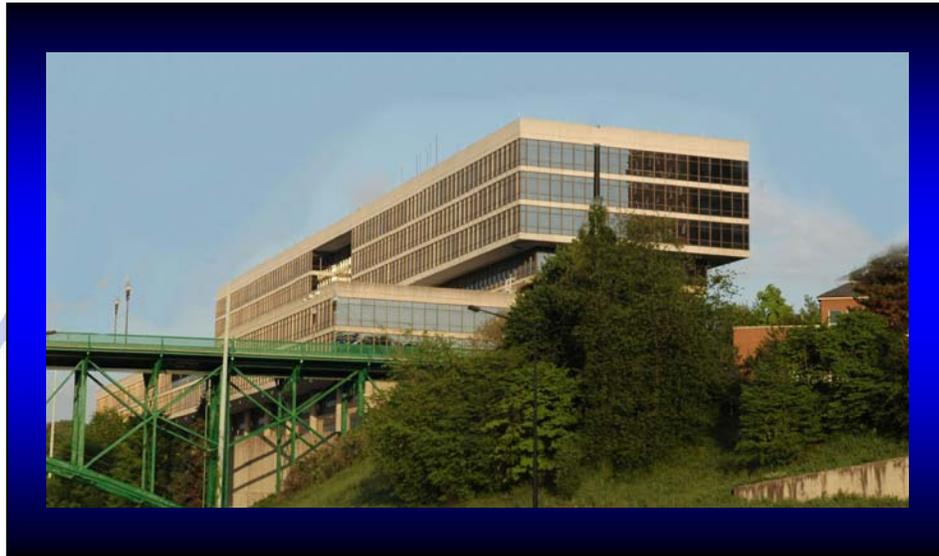


Knox County, Tennessee



AGRICULTURE
**Comprehensive
Annual
Financial
Report**

For The Fiscal Year Ended

June 30, 2006

*Michael R. Ragsdale
Knox County Mayor*

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2006

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OFFICE OF COUNTY MAYOR

Department of Finance • 400 Main Street, Suite 630, Knoxville, TN 37902

December 19, 2006

To the Board of Knox County Commissioners and the Citizens of Knox County, Tennessee:

The Comprehensive Annual Financial Report (CAFR) of Knox County, Tennessee (the County) for the fiscal year ended June 30, 2006, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentations, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County and its component units. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

The introductory section includes this transmittal letter, the County's organization chart, and a list of principal officials. The financial section includes Management's Discussion & Analysis (MD&A), the basic government-wide and fund financial statements and notes to the financial statements. The Financial Section also includes Required Supplementary Information and other supplemental information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. The reader is directed to the MD&A for a narrative introduction, overview and analysis of the financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Knox County's MD&A can be found immediately following the report of the independent auditors.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including schedules of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

The financial reporting entity (the government) includes all the funds and the Primary Government (i.e., the County) as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. Component units are discretely presented in separate columns in the government-wide financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The Knox County Board of Education (the Board), Knox County Emergency Communications District (the District), and the Knox County Railroad Authority (KCRA) are reported as discretely presented component units.

The County and its Component Units provide a full range of services including, but not limited to, the construction and maintenance of highways, streets and infrastructure, public health and welfare, police protection, emergency telephone services, elementary and secondary education, community services, sanitation services, and recreational and cultural events. Because of the close relationship between the County and the Board and the fact the Board does not issue financial statements separate from those of the County, many of the supplemental schedules and other financial information have been consolidated to more properly reflect the joint activities of the County and the Board.

GOVERNMENTAL STRUCTURE

The County has operated under a County Mayor/County Commission form of government since September 1, 1980, and has been under a Home Rule Charter (Charter) since September 1, 1990. Policymaking and legislative authority are vested in the County Mayor (the executive branch of the County) and the County Commission (the legislative branch of the County). The County Commission is responsible for, among other things, passing ordinances, adopting the budget and appointing committees. The County Mayor, elected at-large for a four-year term, is responsible for carrying out the policies and ordinances of the County Commission, overseeing the day-to-day operations of the government and appointing the heads of many of the County's departments.

OFFICE OF THE COUNTY MAYOR

Fiscal year 2006 was another great year for County Mayor Mike Ragsdale. Mike Ragsdale ran successfully for re-election. Looking ahead, he worked closely with the department heads and elected officials to provide the highest quality County services and provision of the required infrastructure to support continuous improvement. This section of this document will review some of the successes of Knox County office and provide a summary of Mr. Ragsdale's vision for the future.

Looking Back.....



Ten-Mile Creek Greenway Trail

The overall greenway efforts within the Department of Parks and Recreation are to be celebrated. We have added nine new greenways trails stretching across all parts of Knox County. That includes eight-plus miles of paved trails and fourteen-plus miles of natural surface. We have negotiated a long-term lease with the State to keep House Mountain Natural area open and to transfer House Mountain's operation to Knox County. All told, we have acquired 557 acres of park land and added 24 new sports fields.



Solway Recycling Center

In our engineering and public works department, we have paved nearly 800 miles of road in the county and striped over 600 miles. We have an adopt-a-highway program in place and have restructured our litter grant program. We constructed the Solway Green Waste Recycling facility, enabling the diversion of over 15,000 tons of tree and yard waste from area landfills and converted the waste to mulch.

We have rebuilt and remodeled John Sevier Convenience Center, constructed a facility at Forks of the Rivers that handles household garbage, yard waste and scrap tires. We are also in the process of relocating and modernizing the Halls Convenience Center.

We have completed many road projects and continue to look forward to many improvements.

The County has an effective storm water management program, and we now have a traffic-calming program.

Our library system has been strengthened both by technological improvements and the construction of three new replacement libraries and two new branch libraries. We have opened an \$18 million East Tennessee History Center. This new addition, which will connect to the Custom House,



Carter Branch Library

which will allow for needed expansion space and will preserve and display our past for future generations. The East Tennessee History Center's collection also benefited from a one-time appropriation that allowed the Historical Society to acquire at auction significant Knox County artifacts from an East Knox County estate.

Our Health Department has overseen a bioterrorism readiness exercise as well as a countywide flu shot initiative to mitigate the effects on Knox County of the nationwide flu vaccine shortage. The entire department stepped up and answered the call to help Knox Countians. The Health Department continues to deliver necessary services to those who need it the most in a very efficient manner. The Health Department has encouraged and supported the development of a comprehensive school health program.



Knox Countians can be very proud of our community's efforts for its animal population. Through the leadership of the Health Department and a positive working relationship with the City of Knoxville as well as substantial private contributions – 2004 saw the opening of a new Animal Center as an example of our community coming together to meet a need. The Young-Williams Animal Center is a model people come from around the country to see.



We have vastly expanded the use of computers in County Offices. We have standardized software countywide and increased technology training for all county employees. Satellite offices in County Government have been networked. Through a strong interactive Web presence, we have improved citizens' access to County Officials and important information, and citizens can now have Internet access to all kinds of information.

Our employees are better trained and informed. We have a County newsletter published regularly each quarter, our employees participate in an annual health and benefits fair, and we have initiated the Bright Start Wellness Program.

We have developed a Supplier Diversity Program focusing on assuring equal access in contracting, have implemented a procurement card program, and have returned over \$2 million in revenue back to the County through surplus property disposal.



We have committed over one million dollars toward the Beck Cultural Center recognizing its importance in our history and our future. We have been able to contribute to many local

community agencies like Public TV of East Tennessee, Senior Citizens Home Assistance, Technology 2020, Second Harvest Food Bank, the Volunteer Ministry Center, the Interfaith Health Clinic and many others who make a difference for Knox County every day. Two \$1,500,000 grants were instrumental in helping toward the renovation of one of Knox County's treasures . . . the Historic Tennessee Theatre.

Through the continued efforts of the Development Corporation (TDC) we have seen the arrival of more businesses to Knox County each year. Since 1994, the Development Corporation has sold over \$14.4 million in industrial land within its parks and assisted in the sale of an additional \$6.8 million of land sales around the County.

TDC has provided \$7.1 million in incentives to companies resulting in over \$300 million of private investment and 1,400 new, high wage jobs. In 1994, WestBridge had only two companies located in it representing a total of 190 jobs. Today there are only 35

available acres left and there are now over 1,400 employees at work in companies located in the park. As a founding partner of the National Transportation Research Center (NTRC) the Development Corporation provided discounted land upon which the NTRC has located a multimillion-dollar research facility that is bringing technology out of the lab and translating it into new business opportunities in this community. This is the first facility of its kind to be built outside the Oak Ridge reservation.



Generations of Knox County residents yet to come will be able to enjoy the brilliant beauty of our new nature refuge, Seven Islands. It is a wonderful legacy for us to leave to our community. What we will be able to offer our citizens through the educational and conservation activities planned for the refuge as well as the host of passive recreational opportunities that will be pursued there will make it a special spot for years to come.

Going Forward . . .

(excerpts from Mike Ragsdale's inaugural speech)

Throughout our campaign as I spoke about the future of Knox County and the promise that is ours to capture, the point I made was, "Now is the time." For more than a year, I've traveled from one end of this county to the other. I've visited with people in their homes, their neighborhoods and their place of business. I've listened and I've learned. You've helped me chart a course. And now we are going to follow it through.

We are going to create new, better jobs for current and future generations of Knox Countians. We should have an economic results program that is the best in the Southeastern United States.

Each of us want our children and our grandchildren to go to great schools. It is time that we made our educational priority the future of our 52,000 Knox County school children. Let's strive to make each and every Knox County school a great school.

We have an obligation to America's greatest generation, our senior citizens. We are going to focus on their healthcare, housing, nutritional and recreational needs to make certain no senior in our community is overlooked, forgotten or left behind.

And we are going to work to make your local government better; every single day. Whether it's parks and recreation, public libraries, children's services or the proper spending of your tax dollars, we are going to constantly look for ways to serve you better.

These are things that can happen. These are things that should happen. And, with your help these are things that will happen and the time is now.

To the people of Knox County, I say again that this administration will be one of decisions, one of action, one of results. You deserve it. To the leadership and people of our neighboring counties, I say you will find in me a friend who wants to work with you because what is good for our region is good for Knox County.

Briefly, let me set forth three things that will be paramount in our administration.

Number one, cooperation over conflict. Let's find common ground. Identifying problems is far easier than solving them. What we need- what the people of Knox County want- are solutions. Let's give the people of Knox County what they want. Let's give them solutions. Let's do it together.

Number two, we'll be active, not passive. Our administration will constantly be probing, thinking, asking- and acting. We're ready for it. We're a big county. We're a county filled with people who know how to get things done. Knowing that is one thing. Taking advantage of it is another. We're going to be active. We're going to make things happen. We're going to move. And the time is now.

Number three, results over rhetoric. Results. They are the benchmark by which this administration will measure itself. I could talk all day about the results we hope to achieve. Let's save that. Let's achieve big things, then talk about them.

In the aftermath of the grim and terrible day of September 11, 2001, we learned something about America and about ourselves. We have seen daily examples of our country's unmatched strength and compassion. Nowhere is this more true than in our home of east Tennessee. The tragedy of September 11th was a moment around which Americans of all colors, all political beliefs, all points of the compass, rallied, drawing strength from each other.

President George W. Bush has called on all of us to show our resolve in this dangerous world, and be the best Americans we can be. Let's look to our neighborhoods, our workplaces, and our families and resolve together to be the best Knox County we can be.

If we do that, we will make our community stronger and America stronger.....this administration begins with confidence, with optimism, and with determination. In the future, I hope that people will look at this as a moment Knox County stopped asking itself, "Can we?" and started to say, "We can." And this is the message I leave with you. Together we can. And the time is now.

FISCAL YEAR 2006 - MAJOR INITIATIVES

Throughout the year, the County and the Board have been involved in a variety of projects. These projects reflect the County's continuing commitment to its stated mission:

"Delivering essential services to Knox County citizens, while building the economic base and related infrastructure needed to be competitive in the 21st century."

Knox County Mission Statement



KNOX COUNTY'S MAYOR

Michael R. Ragsdale

Major Initiatives

When I first decided to run for Knox County Mayor, I campaigned on four goals to make our community better: Senior Citizens, Better Schools, Economic Development and Making Government Better Everyday. With these goals in mind, I have proposed an ambitious budget for Knox County. This budget will allow us to move forward and make Knox County a great American community. I believe this budget is a crucial turning point for our community. I want you to know where we've been and where we're going in Knox County since I've taken office. Here are some of our achievements and goals for you to see...

Senior Citizens

- Veteran's Nursing Home slated to open in 2006 on Knox County property with \$6 million of Knox County capital invested.
- Opening 2 new senior centers and additions to another senior center
- Learning from consensus based on Senior Summits, expanding seniors services by using **No Senior Left Behind** as our roadmap for planning

Great Schools

- **Every School A Great School** Foundation will generate \$31 million in funding to improve learning from birth to kindergarten focusing on an early career path for middle school children, and improving teacher compensation in difficult to staff schools
- 22 new school projects over the next 5 years – including a NEW high school!
- Imagination Library to be implemented in Knox County providing every child from birth until they reach Kindergarten a book a month, at no cost to the child
- Expanding READ WITH ME- our a national award winning volunteer program that will place one volunteer in every 1st and 2nd grade classroom each week to help students read on grade level
- Economic Results Working on JOBS NOW! A campaign to create 35,000 new regional jobs in 5 years
- Knox County Technology and Jobs Fund will establish a loan pool for technology based companies relocating or expanding in our county
- Enterprise Resource Planning will use technology to provide more customer friendly services instead of additional employees

Economic Results

- Working on JOBS NOW! A campaign to create 35,000 new regional jobs in 5 years
- Knox County Technology and Jobs Fund will establish a loan pool for technology based companies relocating or expanding in our county
- Enterprise Resource Planning will use technology to provide more customer friendly services instead of additional employees

What We've Implemented:

Senior Citizens

- Four successful Senior Summits with over 300 seniors in attendance
- Developed No Senior Left Behind initiative
- Adding Senior facilities to the County

Great Schools

- Incorporated school telecommunications into the County contract, saving \$1 million over a 7 year period in the school budget
- Providing financing for the new Hardin Valley High School – from General County funds
- Establishing the Great Schools Partnership to enhance the education process and outputs in new and creative ways

Better Government

- Combined and eliminated job duties through efficiencies and outsourced some non-mission critical functions, such as printing, resulting in the elimination of over 100 fulltime positions
- Restructured the Probation and Pretrial Release Program saving tax payer money in pretrial release services and increased revenue from probation fees by 400%
- Using low risk inmate labor to mow and clean up parks saving more than \$100,000 a year
- Privatized John Tarleton Home - saving \$2 million in 5 years
- Received over \$77 million in Federal grant funding over the past two years

Economic Results

Established a Payment In Lieu of Taxes program, which will create 600 new jobs and generate \$94 million in capital investment.

Legislative Initiatives

Impact of State Funding: Knox County, like the other 94 county governments in Tennessee, receives significant support from state-shared revenues -- mainly in the form of education and highway dollars. Because of this dependence, the legislative activities of the Tennessee General Assembly are carefully monitored. Thanks to the continuing leadership of our Governor, the State again passed a responsible, balanced budget. We at the local level are thankful for the fiscal responsibility demonstrated by the State Budget. The rating agencies have recognized these positive trends toward financial responsibility enabling the State to regain its “triple AAA” bond rating, as has been our tradition for a long time. A healthy State budget means more stable and predictable revenues for all cities and counties.

The County’s response to the recent uncertainty at the State level and the national economic slowdown post 9/11/01 has been well served. The County has continued to be conservative in predicting revenues, and will remain so. The County has “gone the extra mile” to be prepared in case the State decided to “pass its problems to the local governments.” With that, the County has “weathered the storm,” and maintained its traditionally strong reserves, continued to budget conservatively and to be prepared for the next “rainy day.”

Capital Improvement Initiatives

As evidence of the County’s commitment to build the facilities necessary to serve the citizens of Knox County and promote economic development within the County and region, the County Commission adopted the Knox County Capital Improvement Plan. At the recommendation of the County Mayor, the five-year capital plan represents a road map of anticipated major capital projects. It does not represent appropriations and is subject to annual revisions or modifications. These individual projects will be primarily funded through general obligation bonded debt.

During the year, the County and the Board allocated significant resources in the following major construction/renovation projects in accordance with the County's Capital Plan:

General Construction/Renovation:

- Veterans' Nursing Home
- Burlington Branch Library
- Halls Senior Center
- South Knox Senior Center
- Corryton Senior Center
- Business Parks for Economic Development (4)
- Many Parks and Greenways Improvements

Road Construction/Improvements:

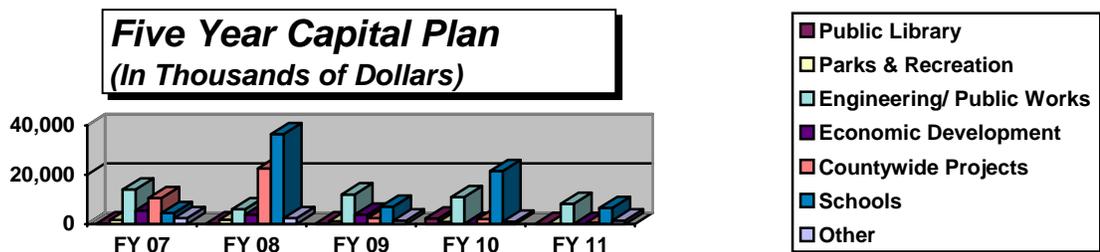
- Karns Connector
- Various Stormwater Improvements
- Dry Gap Pike
- Ball Camp Pike
- Tazewell Pike
- Parkside Drive
- Westland Drive

School Construction/Renovation:

- New High School
- Cedar Bluff K-5
- Gibbs Elementary
- Powell Middle
- Ball Camp K-5 renovation/addition
- Pond Gap Elementary
- New Hopewell/Gap Creek
- Inskip Elementary
- Roofing and HVAC upgrades
- Carter Elementary

The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

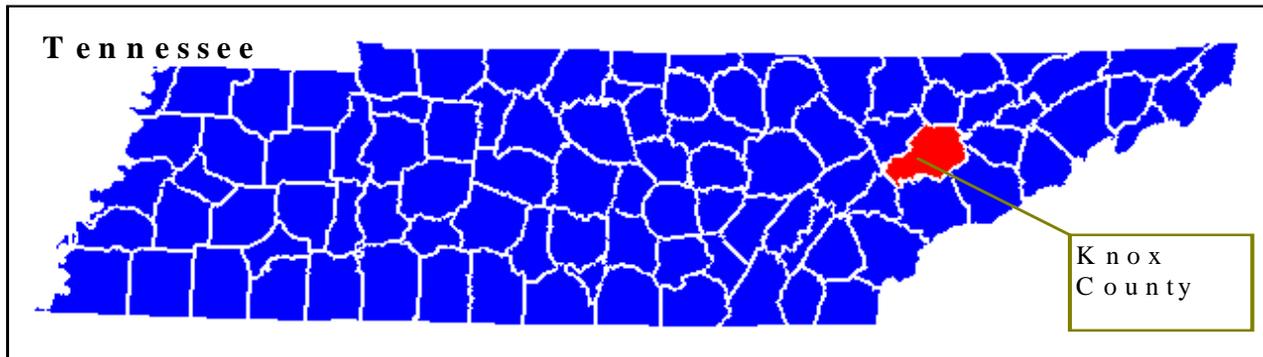
Project Description	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	TOTAL
Libraries	\$ 200	\$ 200	\$ 200	\$ 2,200	-	\$ 2,800
Countywide Projects	10,488	22,571	2,350	2,000	577	37,986
Parks & Recreation	1,600	1,725	1,050	850	100	5,325
Engineering & Public Works	13,994	5,999	11,980	10,920	8,165	51,058
Economic Development	5,500	3,750	3,750	-	-	13,000
Building Upgrades through PBA	2,127	2,266	1,300	906	1,350	7,949
Schools	4,400	36,500	7,000	21,500	6,500	75,900
Energy Management Projects	225	71	71	45	54	466
Total – Approved Projects	\$ 38,534	\$ 73,082	\$ 27,701	\$ 38,421	\$ 16,746	\$ 194,484



Other Selected Initiatives

Sales and Hall Tax Audits: The County continued its initiative to study of sales and Hall taxes reported to the State by area businesses and individuals. As a result of the study, the County again received a one-time gain of about \$1 million from Sales and Hall Taxes incorrectly being credited to other jurisdictions. The County will continue to work with the State to ensure future taxes are appropriately credited to the County. Future benefits are not expected to be as great in this year, but the County is committed to ensure all its revenues are pursued appropriately.

LOCAL ECONOMIC CONDITION AND OUTLOOK



The County is the third most populated county in the State of Tennessee. Located in middle Eastern Tennessee at the head waters of the Tennessee River, it is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. As of the 2000 census, 382,032 citizens reside within the total land area of approximately 526 square miles that make up Knox County. Knoxville, the County seat, is about 50 miles west of the North Carolina state line.

