	115,500
Prepaid Items	9,057
	<hr/>
TOTAL CURRENT ASSETS	12,935,145
Capital Assets:	
Machinery and Equipment	10,489,162
Accumulated Depreciation	(7,268,004)
	<hr/>
Capital Assets (Net of Accumulated Depreciation)	3,221,158
	<hr/>
TOTAL ASSETS	16,156,303
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	1,474,940
Due to Other Funds	258,048
Due to Component Units	132,827
Deferred Revenue	555,106
Self Insured Claims Liability	7,057,135
Compensated Absences Payable	98,085
Advances from Other Funds	125,000
	<hr/>
TOTAL CURRENT LIABILITIES	9,701,141
Noncurrent Liabilities:	
Compensated Absences Payable	10,898
	<hr/>
TOTAL LIABILITIES	9,712,039
NET ASSETS	
Invested in Capital Assets	3,221,158
Unrestricted	3,223,106
	<hr/>
TOTAL NET ASSETS	\$ 6,444,264

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

KNOX COUNTY, TENNESSEE

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2005

	Internal Service Funds
Operating Revenues	
Charges for Services	\$ 47,585,450
Operating Expenses	
Cost of Sales and Services	1,152,453
General and Administration	7,556,942
Depreciation and Amortization	1,294,486
Medical Claims	15,665,437
Retirement Contributions	17,029,378
Other Employee Benefits	402,361
Worker's Compensation Claims	1,412,675
Loss on Disposal of Capital Assets	39,406
Other Expenses	4,142,012
Total Operating Expenses	48,695,150
Operating Loss	(1,109,700)
Nonoperating Revenues	
Payments from Component Units	490,486
Other Income	39,272
Total Nonoperating Revenues	529,758
Loss before Transfers	(579,942)
Transfers	
Transfers from Other Funds	872,576
Change in Net Assets	292,634
Total Net Assets, July 1	6,151,630
Total Net Assets, June 30	\$ 6,444,264

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

KNOX COUNTY, TENNESSEE

**Statement of Cash Flows
Proprietary Funds**

For the Year Ended June 30, 2005

	<u>Internal Service Funds</u>
Operating Activities	
Cash Received from Interfund Services Provided	\$ 46,760,572
Cash Paid to Employees	(1,333,047)
Cash Paid for Goods and Services	(13,060,533)
Cash Paid on Behalf of Employees	(33,587,018)
Net Cash Used in Operating Activities	<u>(1,220,026)</u>
Noncapital Financing Activities	
Receipts from Subrogation Payments	76,288
Transfers from Other Funds	1,363,062
Advances from Other Funds	50,000
Net Cash Provided by Noncapital Financing Activities	<u>1,489,350</u>
Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(1,407,475)
Net Decrease in Cash and Cash Equivalents/Investments	<u>(1,138,151)</u>
Cash and Cash Equivalents/Investments	
Beginning of Year	<u>11,851,112</u>
End of Year	<u>\$ 10,712,961</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (1,109,700)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization	1,294,486
Loss on Disposal of Capital Asset	39,406
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	(84,934)
Decrease in Due from Other Funds	(420,121)
Decrease in Due from Component Units	(373,340)
Decrease in Inventories	(10,077)
Increase in Prepaid Items	(466)
Decrease in Accounts Payable and Accrued Liabilities	(130,972)
Increase in Due to Other Funds	(25,806)
Increase in Due to Component Units	(12,274)
Increase in Compensated Absences	(938)
Increase in Deferred Revenue	(385,290)
Total Adjustments	<u>(110,326)</u>
Net Cash Used in Operating Activities	<u>\$ (1,220,026)</u>

KNOX COUNTY, TENNESSEE

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 23,470,834
Receivables:		
Accounts	-	5,887,038
Contributions	42,162	-
Investments	248,275,043	-
Prepaid Items	18,080	-
	<hr/>	<hr/>
TOTAL ASSETS	248,335,285	\$ 29,357,872
	<hr/>	<hr/>
LIABILITIES		
Accounts Payable and Accrued Liabilities	40,941	\$ 7,365,506
Due to Other Governments	-	4,358,501
Due to Litigants, Heirs and Others	-	17,633,865
	<hr/>	<hr/>
TOTAL LIABILITIES	40,941	\$ 29,357,872
	<hr/>	<hr/>
NET ASSETS		
Held in Trust for:		
Pension Benefits	\$ 248,294,344	
	<hr/>	

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

KNOX COUNTY, TENNESSEE

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2005

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 7,485,148
Employees	9,365,421
Transfers from Other Plans	81,333
Total Contributions	<u>16,931,902</u>
Investment Earnings:	
Interest and Dividend Income	1,493,425
Net Appreciation in Fair Value of Investments	15,070,370
Total Investment Earnings	<u>16,563,795</u>
Less Investment Expenses	<u>(275,144)</u>
Net Investment Earnings	<u>16,288,651</u>
Total Additions	<u>33,220,553</u>
Deductions	
Benefits and Refunds	14,576,994
Transfers to Other Funds (Administrative and Professional)	661,576
Transfers to Other Plans	311,333
Total Deductions	<u>15,549,903</u>
Change in Net Assets	17,670,650
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>230,623,694</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 248,294,344</u>

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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 County

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 86 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2004 - 2005 school year was 53,119 with a full time equivalent average daily attendance of 49,990. During the previous year, the full time equivalent average daily membership was 52,595 with a full time equivalent average daily attendance of 49,554.

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, 2005

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.

Discretely Presented Major Component Unit - the Board

The Great Schools Partnership Charitable Trust (the Partnership) was established during the fiscal year ended June 30, 2005. Its purpose is to support the Knox County Schools by expending funds in furtherance of the exempt purposes of the Board or by distributions of funds directly to the Board. The Partnership is a legally separate, tax-exempt organization governed by a thirteen-member board consisting of representatives of the Board, Knox County, the City of Knoxville, and various other governmental, educational, and not-for-profit organizations. Although the Board does not control the timing or amount of expenditures made by the Partnership, the majority of the resources, or income therefrom, that the Partnership holds are restricted to the exempt purposes of the Board by the donors. Therefore, the Partnership is considered a component unit of the Board and is discretely presented in the Board's financial statements.

The Partnership does not issue separate financial statements. Its activities are accounted for in a single fund, and the information presented in the Board's 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).

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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, 2005

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, 2005

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, 2005

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 and the Partnership follow 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, 2005

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.

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, 2005

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 1st, and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1 of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

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

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

Inventories and Prepaid Assets

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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, 2005

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. For the County and Component Unit governmental activities, compensated absences liabilities are generally liquidated by the respective general fund. 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 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 unamortized bond premium or discount deferred amounts on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt on the straight-line basis.

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, 2005

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, 2005

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. The Board prepares a comprehensive budgetary request that is also sent to the Department of Finance. 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, 2005

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, 2005:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Fund	Original Budget	Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 139,492,279	\$ 7,678,790	\$ 147,171,069
Special Revenue Funds:			
State and Federal Grants	947,150	22,541,571	23,488,721
Governmental Library	120,000	53,000	173,000
Public Library	10,577,076	525,569	11,102,645
Solid Waste	3,417,087	1,162,694	4,579,781
Hotel/Motel Tax	6,800,000	-	6,800,000
Fire District	170,000	-	170,000
Highway	11,543,751	398,186	11,941,937
Drug Control	-	689,870	689,870
Total Special Revenue Funds	33,575,064	25,370,890	58,945,954
Debt Service Fund	44,000,000	101,457,202	145,457,202
Capital Projects Funds:			
Public Improvement	250,500	74,215	324,715
ADA Construction	750,000	1,387,548	2,137,548
Total Capital Projects Funds	1,000,500	1,461,763	2,462,263
Total - Governmental Funds	\$ 218,067,843	\$ 135,968,645	\$ 354,036,488

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Fund	Original Budget	Revisions	Revised Budget
Component Unit - the Board:			
General Fund:			
General Purpose School	\$ 311,931,500	\$ 9,631,098	\$ 321,562,598
Special Revenue Funds:			
School Federal Projects	-	42,579,723	42,579,723
School General Projects	-	6,644,274	6,644,274
Central Cafeteria	17,155,500	1,482,565	18,638,065
Total Special Revenue Funds	17,155,500	50,706,562	67,862,062
Capital Projects Fund:			
School Construction	16,700,000	473,695	17,173,695
Total - the Board	\$ 345,787,000	\$ 60,811,355	\$ 406,598,355

Designated funds, as of June 30, 2005, in the General Fund, Public Library Fund, the Highway Fund, and the Debt Service Fund reappropriated in the subsequent fiscal year totaled \$4,047,915, \$54,402, \$2,761,775, and \$2,000,000, respectively.

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2005, 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, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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.

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.

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.

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	\$ 4,585	\$ 165	\$ -	\$ -
Carrying Amount of Deposits	117,290,307	45,294,182	9,944	4,901,221
Investments (Governmental Funds)	31,478,785	-	-	-
Investments (Pension Trust Funds)	248,275,043	73,575,991	-	-
Investment in State Treasurer's Investment Pool	2,972,456	-	-	-
Total	\$ 400,021,176	\$ 118,870,338	\$ 9,944	\$ 4,901,221
Cash and Cash Equivalents	\$ 120,267,348	\$ 45,294,347	\$ 9,944	\$ 4,901,221
Investments	279,753,828	73,575,991	-	-
Total	\$ 400,021,176	\$ 118,870,338	\$ 9,944	\$ 4,901,221

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's governmental activities investments are managed by an investment board, whose objectives are to maximize earnings while reducing the exposure to interest rate risks to a low level by utilizing a mixture of short and long-term maturity investments, primarily in investments in U.S. Government Securities and securities issued by agencies of the U.S. Government. The County's and Board's Pension Trust fund activities are managed by the Knox County Retirement Board, whose objectives are to maximize earnings while reducing the exposure to interest rate risks to an appropriate level by using a mixture of long-term and short-term investments in various debt and equity securities. The investments of the County's defined benefit plan and the Board's defined benefit plan are included in a single trust account. The following represents the County's governmental activities investments and the activities of the County's and the Board's Pension Trust funds:

	Primary Government, Governmental Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value or Carrying Amount	Weighted Average Maturity (Years)	Fair Value or Carrying Amount	Weighted Average Maturity (Years)
Cash Equivalents Classified as Investments	\$ 17,920		\$ 1,710,434	
Equity Mutual Funds	\$ -		\$ 294,235,660	
Fixed Income Securities:				
U.S. Government Securities	12,710,451	0.654	3,823,565	4.025
U.S. Government Agency Securities	18,750,404	1.257	8,576,325	3.366
Corporate Bonds	-		12,342,059	4.040
Municipal Bonds	-		667,673	2.331
State Agency Bonds	-		495,318	6.833
Total Fixed Income Securities	<u>\$ 31,460,855</u>	<u>1.138</u>	<u>\$ 25,904,940</u>	<u>5.791</u>

Custodial credit risk:

The County's policies limit deposits and investments to those instruments allowed by applicable state laws. 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Custodial Credit Risk (Continued)

A portion of the County's, the Board's and the District's deposits at June 30, 2005 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.

Credit risk:

The County's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable laws. The County's and Board's Pension Trust funds are managed with long-term objectives that include maximizing total investment earnings. State statutes and County policies allow the Pension Trust funds a broader range of investments than those available to the governmental activities. The credit risk of the investments of the County's governmental activities and the County's and Board's Pension Trust funds investments in fixed-income securities (excluding U.S. Government securities) is as follows:

	Primary Government, Governmental		Fiduciary Activities, Primary	
	Fair Value	S&P Rating	Fair Value	S&P Rating
U.S. Government Agency Securities:	\$ 18,750,414	AAA	\$ 8,576,325	AAA
Corporate Bonds:				
Corporate Bonds	-	-	375,921	AAA
Corporate Bonds	-	-	753,480	AA
Corporate Bonds	-	-	1,708,923	AA-
Corporate Bonds	-	-	4,708,636	A+
Corporate Bonds	-	-	1,693,972	A
Corporate Bonds	-	-	2,013,619	A-
Corporate Bonds	-	-	724,652	BBB+
Corporate Bonds	-	-	362,856	BB+
Municipal Bonds	-	-	667,673	AA
State Agency Bonds	-	-	495,318	AAA
	\$ 18,750,414		\$ 22,081,375	

The County's governmental activities investments and the County's and the Board's pension trust investments have no investments in any single issuer of fixed income securities that represent 5 percent or more of plan net assets.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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	\$ -	\$ 116,609	\$ -	\$ -	\$ -	\$ 116,609	\$ -
Taxes	103,469,742	18,524,466	-	540,320	-	122,534,528	-
Accounts	7,181,547	296	433,045	7,806,864	302,937	15,724,689	5,887,038
Contributions	-	-	-	-	-	-	42,162
Gross Receivables	110,651,289	18,641,371	433,045	8,347,184	302,937	138,375,826	5,929,200
Less: Allowances for Uncollectibles	(2,444,504)	(525,266)	-	(227,037)	-	(3,196,807)	-
Net Total Receivables	<u>\$ 108,206,785</u>	<u>\$ 18,116,105</u>	<u>\$ 433,045</u>	<u>\$ 8,120,147</u>	<u>\$ 302,937</u>	<u>\$ 135,179,019</u>	<u>\$ 5,929,200</u>

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

<u>Component Units:</u>	Government-wide Totals			The Board - Pension Trust
	The Board	KCRA	The District	
Receivables:				
Interest	\$ -	\$ -	\$ 8,292	\$ -
Taxes	103,001,258	-	-	-
Accounts	28,558,696	21,759	845,082	-
Contributions	-	-	-	783,381
Gross Receivables	131,559,954	21,759	853,374	783,381
Less: Allowances for Uncollectibles	(2,670,189)	-	-	-
Net Total Receivables	<u>\$ 128,889,765</u>	<u>\$ 21,759</u>	<u>\$ 853,374</u>	<u>\$ 783,381</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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, 2005:

- (1) A non-interest bearing note receivable from the Development Corporation (the Corporation) with a current balance of \$600,000 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, 2005, \$2,121,000 remained outstanding.

The State and Federal Grants Special Revenue Fund had \$3,211,472 of notes receivable at June 30, 2005. 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, 2005

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, 2005, was the following:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 86,580,600	\$ 2,350,991	\$ 449,098	\$ 88,482,493
Construction in Progress	71,653,209	10,992,929	55,064,817	27,581,321
Total Capital Assets, not being depreciated	<u>158,233,809</u>	<u>13,343,920</u>	<u>55,513,915</u>	<u>116,063,814</u>
Capital Assets being depreciated:				
Buildings	154,524,841	28,515,170	-	183,040,011
Land Improvements	12,779,666	5,240,779	-	18,020,445
Machinery and Equipment	32,853,252	2,939,619	1,310,173	34,482,698
Intangible Assets	886,293	11,111,917	250	11,997,960
Infrastructure	454,847,587	18,402,124	-	473,249,711
Total Capital Assets being depreciated	<u>655,891,639</u>	<u>66,209,609</u>	<u>1,310,423</u>	<u>720,790,825</u>
Less Accumulated Depreciation for:				
Buildings	45,820,137	3,511,341	-	49,331,478
Land Improvements	4,537,371	643,548	-	5,180,919
Machinery and Equipment	19,419,350	3,443,547	1,270,767	21,592,130
Intangible Assets	555,421	93,444	250	648,615
Infrastructure	95,338,358	11,592,999	-	106,931,357
Total Accumulated Depreciation	<u>165,670,637</u>	<u>19,284,879</u>	<u>1,271,017</u>	<u>183,684,499</u>
Total Capital Assets being depreciated, net	<u>490,221,002</u>	<u>46,924,730</u>	<u>39,406</u>	<u>537,106,326</u>
Governmental Activities Capital Assets, net	<u>\$ 648,454,811</u>	<u>\$ 60,268,650</u>	<u>\$ 55,553,321</u>	<u>\$ 653,170,140</u>

Depreciation expense was charged to primary government functions as follows:

Finance and Administration	\$ 214,533
Administration of Justice	579,566
Public Safety	1,667,783
Public Health and Welfare	962,179
Social and Cultural Services	1,744,577
Other General Government	2,237,499
Highways	<u>11,878,742</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 19,284,879</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Board of Education

Component Unit - The Board:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated:				
Land	\$ 16,880,798	\$ 528,700	\$ -	\$ 17,409,498
Construction in Progress	9,008,223	16,683,721	15,623,500	10,068,444
Total Capital Assets, not being depreciated	<u>25,889,021</u>	<u>17,212,421</u>	<u>15,623,500</u>	<u>27,477,942</u>
Capital Assets being depreciated:				
Buildings	325,366,669	15,774,598	-	341,141,267
Machinery and Equipment	17,097,278	503,606	-	17,600,884
Intangible Assets	181,896	42,635	-	224,531
Total Capital Assets being depreciated	<u>342,645,843</u>	<u>16,320,839</u>	<u>-</u>	<u>358,966,682</u>
Less Accumulated Depreciation for:				
Buildings	117,611,422	7,444,708	-	125,056,130
Machinery and Equipment	9,155,016	1,468,424	-	10,623,440
Intangible Assets	131,008	14,622	-	145,630
Total Accumulated Depreciation	<u>126,897,446</u>	<u>8,927,754</u>	<u>-</u>	<u>135,825,200</u>
Total Capital Assets being depreciated, net	<u>215,748,397</u>	<u>7,393,085</u>	<u>-</u>	<u>223,141,482</u>
Governmental Activities Capital Assets, net	<u>\$ 241,637,418</u>	<u>\$ 24,605,506</u>	<u>\$ 15,623,500</u>	<u>\$ 250,619,424</u>

The following is a summary of the District's capital assets at June 30, 2005:

	<u>The District</u>
Land and Buildings	\$ 5,005,941
Machinery and Equipment	12,281,035
Intangible Assets	29,345
Leasehold Improvements	207,735
Less: Accumulated Depreciation	<u>(6,891,448)</u>
Total	<u>\$ 10,632,608</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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, 2005, is as follows:

Due to/from Other Funds - Primary Government:

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General	State and Federal Grants	\$ 3,176,538
	Public Library	38,049
	Solid Waste	2,880
	Highway	19,891
	Constitutional Officers' Special Revenue Fund	1,870,056
	Vehicle Service Center	249,273
	Public Improvement	528
	Retirement	1,829
	Self Insurance	34
	Technical Support Service	3,725
		<u>5,362,803</u>
Debt Service	Public Improvement	<u>9,810,891</u>
Constitutional Officers	General	64,607
	Governmental Library	141
	Public Library	588
	Solid Waste	31
	Hotel/Motel Tax	8,164
	Fire District	44
	Drug Control	407
	Highway	7,667
	Debt Service	4,835
		<u>86,484</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Receivable Fund	Payable Fund	Amount
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants	General	249,732
	Debt Service	3,233
		252,965
Governmental Library	State and Federal Grants	20,000
Public Library	State and Federal Grants	1,646
Solid Waste	Public Improvement	396,812
	Employee Benefits	139
		396,951
Total Nonmajor Governmental Funds		671,562
Total Governmental Funds		\$ 15,931,740
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 95,030
	State and Federal Grants	485
	Public Library	1,917
	Solid Waste	7,095
	Highway	55,734
	Self Insurance	311
		160,572

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Receivable Fund	Payable Fund	Amount
Mailroom	General	23,742
	State and Federal Grants	106
	Solid Waste	14
	Highway	5
	Employee Retirement	403
	Self Insurance	40
		<u>24,310</u>
Employee Benefits	General	977,541
	Public Library	425
	Vehicle Service Center	1,925
	Self Insurance	369
		<u>980,260</u>
Technical Support	General	3,727
	Public Library	85
	Highway	2,640
		<u>6,452</u>
Total Internal Service Funds		<u>\$ 1,171,594</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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	125,000
Primary Government - Total Advances		<u>\$ 162,248</u>

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	\$ 11,308
	Component Unit - the Board, School Federal Projects	857
	Component Unit - the Board, School General Projects	1,624
	Component Unit - the District	224,979
		<u>\$ 238,768</u>
Constitutional Officers	Component Unit - the Board, General Purpose School	20,774
	Component Unit - the District	13
		<u>\$ 20,787</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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>		
Internal Service Funds:		
Vehicle Service Center	Component Unit - the Board, General Purpose School	\$ 4,580
	Component Unit - the Board, School Federal Projects	2,315
	Component Unit - the District	239
		7,134
Employee Benefits	Component Unit - the Board, General Purpose School	170,673
	Component Unit - the Board, School General Projects	1,046
	Component Unit - the Board, School Federal Projects	40,471
	Component Unit - the District	3,575
		215,765
Self Insurance	Component Unit - the Board, General Purpose School	380,608
Technical Support	Component Unit - the Board, General Purpose School	425
Primary Government - Total Internal Service Funds		\$ 603,932
Component Unit - the Board, General Purpose School	Primary Government - General Primary Government - State and Federal Grants	\$ 1,170 917
	Primary Government - Employee Benefits	132,827
		\$ 134,914
Component Unit - the Board, Capital Projects - School Construction	Primary Government - Debt Service	\$ 250,506

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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
Component Unit - the District	Primary Government - General	\$ 4,527
	Primary Government - Debt Service	85,769
		<u>\$ 90,296</u>

Advances from/to Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Primary Government -Major Fund: Debt Service	Component Unit - the District	<u>\$ 4,308,250</u>

Due to/from Other Funds - The Board:

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose School	School General Projects	\$ 1,717
	School Federal Projects	5,128,537
	Central Cafeteria	34,690
		<u>5,164,944</u>
<u>Nonmajor Special Revenue Funds:</u>		
School General Projects	General Purpose School	222,580
	School Federal Projects	38,945
	Capital Projects - School Construction	4,638
		<u>266,163</u>
School Federal Projects	General Purpose School	28,582
	School General Projects	73,028
		<u>101,610</u>
Central Cafeteria	General Purpose School	<u>1,636,242</u>
Total Nonmajor Special Revenue Funds		<u>2,004,015</u>
Total Board of Education		<u>\$ 7,168,959</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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, 2005, is as follows:

Primary Government:

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 7,402,990
Debt Service	General	540,259
Capital Projects - Public Improvement	General	1,602,735
	Hotel/Motel Tax	1,000,000
		<u>2,602,735</u>
<u>Nonmajor Governmental Funds:</u>		
Special Revenue Funds:		
State and Federal Grants	General	1,199,775
Governmental Library	General	35,008
	State and Federal Grants	20,000
		<u>55,008</u>
Public Library	General	8,825,000
Solid Waste	General	2,700,000
	Capital Projects - Public Improvement	396,812
		<u>3,096,812</u>
Total Nonmajor Governmental Funds		<u>13,176,595</u>
Total Governmental Funds		<u>\$ 23,722,579</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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	\$ 211,000
Employee Retirement	Pension Trust - Defined Benefit	<u>661,576</u>
Total Internal Service Funds		<u>\$ 872,576</u>

Transfers Within Component Unit – the Board:

Transfers - In	Transfers - Out	Amount
General Purpose School (Major Fund)	Central Cafeteria	<u>\$ 249,677</u>
<u>Special Revenue Funds (Nonmajor):</u>		
School General Projects	General Purpose School	983,396
School Federal Projects	General Purpose School	<u>81,034</u>
Total Nonmajor Special Revenue Funds		<u>1,064,430</u>
Total Board of Education		<u>\$ 1,314,107</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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	\$ 3,856,640
	Component Unit - the Board, School Construction	16,700,000
	Component Unit - the District	<u>282,200</u>
Total Primary Government - Debt Service		<u>\$ 20,838,840</u>
Primary Government - Employee Retirement (Proprietary Fund)	Component Unit - the Board, Pension Trust - Defined Benefit	<u>\$ 490,486</u>
Component Unit - School General Projects	Primary Government - General	<u>\$ 1,000,000</u>
Component Unit - School Construction	Primary Government - General	\$ 24,000,000
	Primary Government - Public Improvement	<u>5,500</u>
Total Component Unit - School Construction		<u>\$ 24,005,500</u>
Component Unit - the District	Primary Government - General	<u>\$ 1,166,085</u>

Transactions between the Board and its Component Unit:

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Component Unit - Great Schools Partnership	Primary Government - the Board, School General Projects	<u>\$ 1,000,000</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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
<u>Primary Government - Major Funds:</u>		
<u>General Fund:</u>		
Taxes receivable, earned in current fiscal year	\$ 5,529,655	\$ -
Taxes receivable, applicable to subsequent fiscal year	95,107,792	95,107,792
	100,637,447	
<u>Debt Service Fund:</u>		
Taxes receivable, earned in current fiscal year	941,324	-
Taxes receivable, applicable to subsequent fiscal year	16,873,963	16,873,963
Notes receivable, applicable to subsequent fiscal year	6,429,250	6,429,250
	24,244,537	
<u>Primary Government - Nonmajor Funds:</u>		
<u>General Grants Fund:</u>		
Unexpended grant funds	3,695,031	3,695,031
<u>Public Library Fund:</u>		
Taxes receivable, earned in current fiscal year	75,985	-
Unexpended donations	21,840	21,840
	97,825	
<u>Solid Waste Fund:</u>		
Taxes receivable, earned in current fiscal year	27,917	-
<u>Fire District Fund:</u>		
Taxes receivable, applicable to subsequent fiscal year	198,705	198,705
<u>ADA Construction Fund:</u>		
Taxes receivable, earned in current fiscal year	6,755	-
Total Nonmajor Governmental Funds	4,026,233	
<u>Internal Service - Employee Benefits Fund:</u>		
Unearned revenue	555,106	555,106
Total - Primary Government	\$ 129,463,323	\$ 122,881,687

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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	\$ 4,997,140	\$ -
Taxes receivable, applicable to subsequent fiscal year	94,340,794	94,340,794
	99,337,934	
Component Unit - the Board - Nonmajor Funds		
<u>School Federal Projects:</u>		
Unexpended grant funds	1,143,970	1,143,970
	17,711	17,711
<u>School General Projects:</u>		
Unexpended grant funds	17,711	17,711
	3,724	3,724
<u>Central Cafeteria:</u>		
Unearned revenue	3,724	3,724
	100,503,339	95,506,199
Total Component Unit - the Board		

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, 2005. The future minimum lease payments as of June 30, 2005, were as follows:

Year Ending June 30	Primary Government
2006	\$ 2,400
2007	2,400
2008	2,400
2009	2,400
2010	2,400
2011-2015	12,000
2016-2020	12,000
2021-2023	7,200
Total	\$ 43,200

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases (Continued)

Capital Leases

The District, a component unit of the County, leases various equipment through capital leasing arrangements. The District's capital lease obligations are reflected as fund liabilities.

The future minimum lease obligations for the District as of June 30, 2005, are as follows:

Year Ending June 30,	<u>Component Unit</u> <u>The</u> <u>District</u>
2006	\$ 1,287,766
2007	1,288,568
2008	1,283,791
2009	980,987
2010	677,521
2011	<u>670,921</u>
Total Minimum Lease Payments	6,189,554
Less: Amounts Representing Interest	<u>(538,051)</u>
Present Value of Minimum Lease Payments	<u>\$ 5,651,503</u>

Capital lease obligations currently outstanding for the District are as follows:

Lessor	Purpose	Interest Rate	Last Maturity Date	Principal Balance
<u>Component Unit:</u>				
The District				
G.E. Capital	Communications Equipment	4.28%	12/18/2008	<u>\$ 1,956,503</u>
Sun Trust Leasing	CAD/CTI Equipment	3.31%	10/1/2010	<u>\$ 3,695,000</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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.

As all bonded indebtedness is County debt, the portion issued on behalf of the Board is not considered capital-related debt in the primary government's statement of net assets. However, the total amount of the County's bonded indebtedness is considered capital-related in the total reporting entity column of the statement of net assets.

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, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

	Interest Rate	Last Maturity Date	Principal Balance
Governmental Activities:			
General Obligation, Series 1998	4.00%	04/01/06	\$ 1,295,700
General Obligation - Women's Basketball Hall of Fame	Variable Rate	06/01/18	6,715,000
General Obligation - Series 2000	5.00-5.10%	05/01/08	2,984,613
General Obligation - Refunding Series 2001	4.50-5.50%	04/01/12	26,837,420
General Obligation Public Improvement, Series 2001	5.00-5.50%	05/01/12	15,743,750
Andrew Johnson - Refunding Series 2002	4.00-4.50%	05/01/11	1,821,568
General Obligation - Refunding Series 2002A	4.00-5.50%	04/01/19	30,890,542
General Obligation - Refunding Bonds, Series 2003	4.00-5.00%	04/01/14	28,222,309
General Obligation - Refunding Bonds, Series 2003A	5.00%	02/01/17	4,978,776
General Obligation - Series 2003	Variable Rate Swap to 4.50%	06/01/29	39,021,700
General Obligation - Refunding Series 2004	4.00-5.25%	04/01/20	14,287,919
General Obligation - Series 2004	Variable Rate Swap to 4.00%	06/01/29	45,934,286
General Obligation - Refunding Series 2005A	3.569-5.00%	05/01/21	29,083,377
Total Bonded Debt to be repaid by Governmental Activities			<u>247,816,960</u>
The Board:			
General Obligation Pension Refunding Bonds - Series 1998	6.375%	05/01/08	1,995,000
General Obligation, Series 1998	4.00-5.25%	04/01/06	1,789,300
General Obligation - Series 2000	5.00-5.10%	05/01/08	4,775,387
Qualified Zone Academy Bonds	0.00%	11/01/11	1,508,269
General Obligation - Refunding Series 2001	4.50-5.50%	04/01/12	13,562,582
General Obligation Public Improvement, Series 2001	5.00-5.50%	05/01/12	9,446,250
Andrew Johnson - Refunding Series 2002	4.00-4.50%	05/01/11	3,498,432
General Obligation - Refunding Series 2002A	4.00-5.50%	04/01/19	51,289,458
General Obligation - Refunding Series 2003	4.00-5.00%	04/01/14	26,082,691
General Obligation - Refunding Series 2003A	5.00%	02/01/17	11,341,224
General Obligation - Series 2003	Variable Rate Swap to 4.50%	06/01/29	31,978,300
General Obligation - Refunding Series 2004	4.00-5.25%	04/01/20	20,142,081
General Obligation - Series 2004	Variable Rate Swap to 4.00%	06/01/29	23,965,714
General Obligation - Refunding Series 2005A	3.569-5.00%	05/01/21	18,526,623
General Obligation - Refunding Series 2005B	3.65-5.00%	05/01/18	11,150,000
Total Bonded Debt to be repaid by the Board			<u>231,051,311</u>
Total Bonded Debt			<u>\$ 478,868,271</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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
2006	\$ 21,370,468	\$ 22,647,413	\$ 44,017,881	\$ 23,280,598	\$ 20,737,283	\$ 44,017,881
2007	22,130,467	21,769,917	43,900,384	23,249,095	20,651,289	43,900,384
2008	23,210,467	20,769,092	43,979,559	23,302,692	20,676,867	43,979,559
2009	24,410,467	19,659,435	44,069,902	23,339,432	20,730,470	44,069,902
2010	25,920,467	18,514,549	44,435,016	23,245,456	21,189,560	44,435,016
2011-15	147,280,935	72,230,437	219,511,372	107,816,872	111,694,500	219,511,372
2016-20	122,210,000	35,729,833	157,939,833	79,702,077	78,237,756	157,939,833
2021-25	48,465,000	15,207,100	63,672,100	38,061,140	25,610,960	63,672,100
2026-29	43,870,000	4,777,750	48,647,750	27,920,539	20,727,211	48,647,750
Total	\$ 478,868,271	\$ 231,305,526	\$ 710,173,797	\$ 369,917,901	\$ 340,255,896	\$ 710,173,797

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$122,100,941 and \$109,204,585, respectively, for a total of \$231,305,526.

