

**CITY OF KNOXVILLE, TENNESSEE**

**Notes to Financial Statements**

**June 30, 2004**

(amounts expressed in thousands)

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

A comparison of revenues and expenses - budget and actual for proprietary funds for which City Council has legally adopted budgets is as follows:

	<u>Revenues, Transfers In and Capital Contributions</u>			<u>Expenses and Transfers Out</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Enterprise Funds</i>						
Knoxville Convention Center	\$ 21,805	\$ 19,561	\$ (2,244)	\$ 21,839	\$ 18,563	\$ 3,276
Metro Parking	709	1,021	312	714	738	(24)
Public Assembly Facilities	3,947	3,433	(514)	3,947	3,613	334
Knoxville Area Transit (Component unit)	24,728	20,221	(4,507)	24,728	17,852	6,876
<i>Internal Service Funds</i>						
Office Services	472	478	6	472	462	10
Fleet Management	9,530	9,666	136	9,530	8,851	679
Risk Management	6,755	6,876	121	6,755	6,665	90
Employee Health Insurance	12,902	12,587	(315)	12,902	11,709	1,193
Equipment Replacement	2,027	2,284	257	2,074	2,080	(6)
City Buildings	1,361	1,350	(11)	1,361	1,207	154

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds except the Pension Trust Fund and the Knoxville Utilities Board and Metropolitan Knoxville Airport Authority component unit enterprise funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash". Deficits in pooled cash are reported as interfund liabilities. See Note 8 for a schedule of interfund receivables and payables. In addition, investments are separately held by several of the City's funds.

Deposits - Deposits are included in the City's financial statements as "Cash", "Cash and temporary investments", "Restricted cash and investments", "Cash float on pooled cash", and "Unused bond proceeds." Certain certificates of deposit are included in "Investments." Cash equivalents are defined as short-term, highly liquid investments.

Deposits are classified into three categories of credit risk based upon the following:

**Category 1** includes deposits which are insured or collateralized by securities held by the City/component unit or its agent in the City's/component unit's name.

**Category 2** includes deposits which are collateralized by securities held by the pledging institution's trust department or agent in the City's/component unit's name.

**Category 3** includes deposits which are uncollateralized, which includes deposits collateralized by securities held by the pledging financial institution or by its trust department or agent but not in the City's/component unit's name.

(continued)