The City of Knoxville's population in the 2000 census is 173,890 - it is the largest incorporated municipality in the County. The 2000 census also reports that Farragut, the only other municipality in the County, has a population of 17,720. Knoxville has a land area of approximately 93 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee.

Manufacturing and Commerce

Located in the northeastern portion of the State, the County, along with Anderson, Blount, Loudon, Sevier, and Union counties, is part of the Knoxville Metropolitan Statistical Area (MSA). Because of its central location in the eastern United States, the County metropolitan area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-third of the population of the United States. For many years the County has been known as one of the South's leading wholesale markets. Based on the 1998 census, there are more than 950 wholesale distribution houses, 1,980 retail establishments, and over 5,000 service industries, located in the County.

The area is the trade center for a 42-county region in East Tennessee, Kentucky, Virginia and North Carolina, which serves over two million people. It also is the cultural, tourist and professional center for this region.

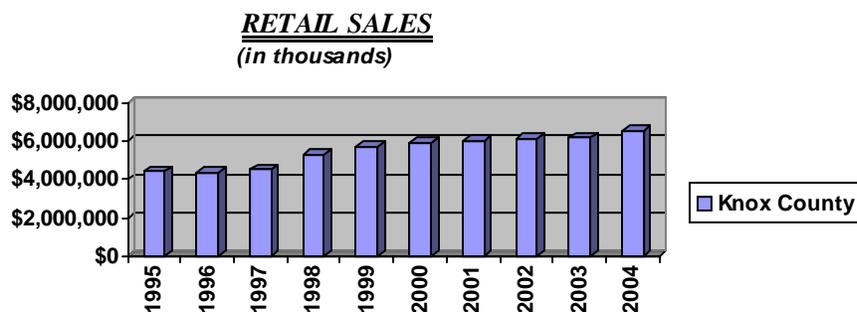
Manufacturing firms in the MSA produce everything from shoulder pads for professional football teams to medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts. Of the 889 manufacturing firms in the MSA, over half (476) are in Knox County.

Industrial Investment

The County's business park activity continues. So much so, that the County's five-year Capital Improvement Plan included significant investments in new land to meet the growing demand for land available for business location and expansion. With the Oak Ridge National Lab, the under construction Spallation Neutron Project, Tennessee Valley Authority Headquarters, the University of Tennessee so close, Knox County offers premiere location opportunities for hi-technology and precision manufacturing firms. The anchor of this park is the 80,000 square foot National Transportation Center, which opened in the late fall of 2000. The County continued to show its vibrancy with four new businesses adding at least 665 new jobs to our community. In the Knox County region, there were 9 new businesses and 86 expansions adding over 1,641 new jobs and \$566 million in new investments in 2002. Plans are underway to extend one of EastBridge's roads which, when complete, will open up an additional 300 acres of industrial property. The County now offers Westbridge, Eastbridge, Pellissippi Corporate Center, Center Point, I-640 Business Park and the Fairview Technology Center as ready for new business to come to Knox County as well as for our own to expand and grow. This is really an exciting time for Knox County's future!

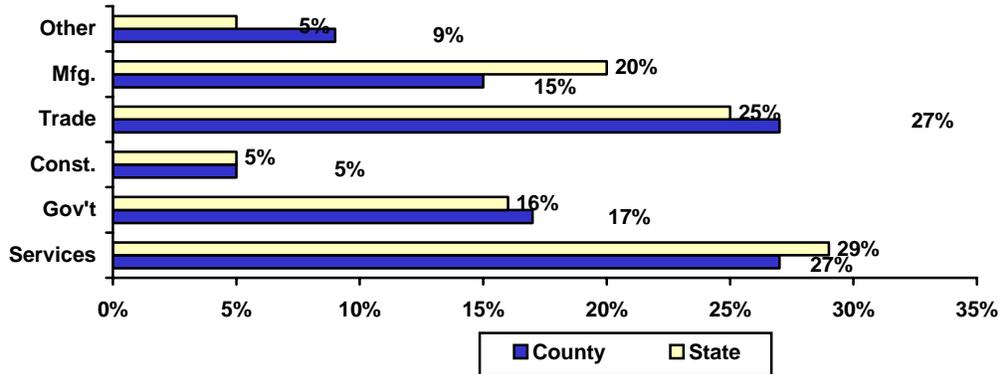
Commercial Development

Four regional shopping malls, six major chain department stores, and a number of shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Traditionally, Knox County accounts for more than 60% of the retail sales and economic activity of the MSA. Knox County continues as a regional economic leader. Retail sales grew at a rate of 5% between 2003 and 2004 as represented in the following graph:



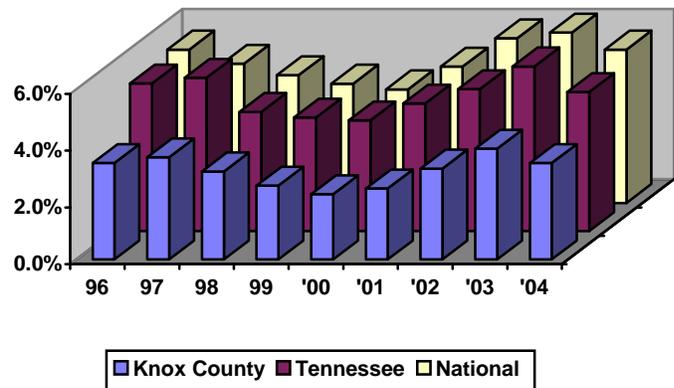
Employment Information

The diversification of the County's labor force has been credited as the primary contributor to the area's relatively low unemployment rate.

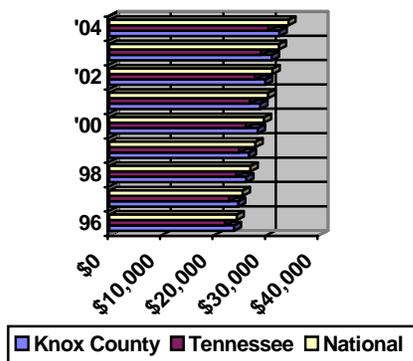


Low unemployment one indicator of economic activity, has been a hallmark of Knox County which has been ahead of the state and nation in this area. Even in the wake of the uncertainty of September 11, 2001, Knox County's economic strength was tested, and proved resilient. While we aren't enjoying previous growth, our strength continues. For 2004, the unemployment rates according to the US Bureau of Labor Statistics for the County, state and nation stood at 3.4%, 4.9% and 5.4%, respectively.

UNEMPLOYMENT DATA



PER CAPITA PERSONAL INCOME



Economic Data

Historically, due to the County's strong economic base and its status as a regional center commercial activity, the County's level of per capita income has exceeded the State level.

Tourism

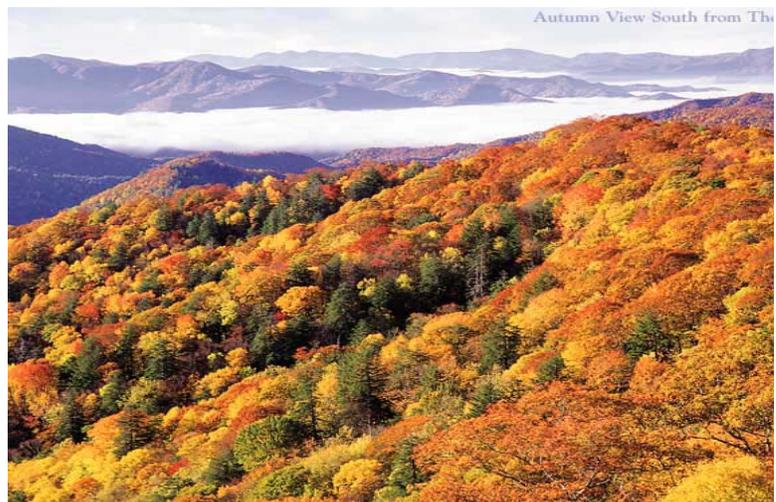


Although industry is frequently considered the core of an economic base, secondary and tertiary activities also make important contributions to economic development. The convention and tourism business contribute to the County's economic base by drawing income into the region -- resulting in employment and investment opportunities in tourist-related facilities.

Knoxville & Knox County - home of the University of the Tennessee Volunteers. Neyland Stadium - the second largest on-campus stadium in the country with accommodations for more than 108,000. Go Vols - 1998 National Champions

The influx of tourist dollars provides stimulus to economic activity in the area. Two major interstate highways, I-40 and I-75, flow through the County, and the southern end of I-81 terminates just outside the County. The interstate and highway systems put the County within a day's drive of more than 70 million people.

The County is the principal gateway to the Great Smoky Mountains National Park located approximately 40 miles to the southeast. The park, over 500,000 acres, extends over the States of Tennessee and North Carolina. Visitors numbered nearly ten million annually, ranking it as the most visited National Park in the United States.



Tourism (Continued)

Major attractions in the Smokies include Gatlinburg (approximately 40 miles southeast of the County), a tourist town in the mountains with overnight accommodations for over 60,000 people, and Pigeon Forge (approximately 20 miles southeast of the County), located at the foothills of the mountains with overnight accommodations for over 40,000 people. Numerous restaurants, gift and craft shops, along with a ski lodge, ski lifts and tramway, make Gatlinburg a year-round resort town. Pigeon Forge is known for being home to hundreds of retail outlets and Dollywood, a theme park developed by the country music singer, Dolly Parton.

FINANCIAL INFORMATION

Internal Controls

County management is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the County are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of the financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the County is responsible for adequate internal control structures in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management.

Budgetary Controls

In addition, the County maintains intensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget appropriated by the County Commission. Activities of the general fund, selected special revenue funds and the debt service fund are included in the budget. Project length budgets (as well as an annual budget for some projects) are adopted for the capital projects funds. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) for the County is at the major category level within divisions of departments. The major categories are: Personal Services, Employee Benefits, Contracted Services, Supplies and Materials, Other Charges, Debt Service and Capital Outlay.

As demonstrated in the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

Cash Management Policies and Practices

The County has a formal investment policy. Investment decisions are made by an investment committee in consultation with the Knox County Trustee. Investment options, policies, and practices defined in the policy, are based on the required liquidity of the available funds. Investments for operating needs, capital needs, and any surplus funds each have different levels of risk tolerance. Operating funds, whose primary objective is the preservation of principal, have the lowest level of risk tolerance and are therefore invested in highly liquid, low risk instruments. Capital funds, whose primary objective is the preservation of principal and sufficient liquidity to meet capital funding needs, are subject to some volatility in risk tolerance depending on when payment for projects is due. Surplus funds, whose primary objective is to provide income for future use, have the highest level of risk tolerance in order to obtain additional income. Regardless of the type of funds invested, all investments are made in accordance with state statutes.

It is the County's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, the County's and the Board's deposits were either insured by federal depository insurance or collateralized. The investments held by the County at June 30, 2006, excluding the portion invested in the State Treasurer's investment pool and investments of the Pension Trust funds, consisted of securities of the U.S. Government or its agencies.

Cash temporarily idle during the year was invested in an investment sweep account, certificates of deposit, and obligations of the U.S. Government, corporate bonds, and the State of Tennessee Local Government Investment Pool. The majority of interest earnings are transferred to the County's Debt Service fund to offset future debt service costs.

Pension Trust Operations/Employee Retirement Benefits

The employees of the County and the Board participate in a variety of retirement plans. The majority participate in a defined contribution plan (*County DC Plan*). Those not participating in the defined contribution plan participate in the County or the Board's respective defined benefit plans or the Tennessee Consolidated Retirement System. Both the County's and the Board's defined benefit plans are closed to new members. Participation in one of these plans for eligible employees is mandatory and a condition of employment. Employees are given the option to voluntarily participate in the new *Medical Retirement Plan* (a defined contribution plan).

The defined contribution plans offer participants a variety of investment options depending on their sensitivity to risk in their personal portfolio. Plan benefits depend solely on amounts contributed to the respective plans plus investment earnings. The County determined for financial reporting purposes, since it acts as the administrator of these plans and maintains considerable fiduciary responsibility for these plans, the activities of the defined contribution plans should be reported as pension trust funds. The operations of the defined contribution plans are recorded as pension trust funds in the County's reporting entity. The County has taken action to increase yields and decrease fees and risk in the defined benefit plan. As of this report date, the County is well positioned to meet the requirements of the plan.

Risk Management

The County has a comprehensive risk management and self-insurance program for all areas of risk management including claims for employee health insurance, worker's compensation insurance and other claims and judgments against the County. The county has accounted for these activities in two internal service funds where resources are accumulated to meet potential losses. As part of the overall risk management strategy, during this fiscal year, the County developed and implemented discounts for employee health insurance for wellness initiatives and for Tobacco cessation. These efforts and others position the County to better address the complex healthcare market while maintaining competitive benefits for employees. An analysis of these types of claims over the years has enabled the County to implement specific safety measures to reduce the risk of loss.

OTHER INFORMATION

Independent Audit

The Knox County Charter limits the contract with an audit firm to four years. Through a competitive proposal process, the County selected the accounting firm of Rodefer Moss, LLP, to perform the annual audit by independent certified public accountants as required by Tennessee state law. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the federal Single Audit Act of 1984 and the related U.S. Office of Management and Budget Circular A-133. We have complied with the requirements and the independent auditor's report is included in this document.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Knox County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government 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.

A Certificate of Achievement is valid for a period of one year only. We believe that our present report continues to meet the program's requirements and we are submitting it to the GFOA to determine eligibility for another certificate.

The County also received, for the eighth consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2005 Annual Operating Budget. In qualifying for the award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgments

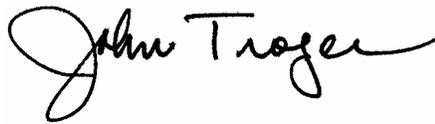
The preparation of the CAFR was made possible by the dedicated service of the Department of Finance. Those involved have our sincere appreciation for the individual and collective contributions made in the preparation of the report. It is especially important to recognize the additional efforts required to meet an extremely aggressive reporting schedule. The efforts of Ann Acuff, Jack Blackburn, Chris Caldwell, Jeff Clark, Dora Compton, Susan Corlew, Patti Galvan-Balzer, Peter Lin, Jason Lay, David Skinner, Amanda Smart, John Troyer and Melanie Wilck all went above and beyond the call of duty to design and generate this report. Thank you very much for your professional dedication in this effort. Thank you to the entire Department of Finance for your efforts to “get the job done well,” every day. You serve the citizens of Knox County very well.

Recognition and appreciation are also extended to the County Commission and the Board of Education for their continued dedication in planning and conducting the operations of the County and the Board in a financially responsible and progressive manner.

Sincerely,

A handwritten signature in black ink, appearing to be "John J. Werner II". The signature is highly stylized and somewhat illegible due to its cursive nature.

John J. Werner II
Senior Director of Finance

A handwritten signature in black ink, appearing to be "John M. Troyer". The signature is written in a clear, cursive style.

John M. Troyer, CPA
Comptroller, Deputy Director of Finance

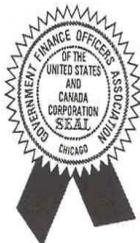
Certificate of Achievement for Excellence in Financial Reporting

Presented to

Knox County,
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



Carla E. Perry

President

Jeffrey R. Emmer

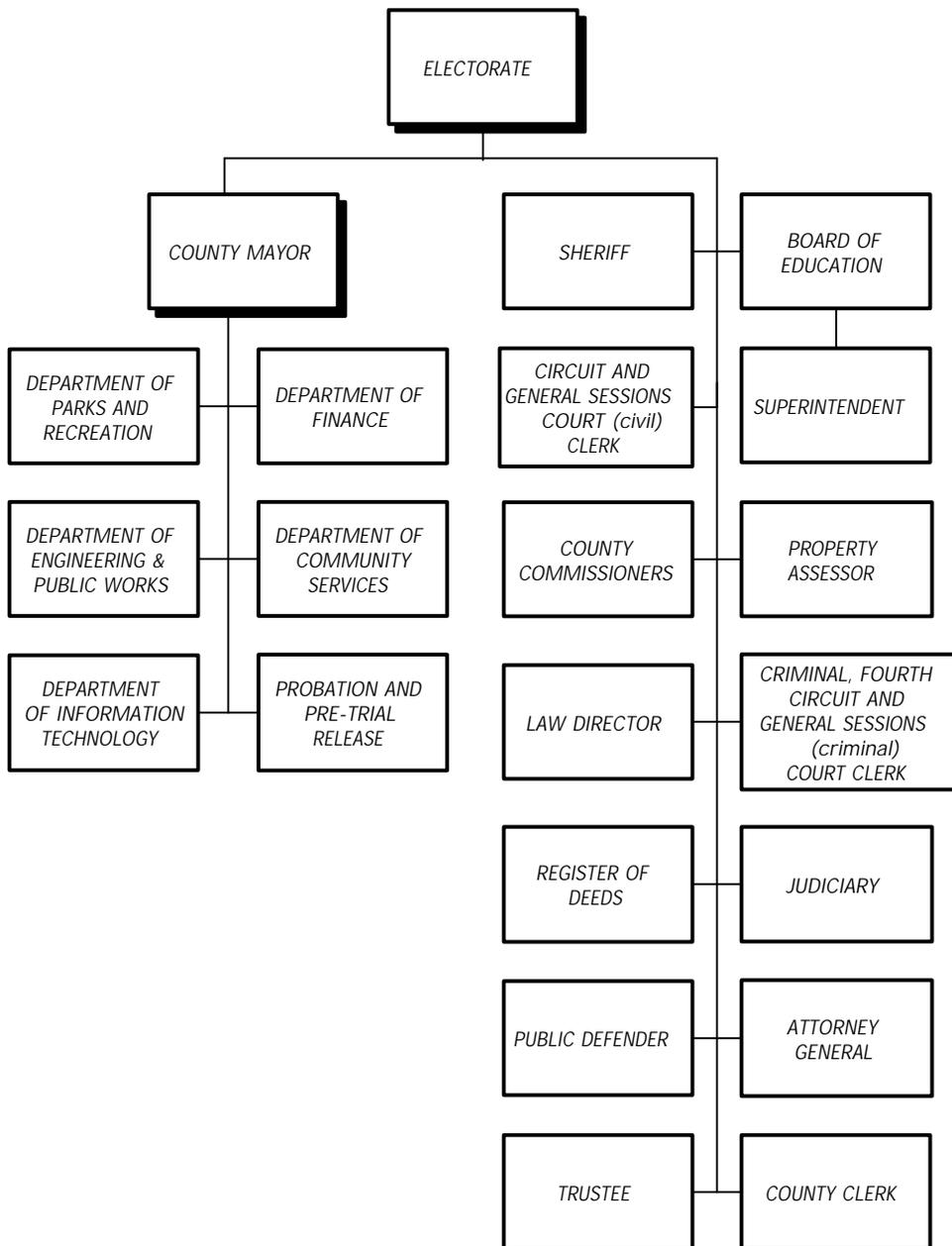
Executive Director

Knox County, Tennessee
 Roster of Publicly Elected Officials
 June 30, 2006



Knox County

Assessor of Property - John R. Whitehead
 Attorney General - Randall Nichols
 Circuit and General Sessions (civil) Court - Cathy Quist
 County Clerk - Wm Mike Padgett
 County Mayor - Michael R. Ragsdale
 Criminal, 4th Circuit & General Sessions (criminal) - Martha Phillips
 Law Director - Michael W. Moyers
 Public Defender - Mark Stephens
 Register of Deeds - Steve Hall
 Sheriff - Tim Hutchison
 Trustee - Mike Lowe



Board of Commissioners:

Mike Hammond	Craig Leuthold
Mark Cawood	Mike McMillan
Larry Clark	John Mills
David Collins	Scott Moore
John Griess	Wanda Moody
Phil Guthe	Paul Pinkston
Ivan Harmon	John Schmid
Mary Lou Horner	Larry Stephens
Diane Jordan	Thomas Strickland
	Billy J. Tindell

Board of Education:

Robert Bratton	Charles James
Sam Anderson	Cynthia Buttry
Diane Dozier	Karen Carson
Indya Kincannon	Daniel P. Murphy
	Jim Williams

Report of Independent Auditors

1729 Midpark Road
Suite C-200
Knoxville, TN 37921

865-583-0091 phone
865-583-0560 fax

www.rodefermoss.com

County Mayor and the County Commissioners of
Knox County, Tennessee

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Knox County, Tennessee ("County"), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. Our responsibility is to express an opinion on these financial statements based on our audit.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended, in conformity with accounting principles generally accepted in the United States of America.

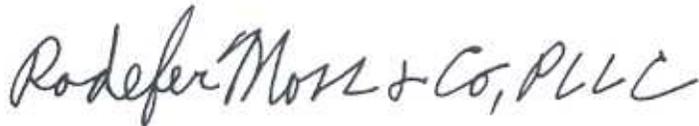
In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. 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 the 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the other required supplementary information on pages 3-16 and 91 through 94, respectively, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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 the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, miscellaneous schedules, and the tables in the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory or statistical sections of this report and, accordingly, we express no opinion on such data.