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, 2005:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<u>Primary Government</u>					
Bonded Debt	\$ 430,533,739	\$ 163,310,000	\$ (114,975,468)	\$ 478,868,271	\$ 21,370,468
Unamortized Bond Premium	12,764,298	8,238,711	(1,349,341)	19,653,668	2,016,219
Unamortized Amount on Refunding	(6,758,979)	(5,876,613)	696,257	(11,939,335)	(1,192,797)
Compensated Absences	4,266,298	5,228,365	(4,891,178)	4,603,485	4,143,137
Total - Primary Government	\$ 440,805,356	\$ 170,900,463	\$ (120,519,730)	\$ 491,186,089	\$ 26,337,027
<u>Component Unit - the Board</u>					
Compensated Absences	\$ 1,452,462	\$ 1,597,272	\$ (1,502,807)	\$ 1,546,927	\$ 1,392,234
<u>Component Unit - the District</u>					
Capital Leases	\$ 6,714,011	\$ -	\$ (1,062,508)	\$ 5,651,503	\$ 1,099,581
Compensated Absences	272,585	286,740	(344,400)	214,925	191,670
Total - the District	\$ 6,986,596	\$ 286,740	\$ (1,406,908)	\$ 5,866,428	\$ 1,291,251

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Advance Refunding Issues

During the year, the County issued general obligation \$34,430,000 Series 2004 refunding bonds to advance refund general obligation issues. The issuance proceeds were placed in an irrevocable trust, which will provide resources for all future debt service payments on the refunded debt. The refunded debts are considered defeased and \$36,155,000 of liabilities has been removed from the statement of net assets. The advance refunding reduced cash flows required for future debt service to be repaid by the County and the Board by \$761,330 and \$1,087,820 respectively, over the next 15 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 \$1,322,043.

During the year, the County issued general obligation \$47,610,000 Series 2005A refunding bonds to advance refund general obligation issues. The issuance proceeds were placed in an irrevocable trust, which will provide resources for all future debt service payments on the refunded debt. The refunded debts are considered defeased and \$48,475,000 of liabilities has been removed from the statement of net assets. The advance refunding reduced cash flows required for future debt service to be repaid by the County and the Board by \$1,249,039 and \$778,079 respectively, 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 \$1,458,949.

During the year, the County issued general obligation \$11,150,000 Series 2005B refunding bonds to advance refund general obligation issues. The issuance proceeds were placed in an irrevocable trust, which will provide resources for all future debt service payments on the refunded debt. The refunded debts are considered defeased and \$10,305,000 of liabilities has been removed from the statement of net assets. The advance refunding reduced cash flows required for future debt service to be repaid by the County by \$667,464, over the next 13 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 \$502,383.

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, 2005, \$159,495,000 of bonds outstanding is considered defeased.

Subsequent Event-Debt Issuance

Subsequent to June 30, 2005, the County issued \$77,000,000 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Interest Rate Swaps

Under its loan agreement, the Public Building Authority of Blount County, TN (the “Authority”), at the request of the County, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series C-1-A.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$72 million Series C-1-A variable-rate bonds. The intention of the swap was to effectively change the County’s variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 70 percent of the one-month London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$72 million and the associated variable-rate bond has a \$72 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series C-1-A Bonds. The bonds’ variable-rates have historically approximated the Bond Market Association Municipal Index™ (the “BMA”). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2005, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-2.33%
Net interest rate swap payments		1.62%
Variable-rate bond coupon payments		2.30%
Synthetic interest rate on bonds		3.92%

Fair value. As of June 30, 2005, the swap had a negative fair value of \$6,663,878. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Interest Rate Swaps

Credit risk. As of June 30, 2005, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the County, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service as of June 30, 2005. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the County to basis risk should BMA increase to above 70% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2006	\$ 850,000	\$ 1,633,000	\$ 1,150,200	\$	3,633,200
2007	900,000	1,613,450	1,136,430		3,649,880
2008	975,000	1,592,750	1,121,850		3,689,600
2009	1,025,000	1,570,325	1,106,055		3,701,380
2010	1,175,000	1,546,750	1,089,450		3,811,200
2011 - 2015	10,375,000	7,181,175	5,058,045		22,614,220
2016 - 2020	14,775,000	5,764,950	4,060,530		24,600,480
2021 - 2025	19,975,000	3,843,300	2,707,020		26,525,320
2026 - 2029	20,950,000	1,240,850	873,990		23,064,840
	<u>\$ 71,000,000</u>	<u>\$ 25,986,550</u>	<u>\$ 18,303,570</u>	<u>\$</u>	<u>115,290,120</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Interest Rate Swaps

Under its loan agreement, the Public Building Authority of Sevier County, TN (the “Authority”), at the request of the County, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-A-1.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$70 million Series VI-A-1 variable-rate bonds. The intention of the swap was to effectively change the County’s variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the Authority pays a fixed payment of 3.745 percent and receives a variable payment computed as 59 percent of the one month London Interbank Offered Rate (LIBOR) plus 35 basis points. The swap has a notional amount of \$70 million and the associated variable-rate bond has a \$70 million original principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-A-1 Bonds. The bonds’ variable-rates have historically approximated the Bond Market Association Municipal Index™ (the “BMA”). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2005, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.75%
Variable payment to Authority	% of LIBOR	-2.32%
Net interest rate swap payments		1.43%
Variable-rate bond coupon payments		2.26%
Synthetic interest rate on bonds		3.69%

Fair value. As of June 30, 2005, the swap had a negative fair value of \$3,569,728. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Interest Rate Swaps

Credit risk. As of June 30, 2005, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the County, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service as of June 30, 2005. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the County to basis risk should BMA increase to above 59% of LIBOR plus 35 basis points, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 59% of LIBOR plus 35 basis points, then the synthetic rate on the bonds will decrease.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2006	\$ 200,000	\$ 1,579,740	\$ 999,570	\$ 2,779,310
2007	300,000	1,575,220	996,710	2,871,930
2008	400,000	1,568,440	992,420	2,960,860
2009	500,000	1,559,400	986,700	3,046,100
2010	600,000	1,548,100	979,550	3,127,650
2011 - 2015	5,400,000	7,491,900	4,740,450	17,632,350
2016 - 2020	17,010,000	6,339,300	4,011,150	27,360,450
2021 - 2025	22,570,000	4,176,254	2,642,497	29,388,751
2026 - 2029	22,920,000	1,327,750	840,125	25,087,875
	\$ 69,900,000	\$ 27,166,104	\$ 17,189,172	\$ 114,255,276

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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>		
General Fund:		
Advances	\$ 162,248	\$ -
Inventories	160,302	-
Prepaid Items	545,120	-
Investment in Joint Venture	5,095,976	-
Reserved for Appropriations - various	381,389	-
Encumbrances	447,863	-
Designated for Appropriations - various	-	753,953
Equipment	-	33,988
Software	-	274,644
Programs - grants	-	191,319
Donations - DARE	3,435	-
Juvenile Court	6,460	-
Attorney General	336,666	-
Indigent Care	19,421	-
Motor Vehicles	-	598,210
Building Improvements	-	152,000
Capital Improvement Plan	-	2,043,801

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity (Continued)

Primary Government	Reserved Fund Balance	Designated Fund Balance
General Fund (Continued)		
Sheriff's Rewards	2,000	-
John Tarleton	2,030	-
School Health Program	770,008	-
Public Defender	2,013	-
Total General Fund	7,934,931	4,047,915
<u>Major Capital Projects Fund:</u>		
Public Improvement Fund:		
Encumbrances	16,756,669	-
Debt Service Fund:		
Notes Receivable/Coupons Matured	4,308,645	-
Appropriations	-	2,000,000
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants Fund:		
Encumbrances	2,381,157	-
Prepaid Items	37,812	-
Inventories	5,537	-
Reserve for Appropriation	10,514	-
Government Library Fund:		
Prepaid Items	149	-
Public Library Fund:		
Encumbrances	178,532	-
Prepaid Items	23,832	-
Reserve for Appropriation	19,589	-

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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	-	54,402
Solid Waste Fund:		
Encumbrances	400,796	-
Prepays	4,931	-
Drug Control Fund:		
Drug Seizures	96,199	-
Highway Fund:		
Encumbrances	165,679	-
Prepaid Items	21,493	-
Designated for Appropriations	-	2,761,775
Total Nonmajor Special Revenue Funds	3,346,220	2,816,177
<u>Nonmajor Capital Projects Fund:</u>		
ADA Construction Fund:		
Encumbrances	213,008	-
Total Nonmajor Governmental Funds	3,559,228	2,816,177
<u>Fiduciary Funds:</u>		
Pension Trust - DB Plan		
Employee's Pension Benefits	76,689,407	-
Pension Trust - DC Plan	166,129,538	-
Pension Trust - Medical DC Plan	5,475,399	-
Total Fiduciary Funds	248,294,344	-
Total - Primary Government	\$ 280,853,817	\$ 8,864,092

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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	\$ 3,650,441	\$ -
Inventories	1,153,038	-
Prepaid Items	1,104,925	-
Total General Purpose School Fund	5,908,404	-
Capital Projects Fund:		
School Construction Fund:		
Encumbrances	7,885,856	-
<u>Nonmajor Special Revenue Funds:</u>		
School General Projects Fund:		
Encumbrances	669,132	-
Programs	2,386,791	-
School Federal Projects Fund:		
Encumbrances	152,711	-
Donations	13,041	-
Central Cafeteria Fund:		
Encumbrances	103,161	-
Inventories	252,501	-
Total Nonmajor Special Revenue Funds	3,577,337	-

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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	74,336,374	-
Total - the Board	\$ 91,707,971	\$ -

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, 2005

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 \$191,042,425 for fiscal year 2005 were approximately 96.1 percent of the total tax levy.

The 2005 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 2006 fiscal year property tax rate of \$2.69 is divided as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 1.240	46.10%
Debt Service Fund	0.220	8.18%
Total - Primary Government	1.460	54.28%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	1.230	45.72%
Total Tax Levy	\$ 2.690	100.00%

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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 2005 fiscal year, the joint venture received 74 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$337,147 in user service fees for the year ended June 30, 2005. 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 2005 fiscal year, the joint venture received 67 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, 2005

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, 2005, the County appropriated operating subsidies of \$1,120,000 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	\$	327,368
Management Fee		150,000
Total Revenues		<u>477,368</u>
Total Expenses		(477,163)
Net Income	\$	<u><u>205</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, 2005

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 2005, 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 2005	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2004
Unpaid Claims - Beginning Balance	\$ -	\$ -	\$ 7,495,942	\$ 6,452,951
Incurred Claims (Including IBNR's)	112,742	199,454	2,010,844	3,166,062
Claim Payments	(112,742)	(199,454)	(2,449,651)	(2,123,071)
Unpaid Claims - Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,057,135</u>	<u>\$ 7,495,942</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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 2005 fiscal year, an average of 421 retirees and/or their dependents were participating in the plan. For the fiscal year ended June 30, 2005, retiree insurance expenditures were \$837,870 and total retiree contributions were \$821,778.

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, 2005, 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, 2005. 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, 2005

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, 2005 and ending June 30, 2009:

	Spent to Date	Contractual Commitment Remaining at June 30, 2005	Capital Improvement Plan July 1, 2005 - June 30, 2009
<u>Primary Government:</u>			
Dutchtown Road Functional Planning	\$ 3,662,993	\$ 4,055,213	\$ 5,180,913
East Tennessee Historical Society	18,313,094	177,780	-
Westland Drive	4,312,695	-	5,603,038
Ballcamp Road Improvements	8,259,413	68,337	20,341,653
Convenience Centers & Yard Waste	1,123,443	36,550	1,720,000
Stormwater Management Plan	3,886,860	568,619	6,698,800
Karns Connector	1,915,594	1,136,881	3,122,798
Lovell Road	1,942,295	700,463	-
Senior Centers	1,011,009	864,351	1,950,000
Veteran's Nursing Home	505,596	239,392	4,000,000
Economic Development	4,767,365	-	19,340,000
Finance Software Upgrade System	3,794,893	1,773,753	-
Maloney Road/Maryville	1,121,669	4,822	556,369
Jail Expansion	-	-	15,000,000
Burlington Branch Library	1,232,086	77,345	2,500,000
Other Projects	165,898,815	7,053,163	88,200,651
Total - Primary Government	\$ 221,747,820	\$ 16,756,669	\$ 174,214,222
<u>Component Unit - the Board:</u>			
Ridgedale Elementary	\$ 13,863,694	\$ 2,001,422	\$ 6,533,623
Powell Middle	990,508	-	17,129,149
Carter Elementary	-	-	14,000,000
Holston Middle	10,160,416	3,475,417	6,486,918
Cedar Bluff - K-3	495,535	575,838	13,000,000
Gibbs Elementary	1,826,946	6,930	13,287,405
Other Projects	219,268,110	1,826,249	54,562,905
Total - the Board	\$ 246,605,209	\$ 7,885,856	\$ 125,000,000

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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, 2005

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, 2005. 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, 2005

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
<u>Constitutional Officers Special Revenue Fund:</u>						
Revenues	\$ 7,318,003	\$ 5,255,054	\$ 1,309,776	\$ 3,480,104	\$ 1,284,885	\$ 3,590,328
Expenditures	(2,348,787)	(4,153,398)	(1,153,629)	(3,361,468)	(893,846)	(1,693,406)
Excess of Revenues Over Expenditures	4,969,216	1,101,656	156,147	118,636	391,039	1,896,922
Fees Remitted to County General Fund	(4,416,595)	(400,000)	(253,000)	(100,000)	(327,543)	(1,905,852)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Fees Remitted	\$ 552,621	\$ 701,656	\$ (96,853)	\$ 18,636	\$ 63,496	\$ (8,930)
Fees Remitted to County General Fund	\$ 4,416,595	\$ 400,000	\$ 253,000	\$ 100,000	\$ 327,543	\$ 1,905,852
Expenditures:						
Personal Services/ Employee Benefits	-	-	-	(11,232)	(500)	-
Contracted Services	(197,793)	(443,759)	(90,624)	(200,681)	(63,278)	(114,523)
Supplies and Materials	(186,289)	(87,235)	(14,054)	(118,707)	(12,723)	(38,958)
Other Charges	(75,424)	(147,173)	(61,550)	(214,735)	(127,146)	(111,533)
Total General Fund Expenditures	(459,506)	(678,167)	(166,228)	(545,355)	(203,647)	(265,014)
Excess (Deficiency) of Fees Remitted Over (Under) General Fund Expenditures	\$ 3,957,089	\$ (278,167)	\$ 86,772	\$ (445,355)	\$ 123,896	\$ 1,640,838

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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 cost-sharing 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. Separate financial reports for the two defined contribution plans and the two single employee defined benefit plans are not separately prepared.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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, 2005, there were 6,247 plan members. During the year, the employer and member contributions (prior to forfeitures) amounted to \$7,461,632 and \$8,458,885 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, 2005

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
Calendar Year 2005	\$120

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

Effective January 1, 2005, the Retirement & Pension Board approved the re-instatement of the retiree bonus in the amount of \$120 annually for each of the next five years. This could be subject to change if the value of the Defined Benefit Plan's assets drop below an acceptable funding level. This bonus will be paid to all retirees as of January 1 of each year and payment will occur during the first quarter of the same year. Active employees contributing to the Medical Expense Retirement Plan will receive a 25% match for the Retirement & Pension Board up to a maximum annual match of \$104. The Board also committed to this for five years unless assets fall below an acceptable funding level.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

A. Defined Contribution Plans (Continued)

At June 30, 2005, the Medical Retirement Plan had 3,139 members. During the year employer and member contributions amounted to \$46,010 and \$354,305, 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.

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, 2005

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, 2005 was as follows:

Description	County DB Plan	Teachers' DB Plan
Actives Contributing	331	163
Actives Not Contributing, DC Plan	4,780	6
Retirees, Beneficiaries, and Disableds	1,434	336
Inactives with Contribution Accounts	308	-
Inactives, DC Plan	318	-
	<hr/>	<hr/>
Total Participants	<u>7,171</u>	<u>505</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2005

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, 2005

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 SETHEPP and PSPP. These reports may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

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 9.73% of annual covered payroll for the year ending June 30, 2005.

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, 2005 was 5.5% 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, 2005, 2004, and 2003 were, \$10,274,970, \$5,963,524, \$5,809,732, 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, 2005

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, 2005 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, 2005	July 1, 2003	January 1, 2005
Actuarial Cost Method	Aggregate Cost Method	Frozen Entry Age	Entry Age Normal
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%	7.50%
Projected Salary Increases	4.00%	4.75%	4.00%
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.

Under the Entry Age Normal cost method, the annual cost is equal to the normal cost, plus amortization of unfunded accrued liabilities over a fixed period of years selected within the minimum (10 years) and the Maximum (5 to 30 years) periods permitted by law.

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, 2005

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	2005	2004	2003
Net Pension Obligation (Asset), Beginning of Year*	\$ (3,910,001)	\$ (3,943,329)	\$ (3,976,941)	\$ 3,413,870	\$ 3,437,034	\$ 3,649,183
Annual Pension Cost:						
Annual Required Contribution	-	-	-	881,447	784,838	412,445
Interest on Net Pension Obligation (Asset)	(293,250)	(295,750)	(298,271)	256,040	274,963	291,935
Adjustments to Annual Required Contribution**	326,297	329,078	331,883	(284,894)	(298,127)	(316,529)
Total Annual Pension Cost	33,047	33,328	33,612	852,593	761,674	387,851
Contributions Made	-	-	-	881,447	784,838	600,000
Increase (Decrease) in Net Pension Obligation (Asset)	33,047	33,328	33,612	(28,854)	(23,164)	(212,149)
Net Pension Obligation (Asset), End of Year	\$ (3,876,954)	\$ (3,910,001)	\$ (3,943,329)	\$ 3,385,016	\$ 3,413,870	\$ 3,437,034
Amortization Period (in years)	25	25	25	25	25	25
Interest Rate	7.50%	7.50%	7.50%	7.50%	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, 2005	\$ -	100.00%	\$ -
June 30, 2004	\$ -	100.00%	\$ -
June 30, 2003	\$ -	100.00%	\$ -

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2005

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Aggregate (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
County DB Plan:						
1/1/1997	\$ 80,067,931	\$ 80,067,931	\$ -	100.00%	\$ 18,757,024	0.00%
1/1/1998	89,622,330	89,622,330	-	100.00%	16,839,606	0.00%
1/1/1999	89,289,817	89,289,817	-	100.00%	11,894,535	0.00%
1/1/2000	90,400,104	90,400,104	-	100.00%	10,582,373	0.00%
1/1/2001	90,876,819	90,876,819	-	100.00%	10,292,951	0.00%
1/1/2002	90,458,876	90,458,876	-	100.00%	9,245,646	0.00%
1/1/2003	84,553,434	84,553,434	-	100.00%	8,081,941	0.00%
1/1/2004	81,996,895	81,996,895	-	100.00%	7,552,549	0.00%
1/1/2005	79,398,895	79,398,895	-	100.00%	6,799,378	0.00%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Teachers' DB Plan						
1/1/1997	\$ 31,532,498	\$ 31,532,498	\$ -	100.00%	\$ 16,518,534	0.00%
1/1/1998	55,425,760	55,425,760	-	100.00%	16,280,062	0.00%
1/1/1999	62,622,721	62,622,721	-	100.00%	15,714,131	0.00%
1/1/2000	70,243,735	70,243,735	-	100.00%	14,392,249	0.00%
1/1/2001	69,634,862	69,634,862	-	100.00%	14,009,264	0.00%
1/1/2002	72,917,044	72,917,044	-	100.00%	13,254,219	0.00%
1/1/2003	71,458,839	71,458,839	-	100.00%	12,286,006	0.00%
1/1/2004	73,472,465	73,472,465	-	100.00%	11,014,729	0.00%
1/1/2005	74,889,828	82,120,286	7,230,458	91.20%	7,595,733	95.19%

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2005

Schedules of Funding Progress (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen 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
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%
2005	-	N/A	881,447	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, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Local Taxes	\$ 114,804,369	\$ 114,843,453	\$ 114,343,327	\$ (500,126)
Licenses and Permits	3,083,000	3,083,000	3,472,814	389,814
Fines, Forfeitures and Penalties	2,555,825	2,561,381	2,980,362	418,981
Charges for Current Services	4,039,140	4,051,903	4,639,016	587,113
Other Local Revenues	1,137,185	1,575,852	1,702,915	127,063
Fees Received from County Officials	312,600	312,600	426,736	114,136
State of Tennessee	5,004,408	5,480,477	7,185,463	1,704,986
Federal Government	315,000	315,000	741,228	426,228
Other Governments and Citizen Groups	141,100	191,006	182,180	(8,826)
Total Revenues	<u>131,392,627</u>	<u>132,414,672</u>	<u>135,674,041</u>	<u>3,259,369</u>
Expenditures				
Current:				
Finance and Administration	21,401,249	23,041,487	21,805,059	1,236,428
Finance and Administration - Payments to Component Unit	1,000,000	1,000,000	1,000,000	-
Administration of Justice	13,078,289	13,243,614	12,775,176	468,438
Public Safety	52,088,110	53,206,342	52,522,985	683,357
Public Safety - Payments to Component Unit	603,450	603,450	603,450	-
Public Health and Welfare	28,777,501	29,614,277	27,474,927	2,139,350
Public Health and Welfare - Payments to Component Unit	562,635	562,635	562,635	-
Social and Cultural Services	4,019,468	4,050,254	3,970,464	79,790
Agricultural and Natural Resources	397,744	392,122	390,615	1,507
Other General Government	4,129,221	6,238,272	5,931,928	306,344
Decrease in Equity Interest in Joint Venture	-	-	457,224	(457,224)
Total Expenditures	<u>126,057,667</u>	<u>131,952,453</u>	<u>127,494,463</u>	<u>4,457,990</u>
Excess of Revenues Over Expenditures	<u>5,334,960</u>	<u>462,219</u>	<u>8,179,578</u>	<u>7,717,359</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	7,504,544	7,504,544	7,402,990	(101,554)
Transfers to Other Funds	(13,434,612)	(15,218,616)	(15,113,777)	104,839
Total Other Financing Sources (Uses)	<u>(5,930,068)</u>	<u>(7,714,072)</u>	<u>(7,710,787)</u>	<u>3,285</u>
Net Change in Fund Balances	<u>\$ (595,108)</u>	<u>\$ (7,251,853)</u>	<u>468,791</u>	<u>\$ 7,720,644</u>
Fund Balances, July 1			<u>48,265,285</u>	
Fund Balances, June 30			<u>\$ 48,734,076</u>	

Note to Required Supplementary Information

June 30, 2005

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.

KNOX COUNTY, TENNESSEE

**General Fund
Comparative Balance Sheets
June 30, 2005 and June 30, 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 7,146,885	\$ 2,362,764
Receivables (Net of Allowances for Uncollectibles):		
Accounts	7,181,547	3,764,679
Property Taxes	101,025,238	96,443,661
Investments	31,478,785	30,904,053
Due from Other Funds	5,362,803	11,841,531
Due from Component Units	238,768	10,458
Inventories	160,302	169,772
Prepaid Items	545,120	760,830
Investment in Joint Venture	5,095,976	5,553,200
Advances to Other Funds	162,248	112,248
	<hr/>	<hr/>
TOTAL ASSETS	\$ 158,397,672	\$ 151,923,196
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 7,606,073	\$ 6,011,416
Due to Other Funds	1,414,379	1,274,597
Due to Component Units	5,697	348,103
Deferred Revenue	100,637,447	96,023,795
	<hr/>	<hr/>
TOTAL LIABILITIES	109,663,596	103,657,911
	<hr/>	<hr/>
Fund Balances:		
Reserved	7,934,931	8,671,373
Unreserved:		
Designated	4,047,915	4,492,260
Undesignated	36,751,230	35,101,652
	<hr/>	<hr/>
TOTAL FUND BALANCES	48,734,076	48,265,285
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 158,397,672	\$ 151,923,196
	<hr/> <hr/>	<hr/> <hr/>

KNOX COUNTY, TENNESSEE

General Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2005 and June 30, 2004

	2005	2004
Revenues		
Local Taxes	\$ 114,343,327	\$ 109,288,046
Licenses and Permits	3,472,814	3,226,481
Fines, Forfeitures and Penalties	2,980,362	2,644,134
Charges for Current Services	4,639,016	4,936,659
Other Local Revenues	1,702,915	1,453,243
Fees Received from County Officials	426,736	370,274
State of Tennessee	7,185,463	6,537,932
Federal Government	741,228	833,283
Other Governments and Citizen Groups	182,180	378,106
Total Revenues	<u>135,674,041</u>	<u>129,668,158</u>
Expenditures		
Current:		
General Government:		
Finance and Administration	21,805,059	19,363,067
Finance and Administration - Payments to Component Unit	1,000,000	-
Administration of Justice	12,775,176	11,868,023
Public Safety	52,522,985	49,806,359
Public Safety - Payments to Component Unit	603,450	603,450
Public Health and Welfare	27,474,927	27,316,477
Public Health and Welfare - Payments to Component Unit	562,635	562,635
Social and Cultural Services	3,970,464	3,966,223
Agricultural and Natural Resources	390,615	346,591
Other General Government	5,931,928	5,289,774
Decrease in Equity Interest in Joint Venture	457,224	442,629
Total Expenditures	<u>127,494,463</u>	<u>119,565,228</u>
Excess of Revenues Over Expenditures	<u>8,179,578</u>	<u>10,102,930</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	7,402,990	9,244,497
Transfers to Other Funds	<u>(15,113,777)</u>	<u>(20,492,362)</u>
Total Other Financing Sources (Uses)	<u>(7,710,787)</u>	<u>(11,247,865)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	468,791	(1,144,935)
Fund Balances, July 1	<u>48,265,285</u>	<u>49,410,220</u>
Fund Balances, June 30	<u>\$ 48,734,076</u>	<u>\$ 48,265,285</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, 2005

(With Comparative Totals for June 30, 2004)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2005	2004
ASSETS								
Cash and Cash Equivalents	\$ 2,475,596	\$ 1,286,417	\$ 520,626	\$ 1,078,811	\$ 518,745	\$ 676,373	\$ 6,556,568	\$ 4,273,373
Due from Other Funds	86,484	-	-	-	-	-	86,484	125,638
Due from Component Units	20,787	-	-	-	-	-	20,787	74,031
TOTAL ASSETS	\$ 2,582,867	\$ 1,286,417	\$ 520,626	\$ 1,078,811	\$ 518,745	\$ 676,373	\$ 6,663,839	\$ 4,473,042
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to Other Funds	\$ 916,595	\$ 200,000	\$ 200,000	\$ -	\$ 98,461	\$ 455,000	\$ 1,870,056	\$ 909,885
TOTAL LIABILITIES	916,595	200,000	200,000	-	98,461	455,000	1,870,056	909,885
Fund Balances:								
Unreserved, Undesignated	1,666,272	1,086,417	320,626	1,078,811	420,284	221,373	4,793,783	3,563,157
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,582,867	\$ 1,286,417	\$ 520,626	\$ 1,078,811	\$ 518,745	\$ 676,373	\$ 6,663,839	\$ 4,473,042

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2005

(With comparative totals 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	Totals	
							2005	2004
Revenues								
Charges for Services	\$ 7,317,041	\$ 5,228,372	\$ 1,234,022	\$ 3,480,104	\$ 1,284,885	\$ 3,588,092	\$ 22,132,516	\$ 21,342,543
Interest Income	962	26,682	75,754	-	-	2,236	105,634	70,641
Total Revenues	7,318,003	5,255,054	1,309,776	3,480,104	1,284,885	3,590,328	22,238,150	21,413,184
Expenditures								
Current:								
General Government:								
Finance and Administration:								
Salaries - County Officials	95,779	89,471	58,202	86,469	82,096	86,450	498,467	492,305
Salaries - Staff	1,633,176	3,036,634	814,395	2,528,973	615,405	1,275,205	9,903,788	9,511,315
Travel	49,350	76,575	2,250	-	-	7,200	135,375	144,097
Employee Benefits and Payroll Taxes	396,616	946,128	278,782	746,026	196,345	294,229	2,858,126	2,816,391
Consulting Fees	-	500	-	-	-	-	500	282
Office Supplies	173,866	4,090	-	-	-	30,322	208,278	122,315
Total Expenditures	2,348,787	4,153,398	1,153,629	3,361,468	893,846	1,693,406	13,604,534	13,086,705
Excess of Revenues Over Expenditures	4,969,216	1,101,656	156,147	118,636	391,039	1,896,922	8,633,616	8,326,479
Other Financing Uses								
Transfers to Other Funds	(4,416,595)	(400,000)	(253,000)	(100,000)	(327,543)	(1,905,852)	(7,402,990)	(7,323,497)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	552,621	701,656	(96,853)	18,636	63,496	(8,930)	1,230,626	1,002,982
Fund Balances, July 1	1,113,651	384,761	417,479	1,060,175	356,788	230,303	3,563,157	2,560,175
Fund Balances, June 30	\$ 1,666,272	\$ 1,086,417	\$ 320,626	\$ 1,078,811	\$ 420,284	\$ 221,373	\$ 4,793,783	\$ 3,563,157

