

**THE PUBLIC BUILDING AUTHORITY  
OF THE COUNTY OF KNOX AND  
THE CITY OF KNOXVILLE, TENNESSEE  
Knoxville, Tennessee**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED  
June 30, 2011 and 2010**

**PREPARED BY:  
FINANCE DEPARTMENT**

**ROBYN SMITH, CPA  
MANAGER OF ACCOUNTING**

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND  
THE CITY OF KNOXVILLE, TENNESSEE**

**TABLE OF CONTENTS**

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	i-vi
GFOA Certificate of Achievement for Excellence in Financial Reporting for the 2010 CAFR .....	vii
Organizational Chart.....	viii
Roster of Officials and Others .....	ix
 <b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis .....	3-12
Basic Financial Statements:	
Balance Sheets .....	13-14
Statements of Revenues, Expenses and Changes in Net Assets .....	15-16
Statements of Cash Flows .....	17-18
Notes to the Financial Statements .....	19-33
 Supplementary Information	
Balance Sheet by Activity.....	34-35
Schedule of Revenues, Expenses, and Changes in Net Assets by Activity .....	36-37
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget to Actual by Activity .....	38-56
 <b>STATISTICAL SECTION (UNAUDITED)</b>	
Net Assets by Component – Last Nine Fiscal Years .....	57
Changes in Net Assets – Last Nine Fiscal Years.....	58
Properties Managed – Last Eight Fiscal Years .....	59-60
Capital Projects Completed – Last Five Fiscal Years .....	61-62
Telecommunication Services – Last Eight Fiscal Years .....	63
Demographic and Economic Statistics – Last Ten Calendar Years .....	64
Principal Employers – Current Calendar Year and Nine Years Ago.....	65
Number of Employees by Activity – Last Nine Fiscal Years .....	66
 <b>INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	67-68

## **INTRODUCTORY SECTION**

Board of Directors of  
The Public Building Authority of the County  
of Knox and City of Knoxville, Tennessee  
Page 2

### **Profile of The PBA**

The Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA) is a joint venture between the County of Knox (The County) and the City of Knoxville (The City) and was created under the authority of the State of Tennessee, Tennessee Code Annotated (TCA), Sections 12-10-101 to 12-10-124. The PBA was incorporated on August 16, 1971. Under various agreements, the PBA manages and operates certain public buildings that house the governments of the City, the County, and certain other related governmental organizations. Public parking facilities are also included under this PBA umbrella of management. These activities include security, custodial, maintenance, and grounds services and are coordinated within the Property Management Department.

The PBA develops public properties for the City, County, and The Knox County Board of Education (Board of Education) at their direction. These activities include construction management as the owner's representative and are coordinated within the Property Development Department.

Additionally, the PBA provides management and maintenance for telecommunications systems and services of the City, County, and Board of Education.

The PBA is considered a political subdivision or municipal corporation of the State of Tennessee. The PBA is a special purpose financial reporting entity and has no component units. It is governed by an eleven member Board of Directors (the Board), of which six are appointed by the County and five by the City, for six-year terms. The Board hires an Administrator/CEO who is responsible for the management of the PBA.

### **Budgeting**

Following review by the Board, budgets are submitted annually to the City and County and other related governmental clients for approval. Budgets are separated between the operating activities of Property Management, Property Development, and Telecommunication Services mirroring the delineation in operating agreements with the City and the County. Further, within Property Management, budgets are prepared on a property-by-property basis in compliance with the associated operating agreements.

Each budget is fully costed, containing both the direct and indirect costs of providing services. An operating reserve has been funded, at an amount agreed upon with each client as appropriate, within each budget through the end of fiscal year 2011.

### **Local Economy**

Knox County is the third most populated county in the State of Tennessee. The City of Knoxville is the County seat. Knoxville is located on the Tennessee River near the geographic center of East Tennessee. Because of its central location in the eastern United States, the Knoxville area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-half of the population of the United States. The County for many years has been known as one of the South's leading wholesale markets. Located within the County are 898 wholesale establishments, 1,655 retail establishments, and 5,317 service establishments.

Tourism also plays a vital role in the economic development of the area. Knox County is the principal Gateway to the Great Smoky Mountains National Park, located 40 miles to the southeast. There are over 500,000 acres that make up the nation's most visited National Park, extending over the States of Tennessee and North Carolina. More than 9.4 million people visited the National Park in 2010.

The presence of the University of Tennessee and the Tennessee Valley Authority in Knoxville lends stability to the area, making the local economy less cyclical than either the national or state economy. This contributes to a low unemployment rate, which was 7.0% in Knox County at December 31, 2010. This compares favorably to the national unemployment rate of 9.1% and the state rate of 9.5%.

Board of Directors of  
The Public Building Authority of the County  
of Knox and City of Knoxville, Tennessee  
Page 3

The overall economic health of the Knoxville/Knox County area has improved slightly. The City of Knoxville serves as the economic hub of the entire upper East Tennessee area, and its trade sector is one of the strongest in the state. Knox County has the fifth highest per capita sales tax rate in the state, at roughly 115.7% of the state average. In fiscal years 2011 and 2010, respectively, sales tax collections on a countywide basis were \$657,997,858 and \$630,100,948. This represents an increase of 4.4%.

### **Long-Term Financial Planning**

The PBA's costs are covered by fees charged to the City and County and certain other rated governmental organizations for management and development of public properties. Both the City and the County have long-term capital plans allocating significant resources totaling \$4,824,534 and \$7,754,540 respectively in which PBA is involved.

Board of Directors of  
 The Public Building Authority of the County  
 of Knox and City of Knoxville, Tennessee  
 Page 4

A summary of these projects, with annual estimated allocations, is as follows:

Projects	Total Budget	FY 2012 *	FY 2013 to FY 2016
<b>City Projects:</b>			
Alice Bell Ballfield Re-roof	\$ 8,500	\$ 8,500	\$ 0
Convention Center Warranty Repairs	600,000	600,000	0
Elm Street Signal Shop	5,000	5,000	0
Fire Station #20 - Oil/Water Separator	33,534	33,534	0
Larry Cox Senior Center Remodel	300,000	300,000	0
LT Ross Skylights	280,000	280,000	0
Municipal Golf Cart Shed Roof, Schaad Road	32,000	32,000	0
Oakland Recreation Center	40,000	40,000	0
State Street Garage	3,500,000	500,000	3,000,000
Walter Hardy Park	25,500	25,500	0
Total City Projects	<u>4,824,534</u>	<u>1,824,534</u>	<u>3,000,000</u>
<b>County Projects:</b>			
County Trustee Sliding Doors	24,000	24,000	0
Family Investment Center A/V Upgrades	7,509	7,509	0
Public Defender Exterior Repairs	20,000	20,000	0
<b>Parks:</b>			
Clayton Park Greenway	120,000	120,000	0
Halls Greenway	62,500	62,500	0
Knox Blount Greenway	1,450,000	450,000	1,000,000
Plumb Creek Greenway	100,000	100,000	0
Seven Islands Park Pedestrian Bridge	1,645,448	1,645,448	0
Jail Improvement	191,886	191,886	0
<b>Capital Asset Replacement for County Managed Properties:</b>			
AJ/Dwight Kessel Garage	565,704	565,704	0
Family Investment Center	99,080	99,080	0
John Tarleton Homes	304,000	304,000	0
Juvenile Justice	159,545	159,545	0
Knox Central	463,089	463,089	0
Health Department	83,765	83,765	0
Old Courthouse	1,541,474	1,000,000	541,474
<b>ADA:</b>			
Ridgedale Alternative School	350,000	350,000	0
School Assessments	50,000	50,000	0
School ADA Remediation	300,000	300,000	0
Lawsuit - Parks	216,540	216,540	0
Total County Projects	<u>7,754,540</u>	<u>6,213,066</u>	<u>1,541,474</u>
<b>Other Projects:</b>			
CAC Mobile Meals Roof Collapse	712,153	712,153	0
Total Other Projects	<u>712,153</u>	<u>712,153</u>	<u>0</u>
Total All Projects	<u>\$ 13,291,227</u>	<u>\$ 8,749,753</u>	<u>\$ 4,541,474</u>

\*FY 2012 allocations may include immaterial amounts from prior years.

As projects are completed and opened for public use, the PBA often assumes the role of property manager. Senior centers are good examples where PBA transitions from development manager to property manager as the capital projects are completed and put in service.

### **Major Initiatives**

This was PBA's first full year of operations following the elimination of three positions in the Finance Department and two project management positions in the Property Management Department. The reductions in the Finance Department included the Director of Finance. Thanks to the hard work of our Finance personnel and the joint efforts of our Property Management and Property Development departments in handling the City's and County's projects, we were able to provide excellent services to our clients with no reductions in the quality of those services.

While no new major capital projects were undertaken by the City and County, PBA's Property Development Department managed over \$9 million in capital renovation projects for the City and County in FY 2010-11. This included 20 projects for the County with a budget of \$5.6 million and 29 projects for the City with a budget of \$3.8 million. In addition, the City began planning for additional parking to be added to the State Street Garage with one additional deck already approved by City Council and the possibility that two additional decks may be added to the project scope. The actual construction of these additions will begin in FY 2011-12. In addition to those construction renovation projects, PBA managed over \$260,000 in telecommunications projects for the County and School District and over \$145,000 in telecommunications projects for the City in FY 2010-11.

PBA's Property Management Department completed its first full fiscal year of management of the new John Duncan Transit Center for the City of Knoxville. In December of 2010, PBA began management of over 450 parking spaces in four separate lots that were created by the Tennessee Department of Transportation after their work on I-40 through Downtown Knoxville was completed. In addition, the Jackson Avenue Parking Lot was re-opened on September 13, 2010. (The Jackson Avenue Parking Lot had been closed since a warehouse fire in February 2007.) This parking lot added 190 spaces to our management of City Parking Facilities.

Management of County properties by PBA remained stable this fiscal year with no additions or deletions of properties.

PBA operated in an environment of changing leadership at both the City and County with the arrival of new County Mayor Tim Burchett in September 2010 and the appointment of Mayor Daniel Brown who succeeded Mayor Bill Haslam after he was elected Governor of the State of Tennessee. Neither mayor advanced any new major capital projects that were managed by PBA.

With increasingly tight budgets for both local governments, PBA will be challenged to reduce or hold steady its budgets while maintaining acceptable levels of service, particularly in our Property Management Department. This challenge will be exacerbated by likely increases in certain costs, such as utilities, that are beyond PBA's control. Despite the challenges, PBA's management team will continue to look for opportunities to operate more efficiently while providing both our clients the levels of service they desire.

July 2010 brought two retirements of senior staff, one in security and the other in maintenance. Both of these positions were long-term employees that brought an incredible amount of expertise to PBA. In an effort to further our cost savings initiatives, it was decided to absorb their management functions into the current administration while reorganizing employee responsibilities to meet the needs of our clients.

Board of Directors of  
The Public Building Authority of the County  
of Knox and City of Knoxville, Tennessee  
Page 6

**Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the PBA for its comprehensive annual financial report for the fiscal years ended June 30, 2010 and 2009. This was the seventh consecutive year that the PBA has received this prestigious award. In order to be awarded a Certificate of Achievement, an organization must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements**

The preparation of this CAFR results from the combined efforts of the staff of the Finance Department. Those involved have our sincere appreciation for the individual and collective contributions made in preparation of the report. Thank you very much for your professional dedication.

Recognition and appreciation are also extended to the Board for its continued guidance of the operations of the PBA in a financially responsible and progressive manner.

Respectfully submitted,



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Dale Smith  
Administrator/CEO



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Robyn Smith, CPA  
Manager of Accounting

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Building Authority  
of the County of Knox and the City  
of Knoxville, Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

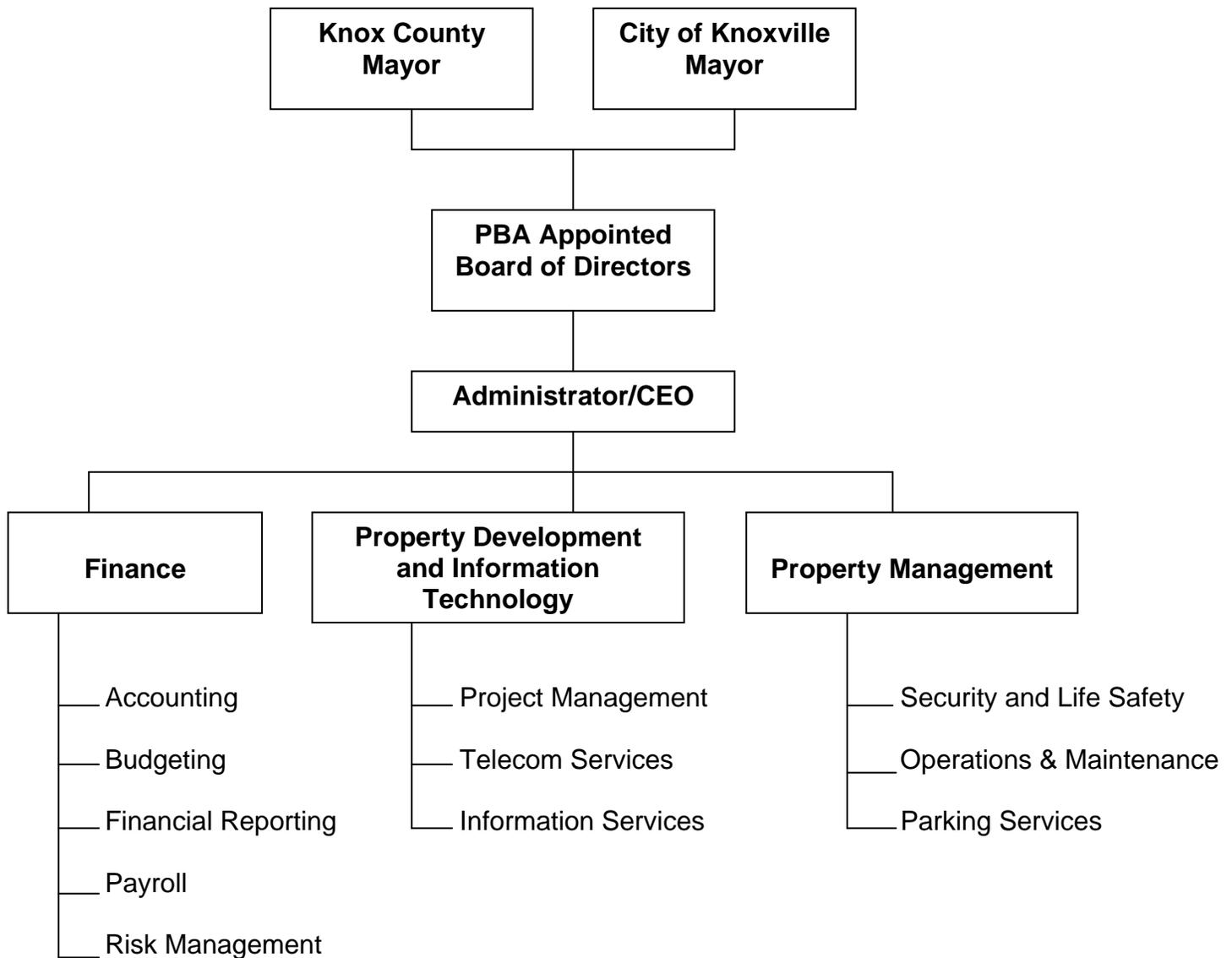


President

Executive Director

# The Public Building Authority of the County of Knox and the City of Knoxville, Tennessee

## Organizational Chart June 30, 2011



**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND  
THE CITY OF KNOXVILLE, TENNESSEE**

**ROSTER OF OFFICIALS AND OTHERS  
June 30, 2011**

<u>Board of Directors</u>	<u>Expiration of Term</u>
Billy J. Stokes, Chairperson	2013
Winston Frazier, Vice Chairperson	2013
George T. Prosser, Secretary	2011
Suzanne T. Schriver, Treasurer	2011
Scott Davis, Executive Committee	2013
Pete Claussen	2011
Dr. Rocio Huet	2015
Chip Miller	2015
Keena Ogle	2015
VACANT (Clifford Rogers resigned May 2011)	2015
F. Carl Tindell	2011

Management

Dale Smith, Administrator/CEO

Robyn Smith, Manager of Accounting

Jayne Burritt, Director of Property Management

Jeff Galyon, Director of Property Development  
and Information Technology

Independent Auditor

Pugh & Company, P.C.  
Certified Public Accountants  
Knoxville, Tennessee

Legal Counsel

W. Morris Kizer  
Gentry, Tipton & McLemore, P.C.  
Knoxville, Tennessee

**FINANCIAL SECTION**

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KNOXVILLE, TENNESSEE 37930-1409  
TOLL FREE 800-332-7021

## INDEPENDENT AUDITOR'S REPORT

Board of Directors of  
The Public Building Authority of the County  
of Knox and the City of Knoxville, Tennessee  
Knoxville, Tennessee

We have audited the accompanying balance sheet of The Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA) as of June 30, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of PBA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of June 30, 2010, and for the year then ended, were audited by Bacon, Howard and Company, CPAs, who merged with Pugh and Company, P.C. as of January 1, 2011, and whose report dated October 27, 2010, expressed an unqualified opinion on the 2010 financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Public Building Authority of the County of Knox and the City of Knoxville, Tennessee as of June 30, 2011, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011, on our consideration of PBA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



An Independently Owned Member  
**McGLADREY ALLIANCE**



**TSCPA**  
Members of the Tennessee Society  
Of Certified Public Accountants

Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the PBA's basic financial statements. The introductory, supplementary and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
November 9, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the PBA's financial condition and results of operations for the years ending June 30, 2011, 2010 and 2009. This information should be read in conjunction with the accompanying financial statements.

### FINANCIAL HIGHLIGHTS

The following are key financial highlights:

- Total assets at June 30, 2011, 2010 and 2009 were \$13,106,617, \$16,383,849, and \$16,396,693 and exceeded liabilities (net assets) by \$11,023,274, \$10,682,652, and \$11,021,674, respectively. Of the total net assets, \$3,571,882, \$3,390,254, and \$3,955,855 was unrestricted and was available to support short-term operations for the years ending June 30, 2011, 2010 and 2009, respectively.
- Operating revenues were \$12,942,502, \$12,863,834, and \$13,369,638 for the years ending June 30, 2011, 2010 and 2009, representing a (decrease) increase of 0.61%, (3.78)% and (17.6)%, from prior years.
- During 2011 there was an increase of \$158,994 in net assets invested in capital assets and an increase in unrestricted net assets of \$181,628, which combined for the overall increase in net assets of \$340,622.
- Operating expenses before depreciation decreased by \$(165,972) and decreased by \$(696,539) during 2011 and 2010, representing a (1.5)% decrease and (6.0)% decrease from 2010 and 2009.
- Operating income for 2011 was \$1,383,861, representing an increase of \$163,547 from 2010. The change in net assets, before capital contributions and deductions, increased by \$300,647 when compared to 2010.
- The ratios of operating income to total operating revenues were 10.7% for 2011, 9.5% for 2010 and 8.3% for 2009.
- Capital asset replacement reserve contributions were \$702,608 for 2011, \$310,985 for 2010 and \$1,308,436 for 2009.
- Reserves returned to the City and County, representing a refund of operating results and parking garage revenues, were \$1,773,418 for 2011, \$1,912,755 for 2010 and \$2,073,461 for 2009, a decrease of \$(139,337) and a decrease of \$(160,706) when compared to 2010 and 2009.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's review and analysis of PBA's financial condition and performance. Summary financial statement data, key financial and operational indicators used in PBA's budget, and other management tools were used for this analysis.