A handwritten signature in cursive script that reads "Rodefer Moss & Co, PLLC".

Knoxville, Tennessee
December 8, 2006

Management's Discussion and Analysis

As management of the Knox County Government, we offer readers of the Knox County Government's financial statements this narrative overview and analysis of the financial activities of the Knox County Government for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-xix of this report. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the Knox County Primary Government Total Governmental Activities exceeded its liabilities at the close of the most recent fiscal year by \$230,071,652 (net assets), which compares to \$305,049,761 in 2005. The assets of the Knox County Government Total Reporting Unit exceeded its liabilities at the close of the most recent fiscal year by \$595,233,479 (net assets), which compares to \$600,466,308 in 2005. However, most of the County's net assets is invested in capital assets, which will be used in the County's on-going operations. Conversely, the unrestricted net assets amounts of \$204,425,615 deficit and \$122,909,779 surplus for the Primary Government and Total Reporting Unit, respectively, represent amounts that will be needed to meet the government's obligations to citizens and creditors and will be financed with future tax revenues. This is compared to prior year amounts of \$150,361,587 deficit and \$111,387,520 surplus respectively.
- Of the Primary Government's \$230,071,652 (net assets), \$365,746,349 was invested in Capital Assets (net of related debt), \$30,625,114 was restricted for Debt Service, and \$38,125,714 was restricted for Other Purposes. The difference of \$204,425,615 (unrestricted net assets) is reported as a deficit, as opposed to available funds that normally could be used to meet the government's ongoing obligations to citizens and creditors. The reported deficit comes from the process by which the County issues debt on behalf of the Knox County Board of Education. The County issues general obligation debt for the Board, the proceeds of which are used for School projects resulting in Board assets. The Board then makes debt service payments to the County from future budgets. Since the debt is issued in the County's legal name, the debt is reported as a liability of the Primary Government. The unrestricted net deficit demonstrates the expectation of the Board to fund its portion of the total debt in future years.
- The Primary Government's total net assets decreased by \$74,978,109 or 20.0 % of the \$376,756,415 expenses of the Primary Government. This compares to the reported 2005 decrease of \$10,798,710, or 3.6% of 2005 expenses totaling \$297,329,542. The primary reason for the difference is the amount borrowed on behalf of, and remitted to, the Board of Education. In 2006, the amount was \$27.0 million while in 2005 it was \$24.8 million. Also, at the Mayor's suggestion, the County through its Primary Government paid for funding for the new Hardin Valley High School and for School Property/Plant upgrades (PPUs) totaling nearly \$45 million. These amounts are classified as expenses in the Primary Government operations. Also, the County made

a one-time expenditure from fund balance toward a Technology Park. Without those payments, the Primary Government would have reported a surplus in both years. The Total Reporting Unit's total net assets decreased by \$5,232,829 or 0.7 % of 2006 expenses of \$788,869,819. This compares to the 2005 decrease of \$1,086,556, or 0.2% of 2005 expenses totaling \$699,833,783. These amounts include charges for depreciation. Included in the government-wide expenses is depreciation expense of \$22.0 million and \$9.0 million for the County (excluding Internal Service Funds) and Board of Education respectively. Without depreciation expense, the Total Reporting Unit would have reported a net surplus of \$ 25.8 million or 3.3 % of total expenses. These results closely match the combined net \$24.9 million increase in the Capital Projects funds (\$21.3 deficit for the Public Improvements Fund in the Primary Government and \$46.3 million increase in the School Construction Capital Projects Fund). This increase is temporary. As the County builds the new high school and other projects in the Capital Improvements Plan -- the funds temporarily built up will be spent. The individual funds are budgeted to "break even" prior to depreciation expense. These results demonstrate how closely matched revenues and expenses were -- as the County managed its Budget very well again this year. Cost saving measures enabled the County to receive some one-time savings from operations. The County again continued its long record of operating within the approved budget.

- As of the close of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$109,741,445 a decrease of \$20,920,367 in comparison with the prior year balances of \$130,661,812. The decrease is primarily attributable to the planned spend-down of bond funds for capital projects (\$21,366,531) and a planned decrease in Debt Service Fund Balance (\$4,589,759). Of this total amount, \$89,622,045 (82%) is available for spending at the government's discretion (unreserved fund balance). This compares to the total unreserved fund balance of \$98,102,339 (75%) for the prior year. Again, of the decrease \$21.3 million was due to the planned spend-down of capital funds in accordance with the County's Capital Improvement Plan.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$49,774,563 or 38% of total General Fund expenditures of \$131,463,280 compared to \$40,799,145, or 32% of last year's spending of \$127,494,463. This demonstrates the County's continued fiscal discipline and positions the County well to meet unexpected emergencies, temporary cash needs and other uncertainties our County faces in the normal course of everyday operations.
- The Knox County Government's total debt of bonds and notes increased by \$55,629,532 (11.6 percent) during the current fiscal year. The key factors in this increase were: 1) The issuance of \$77 million in Loan Agreements to fund Capital Projects in accordance with the County's Five-Year Capital Improvements Plan, 2) Principal paid of \$21.3 million. After year-end, the County plans to issue \$39 million in "new money" to fund the Capital Plan for this fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Knox County Government's basic financial statements. The Knox County Government's basic financial

statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Knox County Government's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Knox County Government's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Knox County Government is either improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal 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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Knox County Government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Knox County Government include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. Knox County Government reports no business type activities.

The government-wide financial statements include the Knox County Government itself (known as the *primary government*), and legally separate entities for which Knox County Government is financially accountable (component units): school district – the Board of Education (The Board), a legally separate Emergency Communications District, and the Knox County Railroad Authority for which the Knox County Government is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Emergency Communications District issues separate financial statements. The School Board and the Railroad Authority do not issue separate financial statements. The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Knox County Government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Knox County Government can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The Knox County Government maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Constitutional Officers Special Revenue Fund, Capital Projects Public Improvement Fund and the Debt Service Fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Knox County Government adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund for information in the Required Supplemental Information section of the report. For a more detailed demonstration of budgetary compliance, the County also issues a separate Budget Report to the Citizenry, which is available at the County Finance Office.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary funds. There are two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Knox County Government does not use enterprise funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Knox County Government's various functions. Knox County Government uses internal service funds to account for its fleet service operations, for its mailroom, its employee benefits, its retirement office operations, its self-insurance activities, its central maintenance operations, its technical support operations, and its fleet capital leasing activities. Because these services benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The eight internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Knox County Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 26 and 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-87 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Knox County Government's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 90-93 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 108-138. Combining and individual fund statements for internal service funds can be found on pages 139-157 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The Total Reporting Unit assets exceeded liabilities by \$595,233,479 at the close of the most recent fiscal year, which compares to \$600,466,308 from last year. The Primary Government's net assets were \$230,071,652 which compares to last year's net assets of \$305,049,761. This is in line with the County's expectations.

Knox County, Tennessee
Net Assets - Primary Government -- Governmental Activities

	June 30,	
	2006	2005
Current and Other Assets	\$ 318,976,749	\$ 290,724,853
Capital Assets	654,899,412	653,170,140
Total Assets	973,876,161	943,894,993
Long-term Liabilities Outstanding	517,027,387	464,849,062
Other Liabilities	226,777,122	173,996,170
Total Liabilities	743,804,509	638,845,232
Net Assets:		
Invested in Capital Assets, net of Related Debt	365,746,439	395,113,478
Restricted	68,750,828	60,297,870
Unrestricted (Deficit)	(204,425,615)	(150,361,587)
Total Net Assets	\$ 230,071,652	\$ 305,049,761

By far the largest portion of the Knox County Government's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Knox County Government uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Knox County Government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

KNOX COUNTY GOVERNMENT'S Net Assets

An additional portion of the Knox County Primary Government's net assets represents resources that are subject to external restriction on how they may be used. These include restricted for Debt Service \$30,625,114 (last year \$35,214,873) Capital Projects \$36,545,814 (last year \$22,846,925) and Other Purposes \$1,579,900 (last year \$2,236,072). The remaining balance of *unrestricted net assets* deficit of \$204,425,615 which compares to the prior year deficit of \$150,361,587, would normally be available to be used to meet the government's ongoing obligations to citizens and creditors. The decline of \$74,978,109 was nearly identical with the planned payments to the Board of

\$74,382,250. Excluding those payments, combined with the one-time draw down of \$5.0 million of the Debt Service Fund for one-time purposes, the County would have reported a small surplus for Fiscal 2006. This is how the County intended its Budget to work. The primary reason for the deficit balance is due to the County's recognition of long-term debt that will be funded through tax collections in future years. This helps to match the benefits of a long-term asset with the constituency who pays for it. The County issues debt for the Knox County Board of Education. As the Board and the County Commission identify school capital needs that require funding from bonds (through the long-term capital planning process), the County issues those bonds on behalf of the School Board. Repayment of the bonds is funded through the School operating budget each year. Since the County is the legal entity issuing the bonds, the bonds are considered a liability of the County, while the associated capital assets are reported with the Knox County Board of Education. The payments of the debt related to the bonds issued on behalf of the School Board are made from the Board's budgeted funding each year. At June 30, 2006, the amount of bonds and notes issued by the County on behalf of the School Board still outstanding was \$248,346,448 (excluding unamortized premium) compared to prior year of \$231,051,311. If this liability were shown with the Board's amounts to match the capital assets, the County would have had positive unrestricted net assets.

At the end of the current fiscal year, the Knox County Government is able to report positive balances in all three categories of Total net assets -- for the Total Reporting Unit, for the Primary Government and for its separate component units. The same situation held true for the prior fiscal year. The Total Reporting Unit's net assets decreased by only \$5,232,829 during the current fiscal year (\$1,086,556 reported last year). These activities include a \$5 million contribution toward a technology park in Blount County -- which will benefit the County for years to come. These activities also include \$31.0 million for depreciation (\$22.0 million in Primary Governmental Activities and \$9.0 million related to the School Board's operations). The County finished very much in line with expectations. Depreciation is a non-cash expense that has not traditionally been considered at the individual fund level. These amounts again demonstrate the County's strong local economy combined with its ability and willingness to live within it means.

Governmental activities. Governmental activities decreased the Knox County Government's net assets by \$74,978,109. Included in this amount is a payment of \$71,812,250 to the Component Unit School Board and \$2,570,000 to the Great Schools Partnership for a total of \$74,382,250 and a \$5 million investment in a Technology Park Partnership with Blount County, the City of Alcoa and the City of Maryville. \$27.0 million in Bond proceeds to the School Board for funds borrowed on the Board's behalf -- which the Board will repay as the payments come due. Excluding those payments, governmental activities increased net assets by \$4,404,141. This compares favorably with the prior year's \$10,798,710 decrease (\$14,045,990 increase without the Bond Proceeds transfer). This net effect included a \$44,994,500 transfer to the School Board for capital projects including the new Hardin Valley High School and PPU improvements. School Capital Projects increased \$46,263,903 primarily from the transfers from the County and from the \$27 million in Bond Proceeds borrowed on behalf of the Board. This increase is temporary. As the projects proceed, the funds will decline. The Knox County School Board activity increased the County's total net assets by \$69,474,176. This increase is

primarily due to the transfers from the County. Combined with the Primary Government's \$74,978,109 decline, virtually matches the decline in net assets for the Total Reporting Unit of \$5,232,829 million. This amount includes a \$5.0 million planned draw down of Debt Service Fund Balance for one-time spending for the Technology Park. The Total Reporting Unit recorded a deficit of \$5,232,829 which is 0.7 % of Total Expenses of \$788,869,819. Without the Technology initiative, the amount goes down to \$232,829 or 0.02% and this includes depreciation of \$31 million. The County's intent at the start of the year was to "break even" before depreciation. These results confirm the County has again demonstrated its financial discipline in another successful year.

KNOX COUNTY GOVERNMENT'S Changes in Net Assets

- The County Property Tax Rate was reduced to \$2.69 from \$2.96 to compensate for the overall increase in property values from the scheduled reappraisal process. This is another indication of the County's commitment to fiscal conservatism.

	Primary Government	
	2006	2005
Revenues		
Charges for Services	\$ 91,190,989	\$ 87,392,233
Operating Grants and Contributions	23,799,473	22,760,584
General Revenues:		
Taxes	151,657,741	148,304,033
Interest Income	7,142,137	2,756,903
Other Revenues	27,521,207	25,009,725
Contracts with Governments and Citizens	466,759	307,354
Total Revenues	<u>\$ 301,778,306</u>	<u>\$ 286,530,832</u>
Expenses:		
Finance and Administration	\$ 37,137,558	\$ 36,027,013
Administration of Justice	16,568,869	13,701,681
Public Safety	61,934,468	59,658,807
Public Health and Welfare	43,987,299	38,931,249
Social and Cultural Services	19,562,356	16,592,017
Other General Government	75,061,162	64,599,046
Highways	24,718,942	21,570,330
Debt Service	23,403,511	21,404,699
Education Payment to Component Unit	74,382,250	24,844,700
Total Expenses	<u>\$ 376,756,415</u>	<u>\$ 297,329,542</u>
Change in Net Assets	\$ (74,978,109)	\$ (10,798,710)
Net Assets - July 1	<u>305,049,761</u>	<u>315,848,471</u>
Net Assets - June 30	<u>\$ 230,071,652</u>	<u>\$ 305,049,761</u>

Once again, Education was the largest single activity by far for the fiscal year. With the County's contributions toward the Schools -- \$27 million borrowed on their behalf, \$40 million toward the Hardin Valley High School and \$5 million toward PPU upgrades and

\$2.57 toward the Great Schools Partnership, the change in net assets for this year virtually matched the County's special contributions to the Schools. Public Safety has been a focus of the Mayor – especially increasing the pay of patrol officers. Other increases in expenses closely paralleled inflation and growth in the demand for services.

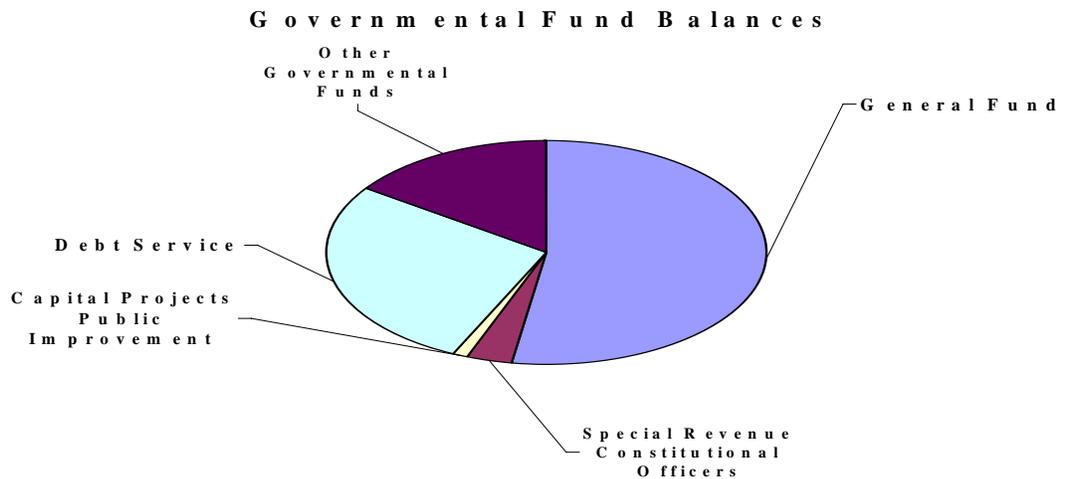
Knox County's Total Reporting Unit -- Governmental Activities

	<u>2006</u>	<u>2005</u>
Finance and Administration	\$ 37,137,558	\$ 36,027,013
Administration of Justice	16,568,869	13,701,681
Public Safety	61,934,468	59,658,807
Public Health and Welfare	43,987,299	38,931,249
Social and Cultural Services	19,562,356	16,592,017
Other General Government	75,138,971	64,662,864
Highways	24,718,942	21,570,330
Debt Service	23,403,511	21,404,699
Education	479,949,841	420,136,670
Emergency Communications	6,468,004	7,148,453
Total	<u>\$ 788,869,819</u>	<u>\$ 699,833,783</u>

Financial Analysis of the Government's Funds

As noted earlier, the Knox County Government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Knox County Government's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Knox County Government's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year and to help ensure future stability of governmental operations.



As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$109,741,445 a decrease of \$20,920,367 in comparison with the prior year of \$130,661,812. This planned decrease was primarily related to the temporary build-up of bond proceeds in the Capital Projects Public Improvement Fund. The net change in fund balances for this fund was a decrease of \$21,366,531. The Special Revenue, Constitutional Officers, the Debt Service Fund, the General Fund, and Other Governmental Funds demonstrate another successful financial year. The unreserved, undesignated portion is available for use in the County's discretion. The Capital Projects Public Improvement Fund will continue to be spent down in 2006-07 to continue the County's Five-Year Capital Improvements Plan. The fund balances are for: 1) to liquidate contracts and purchase orders of the prior period and specially reserved items (\$20,119,400), 2) to be used for specific designated items (\$13,369,692), 3) to be used in conjunction with special revenue purposes (\$11,688,920), or 4) capital projects (\$3,469,023) or 5) Debt Service \$24,116,469. All of these amounts are in line with the County's expectations and intentions. The County continues to show its financial strength and stability.

The General Fund is the chief operating fund of the Knox County Government. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$39,408,516 compared to \$36,751,230 last year, while total fund balance finished with a temporary increase up to \$57,598,542 to last year's \$48,734,076. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 30.0% of total General Fund expenditures which compares to 28.8% last year, while total fund balance represents 43.8% of that same amount compared to 38.2% last year. These amounts indicate that the County maintained the strong relationship between the Fund Balances and the size of its Budget and is continuing to hold steady in its financial stability and improve in its flexibility.

The total fund balance of the County's General Fund increased by \$8,864,466 during 2006 – compared to last year's \$468,791 increase, and the undesignated portion grew \$2,657,286 compared to \$1,649,578 last year -- continuing the County's positive trend. Key factors in the positive outcomes for the General Fund are as follows:

- Revenues exceeded Budget in eight of ten categories for a net of \$7,775,121 or 5.6% above Budget. This shows how strong the County's economy continues to grow and how the County is budgeting revenues with a conservative posture. Local Revenues exceeded Budget by \$4,247,699 which includes Property and Sales Taxes (among others). Some of the positive results were due to one-time collections – for instance the County's continuing work to ensure County taxes are correctly remitted from the State and for extra effort in collecting back taxes. Some of the positive results are due to the continuing growth in the County's economy. Total Revenues exceeded Budget by \$ 7,775,121 or 5.6 %.
- The General Fund Reserved Fund Balances declined \$110,952 to \$7,823,979 while Designated Fund Balances increased \$6,318,132. This increase was primarily due to the County's Designating the General Fund savings toward the County's five year Capital Plan. This is a temporary increase as the savings will be applied to the Capital Plan in fiscal 2007. This is normal and expected as the County budgets for

“break even” and some budgeted funds are unspent/ uncommitted each year. The General Fund Undesignated Fund Balance – the most clear measure of the County’s financial stability and flexibility – increased \$2,657,286 to \$39,408,516.

- The General Fund departments, in their normal conservative pattern, showed their fiscal responsibility by turning back unspent budget of \$6,876,685 (5.0 % of allowed budget of \$138,339,965) for the fiscal year (\$4,457,990 or 3.4% last year’s budget of 131,952,453).
- As intended, the County was able to fund a designated payment of \$6.9 million to the five-year Capital Plan through the conservative budgeting and spending patterns of the County General Fund. This properly matches one-time savings with one-time spending. This practice also allowed the County to help keep debt levels moderate, while responsibly implementing needed capital improvements. The \$6.9 million is shown in the designated fund balance of the General Fund, and will be shown as a transfer to the Capital Improvements Fund in the 2006-07 Budget.

The Debt Service Fund has a total fund balance of \$30,625,114 which compares to \$35,214,873 last year. The undesignated portion totaled \$24,116,469 and \$28,906,228 in 2006 and 2005 respectively. The net decrease in fund balance during the current year was \$4,589,759 compared to an increase of \$2,581,699 last year. The undesignated portion of the Debt Service Fund decreased \$4,789,759 compared to an increase of \$881,699 last year. The decrease is due to a \$5,000,000 economic development initiative to build a technology park in partnership with Blount County, the City of Maryville and the City of Alcoa. The County experienced savings from variable rate debt from conservative budgeting. The County plans to continue its conservative financial planning.

Proprietary funds. The Knox County Government’s proprietary fund statements provide underlying detail information included in the government-wide financial statements.

Unrestricted net assets of the Internal Service Funds at the end of the year amounted to \$5,351,604 compared to \$3,223,106 at the end of 2005. The increase in the balance of \$2,128,197 was primarily due to the \$1,791,421 increase in the Self Insurance Fund – which are related to the County’s total risk management efforts. The Internal Service Funds are used to accumulate and distribute costs as a planning tool, and are expected to break even over the long run. The total change in net assets for all Internal Service Funds was a \$1,986,563 increase – which was less than 4.0 % of the total Charges for Services. The increase was primarily due to risk management efforts in the workers’ compensation and general liability areas.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were within the normal course of County business and totaled a net \$1,998,265 increase in net budgeted spending. Included in the increases were carryover appropriations for projects not completed during the previous fiscal year, appropriations for close-out of the fiscal year and several one-time projects from one-time funding sources.

