

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

**NOTE 20 - RETIREMENT AND DISABILITY PLANS (continued)**

Trend information for KUB's contributions to the Plan for the last three years is as follows:

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2003	\$ -	N/A	\$ -
December 31, 2002	-	N/A	-
December 31, 2001	-	N/A	-

**Defined Contribution Plan**

*Knoxville Utilities Board*

The Knoxville Utilities Board has a defined contribution employee retirement savings plan covering all full-time employees, which provides for stipulated matching contributions and discretionary contributions by the Knoxville Utilities Board, as determined by its Board of Commissioners. System contributions to the Plan for the year ended June 30, 2004 totaled \$2. The Knoxville Utilities Board Pension Plan funds the 401(k) matching contribution using a portion of the excess pension assets accumulated during previous years. The trustee custodian holds the funds until necessary for distribution.

*Metropolitan Knoxville Airport Authority*

The Metropolitan Knoxville Airport Authority provides retirement benefits for all of its full-time employees through a defined contribution plan that was established under the authority of the Board of Commissioners and is administered by International City Management Association Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment.

The Authority's contributions for each employee (and investment income allocated to the employees' account) are vested after one year of employment. Under the terms of the plan, employer contributions are determined annually by the Board of Commissioners. There are no minimum required employer contributions under the terms of the plan. Employee contributions are optional. Employer contributions totaled \$484 in 2004. Employee contributions totaled \$33 in 2004.

**NOTE 21 – RELATED PARTY TRANSACTIONS**

Related party transactions are summarized as follows:

Amounts billed by the Knoxville Utilities Board to the City of Knoxville for electric, gas, water and sewer service	\$7,880
Payments by the Knoxville Utilities Board to the City of Knoxville for in lieu of property tax	\$9,950
Payments by the Knoxville Utilities Board to the City of Knoxville for other services provided	\$331
Subsidies paid by the City to Knoxville Area Transit	\$9,942
Amounts due to the Knoxville Utilities Board from the City of Knoxville for electric, gas, water and sewer service (included in accounts payable in the financial statements of the primary government and accounts receivable in the financial statements of the Knoxville Utilities)	\$678