The financial statements report information about the PBA using full accrual accounting methods as utilized by similar business-type activities in the private sector.

The financial statements include a balance sheet; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements. The balance sheet presents the financial position of the PBA on a full accrual basis of accounting. While the balance sheet provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the PBA's recovery of its costs.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or the depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the PBA's accounting policies, contracts, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information includes a balance sheet and schedule of revenues, expenses and changes in net assets by projects. Also, included is a separate schedule of revenues, expenses and changes in net assets – budget to actual by project, schedule of insurance coverage and schedule of changes in capital assets and accumulated depreciation.

### **SUMMARY OF ORGANIZATION AND BUSINESS**

The PBA is a joint venture between the County of Knox and the City of Knoxville, Tennessee and was created under the authority of the State of Tennessee, Tennessee Code Annotated (TCA), Sections 12-10-101 to 12-10-124. The PBA was incorporated on August 16, 1971. PBA began operations through an operating agreement signed by Knox County and the City of Knoxville on July 1, 1975. The purpose of the PBA is to "acquire, design, construct, operate, and manage public buildings and facilities."

The PBA is governed by 11 Board of Directors (the Board) of which six are appointed by the County and five by the City. Board members serve a six year term. The Board hires an Administrator/Chief Executive Officer (CEO) who is responsible for the management of the PBA.

The PBA's capital assets consist of building improvements, machinery and equipment, office equipment and vehicles.

The PBA has no taxing authority. The PBA's revenues are derived from rental income, management fees, net parking revenues, and miscellaneous charges. Rental income and management fees are annually negotiated with the County and City and certain other related governmental organizations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL ANALYSIS

The following comparative condensed financial statements and other selected information provides key financial data and indicators for management, monitoring, and planning.

Condensed Balance Sheets  
(In Thousands of Dollars)  
June 30, 2011, 2010 and 2009

	2011	2010	2009
<b>ASSETS</b>			
Current Assets	\$ 5,656	\$ 9,092	\$ 9,331
Net Capital Assets	7,451	7,292	7,066
<b>TOTAL ASSETS</b>	<b>\$ 13,107</b>	<b>\$ 16,384</b>	<b>\$ 16,397</b>
<b>LIABILITIES</b>			
Current Liabilities	\$ 1,826	\$ 5,452	\$ 5,156
Non-Current Liabilities	258	249	219
<b>TOTAL LIABILITIES</b>	2,084	5,701	5,375
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	7,451	7,293	7,066
Unrestricted	3,572	3,390	3,956
Total Net Assets	11,023	10,683	11,022
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,107</b>	<b>\$ 16,384</b>	<b>\$ 16,397</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Condensed Statements of Revenues, Expenses,  
and Changes in Net Assets  
(In Thousands of Dollars)  
For The Years Ended June 30, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>			
Rentals – Net	\$ 4,195	\$ 4,018	\$ 3,816
Management Fees	5,930	6,014	6,572
Net Parking	<u>2,817</u>	<u>2,832</u>	<u>2,982</u>
Total Operating Revenues	<u>12,942</u>	<u>12,864</u>	<u>13,370</u>
<b>Operating Expenses</b>			
Salaries and Benefits	5,625	5,896	6,451
Office	72	90	118
Education and Training	10	7	13
Purchased Services and Supplies	1,050	988	978
Operating Contracts	1,448	1,383	1,464
Utilities	2,060	1,844	2,011
Communications	67	61	59
Insurance	229	225	229
Professional Fees	78	111	57
Depreciation	804	723	643
Maintenance Facility	74	73	60
Other	<u>42</u>	<u>243</u>	<u>178</u>
Total Operating Expenses (Expenses)	<u>11,559</u>	<u>11,644</u>	<u>12,261</u>
Operating Income	<u>1,383</u>	<u>1,220</u>	<u>1,109</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	27	29	92
Bank Charges	(8)	(8)	(7)
Capital Contributions Returned	<u>(1,773)</u>	<u>(1,912)</u>	<u>(2,073)</u>
Total Non-Operating Revenues (Expenses) – Net	<u>(1,754)</u>	<u>(1,891)</u>	<u>(1,988)</u>
Increase (Decrease) in Net Assets Before Capital Contributions (Deductions)	<u>(371)</u>	<u>(671)</u>	<u>(879)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Condensed Statements of Revenues, Expenses,  
and Changes in Net Assets (Continued)  
(In Thousands of Dollars)  
For The Years Ended June 30, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Capital Contributions (Deductions):</b>			
Capital Contributions	<u>711</u>	<u>332</u>	<u>1,317</u>
<b>Increase (Decrease) in Net Assets</b>	340	(339)	438
<b>Net Assets, Beginning of Year</b>	<u>10,683</u>	<u>11,022</u>	<u>10,584</u>
<b>Net Assets, End of Year</b>	<u>\$ 11,023</u>	<u>\$ 10,683</u>	<u>\$ 11,022</u>

OTHER SELECTED INFORMATION

Space (in Square Feet) Under Management	1,438,151	1,421,571	1,721,772
Number of Parking Spaces Under Management	6,393	5,924	5,924
Parks – Number of Acres Under Management	32	32	32
Employees at Year-End:			
Facilities Management	38	38	47
Safety and Security	42	37	44
Property Development	4	5	5
Telecommunications	9	8	9
Administrative	<u>9</u>	<u>9</u>	<u>12</u>
Total	<u>102</u>	<u>97</u>	<u>117</u>
Average Number of Employees	102	97	117
Per Average Employee:			
Operating Revenues	\$ 126,887	\$ 132,619	\$ 114,270
Operating Expenses	\$ 113,320	\$ 120,036	\$ 104,792
Ratio of Operating Revenues to:			
Operating Expenses	112%	110%	109%
Operating Expenses – Net of Depreciation	120%	118%	115%
Total Assets	99%	79%	82%
Net Assets	117%	120%	121%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### GENERAL TRENDS AND SIGNIFICANT EVENTS FOR FY 2011

This was PBA's first full year of operations following the elimination of three positions in the Finance Department and two project management positions in the Property Management Department. The reductions in the Finance Department included the Director of Finance. Thanks to the hard work of our Finance personnel and the joint efforts of our Property Management and Property Development departments in handling the City's and County's projects, we were able to provide excellent services to our clients with no reductions in the quality of those services.

While no new major capital projects were undertaken by the City and County, PBA's Property Development Department managed over \$9 million in capital renovation projects for the City and County in FY 2010-11. This included 20 projects for the County with a budget of \$5.6 million and 29 projects for the City with a budget of \$3.8 million. In addition, the City began planning for additional parking to be added to the State Street Garage with one additional deck already approved by City Council and the possibility that two additional decks may be added to the project scope. The actual construction of these additions will begin in FY 2011-12. In addition to those construction renovation projects, PBA managed over \$260,000 in telecommunications projects for the County and School District and over \$145,000 in telecommunications projects for the City in FY 2010-11.

PBA's Property Management Department completed its first full fiscal year of management of the new John Duncan Transit Center for the City of Knoxville. In December of 2010, PBA began management of over 450 parking spaces in four separate lots that were created by the Tennessee Department of Transportation after their work on I-40 through Downtown Knoxville was completed. In addition, the Jackson Avenue Parking Lot was re-opened on September 13, 2010. (The Jackson Avenue Parking Lot had been closed since a warehouse fire in February 2007.) This parking lot added 190 spaces to our management of City Parking Facilities.

Management of County properties by PBA remained stable this fiscal year with no additions or deletions of properties.

PBA operated in an environment of changing leadership at both the City and County with the arrival of new County Mayor Tim Burchett in September 2010 and the appointment of Mayor Daniel Brown who succeeded Mayor Bill Haslam after he was elected Governor of the State of Tennessee. Neither mayor advanced any new major capital projects that were managed by PBA.

With increasingly tight budgets for both local governments, PBA will be challenged to reduce or hold steady its budgets while maintaining acceptable levels of service, particularly in our Property Management Department. This challenge will be exacerbated by likely increases in certain costs, such as utilities, that are beyond PBA's control. Despite the challenges, PBA's management team will continue to look for opportunities to operate more efficiently while providing both our clients the levels of service they desire.

July 2010 brought two retirements of senior staff, one in security and the other in maintenance. Both of these positions were long-term employees that brought an incredible amount of expertise to PBA. In an effort to further our cost savings initiatives, it was decided to absorb their management functions into the current administration while reorganizing employee responsibilities to meet the needs of our clients.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **GENERAL TRENDS AND SIGNIFICANT EVENTS FOR FY 2010**

Effective September 30, 2009, the PBA no longer manages library facilities for Knox County. Due to the discontinuation of library facilities management, PBA's Property Management reduced staff by nine positions. PBA's operating budget for fiscal year 2010 includes one quarter of management fees for the library facilities.

PBA made significant reductions in overhead costs during this fiscal year, including the elimination of three positions in the Finance Department and two project management positions in the Property Management Department. The reductions in the Finance Department included the Director of Finance. These reductions were made in anticipation of a reduction in the overall number and value of capital projects forecast by the City and County over the next few years.

While no new, major capital projects are anticipated by the City and County, at this time, PBA's Property Development Department will manage over \$9 million in capital, renovation projects for the City and County in FY 2010-11, with \$5.6 million in projects for the County and \$3.8 million for the City. The number of projects for County will be 20, and the number of projects for the City will be 29. In addition to those renovation projects, PBA will manage over \$500,000 in telecommunications projects for the County and School District and over \$166,000 in telecommunications projects for the City.

July 2010 brought two retirements of senior staff, one in security and the other in maintenance. Both of these positions were long-term employees that brought an incredible amount of expertise to PBA. In an effort to further our cost savings initiatives, it was decided to absorb their management functions into the current administration while reorganizing employee responsibilities to meet the needs of our clients.

With increasingly tight budgets for both local governments, PBA will be challenged to reduce or hold steady its budgets while maintaining acceptable levels of service, particularly in our Property Management Department. This challenge will be exacerbated by likely increases in certain costs, such as utilities, that are beyond PBA's control. Despite the challenges, PBA's management team will continue to look for opportunities to operate more efficiently while providing both our clients the levels of service they desire.

### **FINANCIAL CONDITION**

The PBA's financial condition remained strong at year-end with adequate liquid assets and a reasonable level of unrestricted net assets. The current financial condition, staff capabilities, operating plans and upgrade plans to meet future City and County requirements are well balanced and under control.

Net assets increased (decreased) by \$340,622, \$(339,022) and \$437,283, for the years ending June 30, 2011, 2010 and 2009, respectively. Decrease in net assets is the result of an increase in depreciation and additional return of prior year reserves to the County.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

RESULTS OF OPERATIONS

Capital Contributions (Deductions)

The PBA collects operating and capital asset replacement reserve contributions from the County and City for future capital asset improvements and replacements. Capital contributions are annually budgeted with the County and City.

Operating and capital asset replacement reserve contributions were \$711,125 and \$332,128 for 2011 and 2010, respectively. The contributions consist of the following:

<u>June 30, 2011</u>	<u>Capital Reserves</u>
County:	
City County Building	\$ <u>569,343</u>
City:	
City County Building	43,189
City Parks	98,593
City Parking Facilities	<u>0</u>
Total City	<u>141,782</u>
Others	<u>0</u>
Total	<u>\$ 711,125</u>
<u>June 30, 2010</u>	
County:	
City County Building	\$ <u>15,075</u>
City:	
City County Building	192,053
City Parks	0
City Parking Facilities	<u>125,000</u>
Total City	<u>317,053</u>
Others	<u>0</u>
Total	<u>\$ 332,128</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**RESULTS OF OPERATIONS (Continued)**

**Capital Contributions (Deductions) (Continued)**

Reserves returned to the City and County during 2011 totaled \$1,730,881 and represented a refund of operating results and parking garage revenues above the calculated desired reserve. Additionally, operating reserves of \$1,635 were refunded to Knox County Schools, \$8,198 to the Development Corporation, and \$32,704 to Knoxville Utilities Board, also representing operating reserves and parking garage revenues above the calculated needed reserve.

Reserves returned to the City and County during 2010 totaled \$1,801,089 and represented a refund of operating results and parking garage revenues above the calculated desired reserve. Additionally, operating reserves of \$5,649 were refunded to the Emergency Communications District, \$4,833, to the Industrial Development Board, \$90,963 to Knox County Schools, and \$10,221 to the Development Corporation, also representing operating reserves above the calculated needed reserve.

**Operating Expenses**

Operating expenses during 2011, 2010 and 2009 decreased by \$(84,879), \$(617,165) and \$(2,104,977) or (0.73)%, (5.03)% and (14.6)%, respectively. This was a result of major increases (decreases) such as:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Salaries and Benefits	\$ (271,053)	\$ (554,266)	178,221
Purchased Services and Supplies	61,293	9,769	(52,242)
Operating Contracts	65,401	(80,505)	(431,556)
Utilities	215,311	(166,394)	(1,894,819)
Other – Net	<u>(155,831)</u>	<u>174,231</u>	<u>95,419</u>
Total	<u>\$ (84,879)</u>	<u>\$ (617,165)</u>	<u>(2,104,977)</u>

Depreciation expense was \$803,661, \$722,568 and \$643,194 in 2011, 2010 and 2009 respectively.

**Capital Assets**

During 2011, 2010 and 2009, PBA increased its producing capital assets by \$859,509, \$1,469,558, and \$1,027,984, respectively. These increases consist of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Site Improvements	\$ 150,163	\$ 127,905	\$ 190,795
Building Improvements	95,693	927,995	550,698
Machinery and Equipment	454,895	395,429	123,052
Data Processing Equipment and Software	65,567	18,229	56,839
Vehicles	<u>93,191</u>	<u>0</u>	<u>106,600</u>
Total	<u>\$ 859,509</u>	<u>\$ 1,469,558</u>	<u>\$ 1,027,984</u>

The PBA's capital asset activity for 2011 and 2010 is described in Note 6 to the financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**ECONOMIC FACTORS AND NEXT FISCAL YEAR**

- Employer's portion of health insurance is expected to increase by 8%.
- There are no salary increases expected for FY 2012.
- There is a 1.7% and 1.8% projected decrease in operating expense budgets related to the City and County, respectively.
- FY 2012 Budget is summarized as follows:

Revenues	\$ 12,486,997
Expenses	<u>11,215,065</u>
Change in Net Assets	\$ <u>1,271,932</u>

**FINAL COMMENTS**

The PBA is committed to providing the County and City cost effective and efficient public property development and management. The PBA is constantly examining its work practices to find more efficient and productive property development and management.

**CONTACTING THE PBA**

This financial report is designed to provide our customers, creditors and regulatory agencies with a general overview of the PBA's finances. If you have any questions about this report or need additional information, you may contact the PBA at:

Robyn Smith, CPA  
Manager of Accounting  
Andrew Johnson Building, Suite 710  
912 South Gay Street  
Knoxville, TN 37902  
865-215-4630

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND  
THE CITY OF KNOXVILLE, TENNESSEE**

**BALANCE SHEETS**

	As of June 30,	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$	5,206,040	\$ 6,626,378
Receivables:			
Accounts		25,658	21,642
Due from City and County		289,699	2,352,259
Due from Other Governmental Agencies		43,254	864
Inventory		15,416	13,047
Prepaid Items		<u>75,158</u>	<u>77,261</u>
<b>Total Current Assets</b>		<u>5,655,225</u>	<u>9,091,451</u>
<b>CAPITAL ASSETS</b>			
Property and Equipment		12,282,458	11,326,122
Less: Accumulated Depreciation		(4,954,771)	(4,151,110)
Construction in Progress		<u>123,705</u>	<u>117,386</u>
<b>Net Capital Assets</b>		<u>7,451,392</u>	<u>7,292,398</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>13,106,617</u></b>	<b>\$ <u>16,383,849</u></b>

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

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND  
THE CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEETS (Continued)

	As of June 30,	<u>2011</u>	<u>2010</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$	829,705	\$ 4,350,295
Due to City and County		718,012	742,090
Due to Other Governmental Agencies		34,339	111,666
Unearned Revenues		0	12,025
Customer Deposits		31,863	30,686
Compensated Absences Payable		<u>211,710</u>	<u>204,950</u>
<b>Total Current Liabilities</b>		<u>1,825,629</u>	<u>5,451,712</u>
<b>NON-CURRENT LIABILITIES</b>			
Compensated Absences Payable		<u>257,714</u>	<u>249,485</u>
<b>Total Non-Current Liabilities</b>		<u>257,714</u>	<u>249,485</u>
<b>Total Liabilities</b>		<u>2,083,343</u>	<u>5,701,197</u>
<b>NET ASSETS</b>			
Invested in Capital Assets		7,451,392	7,292,398
Unrestricted		<u>3,571,882</u>	<u>3,390,254</u>
<b>Total Net Assets</b>		<u>11,023,274</u>	<u>10,682,652</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>13,106,617</u></b>	<b>\$ <u>16,383,849</u></b>

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

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND  
THE CITY OF KNOXVILLE, TENNESSEE**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Rental Income from City and County	\$ 3,999,608	\$ 3,887,410
Management Fees from City and County	5,776,189	5,833,766
Management Fees from Other Governmental Agencies	153,846	179,713
Other Rental Income - Net	196,173	130,853
Net Parking Revenues	<u>2,816,686</u>	<u>2,832,092</u>
 <b>Total Operating Revenues</b>	 <u>12,942,502</u>	 <u>12,863,834</u>
 <b>OPERATING EXPENSES</b>		
Salaries and Benefits	5,625,169	5,896,222
Office	72,415	89,703
Education and Training	10,335	6,806
Purchased Services and Supplies	1,049,751	988,458
Operating Contracts	1,448,345	1,382,944
Utilities	2,059,794	1,844,483
Communications	67,270	60,503
Insurance	228,725	224,990
Professional Fees	77,905	110,701
Depreciation	803,661	722,568
Maintenance Facility	73,593	72,643
Other	<u>41,678</u>	<u>243,499</u>
 <b>Total Operating Expenses</b>	 <u>11,558,641</u>	 <u>11,643,520</u>
 <b>OPERATING INCOME</b>	 <u>1,383,861</u>	 <u>1,220,314</u>