The County continued to show the results of conservative budgeting and careful stewardship of approved spending. These qualities were again demonstrated by positive

actual results, including revenues exceeded amended budgetary estimates by \$7,775,121 and expenditures were less than budgetary provisions by \$6,876,685. The overall General Fund Balance increased by \$8,864,446. Because much of the increase was one-time savings and designated to the County's five year Capital Plan, the Undesignated portion of the County's General Fund Balance increased by \$2,657,286 (or 1.9% of allowed expenditures) to \$39,408,516. The County's intended to break even for fiscal 2006, and this increase reflects a stronger than expected economy.

Capital Asset and Debt Administration

Capital assets. The Knox County Government Total Reporting Unit investment in capital assets (net of accumulated depreciation) for its governmental activities as of June 30, 2006, amounts to \$927,998,778 which compares to the prior year total of \$914,422,172. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the Knox County Government's investment in capital assets for the current fiscal year was a net \$13,576,616 or 1.5 percent, most of which relates to spending within the County's Five-Year Capital Plan.

Spending for major capital asset events during the current fiscal year included the following: The new Sports Complex park, new branch libraries in Burlington and Fountain City, Holston Middle School, West High Cafeteria/Library expansion and many road projects to name a few.

The County Primary Government's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$861,751,070 net of accumulated depreciation of \$206,851,658 leaving a resulting net book value of \$654,899,412. The prior year net book value totaled \$649,948,982, an increase of \$4,950,430 due to acquisition of capital assets in excess of current year depreciation and retirements. This investment in capital assets includes land and land improvements, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the County, such as roads and streets, bridges, sidewalks, lighting systems, and similar items.

Additional information on the Knox County Government's capital assets can be found in note III.C on pages 47-8 of this report and pages 173-5.

Long-term debt. At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$534,497,803 compared to \$478,868,271 at the end of 2005. All of this amount consisted of debt backed by the full faith and credit of the County government. \$248,346,448 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remainder (\$286,151,355) of the Knox County Government's debt represents bonds issued solely for general government purposes. In Fiscal 2006, the County issued \$77 million to fund the current year Capital Improvement Plan. Of these proceeds, \$50.0 million were for General County projects, while \$27.0 million were dedicated to the School Board. For comparison purposes, at the

end of FY 2005, the County had \$247,816,960 in direct debt and \$231,051,311 in debt issued on behalf of the Knox County Schools.

KNOX COUNTY GOVERNMENT’S Bonded Debt Changes during FY 2006:

Rollforward of Debt:	Primary Government	Board	Total
Beginning Balance	\$ 247,816,960	\$ 231,051,311	\$ 478,868,271
Principal Paid	(11,665,605)	(9,704,863)	(21,370,468)
Issued Amounts	50,000,000	27,000,000	77,000,000
Ending Amount – Bonds	<u>\$ 286,151,355</u>	<u>\$ 248,346,448</u>	<u>\$ 534,497,803</u>

The Knox County Government’s total bonded debt increased by \$55,629,532 (11.6 percent) during the current fiscal year. The key factors in this increase were the issuance of the fiscal 2006 (Calendar year 2005) bonds of \$77 million to fund new capital spending in accordance with the County’s five year Capital Plan. After year-end, the County plans to issue an additional \$39 million in new funding in fiscal 2007 to fund the first year of the County’s five-year Capital Plan.

The Knox County Government maintains a “AA” rating from Standard & Poor’s and a “Aa2” rating from Moody’s for general obligation debt. Concurrent with the issuance of the County’s debt, both rating agencies confirmed their ratings for the County. This continued confidence from the rating agencies confirms the County’s commitment to financial integrity, stability and strength.

States statutes set no limit for the amount of general obligation debt a governmental entity may issue. Current debt outstanding for the County Government is \$534,497,803. This translates to approximately \$1,398 per capita using the 2000 census population. This compares to \$1,253 per capita last year.

Additional information on the Knox County’s long-term debt can be found in the Notes to the Financial Statements of this report on pages 58-67.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the Knox County Government is currently 3.6% (4.3% YTD), which is a decrease from a rate of 3.9% percent a year earlier (3.9% YTD). This compares favorably to the state’s average rate of 5.7% percent currently and 5.4% last year, and the national averages of 5.1% and 5.5% respectively. Knox County has the lowest unemployment rate of Tennessee’s 6 Metropolitan Statistical Areas (MSA). This data was taken from the Tennessee Economic Overview, published by the University of Tennessee Center for Business and Economic Research and the TN Department of Labor and Workforce Development.

- Knox County has been leading the State in economic development and full employment for the past several years. While other areas have struggled with economic activity since the September 11, 2001 tragedy, our underlying economic basics continue to be sound, which is expected for Knox County. The new administration is committed to inspire economic activity with investments and jobs.
- The Knoxville leading index has sustained its positive year-over-year percent change indicating economic activity is at a higher level relative to last year. This is at a time when many areas and jurisdictions are experiencing a contraction in economic activity. Moderate growth is expected to continue in the near term, while the longer term has a much more positive outlook.

All of these factors were considered in preparing the Knox County Government's budget for the 2006 and 2007 fiscal years.

During the current fiscal year, unreserved, undesignated fund balance in the General Fund increased to \$39,408,516 from \$36,751,230. This increase is indicative of the County's ability and willingness to maintain financial stability. In addition, the County was able to set aside \$6 million in additional one-time savings, which was designated for one-time spending in the County's five-year Capital Plan. These items highlight conservative nature of County operations by spending less than is allowed through the adopted budget. Conservative revenue projections and conservative spending have long been strengths of Knox County's operations.

Requests for Information

This financial report is designed to provide a general overview of the Knox County Government's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Knox County Government
Department of Finance
Suite 630
City/County Building
400 Main Street
Knoxville, TN 37902

KNOX COUNTY, TENNESSEE

Statement of Net Assets

June 30, 2006

	Primary Government	Component Units			Total Reporting Unit
	Total -- Governmental Activities	Knox County Board of Education	Knox County Railroad Authority	Knox County Emergency Communications District	
Assets					
Cash and Cash Equivalents	\$ 132,705,488	\$ 65,027,721	\$ 9,752	\$ 5,032,449	\$ 202,775,410
Accounts Receivable	16,124,835	32,152,215	8,301	633,646	48,918,997
Property Taxes Receivable, net	124,473,445	104,673,813	-	-	229,147,258
Notes Receivable	14,278,897	-	-	-	14,278,897
Investments	12,132,359	-	-	-	12,132,359
Due from Component Units	55,503	-	-	-	55,503
Due from Primary Government	-	35,763,902	-	172,348	35,936,250
Due from Other Governments	165,266	-	-	2,520	167,786
Advances to Other Governments	2,500,000	-	-	-	2,500,000
Inventories	274,916	1,321,095	-	-	1,596,011
Prepaid Items	285,752	1,076,130	-	14,723	1,376,605
Pension Asset	3,844,188	-	-	-	3,844,188
Equity Interest in Joint Venture	5,106,361	-	-	-	5,106,361
Advances to Component Unit	4,172,250	-	-	-	4,172,250
Capital Assets:					
Land and Construction in Process	123,128,053	36,108,081	-	56,089	159,292,223
Other Capital Assets, Net of Accumulated Depreciation	531,771,359	227,504,533	-	9,430,673	768,706,565
Deferred Bond Issue Costs, Net of Accumulated Amortization	2,857,489	-	-	-	2,857,489
Total Assets	973,876,161	503,627,490	18,053	15,342,448	1,492,864,152
Liabilities					
Accounts Payable	14,539,592	41,376,361	8,158	224,611	56,148,722
Due to Component Units	35,936,250	-	-	-	35,936,250
Due to Primary Government	-	54,661	-	842	55,503
Unearned Revenue	137,087,369	98,245,676	-	58,895	235,391,940
Accrued Interest	4,048,581	-	-	-	4,048,581
Accrued Pension Obligation	-	3,356,406	-	-	3,356,406
Advances from Primary Government	-	-	-	4,172,250	4,172,250
Self-insurance Liability	7,340,510	-	-	-	7,340,510
Long-term Obligations:					
Due in Less than One Year	27,824,820	1,437,597	-	1,302,292	30,564,709
Due in More than One Year	517,027,387	159,733	-	3,428,682	520,615,802
Total Liabilities	743,804,509	144,630,434	8,158	9,187,572	897,630,673
Net Assets					
Invested in Capital Assets	-	263,612,614	-	-	263,612,614
Invested in Capital Assets, Net of Related Debt	365,746,439	-	-	6,080,686	123,480,677
Restricted for:					
Debt Service	30,625,114	-	-	-	30,625,114
Capital Projects	36,545,814	15,317,750	-	-	51,863,564
Other Purposes	1,579,900	1,161,831	-	-	2,741,731
Net Assets - Unrestricted	(204,425,615)	78,904,861	9,895	74,190	122,909,779
Total Net Assets	\$ 230,071,652	\$ 358,997,056	\$ 9,895	\$ 6,154,876	\$ 595,233,479

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		Total Reporting Unit	
					Governmental Activities	The Board	KCRA		The District
Primary government:									
Governmental activities:									
Finance and Administration	\$ 37,137,558	\$ 20,316,983	\$ 178,517	\$ -	\$ (16,642,058)			\$ (16,642,058)	
Finance and Administration-Payment to Component Unit	2,570,000	-	-	-	(2,570,000)			(2,570,000)	
Administration of Justice	16,568,869	11,071,804	733,247	-	(4,763,818)			(4,763,818)	
Public Safety	61,608,268	533,509	6,159,692	-	(54,915,067)			(54,915,067)	
Public Safety-Payment to Component Unit	326,200	-	-	-	(326,200)			(326,200)	
Public Health and Welfare	43,340,309	5,349,029	7,395,353	-	(30,595,927)			(30,595,927)	
Public Health and Welfare-Payment to Component Unit	646,990	-	-	-	(646,990)			(646,990)	
Social and Cultural Services	19,562,356	1,122,961	699,034	-	(17,740,361)			(17,740,361)	
Agricultural and Natural Resources	402,907	-	-	-	(402,907)			(402,907)	
Other General Government	74,658,255	52,743,662	2,684,793	-	(19,229,800)			(19,229,800)	
Highways	24,718,942	53,041	5,948,837	-	(18,717,064)			(18,717,064)	
Education - Payment to Component Unit	71,812,250	-	-	-	(71,812,250)			(71,812,250)	
Debt Service - Interest and Fees	23,403,511	-	-	-	(23,403,511)			(23,403,511)	
Total primary government	\$ 376,756,415	\$ 91,190,989	\$ 23,799,473	\$ -	(261,765,953)			(261,765,953)	
Component units:									
Board of Education	\$ 405,567,591	\$ 12,406,982	\$ 168,342,009	\$ -	\$ (224,818,600)	\$ -	\$ -	(224,818,600)	
Knox County Railroad Authority	77,809	-	77,760	-	-	(49)	-	(49)	
Knox County Emergency Communications District	6,468,004	3,739,653	-	131,471	-	-	(2,596,880)	(2,596,880)	
Total component units	\$ 412,113,404	\$ 16,146,635	\$ 168,419,769	\$ 131,471	(224,818,600)	(49)	(2,596,880)	(227,415,529)	
General Revenues:									
Property Taxes					117,697,785	96,753,338	-	-	214,451,123
Sales Taxes					9,626,296	118,690,397	-	-	128,316,693
Lodging Taxes					4,702,072	-	-	-	4,702,072
Business Taxes					5,864,308	-	-	-	5,864,308
Wheel Taxes					10,118,110	1,500,000	-	-	11,618,110
Other Local Taxes					3,649,170	1,139,144	-	-	4,788,314
Interest Income					7,142,137	1,827,647	-	175,703	9,145,487
Payments from Primary Government					-	74,382,250	-	973,190	75,355,440
Other Revenues					27,521,207	-	-	-	27,521,207
Other Governments and Citizens Groups					466,759	-	-	1,719,140	2,185,899
Total General Revenues					186,787,844	294,292,776	-	2,868,033	483,948,653
Change in Net Assets					(74,978,109)	69,474,176	(49)	271,153	(5,232,829)
Net Assets, July 1					305,049,761	289,522,880	9,944	5,883,723	600,466,308
Net Assets, June 30					\$ 230,071,652	\$ 358,997,056	\$ 9,895	\$ 6,154,876	\$ 595,233,479

KNOX COUNTY, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2006

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 31,800,753	\$ 3,818,871	\$ 36,393,533	\$ 28,937,525	\$ 17,080,776	\$ 118,031,458
Receivables:						
Accounts	6,884,766	-	118,934	-	8,965,210	15,968,910
Property Taxes	105,453,000	-	-	18,746,957	273,488	124,473,445
Notes	-	-	-	11,052,000	3,204,030	14,256,030
Investments	12,132,359	-	-	-	-	12,132,359
Due from Other Funds	6,846,889	-	5,000,000	-	-	11,846,889
Due from Component Units	55,503	-	-	-	-	55,503
Due from Other Governments	-	-	-	165,266	-	165,266
Advances to Other Governments	-	-	-	2,500,000	-	2,500,000
Inventories	152,219	-	-	-	7,670	159,889
Prepaid Items	282,756	-	-	-	-	282,756
Investment in Joint Venture	5,106,361	-	-	-	-	5,106,361
Advances to Other Funds	162,248	-	-	-	-	162,248
Advances to Component Unit	-	-	-	4,172,250	-	4,172,250
TOTAL ASSETS	\$ 168,876,854	\$ 3,818,871	\$ 41,512,467	\$ 65,573,998	\$ 29,531,174	\$ 309,313,364
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 5,910,505	\$ -	\$ 2,608,957	\$ 13,939	\$ 4,036,388	\$ 12,569,789
Due to Other Funds	-	34,754	2,103,842	5,000,000	4,661,987	11,800,583
Due to Component Units	-	-	35,763,902	172,348	-	35,936,250
Deferred Revenue	105,367,807	-	328	29,762,597	4,097,317	139,228,049
Advances from Other Funds	-	-	-	-	37,248	37,248
TOTAL LIABILITIES	111,278,312	34,754	40,477,029	34,948,884	12,832,940	199,571,919
Fund balances:						
Reserved	7,823,979	-	4,250,130	6,505,000	1,540,291	20,119,400
Unreserved:						
Designated	10,366,047	-	3,000,000	3,645	-	13,369,692
Undesignated	39,408,516	3,784,117	(6,214,692)	24,116,469	-	61,094,410
Unreserved, reported in nonmajor:						
Special Revenue	-	-	-	-	11,688,920	11,688,920
Capital Projects	-	-	-	-	3,469,023	3,469,023
TOTAL FUND BALANCES	57,598,542	3,784,117	1,035,438	30,625,114	16,698,234	109,741,445
TOTAL LIABILITIES AND FUND BALANCES	\$ 168,876,854	\$ 3,818,871	\$ 41,512,467	\$ 65,573,998	\$ 29,531,174	\$ 309,313,364

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets**

June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Ending Fund Balance - Governmental Funds \$ 109,741,445

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 651,820,189

Other long-term assets, consisting of deferred debt issuance costs (\$2,857,489) and pension asset (\$3,844,188), are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 6,701,677

Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 8,430,827

Long-term liabilities, including bonds payable and related unamortized premium, capital leases, compensated absences, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.

Bonds Payable	\$ 534,497,803	
Unamortized Bond Premium	16,593,645	
Unamortized Amount on Refunding	(10,734,538)	
Accrued Interest	4,048,581	
Compensated Absences	<u>4,381,093</u>	(548,786,584)

Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were deferred in the fund financial statements but have been recognized as revenues under the accrual basis. 2,164,098

Net Assets of Governmental Activities \$ 230,071,652

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the year ended June 30, 2006

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
Local Taxes	\$ 124,821,664	\$ -	\$ 186,615	\$ 19,013,756	\$ 12,053,244	\$ 156,075,279
Licenses and Permits	3,741,911	-	-	-	-	3,741,911
Fines, Forfeitures and Penalties	3,564,743	-	-	-	493,833	4,058,576
Charges for Current Services	5,543,369	22,191,925	-	-	860,509	28,595,803
Other Local Revenues	1,441,491	-	2,245,373	-	783,642	4,470,506
State of Tennessee	7,736,719	-	-	-	8,634,237	16,370,956
Federal Government	685,539	-	421,571	-	10,426,926	11,534,036
Other Governments and Citizen Groups	242,040	-	128,416	297,878	372,296	1,040,630
Payments from Component Units	-	-	-	21,649,922	-	21,649,922
Increase in Equity Interest in Joint Ventur	10,385	-	-	-	-	10,385
Interest Earned	-	166,893	112,335	6,866,131	-	7,145,359
Total Revenues	<u>147,787,861</u>	<u>22,358,818</u>	<u>3,094,310</u>	<u>47,827,687</u>	<u>33,624,687</u>	<u>254,693,363</u>
Expenditures						
Current:						
Finance and Administration	21,773,462	14,749,885	-	-	395,855	36,919,202
Finance and Administration - Payments to Component Unit	2,570,000	-	-	-	-	2,570,000
Administration of Justice	13,189,864	-	-	-	725,997	13,915,861
Public Safety	54,487,038	-	-	-	5,137,271	59,624,309
Public Safety - Payments to Component Unit	326,200	-	-	-	-	326,200
Public Health and Welfare	28,802,160	-	-	-	11,226,052	40,028,212
Public Health and Welfare - Payments to Component Unit	646,990	-	-	-	-	646,990
Social and Cultural Services	3,888,972	-	-	-	11,830,061	15,719,033
Agricultural and Natural Resources	402,907	-	-	-	-	402,907
Other General Government	5,375,687	-	-	-	6,314,987	11,690,674
Highways	-	-	-	-	12,887,045	12,887,045
Debt Proceeds Paid to Component Unit	-	-	27,000,000	-	-	27,000,000
Debt Issuance Costs	-	-	337,500	-	-	337,500
Payments to Component Unit	-	-	44,994,500	-	-	44,994,500
Capital Projects	-	-	37,366,642	-	229,511	37,596,153
Debt Service:						
Contracted Services	-	-	-	819,538	-	819,538
Trustee's Commission	-	-	-	410,745	-	410,745
Principal on Bonds	-	-	-	21,370,468	-	21,370,468
Interest on Bonds	-	-	-	23,704,393	-	23,704,393
Total expenditures	<u>131,463,280</u>	<u>14,749,885</u>	<u>109,698,642</u>	<u>46,305,144</u>	<u>48,746,779</u>	<u>350,963,730</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16,324,581</u>	<u>7,608,933</u>	<u>(106,604,332)</u>	<u>1,522,543</u>	<u>(15,122,092)</u>	<u>(96,270,367)</u>
Other financing sources (uses)						
Transfers from Other Funds	9,718,599	-	9,237,801	887,698	12,583,215	32,427,313
Transfers to Other Funds	(17,178,714)	(8,618,599)	(1,000,000)	(7,000,000)	(280,000)	(34,077,313)
Long-term Debt Issued	-	-	77,000,000	-	-	77,000,000
Total Other Financing Sources (Uses)	<u>(7,460,115)</u>	<u>(8,618,599)</u>	<u>85,237,801</u>	<u>(6,112,302)</u>	<u>12,303,215</u>	<u>75,350,000</u>
Net Change in Fund Balances	8,864,466	(1,009,666)	(21,366,531)	(4,589,759)	(2,818,877)	(20,920,367)
Fund Balance, July 1	48,734,076	4,793,783	22,401,969	35,214,873	19,517,111	130,661,812
Fund Balance, June 30	<u>\$ 57,598,542</u>	<u>\$ 3,784,117</u>	<u>\$ 1,035,438</u>	<u>\$ 30,625,114</u>	<u>\$ 16,698,234</u>	<u>\$ 109,741,445</u>

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities**

For the year ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds \$ (20,920,367)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$23,850,342) exceeded depreciation (\$21,979,135) in the current period. 1,871,207

Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements. 2,164,098

Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities. (6,581,636)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is reflected as an expenditure in the governmental funds, whereas the repayment reduces long-term liabilities in the statement of net assets. Bond proceeds (\$77,000,000) exceeded debt principal payments (\$21,370,468) by this amount. (55,629,532)

Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$1,204,797) and amortization of deferred debt issuance costs (\$187,630). In addition, the amortization of bond premium results in reduction of expenses of \$3,060,023. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 1,667,596

Bond issuance costs are expenditures of governmental funds, but are deferred assets in the statement of net assets. 519,750

Expenses reported in the statement of activities include the increase in the liability for accrued interest (\$136,431), and the decrease in net pension asset (\$32,766). In addition, the reduction of the balance of compensated absences results in the reduction of expenses of \$113,409. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (55,788)

Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The net revenue (expense) amounts of the internal service funds are reported with governmental activities. 1,986,563

Change in Net Assets of Governmental Activities \$ (74,978,109)

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Statement of Net Assets
Proprietary Funds
June 30, 2006**

	Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 14,674,030
Receivables:	
Accounts	155,925
Notes	22,867
Inventories	115,027
Prepaid Items	2,996
	<hr/>
TOTAL CURRENT ASSETS	14,970,845
	<hr/>
Capital Assets:	
Machinery and Equipment	11,535,252
Accumulated Depreciation	(8,456,029)
	<hr/>
Capital Assets (Net of Accumulated Depreciation)	3,079,223
	<hr/>
TOTAL ASSETS	18,050,068
	<hr/>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	1,969,803
Due to Other Funds	46,306
Deferred Revenue	23,418
Self Insured Claims Liability	7,340,510
Compensated Absences Payable	102,783
Advances from Other Funds	125,000
	<hr/>
TOTAL CURRENT LIABILITIES	9,607,820
	<hr/>
Noncurrent Liabilities:	
Compensated Absences Payable	11,421
	<hr/>
TOTAL LIABILITIES	9,619,241
	<hr/>
NET ASSETS	
Invested in Capital Assets	3,079,223
Unrestricted	5,351,604
	<hr/>
TOTAL NET ASSETS	\$ 8,430,827
	<hr/> <hr/>

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2006

	Internal Service Funds
Operating Revenues	
Charges for Services	\$ 50,330,755
Operating Expenses	
Cost of Sales and Services	2,463,069
General and Administration	6,753,146
Depreciation and Amortization	1,209,947
Medical Claims	16,633,924
Retirement Contributions	17,627,917
Other Employee Benefits	447,272
Worker's Compensation Claims	1,504,647
Other Expenses	4,525,996
Total Operating Expenses	51,165,918
Operating Loss	(835,163)
Nonoperating Revenues	
Payments from Component Units	553,136
Donations	2,250
Subrogation Payments	37,581
Miscellaneous Revenue	300
Loss on Disposal of Capital Assets	(2,528)
Gain on Disposal of Capital Assets	6,250
Total Nonoperating Revenues	596,989
Loss before Transfers	(238,174)
Transfers	
Transfers from Other Funds	2,224,737
Change in Net Assets	1,986,563
Total Net Assets, July 1	6,444,264
Total Net Assets, June 30	\$ 8,430,827

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

**Statement of Cash Flows
Proprietary Funds**

For the Year Ended June 30, 2006

	<u>Internal Service Funds</u>
Operating Activities	
Cash Received from Interfund Services Provided	\$ 51,733,160
Cash Paid to Employees	(1,296,116)
Cash Paid for Goods and Services	(13,020,613)
Cash Paid on Behalf of Employees	(35,193,820)
Net Cash Used in Operating Activities	<u>2,222,611</u>
Noncapital Financing Activities	
Receipts from Subrogation Payments	22,325
Transfers from Other Funds	2,224,737
Payments from Component Units	553,136
Donations	2,250
Other	300
Net Cash Provided by Noncapital Financing Activities	<u>2,802,748</u>
Capital and Related Financing Activities	
Insurance Recovery on Capital Assets	16,721
Acquisition and Construction of Capital Assets	(1,081,011)
Net Cash Used in Capital and Related Financing Activities	<u>(1,064,290)</u>
Net Increase in Cash and Cash Equivalents/Investments	3,961,069
Cash and Cash Equivalents/Investments Beginning of Year	<u>10,712,961</u>
End of Year	<u>\$ 14,674,030</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (835,163)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization	1,209,947
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	158,565
Decrease in Due from Other Funds	1,171,594
Decrease in Due from Component Units	603,932
Decrease in Inventories	473
Increase in Prepaid Items	6,061
Increase in Accounts Payable and Accrued Liabilities	778,238
Decrease in Due to Other Funds	(211,742)
Decrease in Due to Component Units	(132,827)
Increase in Compensated Absences	5,221
Decrease in Deferred Revenue	(531,688)
Total Adjustments	<u>3,057,774</u>
Net Cash Provided by Operating Activities	<u>\$ 2,222,611</u>

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 22,716,355
Receivables:		
Accounts	-	6,263,157
Contributions	27,964	-
Investments:		
Mutual Funds	<u>271,997,791</u>	<u>-</u>
TOTAL ASSETS	<u>272,025,755</u>	<u>\$ 28,979,512</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	107,194	\$ 8,242,666
Due to Other Governments	-	3,783,132
Deferred Revenue	-	38,446
Due to Litigants, Heirs and Others	<u>-</u>	<u>16,915,268</u>
TOTAL LIABILITIES	<u>107,194</u>	<u>\$ 28,979,512</u>
NET ASSETS		
Held in Trust for:		
Pension Benefits	<u>\$ 271,918,561</u>	

The Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2006

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 7,804,481
Employees	9,609,941
Transfers from Other Plans	88,427
Total Contributions	<u>17,502,849</u>
Investment Earnings:	
Interest and Dividend Income	1,848,708
Net Appreciation in Fair Value of Investments	20,999,867
Total Investment Earnings	<u>22,848,575</u>
Less Investment Expenses	<u>(206,035)</u>
Net Investment Earnings	<u>22,642,540</u>
Total Additions	<u>40,145,389</u>
Deductions	
Benefits and Refunds	15,740,233
Transfers to Other Funds (Administrative and Professional)	574,737
Transfers to Other Plans	206,202
Total Deductions	<u>16,521,172</u>
Change in Net Assets	23,624,217
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>248,294,344</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 271,918,561</u>

The Notes to Financial Statements are an integral part of this statement.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

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KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Knox County (the County), founded in 1792, is a political subdivision of the State of Tennessee. The County operates under a County Mayor – County Commission form of government pursuant to the Knox County Home Rule Charter (the Charter) established under Tennessee Code Annotated, Section 5-1-208, effective September 1, 1990. The County Mayor serves an elected term of four years. The nineteen County Commissioners serve four-year terms and are elected by district votes within the County. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its Component Units. The County is considered to be the primary government. Component Units are legally separate entities for which the County is considered to be financially accountable. These Component Units are discretely presented in separate columns in the government-wide financial statements to emphasize they are legally separate from the County.

Discretely Presented Major Component Units - the County

The **Knox County Board of Education** (the Board) consists of nine members elected by voters of the County and one superintendent appointed by members of the Board. The Board is fiscally dependent on the County because the County levies taxes for the Board, issues debt on behalf of the Board and approves the Board's Budget. The Board is responsible for elementary and secondary education within the County's jurisdiction. The Board operates a total of 86 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2005 - 2006 school year was 52,909 with a full time equivalent average daily attendance of 50,458. During the previous year, the full time equivalent average daily membership was 51,119 with a full time equivalent average daily attendance of 49,990.

The **Knox County Railroad Authority** (KCRA) was established by Knox County in April 1999, to provide for the continuation of rail service within the County. KCRA is governed by a two-member Board consisting of the County Mayor and a member selected by the County Commission. KCRA is fiscally dependent on the County for approval of all debt issuances.

The **Knox County Emergency Communications District** (the District) is an emergency response agency operating a consolidated public safety answering point service and emergency radio dispatch service for the residents of the County. The District is governed by an eleven-member Board of Directors, of whom the majority are appointed by the County. Debt issuances or lease agreements exceeding five years require County approval. The District has the authority to levy an emergency telephone service charge to be used to fund the emergency telephone service. The County, however, may reduce the levy provided the reduction does not preclude the District from the authorized activities established in the Tennessee Code Annotated.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Complete financial statements for the District may be obtained at the entity's administrative offices:

Knox County Emergency Communications District
605 Bernard Avenue
Knoxville, TN 37921

The Board and KCRA do not issue separate financial statements from those of the County. Fund financial statements for the Board are, therefore, included in these financial statements. The activities of KCRA are accounted for in a single fund, and the information presented in the government-wide financial statements also constitutes the fund financial statements.

Discretely Presented Major Component Unit - the Board

The Great Schools Partnership Charitable Trust (the Partnership) was established during the fiscal year ended June 30, 2005. Its purpose is to support the Knox County Schools by expending funds in furtherance of the exempt purposes of the Board or by distributions of funds directly to the Board. The Partnership is a legally separate, tax-exempt organization governed by a thirteen-member board consisting of representatives of the Board, Knox County, the City of Knoxville, and various other governmental, educational, and not-for-profit organizations. Although the Board does not control the timing or amount of expenditures made by the Partnership, the majority of the resources, or income therefrom, that the Partnership holds are restricted to the exempt purposes of the Board by the donors. Therefore, the Partnership is considered a component unit of the Board and is discretely presented in the Board's financial statements.

The Partnership does not issue separate financial statements. Its activities are accounted for in a single fund, and the information presented in the Board's financial statements also constitutes the fund financial statements.

B. Government-wide and Fund Financial Statements

The accompanying financial statements of the County have been prepared in conformity with accounting principles as generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and employ the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are "measurable and available". "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting, except for debt and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are considered susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the County are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Fund Accounting: The accounts of the County are organized, operated and presented on the basis of funds. Funds are independent fiscal and accounting entities with self-balancing sets of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The *Constitutional Officers Fund* accounts for activities associated with the administrative functions of the County's Constitutional Officers.

The *Public Improvement Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds, exclusive of construction activity related to the Americans with Disabilities Act.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Additionally, the County reports the following fund types:

Internal service funds account for operations of the County that provide services to other departments, agencies, other governments, component units, and joint ventures on a cost reimbursement basis.

Activities accounted for in the internal service funds include: (1) provision of gasoline and maintenance services for County vehicles, (2) operation of a central mailroom, (3) payment of employee medical and unemployment claims, (4) accounting for the County's retirement plan contributions, (5) accounting for the payment of workers' compensation and general liability claims, (6) provision of central maintenance for County buildings, (7) providing technical support for electronic data processing functions, and (8) providing leased vehicles and equipment to County departments.

Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Fiduciary funds include the following:

The *pension trust funds* are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The pension trust fund accounts for the assets of the County's defined benefit pension plan, defined contribution pension plan, and its defined contribution medical retirement plan. Plan member contributions are recognized in the period when contributions are due and payable in accordance with the terms of the plan. Employer contributions are recognized when due and the County makes a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Fiduciary funds also include agency funds used to account for the receipt and disbursement of funds held for various third parties. Agency funds include transactions related to (1) local sales taxes collected by the State of Tennessee and remitted to the County for distribution to other municipalities, (2) funds held on behalf of juvenile defendants, (3) funds held on behalf of subdivision developers pending completion of road and hydrology requirements, (4) cash held by the County on behalf of several external agencies and County joint ventures, and (5) funds held by various elected officials on behalf of state agencies and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governments also have the option of following subsequent private-sector guidance for their business-type activities subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Component Units

The Board of Education uses two major governmental funds (general fund and school construction capital projects), three nonmajor governmental (special revenue) funds, and fiduciary funds (pension trust fund, agency). These fund types use the same measurement focus and basis of accounting as those of the County. KCRA and the Partnership follow the County's governmental funds measurement focus and basis of accounting. The District follows the County's proprietary funds measurement focus and basis of accounting.

D. Assets, Liabilities and Equity

Deposits and Investments

The cash and cash equivalents of the County and its component units are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Deposits and Investments (Continued)

The County maintains a pooled cash system through the Knox County Trustee. The fair value of purchased investments and investment income at fiscal year end is allocated to major funds based on the total cash position of that fund at fiscal year end. In accordance with County directive, the majority of interest earned during the year is allocated to the Debt Service Fund for retirement of future debt.

State statutes and local ordinances authorize the County and the Board to invest in certificates of deposit, the State Local Government Investment Pool, U.S. Treasury obligations, U.S. agency issues, corporate bonds, equity funds, short-term bond funds, and guaranteed investment contracts.

The County's and its component units' investments are carried at fair value. Short-term investments, however, are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

Receivables, Payables, and Deferred Revenue

In the County's fund financial reporting, transactions between County funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Transactions between the County and its component units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from Component Units." All other outstanding balances between the County and its component units are reported as "due to/from Component Units/Primary Government."

In the fund financial statements governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current accounting period. Governmental funds also defer recognition of revenues in connection with resources that have

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

been received, but not yet earned. The County accrues additional assets (receivables) for certain nonexchange revenues in governmental funds. As governmental funds are subject to the modified accrual basis of accounting, any additional revenues recognized as receivable before the resources are available have been reported as deferred revenues with no resulting effect on fund equity. Unearned revenue in the government-wide financial statements consists of resources received that have not yet been earned.

All trade receivables are shown net of an allowance for doubtful accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1st, and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1 of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property taxes receivable are presented on the fund balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the court for collection. Delinquent taxes filed with the court for collection are considered uncollectible and are written off.

In the fund financial statements, the balance of notes receivable and advances between funds are offset by a fund balance reserve to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Assets

The County maintains material inventory balances in its proprietary and governmental funds. Inventories in the proprietary funds are stated at the lower of cost or market. Inventories in the governmental funds are stated at cost. Inventories are accounted for under the consumption method. Supplies for resale and the cost of oil and gasoline in the internal service funds use the first-in, first-out (FIFO) flow assumption in determining cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Inventories and Prepaid Assets (Continued)

The Board values school supplies inventories using the specific identification method. The Board's Central Cafeteria Fund inventories are composed of food supplies. These inventories are stated at cost.

The County's general fund inventory consists of land held for resale. The land is recorded at cost excluding the cost of infrastructure (roads, utilities, etc.). In the governmental funds the balance of prepaid assets and inventories are offset by a fund balance reserve to indicate that they are not available for appropriation and are not expendable, available financial resources.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Land Improvements	10 - 20
Public Domain Infrastructure	40
System Infrastructure	25
Vehicles	5
Machinery and Equipment	5 - 20
Intangibles	5

It is the County's and the District's policy to capitalize the cost of the rights to externally acquired software as an intangible asset.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Compensated Absences

It is the policy of the County and its component units to permit employees to accumulate, in varying amounts, earned but unused vacation, compensatory time and sick pay benefits. There is no liability recorded for unpaid accumulated sick leave since the County does not have a policy to pay any such amounts upon separation from employment. Vacation and compensatory pay from the County's and the Board's governmental funds is not reported in their respective fund financial statements because it is not expected to be liquidated with expendable available financial resources. No expenditure is reported for these amounts. For the County and Component Unit governmental activities, compensated absences liabilities are generally liquidated by the respective general fund. The compensated absences liability and the related change in liability are reported in the government-wide and proprietary fund financial statements of the County and its component units.

Long-Term Obligations

The County and the Board record long-term debt in the government-wide financial statements. Similarly, long-term debt and other obligations financed by the County's proprietary funds and the District are recorded as liabilities in the appropriate funds.

Bond premiums and discounts, as well as deferred amounts on refundings, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount deferred amounts on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt on the straight-line basis.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements of the governmental funds, reservations of fund balances represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change and are available for appropriation at the discretion of management.

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted, and unrestricted. Restricted net assets represent constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by County law.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Additional Information

Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements to provide an understanding of the changes in the financial position and operations of the County and the Board. Comparative totals have not been included on statements where their inclusion would not provide enhanced understanding of the reporting entity's financial position and operations or would cause the statements to be unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

Budget Basis/Authority

Annual budgets, as required by the County Charter and applicable County ordinances, are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Constitutional Officers, Drug Control, and portions of the Capital Projects Funds.

The Constitutional Officers Special Revenue Fund is used to account for the transactions of the fee and commission accounts of the County Trustee, Register of Deeds, County Clerk, Criminal and Fourth Circuit Court Clerk, Circuit and General Sessions Court Clerk, and Clerk and Master. These separately elected officials pay salaries and related expenditures from fees and commissions earned by their offices.

Excess fees and commissions are transferred to other funds. In some instances, all fees and commissions earned are transferred to other funds. Transactions related to the Constitutional Officers Special Revenue Fund are not subject to the budgetary control of the County Commission. Therefore, this fund is presented as an unbudgeted special revenue fund.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

The Drug Control Special Revenue Fund was established in the 1998 fiscal year pursuant to an amendment of Tennessee Code Annotated Section 39-17-420, stipulating drug control activities to be reported in a special revenue fund. The budget for this fund is a separately adopted budget presented by the Sheriff and approved by the County Commission. It is not part of the annual adopted budget presented to the County Commission.

The County's Public Improvement Capital Projects Fund and the Board's School Construction Capital Projects Fund each adopt project-length budgets for major construction projects rather than annual budgets for these projects. The County and the Board adopt annual budget amounts for certain expenditures within these funds. The County's Americans with Disabilities Act (ADA) Construction Capital Projects Fund's budget is adopted on an annual basis.

Budgets for portions of the County's State and Federal Grants Fund and all of the Board's School Projects and School Federal Projects Funds are generally adopted at the time the grant or program has been approved by the grantor, so the Commission can fulfill any requirement to appropriate local matching funds at the time of adoption.

With the exception of project length budgets and grants, all appropriations lapse at fiscal year end.

Budgetary Process

On or before April 15, heads of all County departments and agencies submit requests for appropriations to the County Department of Finance. The Board prepares a comprehensive budgetary request that is also sent to the Department of Finance. This budget has been approved by the members of the Board of Education and is sent to the County for adoption.

The Department of Finance in conjunction with the Office of the County Mayor compiles the requests, negotiates with the various departments and submits a comprehensive budget to the County Commission. By July 1, the final County and Board budget is adopted by County Commissioners.

The appropriated County budget is prepared at the fund, department, and major category level. For the County, the legal level of budgetary control, that is, the level at which management cannot overspend funds without a budget amendment approved by the Finance Committee of the County Commission, is the major category level within departments. The major categories are Personal Services, Employee Benefits, Contracted Services, Supplies and Materials, Other Charges, Debt Service and Capital Outlay.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

The budget adopted by the County for the Board is recommended by the County Mayor and adopted in total. The County does not exercise control over the Board at the department or major category level. After the budget for the Board is approved, the Board of Education may modify it within the total appropriation granted by the County Commission.

The budget and actual schedules included herein are not intended to demonstrate compliance at the legal level of budgetary control. Such statements and schedules are included in the County's separately issued *Budget Report to Citizenry*. Copies of the report may be obtained from the Knox County Department of Finance:

Knox County Department of Finance
Room 630
City County Building
400 Main Avenue
Knoxville, TN 37902

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances are reappropriated in the subsequent year.

Supplemental Appropriations

The following schedule shows the annual budget originally adopted (excluding transfers to other funds) for the County and the Board, and the revisions to that budget as authorized by the County Commission, for the year ended June 30, 2006:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Fund	Original Budget	Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 150,387,926	\$ 5,131,679	\$ 155,519,605
Special Revenue Funds:			
State and Federal Grants	1,224,745	224,788	1,449,533
Governmental Library	120,000	66,000	186,000
Public Library	11,397,129	542,536	11,939,665
Solid Waste	3,886,184	767,824	4,654,008
Hotel/Motel Tax	4,200,000	-	4,200,000
Fire District	172,000	-	172,000
Drug Control	-	476,696	476,696
Highway	11,602,000	2,981,179	14,583,179
Total Special Revenue Funds	32,602,058	5,059,023	37,661,081
Debt Service Fund	49,500,000	7,830,044	57,330,044
Capital Projects Funds:			
Public Improvement	375,300	(178,000)	197,300
ADA Construction	750,000	213,008	963,008
Total Capital Projects Funds	1,125,300	35,008	1,160,308
Total - Governmental Funds	\$ 233,615,284	\$ 18,055,754	\$ 251,671,038

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Fund	Original Budget	Revisions	Revised Budget
Component Unit - the Board:			
General Fund:			
General Purpose School	\$ 320,100,000	\$ 6,187,402	\$ 326,287,402
Special Revenue Funds:			
School Federal Projects	-	43,659,975	43,659,975
School General Projects	-	10,213,731	10,213,731
Central Cafeteria	18,660,750	1,668,537	20,329,287
Total Special Revenue Funds	18,660,750	55,542,243	74,202,993
Capital Projects Fund:			
School Construction	16,700,000	-	16,905,000
Total - the Board	\$ 355,460,750	\$ 61,729,645	\$ 417,395,395

Designated funds, as of June 30, 2006, in the General Fund, General Purpose Schools Fund, Public Improvement Fund, Public Library Fund, Highway Fund, Self-Insurance Fund, Debt Service Fund, and the State and Federal Grants Fund reappropriated in the subsequent fiscal year totaled \$10,366,047, \$5,802,032, \$3,000,000, \$201,571, \$1,400,000, \$35,525, \$3,645, and \$217,913, respectively.

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2006, and grant awards appropriated at the time the award is received.

A local ordinance requires a two-thirds approval of the County Commission before reducing any County fund balance below an amount equal to five percent of the total amount budgeted in the fund. State law stipulates that the Board's General Purpose School Fund balance in excess of three percent of the budgeted annual operating expenses for the current fiscal year may be budgeted and expended for nonrecurring purposes but shall not be used for recurring annual operating expenses.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The County, the Board and the District maintain a cash and investment pool through the County Trustee's office. The County Trustee is the treasurer of the County and in this capacity is responsible for receiving, disbursing, depositing and investing most funds. The carrying amount of balances approximates bank balances.

