

CITY OF KNOXVILLE, TENNESSEE
Notes to Financial Statements
June 30, 2004
(amounts expressed in thousands)

NOTE 11 - FUND BALANCES DESIGNATED FOR FUTURE USE

Certain fund balances are designated by the City to be used for future requirements relating to the stated purpose of each fund. At June 30, 2004, the following designations were made:

<u>Fund</u>	<u>Amount Designated</u>	<u>Stated Purpose</u>
Coster Redevelopment	\$ 185	Held for cleanup of various sites
Krutch Park Trust	713	Maintenance and groundskeeping of a downtown City park
Knoxville Civic Revitalization	2,016	Oversee the development of World's Fair Site
City Choice Plus	<u>190</u>	Payment of insurance premiums by employees
Total	\$ <u>3,104</u>	

NOTE 12 - RISK MANAGEMENT

Primary government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Risk Management Fund, an internal service fund, was established to consolidate all of the City's insurance under a comprehensive risk management program.

Revenues come from either the City's General Fund or from inter-fund charges. Revenues are forecasted to match expenses, which include estimated incurred losses from claims, premiums for excess insurance coverage, various taxes and assessments, and administrative operating expenses.

The City insures itself against potential losses by purchases various types of insurance coverage including fiduciary liability, professional liability, crime coverage, long-term disability, boiler and machinery, and group life coverage. The City insures itself against potential losses as the result of auto liability, general liability, and workers compensation through participation in a risk management pool. The pool requires each participant in the pool to share the liability for claims if the pool becomes insolvent. At present, the City has no indication that it will incur a liability as a result of its participation in the pool. Settled claims have not exceeded the above coverages in any of the past three fiscal years.

Insurance Coverage

The City accounts for its self-insurance activities in the Employee Health Insurance Fund. The City has experienced no significant reduction in insurance coverage from the prior year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

Employee Health Insurance Fund

The City maintains as an internal service fund, the Employee Health Insurance Fund, to provide medical coverage for City employees and their families with the employees paying a portion of the costs.

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