CAPITAL PROJECTS FUNDS - MAJOR

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

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

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)
Comparative Balance Sheets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 33,070,059	\$ 12,234,815
Receivables (Net of Allowances for Uncollectibles):		
Accounts	433,045	1,188,729
Accrued Interest	-	1,499
Due From Other Funds	-	15,526
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 33,503,104</u>	<u>\$ 13,440,569</u>
 LIABILITIES AND FUND BALANCES (DEFICIT)		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 892,904	\$ 2,809,059
Due to Other Funds	10,208,231	16,160,552
Deferred Revenue	-	10,000
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>11,101,135</u>	<u>18,979,611</u>
 Fund Balances (Deficits):		
Reserved	16,756,669	15,275,382
Unreserved:		
Undesignated	5,645,300	(20,814,424)
	<hr/>	<hr/>
TOTAL FUND BALANCE (DEFICIT)	<u>22,401,969</u>	<u>(5,539,042)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,503,104</u>	<u>\$ 13,440,569</u>

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, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Interest Earned	\$ 64,788	\$ 69,715
Local Taxes	1,526,475	250,103
Charges for Current Services	1,192	-
Other Local Revenues	1,969,281	1,657,148
State of Tennessee	159,611	330,533
Federal Government	246	544,425
Other Governments and Citizen Groups	<u>601,000</u>	<u>1,000</u>
Total Revenues	<u>4,322,593</u>	<u>2,852,924</u>
Expenditures		
Capital Projects	24,273,805	39,567,291
Debt Proceeds Paid to Component Unit	24,000,000	32,000,000
Debt Issuance Costs	308,200	144,875
Payments to Component Unit	<u>5,500</u>	<u>-</u>
Total Expenditures	<u>48,587,505</u>	<u>71,712,166</u>
Deficiency of Revenues Under Expenditures	<u>(44,264,912)</u>	<u>(68,859,242)</u>
Other Financing Sources (Uses)		
Long-term Debt Issued	70,000,000	72,000,000
Transfers from Other Funds	2,602,735	5,662,875
Transfers to Other Funds	<u>(396,812)</u>	<u>(15,600,000)</u>
Total Other Financing Sources	<u>72,205,923</u>	<u>62,062,875</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	27,941,011	(6,796,367)
Fund Balance (Deficit), July 1	<u>(5,539,042)</u>	<u>1,257,325</u>
Fund Balance (Deficit), June 30	<u>\$ 22,401,969</u>	<u>\$ (5,539,042)</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues	\$ 222,500	\$ 222,500	\$ 226,475	\$ 3,975	\$ 222,500	\$ 250,103	\$ 27,603
Expenditures							
Capital Projects:							
Contracted Services	12,000	19,000	16,561	2,439	86,561	86,561	-
Supplies & Materials	45,500	62,110	54,177	7,933	28,922	22,646	6,276
Other Charges	2,500	2,655	1,614	1,041	3,012	2,807	205
Capital Outlay	100,000	122,697	33,873	88,824	66,100	36,100	30,000
Miscellaneous	90,500	118,253	100,434	17,819	96,698	38,945	57,753
Total Expenditures	250,500	324,715	206,659	118,056	281,293	187,059	94,234
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,000)	(102,215)	19,816	122,031	(58,793)	63,044	121,837
Fund Balances, July 1 (Budget Basis)	1,095,696	1,095,696	1,095,696	-	1,032,652	1,032,652	-
Fund Balances, June 30 (Budget Basis)	\$ 1,067,696	\$ 993,481	\$ 1,115,512	\$ 122,031	\$ 973,859	\$ 1,095,696	\$ 121,837

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

Fund Balance (Budget Basis)	\$ 1,115,512	\$ 1,095,696
Timing Difference:		
Project Length Budgets	<u>21,286,457</u>	<u>(6,634,738)</u>
Fund Balance (Deficit) (GAAP Basis)	<u>\$ 22,401,969</u>	<u>\$ (5,539,042)</u>

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2005

Project	Expenditures				Available
	Budget	Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Clinton Highway and Beaver Creek	\$ 124,809	\$ 64,500	\$ -	\$ 64,500	\$ 60,309
Washington Pike	1,693,550	306,469	412,721	719,190	974,360
Knob Creek Bridge	1,788,688	679	16,142	16,821	1,771,867
Bridge Replacement	1,470,000	-	-	-	1,470,000
Ebenezer/Peters Road	7,000	-	7,000	7,000	-
Middlebrook Pike	7,198,113	6,988,302	-	6,988,302	209,811
Hardin Valley Road	11,653,542	10,059,057	1,029,366	11,088,423	565,119
Sherrill Lane	1,939,641	1,890,416	-	1,890,416	49,225
Ballcamp Improvements	9,043,300	7,188,994	1,070,419	8,259,413	783,887
Murdock Lane Improvements	2,692,492	2,663,827	23,665	2,687,492	5,000
Lovell Road	2,717,257	1,942,295	-	1,942,295	774,962
Central/Callahan/Dante Road	8,250	4,950	-	4,950	3,300
Dry Gap Pike	5,175,160	5,051,913	23,881	5,075,794	99,366
Westland Drive	4,357,759	3,424,230	888,465	4,312,695	45,064
Schaad/Callahan Road	13,918,975	13,188,125	75,600	13,263,725	655,250
Maynard/Norris/Emory	197,780	162,796	-	162,796	34,984
Murphy Road Improvements	1,798,503	1,777,453	2,778	1,780,231	18,272
Parkside Drive Extension	11,871,196	6,431,631	779,531	7,211,162	4,660,034
Maloney Road/Maryville	1,173,288	173,288	948,381	1,121,669	51,619
Gallher View Road	5,250	-	5,250	5,250	-
Walker Springs Connector	2,646,849	1,741,774	190	1,741,964	904,885
Dutchtown Road Functional Plan	8,657,853	2,848,767	814,226	3,662,993	4,994,860
Karns Connector	3,635,704	1,357,750	557,844	1,915,594	1,720,110
Carter School Road	945,778	884,058	-	884,058	61,720
	94,720,737	68,151,274	6,655,459	74,806,733	19,914,004
<i>Total Road Construction</i>					
<i>Building Renovations:</i>					
Library Int/Ext Painting	41,100	-	41,100	41,100	-
County Wide Renovations	2,186,722	1,625,675	493,814	2,119,489	67,233
Knox Central	865,360	290,516	15,056	305,572	559,788
Fairview Technical Center	360,000	358,452	-	358,452	1,548
John Tarleton	58,000	-	56,198	56,198	1,802
AJ/ Dweight Kessel Garage	67,000	-	34,379	34,379	32,621
City/County Improvement	7,098,086	5,166,693	843,625	6,010,318	1,087,768
Knox County Health Renovations	10,075,810	9,854,808	172,501	10,027,309	48,501
Juvenile Court/ Detention	13,733,528	13,722,862	-	13,722,862	10,666
Detention Facility	975,345	671,917	19,127	691,044	284,301
DUI Building	357,258	350,942	6,208	357,150	108
Sheriff Training Facility	93,000	39,533	-	39,533	53,467
Sports Complex	4,161,500	2,732,193	1,426,892	4,159,085	2,415
South Knoxville Branch Library	3,000	-	-	-	3,000
Cedar Bluff Branch Library	34,000	-	20,490	20,490	13,510
Carter Branch Library	23,000	-	21,850	21,850	1,150
Norwood Branch Library	73,204	68,367	-	68,367	4,837
Corryton Branch Library	53,847	51,655	-	51,655	2,192
Booth Street, Maintenance Building	1,123	-	-	-	1,123
	40,260,883	34,933,613	3,151,240	38,084,853	2,176,030
<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, 2005**

Project	Expenditures				Available
	Budget	Prior Years	Current	Total	
Expenditures (continued)					
<i>Capital Projects (continued):</i>					
<i>Building Construction:</i>					
Community Kitchen - CAC	\$ 2,300,000	\$ 2,288,200	\$ 10,089	\$ 2,298,289	\$ 1,711
Public Defender	3,211,328	3,189,753	16,266	3,206,019	5,309
Veteran' Nursing Home	2,000,000	126,311	379,285	505,596	1,494,404
Beck Culture Center	1,750,000	63,093	351,549	414,642	1,335,358
Halls Serior Center	1,140,000	14,611	264,420	279,031	860,969
Corryton Senior Center	225,000	-	26,360	26,360	198,640
South Knox Senior Center	250,000	-	4,187	4,187	245,813
Animal Welfare - Permanent	3,850,000	3,814,382	35,618	3,850,000	-
Penal Farm	36,589,360	35,903,770	395,994	36,299,764	289,596
North Knox Soccer Complex	618,000	615,889	-	615,889	2,111
Burlinton Branch Library	2,700,000	-	1,232,086	1,232,086	1,467,914
West Knox Branch Library	2,236,056	2,230,489	3,830	2,234,319	1,737
Halls Branch Library	2,419,530	2,414,837	4,293	2,419,130	400
Karns Branch Library	1,598,970	1,593,468	-	1,593,468	5,502
Powell Branch Library	2,438,766	307,854	109,277	417,131	2,021,635
Fountain City Branch Library	2,369,297	2,187,816	175,904	2,363,720	5,577
Total Building Construction:	65,696,307	54,750,473	3,009,158	57,759,631	7,936,676
<i>Other:</i>					
KC Landmarks	447,345	-	23,800	23,800	423,545
Seven Island Foot Bridge	1,645,448	63	72,468	72,531	1,572,917
Westbridge	23,925	6,745	-	6,745	17,180
John Tarleton Park Improvements	987,987	971,018	16,969	987,987	-
PBA Project Management	2,619,482	2,042,533	576,949	2,619,482	-
Justice System Software	1,850,000	1,681,851	25,000	1,706,851	143,149
Maloney Road Park	78,000	40,955	-	40,955	37,045
Seven Island	3,129,864	3,114,839	15,025	3,129,864	-
Concord Park	584,778	434,757	41,254	476,011	108,767
Nicholas Ball Park	320,822	181,329	122,081	303,410	17,412
Halls Greenway	210,220	37,404	78,962	116,366	93,854
Halls community Park	1,000,000	-	94,826	94,826	905,174
Hillcrest Park	363,326	358,326	1,510	359,836	3,490
John Tarleton Building & Parking Lot	515,000	513,927	-	513,927	1,073
Gibbs Ruritan Park	511,994	475,589	3,102	478,691	33,303
East TN Historical Center	15,675,403	15,255,802	356,501	15,612,303	63,100
East TN Historical Renovations	2,894,121	1,005,614	1,695,177	2,700,791	193,330
Stormwater Management	6,106,970	3,594,531	292,329	3,886,860	2,220,110
Beavercreek Watershed	15,000	7,658	278	7,936	7,064
Functional Planning	237,200	234,460	-	234,460	2,740
Geometric Improvements	849,009	461,963	48,295	510,258	338,751
Gulf Park Drive Sidewalk	220,830	203,468	-	203,468	17,362
Trustee Commission	100	-	25	25	75
Three Ridges Golf Course	1,065,361	925,651	61,323	986,974	78,387

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, 2005

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures (continued)					
<i>Capital Projects (continued):</i>					
<i>Other (continued):</i>					
Long Term Economic Development	\$ 5,765,000	\$ 1,800,000	\$ 2,967,365	\$ 4,767,365	\$ 997,635
John O'Connor Center Expansion	445,000	336,790	108,210	445,000	-
Frank Strang Center	706,643	157,327	544,104	701,431	5,212
Project Planning 5 Points	1,000,000	500,000	500,000	1,000,000	-
Downtown Development	838,370	302,335	(22,201)	280,134	558,236
Financial Software Upgrade	5,568,646	2,387,590	1,407,303	3,794,893	1,773,753
East Tennessee Veteran Memorial	250,000	-	250,000	250,000	-
Knox Botannical Garden	100,000	-	100,000	100,000	-
Telecom	704,820	-	704,820	704,820	-
Powell Convenient Center	730,000	-	12,917	12,917	717,083
Gibbs Convenient Center	590,000	-	187,001	187,001	402,999
Solway Yard Waste Facility	975,000	260,148	663,376	923,524	51,476
Powell Community Park	350,000	-	195	195	349,805
I C King Park	22,000	-	888	888	21,112
East Beaver Acquisition	445,000	-	223,356	223,356	221,644
French Park Greenway Trail	191,350	30,916	3,059	33,975	157,375
Various Park	1,399,596	1,364,019	-	1,364,019	35,577
Ten Mile Creek Greenway	545,318	160,497	100	160,597	384,721
John Tarleton Park Maintenance	334,477	327,995	6,482	334,477	-
Spring Place Park	20,000	40	18,753	18,793	1,207
County Wide Rehab	299,148	261,632	-	261,632	37,516
Concord Park Maintenance	142,876	103,924	37,305	141,229	1,647
Turkey Creek Wetlands	10,000	-	10,000	10,000	-
Carl Cowan Park	281,000	279,677	1,323	281,000	-
Powell Greenway - Levi Strauss	25,000	23,941	1,059	25,000	-
<i>Total Other</i>	<u>63,091,429</u>	<u>39,845,314</u>	<u>11,251,289</u>	<u>51,096,603</u>	<u>11,994,826</u>
<i>Total Capital Projects</i>	<u>\$ 263,769,356</u>	<u>\$ 197,680,674</u>	<u>\$ 24,067,146</u>	<u>\$ 221,747,820</u>	<u>\$ 42,021,536</u>
Project Expenditures			\$ 24,067,146		
Expenditures - Activities Budgeted on Annual Basis			<u>206,659</u>		
Total Public Improvement Fund Expenditures			<u>\$ 24,273,805</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.

KNOX COUNTY, TENNESSEE

Debt Service Fund (Major)
Comparative Balance Sheets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 21,164,320	\$ 18,167,649
Receivables (Net of Allowance for Uncollectibles):		
Accounts	296	162,270
Property Taxes	17,999,200	17,843,999
Accrued Interest	116,609	86,414
Notes	6,426,000	6,817,000
Due from Other Funds	9,810,891	9,810,891
Advance to Component Units	<u>4,308,250</u>	<u>4,439,250</u>
TOTAL ASSETS	<u><u>\$ 59,825,566</u></u>	<u><u>\$ 57,327,473</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 21,813	\$ 157,065
Due to Other Funds	8,068	5,704
Due to Component Units	336,275	195,025
Deferred Revenue	<u>24,244,537</u>	<u>24,336,505</u>
TOTAL LIABILITIES	<u>24,610,693</u>	<u>24,694,299</u>
 Fund Balances:		
Reserved	4,308,645	4,608,645
Unreserved:		
Designated	2,000,000	-
Undesignated	<u>28,906,228</u>	<u>28,024,529</u>
TOTAL FUND BALANCES	<u>35,214,873</u>	<u>32,633,174</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 59,825,566</u></u>	<u><u>\$ 57,327,473</u></u>

KNOX COUNTY, TENNESSEE

Debt Service Fund (Major)
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Local Taxes	\$ 20,710,173	\$ 16,656,260
Other Governments/Citizen Groups	297,354	1,440,682
Interest Earned	2,543,349	1,875,367
Other Local Revenues	-	82,750
Payments from Component Units	<u>20,838,840</u>	<u>27,473,875</u>
Total Revenues	<u>44,389,716</u>	<u>47,528,934</u>
Expenditures		
Debt Service:		
Contracted Services	518,386	212,965
Trustee's Commission	350,373	346,629
Principal on Bonds	20,040,468	18,790,467
Interest on Bonds	<u>21,439,049</u>	<u>18,567,892</u>
Total Expenditures	<u>42,348,276</u>	<u>37,917,953</u>
Excess of Revenues Over Expenditures	<u>2,041,440</u>	<u>9,610,981</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	540,259	13,987,720
Proceeds of Refunding Bonds	101,548,711	-
Payment to Refunded Bond Escrow Agent	-	-
Payment to Holders of Refunded Debt	<u>(101,548,711)</u>	<u>(21,605,024)</u>
Total Other Financing Sources (Uses)	<u>540,259</u>	<u>(7,617,304)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2,581,699	1,993,677
Fund Balances, July 1	<u>32,633,174</u>	<u>30,639,497</u>
Fund Balances, June 30	<u>\$ 35,214,873</u>	<u>\$ 32,633,174</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, 2005 and June 30, 2004

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 20,714,500	\$ 20,714,500	\$ 20,710,173	\$ (4,327)	\$ 18,190,000	\$ 16,656,260	\$ (1,533,740)
Other Governments/Citizen Groups	868,968	868,968	297,354	(571,614)	316,480	1,440,682	1,124,202
Interest Earned	649,993	1,117,540	2,543,349	1,425,809	1,946,486	1,875,367	(71,119)
Other Local Revenue	-	-	-	-	-	82,750	82,750
Payments from Component Units	20,878,841	20,878,841	20,838,840	(40,001)	27,856,006	27,473,875	(382,131)
Total Revenues	43,112,302	43,579,849	44,389,716	809,867	48,308,972	47,528,934	(780,038)
Expenditures							
Debt Service:							
Contracted Services	150,000	605,478	518,386	87,092	221,000	212,965	8,035
Trustee's Commission	450,000	450,000	350,373	99,627	410,000	346,629	63,371
Principal on Bonds	19,820,468	20,040,468	20,040,468	-	18,781,468	18,790,467	(8,999)
Interest on Bonds	23,579,532	22,812,545	21,439,049	1,373,496	21,166,042	18,567,892	2,598,150
Total Expenditures	44,000,000	43,908,491	42,348,276	1,560,215	40,578,510	37,917,953	2,660,557
Excess (Deficiency) of Revenues Over (Under) Expenditures	(887,698)	(328,642)	2,041,440	2,370,082	7,730,462	9,610,981	1,880,519
Other Financing Sources (Uses)							
Transfers from Other Funds	887,698	887,698	540,259	(347,439)	14,641,028	13,987,720	(653,308)
Proceeds of Refunding Bonds	-	101,548,711	101,548,711	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-
Payment to Holders of Refunded Debt	-	(101,548,711)	(101,548,711)	-	(22,371,490)	(21,605,024)	766,466
Total Other Financing Sources (Uses)	887,698	887,698	540,259	(347,439)	(7,730,462)	(7,617,304)	113,158
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	559,056	2,581,699	2,022,643	-	1,993,677	1,993,677
Fund Balance, July 1	32,633,174	32,633,174	32,633,174	-	30,639,497	30,639,497	-
Fund Balance, June 30	\$ 32,633,174	\$ 33,192,230	\$ 35,214,873	\$ 2,022,643	\$ 30,639,497	\$ 32,633,174	\$ 1,993,677

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.

CAPITAL PROJECTS FUND

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

KNOX COUNTY, TENNESSEE**Combining Balance Sheet
Nonmajor Governmental Funds**June 30, 2005

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 14,267,187	\$ 3,878,534	\$ 18,145,721
Receivables (Net of Allowance for Uncollectibles):			
Accounts	7,806,864	-	7,806,864
Property Taxes	306,528	6,755	313,283
Notes	3,211,472	-	3,211,472
Due from Other Funds	671,562	-	671,562
Inventories	5,537	-	5,537
Prepaid Items	88,217	-	88,217
TOTAL ASSETS	\$ 26,357,367	\$ 3,885,289	\$ 30,242,656
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 3,316,595	\$ -	\$ 3,316,595
Due to Other Funds	3,344,552	-	3,344,552
Due to Component Units	917	-	917
Deferred Revenue	4,019,478	6,755	4,026,233
Advances from Other Funds	37,248	-	37,248
TOTAL LIABILITIES	10,718,790	6,755	10,725,545
Fund balances:			
Reserved	3,346,220	213,008	3,559,228
Unreserved:			
Designated	2,816,177	-	2,816,177
Undesignated	9,476,180	3,665,526	13,141,706
TOTAL FUND BALANCES	15,638,577	3,878,534	19,517,111
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,357,367	\$ 3,885,289	\$ 30,242,656

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2005**

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
Revenues			
Local Taxes	\$ 11,484,873	\$ 6,177	\$ 11,491,050
Fines, Forfeitures and Penalties	251,531	-	251,531
Charges for Current Services	1,062,695	-	1,062,695
Other Local Revenues	711,467	-	711,467
State of Tennessee	11,967,294	-	11,967,294
Federal Government	5,037,649	-	5,037,649
Other Governments and Citizen Groups	374,854	-	374,854
Total Revenues	30,890,363	6,177	30,896,540
Expenditures			
Current:			
Finance and Administration	383,309	-	383,309
Administration of Justice	294,048	-	294,048
Public Safety	4,712,389	-	4,712,389
Public Health and Welfare	9,843,701	-	9,843,701
Social and Cultural Services	10,717,768	-	10,717,768
Other General Government	7,601,908	-	7,601,908
Highways	8,607,547	-	8,607,547
Capital Projects	-	117	117
Total Expenditures	42,160,670	117	42,160,787
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,270,307)	6,060	(11,264,247)
Other Financing Sources (Uses)			
Transfers from Other Funds	13,176,595	-	13,176,595
Transfers to Other Funds	(1,020,000)	-	(1,020,000)
Debt Issuance	-	-	-
Total Other Financing Sources	12,156,595	-	12,156,595
Net Change in Fund Balances	886,288	6,060	892,348
Fund Balances, July 1	14,752,289	3,872,474	18,624,763
Fund Balances, June 30	\$ 15,638,577	\$ 3,878,534	\$ 19,517,111

KNOX COUNTY, TENNESSEE

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2005

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Fire District	Drug Control	Highway	Total Nonmajor Special Revenue Funds
ASSETS									
Cash and Cash Equivalents	\$ 855,821	\$ 47,060	\$ 3,738,505	\$ 2,525,981	\$ 1,436,253	\$ 19,446	\$ 658,306	\$ 4,985,815	\$ 14,267,187
Receivables (Net of Allowance for Uncollectibles):									
Accounts	5,438,943	140	-	220,255	407,824	-	-	1,739,702	7,806,864
Property Taxes	-	-	75,985	27,917	-	202,626	-	-	306,528
Notes	3,211,472	-	-	-	-	-	-	-	3,211,472
Due from Other Funds	252,965	20,000	1,646	396,951	-	-	-	-	671,562
Inventories	5,537	-	-	-	-	-	-	-	5,537
Prepaid Items	37,812	149	23,832	4,931	-	-	-	21,493	88,217
TOTAL ASSETS	\$ 9,802,550	\$ 67,349	\$ 3,839,968	\$ 3,176,035	\$ 1,844,077	\$ 222,072	\$ 658,306	\$ 6,747,010	\$ 26,357,367
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts Payable and Accrued Liabilities	\$ 671,755	\$ 24,195	\$ 427,141	\$ 109,964	\$ 1,330,490	\$ -	\$ 209,302	\$ 543,748	\$ 3,316,595
Due to Other Funds	3,198,775	141	41,064	10,020	8,164	44	407	85,937	3,344,552
Due to Component Units	917	-	-	-	-	-	-	-	917
Deferred Revenue	3,695,031	-	97,825	27,917	-	198,705	-	-	4,019,478
Advances from Other Funds	-	37,248	-	-	-	-	-	-	37,248
TOTAL LIABILITIES	7,566,478	61,584	566,030	147,901	1,338,654	198,749	209,709	629,685	10,718,790
Fund Balances (Deficits):									
Reserved	2,435,020	149	221,953	405,727	-	-	96,199	187,172	3,346,220
Unreserved:									
Designated	-	-	54,402	-	-	-	-	2,761,775	2,816,177
Undesignated	(198,948)	5,616	2,997,583	2,622,407	505,423	23,323	352,398	3,168,378	9,476,180
TOTAL FUND BALANCES	2,236,072	5,765	3,273,938	3,028,134	505,423	23,323	448,597	6,117,325	15,638,577
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,802,550	\$ 67,349	\$ 3,839,968	\$ 3,176,035	\$ 1,844,077	\$ 222,072	\$ 658,306	\$ 6,747,010	\$ 26,357,367

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the year ended June 30, 2005

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Fire District	Drug Control	Highway	Total Nonmajor Special Revenue Funds
Revenues									
Local Taxes	\$ -	\$ 59,579	\$ 1,297,927	\$ 25,535	\$ 4,207,643	\$ 164,033	\$ -	\$ 5,730,156	\$ 11,484,873
Fines, Forfeitures and Penalties	-	-	-	-	-	-	251,531	-	251,531
Charges for Current Services	684,867	10,349	367,479	-	-	-	-	-	1,062,695
Other Local Revenues	232,910	154	49,786	268,977	-	-	139,050	20,590	711,467
State of Tennessee	6,365,154	-	88,646	564,584	-	-	-	4,948,910	11,967,294
Federal Government	5,037,649	-	-	-	-	-	-	-	5,037,649
Other Governments and Citizen Groups	152,021	30,000	26,131	-	-	-	166,702	-	374,854
Total revenues	12,472,601	100,082	1,829,969	859,096	4,207,643	164,033	557,283	10,699,656	30,890,363
Expenditures									
Current:									
Finance and Administration	383,309	-	-	-	-	-	-	-	383,309
Administration of Justice	283,472	-	-	-	-	-	10,576	-	294,048
Public Safety	4,018,653	-	-	-	-	152,831	540,905	-	4,712,389
Public Health and Welfare	6,315,055	-	-	3,528,646	-	-	-	-	9,843,701
Social and Cultural Services	129,974	157,202	10,430,592	-	-	-	-	-	10,717,768
Other General Government	2,212,577	-	-	-	5,389,331	-	-	-	7,601,908
Highways	-	-	-	-	-	-	-	8,607,547	8,607,547
Total expenditures	13,343,040	157,202	10,430,592	3,528,646	5,389,331	152,831	551,481	8,607,547	42,160,670
Excess (deficiency) of revenues over (under) expenditures	(870,439)	(57,120)	(8,600,623)	(2,669,550)	(1,181,688)	11,202	5,802	2,092,109	(11,270,307)
Other financing sources (uses)									
Transfers from Other Funds	1,199,775	55,008	8,825,000	3,096,812	-	-	-	-	13,176,595
Transfers to Other Funds	(20,000)	-	-	-	(1,000,000)	-	-	-	(1,020,000)
Total other financing sources (uses)	1,179,775	55,008	8,825,000	3,096,812	(1,000,000)	-	-	-	12,156,595
Net change in fund balances	309,336	(2,112)	224,377	427,262	(2,181,688)	11,202	5,802	2,092,109	886,288
Fund Balance, July 1	1,926,736	7,877	3,049,561	2,600,872	2,687,111	12,121	442,795	4,025,216	14,752,289
Fund Balance, June 30	\$ 2,236,072	\$ 5,765	\$ 3,273,938	\$ 3,028,134	\$ 505,423	\$ 23,323	\$ 448,597	\$ 6,117,325	\$ 15,638,577

KNOX COUNTY, TENNESSEE

State and Federal Grants Special Revenue Fund
Comparative Balance Sheets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 855,821	\$ 1,642,567
Receivables (Net of Allowances for Uncollectibles):		
Accounts	5,438,943	5,522,533
Notes	3,211,472	2,677,528
Due from Other Funds	252,965	430,527
Inventories	5,537	11,708
Prepaid Items	37,812	34,472
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 9,802,550</u>	<u>\$ 10,319,335</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 671,755	\$ 827,586
Due to Other Funds	3,198,775	4,306,560
Due to Component Units	917	-
Deferred Revenue	3,695,031	3,258,453
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>7,566,478</u>	<u>8,392,599</u>
 Fund Balances:		
Reserved	2,435,020	1,872,263
Unreserved:		
Designated	-	54,473
Undesignated	(198,948)	-
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>2,236,072</u>	<u>1,926,736</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,802,550</u>	<u>\$ 10,319,335</u>

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, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Charges for Current Services	\$ 684,867	\$ 568,523
Other Local Revenues	232,910	511,675
State of Tennessee	6,365,154	7,415,404
Federal Government	5,037,649	5,075,258
Other Governmental and Citizen Groups	<u>152,021</u>	<u>316,222</u>
Total Revenues	<u>12,472,601</u>	<u>13,887,082</u>
Expenditures		
Current:		
General Government:		
Finance and Administration	383,309	374,446
Administration of Justice	283,472	271,465
Public Safety	4,018,653	5,431,735
Public Health and Welfare	6,315,055	5,931,591
Social and Cultural Services	129,974	42,700
Other General Government	<u>2,212,577</u>	<u>3,181,704</u>
Total Expenditures	<u>13,343,040</u>	<u>15,233,641</u>
Deficiency of Revenues Under Expenditures	<u>(870,439)</u>	<u>(1,346,559)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	1,199,775	1,266,175
Transfers to Other Funds	<u>(20,000)</u>	<u>-</u>
Total Other Financing Sources	<u>1,179,775</u>	<u>1,266,175</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	309,336	(80,384)
Fund Balances, July 1	<u>1,926,736</u>	<u>2,007,120</u>
Fund Balances, June 30	<u>\$ 2,236,072</u>	<u>\$ 1,926,736</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 400,000	\$ 662,511	\$ 684,867	\$ 22,356	\$ 588,970	\$ 568,523	\$ (20,447)
Other Local Revenues	119,019	242,215	232,910	(9,305)	784,846	511,675	(273,171)
State of Tennessee	-	8,668,807	6,365,154	(2,303,653)	10,067,201	7,415,404	(2,651,797)
Federal Government	436,696	12,201,179	5,037,649	(7,163,530)	11,014,056	5,075,258	(5,938,798)
Other Governmental and Citizen Groups	-	215,215	152,021	(63,194)	311,798	316,222	4,424
Total Revenues	955,715	21,989,927	12,472,601	(9,517,326)	22,766,871	13,887,082	(8,879,789)
Expenditures							
Current:							
General Government:							
Personal Services	470,090	8,420,012	6,419,397	2,000,615	8,125,106	5,940,108	2,184,998
Employee Benefits	120,400	2,399,909	1,573,361	826,548	2,223,660	1,411,168	812,492
Contracted Services	138,950	5,657,217	2,534,193	3,123,024	7,131,550	4,012,841	3,118,709
Supplies and Materials	94,000	2,199,452	1,112,449	1,087,003	2,641,199	915,516	1,725,683
Other Charges	123,710	360,232	388,297	(28,065)	532,774	436,728	96,046
Capital Outlay	-	4,316,889	1,315,343	3,001,546	3,911,711	2,517,280	1,394,431
Total Expenditures	947,150	23,353,711	13,343,040	10,010,671	24,566,000	15,233,641	9,332,359
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,565	(1,363,784)	(870,439)	493,345	(1,799,129)	(1,346,559)	452,570
Other Financing Sources (Uses)							
Transfers from Other Funds	212,406	879,872	1,199,775	319,903	1,020,151	1,266,175	246,024
Transfers to Other Funds	-	(135,010)	(20,000)	115,010	-	-	-
Total Other Financing Sources	212,406	744,862	1,179,775	434,913	1,020,151	1,266,175	246,024
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	220,971	(618,922)	309,336	928,258	(778,978)	(80,384)	698,594
Fund Balances, July 1	1,926,736	1,926,736	1,926,736	-	2,007,120	2,007,120	-
Fund Balances, June 30	\$ 2,147,707	\$ 1,307,814	\$ 2,236,072	\$ 928,258	\$ 1,228,142	\$ 1,926,736	\$ 698,594