The Trustee of Knox County utilizes a negotiated sweep agreement for a portion of funds held by the Trustee. These funds are invested each night in various instruments, but under the County's policy these funds are classified as Cash and Cash Equivalents.

Other investments are held in the State of Tennessee's Local Government Investment Pool ("LGIP") and are not subject to categorization. Fair value of investments held in the LGIP approximates carrying value.

Cash and investments for the County and its Component Units as shown in the financial statements follows:

	Primary Government	Component Units		
		The Board	KCRA	The District
Cash on Hand	\$ 4,165	\$ 165	\$ -	\$ -
Carrying Amount of Deposits	130,163,555	65,027,556	9,752	5,032,449
Investments (Governmental Funds)	12,132,359	-	-	-
Investments (Pension Trust Funds)	271,977,791	78,114,366	-	-
Investment in State Treasurer's Investment Pool	2,537,768	-	-	-
Total	\$ 416,815,638	\$ 143,142,087	\$ 9,752	\$ 5,032,449
Cash and Cash Equivalents	\$ 132,705,488	\$ 65,027,721	\$ 9,752	\$ 5,032,449
Investments	284,110,150	78,114,366	-	-
Total	\$ 416,815,638	\$ 143,142,087	\$ 9,752	\$ 5,032,449

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's governmental activities investments are managed by an investment board, whose objectives are to maximize earnings while reducing the exposure to interest rate risks to a low level by utilizing a mixture of short and long-term maturity investments, primarily in investments in U.S. Government Securities and securities issued by agencies of the U.S. Government. The County's and Board's Pension Trust fund activities are managed by the Knox County Retirement Board, whose objectives are to maximize earnings while reducing the exposure to interest rate risks to an appropriate level by using a mixture of long-term and short-term investments in various debt and equity securities. The investments of the County's defined benefit plan and the Board's defined benefit plan are included in a single trust account. The following represents the County's governmental activities investments and the activities of the County's and the Board's Pension Trust funds:

	Primary Government, Governmental Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value or Carrying Amount	Weighted Average Maturity (Years)	Fair Value or Carrying Amount	Weighted Average Maturity (Years)
Cash Equivalents Classified as Investments	\$ 26,434		\$ 1,213,005	
Equity Mutual Funds	\$ -		\$ 321,889,835	
Fixed Income Securities:				
U.S. Government Securities	7,077,253	1.678	4,004,805	6.308
U.S. Government Agency Securities	5,028,672	1.436	10,880,365	3.112
Corporate Bonds	-		11,006,686	3.325
Municipal Bonds	-		650,899	1.355
State Agency Bonds	-		466,562	5.833
Total Fixed Income Securities	<u>\$ 12,105,925</u>	<u>1.821</u>	<u>\$ 27,009,317</u>	<u>3.676</u>

Custodial credit risk

The County's policies limit deposits and investments to those instruments allowed by applicable state laws. Tennessee State Law requires financial institutions to secure a local government's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal at least 105% of the average daily balance of deposits. Alternatively, financial institutions that hold public deposits may participate in the State's collateral pool.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Custodial Credit Risk (Continued)

A portion of the County's, the Board's and the District's deposits at June 30, 2006 were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee (the State). Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must equal between 90 – 115 percent of the average daily balance of public deposits held and must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. The members of the pool may be required to pay an assessment to cover any deficiency.

Credit risk

The County's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable laws. The County's and Board's Pension Trust funds are managed with long-term objectives that include maximizing total investment earnings. State statutes and County policies allow the Pension Trust funds a broader range of investments than those available to the governmental activities. The credit risk of the investments of the County's governmental activities and the County's and Board's Pension Trust funds investments in fixed-income securities (excluding U.S. Government securities) is as follows:

	Primary Government, Governmental Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value	S&P Rating	Fair Value	S&P Rating
U.S. Government Agency Securities:	\$ 7,077,253	AAA	\$ 10,406,503	AAA
U.S. Government Agency Securities:	-	-	473,862	AA
Corporate Bonds:				
Corporate Bonds	-	-	354,566	AAA
Corporate Bonds	-	-	344,291	AA
Corporate Bonds	-	-	1,951,238	AA-
Corporate Bonds	-	-	2,655,700	A+
Corporate Bonds	-	-	1,973,770	A
Corporate Bonds	-	-	1,864,258	A-
Corporate Bonds	-	-	313,008	BBB+
Corporate Bonds	-	-	347,447	BBB
Corporate Bonds	-	-	1,202,408	Unrated
Municipal Bonds	-	-	292,149	AA
Municipal Bonds	-	-	358,750	Unrated
State Agency Bonds	-	-	466,562	AAA
 Total Fixed Income Securities	 \$ 7,077,253		 \$ 23,004,512	

The County's governmental activities investments and the County's and the Board's pension trust investments have no investments in any single issuer of fixed income securities that represent 5 percent or more of plan net assets.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Primary Government

	Major Governmental Funds			Nonmajor Governmental Funds	Internal Service	Total Government- Wide	Trust and Agency
	General	Debt Service	Public Improvement				
Receivables:							
Taxes	\$ 108,109,834	\$ 19,297,919	\$ -	\$ 482,830	\$ -	\$ 127,890,583	\$ -
Accounts	6,884,766	-	118,934	8,965,210	155,925	16,124,835	6,263,157
Contributions	-	-	-	-	-	-	27,964
Gross Receivables	114,994,600	19,297,919	118,934	9,448,040	155,925	144,015,418	6,291,121
Less: Allowances for Uncollectibles	(2,656,834)	(550,962)	-	(209,342)	-	(3,417,138)	-
Net Total Receivables	\$ 112,337,766	\$ 18,746,957	\$ 118,934	\$ 9,238,698	\$ 155,925	\$ 140,598,280	\$ 6,291,121

Receivables for the County's individual major funds and nonmajor governmental, internal service, and fiduciary funds in the aggregate, as of year-end, including allowances for uncollectible accounts are:

Receivables for the County's component units as of year-end, including the allowances for uncollectible accounts are:

<u>Component Units:</u>	Government-wide Totals			The Board - Pension Trust
	The Board	KCRA	The District	
Receivables:				
Taxes	107,520,876	-	-	-
Accounts	32,152,215	8,301	633,646	-
Contributions	-	-	-	38,325
Gross Receivables	139,673,091	8,301	633,646	38,325
Less: Allowances for Uncollectibles	(2,847,063)	-	-	-
Net Total Receivables	\$ 136,826,028	\$ 8,301	\$ 633,646	\$ 38,325

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

The County's Debt Service Fund has the following notes receivable at June 30, 2006:

- (1) A non-interest bearing note receivable from the Development Corporation (the Corporation) with a current balance of \$300,000 payable in equal annual installments of \$300,000 began in January 1998. This note was given by the Corporation, in exchange for transfers from the County, effective January 1, 1992, of land developments commonly known as Westbridge Industrial Park, Eastbridge Industrial Park, and Centerpoint Park.
- (2) Notes receivable from the Knox-Chapman Utility District (KCUD) and the West Knox Utility District of Knox County (WKUD) have current balances of \$1,770,000 and \$1,935,000 respectively. The basis of these notes is an agreement made by the County to participate with the utility districts to expedite utility relocation and upgrading necessary for construction of improved roadways within the northwest portion of the County. Each district was advanced up to \$2,000,000, which was disbursed by the County in installments upon receipt of draw notices. The advances are non-interest bearing and are individually payable in four varying installments every five years based on the completion dates of the respective projects. The amount to be repaid also includes \$140,000, recognized as revenue when received, that each district must pay to cover the County's administrative, accounting and financial costs associated with the agreements.
- (3) A note receivable from the Knoxville-Knox County Community Action Committee (CAC) with an initial balance of \$2,300,000 was originated during the fiscal year ended June 30, 2004. The note resulted from an arrangement between the County and CAC whereby certain proceeds from debt issued by the County were used to construct a facility on CAC's behalf. CAC agreed to reimburse the County by repaying the annual amounts of the County's related debt service requirements. The resulting note receivable is due in varying principal installments, plus interest, through 2022. As of June 30, 2006, \$2,027,000 remained outstanding.

The State and Federal Grants Special Revenue Fund had \$3,204,030 of notes receivable at June 30, 2006. These note agreements are from eligible County citizens participating in various state and federal low-income housing projects. These notes are executed with a range of below market interest rates and varying repayment terms.

Advance to Other Government

During the fiscal year ended June 30, 2006, the County advanced \$2,500,000 to the Knoxville-Knox County Community Action Committee (CAC). This advance was made to provide funding for operations and is to be repaid during the 2007 fiscal year from grant monies and other funding received by CAC.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Activity in the County's and the Board's capital assets for the fiscal year ended June 30, 2006, was the following:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 88,482,493	\$ 3,796,184	\$ -	\$ 92,278,677
Construction in Progress	27,581,321	15,877,660	12,609,605	30,849,376
Total Capital Assets, not being depreciated	<u>116,063,814</u>	<u>19,673,844</u>	<u>12,609,605</u>	<u>123,128,053</u>
Capital Assets being depreciated:				
Buildings	185,938,600	5,311,511	-	191,250,111
Land Improvements	18,020,445	942,738	-	18,963,183
Machinery and Equipment	31,584,108	1,729,829	34,921	33,279,016
Intangible Assets	11,997,960	5,636,146	-	17,634,106
Infrastructure	473,249,711	4,246,890	-	477,496,601
Total Capital Assets being depreciated	<u>720,790,824</u>	<u>17,867,114</u>	<u>34,921</u>	<u>738,623,017</u>
Less Accumulated Depreciation for:				
Buildings	49,331,478	4,725,597	-	54,057,075
Land Improvements	5,180,919	1,966,912	-	7,147,831
Machinery and Equipment	21,592,129	2,415,048	21,922	23,985,255
Intangible Assets	648,615	2,295,453	-	2,944,068
Infrastructure	106,931,357	11,786,072	-	118,717,429
Total Accumulated Depreciation	<u>183,684,498</u>	<u>23,189,082</u>	<u>21,922</u>	<u>206,851,658</u>
Total Capital Assets being depreciated, net	<u>537,106,326</u>	<u>(5,321,968)</u>	<u>12,999</u>	<u>531,771,359</u>
Governmental Activities Capital Assets, net	<u>\$ 653,170,140</u>	<u>\$ 14,351,876</u>	<u>\$ 12,622,604</u>	<u>\$ 654,899,412</u>

Depreciation expense was charged to primary government functions as follows:

Finance and Administration	\$ 222,013
Administration of Justice	2,696,896
Public Safety	1,885,404
Public Health and Welfare	991,003
Social and Cultural Services	3,250,546
Other General Government	2,113,829
Highways	<u>12,029,391</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 23,189,082</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Board of Education

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - The Board:				
Capital Assets, not being depreciated:				
Land	\$ 17,409,498	\$ 2,717,199	\$ -	\$ 20,126,697
Construction in Progress	10,068,444	16,778,579	10,865,639	15,981,384
Total Capital Assets, not being depreciated	27,477,942	19,495,778	10,865,639	36,108,081
Capital Assets being depreciated:				
Buildings	341,141,267	12,726,294	-	353,867,561
Land Improvements	904,026	266,520	-	1,170,546
Machinery and Equipment	16,696,858	270,976	-	16,967,834
Intangible Assets	224,531	140,409	-	364,940
Total Capital Assets being depreciated	358,966,682	13,404,199	-	372,370,881
Less Accumulated Depreciation for:				
Buildings	125,056,130	7,631,842	-	132,687,972
Land Improvements	185,339	111,206	-	296,545
Machinery and Equipment	10,438,101	1,274,952	-	11,713,053
Intangible Assets	145,630	23,148	-	168,778
Total Accumulated Depreciation	135,825,200	9,041,148	-	144,866,348
Total Capital Assets being depreciated, net	223,141,482	4,363,051	-	227,504,533
Governmental Activities Capital Assets, net	\$ 250,619,424	\$ 23,858,829	\$ 10,865,639	\$ 263,612,614

The following is a summary of the District's capital assets at June 30, 2006:

	The District
Land	\$ 56,089
Buildings	5,081,324
Machinery and Equipment	12,309,435
Intangible Assets	29,345
Leasehold Improvements	207,735
Less: Accumulated Depreciation	(8,197,166)
Total	\$ 9,486,762

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The composition of the County and component unit interfund receivables and payables as of June 30, 2006, is as follows:

Due to/from Other Funds - Primary Government:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Major Funds:</u>		
General	State and Federal Grants	\$ 4,386,108
	Public Library	238,617
	Solid Waste	4,729
	Highway	32,533
	Recreation Construction	5,294
	Constitutional Officers' Special	
	Revenue Fund	34,754
	Vehicle Service Center	44,240
	Public Improvement	2,098,379
	Retirement	526
	Self Insurance	1,049
	Technical Support Service	491
	Golf Course Improvement	169
		<u>6,846,889</u>
Public Improvement	Debt Service	<u>5,000,000</u>
Total Governmental Funds		<u>\$ 11,846,889</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables (Continued)

Advances from/to Other Funds - Primary Government:

Payable Fund	Receivable Fund	Amount
Governmental Library (Nonmajor Fund)	General	\$ 37,248
Employee Benefits (Internal Service)	General	125,000
Primary Government - Total Advances		<u>\$ 162,248</u>

Due to/from Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
<u>Primary Government - Major Funds:</u>		
General	Component Unit - Great School Foundation	\$ 4,322
	Component Unit - the Board, General Purpose School	48,385
	Component Unit - the Board, School Federal Projects	837
	Component Unit - the Board, School General Projects	1,117
	Component Unit - the District	842
		<u>\$ 55,503</u>
Component Unit - the Board, School General Projects	Great School Foundation	<u>\$ 2,199,509</u>
Component Unit - the District	Primary Government - Debt Service	<u>\$ 172,348</u>
Component Unit - the Board, Capital Projects - School Construction	Primary Government - Public Improvement	<u>\$ 35,763,902</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables (Continued)

Advances from/to Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Primary Government -Major Fund: Debt Service	Component Unit - the District	\$ 4,172,250

Due to/from Other Funds - The Board:

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose School	School Federal Projects	\$ 405,268
	School General Projects	3,702,105
	Central Cafeteria	73,795
		4,181,168
<u>Nonmajor Special Revenue Funds:</u>		
Central Cafeteria	General Purpose School	885,437
Total Board of Education		\$ 5,066,605

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The composition of primary government transfers for the year ended June 30, 2006, is as follows:

Primary Government:

<u>Transfers - In</u>	<u>Transfers - Out</u>	<u>Amount</u>
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue Capital Projects - Public Improvement Hotel/Motel Tax	\$ 8,618,599 1,000,000 100,000 <hr/> 9,718,599
Debt Service	General	887,698
Capital Projects - Public Improvement	General Debt Service ADA Construction	2,057,801 7,000,000 180,000 <hr/> 9,237,801
<u>Nonmajor Governmental Funds:</u>		
<u>Special Revenue Funds:</u>		
State and Federal Grants	General	879,715
Governmental Library	General	75,000
Public Library	General	8,928,500
Solid Waste	General	2,700,000
Total Nonmajor Governmental Funds		<hr/> 12,583,215
Total Governmental Funds		<hr/> <hr/> \$ 32,427,313

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions (Continued)

Transfers - In	Transfers - Out	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 200,000
Employee Retirement	Pension Trust - Defined Benefit	574,737
Capital Leasing	General	<u>1,450,000</u>
Total Internal Service Funds		<u><u>\$ 2,224,737</u></u>

Transfers Within Component Unit – the Board:

Transfers - In	Transfers - Out	Amount
General Purpose School (Major Fund)	School General Projects	<u>\$ 4,506</u>
Special Revenue Funds (Nonmajor):		
School General Projects	General Purpose School	705,301
School Federal Projects	General Purpose School	<u>56,839</u>
Total Nonmajor Special Revenue Funds		<u>762,140</u>
Total Board of Education		<u><u>\$ 766,646</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions (Continued)

Transactions between Primary Government and Component Units:

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Primary Government - Debt Service (Major Fund)	Component Unit - the Board, General Purpose School	\$ 4,467,124
	Component Unit - the Board, School Construction	16,900,000
	Component Unit - the District	282,798
Total Primary Government - Debt Service		<u>\$ 21,649,922</u>
Primary Government - Employee Retirement (Proprietary Fund)	Component Unit - the Board, Pension Trust - Defined Benefit	<u>\$ 553,136</u>
Component Unit - School General Projects	Primary Government - General	<u>\$ 2,570,000</u>
Component Unit - School Construction	Primary Government - Public Improvement	<u>\$ 71,994,500</u>
Component Unit - the District	Primary Government - General	<u>\$ 973,190</u>

Transactions between the Board and its Component Unit:

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Component Unit - Great Schools Partnership	Primary Government - the Board, School General Projects	<u>\$ 2,570,000</u>
Primary Government - the Board, School General Projects	Component Unit - Great Schools Partnership	<u>\$ 2,199,509</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Deferred/Unearned Revenues

Amounts reported as deferred revenue in the fund financial statements and as unearned revenue in the government-wide financial statements consist of the following:

	Deferred Revenue	Unearned Revenue
Primary Government - Major Funds:		
<u>General Fund:</u>		
Taxes receivable, earned in current fiscal year	\$ 1,048,674	\$ -
Taxes receivable, applicable to subsequent fiscal year	104,319,133	104,319,133
	105,367,807	
<u>Public Improvement Fund:</u>		
Unexpended grant funds	328	328
<u>Debt Service Fund:</u>		
Taxes receivable, earned in current fiscal year	1,029,983	-
Taxes receivable, applicable to subsequent fiscal year	17,513,364	17,513,364
Notes receivable, applicable to subsequent fiscal year	11,219,250	11,219,250
	29,762,597	
Primary Government - Nonmajor Funds:		
<u>General Grants Fund:</u>		
Unexpended grant funds	3,811,923	3,811,923
<u>Public Library Fund:</u>		
Taxes receivable, earned in current fiscal year	45,140	-
Unexpended donations	13,105	13,105
	58,245	
<u>Fire District:</u>		
Taxes receivable, earned in current fiscal year	19,704	
Taxes receivable, applicable to subsequent fiscal year	186,848	186,848
	206,552	
<u>Solid Waste Fund:</u>		
Taxes receivable, earned in current fiscal year	16,584	-
<u>ADA Construction Fund:</u>		
Taxes receivable, earned in current fiscal year	4,013	-
Total Nonmajor Governmental Funds	4,097,317	
<u>Internal Service - Employee Benefits Fund:</u>		
Unearned revenue	23,418	23,418
Total - Primary Government	\$ 139,251,467	\$ 137,087,369

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Deferred/Unearned Revenues (Continued)

	Deferred Revenue	Unearned Revenue
Component Unit - the Board - Major Fund		
<u>General Purpose School:</u>		
Taxes receivable, earned in current fiscal year	\$ 5,633,194	\$ -
Taxes receivable, applicable to subsequent fiscal year	97,915,627	97,915,627
	103,548,821	
Component Unit - the Board - Nonmajor Funds		
<u>School Federal Projects:</u>		
Unexpended grant funds	130,408	130,408
<u>School General Projects:</u>		
Unexpended grant funds	192,365	192,365
<u>Central Cafeteria:</u>		
Unearned revenue	7,276	7,276
Total Component Unit - the Board	\$ 103,878,870	\$ 98,245,676

G. Leases

Operating Leases

The County leases various facilities under noncancelable operating leases. Total costs for such leases for the County were \$2,400 for the year ended June 30, 2006. The future minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Primary Government
2007	\$ 2,400
2008	2,400
2009	2,400
2010	2,400
2011	2,400
2012-2016	12,000
2017-2021	12,000
2022-2023	4,800
Total	\$ 40,800

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases (Continued)

Capital Leases

The District, a component unit of the County, leases various equipment through capital leasing arrangements. The District's capital lease obligations are reflected as fund liabilities.

The future minimum lease obligations for the District are as follows:

Year Ending June 30,	Component Unit
	The District
2007	\$ 1,288,568
2008	1,283,791
2009	980,987
2010	677,521
2011	670,921
Total Minimum Lease Payments	4,901,788
Less: Amounts Representing Interest	(349,866)
Present Value of Minimum Lease Payments	\$ 4,551,922

Capital lease obligations currently outstanding for the District are as follows:

Lessor	Purpose	Interest Rate	Last Maturity Date	Principal Balance
<u>Component Unit:</u>				
The District				
G.E. Capital	Communications Equipment	4.28%	12/18/2008	\$ 1,426,922
Sun Trust Leasing	CAD/CTI Equipment	3.31%	10/1/2010	\$ 3,125,000

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities

General Obligation and Public Improvement Bonds

The County issues general obligation and public improvement bonds to provide funds for the acquisition and construction of major capital facilities.