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

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND  
THE CITY OF KNOXVILLE, TENNESSEE**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)  
For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	27,264	28,997
Bank Charges	(8,210)	(7,706)
Capital Returned to City and County	(1,730,881)	(1,801,089)
Capital Returned to Other Governmental Agencies	<u>(42,537)</u>	<u>(111,666)</u>
Total Non-Operating Revenues (Expenses) - Net	<u>(1,754,364)</u>	<u>(1,891,464)</u>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(370,503)</u>	<u>(671,150)</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Cash:		
Capital Contributions from the City and County	711,125	332,128
Capital Contributions from Other Governmental Agencies	<u>0</u>	<u>0</u>
Total Capital Contributions	<u>711,125</u>	<u>332,128</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	340,622	(339,022)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>10,682,652</u>	<u>11,021,674</u>
<b>NET ASSETS, END OF YEAR</b>	\$ <u>11,023,274</u>	\$ <u>10,682,652</u>

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

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND  
THE CITY OF KNOXVILLE, TENNESSEE

STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from City and County	\$ 11,838,357	\$ 10,131,999
Receipts from Other Governmental Agencies	111,456	179,537
Receipts from Other Customers	3,010,020	2,977,865
Payments to Employees	(5,610,180)	(5,950,427)
Payments to Suppliers	<u>(8,662,692)</u>	<u>(4,545,575)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>686,961</u>	<u>2,793,399</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contributed by City and County	711,125	332,128
Capital Contributed by Other Governmental Agencies	0	0
Capital Returned to City and County	(1,763,157)	(1,964,638)
Capital Returned to Other Governmental Agencies	(111,666)	(19,164)
Capital Asset Additions	<u>(962,655)</u>	<u>(991,792)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(2,126,353)</u>	<u>(2,643,466)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Deposits	27,264	28,997
Bank Charges	<u>(8,210)</u>	<u>(7,706)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>19,054</u>	<u>21,291</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,420,338)	171,224
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,626,378</u>	<u>6,455,154</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,206,040</u>	<u>\$ 6,626,378</u>

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

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND  
THE CITY OF KNOXVILLE, TENNESSEE

STATEMENTS OF CASH FLOWS (Continued)  
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 1,383,861	\$ 1,220,314
Depreciation	803,661	722,568
Changes in:		
Accounts Receivable	(4,016)	(741)
Due from City and County	2,062,560	410,823
Due from Other Governmental Agencies	(42,390)	(176)
Prepaid Items	2,103	1,745
Other Current Assets	(2,369)	(1,004)
Accounts Payable and Accrued Liabilities	(3,520,590)	497,657
Customer Deposits	1,177	15,661
Compensated Absences Payable	14,989	(54,205)
Other Current Liabilities	<u>(12,025)</u>	<u>(19,243)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ <u>686,961</u></b>	<b>\$ <u>2,793,399</u></b>

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

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND  
THE CITY OF KNOXVILLE, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

**NOTE 1 - ORGANIZATION**

The Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA) was incorporated as a joint venture between the City of Knoxville (the City) and the County of Knox (the County) pursuant to provisions of the Public Building Authority Act, Tennessee Code Annotated (TCA), Sections 12-10-101 to 12-10-124 (the Act). The PBA is considered a political subdivision or municipal corporation, of the State of Tennessee. The PBA is considered to be a special purpose financial reporting entity and has no component units. The PBA has entered into lease transactions with the City and the County for the purchase, construction, refurbishment, maintenance, and operation of certain public building complexes to house the governments of the City and the County and to provide off-street parking facilities in connection with certain projects, as provided by the Act. Additionally, the PBA has entered into certain other operating and property development contracts with the City, County, or other governmental agencies to provide specified services related to projects as discussed in the following notes.

The PBA is governed by 11 Board of Directors (the Board), of which six are appointed by the County and five by the City. Board members serve a six year term.

The Board hires an Administrator/Chief Executive Officer (CEO) who is responsible for the management of PBA.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Presentation** - The PBA's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The PBA applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The PBA applies only GASB pronouncements issued after November 30, 1989 in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

All activities of the PBA are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to customers on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The PBA makes a distinction between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with its principal ongoing operations. The principal operating revenues of the PBA are charges to the City, County or other governmental entities for operating, maintaining and developing publicly-owned facilities. Operating expenses consist of salaries, benefits, utilities, and operating contracts for maintenance, insurance and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The accounting and financial reporting treatment applied to the PBA is determined by its measurement focus. The transactions of the PBA are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt and unrestricted components.

**Budgeting** - The PBA adopts flexible annual operating and capital budgets for each property location or project. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details PBA's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend cash contributions from the City and County for capital improvements.

The budgets are approved by the Board, and as required by various lease or management contracts, are submitted annually to the City and County for approval.

All unexpended and unencumbered appropriations in the operating budget remaining at the end of the fiscal year lapse. No appropriation for a capital project in the capital budget lapses until the purpose for which the appropriation was made has been accomplished or abandoned.

Management submits proposed budgets to the Board prior to the March meeting. The budgets are adopted by resolution prior to July 1. Transfers within the approved budgets, including use of the capital asset replacement reserves (designated net assets), are authorized by the Administrator/CEO and subject to the review of the Board. Any use of an operating reserve is reported to the City or County, as appropriate.

The PBA's direct and indirect costs of providing service are considered operating costs. By agreement with the City and the County, operating reserves for property management activities are being established at 8% of the subsequent year's operating budget. For properties managed, life-cycle based capital asset replacement schedules are prepared and presented to the City and County. For City-owned properties a capital asset replacement reserve is included in the budgets. The County provides for scheduled costs within its Capital Improvement Plan.

The net increase (decrease) in net assets is considered unrestricted and, by agreement with the City and County, is designated as part of the operating and capital asset replacement reserves.

**Reimbursable Projects** - Reimbursable projects primarily consist of various City and County owned capital projects in which the PBA is acting as the City or County's project manager or agent. The construction costs are reimbursed by the City and County and are excluded from PBA's operating revenues, expenses, and net assets.

**Cash and Cash Equivalents** - Cash and cash equivalents, for purposes of the statement of cash flows, include restricted and unrestricted cash on hand or on deposit, interest in State Treasurer's Pool, certificates of deposit, daily sweep repurchase accounts, and debt security investments with a maturity at purchase of three months or less.

The carrying amount of cash equivalents and deposits approximates market value.

**Receivables and Revenues** - Operating revenues consist of net rentals, management fees and net parking revenues.

City and County operating lease revenues are billed on a quarterly basis. Rental revenues for other properties are billed monthly. Rental revenues are recognized as earned over the appropriate time period.

Management fees for various City and County operating and property development contracts are billed quarterly or monthly as determined by the contract. Revenues are recognized as earned over the appropriate time period or construction phase.

Net parking revenues are recorded on a monthly basis. These revenues are collected under a third-party contract with a parking vendor.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Receivables are stated at the amount management expects to collect from outstanding balances. The PBA considers receivables to be fully collectible; accordingly, no allowance for uncollectible receivables is recorded. Receivable balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to operating revenues.

**Inventories and Prepaid Items** - Inventories consist of telecommunications supplies which are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors for maintenance agreements and insurance premiums reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Capital Assets** - Capital assets are defined by the PBA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Property, plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed. Assets acquired through contributions from the County, City, or other customers are capitalized at their estimated fair market value, if available, or at engineers' estimated fair market value or cost to construct at the date of the contribution.

Maintenance and repairs, which do not significantly extend the life or increase the value of property, plant and equipment, are expensed as incurred.

Interest is not capitalized on project costs funded by contributed capital from the City and County. Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds. Depreciation is not recorded until the assets are actually put into use.

Capital assets are depreciated on the straight-line method. Depreciation is calculated using the following estimated useful lives:

	<u>Years</u>
Site Improvements	20
Buildings and Improvements	7-30
Machinery and Equipment	5-10
Data Processing Equipment and Software	5
Vehicles	5-7

The City County Building (CCB) and Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage (AJ/DKMPG) are not recorded on PBA's balance sheet. These facilities were previously "sold" to the City and County under a direct financing capital lease. According to GAAP, this type of transaction is an "in-substance" sale by the PBA to the City and County. Currently, title to the CCB remains with the PBA; however, since the City and County can exercise an option for the transfer of ownership, the agreements constitute a capitalized lease transaction.

**Compensated Absences Payable** - Accumulated annual leave eligible to be paid to employees at termination or retirement is recorded as an expense and liability as the benefits are earned by the employee. PBA has assumed a first-in, first-out method of using accumulated compensated time and the related liability has been recorded as a current and long-term liability in the financial statements. Sick leave is forfeited upon employee termination or retirement.

**Capital Asset Replacement Reserve Contributions** - The City and County provide capital asset replacement reserve contributions and are recognized in the statement of revenues, expenses, and changes in net assets when earned.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets** - Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following two components: invested in capital assets, net of related debt, and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and related outstanding debt. Unrestricted consists of net results of the PBA's operating activities. PBA had designated part of its unrestricted net assets for capital replacement, which is described in Note 9.

When both restricted and unrestricted resources are available for use, it is the PBA's policy to use restricted resources first, then unrestricted resources as they are needed.

**Reclassifications** - Certain amounts presented in the prior year have been reclassified to be consistent with the current year's presentation. The reclassification did not affect the prior year's results of operations.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

## **NOTE 3 - RENTAL AGREEMENTS WITH THE COUNTY AND CITY**

**Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage (AJ/DKMPG)** - On December 1, 1991, the PBA entered into a capital and operating lease with the County of Knox which expired on June 30, 2011. Thereafter, the lease shall continue from year to year until the governing body of the County shall elect to terminate the contract at the end of a fiscal year. Under the terms of the agreement (as amended on September 1, 1992 and September 1, 1996) the County leased an office building, off-street parking facility, the land and related equipment thereon in return for rentals in amounts necessary to meet the debt-service requirements of the related bond issue, but due to the redemption of the related debt in 2001, the County is no longer required to submit the debt service rentals. According to the original lease agreement, Section 12.8, p.31, upon full payment of the debt, the County, at its option, may direct the PBA to transfer title of the properties to the County. During 2005, the County exercised its option, and requested that the PBA transfer title to the County. Other rental commitments continuing under this lease agreement are equal to the related aggregate of (a) sums equal to the annual estimated expenses for the operation and maintenance of the project as budgeted by the PBA, (b) amounts equal to the unpaid telephone service, (c) sums equal to the annual estimated administrative expenses of the project as budgeted by the PBA, and (d) amounts necessary to pay taxes or assessments levied or made against the PBA as they become due. After the original lease term, the lease shall continue from year to year until the County shall elect to terminate the lease at the end of a fiscal year.

**City County Building (CCB)** - The PBA constructed and leases the public building complex, the land and the related equipment thereon to the County and City under a 25 year capital and operating lease which expired on June 30, 2001, and is now being extended on an annual basis. According to the original operating agreement between the PBA and the County and City, dated July 1, 1975, Article VIII, in the event of termination of the lease and after all expenses and obligations of the PBA have been met, the City and County shall direct the PBA to whom and in what manner, title to the City County Building is to be transferred and may direct disposition of any excess funds remaining. Rentals committed under the lease agreement are equal to the related aggregate of (a) amounts necessary, together with other available funds of PBA, to pay the annual estimated expenses for the operation and maintenance of the project as budgeted by the PBA, (b) amounts equal to the unpaid telephone service, (c) amounts necessary, together with other available funds of the PBA, to pay the annual estimated administrative expenses of the project as budgeted by the PBA, and (d) amounts sufficient to pay taxes or assessments levied or made against the PBA as they become due. The 2011 and 2010 rents are apportioned 71.3% to the County and 28.7% to the City.

#### **NOTE 4 - OPERATING CONTRACTS**

The PBA has entered into various operating contracts with the County and the City as described below:

##### **County Property Development and Operations**

The PBA and the County entered into a contract in May 1995 subsequently amended in July 1997 and June 2004, for planning, construction, and property management services for various County owned properties. Under the terms of the contract, the County reimburses the PBA for all direct and indirect costs and expenses incurred related to these services. The PBA is required to submit an annual budget for each project and/or location to the County Mayor and Commission for approval. This contract or any project can be terminated upon 180 days written notice by either party.

The following County owned properties are currently being managed by PBA:

- Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage
- Family Investment Center
- Health Department Facilities
- John Tarleton Homes
- East Tennessee Juvenile Justice Center
- Knox Central
- Old Court House
- Senior Citizen Centers
- State Street Parking Lot

##### **City Operating Contracts**

City Parking Facilities - The PBA and the City entered into an operating contract on August 11, 2005, as amended, for management services for the Market Square Parking Garage, the State Street Parking Garage, the Main Avenue Parking Garage, the Promenade Parking Lot, and the Jackson Avenue Parking Lot. Under the terms of the agreement, the City shall reimburse the PBA for all costs and expenses. This contract may be terminated upon 30 days written notice by either party.

Downtown Cinema - The PBA, the City, and the Industrial Development Board of the City of Knoxville for the Downtown Cinema, Inc. (the IDB) entered into a tri-party operating contract on March 28, 2007, for property management services of the Downtown Cinema. Under terms of the contract, the PBA will perform the IDB's repair and maintenance obligations under the terms of their lease with Regal Cinemas. The PBA is required to submit an annual budget to the City and the IDB for approval. The contract can be terminated upon 60 days by any party.

Knoxville Police Department/Moses Training Facility - The PBA and the City entered into operating contracts on July 19, 2005 to provide access control management for the Knoxville Police Department (KPD) and on January 21, 2011 for the Moses Training Facility. Under the agreement, the PBA will purchase, install, manage, and maintain an access control system for the KPD and training facility and the City shall reimburse the PBA for all costs and expenses. The contract with the training facility will expire on June 30, 2015. The contract with the KPD expired on June 30, 2010 and is in the process of being renewed.

Locust Street Parking Garage - The PBA has a contract with the City whereby the PBA will design, develop, operate and maintain a parking facility with 645 spaces and related retail space. Under the terms of the agreement, the City shall reimburse the PBA for all costs and expenses. This contract may be terminated upon 30 days written notice by either party.

Volunteer Landing Public Park - The PBA has a contract with the City to maintain the Volunteer Landing Public Park and related facilities. This contract expired on June 30, 2011 and is in the process of renewal. Under the terms of this contract, the City will reimburse the PBA for all costs and expenses incurred related to this project. This contract can be terminated upon 30 days written notice by either party.

World's Fair Park and Second Creek Greenway - The PBA has a contract with the City to manage and maintain the World's Fair Park. This contract was amended on July 1, 2008, to add the Second Creek Greenway. Under the terms of the contract the PBA will provide general and scheduling services, property management and road maintenance. The City will reimburse the PBA for all costs and expenses incurred related to this project. This contract expires on June 30, 2012 and may be terminated upon 30 days written notice by either party.

## **NOTE 4 - OPERATING CONTRACTS (Continued)**

### **City Development Contracts**

The PBA entered into a contract with the City on April 30, 2003, for the development, design, and construction of a Downtown Intermodal Transit Facility within the City's Central Business Improvement District. The City will provide funding to reimburse the PBA for all direct and indirect costs related to this project. The PBA is required to submit a proposed budget to the City before the start of each major phase. This contract can be terminated upon 60 days written notice by either party.

The PBA and the City entered into a contract in February 2005 for planning and construction services for various City owned properties. Under the terms of the contract, the City reimburses the PBA for all direct and indirect costs and expenses incurred related to these services. The PBA is required to submit a project budget to the City Mayor and Council for approval. This contract or any project can be terminated upon 180 days written notice by either party.

### **City/County Emergency Communications District (District)**

The PBA and the District entered into an operating contract for property management services for the District's communications center. Under the terms of the contract, the District reimburses the PBA for all direct and indirect costs and expenses related to property management. The PBA is required to submit an annual budget to the District's Board of Directors for approval. This contract can be terminated upon 180 days written notice by either party.

### **Fairview Technology Center**

The PBA and the Development Corporation of Knox County, Inc. entered into an operating contract for property management services of the Fairview Technology Center. Under terms of the contract, the Development Corporation will reimburse the PBA for all direct and indirect costs related to property management. The PBA is required to submit an annual budget to the Development Corporation's Board of Directors for approval. This contract can be terminated upon 180 days written notice by either party.

### **City/County Telecommunications**

The PBA and the City and County entered into an operating contract for the management of telecommunications services and equipment. Under terms of the contract, the City and County will reimburse the PBA for all direct and indirect costs related to telecommunications. The PBA is required to submit an annual budget to City Council and County Commission for approval. This contract can be terminated upon 90 days written notice by any party.

### **Knox County Board of Education Telecommunications**

The PBA and the County and Board of Education entered into a tri-party operating contract for the management of telecommunications services and equipment. Under terms of the contract, the County will reimburse the PBA for all direct and indirect costs related to telecommunications. The PBA is required to submit an annual budget to the County for approval. This contract can be terminated upon 180 days written notice by any party.

## **NOTE 5 - DEPOSITS AND INVESTMENTS**

**Credit Risk – Deposits** - Various state statutes restrict the types of deposits available to the PBA. Deposits are limited to bank demand deposits, certificates of deposits, governmental overnight repurchase accounts, and the State Local Government Investment Pool (SLGIP).

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risk – Deposits** - TCA, Section 9-4-105, requires the PBA to secure deposits by having banks pledge governmental securities as collateral. The state statute requires collateral whose market value is equal to 105% of the deposit, less the amount protected by the Federal Deposit Insurance Corporation (FDIC). In lieu of pledged collateral, the bank may participate in the bank collateral pool as administered by the Tennessee State Treasurer. Banks that participate in the bank collateral pool may use one of three different security pledge levels (90, 100 or 105%) depending on the specific bank holding the deposit. Participating banks determine the aggregate balance of their public fund accounts for the PBA. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency.

**Cash and Cash Equivalents** - In lieu of a daily sweep overnight repurchase account, the PBA utilizes a special money rate checking account for public funds. All funds, less a required reserve of 10%, automatically earn interest at the rate of Federal Funds plus 47 basis points. The effective rate of interest on all collected funds is the rate of Federal Funds plus 35 basis points, which was .47% at year-end 2011 and 2010, respectively. All funds are available on demand.

The PBA's cash and cash equivalents at June 30, 2011 and 2010 are as follows:

	2011	2010
Petty Cash	\$ 450	\$ 450
Postage	556	756
Demand Deposits	5,205,034	6,625,172
Total	\$ 5,206,040	\$ 6,626,378

The demand deposits were covered by the state bank collateral pool as described above.