KNOX COUNTY, TENNESSEE

Governmental Library Special Revenue Fund

Comparative Balance Sheets

June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 47,060	\$ 44,428
Receivables (Net of Allowances for Uncollectibles):		
Accounts	140	2,982
Due from Other Funds	20,000	-
Prepaid Items	149	137
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 67,349</u>	<u>\$ 47,547</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 24,195	\$ 2,040
Due to Other Funds	141	202
Advances from Other Funds	37,248	37,248
Deferred Revenue	-	180
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>61,584</u>	<u>39,670</u>
 Fund Balances:		
Reserved	149	137
Unreserved, undesignated	5,616	7,740
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>5,765</u>	<u>7,877</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 67,349</u>	<u>\$ 47,547</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Local Taxes	\$ 59,579	\$ 94,644
Charges for Current Services	10,349	13,873
Other Local Revenues	154	372
Other Governments and Citizens Groups	<u>30,000</u>	<u>500</u>
Total Revenues	<u>100,082</u>	<u>109,389</u>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	<u>157,202</u>	<u>161,494</u>
Deficiency of Revenues Under Expenditures	<u>(57,120)</u>	<u>(52,105)</u>
Other Financing Sources		
Transfers from Other Funds	<u>55,008</u>	<u>51,842</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures	(2,112)	(263)
Fund Balances, July 1	<u>7,877</u>	<u>8,140</u>
Fund Balances, June 30	<u>\$ 5,765</u>	<u>\$ 7,877</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, 2005 and June 30, 2004

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 95,400	\$ 72,900	\$ 59,579	\$ (13,321)	\$ 95,400	\$ 94,644	\$ (756)
Charges for Current Services	14,992	14,992	10,349	(4,643)	14,500	13,873	(627)
Other Local Revenues	100	100	154	54	100	372	272
Other Governments and Citizens Groups	-	30,000	30,000	-	-	500	500
Total Revenues	110,492	117,992	100,082	(17,910)	110,000	109,389	(611)
Expenditures							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	41,934	42,500	42,499	1	39,920	39,920	-
Employee Benefits	9,114	8,828	8,824	4	8,473	8,231	242
Contracted Services	26,024	6,024	4,479	1,545	6,830	4,634	2,196
Supplies and Materials	32,864	105,084	90,906	14,178	113,230	85,691	27,539
Other Charges	10,064	10,564	10,494	70	23,389	23,018	371
Total Expenditures	120,000	173,000	157,202	15,798	191,842	161,494	30,348
Deficiency of Revenues Under Expenditures	(9,508)	(55,008)	(57,120)	(2,112)	(81,842)	(52,105)	29,737
Other Financing Sources							
Transfers from Other Funds	9,508	55,008	55,008	-	51,842	51,842	-
Deficiency of Revenues and Other Financing Sources Under Expenditures	-	-	(2,112)	(2,112)	(30,000)	(263)	29,737
Fund Balances, July 1	7,877	7,877	7,877	-	8,140	8,140	-
Fund Balances (Deficits), June 30	\$ 7,877	\$ 7,877	\$ 5,765	\$ (2,112)	\$ (21,860)	\$ 7,877	\$ 29,737

KNOX COUNTY, TENNESSEE

Public Library Special Revenue Fund

Comparative Balance Sheets

June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,738,505	\$ 3,460,670
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	-	93,500
Property Taxes	75,985	233,134
Due from Other Funds	1,646	5,800
Prepaid Items	<u>23,832</u>	<u>19,583</u>
TOTAL ASSETS	<u><u>\$ 3,839,968</u></u>	<u><u>\$ 3,812,687</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 427,141	\$ 544,310
Due to Other Funds	41,064	4,487
Deferred Revenue	<u>97,825</u>	<u>214,329</u>
TOTAL LIABILITIES	<u>566,030</u>	<u>763,126</u>
 Fund Balances:		
Reserved	221,953	78,420
Unreserved:		
Designated	54,402	43,818
Undesignated	<u>2,997,583</u>	<u>2,927,323</u>
TOTAL FUND BALANCES	<u>3,273,938</u>	<u>3,049,561</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,839,968</u></u>	<u><u>\$ 3,812,687</u></u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Local Taxes	\$ 1,297,927	\$ 393,366
Charges for Current Services	367,479	281,189
Other Local Revenues	49,786	189,866
State of Tennessee	88,646	97,705
Federal Government	-	-
Other Governments and Citizens Groups	<u>26,131</u>	<u>29,281</u>
Total Revenues	<u>1,829,969</u>	<u>991,407</u>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	<u>10,430,592</u>	<u>9,784,630</u>
Deficiency of Revenues Under Expenditures	(8,600,623)	(8,793,223)
Other Financing Sources		
Transfers from Other Funds	<u>8,825,000</u>	<u>8,618,750</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	224,377	(174,473)
Fund Balances, July 1	<u>3,049,561</u>	<u>3,224,034</u>
Fund Balances, June 30	<u>\$ 3,273,938</u>	<u>\$ 3,049,561</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 1,288,428	\$ 1,288,428	\$ 1,297,927	\$ 9,499	\$ -	\$ 393,366	\$ 393,366
Charges for Current Services	375,000	375,000	367,479	(7,521)	266,000	281,189	15,189
Other Local Revenues	44,063	85,044	49,786	(35,258)	202,945	189,866	(13,079)
State of Tennessee	-	100,074	88,646	(11,428)	97,758	97,705	(53)
Other Governments and Citizens Groups	41,000	66,443	26,131	(40,312)	54,724	29,281	(25,443)
Total Revenues	1,748,491	1,914,989	1,829,969	(85,020)	621,427	991,407	369,980
Expenditures							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	5,347,066	5,507,164	5,384,329	122,835	4,859,634	4,829,823	29,811
Employee Benefits	1,312,680	1,320,104	1,216,752	103,352	1,161,147	1,090,502	70,645
Contracted Services	2,569,819	2,542,937	2,408,267	134,670	1,965,515	1,946,215	19,300
Supplies and Materials	951,343	1,409,510	1,210,860	198,650	1,392,709	1,326,182	66,527
Other Charges	136,168	111,581	104,475	7,106	200,998	198,064	2,934
Capital Outlay	260,000	211,349	105,909	105,440	448,641	393,844	54,797
Total Expenditures	10,577,076	11,102,645	10,430,592	672,053	10,028,644	9,784,630	244,014
Deficiency of Revenues Under Expenditures	(8,828,585)	(9,187,656)	(8,600,623)	587,033	(9,407,217)	(8,793,223)	613,994
Other Financing Sources							
Transfers from Other Funds	8,825,000	8,825,000	8,825,000	-	8,825,000	8,618,750	(206,250)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(3,585)	(362,656)	224,377	587,033	(582,217)	(174,473)	407,744
Fund Balances, July 1	3,049,561	3,049,561	3,049,561	-	3,224,034	3,224,034	-
Fund Balances, June 30	\$ 3,045,976	\$ 2,686,905	\$ 3,273,938	\$ 587,033	\$ 2,641,817	\$ 3,049,561	\$ 407,744

KNOX COUNTY, TENNESSEE

Solid Waste Special Revenue Fund

Comparative Balance Sheets

June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,525,981	\$ 2,868,345
Receivables (Net of Allowances for Uncollectibles):		
Accounts	220,255	1,548
Property Taxes	27,917	85,654
Due from Other Funds	396,951	-
Prepaid Items	4,931	4,609
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 3,176,035</u></u>	<u><u>\$ 2,960,156</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 109,964	\$ 279,542
Due to Other Funds	10,020	6,722
Deferred Revenue	27,917	73,020
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>147,901</u>	<u>359,284</u>
 Fund Balances:		
Reserved	405,727	11,359
Unreserved:		
Undesignated	2,622,407	2,589,513
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>3,028,134</u>	<u>2,600,872</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,176,035</u></u>	<u><u>\$ 2,960,156</u></u>

KNOX COUNTY, TENNESSEE

Solid Waste Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Local Taxes	\$ 25,535	\$ 143,037
Other Local Revenues	268,977	255,718
State of Tennessee	564,584	349,912
Other Governments and Citizens Groups	<u>-</u>	<u>39,797</u>
Total Revenues	<u>859,096</u>	<u>788,464</u>
Expenditures		
Current:		
General Government:		
Public Health and Welfare	<u>3,528,646</u>	<u>4,036,908</u>
Deficiency of Revenues		
Under Expenditures	<u>(2,669,550)</u>	<u>(3,248,444)</u>
Other Financing Sources (Uses)		
Proceeds from Borrowing	-	-
Transfers from Other Funds	3,096,812	2,950,000
Transfers to Other Funds	<u>-</u>	<u>(21,000)</u>
Total Other Financing Sources	<u>3,096,812</u>	<u>2,929,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	427,262	(319,444)
Fund Balances, July 1	<u>2,600,872</u>	<u>2,920,316</u>
Fund Balances, June 30	<u>\$ 3,028,134</u>	<u>\$ 2,600,872</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 60,000	\$ 60,000	\$ 25,535	\$ (34,465)	\$ 115,000	\$ 143,037	\$ 28,037
Charges for Current Services	30,000	5,000	-	(5,000)	30,000	-	(30,000)
Other Local Revenues	155,000	201,701	268,977	67,276	223,042	255,718	32,676
State of Tennessee	355,000	355,000	564,584	209,584	350,000	349,912	(88)
Other Governments and Citizens Groups	-	-	-	-	39,000	39,797	797
Total Revenues	600,000	621,701	859,096	237,395	757,042	788,464	31,422
Expenditures							
Current:							
General Government:							
Public Health and Welfare:							
Personal Services	668,929	676,288	667,433	8,855	690,794	687,994	2,800
Employee Benefits	217,348	205,698	201,048	4,650	213,283	211,988	1,295
Contracted Services	2,395,460	2,969,710	2,457,772	511,938	2,758,144	2,676,711	81,433
Supplies and Materials	66,550	108,639	101,031	7,608	93,573	85,387	8,186
Other Charges	38,900	39,700	39,413	287	52,894	52,223	671
Capital Outlay	24,000	551,346	39,420	511,926	820,697	294,218	526,479
Litter and Trash Collection:							
Employee Benefits	-	6,500	4,648	1,852	-	-	-
Contracted Services	2,000	4,700	4,586	114	-	-	-
Supplies and Materials	-	13,300	13,295	5	28,387	28,387	-
Other Charges	3,900	3,900	-	3,900	-	-	-
Total Expenditures	3,417,087	4,579,781	3,528,646	1,051,135	4,657,772	4,036,908	620,864
Deficiency of Revenues Under Expenditures	(2,817,087)	(3,958,080)	(2,669,550)	1,288,530	(3,900,730)	(3,248,444)	652,286
Other Financing Sources (Uses)							
Transfers from Other Funds	2,700,000	2,700,000	3,096,812	396,812	3,000,000	2,950,000	(50,000)
Transfers to Other Funds	-	-	-	-	(21,000)	(21,000)	-
Total Other Financing Sources	2,700,000	2,700,000	3,096,812	396,812	2,979,000	2,929,000	(50,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(117,087)	(1,258,080)	427,262	1,685,342	(921,730)	(319,444)	602,286
Fund Balances, July 1	2,600,872	2,600,872	2,600,872	-	2,920,316	2,920,316	-
Fund Balances, June 30	\$ 2,483,785	\$ 1,342,792	\$ 3,028,134	\$ 1,685,342	\$ 1,998,586	\$ 2,600,872	\$ 602,286

KNOX COUNTY, TENNESSEE

Hotel/Motel Tax Special Revenue Fund
Comparative Balance Sheets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,436,253	\$ 2,824,485
Accounts Receivable	407,824	371,725
TOTAL ASSETS	<u>\$ 1,844,077</u>	<u>\$ 3,196,210</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,330,490	\$ 502,032
Due to Other Funds	8,164	7,067
TOTAL LIABILITIES	<u>1,338,654</u>	<u>509,099</u>
Fund Balances:		
Unreserved, undesignated	505,423	2,687,111
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,844,077</u>	<u>\$ 3,196,210</u>

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, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Local Taxes	\$ 4,207,643	\$ 4,025,335
Other Local Revenues	<u>-</u>	<u>21</u>
Total Revenues	<u>4,207,643</u>	<u>4,025,356</u>
Expenditures		
Current:		
General Government:		
Other General Government	<u>5,389,331</u>	<u>5,154,103</u>
Deficiency of Revenues Under Expenditures	(1,181,688)	(1,128,747)
Other Financing Uses		
Transfers to Other Funds	<u>(1,000,000)</u>	<u>-</u>
Total Other Financing Uses	<u>(1,000,000)</u>	<u>-</u>
Deficiency of Revenues Under Expenditures and Other Financing Uses	(2,181,688)	(1,128,747)
Fund Balances, July 1	<u>2,687,111</u>	<u>3,815,858</u>
Fund Balances, June 30	<u><u>\$ 505,423</u></u>	<u><u>\$ 2,687,111</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 4,300,000	\$ 4,300,000	\$ 4,207,643	\$ (92,357)	\$ 2,400,000	\$ 4,025,335	\$ 1,625,335
Other Local Revenues	-	-	-	-	-	21	21
Total Revenues	4,300,000	4,300,000	4,207,643	(92,357)	2,400,000	4,025,356	1,625,356
Expenditures							
Current:							
General Government:							
Other General Government:							
Contracted Services	2,157,750	2,157,750	1,812,821	344,929	2,035,000	1,744,033	290,967
Other Charges	108,000	108,000	42,260	65,740	55,000	40,070	14,930
Miscellaneous	4,534,250	3,534,250	3,534,250	-	3,370,000	3,370,000	-
Total Expenditures	6,800,000	5,800,000	5,389,331	410,669	5,460,000	5,154,103	305,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500,000)	(1,500,000)	(1,181,688)	318,312	(3,060,000)	(1,128,747)	1,931,253
Other Financing Uses							
Transfers to Other Funds	-	(1,000,000)	(1,000,000)	-	-	-	-
Total Other Financing Uses	-	(1,000,000)	(1,000,000)	-	-	-	-
Deficiency of Revenues Under Expenditures and Other Financing Uses	(2,500,000)	(2,500,000)	(2,181,688)	318,312	(3,060,000)	(1,128,747)	1,931,253
Fund Balances, July 1	2,687,111	2,687,111	2,687,111	-	3,815,858	3,815,858	-
Fund Balances, June 30	\$ 187,111	\$ 187,111	\$ 505,423	\$ 318,312	\$ 755,858	\$ 2,687,111	\$ 1,931,253

KNOX COUNTY, TENNESSEE

Fire District Special Revenue Fund
Comparative Balance Sheets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 19,446	\$ 10,394
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>202,626</u>	<u>196,751</u>
TOTAL ASSETS	<u><u>\$ 222,072</u></u>	<u><u>\$ 207,145</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to Other Funds	\$ 44	\$ -
Deferred Revenue	<u>198,705</u>	<u>195,024</u>
TOTAL LIABILITIES	<u>198,749</u>	<u>195,024</u>
 Fund Balances:		
Unreserved, Undesignated	<u>23,323</u>	<u>12,121</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 222,072</u></u>	<u><u>\$ 207,145</u></u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Local Taxes	<u>\$ 164,033</u>	<u>\$ 168,218</u>
Expenditures		
Current:		
General Government:		
Public Safety	<u>152,831</u>	<u>151,458</u>
Excess of Revenues Over Expenditures	11,202	16,760
Fund Balances (Deficit), July 1	<u>12,121</u>	<u>(4,639)</u>
Fund Balances, June 30	<u><u>\$ 23,323</u></u>	<u><u>\$ 12,121</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 170,000	\$ 170,000	\$ 164,033	\$ (5,967)	\$ 160,000	\$ 168,218	\$ 8,218
Expenditures							
Current:							
General Government:							
Public Safety:							
Contracted Services	156,000	156,000	149,550	6,450	156,000	147,882	8,118
Other Charges	14,000	14,000	3,281	10,719	4,000	3,576	424
Total Expenditures	170,000	170,000	152,831	17,169	160,000	151,458	8,542
Excess of Revenues Over Expenditures	-	-	11,202	11,202	-	16,760	16,760
Fund Balances (Deficit), July 1	12,121	12,121	12,121	-	(4,639)	(4,639)	-
Fund Balances (Deficit), June 30	\$ 12,121	\$ 12,121	\$ 23,323	\$ 11,202	\$ (4,639)	\$ 12,121	\$ 16,760

KNOX COUNTY, TENNESSEE

Drug Control Special Revenue Fund

Comparative Balance Sheets

June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 658,306	\$ 447,682
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 209,302	\$ 4,023
Due to Other Funds	407	864
TOTAL LIABILITIES	<u>209,709</u>	<u>4,887</u>
Fund Balances:		
Reserved	96,199	89,566
Unreserved:		
Undesignated	<u>352,398</u>	<u>353,229</u>
TOTAL FUND BALANCES	<u>448,597</u>	<u>442,795</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 658,306</u>	<u>\$ 447,682</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 251,531	\$ 212,174
Other Local Revenues	139,050	70,493
Federal Government	-	20,000
Other Governments and Citizens Groups	<u>166,702</u>	<u>116,324</u>
Total Revenues	<u>557,283</u>	<u>418,991</u>
Expenditures		
Current:		
General Government:		
Public Safety	540,905	420,232
Administration of Justice	<u>10,576</u>	<u>-</u>
Total Expenditures	<u>551,481</u>	<u>420,232</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,802	(1,241)
Other Financing Uses:		
Transfers to Other Funds	<u>-</u>	<u>(10,000)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	5,802	(11,241)
Fund Balances, July 1	<u>442,795</u>	<u>454,036</u>
Fund Balances, June 30	<u>\$ 448,597</u>	<u>\$ 442,795</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Fines, Forfeitures, and Penalties	\$ -	\$ 240,000	\$ 251,531	\$ 11,531	\$ 190,000	\$ 212,174	\$ 22,174
Other Local Revenues	-	45,000	139,050	94,050	35,000	70,493	35,493
Federal Government	-	-	-	-	20,000	20,000	-
Other Governments and Citizens Groups	-	185,000	166,702	(18,298)	125,000	116,324	(8,676)
Total Revenues	-	470,000	557,283	87,283	370,000	418,991	48,991
Expenditures							
Current:							
General Government:							
Public Safety:							
Contracted Services	-	503,503	433,344	70,159	171,348	137,494	33,854
Supplies and Materials	-	72,230	57,515	14,715	101,000	60,322	40,678
Other Charges	-	48,789	48,789	-	63,000	47,552	15,448
Capital Outlay	-	5,000	1,257	3,743	55,000	32,815	22,185
Administration of Justice:							
Contracted Services	-	15,348	10,576	4,772	-	-	-
Supplies and Materials	-	25,000	-	25,000	-	-	-
Capital Outlay	-	20,000	-	20,000	142,049	142,049	-
Total Expenditures	-	689,870	551,481	138,389	532,397	420,232	112,165
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(219,870)	5,802	225,672	(162,397)	(1,241)	161,156
Other Financing Uses							
Transfers to Other Funds	-	-	-	-	-	(10,000)	(10,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(219,870)	5,802	225,672	(162,397)	(11,241)	151,156
Fund Balances, July 1	442,795	442,795	442,795	-	454,036	454,036	-
Fund Balances, June 30	\$ 442,795	\$ 222,925	\$ 448,597	\$ 225,672	\$ 291,639	\$ 442,795	\$ 151,156

KNOX COUNTY, TENNESSEE

Highway Special Revenue Fund
Comparative Balance Sheets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,985,815	\$ 2,883,683
Receivables (Net of Allowances for Uncollectibles):		
Accounts	1,739,702	1,975,391
Prepaid Items	<u>21,493</u>	<u>19,125</u>
TOTAL ASSETS	<u>\$ 6,747,010</u>	<u>\$ 4,878,199</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 543,748	\$ 832,080
Due to Other Funds	85,937	20,824
Due to Component Units	<u>-</u>	<u>79</u>
TOTAL LIABILITIES	<u>629,685</u>	<u>852,983</u>
Fund Balances:		
Reserved	187,172	254,148
Unreserved:		
Designated	2,761,775	139,478
Undesignated	<u>3,168,378</u>	<u>3,631,590</u>
TOTAL FUND BALANCES	<u>6,117,325</u>	<u>4,025,216</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,747,010</u>	<u>\$ 4,878,199</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Local Taxes	\$ 5,730,156	\$ 5,702,829
Other Local Revenues	20,590	50,702
State of Tennessee	4,948,910	4,926,124
	<u>10,699,656</u>	<u>10,679,655</u>
Expenditures		
Current:		
Highways	<u>8,607,547</u>	<u>11,938,273</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,092,109	(1,258,618)
Fund Balances, July 1	<u>4,025,216</u>	<u>5,283,834</u>
Fund Balances, June 30	<u><u>\$ 6,117,325</u></u>	<u><u>\$ 4,025,216</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 5,675,000	\$ 5,675,000	\$ 5,730,156	\$ 55,156	\$ 5,642,423	\$ 5,702,829	\$ 60,406
Other Local Revenues	71,774	72,059	20,590	(51,469)	35,644	50,702	15,058
State of Tennessee	5,357,477	5,357,477	4,948,910	(408,567)	5,247,477	4,926,124	(321,353)
Total Revenues	11,104,251	11,104,536	10,699,656	(404,880)	10,925,544	10,679,655	(245,889)
Expenditures							
Current:							
Highways:							
Administration:							
Personal Services	517,821	510,785	458,935	51,850	513,058	469,473	43,585
Employee Benefits	104,975	105,011	96,304	8,707	97,031	93,095	3,936
Contracted Services	71,070	113,470	88,029	25,441	119,819	72,306	47,513
Supplies and Materials	88,000	83,769	73,395	10,374	85,669	73,017	12,652
Other Charges	92,192	92,217	90,328	1,889	73,592	71,851	1,741
Highways and Bridge Maintenance:							
Personal Services	2,462,425	2,449,138	2,346,013	103,125	2,318,248	2,261,989	56,259
Employee Benefits	750,042	710,042	675,874	34,168	649,296	637,526	11,770
Contracted Services	692,680	725,680	696,104	29,576	727,876	719,855	8,021
Supplies and Materials	4,219,533	4,226,809	2,248,612	1,978,197	5,509,383	5,493,837	15,546
Other Charges	428,500	428,500	428,500	-	391,500	339,896	51,604
Various Highway:							
Personal Services	539,331	552,618	551,313	1,305	521,191	516,014	5,177
Employee Benefits	147,414	147,414	144,864	2,550	141,505	134,945	6,560
Contracted Services	368,750	531,406	254,739	276,667	552,913	360,150	192,763
Supplies and Materials	255,318	255,468	203,081	52,387	230,818	202,586	28,232
Other Charges	1,200	1,200	1,200	-	1,000	1,000	-
Capital Outlay	574,500	689,676	11,206	678,470	320,367	251,273	69,094
Other Charges:							
Other Charges	105,000	105,000	97,805	7,195	110,000	102,939	7,061
Capital Outlay:							
Capital Outlay	125,000	213,734	141,245	72,489	250,998	136,521	114,477
Total Expenditures	11,543,751	11,941,937	8,607,547	3,334,390	12,614,264	11,938,273	675,991
Excess (Deficiency) of Revenues Over (Under) Expenditures	(439,500)	(837,401)	2,092,109	2,929,510	(1,688,720)	(1,258,618)	430,102
Fund Balances, July 1	4,025,216	4,025,216	4,025,216	-	5,283,834	5,283,834	-
Fund Balances, June 30	\$ 3,585,716	\$ 3,187,815	\$ 6,117,325	\$ 2,929,510	\$ 3,595,114	\$ 4,025,216	\$ 430,102

KNOX COUNTY, TENNESSEE

ADA Construction Capital Projects Fund (Nonmajor)
Comparative Balance Sheets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,878,534	\$ 3,869,485
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>6,755</u>	<u>20,723</u>
TOTAL ASSETS	<u><u>\$ 3,885,289</u></u>	<u><u>\$ 3,890,208</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to Other Funds	\$ -	\$ 68
Deferred Revenue	<u>6,755</u>	<u>17,666</u>
TOTAL LIABILITIES	<u>6,755</u>	<u>17,734</u>
 Fund Balances		
Reserved	213,008	213,008
Unreserved, Undesignated	<u>3,665,526</u>	<u>3,659,466</u>
TOTAL FUND BALANCES	<u>3,878,534</u>	<u>3,872,474</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,885,289</u></u>	<u><u>\$ 3,890,208</u></u>

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, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Local Taxes	\$ 6,177	\$ 35,026
Expenditures		
Capital Projects:		
Capital Projects	<u>117</u>	<u>573,668</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,060	(538,642)
Other Financing Sources:		
Transfers from Other Funds	<u>-</u>	<u>600,000</u>
Excess of Revenues and Other Financing Sources Over Expenditures	6,060	61,358
Fund Balances, July 1	<u>3,872,474</u>	<u>3,811,116</u>
Fund Balances, June 30	<u><u>\$ 3,878,534</u></u>	<u><u>\$ 3,872,474</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ -	\$ -	\$ 6,177	\$ 6,177	\$ -	\$ 35,026	\$ 35,026
Expenditures							
Capital Projects:							
Contracted Services	60,000	342,440	-	342,440	264,480	44,792	219,688
Supplies & Materials	50,000	150,000	-	150,000	100,000	-	100,000
Other Charges	10,000	19,367	117	19,250	10,074	707	9,367
Capital Outlay	630,000	1,625,741	-	1,625,741	1,373,653	528,169	845,484
Total Expenditures	750,000	2,137,548	117	2,137,431	1,748,207	573,668	1,174,539
Excess (Deficiency) of Revenues Over (Under) Expenditures	(750,000)	(2,137,548)	6,060	2,143,608	(1,748,207)	(538,642)	1,209,565
Other Financing Sources:							
Transfers from Other Funds	-	-	-	-	600,000	600,000	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(750,000)	(2,137,548)	6,060	2,143,608	(1,148,207)	61,358	1,209,565
Fund Balances, July 1	3,872,474	3,872,474	3,872,474	-	3,811,116	3,811,116	-
Fund Balances, June 30	\$ 3,122,474	\$ 1,734,926	\$ 3,878,534	\$ 2,143,608	\$ 2,662,909	\$ 3,872,474	\$ 1,209,565

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.

