

CITY OF KNOXVILLE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2004
(in thousands)

| | | |
|---|----|----------------------|
| Net change in fund balances of total governmental funds | \$ | 30,514 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| <i>Accounting basis differences:</i> | | |
| Governmental funds report capital outlays as expenditures. | | 19,290 |
| The cost of capital assets is allocated over their estimated useful lives as depreciation expense in the statement of changes in net assets. | | (6,700) |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal by reducing the proceeds by the cost, less related accumulated depreciation of each asset disposed. | | (422) |
| Revenues in the statement of activities that do not provide financial resources are not reported as revenues in the statement of revenues, expenditures and changes in fund balances of governmental funds. | | (2,396) |
| Proceeds from debt issues are an other financing source in the statement of revenues, expenditures and changes in fund balances of governmental funds. Debt issues increase long-term liabilities in the statement of net assets. | | (42,967) |
| Premiums from issuance of debt and gains from early retirement of debt are amortized over the term of related debt and are included as interest expense in the statement of activities. | | 25 |
| Repayment of debt principal is an expenditure in the statement of revenues, expenditures and changes in fund balances of governmental funds. Repayments of debt principal reduces long-term debt in the statement of net assets. | | 19,304 |
| Interest that has been accrued on outstanding debt from the last payment date through the balance sheet date and recorded as an expense in the statement of activities. In the statement of revenues, expenditures and changes in fund balances of governmental funds interest expenditures are only reported when due. | | (251) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the statement of revenues, expenditures and changes in fund balances of governmental funds: | | |
| Compensated absences | | 102 |
| The revenue and expenses of certain activities of internal service funds are reported with governmental activities in the statement of activities: | | |
| Revenues for goods and services billed to other government organizations | | 3,277 |
| Expenses | | (3,274) |
| Investment earnings | | 235 |
| Transfers | | 2,124 |
| Change in net assets of governmental activities | \$ | <u><u>18,861</u></u> |

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