

CITY OF KNOXVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2004

(amounts expressed in thousands)

NOTE 13 - SEGMENT INFORMATION (continued)

Condensed Statement of Cash Flows

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
Net cash provided by operating activities	\$ 30,577	\$ 18,573	\$ 15,074	\$ 10,369	\$ 74,593
Net cash used by capital and related financing activities	(23,708)	(8,258)	(12,334)	(4,996)	(49,296)
Net cash used by investing activities	<u>(8,480)</u>	<u>(665)</u>	<u>(3,568)</u>	<u>(3,865)</u>	<u>(16,578)</u>
Net increase (decrease) in cash and cash equivalents	(1,611)	9,650	(828)	1,508	8,719
Cash and cash equivalents – beginning of year	<u>20,608</u>	<u>28,233</u>	<u>19,917</u>	<u>10,830</u>	<u>164,287</u>
Cash and cash equivalents – end of year	<u>\$ 18,997</u>	<u>\$ 37,883</u>	<u>\$ 19,089</u>	<u>\$ 12,338</u>	<u>\$ 173,006</u>

NOTE 14 - JOINT VENTURES

Public Building Authority

In 1975, the Authority was formed as a not-for-profit corporation incorporated pursuant to provisions of the Public Building Authority Act of the State of Tennessee and an operating agreement between the City and Knox County. The Authority constructed and presently maintains and operates the City/County Building, which houses the governments of the City and County. The City and County pay rent to the Authority sufficient to meet operating costs with the City responsible for 36.49% of the payments.

An eleven-member board comprised of six County appointees and five City appointees operates the Authority. As described in the operating agreement, the City and County acting jointly may terminate the lease when all debt service and other obligations of the Authority have been met. In the event of termination, the City and County shall direct the Authority to whom and in what manner title to the assets is to be transferred.

Metropolitan Planning Commission (MPC)

The MPC is a public agency formed under joint resolution by the City and Knox County to design and monitor the Metropolitan Planning Program. The MPC is governed by a fifteen-member board comprised of eight County appointees and seven City appointees. Although there is no specific funding agreement, the City and County have historically provided funding in approximately equal amounts.

(continued)

CITY OF KNOXVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2004

(amounts expressed in thousands)

NOTE 14 - JOINT VENTURES (continued)

Condensed Financial Information

The following is a summary of selected financial information of the City's joint ventures for the most recent period available:

	<u>Public Building Authority</u>	<u>Metropolitan Planning Commission</u>
Balance sheet date	June 30, 2004	June 30, 2004
Total assets	\$10,113	\$934
Long-term debt	11	-
Other liabilities	2,017	350
Net assets	8,085	584
Total revenues	11,210	2,827
Total expenses	10,994	2,699

Complete financial statements for each of these joint ventures may be obtained from their respective administrative offices as follows:

Public Building Authority
Room M22
400 Main
Knoxville, Tennessee 37902

Metropolitan Planning Commission
Suite 403, City/County Building
400 Main
Knoxville, Tennessee 37902

NOTE 15 - MANAGEMENT AGREEMENTS

The City has entered into the following management agreements:

Chilhowee Park - The City entered into an agreement on July 1, 1994, with the Tennessee Valley Agricultural and Industrial Fair, Inc. (TVA & I Fair) whereby TVA & I Fair will provide management, control, routine maintenance, security, and operation of the Park for the period from July 1, 1994, to September 30, 2000, for a fee of \$225 per year. The City assumed management responsibility for the Park after expiration of the agreement.

Knoxville Zoo - The City entered into a new agreement on July 1, 2001, with Knoxville Zoological Gardens, Inc. whereby Knoxville Zoological Gardens, Inc. shall lease the Zoo to provide for its operation and management. Under terms of the agreement the City shall grant to Knoxville Zoological Park \$900 by August 1 each year through 2006.

Whittle Springs Golf Course - The City entered into an agreement on August 29, 1986, with HMS of Tennessee whereby HMS of Tennessee shall maintain, operate, and provide for capital improvements to Whittle Springs Municipal Golf Course from September 1, 1986, to September 1, 1996. HMS remits one dollar per year to the City of Knoxville and was required to spend \$200 on course improvements during the first 24-month period. The contract was extended for an additional ten (10) year period beginning September 1, 1996, to September 1, 2006.

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