Mailroom Fund: This fund is used to account for central mailroom services 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 departments. 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, 2005

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
ASSETS									
Current Assets:									
Cash and Cash Equivalents	\$ 32,958	\$ 34,025	\$ 934,702	\$ 192,722	\$ 8,002,936	\$ 369,161	\$ 289,030	\$ 857,427	\$ 10,712,961
Receivables:									
Accounts	69,864	1,553	231,206	-	314	-	-	-	302,937
Notes Receivable	-	-	-	-	19,164	-	-	-	19,164
Due from Other Funds	160,572	24,310	980,260	-	-	-	6,452	-	1,171,594
Due from Component Units	7,134	-	215,765	-	380,608	-	425	-	603,932
Inventories	100,050	15,450	-	-	-	-	-	-	115,500
Prepaid Items	6,308	-	-	1,370	1,379	-	-	-	9,057
TOTAL CURRENT ASSETS	376,886	75,338	2,361,933	194,092	8,404,401	369,161	295,907	857,427	12,935,145
Capital Assets:									
Machinery and Equipment	124,568	21,090	-	51,815	33,352	72,217	101,277	10,084,843	10,489,162
Accumulated Depreciation	(80,293)	(21,090)	-	(51,815)	(18,539)	(41,197)	(73,430)	(6,981,640)	(7,268,004)
Capital Assets (Net of Accumulated Depreciation)	44,275	-	-	-	14,813	31,020	27,847	3,103,203	3,221,158
TOTAL ASSETS	421,161	75,338	2,361,933	194,092	8,419,214	400,181	323,754	3,960,630	16,156,303
LIABILITIES									
Current liabilities:									
Accounts Payable and Accrued Liabilities	62,785	1,617	1,215,077	94,933	97,283	-	1,140	2,105	1,474,940
Due to Other Funds	251,198	-	139	2,232	754	-	3,725	-	258,048
Due to Component Units	-	-	132,827	-	-	-	-	-	132,827
Deferred Revenue	-	-	555,106	-	-	-	-	-	555,106
Self Insured Claims Liability	-	-	-	-	7,057,135	-	-	-	7,057,135
Compensated Absences Payable	59,377	-	-	20,146	18,562	-	-	-	98,085
Advances from Other Funds	-	-	125,000	-	-	-	-	-	125,000
TOTAL CURRENT LIABILITIES	373,360	1,617	2,028,149	117,311	7,173,734	-	4,865	2,105	9,701,141
Noncurrent Liabilities:									
Compensated Absences Payable	6,598	-	-	2,238	2,062	-	-	-	10,898
TOTAL LIABILITIES	379,958	1,617	2,028,149	119,549	7,175,796	-	4,865	2,105	9,712,039
NET ASSETS									
Invested in Capital Assets	44,275	-	-	-	14,813	31,020	27,847	3,103,203	3,221,158
Unrestricted	(3,072)	73,721	333,784	74,543	1,228,605	369,161	291,042	855,322	3,223,106
TOTAL NET ASSETS	\$ 41,203	\$ 73,721	\$ 333,784	\$ 74,543	\$ 1,243,418	\$ 400,181	\$ 318,889	\$ 3,958,525	\$ 6,444,264

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2005**

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
Operating Revenues									
Charges for Services	\$ 2,452,187	\$ 309,455	\$ 33,300,958	\$ 9,385	\$ 3,758,609	\$ 7,390,240	\$ 364,616	\$ -	\$ 47,585,450
Operating Expenses									
Cost of Sales and Services	804,881	250,849	-	-	-	-	-	96,723	1,152,453
General and Administration	1,745,760	13,865	104,443	1,138,570	454,375	3,738,316	361,613	-	7,556,942
Depreciation and Amortization	13,990	-	-	19,346	4,001	6,278	13,554	1,237,317	1,294,486
Medical Claims	-	-	15,665,437	-	-	-	-	-	15,665,437
Retirement Contributions	-	-	17,029,378	-	-	-	-	-	17,029,378
Other Employee Benefits	-	-	402,361	-	-	-	-	-	402,361
Worker's Compensation Claims	-	-	-	199	1,412,476	-	-	-	1,412,675
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	39,406	39,406
Other Expenses	130,190	-	-	20,000	718,641	3,273,181	-	-	4,142,012
Total Operating Expenses	2,694,821	264,714	33,201,619	1,178,115	2,589,493	7,017,775	375,167	1,373,446	48,695,150
Operating Gain (Loss)	(242,634)	44,741	99,339	(1,168,730)	1,169,116	372,465	(10,551)	(1,373,446)	(1,109,700)
Nonoperating Revenues									
Payments from Component Units	-	-	-	490,486	-	-	-	-	490,486
Other Income	-	-	-	-	39,272	-	-	-	39,272
Total Nonoperating Revenues	-	-	-	490,486	39,272	-	-	-	529,758
Gain (Loss) before Transfers	(242,634)	44,741	99,339	(678,244)	1,208,388	372,465	(10,551)	(1,373,446)	(579,942)
Transfers									
Transfers from Other Funds	211,000	-	-	661,576	-	-	-	-	872,576
Change in Net Assets	(31,634)	44,741	99,339	(16,668)	1,208,388	372,465	(10,551)	(1,373,446)	292,634
Total Net Assets, July 1	72,837	28,980	234,445	91,211	35,030	27,716	329,440	5,331,971	6,151,630
Total Net Assets, June 30	\$ 41,203	\$ 73,721	\$ 333,784	\$ 74,543	\$ 1,243,418	\$ 400,181	\$ 318,889	\$ 3,958,525	\$ 6,444,264

KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2005

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
Operating Activities									
Cash Received from Interfund Services Provided	\$ 2,518,508	\$ 310,019	\$ 32,370,326	\$ 9,385	\$ 3,693,001	\$ 7,390,240	\$ 358,689	\$ 110,404	\$ 46,760,572
Cash Paid to Employees	(706,722)	-	-	(289,643)	(336,682)	-	-	-	(1,333,047)
Cash Paid for Goods and Services	(1,793,930)	(275,994)	(31,360)	(817,791)	(2,614,819)	(7,011,497)	(393,529)	(121,613)	(13,060,533)
Cash Paid on Behalf of Employees	(192,461)	-	(33,248,795)	(65,738)	(80,024)	-	-	-	(33,587,018)
Net Cash Provided by (Used in) Operating Activities	<u>(174,605)</u>	<u>34,025</u>	<u>(909,829)</u>	<u>(1,163,787)</u>	<u>661,476</u>	<u>378,743</u>	<u>(34,840)</u>	<u>(11,209)</u>	<u>(1,220,026)</u>
Noncapital Financing Activities									
Receipts from Subrogation Payments	-	-	-	-	76,288	-	-	-	76,288
Transfers from Other Funds	211,000	-	-	1,152,062	-	-	-	-	1,363,062
Advances from Other Funds	-	-	50,000	-	-	-	-	-	50,000
Net Cash Provided by Noncapital Financing Activities	<u>211,000</u>	<u>-</u>	<u>50,000</u>	<u>1,152,062</u>	<u>76,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,489,350</u>
Capital and Related Financing Activities									
Acquisition and Construction of Capital Assets	(28,990)	-	-	-	(17,776)	(10,225)	-	(1,350,484)	(1,407,475)
Net Increase (Decrease) in Cash and Cash Equivalents/Investments	<u>7,405</u>	<u>34,025</u>	<u>(859,829)</u>	<u>(11,725)</u>	<u>719,988</u>	<u>368,518</u>	<u>(34,840)</u>	<u>(1,361,693)</u>	<u>(1,138,151)</u>
Cash and Cash Equivalents/Investments Beginning of Year	<u>25,553</u>	<u>-</u>	<u>1,794,531</u>	<u>204,447</u>	<u>7,282,948</u>	<u>643</u>	<u>323,870</u>	<u>2,219,120</u>	<u>11,851,112</u>
End of Year	<u>\$ 32,958</u>	<u>\$ 34,025</u>	<u>\$ 934,702</u>	<u>\$ 192,722</u>	<u>\$ 8,002,936</u>	<u>\$ 369,161</u>	<u>\$ 289,030</u>	<u>\$ 857,427</u>	<u>\$ 10,712,961</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities									
Operating Gain (Loss)	\$ (242,634)	\$ 44,741	\$ 99,339	\$ (1,168,730)	\$ 1,169,116	\$ 372,465	\$ (10,551)	\$ (1,373,446)	\$ (1,109,700)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used in Operating Activities:									
Depreciation and Amortization	13,990	-	-	19,346	4,001	6,278	13,554	1,237,317	1,294,486
Loss on Disposal of Fixed Asset	-	-	-	-	-	-	-	39,406	39,406
Change in Assets and Liabilities									
(Increase) Decrease in Accounts Receivable	(40,690)	89	(44,618)	-	-	-	285	-	(84,934)
(Increase) Decrease in Due from Other Funds	99,957	475	(940,085)	-	315,000	-	(5,872)	110,404	(420,121)
(Increase) Decrease in Due from Component Units	7,054	-	554	-	(380,608)	-	(340)	-	(373,340)
Decrease in Inventories	(5,004)	(5,073)	-	-	-	-	-	-	(10,077)
(Increase) Decrease in Prepaid Items	(84)	-	-	(111)	(271)	-	-	-	(466)
Increase (Decrease) in Accounts Payable and Accrued Liability	11,294	(756)	(60,755)	(21,722)	(3,680)	-	(30,463)	(24,890)	(130,972)
Increase (Decrease) in Due to Other Funds	(13,985)	(5,451)	(5,661)	877	(133)	-	(1,453)	-	(25,806)
Increase in Due to Component Units	-	-	(12,120)	(154)	-	-	-	-	(12,274)
Increase (Decrease) in Compensated Absences	(4,503)	-	-	6,707	(3,142)	-	-	-	(938)
Increase (Decrease) in Deferred Revenues	-	-	53,517	-	(438,807)	-	-	-	(385,290)
Total Adjustments	<u>68,029</u>	<u>(10,716)</u>	<u>(1,009,168)</u>	<u>4,943</u>	<u>(507,640)</u>	<u>6,278</u>	<u>(24,289)</u>	<u>1,362,237</u>	<u>(110,326)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (174,605)</u>	<u>\$ 34,025</u>	<u>\$ (909,829)</u>	<u>\$ (1,163,787)</u>	<u>\$ 661,476</u>	<u>\$ 378,743</u>	<u>\$ (34,840)</u>	<u>\$ (11,209)</u>	<u>\$ (1,220,026)</u>

KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund
Comparative Statements of Net Assets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 32,958	\$ 25,553
Accounts Receivable	69,864	29,174
Due from Other Funds	160,572	260,529
Due from Component Units	7,134	14,188
Inventories	100,050	95,046
Prepaid Items	<u>6,308</u>	<u>6,224</u>
TOTAL CURRENT ASSETS	<u>376,886</u>	<u>430,714</u>
Capital Assets:		
Machinery and Equipment	124,568	95,578
Accumulated Depreciation	<u>(80,293)</u>	<u>(66,303)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>44,275</u>	<u>29,275</u>
TOTAL ASSETS	<u>421,161</u>	<u>459,989</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	62,785	51,491
Due to Other Funds	251,198	265,183
Compensated Absences	<u>59,377</u>	<u>63,430</u>
TOTAL CURRENT LIABILITIES	<u>373,360</u>	<u>380,104</u>
Noncurrent Liabilities:		
Compensated Absences	<u>6,598</u>	<u>7,048</u>
TOTAL LIABILITIES	<u>379,958</u>	<u>387,152</u>
NET ASSETS		
Invested in Capital Assets	44,275	29,275
Unrestricted	<u>(3,072)</u>	<u>43,562</u>
TOTAL NET ASSETS	<u>\$ 41,203</u>	<u>\$ 72,837</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, 2005 and June 30, 2004

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 2,300,000	\$ 2,452,187	\$ 2,452,187	\$ -	\$ 2,600,000	\$ 2,263,662	\$ (336,338)
Operating Expenses							
Costs of Sales and Services	571,472	791,569	804,881	(13,312)	602,500	593,490	9,010
General and Administrative	1,716,993	1,763,575	1,745,760	17,815	1,805,100	1,699,565	105,535
Depreciation and Amortization	11,000	11,000	13,990	(2,990)	9,000	11,606	(2,606)
Other Expenses	535	133,180	130,190	2,990	183,400	100,881	82,519
Total Operating Expenses	2,300,000	2,699,324	2,694,821	4,503	2,600,000	2,405,542	194,458
Operating Loss	-	(247,137)	(242,634)	4,503	-	(141,880)	(141,880)
Transfers							
Transfers from Other Funds	-	211,000	211,000	-	-	150,000	150,000
Change in Net Assets	-	(36,137)	(31,634)	4,503	-	8,120	8,120
Net Assets, July 1	72,837	72,837	72,837	-	64,717	64,717	-
Net Assets, June 30	\$ 72,837	\$ 36,700	\$ 41,203	\$ 4,503	\$ 64,717	\$ 72,837	\$ 8,120

KNOX COUNTY, TENNESSEE

Mailroom Fund
Comparative Statements of Net Assets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 34,025	\$ -
Accounts Receivable	1,553	1,642
Due from Other Funds	24,310	24,785
Inventories	<u>15,450</u>	<u>10,377</u>
TOTAL CURRENT ASSETS	<u>75,338</u>	<u>36,804</u>
Capital Assets:		
Machinery and Equipment	21,090	21,090
Accumulated Depreciation	<u>(21,090)</u>	<u>(21,090)</u>
 Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>75,338</u>	<u>36,804</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	1,617	2,373
Due to Other Funds	<u>-</u>	<u>5,451</u>
TOTAL LIABILITIES	<u>1,617</u>	<u>7,824</u>
NET ASSETS		
Unrestricted	<u>\$ 73,721</u>	<u>\$ 28,980</u>

KNOX COUNTY, TENNESSEE

Mailroom Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Assets - Budget And Actual (GAAP Basis)
For the years ended June 30, 2005 and June 30, 2004

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 325,000	\$ 325,000	\$ 309,455	\$ (15,545)	\$ 500,000	\$ 307,078	\$ (192,922)
Operating Expenses							
Costs of Sales and Services	325,000	299,842	250,849	48,993	416,787	251,681	165,106
General and Administrative	-	25,158	13,865	11,293	58,213	38,075	20,138
Depreciation and Amortization	-	-	-	-	25,000	-	25,000
Total Operating Expenses	325,000	325,000	264,714	60,286	500,000	289,756	210,244
Change in Net Assets	-	-	44,741	44,741	-	17,322	17,322
Net Assets, July 1	28,980	28,980	28,980	-	11,658	11,658	-
Net Assets, June 30	\$ 28,980	\$ 28,980	\$ 73,721	\$ 44,741	\$ 11,658	\$ 28,980	\$ 17,322

KNOX COUNTY, TENNESSEE

Employee Benefits Fund
Comparative Statements of Net Assets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 934,702	\$ 1,794,531
Accounts Receivable	231,206	186,588
Due from Other Funds	980,260	40,175
Due from Component Units	<u>215,765</u>	<u>216,319</u>
 TOTAL ASSETS	 <u>2,361,933</u>	 <u>2,237,613</u>
 LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	1,215,077	1,275,832
Due to Other Funds	139	5,800
Deferred Revenue	555,106	501,589
Due to Component Units	132,827	144,947
Advances from Other Funds	<u>125,000</u>	<u>75,000</u>
 TOTAL LIABILITIES	 <u>2,028,149</u>	 <u>2,003,168</u>
 NET ASSETS		
Unrestricted	 <u>\$ 333,784</u>	 <u>\$ 234,445</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, 2005 and June 30, 2004

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 37,000,000	\$ 37,000,000	\$ 33,300,958	\$ (3,699,042)	\$ 34,000,000	\$ 31,277,699	\$ (2,722,301)
Operating Expenses							
Finance and Administration:							
Costs of Sales and Services	-	-	-	-	25,000	-	25,000
General and Administrative	250,000	250,000	104,443	145,557	425,979	53,322	372,657
Medical Claims	16,750,000	16,750,000	15,665,437	1,084,563	16,423,511	14,039,557	2,383,954
Retirement Contributions	19,050,000	19,050,000	17,029,378	2,020,622	16,478,836	16,240,895	237,941
Other Employee Benefits	950,000	950,000	402,361	547,639	646,674	744,771	(98,097)
Total Operating Expenses	37,000,000	37,000,000	33,201,619	3,798,381	34,000,000	31,078,545	2,921,455
Change in Net Assets	-	-	99,339	99,339	-	199,154	199,154
Net Assets, July 1	234,445	234,445	234,445	-	35,291	35,291	-
Net Assets, June 30	\$ 234,445	\$ 234,445	\$ 333,784	\$ 99,339	\$ 35,291	\$ 234,445	\$ 199,154

KNOX COUNTY, TENNESSEE

Employee Retirement Fund
Comparative Statements of Net Assets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 192,722	\$ 204,447
Prepaid Items	1,370	1,259
	<u>194,092</u>	<u>205,706</u>
TOTAL CURRENT ASSETS	<u>194,092</u>	<u>205,706</u>
Capital Assets:		
Machinery and Equipment	51,815	51,815
Computer Software	-	15,538
Accumulated Depreciation	(51,815)	(48,007)
	<u>-</u>	<u>19,346</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>19,346</u>
TOTAL ASSETS	<u>194,092</u>	<u>225,052</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	94,933	116,655
Due to Other Funds	2,232	1,355
Compensated Absences	20,146	14,109
Due to Component Units	-	154
	<u>117,311</u>	<u>132,273</u>
TOTAL CURRENT LIABILITIES	<u>117,311</u>	<u>132,273</u>
Noncurrent Liabilities:		
Compensated Absences	2,238	1,568
	<u>119,549</u>	<u>133,841</u>
TOTAL LIABILITIES	<u>119,549</u>	<u>133,841</u>
NET ASSETS		
Invested in Capital Assets	-	19,346
Unrestricted	74,543	71,865
	<u>74,543</u>	<u>71,865</u>
TOTAL NET ASSETS	<u>\$ 74,543</u>	<u>\$ 91,211</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, 2005 and June 30, 2004

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ -	\$ 9,000	\$ 9,385	\$ 385	\$ -	\$ 9,000	\$ 9,000
Operating Expenses							
General and Administrative	1,119,474	1,284,468	1,138,570	145,898	1,254,999	828,583	426,416
Depreciation and Amortization	35,057	8,975	19,346	(10,371)	24,501	25,058	(557)
Workers' Compensation Claims	-	500	199	301	500	204	296
Other Expenses	145,469	20,500	20,000	500	20,000	19,444	556
Total Operating Expenses	1,300,000	1,314,443	1,178,115	136,328	1,300,000	873,289	426,711
Operating Loss	(1,300,000)	(1,305,443)	(1,168,730)	136,713	(1,300,000)	(864,289)	435,711
Nonoperating Revenues							
Payments from Component Units	-	-	490,486	490,486	-	385,483	385,483
Loss before Transfers	(1,300,000)	(1,305,443)	(678,244)	627,199	(1,300,000)	(478,806)	821,194
Transfers							
Transfers from Other Funds	1,300,000	1,305,443	661,576	(643,867)	1,300,000	462,749	(837,251)
Change in Net Assets	-	-	(16,668)	(16,668)	-	(16,057)	(16,057)
Net Assets, July 1	91,211	91,211	91,211	-	107,268	107,268	-
Net Assets, June 30	\$ 91,211	\$ 91,211	\$ 74,543	\$ (16,668)	\$ 107,268	\$ 91,211	\$ (16,057)

KNOX COUNTY, TENNESSEE

Self Insurance Fund
Comparative Statements of Net Assets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 8,002,936	\$ 7,282,948
Accounts Receivable	314	33,801
Notes Receivable	19,164	22,693
Due from Other Funds	-	315,000
Due from Component Units	380,608	-
Prepaid Items	1,379	1,108
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	8,404,401	7,655,550
	<hr/>	<hr/>
Capital Assets:		
Machinery and Equipment	33,352	15,576
Accumulated Depreciation	(18,539)	(14,538)
	<hr/>	<hr/>
Capital Assets (Net of Accumulated Depreciation)	14,813	1,038
	<hr/>	<hr/>
TOTAL ASSETS	8,419,214	7,656,588
	<hr/>	<hr/>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	97,283	100,963
Due to Other Funds	754	887
Self Insured Claims Liability	7,057,135	7,495,942
Compensated Absences	18,562	21,389
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	7,173,734	7,619,181
	<hr/>	<hr/>
Noncurrent Liabilities:		
Compensated Absences	2,062	2,377
	<hr/>	<hr/>
TOTAL LIABILITIES	7,175,796	7,621,558
	<hr/>	<hr/>
NET ASSETS		
Invested in Capital Assets	14,813	1,038
Unrestricted	1,228,605	33,992
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 1,243,418	\$ 35,030
	<hr/> <hr/>	<hr/> <hr/>

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, 2005 and June 30, 2004

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 3,800,000	\$ 3,800,000	\$ 3,758,609	\$ (41,391)	\$ 3,900,000	\$ 3,295,631	\$ (604,369)
Operating Expenses							
General and Administrative	616,641	463,951	454,375	9,576	397,681	396,660	1,021
Depreciation and Amortization	-	-	4,001	(4,001)	3,116	3,116	-
Workers' Compensation Claims	800,000	1,619,112	1,412,476	206,636	1,682,092	1,238,466	443,626
Other Claims	2,583,359	1,916,937	718,641	1,198,296	1,917,111	2,101,010	(183,899)
Total Operating Expenses	4,000,000	4,000,000	2,589,493	1,410,507	4,000,000	3,739,252	260,748
Operating Gain (Loss)	(200,000)	(200,000)	1,169,116	1,369,116	(100,000)	(443,621)	(343,621)
Nonoperating Revenues							
Subrogations	200,000	200,000	39,272	(160,728)	100,000	163,651	63,651
Gain (Loss) before Transfers	-	-	1,208,388	1,208,388	-	(279,970)	(279,970)
Transfers							
Transfers From Other Funds	-	-	-	-	-	315,000	315,000
Change in Net Assets	-	-	1,208,388	1,208,388	-	35,030	35,030
Net Assets, July 1	35,030	35,030	35,030	-	-	-	-
Net Assets, June 30	\$ 35,030	\$ 35,030	\$ 1,243,418	\$ 1,208,388	\$ -	\$ 35,030	\$ 35,030

KNOX COUNTY, TENNESSEE

Central Maintenance Fund
Comparative Statements of Net Assets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 369,161	\$ 643
Capital Assets:		
Machinery and Equipment	72,217	61,992
Accumulated Depreciation	<u>(41,197)</u>	<u>(34,919)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>31,020</u>	<u>27,073</u>
TOTAL ASSETS	<u>400,181</u>	<u>27,716</u>
NET ASSETS		
Invested in Capital Assets	31,020	27,073
Unrestricted	<u>369,161</u>	<u>643</u>
TOTAL NET ASSETS	<u>\$ 400,181</u>	<u>\$ 27,716</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, 2005 and June 30, 2004

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 6,974,017	\$ 7,305,214	\$ 7,390,240	\$ 85,026	\$ 391,891	\$ 391,891	\$ -
Operating Expenses							
General and Administrative	3,547,189	3,738,389	3,738,316	73	383,636	383,636	-
Depreciation and Amortization	-	6,300	6,278	22	6,891	4,745	2,146
Other Expenses	3,426,828	3,560,525	3,273,181	287,344	1,364	-	1,364
Total Operating Expenses	6,974,017	7,305,214	7,017,775	287,439	391,891	388,381	3,510
Change in Net Assets	-	-	372,465	372,465	-	3,510	3,510
Net Assets, July 1	27,716	27,716	27,716	-	24,206	24,206	-
Net Assets, June 30	\$ 27,716	\$ 27,716	\$ 400,181	\$ 372,465	\$ 24,206	\$ 27,716	\$ 3,510

KNOX COUNTY, TENNESSEE

Technical Support Service Fund
Comparative Statements of Net Assets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 289,030	\$ 323,870
Accounts Receivable	-	285
Due from Other Funds	6,452	580
Due from Component Units	425	85
	<u>295,907</u>	<u>324,820</u>
TOTAL CURRENT ASSETS	<u>295,907</u>	<u>324,820</u>
Capital Assets:		
Machinery and Equipment	101,277	101,277
Accumulated Depreciation	(73,430)	(59,876)
	<u>27,847</u>	<u>41,401</u>
Capital Assets (Net of Accumulated Depreciation)	<u>27,847</u>	<u>41,401</u>
TOTAL ASSETS	<u>323,754</u>	<u>366,221</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	1,140	31,603
Due to Other Funds	3,725	5,178
	<u>4,865</u>	<u>36,781</u>
TOTAL LIABILITIES	<u>4,865</u>	<u>36,781</u>
NET ASSETS		
Invested in Capital Assets	27,847	41,401
Unrestricted	291,042	288,039
	<u>318,889</u>	<u>329,440</u>
TOTAL NET ASSETS	<u>\$ 318,889</u>	<u>\$ 329,440</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, 2005 and June 30, 2004

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 380,000	\$ 380,000	\$ 364,616	\$ (15,384)	\$ 500,000	\$ 335,169	\$ (164,831)
Operating Expenses							
General and Administrative	360,000	365,000	361,613	3,387	844,508	829,006	15,502
Depreciation and Amortization	20,000	15,000	13,554	1,446	6,147	16,147	(10,000)
Total Operating Expenses	380,000	380,000	375,167	4,833	850,655	845,153	5,502
Operating Loss	-	-	(10,551)	(10,551)	(350,655)	(509,984)	(159,329)
Transfers							
Transfers from Other Funds	-	-	-	-	600,000	600,000	-
Change in Net Assets	-	-	(10,551)	(10,551)	249,345	90,016	(159,329)
Net Assets, July 1	329,440	329,440	329,440	-	239,424	239,424	-
Net Assets, June 30	\$ 329,440	\$ 329,440	\$ 318,889	\$ (10,551)	\$ 488,769	\$ 329,440	\$ (159,329)

KNOX COUNTY, TENNESSEE

Capital Leasing Fund
Comparative Statements of Net Assets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 857,427	\$ 2,219,120
Due from Other Funds	-	110,404
	<u>857,427</u>	<u>2,329,524</u>
TOTAL CURRENT ASSETS		
Capital Assets:		
Machinery and Equipment	10,084,843	9,999,075
Accumulated Depreciation	<u>(6,981,640)</u>	<u>(6,969,633)</u>
	<u>3,103,203</u>	<u>3,029,442</u>
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>3,960,630</u>	<u>5,358,966</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>2,105</u>	<u>26,995</u>
NET ASSETS		
Invested in Capital Assets	3,103,203	3,029,442
Unrestricted	<u>855,322</u>	<u>2,302,529</u>
TOTAL NET ASSETS	<u>\$ 3,958,525</u>	<u>\$ 5,331,971</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, 2005 and June 30, 2004

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 2,800,000	\$ 2,800,000	\$ -	\$ (2,800,000)	\$ 3,200,000	\$ 1,368,614	\$ (1,831,386)
Operating Expenses							
Costs of Sales and Services	1,400,000	1,515,000	96,723	1,418,277	1,800,000	43,501	1,756,499
Depreciation and Amortization	1,400,000	1,285,000	1,237,317	47,683	1,400,000	1,316,727	83,273
Loss on Disposal of Assets	-	-	39,406	(39,406)	-	50,066	(50,066)
Total Operating Expenses	2,800,000	2,800,000	1,373,446	1,426,554	3,200,000	1,410,294	1,789,706
Operating Loss	-	-	(1,373,446)	(1,373,446)	-	(41,680)	(41,680)
Change in Net Assets	-	-	(1,373,446)	(1,373,446)	-	(41,680)	(41,680)
Net Assets, July 1	5,331,971	5,331,971	5,331,971	-	5,373,651	5,373,651	-
Net Assets, June 30	\$ 5,331,971	\$ 5,331,971	\$ 3,958,525	\$ (1,373,446)	\$ 5,373,651	\$ 5,331,971	\$ (41,680)

FIDUCIARY FUNDS

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

PENSION TRUST FUNDS

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

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

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

AGENCY FUNDS

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

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

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

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

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

KNOX COUNTY, TENNESSEE**Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2005**

	Defined Benefit Plan	Defined Contribution Plan	Medical Retirement Plan	Total
ASSETS				
Receivables:				
Contributions	\$ 24,482	\$ -	\$ 17,680	\$ 42,162
Investments	76,687,786	166,129,538	5,457,719	248,275,043
Prepaid Items	18,080	-	-	18,080
TOTAL ASSETS	76,730,348	166,129,538	5,475,399	248,335,285
LIABILITIES				
Accounts Payable and Accrued Liabilities	40,941	-	-	40,941
NET ASSETS				
Held in Trust for:				
Pension Benefits	<u>\$ 76,689,407</u>	<u>\$ 166,129,538</u>	<u>\$ 5,475,399</u>	<u>\$ 248,294,344</u>

KNOX COUNTY, TENNESSEE
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the year ended June 30, 2005

	Defined Benefit Plan	Defined Contribution Plan	Medical Retirement Plan	Total
Additions				
Contributions:				
Employer	\$ -	\$ 7,444,183	\$ 40,965	\$ 7,485,148
Employees	442,717	8,568,726	353,978	9,365,421
Transfers from Other Plans	-	81,333	-	81,333
Total Contributions	<u>442,717</u>	<u>16,094,242</u>	<u>394,943</u>	<u>16,931,902</u>
Investment Earnings:				
Interest and Dividend Income	1,493,425	-	-	1,493,425
Net Appreciation in Fair Value of Investments	4,862,134	9,993,435	214,801	15,070,370
Total Investment Earnings	<u>6,355,559</u>	<u>9,993,435</u>	<u>214,801</u>	<u>16,563,795</u>
Less Investment Expenses	(275,144)	-	-	(275,144)
Net Investment Earnings	<u>6,080,415</u>	<u>9,993,435</u>	<u>214,801</u>	<u>16,288,651</u>
Total Additions	<u>6,523,132</u>	<u>26,087,677</u>	<u>609,744</u>	<u>33,220,553</u>
Deductions				
Benefits and Refunds	5,976,914	8,204,698	395,382	14,576,994
Transfers to Other Funds (Administrative and Professional)	661,576	-	-	661,576
Transfers to Other Plans	311,333	-	-	311,333
Total Deductions	<u>6,949,823</u>	<u>8,204,698</u>	<u>395,382</u>	<u>15,549,903</u>
Change in Net Assets	(426,691)	17,882,979	214,362	17,670,650
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>77,116,098</u>	<u>148,246,559</u>	<u>5,261,037</u>	<u>230,623,694</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 76,689,407</u>	<u>\$ 166,129,538</u>	<u>\$ 5,475,399</u>	<u>\$ 248,294,344</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 399,854
Receivables:		
Interest and Dividends	-	259,877
Contributions	24,482	24,548
Investments	76,687,786	76,380,775
Prepaid Items	<u>18,080</u>	<u>68,857</u>
TOTAL ASSETS	<u>76,730,348</u>	<u>77,133,911</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	<u>40,941</u>	<u>17,813</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 76,689,407</u>	<u>\$ 77,116,098</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Additions		
Contributions:		
Employees	\$ 442,717	\$ 469,612
Transfers from Other Plans	-	241,335
Total Contributions	<u>442,717</u>	<u>710,947</u>
Investment Earnings:		
Interest and Dividend Income	1,493,425	1,794,256
Net Appreciation in Fair Value of Investments	4,862,134	8,546,795
Total Investment Earnings	<u>6,355,559</u>	<u>10,341,051</u>
Less Investment Expenses	<u>(275,144)</u>	<u>(148,520)</u>
Net Investment Earnings	<u>6,080,415</u>	<u>10,192,531</u>
Total Additions	<u>6,523,132</u>	<u>10,903,478</u>
Deductions		
Benefits and Refunds	5,976,914	5,746,654
Transfers to Other Funds (Administrative and Professional)	661,576	462,749
Transfers to Other Plans	<u>311,333</u>	<u>126,444</u>
Total Deductions	<u>6,949,823</u>	<u>6,335,847</u>
Change in Net Assets	(426,691)	4,567,631
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>77,116,098</u>	<u>72,548,467</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 76,689,407</u>	<u>\$ 77,116,098</u>

KNOX COUNTY, TENNESSEE

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

June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 166,129,538</u>	<u>\$ 148,246,559</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u><u>\$ 166,129,538</u></u>	<u><u>\$ 148,246,559</u></u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Assets Pension Trust Fund - Defined Contribution Plan For the years ended June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Additions		
Contributions:		
Employer	\$ 7,444,183	\$ 6,903,603
Employees	8,568,726	7,885,709
Transfers from Other Plans	81,333	141,091
Total Contributions	<u>16,094,242</u>	<u>14,930,403</u>
Investment Earnings:		
Net Appreciation in Fair Value of Investments	<u>9,993,435</u>	<u>16,387,598</u>
Total Additions	<u>26,087,677</u>	<u>31,318,001</u>
Deductions		
Benefits and Refunds	<u>8,204,698</u>	<u>6,352,981</u>
Change in Net Assets	17,882,979	24,965,020
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>148,246,559</u>	<u>123,281,539</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 166,129,538</u>	<u>\$ 148,246,559</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Medical Retirement Defined Contribution Plan
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 5,457,719	\$ 5,243,664
Receivables:		
Contributions	<u>17,680</u>	<u>17,373</u>
TOTAL ASSETS	<u>5,475,399</u>	<u>5,261,037</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 5,475,399</u>	<u>\$ 5,261,037</u>