**Credit Risk – Investments** - Various state statutes restrict the type of investments available to the PBA. Investments are limited to bank certificates of deposits, direct obligations of the State of Tennessee and U.S. Government, Federal Agency securities, Tennessee Municipal bonds and the SLGIP. It is PBA's policy to limit investments in securities issued by United States agencies to the highest rating by two nationally recognized ratings organizations, Standard and Poor's, and Moody's Investor Services.

**Custodial Credit Risk – Investments** - The PBA's investment policy requires that debt securities be registered in the PBA's name. All safekeeping receipts for investment instruments are held in accounts in the PBA's name and all securities are registered in the PBA's name.

**Concentration of Credit Risk – Investments** - The PBA's investment policy permits 100% of its investment portfolio to be invested in U.S. Government obligations. At no time will the portfolio be comprised of more than 55% of Federal Agency securities. The PBA does not require diversification among authorized investment institutions and considers its approved bank as the approved investment institution.

**Interest Rate Risk – Investments** - Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the investment until maturity. If the yield of the investment portfolio can be improved by selling an investment prior to maturity, management has the authority to do so.

In accordance with its investment policy, the PBA manages its exposure to declines in fair values by limiting the maturity of individual investments to two years or less.

**Investment Income** - Investment income, which consists of interest income, was \$27,264 and \$28,997 for 2011 and 2010, respectively. Bank charges are shown separately and were \$8,210 and \$7,706 for 2011 and 2010, respectively.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity during the year ended June 30, 2011 was as follows:

	Balances July 1, 2010	Additions	Disposals	Transfers	Balances June 30, 2011
Capital Assets, Not Being Depreciated:					
Land	\$ 101,016	\$ 0	\$ 0	\$ 0	\$ 101,016
Construction in Progress	117,386	115,716	(12,570)	(96,827)	123,705
Subtotal	<u>218,402</u>	<u>115,716</u>	<u>(12,570)</u>	<u>(96,827)</u>	<u>224,721</u>
Capital Assets Being Depreciated:					
Site Improvements	449,776	150,163	0	3,691	603,630
Building & Improvements	7,894,846	95,693	0	65,076	8,055,615
Machinery & Equipment	2,375,046	454,895	0	28,060	2,858,001
Data Processing Equipment & Software	232,352	65,567	0	0	297,919
Vehicles	273,086	93,191	0	0	366,277
Subtotal	<u>11,225,106</u>	<u>859,509</u>	<u>0</u>	<u>96,827</u>	<u>12,181,442</u>
Less: Accumulated Depreciation:					
Site Improvements	(58,722)	(45,946)	0	0	(104,668)
Building & Improvements	(2,394,408)	(395,976)	0	0	(2,790,384)
Machinery & Equipment	(1,368,738)	(292,610)	0	0	(1,661,348)
Data Processing Equipment & Software	(162,196)	(32,948)	0	0	(195,144)
Vehicles	(167,046)	(36,181)	0	0	(203,227)
Subtotal	<u>(4,151,110)</u>	<u>(803,661)</u>	<u>0</u>	<u>0</u>	<u>(4,954,771)</u>
Total Capital Assets Being Depreciated – Net	<u>7,073,996</u>	<u>55,848</u>	<u>0</u>	<u>96,827</u>	<u>7,226,671</u>
Total Capital Assets - Net	<u>\$ 7,292,398</u>	<u>\$ 171,564</u>	<u>\$ (12,570)</u>	<u>\$ 0</u>	<u>\$ 7,451,392</u>

**NOTE 6 - CAPITAL ASSETS (Continued)**

Capital asset activity during the year ended June 30, 2010 was as follows:

	Balances July 1, 2009	Additions	Disposals	Transfers	Balances June 30, 2010
Capital Assets, Not Being Depreciated:					
Land	\$ 101,016	\$ 0	\$ 0	\$ 0	\$ 101,016
Construction in Progress	595,153	116,277	0	(594,044)	117,386
Subtotal	<u>696,169</u>	<u>116,277</u>	<u>0</u>	<u>(594,044)</u>	<u>218,402</u>
Capital Assets Being Depreciated:					
Site Improvements	330,787	127,905	(8,916)	0	449,776
Building & Improvements	7,006,958	333,951	(40,107)	594,044	7,894,846
Machinery & Equipment	2,002,157	395,429	(22,540)	0	2,375,046
Data Processing Equipment & Software	238,969	18,229	(24,846)	0	232,352
Vehicles	273,086	0	0	0	273,086
Subtotal	<u>9,851,957</u>	<u>875,514</u>	<u>(96,409)</u>	<u>594,044</u>	<u>11,225,106</u>
Less: Accumulated Depreciation:					
Site Improvements	(35,583)	(28,480)	5,341	0	(58,722)
Building & Improvements	(2,038,494)	(368,238)	12,324	0	(2,394,408)
Machinery & Equipment	(1,118,914)	(261,080)	11,256	0	(1,368,738)
Data Processing Equipment & Software	(155,136)	(31,904)	24,844	0	(162,196)
Vehicles	(134,180)	(32,866)	0	0	(167,046)
Subtotal	<u>(3,482,307)</u>	<u>(722,568)</u>	<u>53,765</u>	<u>0</u>	<u>(4,151,110)</u>
Total Capital Assets Being Depreciated – Net	<u>6,369,650</u>	<u>152,946</u>	<u>(42,644)</u>	<u>594,044</u>	<u>7,073,996</u>
Total Capital Assets - Net	<u>\$ 7,065,819</u>	<u>\$ 269,223</u>	<u>\$ (42,644)</u>	<u>\$ 0</u>	<u>\$ 7,292,398</u>

Depreciation expense was charged as follows:

	2011	2010
Andrew Johnson Building/Dwight Kessel		
Metropolitan Parking Garage	\$ 54,177	\$ 72,046
City County Building	352,689	307,128
City Parking Facilities	73,592	55,942
City Parks	91,858	68,071
E-911	350	350
Fairview Technology Center	1,125	1,125
Health Department	1,467	1,359
John Tarleton Home	2,041	2,983
Juvenile Justice Center	2,768	3,031
Knox Central	2,258	2,050
Libraries	0	3,425
Old Court House	37,650	37,285
Other	31,898	31,986
Property Development	2,433	4,496
Senior Centers	2,130	2,130
Telecom	147,225	129,161
Total	<u>\$ 803,661</u>	<u>\$ 722,568</u>

**NOTE 7 - CONSTRUCTION IN PROGRESS**

At June 30, 2011 and 2010, construction in progress consisted of the following:

Facility / Project	2011		2010	
	Actual To-Date	Remaining Commitments	Actual To-Date	Remaining Commitments
<b>City/County Building:</b>				
AMAG Upgrade	\$ 0	\$ 0	\$ 15,850	\$ 48,738
Liebert System	0	0	64,642	9,475
Garage Post Tension Cables	31,955	76,305	7,989	111,512
Flood Correction	0		8,835	125,000
Cooling Tower	32,887	278,063	0	0
UPS Modifications	13,790	313,045	0	0
Drive/Pump Replacements	25,194	14,805	0	0
<b>City Parking Facilities:</b>				
ADA Signage – State Street	0	0	3,735	31,265
Bollards – Market Square Garage	0	0	434	30,000
<b>City Parks:</b>				
Festival Lawn – Worlds' Fair Park	0	0		
Sunsphere Elevator	0	0	3,691	175,000
Restroom Renovations - Volunteer Landing	14,679	2,321	12,210	7,652
Pedestrian Bridge - World's Fair Park	5,200	131,300	0	0
<b>Total</b>	<b>\$ 123,705</b>	<b>\$ 815,839</b>	<b>\$ 117,386</b>	<b>\$ 538,642</b>

**NOTE 8 - COMPENSATED ABSENCES PAYABLE**

Compensated absences activity during the years ended June 30, 2011 and 2010 was as follows:

	2011	2010
Balance, Beginning of Year	\$ 454,435	\$ 508,640
Earned	263,715	175,240
Used	(248,726)	(229,445)
<b>Balance, End of Year</b>	<b>\$ 469,424</b>	<b>\$ 454,435</b>
Current Portion	\$ 211,710	\$ 204,950
Non-Current Portion	257,714	249,485
<b>Total</b>	<b>\$ 469,424</b>	<b>\$ 454,435</b>

**NOTE 9 - NET ASSETS**

Net assets represent the difference between assets and liabilities. The net assets at June 30, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Invested in Capital Assets:		
Net Capital Assets	\$ 7,451,392	\$ 7,292,398
Unrestricted:		
Designated for Operating Reserve	822,547	1,008,692
Designated for Capital Asset Replacement	<u>2,749,335</u>	<u>2,381,562</u>
	3,571,882	3,390,254
Total	<u>\$ 11,023,274</u>	<u>\$ 10,682,652</u>

Since the PBA is a joint venture between the City and the County, the net assets represent the equity ownership of the City, County and others. The joint venture equity in the PBA at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
City	\$ 5,318,543	\$ 5,314,606
County	5,666,092	5,317,006
Others:		
Development Corp. of Knox County	5,686	16,390
Emergency Communications District	<u>32,953</u>	<u>34,650</u>
Total	<u>\$ 11,023,274</u>	<u>\$ 10,682,652</u>

**NOTE 10 - OPERATING REVENUES**

Operating revenues earned during the years ended June 30, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Rental Income from City and County	\$ 3,999,608	\$ 3,887,410
Other Rental Income:		
Gross Revenues	196,173	130,853
Less: Bad Debts	0	0
Other Rental Income – Net	<u>196,173</u>	<u>130,853</u>
Management Fees from the City and County	<u>5,776,189</u>	<u>5,833,766</u>
Management Fees from Other Governmental Agencies	<u>153,846</u>	<u>179,713</u>
Parking Revenues:		
Gross Revenues	3,286,390	3,277,863
Less: Commissions to Vendor	<u>(469,704)</u>	<u>(445,771)</u>
Net Parking Revenues	<u>2,816,686</u>	<u>2,832,092</u>
Total	<u>\$ 12,942,502</u>	<u>\$ 12,863,834</u>

**NOTE 11 - CAPITAL CONTRIBUTIONS AND DEDUCTIONS**

During the year ended June 30, 2011, capital contributions and deductions were as follows:

	<u>City</u>	<u>County</u>	<u>Others</u>	<u>Total</u>
<b>Capital Contributions</b>				
Capital Asset Replacement Reserves	\$ 139,338	\$ 563,270	\$ 0	\$ 702,608
Operating Reserves	2,444	6,073	0	8,517
<b>Capital Deductions</b>				
Capital Contributions Returned	<u>(1,393,689)</u>	<u>(337,192)</u>	<u>(42,537)</u>	<u>(1,773,418)</u>
Total - Net	<u>\$ (1,251,907)</u>	<u>\$ 232,151</u>	<u>\$ (42,537)</u>	<u>\$ (1,062,293)</u>

During the year ended June 30, 2010, capital contributions and deductions were as follows:

	<u>City</u>	<u>County</u>	<u>Others</u>	<u>Total</u>
<b>Capital Contributions</b>				
Capital Asset Replacement Reserves	\$ 310,985	\$ 0	\$ 0	\$ 310,985
Operating Reserves	6,068	15,075	0	21,143
<b>Capital Deductions</b>				
Capital Contributions Returned	<u>(1,429,079)</u>	<u>(372,010)</u>	<u>(111,666)</u>	<u>(1,912,755)</u>
Total - Net	<u>\$ (1,112,026)</u>	<u>\$ (356,935)</u>	<u>\$ (111,666)</u>	<u>\$ (1,580,627)</u>

During the year ended June 30, 2011, the PBA returned to the City, the County, Knox County Schools, the Knoxville Utilities Board and the Development Corporation operating funds in excess of those agreed upon to be held in separate operating reserves; \$1,393,689 was returned to the City, \$337,192 was returned to the County, \$32,704 was returned to the Knoxville Utilities Board, \$1,635 was returned to Knox County Schools, and \$8,198 was returned to the Development Corporation. These funds represented the results of operations.

During the year ended June 30, 2010, the PBA returned to the City, the County, the Emergency Communications District (the District), Knox County Schools, and the Industrial Development Board (IDB) operating funds in excess of those agreed upon to be held in separate operating reserves; \$1,429,079 was returned to the City, \$372,010 was returned to the County, \$5,649 was returned to the District, \$4,833 to the IDB, \$90,963 was returned to Knox County Schools, and \$10,221 was returned to the Development Corporation. These funds represented the results of operations.

**NOTE 12 - RISK MANAGEMENT**

The PBA is exposed to various risks of losses related to torts; theft or damage to, and destruction of assets; injuries to employees; and natural disasters. The PBA carries commercial insurance for these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE 13 - RELATED PARTY TRANSACTIONS AND ECONOMIC CONCENTRATION**

PBA's two joint venture "owners," Knox County and the City of Knoxville, had the following activity during 2011 and 2010:

<u>June 30, 2011</u>	<u>City</u>	<u>County</u>	<u>Total</u>
Due From, End of Year	\$ 94,467	\$ 195,232	\$ 289,699
Due To, End of Year	380,820	337,192	718,012
Rental Income	1,147,888	2,851,720	3,999,608
Management Fees	2,913,207	2,862,982	5,776,189
Net Parking Revenues	2,178,331	638,355	2,816,686
<u>June 30, 2010</u>			
Due From, End of Year	\$ 2,183,592	\$ 168,667	\$ 2,352,259
Due To, End of Year	412,725	329,365	742,090
Rental Income	1,115,687	2,771,723	3,887,410
Management Fees	2,430,396	3,403,370	5,833,766
Net Parking Revenues	2,225,205	606,887	2,832,092

During the years ended June 30, 2011 and 2010, approximately 48% and 45% of operating revenues, respectively, were from the City. During the years ended June 30, 2011 and 2010, approximately 49% and 53% of operating revenues, respectively, were from the County.

**NOTE 14 - RETIREMENT PLANS**

**Overview**

As described in the Operating Agreement, Article IV, dated July 1, 1975, the PBA employees have been designated as "County employees" for the purpose of participating in the County's retirement plans.

The County has two retirement plans available to the PBA employees:

1. The *County Defined Contribution Retirement (DC) Plan* is a defined contribution plan (an asset accumulation plan) established by Knox County under Sections 401(a)(9) and 457 of the Internal Revenue Code. The Plan covers substantially all full-time employees of PBA, who are regularly scheduled to work 18.5 hours or more per week. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Participation begins on the first day of employment and all eligible employees not participating in the *County DB* retirement plan are required to participate.
2. The *County Defined Contribution (DC) Medical Retirement Plan*, a voluntary defined contribution plan (an asset accumulation plan), was established by the County on July 1, 1998, under Section 401(a)(9) of the Internal Revenue Code. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Voluntary participation begins upon enrollment; eligible employees may begin participation on the first day of employment. The Plan was specifically created to assist employees in planning and investing for anticipated medical expenses upon retirement.

All Plan provisions and contribution requirements are established and may be amended by the Knox County Retirement Board.

**NOTE 14 - RETIREMENT PLANS (Continued)**

The financial statements of the County's retirement plans are reported within Knox County's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2011. The CAFR may be obtained by writing or contacting the Knox County Finance Department at:

Knox County Finance Department  
 400 Main Avenue  
 City County Building, Suite 630  
 Knoxville, Tennessee 37902  
 865-215-2350  
[www.knoxcounty.org](http://www.knoxcounty.org)

**County Defined Contribution (DC) Retirement Plan**

The County DC Plan requires all participants to make pre-tax contributions of six percent of annual compensation. PBA will provide a 100% match of participants' six percent contributions. Effective July 1, 2007, the Plan was amended to allow participants to make additional voluntary pre-tax contributions of up to nine percent of annual compensation with a 100% match of participants' six percent of compensation.

The following table indicates the contribution and service requirements under the Plan.

Contribution Type and Years of Service	Employee Contribution	Employer (PBA) Contribution
Mandatory	6%	6%
Voluntary		
Less than 5 Years	9%	0%
5 to 9 Years	9%	2%
10 to 14 Years	9%	4%
15 or more Years	9%	6%

Participants are always 100% vested in their contributions and become 100% vested in PBA's matching contributions after completing five years of continuous service.

Normal retirement age is 65 and early retirement is age 55, both with completion of five years of service. Participants may receive retirement benefit payments in fixed payments, lump-sum or have an option to purchase an annuity from a life insurance company.

During the years ended June 30, 2011 and 2010, PBA employees made mandatory and voluntary contributions of \$287,974 and \$324,102, respectively. During 2011 and 2010, PBA made matching employer contributions of \$276,941 and \$303,854, respectively.

**NOTE 14 - RETIREMENT PLANS (Continued)**

**County Defined Contribution (DC) Medical Retirement Plan**

The County DC Medical Retirement Plan (the Plan) is an optional retiree medical savings plan available to full-time PBA employees who are participants in the County's DB or DC pension plans.

Participants make voluntary after-tax contributions with a matching contribution funded by using excess funds as actuarially determined from the County DB Plan.

The maximum and minimum participant annual contributions for the years ended June 30, 2011 and 2010 are \$416 and \$208, respectively. The County DC Plan will make matching contributions of 25% of the participant's. In addition, participants and retirees may qualify for the following additional benefits:

1. A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum contribution of \$100 for each year of eligible service from the Knox County Retirement and Pension Board.
2. Retirees are eligible for an additional distribution of a specific amount approved by the Board annually to help defer the retiree's medical costs. The history of this distribution is as follows:

<u>Calendar Year</u>	<u>Amount</u>
2011	\$ 120
2010	120
2009	120

Participants are always 100% vested in voluntary and matching contributions.

During 2011 and 2010, PBA employees made voluntary contributions of \$5,150 and \$7,623, respectively.

**NOTE 15 - DEFERRED COMPENSATION PLAN**

The PBA offers its employees, through the Knox County Retirement Board, a supplemental deferred compensation plan created in accordance with Internal Revenue Code, Section 457 (the 457 Plan). The 457 Plan, available to all PBA employees, permits them to defer a portion of their salary until retirement. Employees can make voluntary pre-tax contributions; however, the PBA does not make any matching employer contributions. Employees are always 100% vested in their voluntary contributions. There were no employee contributions made during the years ended June 30, 2011 and 2010.

**NOTE 16 - SUBSEQUENT EVENTS**

A significant lawsuit between PBA and the City of Knoxville vs. Clark Construction and Denark Construction regarding construction defects in the Knoxville Convention Center was settled and withdrawn in October 2011. The City negotiated the terms of the settlement. PBA was released from any obligation under the terms of the settlement.

In addition, an audit of the Hardin Valley Academy (High School) project was initiated by County Commission and begun in October 2011.