For financial reporting purposes, the portion of those bond issues related to the Board are recorded directly as bond proceeds in the Board's Capital Projects Fund. The County issues all the debt on behalf of the Board, in the County's name and with a full faith and credit pledge from the County. Therefore, from a legal perspective, the debt is County debt. In practice, the County's Five-Year Capital Plan, its Debt Service Fund and its Operating Budget are all developed with the Board providing funds from its operations to make the debt payments related to County debt issued on behalf of the Board. However, as all bonded indebtedness is County debt, the entire balance is recorded as a liability of the primary government in the government-wide financial statements.

As all bonded indebtedness is County debt, the portion issued on behalf of the Board is not considered capital-related debt in the primary government's statement of net assets. However, the total amount of the County's bonded indebtedness is considered capital-related in the total reporting entity column of the statement of net assets.

Bond indebtedness for the County is backed by the full faith and credit of the County.

Bonds payable to be repaid from resources of the County and the Board currently outstanding are as follows:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

	Interest Rate	Last Maturity Date	Principal Balance
Governmental Activities:			
General Obligation - Women's Basketball Hall of Fame	Variable Rate	6/1/2018	6,335,000
General Obligation - Series 2000	5.00-5.10%	5/1/2008	2,038,460
General Obligation - Refunding Series 2001	4.50-5.50%	4/1/2012	23,278,909
General Obligation Public Improvement, Series 2001	5.00-5.50%	5/1/2012	13,728,125
Andrew Johnson - Refunding Series 2002	4.00-4.50%	5/1/2011	1,545,936
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	30,316,527
General Obligation - Refunding Bonds, Series 2003	4.00-5.00%	4/1/2014	26,559,269
General Obligation - Refunding Bonds, Series 2003A	5.00%	2/1/2017	4,978,776
General Obligation - Series 2003	Variable Rate Swap to 4.50%	6/1/2029	38,196,200
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	14,287,919
General Obligation - Series 2004	Variable Rate Swap to 4.00%	6/1/2029	45,802,857
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	29,083,377
General Obligation - Series 2005	Variable	6/1/2034	50,000,000
Total Bonded Debt to be repaid by Governmental Activities			<u>286,151,355</u>
The Board:			
General Obligation Pension Refunding Bonds - Series 1998	6.375%	5/1/2008	1,370,000
General Obligation - Series 2000	5.00-5.10%	5/1/2008	3,261,540
Qualified Zone Academy Bonds	0.00%	11/1/2011	1,292,802
General Obligation - Refunding Series 2001	4.50-5.50%	4/1/2012	12,506,092
General Obligation Public Improvement, Series 2001	5.00-5.50%	5/1/2012	8,236,875
Andrew Johnson - Refunding Series 2002	4.00-4.50%	5/1/2011	2,969,064
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	50,263,473
General Obligation - Refunding Series 2003	4.00-5.00%	4/1/2014	24,545,731
General Obligation - Refunding Series 2003A	5.00%	2/1/2017	11,341,224
General Obligation - Series 2003	Variable Rate Swap to 4.50%	6/1/2029	31,953,800
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	20,142,081
General Obligation - Series 2004	Variable Rate Swap to 4.00%	6/1/2029	23,897,143
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	18,526,623
General Obligation - Refunding Series 2005B	3.65-5.00%	5/1/2018	11,040,000
General Obligation - Series 2005	Variable	6/1/2034	27,000,000
Total Bonded Debt to be repaid by the Board			<u>248,346,448</u>
Total Bonded Debt			<u>\$ 534,497,803</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity for bonds and notes payable to be repaid by the County and the Board are as follows:

Fiscal Year Ending June 30,	Primary Government Debt			To be Repaid By:		
	Principal	Interest	Total	County	Board	Total
2007	\$ 22,980,467	\$ 25,619,917	\$ 48,600,384	\$ 26,301,042	\$ 22,299,342	\$ 48,600,384
2008	24,185,467	24,576,592	48,762,059	26,408,211	22,353,848	48,762,059
2009	25,510,467	23,418,185	48,928,652	26,494,465	22,434,187	48,928,652
2010	27,145,467	22,218,299	49,363,766	26,445,943	22,917,823	49,363,766
2011	28,580,467	20,929,636	49,510,103	26,518,778	22,991,325	49,510,103
2012-2016	159,820,468	81,835,960	241,656,428	120,098,202	121,558,226	241,656,428
2017-2021	116,415,000	44,461,899	160,876,899	88,721,766	72,155,133	160,876,899
2022-2026	50,440,000	25,334,425	75,774,425	45,748,222	30,026,203	75,774,425
2027-2031	53,270,000	13,390,700	66,660,700	40,405,544	26,255,156	66,660,700
2032-2034	26,150,000	2,650,000	28,800,000	18,701,299	10,098,701	28,800,000
Total	\$ 534,497,803	\$ 284,435,613	\$ 818,933,416	\$ 445,843,472	\$ 373,089,944	\$ 818,933,416

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$159,692,117 and \$124,743,496, respectively, for a total of \$284,435,613.

Changes in General Long-Term Liabilities

The following represents the changes in long-term liabilities for the County, the Board, and the District for the year ended June 30, 2006:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<u>Primary Government</u>					
Bonded Debt	\$ 478,868,271	\$ 77,000,000	\$ (21,370,468)	\$ 534,497,803	\$ 22,980,467
Unamortized Bond Premium	19,653,668	-	(3,060,023)	16,593,645	1,971,547
Unamortized Amount on Refunding	(11,939,335)	-	1,204,797	(10,734,538)	(1,172,960)
Compensated Absences	4,603,485	4,878,136	(4,986,324)	4,495,297	4,045,766
Total - Primary Government	\$ 491,186,089	\$ 81,878,136	\$ (28,212,018)	\$ 544,852,207	\$ 27,824,820
<u>Component Unit - the Board</u>					
Compensated Absences	\$ 1,546,927	\$ 1,701,155	\$ (1,650,752)	\$ 1,597,330	\$ 1,437,597
<u>Component Unit - the District</u>					
Capital Leases	\$ 5,651,503	\$ -	\$ (1,099,581)	\$ 4,551,922	\$ 1,142,613
Compensated Absences	214,925	268,301	(304,174)	179,052	159,679
Total - the District	\$ 5,866,428	\$ 268,301	\$ (1,403,755)	\$ 4,730,974	\$ 1,302,292

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Prior Year Defeasance of Debt

In prior years, the County defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2006, \$103,705,000 of bonds outstanding is considered defeased.

Subsequent Event-Debt Issuance

Subsequent to June 30, 2006, the County plans to issue \$39,000,000 in general obligation bonds for the purpose of providing funds for capital improvements for the County and the Board, in accordance with the County's Five-Year Capital Plan.

Interest Rate Swaps

Under its loan agreement, the Public Building Authority of Blount County, TN (the "Authority"), at the request of the County, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series C-1-A.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$72 million Series C-1-A variable-rate bonds. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Interest Rate Swaps (Continued)

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 70 percent of the one-month London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$72 million and the associated variable-rate bond has a \$72 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series C-1-A Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (the "BMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2006, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-3.74%
Net interest rate swap payments		0.21%
Variable-rate bond coupon payments		3.91%
Synthetic interest rate on bonds		4.12%

Fair value. As of June 30, 2006, the swap had a negative fair value of \$1,193,798. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2006, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the County, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service as of June 30, 2006. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Interest Rate Swaps (Continued)

Basis risk. As noted above, the swap exposes the County to basis risk should BMA increase to above 70% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap’s fair value.

Swap payments and associated debt. As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate	Total
	Principal	Interest	Swap Payment	
2007	900,000	2,742,865	147,315	3,790,180
2008	975,000	2,707,675	145,425	3,828,100
2009	1,025,000	2,669,552	143,378	3,837,930
2010	1,175,000	2,629,475	141,225	3,945,700
2011	1,300,000	2,583,532	138,758	4,022,290
2012 - 2016	11,700,000	11,802,335	633,885	24,136,220
2017 - 2021	15,675,000	9,222,713	495,337	25,393,050
2022 - 2026	21,225,000	5,752,588	308,962	27,286,550
2027 - 2029	16,175,000	1,290,300	69,300	17,534,600
	<u>\$ 70,150,000</u>	<u>\$ 41,401,035</u>	<u>\$ 2,223,585</u>	<u>\$ 113,774,620</u>

Under its loan agreement, the Public Building Authority of Sevier County, TN (the “Authority”), at the request of the County, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-A-1.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Interest Rate Swaps (Continued)

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$70 million Series VI-A-1 variable-rate bonds. The intention of the swap was to effectively change the County’s variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the Authority pays a fixed payment of 3.745 percent and receives a variable payment computed as 59 percent of the one month London Interbank Offered Rate (LIBOR) plus 35 basis points. The swap has a notional amount of \$70 million and the associated variable-rate bond has a \$70 million original principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-A-1 Bonds. The bonds’ variable-rates have historically approximated the Bond Market Association Municipal Index™ (the “BMA”). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2006, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.75%
Variable payment to Authority	% of LIBOR	-3.50%
Net interest rate swap payments		0.25%
Variable-rate bond coupon payments		3.91%
Synthetic interest rate on bonds		4.16%

Fair value. As of June 30, 2006, the swap had a positive fair value of \$915,203. The positive fair value of the swap may be countered by increases in total interest payments required under the variable-rate bond, creating higher synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2005, the County was not exposed to credit risk because the swap had a negative fair value. However, interest rates changed and the fair value of the swap became positive, the County would be exposed to credit risk in the amount of the derivative’s fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the County, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated “AAA” by Standard and Poor’s and Fitch and “Aaa” by Moody’s Investor Service as of June 30, 2006. If Ambac’s credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Interest Rate Swaps (Continued)

Basis risk. As noted above, the swap exposes the County to basis risk should BMA increase to above 59% of LIBOR plus 35 basis points, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 59% of LIBOR plus 35 basis points, then the synthetic rate on the bonds will decrease.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap’s fair value.

Swap payments and associated debt. As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2007	\$ 300,000	\$ 2,725,270	\$ 174,250	\$ 3,199,520
2008	400,000	2,713,540	173,500	3,287,040
2009	500,000	2,697,900	172,500	3,370,400
2010	600,000	2,678,350	171,250	3,449,600
2011	700,000	2,654,890	169,750	3,524,640
2012 - 2016	7,700,000	12,750,510	815,250	21,265,760
2017 - 2021	18,040,000	10,302,459	658,725	29,001,184
2022 - 2026	23,840,000	6,342,802	405,550	30,588,352
2027 - 2029	17,620,000	1,400,953	89,575	19,110,528
	<u>\$ 69,700,000</u>	<u>\$ 44,266,674</u>	<u>\$ 2,830,350</u>	<u>\$ 116,797,024</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity

Reserves and Designations

The amounts reported on the balance sheets as reserved fund balance and designated fund balance for the County are comprised of the following:

Primary Government	Reserved Fund Balance	Designated Fund Balance
<u>Major Funds:</u>		
<u>General Fund:</u>		
Advances	\$ 162,248	\$ -
Inventories	152,219	-
Prepaid Items	282,756	-
Investment in Joint Venture	5,106,361	-
Reserved for Appropriations - various	822,924	-
Encumbrances	610,437	-
Designated for Appropriations - various	-	161,242
Equipment	-	339,188
Software	-	379,145
Donations - DARE	5,902	-
Juvenile Court	5,275	-
Attorney General	215,944	-
Indigent Care	19,421	-
Motor Vehicles	-	538,060
Building Improvements	-	27,000
Capital Improvement Plan	-	8,921,412

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity (Continued)

<u>Primary Government</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
General Fund (Continued)		
Sheriff's Rewards	2,000	-
John Tarleton	2,030	-
School Health Program	434,449	-
Public Defender	2,013	-
Total General Fund	<u>7,823,979</u>	<u>10,366,047</u>
<u>Major Capital Projects Fund:</u>		
Public Improvement Fund:		
Encumbrances	3,650,130	-
Reserve for purchase of land	600,000	-
Designated for Veteran's Nursing Home	-	<u>3,000,000</u>
Total Public Improvement Fund	<u>4,250,130</u>	<u>3,000,000</u>
Debt Service Fund:		
Notes Receivable/Coupons Matured	<u>6,505,000</u>	<u>3,645</u>
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants Fund:		
Encumbrances	691,471	-
Inventories	7,670	-
Reserve for Appropriation	175,737	-
Designated for Appropriation	-	217,913
Government Library Fund:		
Encumbrances	1,245	-
Public Library Fund:		
Encumbrances	147,345	-
Reserve for Appropriation	8,146	-

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity (Continued)

Primary Government	Reserved Fund Balance	Designated Fund Balance
<u>Nonmajor Special Revenue Funds (Continued)</u>		
Public Library Fund (Continued):		
Designated for Appropriations	-	201,571
Solid Waste Fund:		
Encumbrances	24,640	-
Hotel/Motel Fund:		
Reserve for appropriations	217,400	-
Drug Control Fund:		
Drug Seizures	183,306	-
Encumbrances	103	-
Highway Fund:		
Encumbrances	83,228	-
Designated for Appropriations	-	1,400,000
Total Nonmajor Special Revenue Funds	<u>1,540,291</u>	<u>1,819,484</u>
<u>Internal Service Funds:</u>		
Self Insurance Fund:		
Designated for Appropriations	-	35,525
<u>Fiduciary Funds:</u>		
Pension Trust - DB Plan		
Employee's Pension Benefits	77,958,649	-
Pension Trust - DC Plan	188,184,735	-
Pension Trust - Medical DC Plan	<u>5,775,177</u>	-
Total Fiduciary Funds	<u>271,918,561</u>	-
Total - Primary Government	<u>\$ 292,037,961</u>	<u>\$ 15,224,701</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity (Continued)

The amounts reported on the balance sheets as reserved fund balance and designated fund balance for the Board, are comprised of the following:

Component Unit - the Board	Reserved Fund Balance	Designated Fund Balance
<u>Major Funds:</u>		
General Fund:		
General Purpose School Fund:		
Encumbrances	\$ 2,427,131	\$ -
Inventories	1,126,027	-
Prepaid Items	1,042,428	-
Designated for Appropriation	-	5,802,032
Total General Purpose School Fund	<u>4,595,586</u>	<u>5,802,032</u>
Capital Projects Fund:		
School Construction Fund:		
Encumbrances	<u>2,718,623</u>	-
<u>Nonmajor Special Revenue Funds:</u>		
School General Projects Fund:		
Encumbrances	124,719	-
Programs	1,143,789	-
School Federal Projects Fund:		
Encumbrances	123,283	-
Donations	1,158	-
Central Cafeteria Fund:		
Encumbrances	103,910	-
Inventories	<u>195,068</u>	-
Total Nonmajor Special Revenue Funds	<u>1,691,927</u>	-

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity (Continued)

Component Unit - the Board	Reserved Fund Balance	Designated Fund Balance
<u>Fiduciary Fund:</u>		
<u>Pension Trust Fund:</u>		
Employee's Pension Benefits	78,035,100	-
Total - the Board	\$ 87,041,236	\$ 5,802,032

J. Property Taxes

Property taxes levied by the County Commission are the primary source of revenue for the County and the Board. Assessed values are established by the State of Tennessee at the following rates of assumed market value:

Personal Property	30 %
Railroads, Industrial and Commercial Property	40 %
Public Utility	55 %
Residential and Farm Real Property	25 %

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Property Taxes (Continued)

Taxes were levied at a rate of \$2.69 per \$100 of assessed values. Tax collections of \$198,584,250 for fiscal year 2006 were approximately 95.8 percent of the total tax levy.

The 2006 fiscal year property tax rate of \$2.69 was divided between the County and the Board as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 1.240	46.10%
Debt Service Fund	0.220	8.18%
Total - Primary Government	1.460	54.28%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	1.230	45.72%
Total Tax Levy	\$ 2.690	100.00%

The 2007 fiscal year property tax rate of \$2.69 is divided as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 1.240	46.10%
Debt Service Fund	0.220	8.18%
Total - Primary Government	1.460	54.28%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	1.230	45.72%
Total Tax Levy	\$ 2.690	100.00%

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE IV. OTHER INFORMATION

A. Joint Ventures

The County is a participant in a joint venture with the City of Knoxville and the Knoxville Utilities Board in the operation of the Geographic Information Systems. The Geographic Information Systems was established to create and maintain a digitized mapping system of Knox County. Each of the participants appoints one of the three board members who oversee the operations. In March 1987, the County issued public improvement bonds, which included \$5,500,000 used to install the geographic information system. In accordance with the terms of the joint venture agreement, payments are shared between the County, the City of Knoxville and the Knoxville Utilities Board. In the 2006 fiscal year, the joint venture received 83 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$524,156 in user service fees for the year ended June 30, 2006. The County does not retain an equity interest in the joint venture. Complete separate financial statements for the Geographic Information Systems may be obtained at 606 Main Street, Suite 150, Main Place, Knoxville, TN 37902.

The County is a participant in a joint venture with the City of Knoxville in the operation of the Animal Center, which was established to administer the service delivery system for the care of animals. The Animal Center Board consists of eleven members appointed by the Mayor of the City of Knoxville, the Knox County Mayor, the Knox County Commission, and the Knoxville Academy of Veterinary Medicine. The Center's operations are primarily funded by the City of Knoxville and Knox County. In the 2006 fiscal year, the joint venture received 72 percent of its revenues from the City of Knoxville and Knox County. Complete separate financial statements may be obtained at 3201 Division Street, Knoxville, TN 37919.

The County is a participant in a joint venture with the City of Knoxville in the operation of the Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA). The Authority was created to purchase, construct, refurbish, maintain and operate certain public building complexes to house the governments of the County and the City of Knoxville. The County appoints six of an eleven-member board of directors, which oversee the operations of PBA. The fact that the County appoints a majority of the board is negated by the participants' agreements calling for joint control of PBA. The County retains an equity interest in the joint venture. Complete separate financial statements for PBA may be obtained at Room M-22, City County Building, 400 Main Avenue, Knoxville, TN 37902.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE IV. OTHER INFORMATION (Continued)

B. Related Organizations

The County is responsible for all of the board appointments of the Knox County Housing Authority and the Knox County Industrial Development Board. However, the County has no further accountability for either of these organizations.

The County is responsible for a minority of the board appointments for the Knoxville-Knox County Community Action Committee. During the year ended June 30, 2006, the County appropriated operating subsidies of \$1,285,266 to the Community Action Committee.

The County and the Tourism & Sports Development Corporation of Knoxville/Knox County (TSDC) have entered into a contract for the operations management of the Women’s Basketball Hall of Fame (the Hall). The County will pay TSDC a management fee. Pursuant to that contract, TSDC will manage the day-to-day operations and events at the facility and will collect revenues for the County and pay the operating expenses from these revenues. All revenues collected by TSDC are the property of the County and held by TSDC in trust as public funds and applied to pay operating expenses in accordance with the budget. To the extent revenues are insufficient, TSDC will pay operating expenses out of its management fee. The revenues and expenses for the operation of the Hall are as follows:

Revenues from Operations	\$	496,495
Management Fee		150,000
Total Revenues		<u>646,495</u>
Total Expenses		(642,580)
Net Income	\$	<u><u>3,915</u></u>

Pursuant to the contract, which commenced on September 1, 1999 and expires on June 30, 2013, to the extent revenues and the management fee payable to TSDC are insufficient to cover operating expenses, such deficiency shall be paid by TSDC from such funds as are available to TSDC for such purpose.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Financing

The County has established risk-financing funds (the Employee Benefits Fund and the Self Insurance Fund) associated with the employee's health insurance plan and payments to cover worker's compensation and general liability claims and settlements, respectively. The Board and the District (component units), the Geographic Information Systems and the Animal Center (joint ventures between the County and the City of Knoxville), and the Knox County-City of Knoxville Metropolitan Planning Commission (a separate governmental organization) also participate in the plan.

The risk financing funds are accounted for as internal service funds where assets are set aside for claim settlements. Throughout fiscal year 2006, the County continued offering fully insured health coverage to County employees and their families through either Cigna Healthcare of Tennessee or Cariten Healthcare.

In the Self Insurance Fund, each fund, participating Component Unit, and participating outside entity is charged for claims incurred during the year and estimated claims at year-end. The total charges for the funds are calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Liabilities of the funds are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation and recent claim settlements. Changes in the balances of claims during the past two fiscal years are as follows:

	Employee Benefits Fund - Medical Claims, and Unemployment Compensation		Self Insurance Fund - General Liability, and Workers' Compensation	
	Fiscal Year 2006	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2005
Unpaid Claims - Beginning Balance	\$ -	\$ -	\$ 7,057,135	\$ 7,495,942
Incurred Claims (Including IBNR's)	91,532	112,742	1,491,589	2,010,844
Claim Payments	(91,532)	(112,742)	(1,208,214)	(2,449,651)
Unpaid Claims - Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,340,510</u>	<u>\$ 7,057,135</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Financing (Continued)

The County and the Board purchase insurance coverage for personal and real property. The Board also purchases health insurance coverage. The District purchases insurance coverage for personal and real property, general liability and workers' compensation coverage. The County and its component units have had no significant reduction in insurance coverage over the last three years. Settlements have not exceeded insurance coverage in the past three fiscal years.