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, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Additions		
Contributions:		
Employees	\$ 353,978	\$ 362,021
Employer	40,965	-
Transfers from Other Plans	-	59,786
Total Contributions	<u>394,943</u>	<u>421,807</u>
Investment Earnings:		
Net Appreciation in Fair Value of Investments	<u>214,801</u>	<u>288,094</u>
Total Additions	<u>609,744</u>	<u>709,901</u>
Deductions		
Benefits and Refunds	<u>395,382</u>	<u>505,158</u>
Change in Net Assets	214,362	204,743
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>5,261,037</u>	<u>5,056,294</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u><u>\$ 5,475,399</u></u>	<u><u>\$ 5,261,037</u></u>

KNOX COUNTY, TENNESSEE
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005
(With comparative totals for June 30, 2004)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2005	2004
ASSETS							
Cash and Cash Equivalents	\$ 28,960	\$ 105,919	\$ 43,446	\$ 1,515,563	\$ 21,776,946	\$ 23,470,834	\$ 18,351,738
Receivables:							
Accounts	5,820,983	-	-	-	66,055	5,887,038	5,616,278
TOTAL ASSETS	\$ 5,849,943	\$ 105,919	\$ 43,446	\$ 1,515,563	\$ 21,843,001	\$ 29,357,872	\$ 23,968,016
LIABILITIES							
Accounts Payable and Accrued Liabilities	\$ 5,849,943	\$ -	\$ -	\$ 1,515,563	\$ -	\$ 7,365,506	\$ 6,881,370
Due to Other Governments	-	-	-	-	4,358,501	4,358,501	3,918,503
Due to Litigants, Heirs and Others	-	105,919	43,446	-	17,484,500	17,633,865	13,168,143
TOTAL LIABILITIES	\$ 5,849,943	\$ 105,919	\$ 43,446	\$ 1,515,563	\$ 21,843,001	\$ 29,357,872	\$ 23,968,016

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2005

(With comparative totals for the year ended June 30, 2004)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2005	2004
Assets and Liabilities, July 1	\$ 5,541,221	\$ 180,922	\$ 53,446	\$ 1,340,149	\$ 16,852,278	\$ 23,968,016	\$ 23,135,487
Additions	34,142,625	105,919	5,000	35,552,609	97,799,073	167,605,226	152,969,696
Deductions	(33,833,903)	(180,922)	(15,000)	(35,377,195)	(92,808,350)	(162,215,370)	(152,137,167)
Assets and Liabilities, June 30	\$ 5,849,943	\$ 105,919	\$ 43,446	\$ 1,515,563	\$ 21,843,001	\$ 29,357,872	\$ 23,968,016

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, Register and Sheriff
Combined Schedule of Assets and Liabilities
June 30, 2005**

	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)
ASSETS								
Cash and Cash Equivalents	\$ 91,739,036	\$ 3,350,217	\$ 8,367,503	\$ 3,828,104	\$ 7,119,409	\$ 2,255,031	\$ 39,266	\$ 116,698,566
Investments	31,478,785	-	-	-	-	-	-	31,478,785
Accounts Receivable	-	-	54,793	-	-	11,262	-	66,055
Total Assets	\$ 123,217,821	\$ 3,350,217	\$ 8,422,296	\$ 3,828,104	\$ 7,119,409	\$ 2,266,293	\$ 39,266	\$ 148,243,406
LIABILITIES								
Due to Other Governments	\$ -	\$ 2,263,800	\$ 180	\$ 545,399	\$ -	\$ 1,549,122	\$ -	\$ 4,358,501
Due to Litigants, Heirs and Others	599,927	-	7,901,490	2,203,894	6,699,125	40,798	39,266	17,484,500
Fee and Commission Account	1,559,002	1,086,417	520,626	1,078,811	420,284	676,373	-	5,341,513
Amounts Held in Custody for								
Other County Funds:								
General Fund	36,704,980	-	-	-	-	-	-	36,704,980
Special Revenue Funds	12,774,868	-	-	-	-	-	-	12,774,868
Debt Service Fund	21,090,009	-	-	-	-	-	-	21,090,009
Capital Projects Fund - Component Units	28,187,764	-	-	-	-	-	-	28,187,764
Capital Projects Fund - Public Improvement	540,074	-	-	-	-	-	-	540,074
Capital Projects Fund - ADA Construction	3,878,534	-	-	-	-	-	-	3,878,534
Internal Service Funds	10,605,330	-	-	-	-	-	-	10,605,330
Fiduciary Funds/Other	7,277,333	-	-	-	-	-	-	7,277,333
Total Liabilities	\$ 123,217,821	\$ 3,350,217	\$ 8,422,296	\$ 3,828,104	\$ 7,119,409	\$ 2,266,293	\$ 39,266	\$ 148,243,406

KNOX COUNTY, TENNESSEE

Trustee, Clerks, Register and Sheriff
Combined Schedule of Cash Receipts, Disbursements and Balances
 For the Year Ended June 30, 2005

	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)
Receipts								
Fund Accounts	\$ 717,513,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 717,513,815
Litigants, Heirs and Others	53,160,552	-	13,725,401	2,337,368	6,219,823	1,540,531	1,401,406	78,385,081
State of Tennessee	-	26,758,100	289,745	1,549,812	92,259	14,606,763	-	43,296,679
Knox County	-	23,007,754	907,233	4,160,422	174,641	-	-	28,250,050
Fees and Commissions	6,881,021	5,355,054	1,309,776	3,480,104	1,286,398	3,591,634	-	21,903,987
Cities - Clerk Collections	-	-	-	427,888	-	-	-	427,888
Total Receipts	777,555,388	55,120,908	16,232,155	11,955,594	7,773,121	19,738,928	1,401,406	889,777,500
Disbursements	(763,507,372)	(54,129,494)	(14,205,632)	(11,825,801)	(5,033,596)	(19,748,148)	(1,388,677)	(869,838,720)
Excess (Deficiency) of Receipts Over (Under) Disbursements	14,048,016	991,414	2,026,523	129,793	2,739,525	(9,220)	12,729	19,938,780
Other Financing Sources (Uses)								
Proceeds from Advance from General Fund	-	-	-	2,800	-	-	-	2,800
Payments on Advances from General Fund	-	-	-	(2,800)	-	-	-	(2,800)
Net Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
Balances, July 1, 2004	109,169,805	2,358,803	6,395,773	3,698,310	4,379,884	2,275,513	26,537	128,304,625
Balances, June 30, 2005	\$ 123,217,821	\$ 3,350,217	\$ 8,422,296	\$ 3,828,103	\$ 7,119,409	\$ 2,266,293	\$ 39,266	\$ 148,243,405

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, and Register
Combined Analysis of Fee and Commission Accounts
For the Year Ended June 30, 2005**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total (Memorandum Only)
Revenues							
Fees and Commissions	\$ 6,880,059	\$ 5,328,372	\$ 1,234,022	\$ 3,480,104	\$ 1,284,885	\$ 3,589,398	\$ 21,796,840
Interest Earned	962	26,682	75,754	-	-	2,236	105,634
Total Revenues	6,881,021	5,355,054	1,309,776	3,480,104	1,284,885	3,591,634	21,902,474
Expenditures							
Salaries-Staff	1,633,176	3,036,634	814,395	2,528,973	615,405	1,275,205	9,903,788
Payroll Taxes/Benefits	396,616	946,128	278,782	746,026	196,345	294,229	2,858,126
County Official/Administrative Officer	95,779	89,471	58,202	86,469	82,096	86,450	498,467
Travel	49,350	76,575	2,250	-	-	7,200	135,375
Office Supplies/Expenditures	173,866	4,090	-	-	-	30,322	208,278
Consulting Fees	-	500	-	-	-	-	500
Total Expenditures	2,348,787	4,153,398	1,153,629	3,361,468	893,846	1,693,406	13,604,534
Other (Sources) Uses							
Fees and Commissions to County (General Fund)	3,887,215	500,000	53,000	100,000	327,543	1,981,158	6,848,916
Total Expenditures and Other Uses	6,236,002	4,653,398	1,206,629	3,461,468	1,221,389	3,674,564	20,453,450
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	645,019	701,656	103,147	18,636	63,496	(82,930)	1,449,024
Balances, July 1, 2004	913,982	384,761	417,479	1,060,175	356,788	759,303	3,892,488
Balances, June 30, 2005	\$ 1,559,001	\$ 1,086,417	\$ 520,626	\$ 1,078,811	\$ 420,284	\$ 676,373	\$ 5,341,512

KNOX COUNTY, TENNESSEE

Schedule of Debt Service Requirements

General Bonded Debt

June 30, 2005

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		\$31,200,221 General Obligation Refunding Series 2002A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 1,295,700	\$ 51,828	\$ 380,000	\$ 335,750	\$ 946,153	\$ 150,275	\$ 3,558,511	\$ 1,321,958	\$ 2,015,625	\$ 844,430	\$ 275,632	\$ 76,098	\$ 574,015	\$ 1,517,674
2007	-	-	400,000	316,750	994,230	102,967	3,716,350	1,160,507	2,081,250	743,648	287,616	65,073	597,314	1,494,661
2008	-	-	415,000	296,750	1,044,230	53,255	4,413,710	990,669	2,156,250	629,179	297,888	53,568	11,408	1,558,967
2009	-	-	440,000	276,000	-	-	4,610,449	789,146	2,237,500	510,585	306,448	41,653	11,408	1,558,482
2010	-	-	460,000	254,000	-	-	4,850,775	555,871	2,321,875	393,117	320,144	28,629	2,645,234	1,617,615
2011	-	-	485,000	231,000	-	-	5,092,738	309,720	2,415,625	271,219	333,840	15,023	2,753,367	1,498,340
2012	-	-	505,000	206,750	-	-	594,887	29,744	2,515,625	138,359	-	-	2,867,488	1,374,268
2013	-	-	535,000	181,500	-	-	-	-	-	-	-	-	3,748,390	1,168,784
2014	-	-	560,000	154,750	-	-	-	-	-	-	-	-	3,626,100	977,704
2015	-	-	590,000	126,750	-	-	-	-	-	-	-	-	7,280,815	700,601
2016	-	-	615,000	97,250	-	-	-	-	-	-	-	-	1,573,077	332,976
2017	-	-	650,000	66,500	-	-	-	-	-	-	-	-	1,648,077	258,255
2018	-	-	680,000	34,000	-	-	-	-	-	-	-	-	1,730,770	179,970
2019	-	-	-	-	-	-	-	-	-	-	-	-	1,823,079	93,432
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 1,295,700	\$ 51,828	\$ 6,715,000	\$ 2,577,750	\$ 2,984,613	\$ 306,497	\$ 26,837,420	\$ 5,157,615	\$ 15,743,750	\$ 3,530,537	\$ 1,821,568	\$ 280,044	\$ 30,890,542	\$ 14,331,729

continued

KNOX COUNTY, TENNESSEE

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

June 30, 2005

Fiscal Year Ending	\$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		\$14,337,717 General Obligation Refunding Series 2004		\$46,000,000 General Obligation Series 2004		\$29,083,377 General Obligation Refunding Series 2005A		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 1,663,040	\$ 1,353,370	\$ -	\$ 248,940	\$ 825,500	\$ 1,771,325	\$ -	\$ 701,572	\$ 131,429	\$ 1,837,371	\$ -	\$ 1,404,402	\$ 11,665,605	\$ 11,614,993
2007	1,730,601	1,286,849	-	248,940	866,400	1,750,119	1,234,579	701,572	197,143	1,832,114	-	1,440,412	12,105,483	11,143,612
2008	1,800,761	1,217,625	-	248,940	914,100	1,727,665	1,292,677	652,552	262,857	1,824,229	-	1,440,412	12,608,881	10,693,811
2009	1,886,511	1,136,590	-	248,940	955,700	1,703,341	1,359,074	588,394	328,571	1,813,714	1,096,514	1,440,412	13,232,175	10,107,257
2010	1,972,261	1,046,981	-	248,940	760,217	1,677,769	-	520,940	394,286	1,800,571	-	1,376,231	13,724,792	9,520,664
2011	2,063,209	953,299	-	248,939	815,150	1,648,455	-	520,940	460,000	1,784,800	-	1,376,231	14,418,929	8,857,966
2012	5,433,464	855,296	-	248,939	1,214,400	1,616,022	-	520,940	525,714	1,766,400	-	1,376,231	13,656,578	8,132,949
2013	5,695,912	583,623	-	248,939	1,278,367	1,564,255	-	520,940	591,429	1,745,371	2,626,750	1,376,231	14,475,848	7,389,643
2014	5,976,550	298,827	-	248,939	1,345,117	1,509,368	-	520,940	657,143	1,721,714	2,724,489	1,255,719	14,889,399	6,687,961
2015	-	-	-	248,939	1,420,750	1,451,364	-	520,940	1,314,286	1,695,429	2,837,499	1,120,226	13,443,350	5,864,249
2016	-	-	3,163,596	248,939	1,499,183	1,389,617	1,888,180	520,940	1,971,429	1,642,857	2,931,640	978,996	13,642,105	5,211,575
2017	-	-	1,815,180	90,759	1,577,600	1,324,128	2,074,923	422,540	2,102,857	1,564,000	3,069,085	834,511	12,937,722	4,560,693
2018	-	-	-	-	1,665,617	1,254,896	2,122,646	319,557	2,234,286	1,479,886	3,209,585	683,049	11,642,904	3,951,358
2019	-	-	-	-	1,752,933	1,181,299	2,240,917	214,205	2,365,714	1,390,514	3,362,301	524,457	11,544,944	3,403,907
2020	-	-	-	-	1,843,733	1,103,336	2,074,923	102,983	2,503,714	1,295,886	3,524,181	358,113	9,946,551	2,860,318
2021	-	-	-	-	1,953,000	1,021,007	-	-	2,648,286	1,195,737	3,701,333	183,552	8,302,619	2,400,296
2022	-	-	-	-	2,064,367	933,064	-	-	2,799,429	1,089,806	-	-	4,863,796	2,022,870
2023	-	-	-	-	1,978,567	839,508	-	-	2,957,143	977,829	-	-	4,935,710	1,817,337
2024	-	-	-	-	2,097,367	740,339	-	-	3,128,000	859,543	-	-	5,225,367	1,599,882
2025	-	-	-	-	2,225,050	634,933	-	-	3,298,857	734,423	-	-	5,523,907	1,369,356
2026	-	-	-	-	2,353,433	522,666	-	-	3,482,857	602,469	-	-	5,836,290	1,125,135
2027	-	-	-	-	2,489,317	403,538	-	-	3,666,857	463,154	-	-	6,156,174	866,692
2028	-	-	-	-	2,487,500	276,925	-	-	3,857,429	316,480	-	-	6,344,929	593,405
2029	-	-	-	-	2,638,332	142,829	-	-	4,054,570	162,183	-	-	6,692,902	305,012
Totals	\$ 28,222,309	\$ 8,732,460	\$ 4,978,776	\$ 2,829,093	\$ 39,021,700	\$ 28,187,768	\$ 14,287,919	\$ 7,349,955	\$ 45,934,286	\$ 31,596,480	\$ 29,083,377	\$ 17,169,185	\$ 247,816,960	\$ 122,100,941

KNOX COUNTY, TENNESSEE

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

June 30, 2005

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		\$4,987,896 AJ Refunding Bonds Series 2001	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 625,000	\$ 127,181	\$ 1,789,300	\$ 71,572	\$ 1,513,847	\$ 240,440	\$ 215,467	\$ -	\$ 1,056,490	\$ 656,142	\$ 1,209,375	\$ 506,658	\$ 529,368	\$ 146,152
2007	665,000	87,338	-	-	1,590,770	164,748	215,467	-	1,103,650	609,918	1,248,750	446,189	552,384	124,977
2008	705,000	44,944	-	-	1,670,770	85,210	215,467	-	2,331,290	562,856	1,293,750	377,508	572,112	102,882
2009	-	-	-	-	-	-	215,467	-	2,439,551	460,854	1,342,500	306,353	588,552	79,997
2010	-	-	-	-	-	-	215,467	-	2,569,225	341,629	1,393,125	235,870	614,856	54,984
2011	-	-	-	-	-	-	215,467	-	2,707,262	216,780	1,449,375	162,731	641,160	28,852
2012	-	-	-	-	-	-	215,467	-	1,355,114	67,756	1,509,375	83,017	-	-
2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 1,995,000	\$ 259,463	\$ 1,789,300	\$ 71,572	\$ 4,775,387	\$ 490,398	\$ 1,508,269	\$ -	\$ 13,562,582	\$ 2,915,935	\$ 9,446,250	\$ 2,118,326	\$ 3,498,432	\$ 537,844

continued

KNOX COUNTY, TENNESSEE
Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2005

Fiscal Year Ending June 30,	\$51,799,779 Refunding Bonds Series 2002A		\$28,983,703 Refunding Bonds Series 2003		\$12,123,017 Refunding Bonds Series 2003A		\$32,000,000 G.O. Bonds Series 2003		\$20,212,283 Refunding Bonds Series 2004		\$24,000,000 G.O. Bonds Series 2004		\$18,526,623 Refunding Bonds Series 2005A		\$11,150,000 Refunding Bonds Series 2005B		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2006	\$ 1,025,985	\$ 2,712,663	\$ 1,536,960	\$ 1,250,767	\$ -	\$ 567,060	\$ 24,500	\$ 1,423,675	\$ -	\$ 1,001,553	\$ 68,571	\$ 958,629	\$ -	\$ 860,367	\$ 110,000	\$ 509,561	\$ 9,704,863	\$ 11,032,420	\$ 20,737,283
2007	1,067,686	2,671,676	1,599,399	1,189,289	-	567,060	33,600	1,406,631	1,740,421	1,001,553	102,857	955,886	-	882,428	105,000	518,612	10,024,984	10,626,305	20,651,289
2008	18,592	2,540,771	1,664,239	1,125,313	-	567,060	60,900	1,388,585	1,822,323	931,573	137,143	951,771	-	882,428	110,000	514,380	10,601,586	10,075,281	20,676,867
2009	18,592	2,539,981	1,743,489	1,050,422	-	567,060	69,300	1,369,034	1,915,926	839,981	171,429	946,286	1,803,486	882,428	870,000	509,782	11,178,292	9,552,178	20,730,470
2010	4,054,766	2,479,573	1,822,739	967,606	-	567,060	414,783	1,348,481	-	743,685	205,714	939,429	-	843,109	905,000	472,459	12,195,675	8,993,885	21,189,560
2011	4,221,633	2,297,348	1,906,791	881,026	-	567,061	484,850	1,324,920	-	743,685	240,000	931,200	-	843,109	945,000	432,458	12,811,538	8,429,170	21,240,708
2012	4,397,512	2,107,544	5,021,536	790,454	-	567,061	860,600	1,298,853	-	743,685	274,286	921,600	-	843,109	995,000	389,744	14,628,890	7,812,823	22,441,713
2013	6,136,610	1,913,454	5,264,088	539,377	-	567,061	921,633	1,257,245	-	743,685	308,571	910,629	1,583,250	843,109	1,040,000	344,173	15,254,152	7,118,733	22,372,885
2014	5,788,900	1,560,859	5,523,450	276,173	-	567,061	979,883	1,213,132	-	743,685	342,857	898,286	1,645,511	769,281	1,095,000	296,229	15,375,601	6,324,706	21,700,307
2015	13,719,185	1,320,137	-	-	-	567,061	1,054,250	1,166,511	-	743,685	685,714	884,571	1,717,501	686,274	1,150,000	243,998	18,326,650	5,612,237	23,938,887
2016	2,516,923	532,760	-	-	7,206,404	567,061	1,125,817	1,116,883	2,661,820	743,685	1,028,571	857,143	1,728,360	599,754	1,210,000	188,798	17,477,895	4,606,084	22,083,979
2017	2,636,923	413,208	-	-	4,134,820	206,741	1,197,400	1,064,247	2,925,077	603,210	1,097,143	816,000	1,815,915	511,239	1,275,000	130,113	15,082,278	3,744,758	18,827,036
2018	2,769,230	287,954	-	-	-	-	1,284,383	1,008,604	2,992,354	456,193	1,165,714	772,114	1,905,415	418,451	1,340,000	67,000	11,457,096	3,010,316	14,467,412
2019	2,916,921	149,492	-	-	-	-	1,372,067	949,451	3,159,083	305,795	1,234,286	725,486	2,002,699	321,293	-	-	10,685,056	2,451,517	13,136,573
2020	-	-	-	-	-	-	1,456,267	886,789	2,925,077	147,017	1,306,286	676,114	2,105,819	219,387	-	-	7,793,449	1,929,307	9,722,756
2021	-	-	-	-	-	-	1,572,000	820,618	-	-	1,381,714	623,863	2,218,667	112,448	-	-	5,172,381	1,556,929	6,729,310
2022	-	-	-	-	-	-	1,685,633	749,936	-	-	1,460,571	568,594	-	-	-	-	3,146,204	1,318,530	4,464,734
2023	-	-	-	-	-	-	1,996,433	674,742	-	-	1,542,857	510,171	-	-	-	-	3,539,290	1,184,913	4,724,203
2024	-	-	-	-	-	-	2,127,633	595,036	-	-	1,632,000	448,457	-	-	-	-	3,759,633	1,043,493	4,803,126
2025	-	-	-	-	-	-	2,274,950	510,317	-	-	1,721,143	383,177	-	-	-	-	3,996,093	893,494	4,889,587
2026	-	-	-	-	-	-	2,421,567	420,084	-	-	1,817,143	314,331	-	-	-	-	4,238,710	734,415	4,973,125
2027	-	-	-	-	-	-	2,585,683	324,337	-	-	1,913,143	241,646	-	-	-	-	4,498,826	565,983	5,064,809
2028	-	-	-	-	-	-	2,887,500	222,575	-	-	2,012,571	165,120	-	-	-	-	4,900,071	387,695	5,287,766
2029	-	-	-	-	-	-	3,086,668	114,796	-	-	2,115,430	84,617	-	-	-	-	5,202,098	199,413	5,401,511
Totals	\$ 51,289,458	\$ 23,527,420	\$ 26,082,691	\$ 8,070,427	\$ 11,341,224	\$ 6,444,407	\$ 31,978,300	\$ 22,655,482	\$ 20,142,081	\$ 10,492,670	\$ 23,965,714	\$ 16,485,120	\$ 18,526,623	\$ 10,518,214	\$ 11,150,000	\$ 4,617,307	\$ 231,051,311	\$ 109,204,585	\$ 340,255,896

KNOX COUNTY, TENNESSEE

Schedule of Salaries and Bonds of Principal Elected Officials
For the year ended June 30, 2005

OFFICIAL	AUTHORIZATION FOR SALARY	SALARY PAID DURING YEAR	BOND AMOUNT	SURETY
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 104,929	\$ 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.	\$ 92,321	\$ 60,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 135,223	\$ 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	\$ 109,209	\$ -	-
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.	\$ 105,950	\$ 25,000	Hartford Fire Insurance
Trustee	Section 8-24-102 (k), T.C.A.	\$ 86,469	\$ 10,360,207	Hartford Fire Insurance

KNOX COUNTY, TENNESSEE

**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source¹
June 30, 2005 and 2004
(In Thousands of Dollars)**

	<u>2005</u>	<u>2004</u>
Governmental Funds Capital Assets:		
Land	\$ 88,483	\$ 86,581
Buildings	183,040	154,525
Improvements Other than Buildings	18,020	12,780
Machinery and Equipment	23,994	22,507
Intangibles	11,868	757
Infrastructure	473,250	454,848
Construction in Progress	27,581	71,653
Total Governmental Funds Capital Assets	<u>\$ 826,236</u>	<u>\$ 803,651</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 5,111	\$ 4,579
Special Revenue Funds	6,083	5,892
Capital Projects Funds	815,042	793,180
Total Governmental Funds Capital Assets	<u>\$ 826,236</u>	<u>\$ 803,651</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

KNOX COUNTY, TENNESSEE

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2005 and 2004
(In Thousands of Dollars)**

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery And Equipment	Intangibles	Infrastructure	Construction In Progress	Total
General Government:								
Finance and Administration	\$ -	\$ -	\$ -	\$ 1,994	\$ 632	\$ -	\$ 3,795	\$ 6,421
Administration of Justice	2,780	25,101	-	267	10,915	-	-	39,063
Public Safety	367	36,841	-	11,207	255	-	-	48,670
Public Health and Welfare	3,874	33,055	408	1,852	-	-	662	39,851
Social and Cultural Services	18,895	57,575	17,612	2,613	66	-	1,657	98,418
Other General Government	3,841	28,429	-	1,897	-	-	250	34,417
Total General Government	29,757	181,001	18,020	19,830	11,868	-	6,364	266,840
 Highways	 58,726	 2,039	 -	 4,164	 -	 473,250	 21,217	 559,396
 Total Governmental Funds Capital Assets	 \$ 88,483	 \$ 183,040	 \$ 18,020	 \$ 23,994	 \$ 11,868	 \$ 473,250	 \$ 27,581	 \$ 826,236

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

KNOX COUNTY, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
For the Fiscal Year Ended June 30, 2005
(In Thousands of Dollars)

Function and Activity	Governmental Funds Capital Assets July 1, 2004	Additions	Deductions	Governmental Funds Capital Assets June 30, 2005
General Government:				
Finance and Administration	\$ 4,811	\$ 1,638	\$ 28	\$ 6,421
Administration of Justice	39,038	10,940	10,915	39,063
Public Safety	48,302	6,797	6,429	48,670
Public Health and Welfare	38,788	1,063	-	39,851
Social and Cultural Services	89,574	30,850	22,006	98,418
Other General Government	33,162	1,272	17	34,417
Total General Government	<u>253,675</u>	<u>52,560</u>	<u>39,395</u>	<u>266,840</u>
Highways	<u>549,976</u>	<u>25,585</u>	<u>16,165</u>	<u>559,396</u>
Total Governmental Funds Capital Assets	<u>\$ 803,651</u>	<u>\$ 78,145</u>	<u>\$ 55,560</u>	<u>\$ 826,236</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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. This section also includes the Statement of Net Assets and Statement of Activities for the Board and its discretely presented component unit, the Great Schools Partnership.

