

CITY OF KNOXVILLE, TENNESSEE
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**
 June 30, 2004
 (in thousands)

Total governmental fund balances	\$	99,478
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
<i>Accounting basis differences:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the balance sheet of the governmental funds.		228,113
Long-term liabilities, including debt, are not due and payable in the current period and therefore are not reported as liabilities in the balance sheet of the governmental funds:		
Bonds and notes		(106,626)
Accrued liabilities:		
Compensated absences		(5,980)
Accrued interest on long-term debt		(958)
Revenues that have been deferred in the balance sheet of the governmental funds because they were not available to pay current liabilities of the period are recognized as revenue in the statement of activities and therefore are not included in the statement of net assets.		6,189
<i>Consolidation differences:</i>		
Internal service funds are used to charge the costs of office services, fleet management, risk management, health insurance and equipment replacement to individual funds. The assets and liabilities, plus amounts of expenses related to business-type funds, of the internal service funds are included in governmental activities in the statement of net assets:		
Internal service fund assets and liabilities		31,154
Net assets related to business-type funds		370
Governmental net assets	\$	251,740

The accompanying notes are an integral part of these financial statements.