**SUPPLEMENTARY INFORMATION**

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**BALANCE SHEET BY ACTIVITY  
June 30, 2011**

Property Management - City Properties

	Parking Facilities	Police Department	Parks	Transit Facility	Downtown Cinema	Total City Properties
<b>Assets:</b>						
<b>Current Assets</b>						
Cash and Cash Equivalents	\$ 962,395	\$ (1,119)	\$ 760,734	\$ 66,964	\$ 8,378	\$ 1,797,352
Receivables:						
Accounts	0	0	25,658	0	0	25,658
Due from County	0	0	0	0	0	0
Due from City	0	0	0	0	0	0
Due from Other Governmental Agencies	0	0	0	0	0	0
Due from Other Departments	0	0	0	0	0	0
Inventory	0	0	0	0	0	0
Prepaid Items	0	0	0	0	0	0
<b>Total Current Assets</b>	<u>962,395</u>	<u>(1,119)</u>	<u>786,392</u>	<u>66,964</u>	<u>8,378</u>	<u>1,823,010</u>
<b>Capital Assets</b>						
Building Improvements	911,357	0	0	0	0	911,357
Site Improvements	0	0	524,182	0	0	524,182
Data Processing Equipment and Software	4,184	0	5,557	0	0	9,741
Machinery and Equipment	302,638	0	274,020	0	0	576,658
Vehicles	250	0	262,737	0	0	262,987
<b>Total Capital Assets</b>	<u>1,218,429</u>	<u>0</u>	<u>1,066,496</u>	<u>0</u>	<u>0</u>	<u>2,284,925</u>
Less: Accumulated Depreciation	(249,605)	0	(375,555)	0	0	(625,160)
Construction in Progress	0	0	19,879	0	0	19,879
<b>Net Capital Assets</b>	<u>968,824</u>	<u>0</u>	<u>710,820</u>	<u>0</u>	<u>0</u>	<u>1,679,644</u>
<b>Total Assets</b>	<u>\$ 1,931,219</u>	<u>\$ (1,119)</u>	<u>\$ 1,497,212</u>	<u>\$ 66,964</u>	<u>\$ 8,378</u>	<u>\$ 3,502,654</u>
<b>Liabilities:</b>						
<b>Current Liabilities</b>						
Accounts Payable and Accrued Liabilities	\$ 53,747	\$ 182	\$ 169,004	\$ 21,523	\$ 1,630	\$ 246,086
Due to City	0	0	0	0	0	0
Due to County	0	0	0	0	0	0
Due to Other Governmental Agencies	0	0	0	0	0	0
Due to (from) Other Departments	372,705	(1,725)	62,970	27,536	1,029	462,515
Current Portion Capital Lease Obligations	0	0	0	0	0	0
Customer Deposits	3,134	0	24,782	0	3,947	31,863
Compensated Absences Payable	11,376	191	36,951	8,075	799	57,392
<b>Total Current Liabilities</b>	<u>440,962</u>	<u>(1,352)</u>	<u>293,707</u>	<u>57,134</u>	<u>7,405</u>	<u>797,856</u>
<b>Non-Current Liabilities</b>						
Compensated Absences Payable	13,847	233	44,981	9,830	973	69,864
<b>Total Non-Current Liabilities</b>	<u>13,847</u>	<u>233</u>	<u>44,981</u>	<u>9,830</u>	<u>973</u>	<u>69,864</u>
<b>Total Liabilities</b>	<u>454,809</u>	<u>(1,119)</u>	<u>338,688</u>	<u>66,964</u>	<u>8,378</u>	<u>867,720</u>
<b>Net Assets</b>						
Invested in Capital Assets	968,824	0	710,820	0	0	1,679,644
Unrestricted:						
Designated for Operating Reserve	0	0	0	0	0	0
Designated for Capital Asset Replacement Reserve	507,586	0	447,704	0	0	955,290
<b>Total Net Assets</b>	<u>1,476,410</u>	<u>0</u>	<u>1,158,524</u>	<u>0</u>	<u>0</u>	<u>2,634,934</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,931,219</u>	<u>\$ (1,119)</u>	<u>\$ 1,497,212</u>	<u>\$ 66,964</u>	<u>\$ 8,378</u>	<u>\$ 3,502,654</u>

Property Management - County Properties

Andrew Johnson Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	John Tarleton Homes	Juvenile Justice Center	Knox Central	Old Court House	Senior Centers	State Street Parking Lot	Total County Properties
\$ 121,293	\$ 26,896	\$ 50,695	\$ (4,253)	\$ 84,319	\$ 40,417	\$ 22,366	\$ 21,009	\$ 42,710	\$ 405,452
0	0	0	0	0	0	0	0	0	0
19,260	21,509	0	0	12,670	7,530	0	0	0	60,969
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
<u>140,553</u>	<u>48,405</u>	<u>50,695</u>	<u>(4,253)</u>	<u>96,989</u>	<u>47,947</u>	<u>22,366</u>	<u>21,009</u>	<u>42,710</u>	<u>466,421</u>
1,115,865	0	0	26,327	11,591	18,593	720,743	0	0	1,893,119
0	0	0	0	0	0	0	5,107	0	5,107
27,871	0	709	576	576	1,103	0	0	0	30,835
155,948	0	5,028	0	9,862	6,656	19,792	10,650	0	207,936
5,300	0	10,100	12,454	12,254	10,050	4,304	500	0	54,962
<u>1,304,984</u>	<u>0</u>	<u>15,837</u>	<u>39,357</u>	<u>34,283</u>	<u>36,402</u>	<u>744,839</u>	<u>16,257</u>	<u>0</u>	<u>2,191,959</u>
(874,674)	0	(12,310)	(17,662)	(14,448)	(17,612)	(323,705)	(9,590)	0	(1,270,001)
0	0	0	0	0	0	0	0	0	0
<u>430,310</u>	<u>0</u>	<u>3,527</u>	<u>21,695</u>	<u>19,835</u>	<u>18,790</u>	<u>421,134</u>	<u>6,667</u>	<u>0</u>	<u>921,958</u>
<u>\$ 570,863</u>	<u>\$ 48,405</u>	<u>\$ 54,222</u>	<u>\$ 17,442</u>	<u>\$ 116,824</u>	<u>\$ 66,737</u>	<u>\$ 443,500</u>	<u>\$ 27,676</u>	<u>\$ 42,710</u>	<u>\$ 1,388,379</u>
\$ 44,563	\$ 28,605	\$ 14,213	\$ 6,053	\$ 33,295	\$ 21,649	\$ 12,203	\$ 2,148	\$ 2,062	\$ 164,791
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
54,368	15,747	24,018	(16,077)	41,029	18,738	(15,089)	16,721	40,401	179,856
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
<u>18,771</u>	<u>1,828</u>	<u>5,621</u>	<u>2,603</u>	<u>10,222</u>	<u>3,410</u>	<u>11,389</u>	<u>965</u>	<u>111</u>	<u>54,920</u>
<u>117,702</u>	<u>46,180</u>	<u>43,852</u>	<u>(7,421)</u>	<u>84,546</u>	<u>43,797</u>	<u>8,503</u>	<u>19,834</u>	<u>42,574</u>	<u>399,567</u>
<u>22,851</u>	<u>2,225</u>	<u>6,843</u>	<u>3,168</u>	<u>12,443</u>	<u>4,150</u>	<u>13,863</u>	<u>1,175</u>	<u>136</u>	<u>66,854</u>
<u>22,851</u>	<u>2,225</u>	<u>6,843</u>	<u>3,168</u>	<u>12,443</u>	<u>4,150</u>	<u>13,863</u>	<u>1,175</u>	<u>136</u>	<u>66,854</u>
<u>140,553</u>	<u>48,405</u>	<u>50,695</u>	<u>(4,253)</u>	<u>96,989</u>	<u>47,947</u>	<u>22,366</u>	<u>21,009</u>	<u>42,710</u>	<u>466,421</u>
430,310	0	3,527	21,695	19,835	18,790	421,134	6,667	0	921,958
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
<u>430,310</u>	<u>0</u>	<u>3,527</u>	<u>21,695</u>	<u>19,835</u>	<u>18,790</u>	<u>421,134</u>	<u>6,667</u>	<u>0</u>	<u>921,958</u>
<u>\$ 570,863</u>	<u>\$ 48,405</u>	<u>\$ 54,222</u>	<u>\$ 17,442</u>	<u>\$ 116,824</u>	<u>\$ 66,737</u>	<u>\$ 443,500</u>	<u>\$ 27,676</u>	<u>\$ 42,710</u>	<u>\$ 1,388,379</u>

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**BALANCE SHEET BY ACTIVITY (Continued)  
June 30, 2011**

	Property Management - Other							
	City County Building	Emergency Communi- cations District	Fairview Technology Center	Total Property Management	Property Development	Telecom Services	Corporate	Total
<b>Assets:</b>								
<b>Current Assets</b>								
Cash and Cash Equivalents	\$ 2,420,054	\$ 15,484	\$ 6,641	\$ 4,644,983	\$ 115,981	\$ 71,982	\$ 373,094	\$ 5,206,040
Receivables:								
Accounts	0	0	0	25,658	0	0	0	25,658
Due from County	0	0	0	60,969	0	7,130	127,134	195,233
Due from City	0	0	0	0	0	2,789	91,677	94,466
Due from Other Governmental Agencies	0	20,555	0	20,555	0	0	22,699	43,254
Due from Other Departments	0	0	0	0	0	0	820,612	820,612
Inventory	0	0	0	0	0	15,416	0	15,416
Prepaid Items	0	0	0	0	0	0	75,158	75,158
<b>Total Current Assets</b>	<b>2,420,054</b>	<b>36,039</b>	<b>6,641</b>	<b>4,752,165</b>	<b>115,981</b>	<b>97,317</b>	<b>1,510,374</b>	<b>6,475,837</b>
<b>Capital Assets</b>								
Land	0	0	0	0	0	0	101,016	101,016
Buildings	0	0	0	0	0	0	528,264	528,264
Building Improvements	4,688,853	6,000	0	7,499,329	8,977	0	19,045	7,527,351
Site Improvements	74,341	0	0	603,630	0	0	0	603,630
Data Processing Equipment and Software	91,206	0	0	131,782	20,698	18,751	126,688	297,919
Machinery and Equipment	932,051	0	11,250	1,727,895	0	1,112,824	17,282	2,858,001
Vehicles	15,750	250	0	333,949	0	32,328	0	366,277
Total Capital Assets	5,802,201	6,250	11,250	10,296,585	29,675	1,163,903	792,295	12,282,458
Less: Accumulated Depreciation	(2,240,807)	(1,275)	(7,308)	(4,144,551)	(22,672)	(663,479)	(124,069)	(4,954,771)
Construction in Progress	103,826	0	0	123,705	0	0	0	123,705
Net Capital Assets	3,665,220	4,975	3,942	6,275,739	7,003	500,424	668,226	7,451,392
<b>Total Assets</b>	<b>\$ 6,085,274</b>	<b>\$ 41,014</b>	<b>\$ 10,583</b>	<b>\$ 11,027,904</b>	<b>\$ 122,984</b>	<b>\$ 597,741</b>	<b>\$ 2,178,600</b>	<b>\$ 13,927,229</b>
<b>Liabilities:</b>								
<b>Current Liabilities</b>								
Accounts Payable and Accrued Liabilities	\$ 86,848	\$ 4,271	\$ 2,187	\$ 504,183	\$ 21,235	\$ 19,580	\$ 284,707	\$ 829,705
Due to City	0	0	0	0	0	0	380,820	380,820
Due to County	0	0	0	0	0	0	337,192	337,192
Due to Other Governmental Agencies	0	0	0	0	0	0	34,339	34,339
Due to (from) Other Departments	90,869	1,395	789	735,424	52,278	32,910	0	820,612
Customer Deposits	0	0	0	31,863	0	0	0	31,863
Compensated Absences Payable	58,081	1,081	866	172,340	19,153	20,217	0	211,710
<b>Total Current Liabilities</b>	<b>235,798</b>	<b>6,747</b>	<b>3,842</b>	<b>1,443,810</b>	<b>92,666</b>	<b>72,707</b>	<b>1,037,058</b>	<b>2,646,241</b>
<b>Non-Current Liabilities</b>								
Compensated Absences Payable	70,701	1,315	1,055	209,789	23,315	24,610	0	257,714
<b>Total Non-Current Liabilities</b>	<b>70,701</b>	<b>1,315</b>	<b>1,055</b>	<b>209,789</b>	<b>23,315</b>	<b>24,610</b>	<b>0</b>	<b>257,714</b>
<b>Total Liabilities</b>	<b>306,499</b>	<b>8,062</b>	<b>4,897</b>	<b>1,653,599</b>	<b>115,981</b>	<b>97,317</b>	<b>1,037,058</b>	<b>2,903,955</b>
<b>Net Assets</b>								
Invested in Capital Assets	3,665,220	4,975	3,942	6,275,739	7,003	500,424	668,226	7,451,392
Unrestricted:								
Designated for Operating Reserve	319,510	27,977	1,744	349,231	0	0	473,316	822,547
Designated for Capital Asset Replacement Reserve	1,794,045	0	0	2,749,335	0	0	0	2,749,335
<b>Total Net Assets</b>	<b>5,778,775</b>	<b>32,952</b>	<b>5,686</b>	<b>9,374,305</b>	<b>7,003</b>	<b>500,424</b>	<b>1,141,542</b>	<b>11,023,274</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,085,274</b>	<b>\$ 41,014</b>	<b>\$ 10,583</b>	<b>\$ 11,027,904</b>	<b>\$ 122,984</b>	<b>\$ 597,741</b>	<b>\$ 2,178,600</b>	<b>\$ 13,927,229</b>

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS BY ACTIVITY  
For the Year Ended June 30, 2011**

Property Management - City Properties

	Parking Facilities	Police Department	Parks	Transit Facility	Downtown Cinema	Total City Properties
<b>Operating Revenues:</b>						
Rental Income from City and County	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Management Fees from City and County	0	5,100	1,877,852	499,074	56,660	2,438,686
Management Fees from Other Governmental Agencies	0	0	0	0	22,533	22,533
Rental and Event Revenues	33,791	0	125,385	0	29,977	189,153
Net Parking Revenues (Expenses)	<u>2,105,417</u>	<u>0</u>	<u>56,227</u>	<u>0</u>	<u>0</u>	<u>2,161,644</u>
<b>Total Operating Revenues</b>	<u>2,139,208</u>	<u>5,100</u>	<u>2,059,464</u>	<u>499,074</u>	<u>109,170</u>	<u>4,812,016</u>
<b>Operating Expenses:</b>						
<b>Direct:</b>						
<u>Property Management</u>						
Management	263,200	2,010	271,561	29,335	8,221	574,327
Safety and Services	268,905	4,479	357,442	135,378	10,032	776,236
Operations and Maintenance	269,694	0	1,260,356	260,853	81,493	1,872,396
<u>Other Management Services</u>						
Property Development	0	0	0	0	0	0
Telecom Services	0	0	0	0	0	0
<b>Total Direct Operating Expenses</b>	<u>801,799</u>	<u>6,489</u>	<u>1,889,359</u>	<u>425,566</u>	<u>99,746</u>	<u>3,222,959</u>
<b>Indirect:</b>						
Corporate Administration	28,580	160	69,124	20,290	3,785	121,939
Finance	34,868	194	84,206	25,066	4,660	148,994
MIS	11,337	63	27,354	8,212	1,523	48,489
<b>Total Indirect Operating Expenses</b>	<u>74,785</u>	<u>417</u>	<u>180,684</u>	<u>53,568</u>	<u>9,968</u>	<u>319,422</u>
<b>Total Operating Expenses</b>	<u>876,584</u>	<u>6,906</u>	<u>2,070,043</u>	<u>479,134</u>	<u>109,714</u>	<u>3,542,381</u>
<b>Operating Income (Loss)</b>	<u>1,262,624</u>	<u>(1,806)</u>	<u>(10,579)</u>	<u>19,940</u>	<u>(544)</u>	<u>1,269,635</u>
<b>Non-Operating Revenues (Expenses):</b>						
Interest Income	4,582	5	4,669	469	109	9,834
Bank Charges	(4,374)	(1)	(760)	(93)	(9)	(5,237)
Capital Returned to City, County and Other Governmental Agencies	<u>(1,349,679)</u>	<u>1,802</u>	<u>(33,434)</u>	<u>(20,316)</u>	<u>444</u>	<u>(1,401,183)</u>
<b>Total Non-Operating Revenues (Expenses) - Net</b>	<u>(1,349,471)</u>	<u>1,806</u>	<u>(29,525)</u>	<u>(19,940)</u>	<u>544</u>	<u>(1,396,586)</u>
<b>Increase (Decrease) in Net Assets Before Capital Contributions</b>	<u>(86,847)</u>	<u>0</u>	<u>(40,104)</u>	<u>0</u>	<u>0</u>	<u>(126,951)</u>
<b>Capital Contributions</b>						
<b>Cash:</b>						
Operating Reserves from City and County and Other Governmental Agencies	0	0	0	0	0	0
Capital Asset Replacement Reserves from City and County	<u>0</u>	<u>0</u>	<u>98,593</u>	<u>0</u>	<u>0</u>	<u>98,593</u>
<b>Total Capital Contributions</b>	<u>0</u>	<u>0</u>	<u>98,593</u>	<u>0</u>	<u>0</u>	<u>98,593</u>
<b>Increase (Decrease) in Net Assets</b>	<u>(86,847)</u>	<u>0</u>	<u>58,489</u>	<u>0</u>	<u>0</u>	<u>(28,358)</u>
<b>Net Assets, Beginning of Year</b>	<u>1,563,257</u>	<u>0</u>	<u>1,100,035</u>	<u>0</u>	<u>0</u>	<u>2,663,292</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,476,410</u>	<u>\$ 0</u>	<u>\$ 1,158,524</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,634,934</u>