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 Board of Education

Statement of Net Assets

June 30, 2005

	<u>Primary Government</u>	<u>Component Unit</u>	
	<u>Total -- Governmental Activities</u>	<u>Great Schools Partnership</u>	<u>Total Reporting Unit</u>
Assets			
Cash and Cash Equivalents	\$ 44,269,164	\$ 1,025,183	\$ 45,294,347
Accounts Receivable	28,558,696	-	28,558,696
Property Taxes Receivable, net	100,331,069	-	100,331,069
Due from Primary Government	385,420	-	385,420
Inventories	1,405,539	-	1,405,539
Prepaid Items	1,104,925	-	1,104,925
Capital Assets:			
Land and Construction in Process	27,477,942	-	27,477,942
Other Capital Assets, Net of Accumulated Depreciation	223,141,482	-	223,141,482
Total Assets	<u>426,674,237</u>	<u>1,025,183</u>	<u>427,699,420</u>
Liabilities			
Accounts Payable	37,075,179	28,538	37,103,717
Due to Primary Government	634,681	-	634,681
Unearned Revenue	95,506,199	-	95,506,199
Accrued Pension Obligation	3,385,016	-	3,385,016
Long-term Obligations:			
Due in Less than One Year	1,392,234	-	1,392,234
Due in More than One Year	154,693	-	154,693
Total Liabilities	<u>138,148,002</u>	<u>28,538</u>	<u>138,176,540</u>
Net Assets			
Invested in Capital Assets	250,619,424	-	250,619,424
Restricted for:			
Capital Projects	6,687,200	-	6,687,200
Other Purposes	2,431,022	-	2,431,022
Net Assets - Unrestricted	28,788,589	996,645	29,785,234
Total Net Assets	<u>\$ 288,526,235</u>	<u>\$ 996,645</u>	<u>\$ 289,522,880</u>

Knox County Board of Education

Statement of Activities

For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Expenses</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 Unit The Partnership</u>	<u>Total Reporting Unit</u>
Primary government:							
Governmental activities:							
Education	\$ 395,213,432	\$ 12,199,060	\$ 166,099,985	\$ -	\$ (216,914,387)		\$ (216,914,387)
Education - Payment to Component Unit	1,000,000	-	-	-	(1,000,000)		(1,000,000)
Total primary government	<u>\$ 396,213,432</u>	<u>\$ 12,199,060</u>	<u>\$ 166,099,985</u>	<u>-</u>	<u>(217,914,387)</u>		<u>(217,914,387)</u>
Component unit:							
Great Schools Partnership	\$ 78,538	\$ -	\$ -	\$ -		\$ (78,538)	(78,538)
General Revenues:							
Property Taxes					91,224,003	-	91,224,003
Sales Taxes					109,296,323	-	109,296,323
Wheel Taxes					1,500,000	-	1,500,000
Interest Income					250,552	183	250,735
Payments from Primary Government					-	1,000,000	1,000,000
Contracts - Other Governments and Citizens					-	75,000	75,000
Payments from Knox County					24,844,700	-	24,844,700
Total General Revenues					<u>227,115,578</u>	<u>1,075,183</u>	<u>228,190,761</u>
Change in Net Assets					9,201,191	996,645	10,197,836
Net Assets, July 1					279,325,044	-	279,325,044
Net Assets, June 30					<u>\$ 288,526,235</u>	<u>\$ 996,645</u>	<u>\$ 289,522,880</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Balance Sheet

Governmental Funds

June 30, 2005

	General Purpose School	School Construction Capital Projects	Nonmajor		Central Cafeteria	Total Governmental Funds
			School Federal Projects	School General Projects		
ASSETS						
Cash and Cash Equivalents	\$ 29,561,822	\$ 10,559,470	\$ -	\$ 2,471,993	\$ 1,675,879	\$ 44,269,164
Receivables (Net of Allowance for Uncollectibles):						
Accounts	16,749,723	2,888,011	8,608,616	200,203	112,143	28,558,696
Property Taxes	100,331,069	-	-	-	-	100,331,069
Due from Other Funds	5,164,944	-	101,610	266,163	1,636,242	7,168,959
Due from Primary Government	134,914	250,506	-	-	-	385,420
Inventories	1,153,038	-	-	-	252,501	1,405,539
Prepaid Items	1,104,925	-	-	-	-	1,104,925
TOTAL ASSETS	\$ 154,200,435	\$ 13,697,987	\$ 8,710,226	\$ 2,938,359	\$ 3,676,765	\$ 183,223,772
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 31,861,073	\$ 2,256,098	\$ 2,310,899	\$ 456,443	\$ 190,666	\$ 37,075,179
Due to Other Funds	1,887,404	4,638	5,167,482	74,745	34,690	7,168,959
Due to Primary Government	588,368	-	43,643	2,670	-	634,681
Deferred Revenue	99,337,934	-	1,143,970	17,711	3,724	100,503,339
TOTAL LIABILITIES	133,674,779	2,260,736	8,665,994	551,569	229,080	145,382,158
Fund balances:						
Reserved	5,908,404	7,885,856	165,752	3,055,923	355,662	17,371,597
Unreserved:						
Designated	-	-	-	-	-	-
Undesignated	14,617,252	3,551,395	(121,520)	(669,133)	3,092,023	20,470,017
TOTAL FUND BALANCES	20,525,656	11,437,251	44,232	2,386,790	3,447,685	37,841,614
TOTAL LIABILITIES AND FUND BALANCES	\$ 154,200,435	\$ 13,697,987	\$ 8,710,226	\$ 2,938,359	\$ 3,676,765	\$ 183,223,772

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, 2005

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

Ending Fund Balance - Governmental Funds	\$ 37,841,614
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	250,619,424
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.	4,997,140
Long-term liabilities, consisting of compensated absences (\$1,546,927) and pension obligation (\$3,385,016), are not due and payable in the current period and therefore are not reported in the funds.	(4,931,943)
Net assets of the Great Schools Partnership, a component unit of the Board, are not reported in the fund financial statements of the Board.	<u>996,645</u>
Net Assets of Governmental Activities	<u><u>\$ 289,522,880</u></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, 2005

	General Purpose School	School Construction Capital Projects	Nonmajor			Total Governmental Funds
			School Federal Projects	School General Projects	Central Cafeteria	
Revenues						
Local Taxes	\$ 185,309,363	\$ 16,723,695	\$ -	\$ -	\$ -	\$ 202,033,058
Licenses and Permits	30,951	-	-	3,255	-	34,206
Charges for Current Services	880,885	-	18,364	143,766	8,906,586	9,949,601
Other Local Revenues	1,362,755	-	7,981	660,565	368,199	2,399,500
State of Tennessee	125,863,650	-	72,536	527,807	242,074	126,706,067
Federal Government	584,417	-	28,389,516	-	9,115,966	38,089,899
Other Governments and Citizen Groups	743,620	-	-	376,152	-	1,119,772
Interest Earned	-	250,552	-	-	-	250,552
Payments from Primary Government	-	5,500	-	1,000,000	-	1,005,500
Debt Proceeds Received from Primary Government	-	24,000,000	-	-	-	24,000,000
Total Revenues	<u>314,775,641</u>	<u>40,979,747</u>	<u>28,488,397</u>	<u>2,711,545</u>	<u>18,632,825</u>	<u>405,588,155</u>
Expenditures						
Current:						
Education	310,773,347	-	28,528,576	3,028,961	18,217,218	360,548,102
Capital Outlay	-	23,025,085	-	-	-	23,025,085
Payments to Primary Government	3,856,640	16,700,000	-	-	-	20,556,640
Payment to Component Unit	-	-	-	1,000,000	-	1,000,000
Other Charges	-	160,800	-	-	-	160,800
Total Expenditures	<u>314,629,987</u>	<u>39,885,885</u>	<u>28,528,576</u>	<u>4,028,961</u>	<u>18,217,218</u>	<u>405,290,627</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>145,654</u>	<u>1,093,862</u>	<u>(40,179)</u>	<u>(1,317,416)</u>	<u>415,607</u>	<u>297,528</u>
Other Financing Sources (Uses)						
Transfers from Other Funds	249,677	-	81,034	983,396	-	1,314,107
Transfers to Other Funds	(1,064,430)	-	-	-	(249,677)	(1,314,107)
Total Other Financing Sources (Uses)	<u>(814,753)</u>	<u>-</u>	<u>81,034</u>	<u>983,396</u>	<u>(249,677)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(669,099)</u>	<u>1,093,862</u>	<u>40,855</u>	<u>(334,020)</u>	<u>165,930</u>	<u>297,528</u>
Fund Balance, July 1	<u>21,194,755</u>	<u>10,343,389</u>	<u>3,377</u>	<u>2,720,810</u>	<u>3,281,755</u>	<u>37,544,086</u>
Fund Balance, June 30	<u>\$ 20,525,656</u>	<u>\$ 11,437,251</u>	<u>\$ 44,232</u>	<u>\$ 2,386,790</u>	<u>\$ 3,447,685</u>	<u>\$ 37,841,614</u>

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, 2005

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

Net Change in Fund Balances - Total Governmental Funds \$ 297,528

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 (\$17,909,760) exceeded depreciation (\$8,927,754) in the current period. 8,982,006

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. 4,997,140

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. (5,009,872)

Expenses reported in the statement of activities include the increase in the liability for compensated absences (\$94,465). In addition, the decrease in net pension obligation results in the reduction of expenses totaling \$28,854. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (65,611)

The change in net assets of the Great Schools Partnership, a component unit of the Board, is not reported in the fund financial statements of the Board. 996,645

Change in Net Assets of Governmental Activities \$ 10,197,836

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Balance Sheets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 29,561,822	\$ 28,394,234
Receivables (Net of Allowance for Uncollectibles):		
Accounts	16,749,723	16,302,037
Property Taxes	100,331,069	96,093,728
Due from Other Funds	5,164,944	5,602,434
Due from Primary Government	134,914	485,783
Prepaid Items	1,104,925	3,569
Inventories	<u>1,153,038</u>	<u>894,414</u>
TOTAL ASSETS	<u><u>\$ 154,200,435</u></u>	<u><u>\$ 147,776,199</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 31,861,073	\$ 28,888,943
Due to Other Funds	1,887,404	2,152,883
Due to Primary Government	588,368	264,190
Deferred Revenue	<u>99,337,934</u>	<u>95,275,428</u>
TOTAL LIABILITIES	<u>133,674,779</u>	<u>126,581,444</u>
 Fund Balances:		
Reserved	5,908,404	4,313,183
Unreserved:		
Designated	-	300,390
Undesignated	<u>14,617,252</u>	<u>16,581,182</u>
TOTAL FUND BALANCES	<u>20,525,656</u>	<u>21,194,755</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 154,200,435</u></u>	<u><u>\$ 147,776,199</u></u>

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, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Local Taxes	\$ 185,309,363	\$ 179,570,515
Licenses and Permits	30,951	30,505
Charges for Current Services	880,885	210,369
Other Local Revenues	1,362,755	1,628,044
State of Tennessee	125,863,650	117,167,966
Federal Government	584,417	522,796
Other Governments and Citizen Groups	743,620	-
Total Revenues	<u>314,775,641</u>	<u>299,130,195</u>
Expenditures		
Current:		
Education:		
Instruction	199,484,334	184,713,548
Support Services	111,289,013	107,577,048
Payments to Primary Government	<u>3,856,640</u>	<u>2,673,875</u>
Total Expenditures	<u>314,629,987</u>	<u>294,964,471</u>
Excess of Revenues Over Expenditures	<u>145,654</u>	<u>4,165,724</u>
Other Financing Sources (Uses)		
Transfers From Other Funds	249,677	960,000
Transfers To Other Funds	<u>(1,064,430)</u>	<u>(6,275,056)</u>
Total Other Financing Uses	<u>(814,753)</u>	<u>(5,315,056)</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(669,099)	(1,149,332)
Fund Balances, July 1	<u>21,194,755</u>	<u>22,344,087</u>
Fund Balances, June 30	<u>\$ 20,525,656</u>	<u>\$ 21,194,755</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 183,515,500	\$ 183,515,500	\$ 185,309,363	\$ 1,793,863	\$ 177,118,900	\$ 179,570,515	\$ 2,451,615
Licenses and Permits	36,000	36,000	30,951	(5,049)	36,000	30,505	(5,495)
Charges for Current Services	471,500	710,276	880,885	170,609	272,100	210,369	(61,731)
Other Local Revenues	919,524	1,358,166	1,362,755	4,589	1,154,413	1,628,044	473,631
State of Tennessee	123,406,335	125,506,335	125,863,650	357,315	117,534,100	117,167,966	(366,134)
Federal Government	429,141	558,698	584,417	25,719	553,331	522,796	(30,535)
Other Governments and Citizen Groups	-	743,500	743,620	120	-	-	-
Total Revenues	308,778,000	312,428,475	314,775,641	2,347,166	296,668,844	299,130,195	2,461,351
Expenditures							
Current:							
Education:							
Instruction:							
Personal Services	160,363,782	159,338,431	158,579,586	758,845	151,615,975	149,387,158	2,228,817
Employee Benefits	32,668,365	33,345,011	32,768,368	576,643	27,911,380	27,621,189	290,191
Contracted Services	1,379,841	1,155,062	990,891	164,171	1,405,082	931,114	473,968
Supplies and Materials	4,471,519	10,756,386	6,992,770	3,763,616	10,068,847	6,695,238	3,373,609
Other Charges	61,567	60,462	52,664	7,798	16,700	16,685	15
Capital Outlay	34,945	100,289	100,055	234	69,060	62,164	6,896
Support Services:							
Personal Services	58,681,858	60,383,277	60,251,232	132,045	57,995,190	57,201,105	794,085
Employee Benefits	11,985,795	12,283,484	12,198,690	84,794	11,443,736	11,084,097	359,639
Contracted Services	15,958,101	16,257,506	16,048,772	208,734	16,367,469	16,280,382	87,087
Supplies and Materials	15,195,384	16,227,722	16,133,125	94,597	16,553,593	16,397,445	156,148
Other Charges	6,481,708	6,516,651	5,869,442	647,209	6,518,901	6,268,038	250,863
Capital Outlay	581,221	800,861	787,752	13,109	371,088	345,981	25,107
Payments to Primary Government	3,180,463	3,180,463	3,856,640	(676,177)	2,692,924	2,673,875	19,049
Total Expenditures	311,044,549	320,405,605	314,629,987	5,775,618	303,029,945	294,964,471	8,065,474
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,266,549)	(7,977,130)	145,654	8,122,784	(6,361,101)	4,165,724	10,526,825

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, 2005 and June 30, 2004

	2005				2004			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Other Financing Sources (Uses)								
Transfers From Other Funds	\$ 1,153,500	\$ 410,000	\$ 249,677	\$ (160,323)	\$ 960,000	\$ 960,000	\$ -	
Transfers To Other Funds	(886,951)	(1,156,993)	(1,064,430)	92,563	(6,161,713)	(6,275,056)	(113,343)	
Total Other Financing Sources (Uses)	266,549	(746,993)	(814,753)	(67,760)	(5,201,713)	(5,315,056)	(113,343)	
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(2,000,000)	(8,724,123)	(669,099)	8,055,024	(11,562,814)	(1,149,332)	10,413,482	
Fund Balances, July 1	21,194,755	21,194,755	21,194,755	-	22,344,087	22,344,087	-	
Fund Balances, June 30	\$ 19,194,755	\$ 12,470,632	\$ 20,525,656	\$ 8,055,024	\$ 10,781,273	\$ 21,194,755	\$ 10,413,482	

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Balance Sheets
June 30, 2005 and June 30, 2004

	2005	2004
ASSETS		
Cash and Cash Equivalents	\$ 10,559,470	\$ 9,195,760
Receivables (Net of Allowance for Uncollectibles):		
Accounts	2,888,011	2,727,309
Property Taxes	-	-
Due from Other Funds	-	80,000
Due from Primary Government	250,506	157,714
	<hr/>	<hr/>
TOTAL ASSETS	\$ 13,697,987	\$ 12,160,783
	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,256,098	\$ 1,817,394
Due to Other Funds	4,638	-
	<hr/>	<hr/>
TOTAL LIABILITIES	2,260,736	1,817,394
	<hr/>	<hr/>
Fund Balances (Deficits):		
Reserved	7,885,856	22,288,575
Unreserved, Undesignated	3,551,395	(11,945,186)
	<hr/>	<hr/>
TOTAL FUND BALANCES	11,437,251	10,343,389
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,697,987	\$ 12,160,783
	<hr/>	<hr/>

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, 2005 and June 30, 2004**

	<u>2005</u>	<u>2004</u>
Revenues		
Local Taxes	\$ 16,723,695	\$ 16,091,476
Other Local Revenues	-	74,130
Interest Earned	250,552	171,961
Payments from Primary Government	5,500	-
Debt Proceeds Received from Primary Government	<u>24,000,000</u>	<u>32,000,000</u>
Total Revenues	<u>40,979,747</u>	<u>48,337,567</u>
Expenditures		
Capital Projects	23,025,085	20,045,023
Payments to Primary Government	16,700,000	24,800,000
Other Charges	<u>160,800</u>	<u>152,000</u>
Total Expenditures	<u>39,885,885</u>	<u>44,997,023</u>
Excess of Revenues Over Expenditures	1,093,862	3,340,544
Other Financing Sources		
Transfers from Other Funds	<u>-</u>	<u>4,925,000</u>
Excess of Revenues and Other Financing Sources Over Expenditures	1,093,862	8,265,544
Fund Balances, July 1	<u>10,343,389</u>	<u>2,077,845</u>
Fund Balances, June 30	<u><u>\$ 11,437,251</u></u>	<u><u>\$ 10,343,389</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 16,250,000	\$ 16,723,695	\$ 16,723,695	\$ -	\$ 16,067,450	\$ 16,091,476	\$ 24,026
Other Local Revenue	450,000	-	-	-	68,200	74,130	5,930
Interest Earned	-	450,000	250,552	(199,448)	-	-	-
Payments from Primary Government	-	5,500	5,500	-	-	-	-
Debt Proceeds Received from Primary Government	-	24,000,000	24,000,000	-	8,400,000	32,000,000	23,600,000
Total Revenues	16,700,000	41,179,195	40,979,747	(199,448)	24,535,650	48,165,606	23,629,956
Expenditures							
Capital Projects:							
Contractual Services	-	-	-	-	73,882	71,348	2,534
Supplies & Materials	-	-	-	-	24,743	24,743	-
Other Charges	-	473,695	167,237	306,458	197,450	161,155	36,295
Capital Outlay	-	-	-	-	2,183,525	1,298,595	884,930
Other Charges:							
Payments to Primary Government	16,700,000	16,700,000	16,700,000	-	24,800,000	24,800,000	-
Total Expenditures	16,700,000	17,173,695	16,867,237	306,458	27,279,600	26,355,841	923,759
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	24,005,500	24,112,510	107,010	(2,743,950)	21,809,765	24,553,715
Other Financing Sources							
Transfers From Other Funds	-	-	-	-	5,173,000	4,925,000	(248,000)
Excess of Revenues and Other Financing Sources Over Expenditures	-	24,005,500	24,112,510	107,010	2,429,050	26,734,765	24,305,715
Fund Balances, July 1 (Budget Basis)	42,569,362	42,569,362	42,569,362	-	15,834,597	15,834,597	-
Fund Balances, June 30 (Budget Basis)	\$ 42,569,362	\$ 66,574,862	\$ 66,681,872	\$ 107,010	\$ 18,263,647	\$ 42,569,362	\$ 24,305,715
Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):							
Fund Balance (Budget Basis)			\$ 66,681,872			\$ 42,569,362	
Timing Differences:							
Project Length Budgets			(55,244,621)			(32,225,973)	
Fund Balance (GAAP Basis)			\$ 11,437,251			\$ 10,343,389	

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, 2005

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Fire Alarm Upgrade	\$ 500,000	\$ 23,140	\$ 217,534	\$ 240,674	\$ 259,326
Amherst Elementary	16,246,500	6,235,562	7,628,132	13,863,694	2,382,806
Cedar Bluff K-3	1,777,113	283,019	212,516	495,535	1,281,578
Brickey Elementary	14,422,574	14,047,529	245,000	14,292,529	130,045
Halls Elementary	3,532,111	3,459,638	53,796	3,513,434	18,677
Bonny Kate Elementary	282,410	187,263	92,835	280,098	2,312
Whittle Springs Middle	3,405,816	3,403,816	2,000	3,405,816	-
Holston Middle	2,200,499	2,100,947	53,117	2,154,064	46,435
New Holston Middle	11,944,500	2,549,845	5,456,507	8,006,352	3,938,148
Powell Middle	1,129,149	-	49,554	49,554	1,079,595
Maintenance Land Ascquisition	168,000	-	73,738	73,738	94,262
West High Library / Cafeteria	2,200,000	89,692	1,613,760	1,703,452	496,548
Magnet Equipment	3,402,216	3,247,294	154,922	3,402,216	-
Gibbs Elementary School	1,904,720	1,363,606	463,340	1,826,946	77,774
New West Knox High School	5,500	-	5,500	5,500	-
Karns High Addition and Renovations	3,000,000	-	30,823	30,823	2,969,177
Land Investigation	578,615	319,133	183,281	502,414	76,201
Roofing and HVAC	22,947,487	19,544,709	3,146,167	22,690,876	256,611
Stadium Bleachers	1,563,164	1,134,944	411,893	1,546,837	16,327
Professional Development Technology Center	1,241,000	1,210,143	160	1,210,303	30,697
Physical Plant Upgrades	5,766,817	-	2,763,273	2,763,273	3,003,544
<i>Total Capital Projects:</i>	<u>\$ 98,218,191</u>	<u>\$ 59,200,280</u>	<u>\$ 22,857,848</u>	<u>\$ 82,058,128</u>	<u>\$ 16,160,063</u>
Project Expenditures			\$ 22,857,848		
Expenditures - Activities Budgeted on Annual Basis			<u>16,867,237</u>		
Total School Construction Fund Expenditures			<u>\$ 39,725,085</u>		

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Special Revenue Fund
Comparative Balance Sheets
June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 8,608,616	\$ 7,986,728
Due from Other Funds	<u>101,610</u>	<u>33,210</u>
TOTAL ASSETS	<u>\$ 8,710,226</u>	<u>\$ 8,019,938</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,310,899	\$ 2,410,140
Due to Other Funds	5,167,482	5,493,537
Due to Primary Government	43,643	42,791
Deferred Revenue	<u>1,143,970</u>	<u>70,093</u>
TOTAL LIABILITIES	<u>8,665,994</u>	<u>8,016,561</u>
Fund Balances (Deficits):		
Reserved	165,752	341,924
Unreserved, Undesignated	<u>(121,520)</u>	<u>(338,547)</u>
TOTAL FUND BALANCES	<u>44,232</u>	<u>3,377</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,710,226</u>	<u>\$ 8,019,938</u>

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, 2005 and June 30, 2004**

	<u>2005</u>	<u>2004</u>
Revenues		
Charges for Current Services	\$ 18,364	\$ 19,179
Other Local Revenues	7,981	91,443
State of Tennessee	72,536	93,951
Federal Government	<u>28,389,516</u>	<u>22,626,379</u>
Total Revenues	<u>28,488,397</u>	<u>22,830,952</u>
Expenditures		
Current:		
Education:		
Instruction	20,360,807	17,291,992
Support Services	7,758,092	5,298,201
Non-Instructional Services	<u>409,677</u>	<u>376,917</u>
Total Expenditures	<u>28,528,576</u>	<u>22,967,110</u>
Deficiency of Revenues Under Expenditures	(40,179)	(136,158)
Other Financing Sources		
Transfers From Other Funds	<u>81,034</u>	<u>89,963</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	40,855	(46,195)
Fund Balances, July 1	<u>3,377</u>	<u>49,572</u>
Fund Balances, June 30	<u><u>\$ 44,232</u></u>	<u><u>\$ 3,377</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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ -	\$ 19,185	\$ 18,364	\$ (821)	\$ 19,185	\$ 19,179	\$ (6)
Other Local Revenues	-	80,070	7,981	(72,089)	83,520	91,443	7,923
State of Tennessee	-	76,036	72,536	(3,500)	95,163	93,951	(1,212)
Federal Government	-	42,320,051	28,389,516	(13,930,535)	36,447,337	22,626,379	(13,820,958)
Total Revenues	-	42,495,342	28,488,397	(14,006,945)	36,645,205	22,830,952	(13,814,253)
Expenditures							
Current:							
Education:							
Instruction:							
Personal Services	-	15,866,473	12,732,328	3,134,145	13,854,957	10,585,111	3,269,846
Employee Benefits	-	3,496,812	2,682,228	814,584	3,061,833	2,160,138	901,695
Contracted Services	-	2,903,148	567,976	2,335,172	3,183,542	883,833	2,299,709
Supplies and Materials	-	5,181,454	3,091,751	2,089,703	4,748,275	2,429,153	2,319,122
Other Charges	-	368,585	227,242	141,343	226,813	137,449	89,364
Capital Outlay	-	1,149,011	1,059,282	89,729	1,488,477	1,096,308	392,169
Support Services:							
Personal Services	-	5,279,750	3,817,010	1,462,740	3,745,881	2,769,210	976,671
Employee Benefits	-	927,203	672,706	254,497	645,108	429,228	215,880
Contracted Services	-	2,938,006	1,593,375	1,344,631	2,189,708	659,879	1,529,829
Supplies and Materials	-	1,815,052	896,922	918,130	1,711,879	980,557	731,322
Other Charges	-	1,107,854	479,787	628,067	571,495	236,177	335,318
Capital Outlay	-	579,108	298,292	280,816	497,784	223,150	274,634
Non-Instructional Services:							
Personal Services	-	481,069	142,693	338,376	553,960	142,434	411,526
Employee Benefits	-	109,465	48,691	60,774	115,513	57,309	58,204
Contracted Services	-	14,765	2,613	12,152	13,638	4,595	9,043
Supplies and Materials	-	90,261	7,537	82,724	65,261	88,566	(23,305)
Other Charges	-	271,707	208,143	63,564	109,658	84,013	25,645
Total Expenditures	-	42,579,723	28,528,576	14,051,147	36,783,782	22,967,110	13,816,672
Deficiency of Revenues Under Expenditures	-	(84,381)	(40,179)	44,202	(138,577)	(136,158)	2,419
Other Financing Sources							
Transfer From Other Funds	-	82,411	81,034	(1,377)	90,405	89,963	(442)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	(1,970)	40,855	42,825	(48,172)	(46,195)	1,977
Fund Balances, July 1	-	3,377	3,377	-	49,572	49,572	-
Fund Balances, June 30	\$ -	\$ 1,407	\$ 44,232	\$ 42,825	\$ 1,400	\$ 3,377	\$ 1,977

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

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School General Projects Special Revenue Fund
Comparative Balance Sheets
June 30, 2005 and June 30, 2004

	2005	2004
ASSETS		
Cash and Cash Equivalents	\$ 2,471,993	\$ 1,665,830
Receivables (Net of Allowance for Uncollectibles):		
Accounts	200,203	277,270
Due from Other Funds	266,163	1,414,494
TOTAL ASSETS	<u>\$ 2,938,359</u>	<u>\$ 3,357,594</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 456,443	\$ 617,514
Due to Other Funds	74,745	11,471
Due to Primary Government	2,670	2,032
Deferred Revenue	17,711	5,767
TOTAL LIABILITIES	<u>551,569</u>	<u>636,784</u>
Fund Balances (Deficits):		
Reserved	3,055,923	2,983,099
Unreserved:		
Undesignated	(669,133)	(262,289)
TOTAL FUND BALANCES	<u>2,386,790</u>	<u>2,720,810</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,938,359</u>	<u>\$ 3,357,594</u>

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, 2005 and June 30, 2004**

	<u>2005</u>	<u>2004</u>
Revenues		
Licenses and Permits	\$ 3,255	\$ 4,247
Charges for Current Services	143,766	170,972
Other Local Revenues	660,565	608,915
State of Tennessee	527,807	429,480
Other Governments and Citizens Groups	376,152	403,721
Payments from Primary Government	<u>1,000,000</u>	<u>-</u>
Total Revenues	<u>2,711,545</u>	<u>1,617,335</u>
Expenditures		
Current:		
Education:		
Instruction	464,882	405,550
Support Services	1,380,531	1,280,710
Non-Instructional Services	50,778	49,648
Capital Outlay	1,132,770	1,379,941
Payment to Component Unit	<u>1,000,000</u>	<u>-</u>
Total Expenditures	<u>4,028,961</u>	<u>3,115,849</u>
Deficiency of Revenues Under Expenditures	<u>(1,317,416)</u>	<u>(1,498,514)</u>
Other Financing Sources (Uses)		
Transfers From Other Funds	983,396	1,260,093
Transfers To Other Funds	<u>-</u>	<u>(960,000)</u>
Total Other Financing Sources	<u>983,396</u>	<u>300,093</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(334,020)	(1,198,421)
Fund Balances, July 1	<u>2,720,810</u>	<u>3,919,231</u>
Fund Balances, June 30	<u>\$ 2,386,790</u>	<u>\$ 2,720,810</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, 2005 and June 30, 2004

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Licenses and Permits	\$ -	\$ -	\$ 3,255	\$ 3,255	\$ -	\$ 4,247	\$ 4,247
Charges for Current Services	-	177,371	143,766	(33,605)	235,044	170,972	(64,072)
Other Local Revenues	-	674,123	660,565	(13,558)	632,892	608,915	(23,977)
State of Tennessee	-	641,701	527,807	(113,894)	639,183	429,480	(209,703)
Payments from Primary Government	-	376,736	376,152	(584)	402,991	403,721	730
Other Governments and Citizens Groups	-	1,000,000	1,000,000	-	-	-	-
Total Revenues	-	2,869,931	2,711,545	(158,386)	1,910,110	1,617,335	(292,775)
Expenditures							
Current:							
Education:							
Instruction:							
Personal Services	-	321,285	229,902	91,383	370,567	283,762	86,805
Employee Benefits	-	34,420	24,792	9,628	43,118	33,191	9,927
Contracted Services	-	38,859	27,194	11,665	32,630	14,492	18,138
Supplies and Materials	-	100,174	58,989	41,185	123,838	61,113	62,725
Other Charges	-	102,202	94,549	7,653	16,053	8,757	7,296
Capital Outlay	-	59,103	29,456	29,647	38,640	4,235	34,405
Support Services:							
Personal Services	-	701,662	592,550	109,112	682,009	557,338	124,671
Employee Benefits	-	119,233	110,213	9,020	123,129	99,364	23,765
Contracted Services	-	774,899	431,724	343,175	895,449	408,395	487,054
Supplies and Materials	-	331,499	229,978	101,521	369,975	204,409	165,566
Other Charges	-	32,657	25,235	7,422	14,061	707	13,354
Capital Outlay	-	138,091	(9,169)	147,260	148,840	10,497	138,343
Non Instructional Services:							
Personal Services	-	36,277	36,173	104	35,221	35,220	1
Employee Benefits	-	7,753	7,489	264	6,673	6,591	82
Contracted Services	-	3,005	3,373	(368)	1,105	1,125	(20)
Supplies and Materials	-	800	800	-	500	390	110
Other Charges	-	4,842	2,943	1,899	7,327	6,322	1,005
Capital Outlay							
Personal Services	-	-	-	-	135,103	-	135,103
Employee Benefits	-	-	-	-	28,625	-	28,625
Contracted Services	-	305,683	391,767	(86,084)	431,230	383,675	47,555
Supplies and Materials	-	246,479	259,057	(12,578)	240,324	149,098	91,226
Capital Outlay	-	2,285,351	481,946	1,803,405	2,464,282	847,168	1,617,114
Payment to Component Unit	-	1,000,000	1,000,000	-	-	-	-
Total Expenditures	-	6,644,274	4,028,961	2,615,313	6,208,699	3,115,849	3,092,850
Deficiency of Revenues Under Expenditures	-	(3,774,343)	(1,317,416)	2,456,927	(4,298,589)	(1,498,514)	2,800,075
Other Financing Sources (Uses)							
Transfers from Other Funds	-	1,053,533	983,396	(70,137)	1,339,358	1,260,093	(79,265)
Transfers to Other Funds	-	-	-	-	(960,000)	(960,000)	-
Total Other Financing Sources (Uses)	-	1,053,533	983,396	(70,137)	379,358	300,093	(79,265)
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	-	(2,720,810)	(334,020)	2,386,790	(3,919,231)	(1,198,421)	2,720,810
Fund Balances, July 1	-	2,720,810	2,720,810	-	3,919,231	3,919,231	-
Fund Balances, June 30	\$ -	\$ -	\$ 2,386,790	\$ 2,386,790	\$ -	\$ 2,720,810	\$ 2,720,810

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, 2005 and June 30, 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,675,879	\$ 2,488,803
Receivables (Net of Allowance for Uncollectibles):		
Accounts	112,143	112,245
Due from Other Funds	1,636,242	643,456
Inventories	<u>252,501</u>	<u>279,297</u>
TOTAL ASSETS	<u><u>\$ 3,676,765</u></u>	<u><u>\$ 3,523,801</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 190,666	\$ 124,142
Due to Other Funds	34,690	115,703
Deferred Revenue	<u>3,724</u>	<u>2,201</u>
TOTAL LIABILITIES	<u>229,080</u>	<u>242,046</u>
 Fund Balances:		
Reserved	355,662	326,655
Unreserved, Undesignated	<u>3,092,023</u>	<u>2,955,100</u>
TOTAL FUND BALANCES	<u>3,447,685</u>	<u>3,281,755</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,676,765</u></u>	<u><u>\$ 3,523,801</u></u>

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, 2005 and June 30, 2004**

	<u>2005</u>	<u>2004</u>
Revenues		
Charges for Current Services	\$ 8,906,586	\$ 8,475,550
Other Local Revenues	368,199	657,579
State of Tennessee	242,074	244,560
Federal Government	9,115,966	8,189,437
	<u>18,632,825</u>	<u>17,567,126</u>
Total Revenues		
Expenditures		
Current:		
Education		
Food Service	18,217,218	17,210,105
	<u>415,607</u>	<u>357,021</u>
Excess of Revenues Over Expenditures		
	415,607	357,021
Other Financing Uses		
Transfers to Other Funds	(249,677)	-
	<u>165,930</u>	<u>357,021</u>
Excess of Revenues Over Expenditures and Other Financing Uses		
	165,930	357,021
Fund Balances, July 1	3,281,755	2,924,734
Fund Balances, June 30	<u>\$ 3,447,685</u>	<u>\$ 3,281,755</u>

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, 2005 and June 30, 2004**

	2005				2004		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 9,318,000	\$ 9,020,585	\$ 8,906,586	\$ (113,999)	\$ 8,516,487	\$ 8,475,550	\$ (40,937)
Other Local Revenues	95,000	713,000	368,199	(344,801)	866,000	657,579	(208,421)
State of Tennessee	244,500	244,500	242,074	(2,426)	239,000	244,560	5,560
Federal Government	7,498,000	8,608,313	9,115,966	507,653	7,768,600	8,189,437	420,837
Total Revenues	17,155,500	18,586,398	18,632,825	46,427	17,390,087	17,567,126	177,039
Expenditures							
Current:							
Education:							
Food Service:							
Personal Services	7,759,000	7,061,450	6,918,633	142,817	6,884,800	6,776,219	108,581
Employee Benefits	1,090,000	2,016,298	1,766,618	249,680	1,643,000	1,641,746	1,254
Contracted Services	371,000	471,022	470,981	41	398,481	384,025	14,456
Supplies & Materials	7,648,500	8,770,133	8,770,094	39	8,151,993	8,095,023	56,970
Other Charges	187,000	234,120	209,985	24,135	270,925	269,789	1,136
Capital Outlay	100,000	85,042	80,907	4,135	67,800	43,303	24,497
Total Expenditures	17,155,500	18,638,065	18,217,218	420,847	17,416,999	17,210,105	206,894
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(51,667)	415,607	467,274	(26,912)	357,021	383,933
Other Financing Uses							
Transfers to Other Funds	-	-	(249,677)	(249,677)	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	-	(51,667)	165,930	217,597	(26,912)	357,021	383,933
Fund Balances, July 1	3,281,755	3,281,755	3,281,755	-	2,924,734	2,924,734	-
Fund Balances, June 30	\$ 3,281,755	\$ 3,230,088	\$ 3,447,685	\$ 217,597	\$ 2,897,822	\$ 3,281,755	\$ 383,933

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ -
Receivables (Net of Allowance for Uncollectibles):		
Interest and Dividends	-	-
Contributions	783,381	-
Investments	73,575,991	-
Prepaid Items	14,793	-
Other Assets	-	6,030,851
	<u> </u>	<u> </u>
TOTAL ASSETS	74,374,165	\$ 6,030,851
	<u> </u>	<u> </u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	37,791	\$ -
Liability for Student Activities	-	6,030,851
	<u> </u>	<u> </u>
TOTAL LIABILITIES	37,791	\$ 6,030,851
	<u> </u>	<u> </u>
NET ASSETS		
Held in Trust for:		
Pension Benefits	\$ 74,336,374	
	<u> </u>	

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, 2005 and June 30, 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 366,080
Interest and Dividends	-	237,926
Contributions Receivable	783,381	102,826
Prepaid Items	14,793	20,079
Investments, at Fair Value		
Mutual Funds	<u>73,575,991</u>	<u>69,929,126</u>
TOTAL ASSETS	<u>74,374,165</u>	<u>70,656,037</u>
 LIABILITIES		
Accounts Payable	<u>37,791</u>	<u>16,443</u>
 NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 74,336,374</u>	<u>\$ 70,639,594</u>

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, 2005 and June 30, 2004**

	<u>2005</u>	<u>2004</u>
Additions		
Contributions		
Employer	\$ 1,620,817	\$ -
Employee	330,840	547,721
Total Contributions	<u>1,951,657</u>	<u>547,721</u>
Investment Income		
Net Appreciation in Fair Value of Investments	4,617,317	7,556,462
Interest and Dividends	1,414,516	1,746,986
Total Investment Earnings	6,031,833	9,303,448
Less Investment Expense	<u>(231,854)</u>	<u>(132,348)</u>
Net Investment Income	<u>5,799,979</u>	<u>9,171,100</u>
Total Additions	<u>7,751,636</u>	<u>9,718,821</u>
Deductions		
Benefits and Refunds	3,564,370	2,742,870
Administrative and Professional Expenses	490,486	385,483
Total Deductions	<u>4,054,856</u>	<u>3,128,353</u>
Net Increase	3,696,780	6,590,468
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	<u>70,639,594</u>	<u>64,049,126</u>
End of Year	<u>\$ 74,336,374</u>	<u>\$ 70,639,594</u>

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, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Assets and Liabilities, July 1	\$ 5,787,139	\$ 5,377,199
Additions	16,457,909	16,151,301
Deductions	<u>(16,214,197)</u>	<u>(15,741,361)</u>
Assets and Liabilities, June 30	<u>\$ 6,030,851</u>	<u>\$ 5,787,139</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
2005	\$ 36,027,013	\$ 13,701,681	\$ 59,658,807	\$ 38,931,249	\$ 16,592,017	\$ 390,615	\$ 64,208,431	\$ 24,844,700	\$ 21,570,330	\$ 21,404,699	\$ 297,329,542

Only four 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

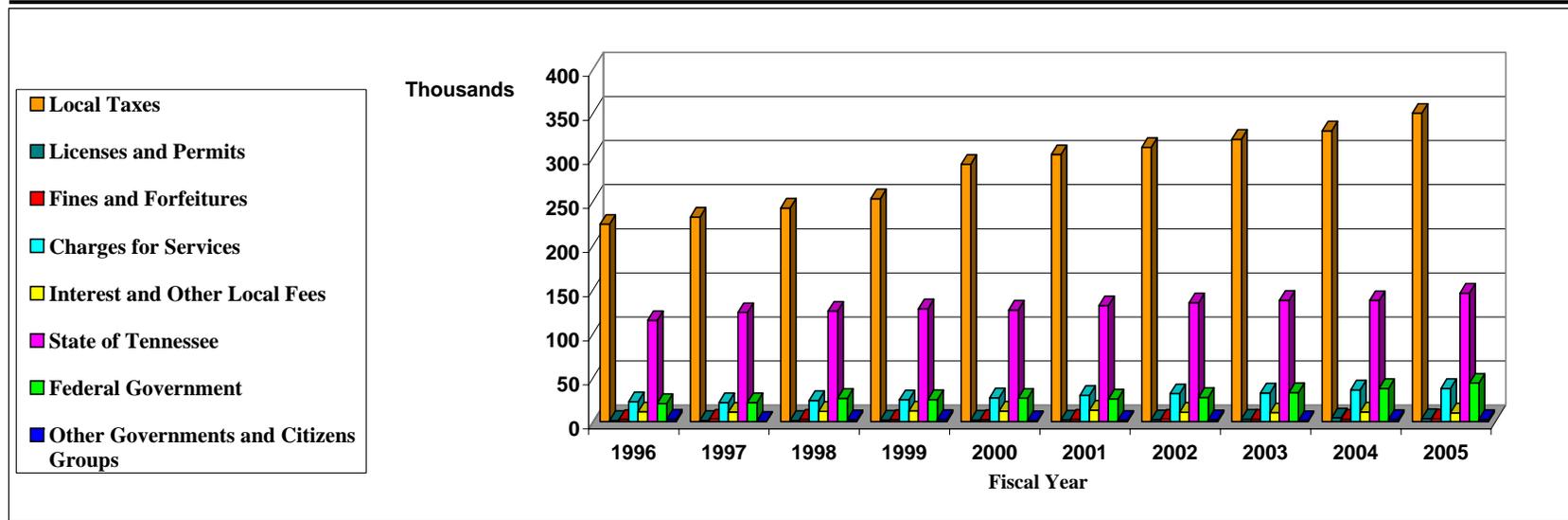
**Primary Government
Government-wide Revenues
Last Ten Fiscal Years**

PROGRAM REVENUES				GENERAL REVENUES				
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Other	Total
2002	\$ 66,640,286	\$ 18,997,160	\$ -	\$ 125,747,870	\$ -	\$ 3,738,576	\$ 21,866,629	\$ 236,990,521
2003	\$ 67,233,533	\$ 20,962,543	\$ -	\$ 133,991,541	\$ -	\$ 2,839,049	\$ 22,527,752	\$ 247,554,418
2004	\$ 77,442,017	\$ 23,108,400	\$ -	\$ 136,055,059	\$ -	\$ 2,016,481	\$ 33,512,993	\$ 272,134,950
2005	\$ 87,392,233	\$ 22,760,584	\$ -	\$ 148,304,033	\$ -	\$ 2,756,903	\$ 25,317,079	\$ 286,530,832

Only four 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)**

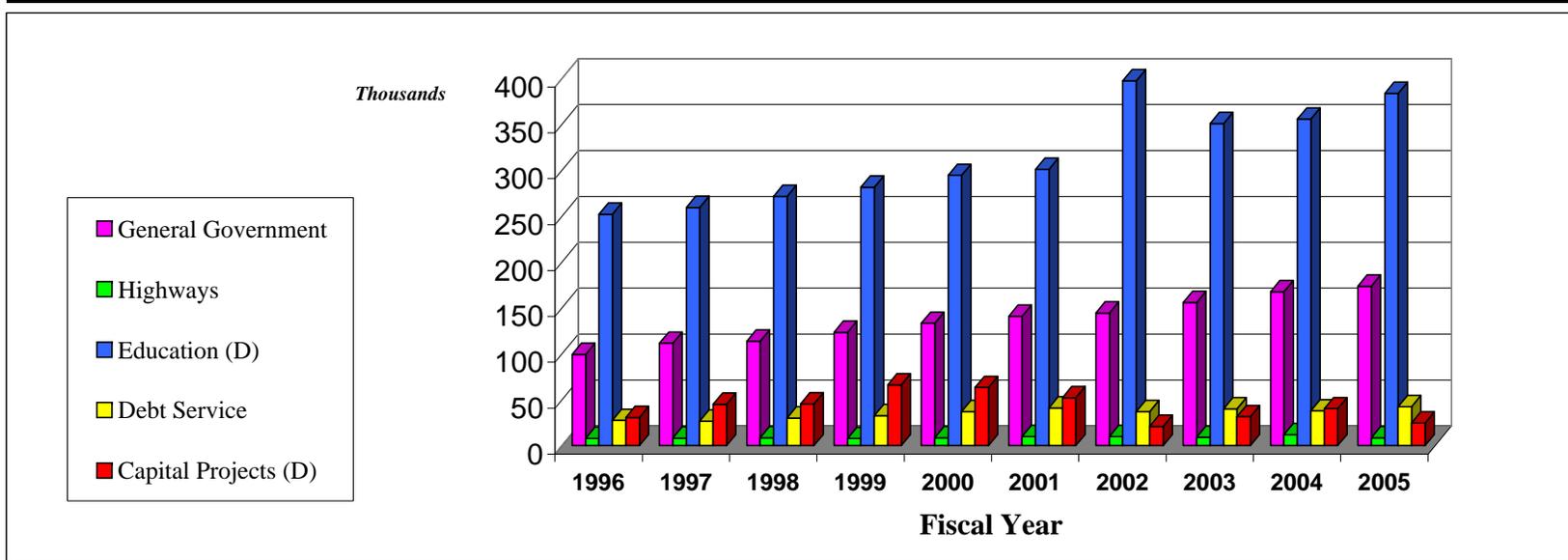


	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Revenues (A)										
Local Taxes (B), (C)	\$ 224,060	\$ 232,145	\$ 242,493	\$ 253,088	\$ 292,018	\$ 303,117	\$ 311,194	\$ 320,409	\$ 330,047	\$ 350,104
Licenses and Permits	1,632	1,633	1,612	1,852	1,929	2,046	2,419	2,878	4,447	3,507
Fines and Forfeitures	2,684	3,086	2,860	2,574	2,642	2,834	3,034	2,846	2,856	3,232
Charges for Services	22,712	21,811	24,089	24,937	27,137	29,947	31,822	32,664	36,019	37,785
Interest and Other Local Fees (C)	11,244	10,982	11,807	12,360	12,066	13,207	10,788	10,283	11,136	10,174
State of Tennessee	115,006	123,865	125,575	128,236	126,686	131,790	135,057	137,705	137,533	146,018
Federal Government	20,693	21,717	26,568	25,088	26,608	25,795	27,627	33,057	37,812	43,869
Other Governments and Citizens Groups (D)	2,986	483	2,172	2,794	1,401	1,771	2,373	1,122	2,726	2,575
Total	\$ 401,017	\$ 415,722	\$ 437,176	\$ 450,929	\$ 490,487	\$ 510,507	\$ 524,314	\$ 540,964	\$ 562,576	\$ 597,264

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 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	Fiscal Year 2005
Expenditures										
General Government (A), (B)	\$99,471	\$111,527	\$113,722	\$123,473	\$133,309	\$140,829	\$144,465	\$155,874	\$167,594	\$173,652
Highways	7,953	8,307	8,704	7,734	8,690	9,928	9,829	9,113	11,938	8,608
Education (D)	252,098	259,390	271,597	281,537	294,424	301,083	397,437	350,875	355,781	383,734
Debt Service (C)	27,460	26,611	30,104	32,701	36,940	41,115	37,159	40,134	37,918	42,348
Capital Projects (D)	30,642	45,138	45,335	66,232	63,331	52,121	20,992	31,513	40,286	24,582
Total	\$417,624	\$450,973	\$469,462	\$511,677	\$536,694	\$545,076	\$609,882	\$587,509	\$613,517	\$632,924

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
1996	\$ 123,326,851	\$ 118,094,687	95.8%	\$ 5,081,369	\$ 123,176,056	99.9%	\$ 141,094	0.1%
1997	\$ 127,607,829	\$ 121,838,326	95.5%	\$ 5,608,179	\$ 127,446,505	99.9%	\$ 161,324	0.1%
1998	\$ 131,878,132	\$ 126,039,387	95.6%	\$ 5,561,578	\$ 131,600,965	99.8%	\$ 277,167	0.2%
1999	\$ 137,978,822	\$ 131,623,390	95.4%	\$ 5,875,106	\$ 137,498,496	99.7%	\$ 480,326	0.3%
2000	\$ 172,079,958	\$ 163,210,597	94.8%	\$ 8,489,521	\$ 171,700,118	99.8%	\$ 379,840	0.2%
2001	\$ 178,463,327	\$ 169,058,907	94.7%	\$ 8,694,146	\$ 177,753,053	99.6%	\$ 710,274	0.4%
2002	\$ 186,552,796	\$ 177,651,252	95.2%	\$ 7,808,374	\$ 185,459,626	99.4%	\$ 1,093,171	0.6%
2003	\$ 190,967,162	\$ 181,786,456	95.2%	\$ 7,145,573	\$ 188,932,029	98.9%	\$ 2,035,133	1.1%
2004	\$ 193,905,516	\$ 186,380,156	96.1%	\$ -	\$ 190,762,421	98.4%	\$ 3,143,094	1.6%
2005	\$ 198,769,336	\$ 191,042,425	96.1%	\$ -	\$ 191,042,425	96.1%	\$ 7,726,912	3.9%

KNOX COUNTY, TENNESSEE

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

Tax Year	Real Property		Personal Property		Public Utility Property	Total Assessed Value
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	
1996	\$ 3,476,042,525	\$ 12,287,296,600	\$ 279,015,159	\$ 930,050,530	\$ 186,330,195	\$ 3,941,387,879
1997	\$ 4,201,861,455	\$ 14,537,699,100	\$ 361,596,998	\$ 1,205,322,121	\$ 199,621,452	\$ 4,763,079,905
1998	\$ 4,362,005,230	\$ 15,077,422,000	\$ 397,904,412	\$ 1,326,348,040	\$ 214,390,729	\$ 4,974,300,371
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	\$ 215,227,853	\$ 5,363,984,584
2001	\$ 5,505,632,220	\$ 19,015,078,500	\$ 535,256,469	\$ 1,784,188,230	\$ 263,632,399	\$ 6,304,521,088
2002	\$ 5,657,459,590	\$ 19,551,305,500	\$ 547,329,124	\$ 1,824,430,413	\$ 257,387,958	\$ 6,462,176,672
2003	\$ 5,819,799,685	\$ 20,134,308,700	\$ 552,014,141	\$ 1,840,045,342	\$ 229,803,507	\$ 6,601,617,333
2004	\$ 5,973,238,855	\$ 20,717,124,400	\$ 517,162,396	\$ 1,723,872,595	\$ 237,929,088	\$ 6,728,330,339
2005	\$ 6,942,405,325	\$ 24,228,866,800	\$ 532,543,347	\$ 1,775,142,325	\$ 237,929,088	\$ 7,712,877,760

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.

The Public Utility Property Assessed Value is reported by the State of Tennessee in January of each year for the prior tax year. The value being reported for the 2005 tax year is the 2004 tax year value and will be updated when the information is available.

KNOX COUNTY, TENNESSEE

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

Fiscal Year	City of Knoxville	Knox County	Overlapping Tax Rate Inside Knoxville
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
2005	2.81	2.96	5.77

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
1996	364,566	\$ 3,941,387,879	\$ 188,535,000	\$ 10,005,152	\$ 178,529,848	4.53%	\$ 490
1997	365,900	\$ 4,763,079,905	\$ 242,910,001	\$ 16,424,070	\$ 226,485,931	4.76%	\$ 619
1998	374,693	\$ 4,974,300,371	\$ 242,190,000	\$ 20,836,995	\$ 221,353,005	4.45%	\$ 591
1999	376,039	\$ 5,166,073,420	\$ 308,005,000	\$ 23,395,714	\$ 284,609,286	5.51%	\$ 757
2000	382,032	\$ 5,363,984,584	\$ 354,875,603	\$ 25,525,215	\$ 329,350,388	6.14%	\$ 862
2001(B)	385,572	\$ 6,304,521,088	\$ 331,845,140	\$ 25,381,422	\$ 306,463,718	4.86%	\$ 795
2002	389,327	\$ 6,462,176,672	\$ 401,859,673	\$ 26,210,926	\$ 375,648,747	5.81%	\$ 965
2003	392,995	\$ 6,601,617,333	\$ 386,824,206	\$ 25,500,852	\$ 361,323,354	5.47%	\$ 919
2004	400,061	\$ 6,728,330,339	\$ 430,533,739	\$ 28,024,529	\$ 402,509,210	5.98%	\$ 1,006
2005	400,061	\$ 7,712,877,760	\$ 478,868,271	\$ 28,906,228	\$ 449,962,043	5.83%	\$ 1,125

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

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

**KNOX COUNTY, TENNESSEE
AND THE KNOX COUNTY BOARD OF EDUCATION
A DISCRETELY PRESENTED COMPONENT UNIT**

**Combined Schedule of Direct
and Overlapping General Bonded Debt
June 30, 2005**

Direct General Bonded Debt

Knox County	\$ 478,868,271
Less: Amount Available in Debt Service Fund	<u>(28,906,228)</u>
Total Direct General Bonded Debt	<u>449,962,043</u>

Overlapping General Bonded Debt

City of Knoxville	247,450,000
Town of Farragut	<u>-</u>
Total Overlapping General Bonded Debt	<u>247,450,000</u>
Total General Bonded Debt	<u><u>\$ 697,412,043</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
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%
2005	\$ 20,040,468	\$ 21,439,049	\$ 41,479,517	\$ 679,486	6.10%

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
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%
2004	400,061	1.80%	5,900,962	1.01%

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

Cost of Living - First Quarter 2005

	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
United States	100	100	100	100	100	100	100
Chattanooga	92.8	98.4	85.9	88.8	98	94.8	95.9
Cleveland	91.7	102.5	85.9	95.3	88.8	87	92.7
Johnson City	87.5	89.9	74.6	90.9	86.4	88.3	96.4
Knoxville	87.5	90.2	74.1	90.1	87.8	90.1	96.4
Memphis	89.6	93.6	76.2	92	95.7	98.9	95.9
Morristown	89.1	94.6	81.1	78.8	81.8	93	98.2
Nashville	95.1	107.4	75.7	85	97.6	101.5	108

Source: Tennessee Gov. Cost of Living Index

KNOX COUNTY, TENNESSEE

Demographic Statistics (Continued)

Per Capita Personal Income Comparisons (in Current Dollars): 1994 - 2003

Area	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Knoxville MSA										
Anderson	\$ 21,299	\$ 22,264	\$ 22,687	\$ 23,504	\$ 24,337	\$ 25,181	\$ 26,032	\$ 27,194	\$ 27,100	\$ 27,668
Blount	\$ 19,112	\$ 19,924	\$ 20,485	\$ 21,599	\$ 22,227	\$ 23,416	\$ 24,262	\$ 25,370	\$ 25,353	\$ 26,253
Knox	\$ 22,350	\$ 23,211	\$ 23,921	\$ 24,969	\$ 26,451	\$ 27,376	\$ 28,281	\$ 29,426	\$ 30,327	\$ 30,901
Loudon	\$ 19,210	\$ 20,231	\$ 20,733	\$ 21,672	\$ 22,648	\$ 24,247	\$ 26,241	\$ 26,257	\$ 26,212	\$ 27,515
Sevier	\$ 18,483	\$ 19,635	\$ 20,161	\$ 21,176	\$ 21,913	\$ 22,679	\$ 22,275	\$ 22,942	\$ 24,603	\$ 25,822
Union	\$ 12,710	\$ 13,305	\$ 13,580	\$ 14,496	\$ 14,796	\$ 15,610	\$ 15,070	\$ 15,178	\$ 18,096	\$ 17,802
Tennessee	\$ 20,696	\$ 21,800	\$ 22,450	\$ 23,445	\$ 24,437	\$ 25,548	\$ 25,946	\$ 26,808	\$ 27,611	\$ 28,641
Southeast	\$ 20,563	\$ 21,500	\$ 22,477	\$ 23,545	\$ 24,601	\$ 25,743	\$ 26,194	\$ 27,169	\$ 27,837	\$ 28,470
United States	\$ 22,581	\$ 23,562	\$ 24,651	\$ 25,924	\$ 26,942	\$ 28,546	\$ 29,469	\$ 30,413	\$ 30,906	\$ 31,472
Knox County as a Percent of:										
Tennessee	107.99%	106.47%	106.55%	106.50%	108.24%	107.16%	109.00%	109.77%	109.84%	107.89%
Southeast	108.69%	107.96%	106.42%	106.05%	107.52%	106.34%	107.97%	108.31%	108.94%	108.54%
United States	98.98%	98.51%	97.04%	96.32%	98.18%	95.90%	95.97%	96.75%	98.13%	98.19%

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

KNOX COUNTY, TENNESSEE

Demographic Statistics (Continued)

Age and Sex Distribution - 2003 (Estimate)
Knoxville MSA

	<u>Number</u>	<u>Percent</u>
Total Population	695,617	100
Male	339,728	49
Female	355,889	51
< 5 years	42,460	6
5 to 9 years	39,122	6
10 to 14 years	47,793	7
15 to 19 years	42,313	6
20 to 24 years	46,756	7
25 to 34 years	93,105	13
35 to 44 years	108,799	16
45 to 54 years	106,682	15
55 to 59 years	44,566	6
60 to 64 years	33,138	5
65 to 74 years	50,199	7
75 to 84 years	32,216	5
85 years and over	8,468	1
Median age (years)	38	-
18 years and over	539,440	77
21 years and over	512,843	74
62 years and over	108,119	16
65 years and over	90,883	13
Male	37,603	5
Female	53,280	8

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

KNOX COUNTY, TENNESSEE

Principal Taxpayers
Tax Year 2004
(For Fiscal Year 2005)

Taxpayer	Industry	2004 Assessed Property Valuation	Percentage of Total Assessed Property Valuation
BellSouth	Telephone	\$ 83,177,205	1.24%
West Town Mall	Commercial	37,504,160	0.56%
Knoxville Center	Commercial	24,800,160	0.37%
Parkway Properties LP	Commercial	13,274,480	0.20%
Norfolk Southern	Transportation	12,682,911	0.19%
Fort Sanders Alliance	Hospital	11,581,560	0.17%
Concord Telephone	Telephone	10,333,148	0.15%
HPW Family Partnership	Commercial	9,728,080	0.14%
East Tennessee Baptist Hospital	Hospital	7,603,480	0.11%
Daikin Drivetrain Components Corporation	Commercial	7,524,335	0.11%
Total 2004 Assessed Property Valuation		<u>\$ 218,209,519</u>	<u>3.24%</u>

KNOX COUNTY, TENNESSEE

Ten Largest Employers

June 30, 2005

Company	Industry	Number of Employees
Covenant Health	Health Care	8,000
The University of Tennessee, Knoxville	Education	7,934
Knox County Public Schools	Education	7,848
Wal Mart Stores	Trade	4,600
St. Mary's Health System	Health Care	3,461
Baptist Health System of East Tennessee	Health Care	3,000
University of Tennessee Medical Center	Health Care	2,764
City of Knoxville	Government	2,858
Knox County	Government	2,500
Clayton Homes	Manufacturing	2,023

Source: Greater Knoxville Chamber Partnership.

KNOX COUNTY, TENNESSEE

**Uncollected Delinquent Property Taxes
Filed in Chancery Court
June 30, 2005**

<u>Fiscal Year</u>	<u>Amount</u>
1996	141,094
1997	161,324
1998	277,167
1999	480,326
2000	379,840
2001	710,274
2002	1,093,171
2003	2,035,133
2004	3,143,094
2005	<u>7,726,912</u>
TOTAL	<u><u>\$ 16,148,335</u></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
1996	\$ 12,287,297	\$ 930,051	\$ 186,330	\$ 86,572	\$ 179,646	\$ 25,724
1997	\$ 14,537,699	\$ 1,205,322	\$ 199,621	\$ 106,262	\$ 159,937	\$ 22,465
1998	\$ 15,077,422	\$ 1,326,348	\$ 214,391	\$ 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	\$ 215,228	\$ 105,388	\$ 178,063	\$ 5,634
2001	\$ 19,015,079	\$ 1,784,188	\$ 263,632	\$ 81,647	\$ 225,950	\$ 1,866
2002	\$ 19,551,306	\$ 1,824,430	\$ 257,388	\$ 86,853	\$ 242,979	\$ 631
2003	\$ 20,134,309	\$ 1,840,245	\$ 229,804	\$ 44,147	\$ 249,574	\$ 97
2004	\$ 20,717,124	\$ 1,723,873	\$ 237,929	\$ 70,489	\$ 318,866	\$ 23
2005	\$ 24,228,867	\$ 1,775,142	\$ 237,929	\$ 84,424	\$ 321,761	\$ 4

Source:

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

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

The Public Utility Property Values are reported by the State of Tennessee in January of each year for the prior year. The value being reported for the 2005 tax year is the 2004 tax year value and will be updated when the information is available.

KNOX COUNTY, TENNESSEE

**Listing of Financial Institutions Operating in Knox County
June 30, 2005
(In Thousands of Dollars)**

Bank	Total Assets Nationwide	Total Deposits Nationwide
AmSouth Bank	\$ 50,546,831	\$ 35,313,708
BB&T Bank	\$ 105,835,000	\$ 71,830,000
Bank of America	\$ 1,246,330,000	\$ 573,205,000
First Horizon Bank	\$ 36,282,200	\$ 22,522,900
FSG Bank	\$ 831,254	\$ 708,008
Home Federal Bank (as of June 30, 2004)	\$ 847,070	\$ 658,719
Regions Bank	\$ 85,279,098	\$ 60,870,850
SunTrust Bank	\$ 168,952,575	\$ 105,233,336
Tennessee State Bank	\$ 489,190	\$ 398,742
United Community Bank (as of December 31, 2004)	\$ 4,416,835	\$ 3,247,612

Source: Financial Information Published by Respective Financial Institutions.

KNOX COUNTY, TENNESSEE

Unemployment Figures

Area	2002 Annual Average	2003 Annual Average	2004 Annual Average
United States	5.8%	6.0%	5.5%
Tennessee	5.1%	5.8%	5.4%
Knoxville MSA	3.5%	3.8%	4.1%
Anderson County	3.9%	4.6%	4.9%
Blount County	3.7%	4.0%	4.2%
Knox County	2.8%	3.1%	3.9%
Loudon County	4.2%	4.2%	4.4%
Union County	3.9%	4.3%	4.9%

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

KNOX COUNTY, TENNESSEE

Non Agricultural Employment, Annual Averages - Knoxville Area

Industry	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	% Increase/ Decrease 2003 - 2004	% Increase/ Decrease 1995-2004	% of Employment
<i>Goods Producing:</i>													
Manufacturing	49,300	48,100	48,700	48,200	46,400	46,200	43,600	42,600	42,100	39,000	-7.95%	-26.41%	12.09%
Mining	500	500	500	500	500	500	300	300	300	300	0.00%	-66.67%	0.09%
Construction	17,300	14,000	15,400	16,200	15,900	16,200	16,400	16,300	16,800	16,200	-3.70%	-6.79%	5.02%
<i>Total Goods Producing</i>	67,100	62,600	64,600	64,900	62,800	62,900	60,300	59,200	59,200	55,500	-6.67%	-20.90%	17.20%
<i>Service Producing:</i>													
Information*	13,000	14,100	14,200	14,200	6,700	6,900	6,100	6,200	6,300	6,300	0.00%	-106.35%	1.95%
Trade/Trans/PU**	80,900	81,400	83,700	87,300	67,100	68,900	71,800	73,600	74,700	68,200	-9.53%	-18.62%	21.14%
Financial Activities***	11,600	13,200	13,700	14,600	15,100	15,000	16,000	16,700	18,000	16,700	-7.78%	43.97%	5.18%
Services	84,200	84,000	86,300	88,200	125,500	129,900	130,300	134,100	138,500	123,900	-11.78%	47.15%	38.41%
<i>Total Service Producing</i>	189,700	192,700	197,900	204,300	214,400	220,700	224,200	230,600	237,500	215,100	-10.41%	13.39%	66.68%
<i>Government</i>	55,200	55,800	54,300	54,700	55,000	55,500	56,300	58,300	58,700	52,000	-12.88%	-6.15%	16.12%
TOTAL	312,000	311,100	316,800	323,900	332,200	339,100	340,800	348,100	355,400	322,600	-10.17%	3.40%	100.00%

* Prior to 2002 this was labeled "T.C.P.U."

** Prior to 2002 this was labeled "Trade."

*** Prior to 2002 this was labeled "F.I.R.E."

The Knoxville MSA consists of six counties: Anderson, Blount, Knox, Loudon, Sevier, and Union counties.

Source: Research and Statistics Division, Tennessee Department of Labor and Workforce Development, as revised.