Property Management - County Properties

Andrew Johnson Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	John Tarleton Homes	Juvenile Justice Center	Knox Central	Old Court House	Senior Centers	State Street Parking Lot	Total County Properties
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
201,369	117,474	265,194	129,589	501,321	205,495	381,502	79,254	0	1,881,198
0	0	0	0	0	0	0	0	0	0
0	0	7,020	0	0	0	0	0	0	7,020
552,601	0	0	0	0	0	0	0	44,297	596,898
<u>753,970</u>	<u>117,474</u>	<u>272,214</u>	<u>129,589</u>	<u>501,321</u>	<u>205,495</u>	<u>381,502</u>	<u>79,254</u>	<u>44,297</u>	<u>2,485,116</u>
131,160	7,876	30,016	17,409	18,884	16,671	72,509	5,695	1,416	301,636
243,290	12,191	45,946	15,075	154,838	33,424	175,159	7,500	0	687,423
324,888	73,247	152,739	105,917	249,654	123,098	153,016	47,306	1,797	1,231,662
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
699,338	93,314	228,701	138,401	423,376	173,193	400,684	60,501	3,213	2,220,721
25,053	3,930	9,015	4,363	17,195	6,475	12,921	2,013	144	81,109
30,375	4,750	10,873	5,270	20,858	7,835	15,603	2,419	165	98,148
9,838	1,536	3,511	1,703	6,758	2,535	5,041	779	52	31,753
65,266	10,216	23,399	11,336	44,811	16,845	33,565	5,211	361	211,010
764,604	103,530	252,100	149,737	468,187	190,038	434,249	65,712	3,574	2,431,731
(10,634)	13,944	20,114	(20,148)	33,134	15,457	(52,747)	13,542	40,723	53,385
521	130	378	81	603	274	330	120	139	2,576
(710)	(9)	(28)	(7)	(46)	(20)	(25)	(9)	(573)	(1,427)
(43,355)	(14,065)	(19,831)	18,032	(33,659)	(15,869)	20,791	(15,783)	(40,289)	(144,028)
(43,544)	(13,944)	(19,481)	18,106	(33,102)	(15,615)	21,096	(15,672)	(40,723)	(142,879)
(54,178)	0	633	(2,042)	32	(158)	(31,651)	(2,130)	0	(89,494)
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
(54,178)	0	633	(2,042)	32	(158)	(31,651)	(2,130)	0	(89,494)
484,488	0	2,894	23,737	19,803	18,948	452,785	8,797	0	1,011,452
<u>\$ 430,310</u>	<u>\$ 0</u>	<u>\$ 3,527</u>	<u>\$ 21,695</u>	<u>\$ 19,835</u>	<u>\$ 18,790</u>	<u>\$ 421,134</u>	<u>\$ 6,667</u>	<u>\$ 0</u>	<u>\$ 921,958</u>

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS BY ACTIVITY (Continued)**

**For the Year Ended June 30, 2011**

	Property Management - Other							
	City County Building	Emergency Communic. District	Fairview Technology Center	Total Property Management	Property Development	Telecom Services	Corporate	Total
<b>Operating Revenues:</b>								
Rental Income from City and County	\$ 3,999,608	\$ 0	\$ 0	\$ 3,999,608	\$ 0	\$ 0	\$ 0	\$ 3,999,608
Management Fees from City and County	0	0	0	4,319,884	600,000	856,305	0	5,776,189
Management Fees from Other Governmental Agencies	0	82,223	49,090	153,846	0	0	0	153,846
Rental and Event Revenues	0	0	0	196,173	0	0	0	196,173
Net Parking Revenues	58,144	0	0	2,816,686	0	0	0	2,816,686
<b>Total Operating Revenues</b>	<b>4,057,752</b>	<b>82,223</b>	<b>49,090</b>	<b>11,486,197</b>	<b>600,000</b>	<b>856,305</b>	<b>0</b>	<b>12,942,502</b>
<b>Operating Expenses:</b>								
<b>Direct</b>								
<u>Property Management</u>								
Management	605,403	3,653	3,197	1,488,216	0	0	14,321	1,502,537
Safety and Services	512,939	7,703	7,810	1,992,111	0	0	0	1,992,111
Operations and Maintenance	2,744,924	65,099	35,971	5,950,052	0	0	0	5,950,052
<u>Other Management Services</u>								
Property Development	0	0	0	0	451,413	0	0	451,413
Telecom Services	0	0	0	0	0	575,695	0	575,695
<b>Total Direct Operating Expenses</b>	<b>3,863,266</b>	<b>76,455</b>	<b>46,978</b>	<b>9,430,379</b>	<b>451,413</b>	<b>575,695</b>	<b>14,321</b>	<b>10,471,808</b>
<b>Indirect</b>								
Corporate Administration	140,337	2,847	1,740	347,972	44,144	16,938	0	409,054
Finance	171,074	3,460	2,150	423,826	53,936	20,559	2,390	500,711
MIS	55,596	1,122	704	137,664	17,553	6,663	15,188	177,068
<b>Total Indirect Operating Expenses</b>	<b>367,007</b>	<b>7,429</b>	<b>4,594</b>	<b>909,462</b>	<b>115,633</b>	<b>44,160</b>	<b>17,578</b>	<b>1,086,833</b>
<b>Total Operating Expenses</b>	<b>4,230,273</b>	<b>83,884</b>	<b>51,572</b>	<b>10,339,841</b>	<b>567,046</b>	<b>619,855</b>	<b>31,899</b>	<b>11,558,641</b>
<b>Operating Income (Loss)</b>	<b>(172,521)</b>	<b>(1,661)</b>	<b>(2,482)</b>	<b>1,146,356</b>	<b>32,954</b>	<b>236,450</b>	<b>(31,899)</b>	<b>1,383,861</b>
<b>Non-Operating Revenues (Expenses):</b>								
Interest Income	12,617	145	92	25,264	890	1,110	0	27,264
Bank Charges	(1,375)	(11)	(7)	(8,057)	(70)	(83)	0	(8,210)
Capital Returned to City, County and Other Governmental Agencies	(9,030)	(171)	(8,307)	(1,562,719)	(36,207)	(24,838)	(149,654)	(1,773,418)
<b>Total Non-Operating Revenues (Expenses) - Net</b>	<b>2,212</b>	<b>(37)</b>	<b>(8,222)</b>	<b>(1,545,512)</b>	<b>(35,387)</b>	<b>(23,811)</b>	<b>(149,654)</b>	<b>(1,754,364)</b>
<b>Increase (Decrease) in Net Assets Before Capital Contributions</b>	<b>(170,309)</b>	<b>(1,698)</b>	<b>(10,704)</b>	<b>(399,156)</b>	<b>(2,433)</b>	<b>212,639</b>	<b>(181,553)</b>	<b>(370,503)</b>
<b>Capital Contributions (Deductions)</b>								
<b>Cash:</b>								
Operating Reserves from City and County and Other Governmental Agencies	8,517	0	0	8,517	0	0	0	8,517
Capital Asset Replacement Reserves from City and County	604,015	0	0	702,608	0	0	0	702,608
<b>Total Capital Contributions</b>	<b>612,532</b>	<b>0</b>	<b>0</b>	<b>711,125</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>711,125</b>
<b>Increase (Decrease) in Net Assets</b>	<b>442,223</b>	<b>(1,698)</b>	<b>(10,704)</b>	<b>311,969</b>	<b>(2,433)</b>	<b>212,639</b>	<b>(181,553)</b>	<b>340,622</b>
<b>Net Assets, Beginning of Year</b>	<b>5,336,552</b>	<b>34,650</b>	<b>16,390</b>	<b>9,062,336</b>	<b>9,436</b>	<b>287,785</b>	<b>1,323,095</b>	<b>10,682,652</b>
<b>Net Assets, End of Year</b>	<b>\$ 5,778,775</b>	<b>\$ 32,952</b>	<b>\$ 5,686</b>	<b>\$ 9,374,305</b>	<b>\$ 7,003</b>	<b>\$ 500,424</b>	<b>\$ 1,141,542</b>	<b>\$ 11,023,274</b>

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY  
For the Year Ended June 30, 2011**

	City Parking Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Net Parking Revenue	\$ 2,157,690	\$ 2,105,417	\$ (52,273)
Tenant Rental Income	29,000	33,791	4,791
	<u>2,186,690</u>	<u>2,139,208</u>	<u>(47,482)</u>
<b>Operating Expenses</b>			
<b>Direct:</b>			
Salaries and Wages	223,535	255,721	(32,186)
Employee Benefits	71,531	76,289	(4,758)
Office Expenses	7,700	1,862	5,838
Education and Training	464	106	358
Operating Expenses	73,500	47,451	26,049
Operating Contracts	147,080	146,208	872
Utilities	186,440	164,223	22,217
Communications	11,000	12,261	(1,261)
Insurance	5,700	5,996	(296)
Professional Services	6,855	1,968	4,887
Maintenance Facility	7,667	6,601	1,066
Capital Purchases	17,500	9,521	7,979
Depreciation Expense	0	73,592	(73,592)
	<u>758,972</u>	<u>801,799</u>	<u>(42,827)</u>
Total Direct Operating Expenses			
Total Indirect Operating Expenses	<u>78,114</u>	<u>74,785</u>	<u>3,329</u>
Total Operating Expenses	<u>837,086</u>	<u>876,584</u>	<u>(39,498)</u>
Operating Income (Loss)	<u>1,349,604</u>	<u>1,262,624</u>	<u>(86,980)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	6,316	4,582	(1,734)
Bank Charges	(4,814)	(4,374)	440
Capital Asset Replacement Reserve Expenditure	(205,000)	0	205,000
Transfer of Operating Reserves	(1,351,106)	(1,349,679)	1,427
	<u>(1,554,604)</u>	<u>(1,349,471)</u>	<u>205,133</u>
Net Non-Operating Revenues (Expenses)			
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (205,000)</u>	<u>(86,847)</u>	<u>\$ 118,153</u>
<b>Net Assets, Beginning of Year</b>		<u>1,563,257</u>	
<b>Net Assets, End of Year</b>		<u>\$ 1,476,410</u>	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	The Knoxville Police Department		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from City	\$ 5,100	\$ 5,100	\$ 0
<b>Operating Expenses</b>			
<b>Direct:</b>			
Salaries and Wages	2,998	3,129	(131)
Employee Benefits	959	874	85
Office Expenses	50	19	31
Education and Training	0	5	(5)
Operating Expenses	390	1,970	(1,580)
Communications	50	45	5
Insurance	50	50	0
Professional Services	85	353	(268)
Maintenance Facility	48	44	4
Total Direct Operating Expenses	4,630	6,489	(1,859)
Total Indirect Operating Expenses	488	417	71
Total Operating Expenses	5,118	6,906	(1,788)
Operating Income (Loss)	(18)	(1,806)	(1,788)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	20	5	(15)
Bank Charges	(2)	(1)	1
Transfer of Operating Reserves	0	1,802	1,802
Net Non-Operating Revenues (Expenses)	18	1,806	1,788
<b>Increase (Decrease) in Net Assets</b>	\$ 0	0	\$ 0
<b>Net Assets, Beginning of Year</b>		0	
<b>Net Assets, End of Year</b>		\$ 0	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011**

	City Parks		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from City	\$ 1,877,852	\$ 1,877,852	\$ 0
Net Parking Revenues	50,908	56,227	5,319
Rental and Event Income	93,760	125,385	31,625
	<u>2,022,520</u>	<u>2,059,464</u>	<u>36,944</u>
<b>Operating Expenses</b>			
<b>Direct:</b>			
Salaries and Wages	709,825	643,046	66,779
Employee Benefits	227,144	250,996	(23,852)
Office Expenses	13,400	7,500	5,900
Education and Training	1,500	1,173	327
Operating Expenses	302,000	372,370	(70,370)
Operating Contracts	154,366	148,301	6,065
Utilities	340,986	333,016	7,970
Communications	9,500	10,401	(901)
Insurance	14,200	14,261	(61)
Professional Services	8,715	408	8,307
Maintenance Facility	18,615	16,029	2,586
Capital Purchases	36,500	0	36,500
Depreciation Expense	0	91,858	(91,858)
Total Direct Operating Expenses	<u>1,836,751</u>	<u>1,889,359</u>	<u>(52,608)</u>
Total Indirect Operating Expenses	<u>189,657</u>	<u>180,684</u>	<u>8,973</u>
Total Operating Expenses	<u>2,026,408</u>	<u>2,070,043</u>	<u>(43,635)</u>
Operating Income (Loss)	<u>(3,888)</u>	<u>(10,579)</u>	<u>(6,691)</u>
<b>Non-Operating Revenue (Expenses)</b>			
Interest Income	4,788	4,669	(119)
Bank Charges	(900)	(760)	140
Capital Asset Replacement Reserve Expenditures	(610,500)	0	610,500
Transfer of Operating Reserves	0	(33,434)	(33,434)
Net Non-Operating Revenues (Expenses)	<u>(606,612)</u>	<u>(29,525)</u>	<u>577,087</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>(610,500)</u>	<u>(40,104)</u>	<u>570,396</u>
<b>Capital Contributions</b>			
Capital Asset Replacement Reserve	<u>98,593</u>	<u>98,593</u>	<u>0</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (511,907)</u>	<u>58,489</u>	<u>\$ 570,396</u>
<b>Net Assets, Beginning of Year</b>		<u>1,100,035</u>	
<b>Net Assets, End of Year</b>		<u>\$ 1,158,524</u>	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011**

	Knoxville Station Transit Facility		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from City	\$ 499,074	\$ 499,074	\$ 0
<b>Operating Expenses</b>			
<b>Direct:</b>			
Salaries and Wages	142,242	177,444	(35,202)
Employee Benefits	45,518	48,877	(3,359)
Office Expenses	4,653	4,048	605
Education and Training	10,454	325	10,129
Operating Expenses	45,083	45,220	(137)
Operating Contracts	98,648	70,520	28,128
Utilities	86,000	68,935	17,065
Communications	5,250	4,249	1,001
Insurance	2,000	1,329	671
Professional Services	1,210	86	1,124
Maintenance Facility	5,267	4,533	734
Total Direct Operating Expenses	446,325	425,566	20,759
Total Indirect Operating Expenses	53,669	53,568	101
Total Operating Expenses	499,994	479,134	20,860
Operating Income (Loss)	(920)	19,940	20,860
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	1,000	469	(531)
Bank Charges	(80)	(93)	(13)
Transfer of Operating Reserves	0	(20,316)	(20,316)
Net Non-Operating Revenues (Expenses)	920	(19,940)	(20,860)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	0	\$ 0
<b>Net Assets, Beginning of Year</b>		0	
<b>Net Assets, End of Year</b>		\$ 0	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	Downtown Cinema		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Operating Revenues</b>			
Rental and Event Revenues	\$ 26,196	\$ 29,977	\$ 3,781
Management Fees from City	56,660	56,660	0
Management Fees from Other Governmental Agencies	22,533	22,533	0
Total Operating Revenues	<u>105,389</u>	<u>109,170</u>	<u>3,781</u>
<b>Operating Expenses</b>			
<b>Direct:</b>			
Salaries and Wages	8,929	11,742	(2,813)
Employee Benefits	2,857	4,561	(1,704)
Office Expenses	50	164	(114)
Education and Training	0	17	(17)
Operating Expenses	24,000	26,231	(2,231)
Operating Contracts	49,628	46,967	2,661
Utilities	5,100	5,486	(386)
Communications	700	741	(41)
Insurance	650	653	(3)
Professional Services	2,660	2,367	293
Maintenance Facility	947	817	130
Total Direct Operating Expenses	<u>95,521</u>	<u>99,746</u>	<u>(4,225)</u>
Total Indirect Operating Expenses	<u>10,064</u>	<u>9,968</u>	<u>96</u>
Total Operating Expenses	<u>105,585</u>	<u>109,714</u>	<u>(4,129)</u>
Operating Income (Loss)	<u>(196)</u>	<u>(544)</u>	<u>(348)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	212	109	(103)
Bank Charges	(16)	(9)	7
Transfer of Operating Reserves	0	444	444
Net Non-Operating Revenues (Expenses)	<u>196</u>	<u>544</u>	<u>348</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
<b>Net Assets, Beginning of Year</b>		<u>0</u>	
<b>Net Assets, End of Year</b>		<u>\$ 0</u>	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)**

**For the Year Ended June 30, 2011**

	Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from County	\$ 201,369	\$ 201,369	\$ 0
Net Parking Revenues	530,445	552,601	22,156
Total Operating Revenues	731,814	753,970	22,156
<b>Operating Expenses</b>			
<b>Direct: Andrew Johnson Building</b>			
Salaries and Wages	214,638	222,985	(8,347)
Employee Benefits	68,684	88,156	(19,472)
Office Expenses	5,400	1,127	4,273
Education and Training	2,000	177	1,823
Operating Expenses	51,000	41,480	9,520
Operating Contracts	161,543	150,338	11,205
Communications	3,900	4,147	(247)
Insurance	4,000	4,017	(17)
Professional Services	4,140	0	4,140
Maintenance Facility	7,630	6,572	1,058
Capital Purchases	1,750	0	1,750
Depreciation Expense	0	54,177	(54,177)
Total Direct Operating Expenses - Andrew Johnson Building	524,685	573,176	(48,491)
<b>Direct: Dwight Kessel Metropolitan Parking Garage</b>			
Salaries and Wages	74,723	74,813	(90)
Employee Benefits	23,911	25,294	(1,383)
Office Expenses	1,700	608	1,092
Education and Training	100	79	21
Operating Expenses	13,000	8,884	4,116
Operating Contracts	17,700	12,723	4,977
Communications	375	533	(158)
Insurance	1,500	1,506	(6)
Professional Services	2,150	0	2,150
Maintenance Facility	2,001	1,722	279
Total Direct Operating Expenses - DKMPG	137,160	126,162	10,998
Total Indirect Operating Expenses	69,541	65,266	4,275
Total Operating Expenses	731,386	764,604	(33,218)
Operating Income (Loss)	428	(10,634)	(11,062)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	312	521	209
Bank Charges	(740)	(710)	30
Transfer of Operating Reserves	0	(43,355)	(43,355)
Net Non-Operating Revenues (Expenses)	(428)	(43,544)	(43,116)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(54,178)	\$ (54,178)
<b>Net Assets, Beginning of Year</b>		484,488	
<b>Net Assets, End of Year</b>		\$ 430,310	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	Family Investment Center		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from County	\$ 117,474	\$ 117,474	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	29,518	21,200	8,318
Employee Benefits	9,446	9,542	(96)
Office Expenses	500	289	211
Education and Training	0	33	(33)
Operating Expenses	19,247	16,055	3,192
Operating Contracts	42,320	42,082	238
Communications	600	1,892	(1,292)
Insurance	900	904	(4)
Professional Services	690	0	690
Maintenance Facility	1,528	1,317	211
Capital Purchases	1,750	0	1,750
Total Direct Operating Expenses	106,499	93,314	13,185
Total Indirect Operating Expenses	11,035	10,216	819
Total Operating Expenses	117,534	103,530	14,004
Operating Income (Loss)	(60)	13,944	14,004
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	64	130	66
Bank Charges	(4)	(9)	(5)
Transfer of Operating Reserves	0	(14,065)	(14,065)
Net Non-Operating Revenues (Expenses)	60	(13,944)	(14,004)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	0	\$ 0
<b>Net Assets, Beginning of Year</b>		0	
<b>Net Assets, End of Year</b>		\$ 0	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	Health Department		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Rental Income	\$ 7,020	\$ 7,020	\$ 0
Management Fees from the County	265,194	265,194	0
Total Operating Revenues	272,214	272,214	0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	97,856	93,298	4,558
Employee Benefits	31,314	37,233	(5,919)
Office Expenses	3,000	489	2,511
Education and Training	2,100	161	1,939
Operating Expenses	66,000	63,546	2,454
Operating Contracts	29,697	25,150	4,547
Communications	2,500	1,821	679
Insurance	2,500	2,511	(11)
Professional Services	2,095	0	2,095
Maintenance Facility	3,510	3,025	485
Capital Purchases	6,750	0	6,750
Depreciation Expense	0	1,467	(1,467)
Total Direct Operating Expenses	247,322	228,701	18,621
Total Indirect Operating Expenses	25,344	23,399	1,945
Total Operating Expenses	272,666	252,100	20,566
Operating Income (Loss)	(452)	20,114	20,566
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	484	378	(106)
Bank Charges	(32)	(28)	4
Transfer of Operating Reserves	0	(19,831)	(19,831)
Net Non-Operating Revenues (Expenses)	452	(19,481)	(19,933)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	\$ 633	\$ 633
<b>Net Assets, Beginning of Year</b>		2,894	
<b>Net Assets, End of Year</b>		\$ 3,527	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	John Tarleton Homes		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from the County	\$ 129,589	\$ 129,589	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	47,261	58,857	(11,596)
Employee Benefits	15,124	24,223	(9,099)
Office Expenses	800	164	636
Education and Training	350	83	267
Operating Expenses	31,000	33,253	(2,253)
Operating Contracts	13,179	12,715	464
Communications	500	580	(80)
Insurance	800	804	(4)
Professional Services	245	0	245
Maintenance Facility	6,602	5,681	921
Capital Purchases	1,750	0	1,750
Depreciation Expense	0	2,041	(2,041)
Total Direct Operating Expenses	117,611	138,401	(20,790)
Total Indirect Operating Expenses	12,206	11,336	870
Total Operating Expenses	129,817	149,737	(19,920)
Operating Income (Loss)	(228)	(20,148)	(19,920)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	248	81	(167)
Bank Charges	(20)	(7)	13
Transfer of Operating Reserves	0	18,032	18,032
Net Non-Operating Revenues (Expenses)	228	18,106	17,878
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(2,042)	\$ (2,042)
<b>Net Assets, Beginning of Year</b>		23,737	
<b>Net Assets, End of Year</b>		\$ 21,695	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY(Continued)  
For the Year Ended June 30, 2011

	Juvenile Justice Center		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from County	\$ 501,321	\$ 501,321	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	179,745	169,865	9,880
Employee Benefits	57,518	54,675	2,843
Office Expenses	2,000	684	1,316
Education and Training	950	54	896
Operating Expenses	70,000	51,583	18,417
Operating Contracts	129,088	131,119	(2,031)
Communications	2,100	3,425	(1,325)
Insurance	3,500	3,515	(15)
Professional Services	950	0	950
Maintenance Facility	6,602	5,688	914
Capital Purchases	1,750	0	1,750
Depreciation Expense	0	2,768	(2,768)
Total Direct Operating Expenses	454,203	423,376	30,827
Total Indirect Operating Expenses	47,666	44,811	2,855
Total Operating Expenses	501,869	468,187	33,682
Operating Income (Loss)	(548)	33,134	33,682
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	592	603	11
Bank Charges	(44)	(46)	(2)
Transfer of Operating Reserves	0	(33,659)	(33,659)
Net Non-Operating Revenues (Expenses)	548	(33,102)	(33,650)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	32	\$ 32
<b>Net Assets, Beginning of Year</b>		19,803	
<b>Net Assets, End of Year</b>		\$ 19,835	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	Knox Central		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Operating Revenues</b>			
Management Fees from the County	\$ 205,495	\$ 205,495	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	87,406	77,462	9,944
Employee Benefits	27,970	31,887	(3,917)
Office Expenses	2,200	6,380	(4,180)
Education and Training	400	46	354
Operating Expenses	30,000	36,002	(6,002)
Operating Contracts	15,094	12,362	2,732
Communications	3,500	3,133	367
Insurance	1,500	1,507	(7)
Professional Services	1,285	0	1,285
Maintenance Facility	2,508	2,156	352
Capital Purchases	15,750	0	15,750
Depreciation Expenses	0	2,258	(2,258)
Total Direct Operating Expenses	187,613	173,193	14,420
Total Indirect Operating Expenses	18,106	16,845	1,261
Total Operating Expenses	205,719	190,038	15,681
Operating Income (Loss)	(224)	15,457	15,681
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	240	274	34
Bank Charges	(16)	(20)	(4)
Transfer of Operating Reserves	0	(15,869)	(15,869)
Net Non-Operating Revenues (Expenses)	224	(15,615)	(15,839)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(158)	(158)
<b>Net Assets, Beginning of Year</b>		18,948	
<b>Net Assets, End of Year</b>		\$ 18,790	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	Old Court House		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Operating Revenues</b>			
Management Fees from County	\$ 381,502	\$ 381,502	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	172,653	192,029	(19,376)
Employee Benefits	55,249	75,077	(19,828)
Office Expenses	2,700	1,082	1,618
Education and Training	350	143	207
Operating Expenses	40,000	20,500	19,500
Operating Contracts	61,159	65,428	(4,269)
Communications	1,300	1,437	(137)
Insurance	2,400	2,410	(10)
Professional Services	3,205	608	2,597
Maintenance Facility	5,020	4,320	700
Capital Purchases	1,750	0	1,750
Depreciation Expense	0	37,650	(37,650)
Total Direct Operating Expenses	<u>345,786</u>	<u>400,684</u>	<u>(54,898)</u>
Total Indirect Operating Expenses	<u>36,244</u>	<u>33,565</u>	<u>2,679</u>
Total Operating Expenses	<u>382,030</u>	<u>434,249</u>	<u>(52,219)</u>
Operating Income (Loss)	<u>(528)</u>	<u>(52,747)</u>	<u>(52,219)</u>
<b>Non-Operating Revenue (Expenses)</b>			
Interest Income	568	330	(238)
Bank Charges	(40)	(25)	15
Transfer of Operating Reserves	0	20,791	20,791
Net Non-Operating Revenue (Expenses)	<u>528</u>	<u>21,096</u>	<u>20,568</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 0</u>	<u>(31,651)</u>	<u>\$ (31,651)</u>
<b>Net Assets, Beginning of Year</b>		<u>452,785</u>	
<b>Net Assets, End of Year</b>		<u>\$ 421,134</u>	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	Senior Centers		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from County	\$ 79,254	\$ 79,254	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	22,600	21,981	619
Employee Benefits	7,232	10,627	(3,395)
Office Expenses	450	65	385
Education and Training	100	15	85
Operating Expenses	18,000	14,398	3,602
Operating Contracts	4,196	3,086	1,110
Communications	350	211	139
Insurance	600	603	(3)
Professional Services	75	0	75
Maintenance Facility	794	685	109
Capital Purchases	19,250	6,700	12,550
Depreciation Expense	0	2,130	(2,130)
Total Direct Operating Expenses	73,647	60,501	13,146
Total Indirect Operating Expenses	5,731	5,211	520
Total Operating Expenses	79,378	65,712	13,666
Operating Income (Loss)	(124)	13,542	13,666
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	136	120	(16)
Bank Charges	(12)	(9)	3
Transfer of Operating Reserves	0	(15,783)	(15,783)
Net Non-Operating Revenues (Expenses)	124	(15,672)	(15,796)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(2,130)	\$ (2,130)
<b>Net Assets, Beginning of Year</b>		8,797	
<b>Net Assets, End of Year</b>		\$ 6,667	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	State Street Parking Lot		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Net Parking Revenues	\$ 59,506	\$ 44,297	\$ (15,209)
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	1,363	897	466
Employee Benefits	437	320	117
Office Expenses	50	17	33
Education and Training	0	1	(1)
Operating Expenses	150	3	147
Operating Contracts	1,750	1,856	(106)
Communications	50	17	33
Insurance	50	50	0
Maintenance Facility	57	52	5
Total Direct Operating Expenses	3,907	3,213	694
Total Indirect Operating Expenses	412	361	51
Total Operating Expenses	4,319	3,574	745
Operating Income (Loss)	55,187	40,723	(14,464)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	152	139	(13)
Bank Charges	(624)	(573)	51
Transfer of Operating Reserves	0	(40,289)	(40,289)
Net Non-Operating Revenues (Expenses)	(472)	(40,723)	(40,251)
<b>Increase (Decrease) in Net Assets</b>	\$ 54,715	0	\$ (54,715)
<b>Net Assets, Beginning of Year</b>		0	
<b>Net Assets, End of Year</b>		\$ 0	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)**

**For the Year Ended June 30, 2011**

	City County Building		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Operating Revenues</b>			
Rental Income from City and County	\$ 3,999,608	\$ 3,999,608	\$ 0
Net Parking Revenues	52,997	58,144	5,147
Total Operating Revenues	<u>4,052,605</u>	<u>4,057,752</u>	<u>5,147</u>
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	859,794	798,941	60,853
Employee Benefits	275,134	289,660	(14,526)
Office Expenses	19,600	11,184	8,416
Education and Training	6,500	910	5,590
Operating Expenses	250,000	240,072	9,928
Operating Contracts	550,739	515,679	35,060
Utilities	1,525,063	1,488,134	36,929
Communications	8,700	9,628	(928)
Insurance	125,000	125,389	(389)
Professional Services	10,170	2,542	7,628
Maintenance Facility	16,204	13,953	2,251
Capital Purchases	31,910	14,485	17,425
Depreciation Expense	0	352,689	(352,689)
Total Direct Operating Expenses	<u>3,678,814</u>	<u>3,863,266</u>	<u>(184,452)</u>
Total Indirect Operating Expenses	<u>384,203</u>	<u>367,007</u>	<u>17,196</u>
Total Operating Expenses	<u>4,063,017</u>	<u>4,230,273</u>	<u>(167,256)</u>
Operating Income (Loss)	<u>(10,412)</u>	<u>(172,521)</u>	<u>(162,109)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	11,712	12,617	905
Bank Charges	(1,300)	(1,375)	(75)
Capital Asset Replacement Reserve Expenditures	(950,950)	(9,030)	941,920
Transfer of Operating Reserves	0	0	0
Net Non-Operating Revenues (Expenses)	<u>(940,538)</u>	<u>2,212</u>	<u>942,750</u>
<b>Increase (Decrease) in Net Assets Before Capital Contributions</b>	<u>(950,950)</u>	<u>(170,309)</u>	<u>780,641</u>
<b>Capital Contributions</b>			
Capital Asset Replacement Reserve Contributions from City and County	604,015	604,015	0
Operating Reserve Contributions from City and County	<u>8,517</u>	<u>8,517</u>	<u>0</u>
Total Capital Contributions	<u>612,532</u>	<u>612,532</u>	<u>0</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (338,418)</u>	<u>442,223</u>	<u>\$ 780,641</u>
<b>Net Assets, Beginning of Year</b>		<u>5,336,552</u>	
<b>Net Assets, End of Year</b>		<u>\$ 5,778,775</u>	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	Emergency Communications District		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from Other Governmental Agencies	\$ 82,223	\$ 82,223	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	17,779	22,443	(4,664)
Employee Benefits	5,689	9,973	(4,284)
Office Expenses	300	45	255
Education and Training	150	22	128
Operating Expenses	24,000	15,778	8,222
Operating Contracts	25,404	26,720	(1,316)
Communications	150	193	(43)
Insurance	700	703	(3)
Professional Services	130	0	130
Maintenance Facility	265	228	37
Depreciation Expense	0	350	(350)
Total Direct Operating Expenses	74,567	76,455	(1,888)
Total Indirect Operating Expenses	7,852	7,429	423
Total Operating Expenses	82,419	83,884	(1,465)
Operating Income (Loss)	(196)	(1,661)	(1,465)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	212	145	(67)
Bank Charges	(16)	(11)	5
Transfer of Operating Reserves	0	(171)	(171)
Net Non-Operating Revenues (Expenses)	196	(37)	(233)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(1,698)	\$ (1,698)
<b>Net Assets, Beginning of Year</b>		34,650	
<b>Net Assets, End of Year</b>		\$ 32,952	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	Fairview Technology Center		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from Other Governmental Agencies	\$ 49,090	\$ 49,090	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	14,814	14,688	126
Employee Benefits	4,741	5,779	(1,038)
Office Expenses	622	118	504
Education and Training	71	13	58
Operating Expenses	7,500	9,933	(2,433)
Operating Contracts	12,281	10,980	1,301
Communications	4,000	3,922	78
Insurance	250	251	(1)
Professional Services	50	0	50
Maintenance Facility	197	169	28
Depreciation Expense	0	1,125	(1,125)
Total Direct Operating Expenses	44,526	46,978	(2,452)
Total Indirect Operating Expenses	4,644	4,594	50
Total Operating Expenses	49,170	51,572	(2,402)
Operating Income (Loss)	(80)	(2,482)	(2,402)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	88	92	4
Bank Charges	(8)	(7)	1
Transfer of Operating Reserves	0	(8,307)	(8,307)
Net Non-Operating Revenues (Expenses)	80	(8,222)	(8,302)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(10,704)	\$ (10,704)
<b>Net Assets, Beginning of Year</b>		16,390	
<b>Net Assets, End of Year</b>		\$ 5,686	

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2011

	Property Development		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Operating Revenues</b>			
Management Fees from City and County	\$ 600,000	\$ 600,000	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	300,974	305,996	(5,022)
Employee Benefits	96,312	98,388	(2,076)
Office Expenses	33,387	15,178	18,209
Education and Training	12,000	2,357	9,643
Operating Expenses	15,000	1,962	13,038
Operating Contracts	10,100	0	10,100
Communications	5,349	3,608	1,741
Insurance	700	703	(3)
Professional Services	7,000	20,788	(13,788)
Depreciation Expense	0	2,433	(2,433)
Total Direct Operating Expenses	480,822	451,413	29,409
Total Indirect Operating Expenses	120,206	115,633	4,573
Total Operating Expenses	601,028	567,046	33,982
Operating Income (Loss)	(1,028)	32,954	33,982
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	1,108	890	(218)
Bank Charges	(80)	(70)	10
Transfer of Operating Reserves	0	(36,207)	(36,207)
Net Non-Operating Revenues (Expenses)	1,028	(35,387)	(36,415)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(2,433)	\$ (2,433)
<b>Net Assets, Beginning of Year</b>		9,436	
<b>Net Assets, End of Year</b>		\$ 7,003	

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)**

**For the Year Ended June 30, 2011**

	Telecommunications Services		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from City and County	\$ 753,135	\$ 753,135	\$ 0
Management Fees Related to KCS	103,170	103,170	0
Total Operating Revenues	<u>856,305</u>	<u>856,305</u>	<u>0</u>
<b>Direct Operating Expenses</b>			
<b>Telecom</b>			
Salaries and Wages	237,360	247,897	(10,537)
Employee Benefits	88,043	73,386	14,657
Office Expenses	5,868	1,369	4,499
Education and Training	2,800	2,365	435
Operating Expenses	2,000	2,111	(111)
Communications	2,618	2,177	441
Insurance	6,300	6,327	(27)
Professional Services	6,000	348	5,652
Capital Purchases	365,866	0	365,866
Depreciation Expense	0	147,225	(147,225)
Telecom Operating Expenses	<u>716,855</u>	<u>483,205</u>	<u>233,650</u>
<b>Knox County Schools</b>			
Salaries and Wages	65,774	70,536	(4,762)
Employee Benefits	21,047	18,178	2,869
Office Expenses	1,732	210	1,522
Education and Training	700	1,082	(382)
Operating Expenses	1,500	600	900
Communications	807	1,181	(374)
Insurance	700	703	(3)
Professional Services	1,500	0	1,500
Schools Operating Expenses	<u>93,760</u>	<u>92,490</u>	<u>1,270</u>
Total Direct Operating Expenses	<u>810,615</u>	<u>575,695</u>	<u>234,920</u>
Total Indirect Operating Expenses	<u>46,854</u>	<u>44,160</u>	<u>2,694</u>
Total Operating Expenses	<u>857,469</u>	<u>619,855</u>	<u>237,614</u>
Operating Income (Loss)	<u>(1,164)</u>	<u>236,450</u>	<u>237,614</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	1,256	1,110	(146)
Bank Charges	(92)	(83)	9
Transfer of Operating Reserves	0	(24,838)	(24,838)
Net Non-Operating Revenues (Expenses)	<u>1,164</u>	<u>(23,811)</u>	<u>(24,975)</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 0</u>	<u>212,639</u>	<u>\$ 212,639</u>
<b>Net Assets, Beginning of Year</b>		<u>287,785</u>	
<b>Net Assets, End of Year</b>		<u>\$ 500,424</u>	

## STATISTICAL SECTION

This part of PBA's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about PBA's overall financial health.

### Contents

### Pages

#### Financial Trends

These schedules contain trend information to help the reader understand how the PBA's financial performance and well-being have changed over time.

57-58

#### Revenue Capacity

These schedules contain information to help the reader assess the PBA's operating revenues and customer statistics. As a joint venture between the City of Knoxville and Knox County, the PBA's revenues are materially earned from revenue derived from rental income, management fees, net parking revenues, and miscellaneous charges. Rental income and management fees are annually negotiated with the City and County and approved by the City Council and the County Commission.

59-63

#### Debt Capacity

The PBA is a joint venture between the City of Knoxville and Knox County; the PBA has no taxing authority. Debt for capital projects managed for the City and the County are funded by debt issued by these two government entities. Information on the City's and County's debt capacity is contained in their individual CAFRs.

N/A

#### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which PBA's financial activities take place approved by the City Council and the County Commission.

64-65

#### Operating Information

This schedule contains service data to help the reader understand how the information in the PBA's financial report relates to services provided and the activities performed.

66

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

NET ASSETS BY COMPONENT  
Last Nine Fiscal Years

<u>Fiscal Year</u>	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
2003	\$ 3,966,984	\$ 4,798,166	\$ 8,765,150
2004	4,544,503	3,540,685	8,085,188
2005	4,837,925	2,916,413	7,754,338
2006	4,985,744	3,040,305	8,026,049
2007	6,213,346	3,944,131	10,157,477
2008	6,126,970	4,457,421	10,584,391
2009	7,065,819	3,955,855	11,021,674
2010	7,292,398	3,390,254	10,682,652
2011	7,451,392	3,571,882	11,023,274

*Note: Fiscal year 2003 was the first year PBA adopted GASB Statement No. 34.*

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND  
THE CITY OF KNOXVILLE, TENNESSEE**

**CHANGES IN NET ASSETS  
Last Nine Fiscal Years**

	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Operating Revenues</b>									
Rental Income from City and County	\$ 3,999,608	\$ 3,887,410	\$ 3,623,121	\$ 3,454,701	\$ 3,382,478	\$ 3,345,387	\$ 3,186,770	\$ 2,838,748	\$ 3,060,799
Other Rental Income - Net	196,173	130,853	192,461	214,103	161,821	198,273	199,343	185,193	146,218
Management Fees from City and County	5,776,189	5,833,766	6,380,409	9,536,951	9,169,175	7,998,757	7,859,868	6,796,961	3,715,118
Management Fees from Other									
Governmental Agencies	153,846	179,713	191,633	176,338	172,652	153,357	158,203	46,788	166,747
Net Parking Revenues	2,816,686	2,832,092	2,982,014	2,836,172	2,537,780	1,984,221	1,410,632	1,257,159	1,303,360
<b>Total Operating Revenues</b>	<b>12,942,502</b>	<b>12,863,834</b>	<b>13,369,638</b>	<b>16,218,265</b>	<b>15,423,906</b>	<b>13,679,995</b>	<b>12,814,816</b>	<b>11,124,849</b>	<b>8,392,242</b>
<b>Operating Expenses</b>									
Salaries and Benefits	5,625,169	5,896,222	6,450,488	6,272,267	6,418,441	5,836,446	5,453,141	5,355,107	4,136,380
Office	72,415	89,703	118,120	143,731	172,569	157,085	131,971	82,521	76,954
Education and Training	10,335	6,806	12,437	11,121	34,042	17,696	28,646	22,260	45,631
Purchased Services and Supplies	1,049,751	988,458	978,689	1,030,931	962,469	936,841	996,551	679,011	400,056
Operating Contracts	1,448,345	1,382,944	1,463,449	1,895,038	1,625,987	1,470,804	1,362,369	1,124,838	908,369
Utilities	2,059,794	1,844,483	2,010,877	3,905,696	3,493,192	3,212,988	2,876,037	2,794,113	1,512,351
Communications	67,270	60,503	59,126	68,443	81,076	67,377	48,737	58,237	47,608
Insurance	228,725	224,990	229,141	235,118	189,388	273,981	337,218	338,488	378,303
Professional Fees	77,905	110,701	56,743	90,815	90,494	114,714	61,226	72,851	370,051
Depreciation	803,661	722,568	643,194	582,954	517,852	462,741	412,003	349,597	277,372
Maintenance Facility	73,593	72,643	60,301	51,173	0	0	0	0	0
Other	41,678	243,499	178,120	78,375	347,917	129,327	115,462	105,023	268,281
<b>Total Operating Expenses</b>	<b>11,558,641</b>	<b>11,643,520</b>	<b>12,260,685</b>	<b>14,365,662</b>	<b>13,933,427</b>	<b>12,680,000</b>	<b>11,823,361</b>	<b>10,982,046</b>	<b>8,421,356</b>
<b>Operating Income (Loss)</b>	<b>1,383,861</b>	<b>1,220,314</b>	<b>1,108,953</b>	<b>1,852,603</b>	<b>1,490,479</b>	<b>999,995</b>	<b>991,455</b>	<b>142,803</b>	<b>(29,114)</b>
<b>Non-Operating Revenues (Expenses)</b>									
Interest Income	27,264	28,997	92,272	331,019	362,831	246,342	150,119	84,833	95,232
Gain on Disposal of Capital Assets	0	0	0	0	6,018	0	0	0	0
Bank Charges	(8,210)	(7,706)	(7,286)	(7,669)	(8,156)	(9,783)	(10,585)	(10,280)	(13,821)
Interest Expense	0	0	0	0	(166)	(732)	(1,282)	(1,974)	(2,979)
Capital Returned to the City and County	(1,730,881)	(1,801,089)	(2,054,297)	(2,579,761)	(586,159)	(1,217,881)	(1,980,628)	(2,052,530)	(1,153,976)
Capital Returned to Other									
Governmental Agencies	(42,537)	(111,666)	(19,164)	(24,832)	(29,251)	(5,335)	(25,673)	0	0
Noncash:									
Capital Asset Retirements from the City and County	0	0	0	0	(5,271)	(9,311)	0	0	0
<b>Total Non-Operating Revenues (Expenses) - Net</b>	<b>(1,754,364)</b>	<b>(1,891,464)</b>	<b>(1,988,475)</b>	<b>(2,281,243)</b>	<b>(260,154)</b>	<b>(996,700)</b>	<b>(1,868,049)</b>	<b>(1,979,951)</b>	<b>(1,075,544)</b>
<b>Increase (Decrease) in Net Assets Before Capital Contributions</b>	<b>(370,503)</b>	<b>(671,150)</b>	<b>(879,522)</b>	<b>(428,640)</b>	<b>1,230,325</b>	<b>3,295</b>	<b>(876,594)</b>	<b>(1,837,148)</b>	<b>(1,104,658)</b>
<b>Capital Contributions</b>									
Capital Contributions from the City and County	711,125	332,128	1,312,158	848,128	894,500	268,416	537,848	1,149,186	1,126,123
Capital Contributions from Other Governmental Agencies	0	0	4,647	7,426	6,603	0	7,896	0	0
Noncash:									
Capital Asset Retirements from the City and County	0	0	0	0	0	0	0	8,000	27,710
<b>Total Capital Contributions</b>	<b>711,125</b>	<b>332,128</b>	<b>1,316,805</b>	<b>855,554</b>	<b>901,103</b>	<b>268,416</b>	<b>545,744</b>	<b>1,157,186</b>	<b>1,153,833</b>
<b>Increase (Decrease) in Net Assets</b>	<b>340,622</b>	<b>(339,022)</b>	<b>437,283</b>	<b>426,914</b>	<b>2,131,428</b>	<b>271,711</b>	<b>(330,850)</b>	<b>(679,962)</b>	<b>49,175</b>
<b>Net Assets, Beginning of Year</b>	<b>10,682,652</b>	<b>11,021,674</b>	<b>10,584,391</b>	<b>10,157,477</b>	<b>8,026,049</b>	<b>7,754,338</b>	<b>8,085,188</b>	<b>8,765,150</b>	<b>8,715,975</b>
<b>Net Assets, End of Year</b>	<b>\$ 11,023,274</b>	<b>\$ 10,682,652</b>	<b>\$ 11,021,674</b>	<b>\$ 10,584,391</b>	<b>\$ 10,157,477</b>	<b>\$ 8,026,049</b>	<b>\$ 7,754,338</b>	<b>\$ 8,085,188</b>	<b>\$ 8,765,150</b>

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**PROPERTIES MANAGED  
Last Eight Fiscal Years**

Property	Space in Square Feet							
	2011	2010	2009	2008	2007	2006	2005	2004
<b>County Owned</b>								
Andrew Johnson Building	145,661	145,661	145,661	145,661	145,661	145,661	145,661	145,661
Beck Cultural Center	N/A	N/A	N/A	N/A	19,161	19,161	18,961	N/A
Fairview Technology Center	17,000	17,000	17,000	17,000	17,000	17,000	17,000	N/A
Senior Centers (4)	33,738	33,738	33,738	27,500	27,500	27,500	7,800	6,300
Health Department (1 main facility, 3 community clinics, and air quality lab)	157,800	157,800	157,800	157,800	157,800	153,000	153,000	153,000
John Tarleton Homes	80,000	80,000	80,000	80,000	80,000	64,474	64,474	50,500
Juvenile Justice Center	104,209	104,209	104,209	104,209	104,209	104,209	104,209	104,209
Knox Central	171,000	171,000	171,000	171,000	171,000	165,000	165,000	165,000
Library System (1 main location, 1 history center, and 16 community branches)	N/A	N/A	300,201	321,537	302,376	294,549	279,371	217,000
Old Court House	64,098	64,098	64,098	64,098	64,098	64,098	64,098	64,098
Family Investment Center	31,500	31,500	31,500	31,500	N/A	N/A	N/A	N/A
<b>City Owned</b>								
Volunteer Landing Park	16,331	16,331	16,331	5,170	5,170	5,170	5,170	16,331
World's Fair Park	39,600	39,600	39,600	39,600	3,600	3,600	93,521	93,521
Downtown Cinema	4,000	4,000	4,000	4,000	N/A	N/A	N/A	N/A
Knoxville Station Transit Center	16,580							
<b>PBA Owned</b>								
City County Building	531,634	531,634	531,634	531,634	531,634	531,634	531,634	517,856
<b>Owned by Other Governmental Agencies</b>								
Emergency Communications District	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
<b>Totals</b>	<b>1,438,151</b>	<b>1,421,571</b>	<b>1,721,772</b>	<b>1,725,709</b>	<b>1,654,209</b>	<b>1,620,056</b>	<b>1,674,899</b>	<b>1,558,476</b>

Statistical data not available prior to FY 2004.

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**PROPERTIES MANAGED (Continued)  
Last Eight Fiscal Years**

Location	2011	2010	2009	2008	2007	2006	2005	2004
<b>NUMBER OF PARKING SPACES</b>								
<b>County Owned</b>								
Dwight Kessel Metropolitan Parking Garage	964	964	964	964	964	964	964	964
State Street Parking Lot	283	283	283	283	283	283	283	0
<b>City Owned</b>								
Jackson Avenue Parking Lot	190	190	190	190	190	190	0	0
Locust Street Garage	645	645	645	645	645	645	645	645
Main Avenue Garage	475	475	475	475	475	475	0	0
Market Square Garage	700	700	700	700	700	700	0	0
Promenade Garage	277	277	277	277	277	0	0	0
State Street Garage	842	842	842	842	842	842	0	0
World's Fair Parking Lots	698	698	698	698	698	698	698	698
Tennessee Department of Transportation (TDOT)	469	0	0	0	0	0	0	0
<b>PBA Owned</b>								
City County Building Garage	850	850	850	850	850	850	850	850
Totals	<u>6,393</u>	<u>5,924</u>	<u>5,924</u>	<u>5,924</u>	<u>5,924</u>	<u>5,647</u>	<u>3,440</u>	<u>3,157</u>
<b>PARKS</b>								
<b>City Owned</b>								
World's Fair Park:								
Number of Acres	18	18	18	18	18	18	18	18
Volunteer Landing Park:								
Number of Acres	5	5	5	5	5	5	5	5
Second Creek Greenway:								
Number of Acres	9	9	9	0	0	0	0	0
Estimated Park Visitors Annually	648,530	610,955	446,885	200,000	200,000	150,000	110,000	90,000

*Note: FY 2006 is the first year PBA started to manage several City owned parking facilities.*

*Statistical data not available prior to FY 2004.*

*Source: PBA property management department.*

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

CAPITAL PROJECTS COMPLETED  
Last Five Fiscal Years

<u>Projects</u>	<u>Managed Budget</u>
<b>LIBRARIES</b>	
Beck Archive - Burlington	\$ 124,000
Burlington	2,950,000
Burlington - UT Buildout	251,000
East Tennessee Historical Center	18,328,224
Powell	2,438,766
<b>Library Subtotal</b>	<b>24,091,990</b>
<b>OTHER COUNTY PROJECTS</b>	
Beck Cultural Exchange Center	2,079,000
Burlington Park - Phase I	50,000
Carter Senior Center	1,400,000
Carter Senior Center Storage Building Addition	28,127
Clayton Park - Phase I	20,000
Courtroom A/V Upgrades	260,000
Dwight Kessel Parking Garage Elevator Equipment Room	16,536
Dwight Kessel Parking Garage Lighting Upgrades	45,000
Family Investment Center Renovations	613,500
Hardin Valley High School	50,000,000
Hardy Professional Building	300,000
Health Department - Access Control Addition	16,990
Health Department - Cooling Tower	59,900
Health Department - Piping/Capped Flange	20,000
Health Department - Pump Replacement	18,000
Health Department - Sputum Room	40,550
Health Department Renovation	270,000
House Mountain	253,491
Jail Expansion	14,400,000
Knox Central Parking Lot	110,550
Knox County School Facilities Assessment	600,000
KUB Park - Phase I	25,000
New Harvest Park	2,046,750
Old Courthouse HVAC Consoles	22,000
Pinkston Greenway	191,350
Powell Middle School Addition	16,000,000
Schumpert Park	3,712,500
Skate Park - County Portion	250,000
South Knoxville Senior Center	1,225,000
Ten Mile Greenway	246,700
ADA Projects:	
Cedar Bluff Middle School	375,000
South Doyle High School	350,000
<b>Other County Subtotal</b>	<b>\$ 95,045,944</b>

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

CAPITAL PROJECTS COMPLETED (Continued)  
Last Five Fiscal Years

<u>Projects</u>	<u>Managed Budget</u>
<b>CITY PROJECTS</b>	
Amphitheater Renovations	\$ 850,000
Central Station Transit Center	26,610,000
Central Station Transit Center ( ARRA)	3,000,000
Cinema Retail Tenant Build Out	150,000
City Facilities Assessment	74,000
Downtown Cinema (Includes Public Access & Retail)	12,554,702
Downtown Dog Park	162,000
Elm Street Storage Facility	121,400
Fire Station #20 - Re Roof	16,229
Fire Station #4 - Re Roof	14,998
HUD House Demolition - 309 & 311 N. Chestnut St.	23,987
HUD House Demolition - 3210 MLK Jr. Blvd.	11,964
KAT Renovation - Magnolia (ARRA)	2,300,000
Lorraine Street Medical Center	67,770
Richard Leake HVAC Replacement	30,000
Secor`	44,343
Skate Park - County Portion	341,000
Sunsphere Renovations	1,028,934
Tyson Park Tennis Clubhouse Re-Roof	5,000
West Haven Recreation Center Re-Roof	19,232
West View Park Shelters Re-roof	105,250
World's Fair Park Playground	150,000
<b>City Projects Subtotal</b>	<b><u>47,680,809</u></b>
<b>OTHER PROJECTS</b>	
Jefferson County Facilities Assessment	67,000
Sullivan County Facility Assessment	134,000
<b>Other Project Subtotal</b>	<b><u>201,000</u></b>
<b>Total All Projects</b>	<b>\$ <u><u>167,019,743</u></u></b>

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**TELECOMMUNICATION SERVICES  
Last Eight Fiscal Years**

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
<b>CITY AND COUNTY</b>								
Total Extensions	8,367	8,156	8,544	7,790	7,790	7,753	7,759	7,783
Telephone Lines	360	360	489	489	489	489	443	114
Cellular Telephones	96	145	218	823	795	708	591	504
Pagers	72	106	160	312	348	443	504	610
Repair Work Orders	905	829	858	1,177	973	927	767	138
<b>SCHOOLS</b>								
Total Extensions	817	785	631	661	634	628	500	N/A
Telephone Lines	2,430	2,391	2,430	2,386	2,340	2,341	2,492	N/A
Repair Work Orders	594	728	578	575	696	671	511	N/A

*Note: FY 2004 was the first full year of PBA providing telecommunication services for the City and the County and FY 2005 for the Schools.*

*Source: PBA Telecommunications Services Department.*

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Calendar Years**

Calendar Year	Population	Personal Income (Thousands of Dollars)	Per Capita Personal Income	Unemployment Rate	
				County	State
2001	387,092	\$ 11,297,562	\$ 29,182	3.7	4.6
2002	391,418	11,760,023	30,039	3.9	5.2
2003	396,742	12,257,757	30,901	4.1	5.5
2004	400,340	12,826,956	32,040	4.1	5.4
2005	404,972	13,301,853	32,815	4.4	5.1
2006	411,967	14,140,692	33,963	4.5	4.5
2007	416,352	15,201,428	34,180	3.4	4.7
2008	430,019	15,666,206	36,431	4.8	6.4
2009	435,725	15,371,687	35,278	8.0	10.5
2010	432,226	N/A	N/A	7.0	9.5

- Notes:
- (a) N/A = Data not available.
  - (b) Only Knox County is presented.
  - (c) Population – U.S. Bureau of the Census.
  - (d) Income - Bureau of Economic Analysis, U.S. Department of Commerce.
  - (e) Unemployment Rates - Tennessee Department of Labor and Workforce Development.

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**

**PRINCIPAL EMPLOYERS  
Current Calendar Year and Nine Years Ago**

Employer (a)	Industry	2010		2001	
		Number of Employees	% of Total MSA Employees (b)	Number of Employees	% of Total MSA Employees (b)
U.S. Department of Energy	Government	13,925	5.99 %	12,610	6.13 %
The University of Tennessee	Education	9,326	4.01	9,317	4.53
Covenant Health	Health Care	9,000	3.87	8,000	3.89
Knox County Schools	Education	6,945	2.99	8,104	3.94
Mercy Health Partners	Health Care	5,700	2.45	3,606	1.75
Wal-Mart Stores, Inc.	Retail	4,336	1.87	-	-
K-VA-T Food Stores	Retail Grocery	3,983	1.71	-	-
University Health System	Health Care	3,802	1.64	-	-
State of Tennessee	Government	3,750	1.61	-	-
McGhee-Tyson	Military Base	3,493	1.50	-	-
Knox County	Government	-	-	2,500	1.21
Clayton Homes	Manufacturing	-	-	2,500	1.21
University of Tennessee Medical Center	Health Care	-	-	3,225	1.57
City of Knoxville	Government	-	-	2,820	1.37
State of Tennessee Regional Offices	Government	-	-	2,401	1.17
<b>Total</b>		<b>64,260</b>	<b>27.64 %</b>	<b>55,083</b>	<b>26.77 %</b>

Notes: (a) Only Knox County is presented.

(b) The Knoxville - Knox County MSA consists of six counties:

Anderson, Blount, Knox, Loudon, Sevier and Union

Source: Greater Knoxville Chamber Partnership

THE PUBLIC BUILDING AUTHORITY OF THE COUNTY  
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE

NUMBER OF EMPLOYEES BY ACTIVITY  
Last Nine Fiscal Years

Department	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Facilities Management	38	38	47	40	56	48	50	45	33
Safety and Security	42	37	44	48	42	42	37	45	25
Property Development	4	5	5	8	7	7	7	5	6
Telecommunications/MIS/PBX	9	8	9	8	9	9	8	6	4
Administrative	9	9	12	14	13	13	14	14	14
Total	<u>102</u>	<u>97</u>	<u>117</u>	<u>118</u>	<u>127</u>	<u>119</u>	<u>116</u>	<u>115</u>	<u>82</u>

Notes: FY 2004 was the first full year of PBA providing services to the County Library System, Health Department, Juvenile Justice Center and Telecommunications.

Statistical data not available prior to FY 2003.

**INTERNAL CONTROL AND  
COMPLIANCE SECTION**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Directors of  
The Public Building Authority of the County  
of Knox and the City of Knoxville, Tennessee  
Knoxville, Tennessee

We have audited the financial statements of The Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the PBA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the PBA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of PBA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PBA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether PBA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors and various governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
November 9, 2011