D. Other Post Employment Benefits

As authorized in a local resolution, the County provides post-retirement health care benefits for County and non-certified school retirees and their dependents. The retiree is responsible for paying 100 percent of the related premium. The premiums are recorded as revenue in the County's Employee Benefits Fund and used to offset retiree insurance expenditures during the year. The retirees who have chosen to participate in the County's medical insurance plan have not been evaluated on a separate experience rating from those of existing County and Board employees. Therefore, participating retirees contribute the same premium as existing employees, plus the amount the employer contributes for existing employees.

During the 2006 fiscal year, an average of 473 retirees and/or their dependents were participating in the plan. For the fiscal year ended June 30, 2006, retiree insurance expenditures were \$881,755 and total retiree contributions were \$881,755.

E. Commitments and Contingencies

The County and its component units are parties to various legal proceedings, a number of which normally occur in governmental operations. As discussed in Note IV.C., amounts have been accrued in the County's Self Insurance Fund for the estimated amounts of claims liabilities.

The County receives significant financial assistance from the Federal and State governments in the form of grants and entitlements. These programs are subject to various terms and conditions, compliance with which is the responsibility of the County. These programs are subject to financial and compliance audits by the grantor agencies. Any costs disallowed as a result of such audits could become a liability of the County. As of June 30, 2006, the amount of any liabilities that could result from such audits cannot be determined. However, the County believes that any such amounts would not have a material adverse effect on the County's financial position.

The County and the Board have several outstanding construction projects as of June 30, 2006. The County also has a five-year Capital Improvement Plan which addresses major capital needs for the County and the Board. Although the Capital Improvement Plan does not represent legal appropriations or contractual commitments, it does represent priorities as determined by the County and the Board.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

The following represents capital projects funds spent to date, current contractual obligations, and future plans as presented in the Capital Improvement Plan for the five fiscal years beginning July 1, 2006 and ending June 30, 2010:

	Spent to Date	Contractual Commitment Remaining at June 30, 2006	Capital Improvement Plan July 1, 2006 - June 30, 2010
<u>Primary Government:</u>			
Dutchtown Road Functional Planning	\$ 4,168,363	\$ -	\$ 3,000,000
East Tennessee Historical Society	18,806,314	13,332	-
Westland Drive	4,409,420	-	250,000
Ballcamp Road Improvements	8,576,177	-	16,000,000
Convenience Centers & Yard Waste	2,002,549	-	980,000
Stormwater Management Plan	4,359,111	-	8,110,000
Karns Connector	2,963,137	23,162	4,000,000
Lovell Road	1,942,295	-	-
Senior Centers	2,811,662	9,000	31,000
Veteran's Nursing Home	2,844,977	-	-
Economic Development	8,142,365	-	13,000,000
Finance Software Upgrade System	4,630,605	938,042	-
Maloney Road/Maryville	1,118,169	-	-
Burlington Branch Library	1,886,996	158,712	-
Other Projects	175,364,678	2,507,882	73,212,865
Total - Primary Government	\$ 244,026,818	\$ 3,650,130	\$ 118,583,865
<u>Component Unit - the Board:</u>			
Ridgedale Elementary	\$ 15,802,086	\$ 20,886	\$ -
Powell Middle	1,049,786	40,871	-
Holston Middle	11,055,460	760,677	-
Cedar Bluff - K-3	3,694,695	737,750	-
Gibbs Elementary	9,233,359	-	-
Other Projects	69,709,045	1,158,439	75,900,000
Total - the Board	\$ 110,544,431	\$ 2,718,623	\$ 75,900,000

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

Construction projects for both the County and the Board are primarily funded by general obligation bonds.

Subsequent to the end of the fiscal year the voters of Knox County have approved allowing uniformed officers the option of a defined benefit retirement plan. The plan has not yet been established. Knox County is currently working with its retirement office Pension Board and Pension Consultants to establish the plan. The benefit is expected to be offered in FY 2008. The County is evaluating the financial effect and related financing options in its budget process for FY 2008.

F. Deferred Compensation

The County and the Board jointly offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The District also offers its employees a separate deferred compensation plan. The plans, available to all full-time County, Board and District employees at their option, permit participants to defer a portion of their salary, at least \$20 per month, until future years. The deferred compensation is not available to participants until termination, retirement, death or an unforeseeable emergency.

G. Constitutional Officers

The Constitutional Officers Special Revenue Fund includes the operations of the following elected officials:

Trustee - serves as the treasurer and primary investment manager of the County's funds and manages property tax collection efforts.

Knox County Clerk - serves as the Clerk of the County Commission. Principally engaged in the sale of motor vehicle licenses and acceptance of applications of motor vehicle registrations of the State of Tennessee.

Circuit and General Sessions, Criminal and Fourth Circuit Courts Clerks and Clerk and Master - serve as the clerical and support staff for the various courts for both civil and criminal proceedings.

Register of Deeds - collects various fees for the recording of conveyances, trust deeds, chattels, charters, plats and other legal instruments.

These officials, responsible for the collection and remittance of State, County and other funds, earn fees and commissions for their services.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE IV. OTHER INFORMATION (Continued)

G. Constitutional Officers (Continued)

The operations of the Constitutional Officers are operated under the provisions of Section 8-22-104, Tennessee Code Annotated (TCA). Salaries and related benefits of the officials and staff are paid from fees and commissions earned. Fees earned in excess of these costs are remitted to the County's General Fund, less an allowance of three months of anticipated operating expenses retained in the respective fee account. Salaries for clerical assistance were supported by chancery court decrees that were obtained under provisions of Section 8-20-101, et seq., TCA. These activities are accounted for in the County's Constitutional Officers' Special Revenue Fund.

Collections and payments for litigants, heirs and others are accounted for in the County's Constitutional Officers' Agency Fund.

Other operating costs of these offices (excluding salaries and benefits) are accounted for in the County's General Fund. These budgeted amounts are approved by the County Commission in accordance with the County Charter. Fees remitted by the officials in excess of salaries and benefits are used to offset the cost to the General Fund.

Included in the Supplementary Schedules of the County's Comprehensive Annual Financial Report are schedules (reported on the cash basis of accounting) of detailed operations of the respective offices for the fiscal year ended June 30, 2006. These schedules only include the cash operations of the offices. They do not include the expenditures reported in the County's General Fund.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE IV. OTHER INFORMATION (Continued)

G. Constitutional Officers (Continued)

The following schedule presents the activity reported in the Constitutional Officers' Special Revenue Fund and expenditures reported in the County's General Fund.

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds
Constitutional Officers Special Revenue Fund:						
Revenues	\$ 6,150,257	\$ 5,255,301	\$ 1,443,097	\$ 3,987,486	\$ 1,209,876	\$ 4,312,801
Expenditures	(2,737,567)	(4,379,855)	(1,187,132)	(3,689,662)	(987,068)	(1,768,601)
Excess of Revenues Over Expenditures	3,412,690	875,446	255,965	297,824	222,808	2,544,200
Fees Remitted to County General Fund	(4,566,670)	(1,185,000)	(180,000)	(400,000)	(223,350)	(2,063,579)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Fees Remitted	\$ (1,153,980)	\$ (309,554)	\$ 75,965	\$ (102,176)	\$ (542)	\$ 480,621
Fees Remitted to County General Fund	\$ 4,566,670	\$ 1,185,000	\$ 180,000	\$ 400,000	\$ 223,350	\$ 2,063,579
Expenditures:						
Personal Services/ Employee Benefits	-	(22)	-	-	-	-
Contracted Services	(129,645)	(511,333)	(84,130)	(192,616)	(96,979)	(120,425)
Supplies and Materials	(198,485)	(105,086)	(14,637)	(113,953)	(17,422)	(39,098)
Capital Outlay	-	(148,170)	-	-	-	-
Other Charges	(91,364)	(157,345)	(66,632)	(212,852)	(159,878)	(110,948)
Total General Fund Expenditures	(419,494)	(921,956)	(165,399)	(519,421)	(274,279)	(270,471)
Excess (Deficiency) of Fees Remitted Over (Under) General Fund Expenditures	\$ 4,147,176	\$ 263,044	\$ 14,601	\$ (119,421)	\$ (50,929)	\$ 1,793,108

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE V: EMPLOYEE RETIREMENT PLANS

County and Board employees are covered by a variety of retirement plans. These plans fall into two categories - defined contribution and defined benefit plans. The majority of County and Board employees participate in *defined contribution plans*. Those not included in the defined contribution plan are certificated teachers covered under the Board's Article IX Defined Benefit Plan for former Knoxville City School teachers, all certificated County school teachers, and certain non-certificated employees who elected not to transfer to the primary defined contribution plan. Required disclosures for the Defined Contribution Plans are presented in Note V-A. County certificated school teachers participate in the State Retirement Plan for Teachers as administered by the Tennessee Consolidated Retirement System (TCRS). Certain County Officials also participate in this plan.

The State of Tennessee provides benefits for participants in the TCRS, a cost-sharing multiple-employer Public Employee Retirement System (PERS). In a multiple-employer PERS, all risks and costs are shared proportionately among the participating employers. A single actuarial valuation is computed for the TCRS as a whole and all participating employer groups make payments to the TCRS based on a pre-determined contribution rate. However, as the TCRS prepares a separate financial report on its multiple-employer defined benefit plan, the operations and activities of this plan are not included in the County's reporting entity and are not included in the accompanying financial statements.

The two defined contribution plans and the two single employer defined benefit plans are part of the County's financial reporting entity and are included in the accompanying financial statements. The operations of the Knox County Employee Benefit System (County DB Plan), the County's Defined Contribution Plan (County DC Plan) and the County's Medical Retirement Defined Contribution Plan (Medical Retirement DC Plan) are recorded as County pension trust funds. The operations of the Board's Certificated Teacher's Defined Benefit Plan (Teacher's DB Plan) are recorded in the Board's pension trust fund. Separate financial reports for the two defined contribution plans and the two single employee defined benefit plans are not separately prepared.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

A. Defined Contribution Plans

The *County DC Plan* is a defined contribution plan (an asset accumulation plan) established by Knox County under Section 401(a)(9) of the Internal Revenue Code. The plan covers substantially all full time employees of the County. 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 another County, Board or state retirement plan are required to participate.

Prior to July 1, 1999, plan members were required to contribute a minimum of four percent and could contribute up to a maximum of fifteen percent of compensation. The County and the Board matched member contributions up to six percent of compensation.

Effective, July 1, 1999, the Knox County Retirement Board amended plan provisions to require all participants to contribute a minimum of six percent of compensation.

At June 30, 2006, there were 6,266 plan members. During the year, the employer and member contributions (prior to forfeitures) amounted to \$8,191,394 and \$8,835,056 respectively.

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

Prior to July 1, 1999:

- (1) A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum distribution of \$100 for each year of eligible service from the Knox County Retirement & Pension Board, and
- (2) A participant reaching age 40 and completing at least five years of credited service could make contributions to the plan in which the Pension Board would contribute a matching contribution of 50 percent up to a maximum of \$104 per year.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

A. Defined Contribution Plans (Continued)

Effective July 1, 1999:

- (1) A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum distribution of \$100 for each year of eligible service from the Knox County Retirement & Pension Board, and
- (2) A participant making contributions through payroll deductions to the Medical Retirement Plan would be eligible for a percent match contribution from the Knox County Retirement & Pension Board based on the percent approved by the Board for the year in question.
- (3) 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:

Calendar Year 1999	\$600
Calendar Year 2000	\$600
Calendar Year 2001	\$840
Calendar Year 2002	\$420
Calendar Year 2003	\$120
Calendar Year 2004	\$0
Calendar Year 2005	\$120
Calendar Year 2006	\$120

The contributions are funded using excess funds as actuarially determined from the *County DB Plan* and are recorded as a transfer from the *County DB Plan* to the *Medical Retirement DC Plan*.

Effective January 1, 2005, the Retirement & Pension Board approved the re-instatement of the retiree bonus in the amount of \$120 annually for each of the next five years. This could be subject to change if the value of the Defined Benefit Plan's assets drop below an acceptable funding level. This bonus will be paid to all retirees as of January 1 of each year and payment will occur during the first quarter of the same year. Active employees contributing to the Medical Expense Retirement Plan will receive a 25% match for the Retirement & Pension Board up to a maximum annual match of \$104. The Board also committed to this for five years unless assets fall below an acceptable funding level.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

A. Defined Contribution Plans (Continued)

At June 30, 2006, the Medical Retirement Plan had 3,102 members. During the year employer and member contributions amounted to \$78,498 and \$354,050, respectively.

Plan provisions and contribution requirements for both defined contribution plans are established and may be amended by the Knox County Retirement Board. Both plans are administered by the Knox County Retirement Board. Administrative costs of the plans are financed through investment earnings.

B. Defined Benefit Plans

Plan Descriptions

Primary Government. The *County DB Plan* is a single-employer public employee retirement pension plan established by the County Commission pursuant to House Bill Number 886 of Chapter 246 of the 1967 Private Acts of the State of Tennessee as amended and continued by the County's charter.

On October 1, 1991 through January 31, 1992, approximately one-half of the participants in the *County DB Plan* transferred from the *County DB Plan* to the *County DC Plan*. The transferred participants plus "new" enrollees in the defined contribution plan are non-contributing participants and continue to be covered under the *County Plan* disability and death benefit provisions. Effective September 30, 1991, the *County DB Plan* was closed to new participants.

The *County DB Plan* covered virtually all full-time County employees prior to October 1, 1991. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Benefit Plans (Continued)

The Board. The *Teachers' DB Plan*, established under Article IX of the Knox County Employee Benefit System, is a single-employer public employee retirement pension plan. Retirement benefits are provided to certain "covered certificated members" who are participants in Divisions A and B of the City of Knoxville Pension Plan. Pursuant to the abolition of the Knoxville City Schools on June 30, 1987, and the execution of the "Certificated Employees Participation Agreement" in November, 1994, both the City of Knoxville and the Board are each jointly and severally responsible for providing a portion of benefits. The County has established a trust for the purpose of funding its portion of total benefits attributable to the "covered certificated members." A "covered certificated member," is defined as that certificated teacher who (1) became an employee of the Knox County Board of Education as a result of the abolition of the Knoxville City Schools and (2) is entitled to maintain at his/her option a local pension plan membership as provided by decree of the Court of Appeals of Tennessee, Docket Number 736 dated December 30, 1987.

The *Teachers DB Plan* consists of Divisions A and B. There were no remaining Division B participants active as of June 30, 1995. Both Divisions A and B are closed to new Plan members. The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries.

In both the *County DB Plan* and the *Teachers' DB Plan*, provisions and contribution requirements are established and may be amended by the Knox County Retirement Board. The Knox County Retirement Board administers both Plans. Administrative costs of the plans are financed through assets of the *County DB Plan and the Teachers' DB Plan*. Financial reports for the *County DB Plan* and the *Teachers' DB Plan* are not separately prepared.

Participant data at January 1, 2006 was as follows:

Description	County DB Plan	Teachers' DB Plan
Actives Contributing	293	114
Actives Not Contributing, DC Plan	4,857	-
Retirees, Beneficiaries, and Disableds	1,503	364
Inactives with Contribution Accounts	310	22
Inactives, DC Plan	327	-
Total Participants	7,290	500

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Benefit Plans (Continued)

The Knox County Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). The Tennessee General Assembly amends state statutes. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

Some employees of Knox County Mayor and Officials are members of the Political Subdivision Pension Plan (PSPP), and agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with ten years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after ten years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). The Tennessee General Assembly amends state statutes. Political Subdivisions such as Knox County Mayor and Officials participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Benefit Plans (Continued)

The TCRS issues publicly available financial reports that include financial statements and required supplementary information for the SETHEPP and PSPP. These reports may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy

In the *County DB Plan*, plan members are required to make contributions at the rate of 5.0% of earnable compensation. The County, however, is required to make contributions only to the extent necessary to maintain the funded status of the plan as actuarially determined.

In the *Teachers' DB Plan*, most plan members are required to contribute 3.0% of the first \$4,000 then 5.0% thereafter of salary to the plan. The employer contribution rate for the Board is established at an actuarially determined rate and was 12.30% of annual covered payroll for the year ending June 30, 2006.

Under the TCRS plan, most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Knox County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2006 was 5.5% of annual covered payroll.

The employer contribution requirement for Knox County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2006, 2005 and 2004 were, \$455,398, \$10,274,970, \$5,963,524, respectively, equal to the required contributions for each year.

The TCRS plan for Knox County Mayor and Officials requires employees to contribute 5.0% of earnable compensation.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Benefit Plans (Continued)

Knox County Mayor and Officials are required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2006 was 0.0% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Knox County Mayor And Officials is established and may be amended by the TCRS Board of Trustees. The annual required contributions for the current year were determined as part of actuarial valuations using the following significant assumptions:

	<i>Primary Government</i>		<i>Component Unit - The Board</i>
	<i>County DB Plan</i>	<i>TCRS</i>	<i>Teachers' DB Plan</i>
Actuarial Valuation Date	January 1, 2006	July 1, 2003	January 1, 2006
Actuarial Cost Method	Collective Aggregate	Frozen Entry Age	Individual Entry Age Normal
Actuarial Valuation of Assets	Market Value	Smoothed Market Value Over 5 Years	Smoothed Market Value Over 5 Years
Inflation Rate	3.00%	3.00%	2.75%
Investment Return	7.50%	7.50%	7.50%
Projected Salary Increases	3.50%	4.75%	4.00%
Post Retirement Increases (Cost of Living Adjustments)	3.00%	3.00%	2.75%

Under the collective aggregate actuarial cost method, the annual cost is the aggregate normal cost.

Under the Entry Age Normal cost method, the annual cost is equal to the normal cost, plus amortization of unfunded accrued liabilities over a fixed period of years selected within the minimum (10 years) and the Maximum (5 to 30 years) periods permitted by law.

In the TCRS, the unfunded actuarial liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003 was 18 years.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2006

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Benefit Plans (Continued)

The changes in the Net Pension Obligation (Asset), components of the Annual Required Contribution, and adjustments to the Annual Required Contribution are as follows:

Description	Primary Government County DB Plan			Component Unit - The Board Teachers' DB Plan		
	2005	2004	2003	2006	2005	2004
Net Pension Obligation (Asset), Beginning of Year*	\$ (3,876,954)	\$ (3,910,001)	\$ (3,943,329)	\$ 3,385,016	\$ 3,413,870	\$ 3,437,034
Annual Pension Cost:						
Annual Required Contribution	-	-	-	739,370	881,447	784,838
Interest on Net Pension Obligation (Asset)	(290,772)	(293,250)	(295,750)	253,876	256,040	274,963
Adjustments to Annual Required Contribution**	323,538	326,297	329,078	(282,486)	(284,894)	(298,127)
Total Annual Pension Cost	32,766	33,047	33,328	710,760	852,593	761,674
Contributions Made	-	-	-	739,370	881,447	784,838
Increase (Decrease) in Net Pension Obligation (Asset)	32,766	33,047	33,328	(28,610)	(28,854)	(23,164)
Net Pension Obligation (Asset), End of Year	\$ (3,844,188)	\$ (3,876,954)	\$ (3,910,001)	\$ 3,356,406	\$ 3,385,016	\$ 3,413,870
Amortization Period (in years)	25	25	25	25	25	25
Interest Rate	7.50%	7.50%	7.50%	7.50%	7.50%	8.00%

* A positive balance reflects a liability while a negative amount is an asset.

**The adjustment to the Annual Required Contribution is a level dollar amortization of the Net Pension Obligation (Asset) at the beginning of the period

Trend Information (TCRS)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2006	\$ -	100.00%	\$ -
June 30, 2005	\$ -	100.00%	\$ -
June 30, 2004	\$ -	100.00%	\$ -

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2006

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Collective Aggregate (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
County DB Plan:						
1/1/1997	\$ 80,067,931	\$ 80,067,931	\$ -	100.00%	\$ 18,757,024	0.00%
1/1/1998	89,622,330	89,622,330	-	100.00%	16,839,606	0.00%
1/1/1999	89,289,817	89,289,817	-	100.00%	11,894,535	0.00%
1/1/2000	90,400,104	90,400,104	-	100.00%	10,582,373	0.00%
1/1/2001	90,876,819	90,876,819	-	100.00%	10,292,951	0.00%
1/1/2002	90,458,876	90,458,876	-	100.00%	9,245,646	0.00%
1/1/2003	84,553,434	84,553,434	-	100.00%	8,081,941	0.00%
1/1/2004	81,996,895	81,996,895	-	100.00%	7,552,549	0.00%
1/1/2005	79,398,895	79,398,895	-	100.00%	6,799,378	0.00%
1/1/2006	78,756,498	78,756,498	-	100.00%	6,141,456	0.00%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Individual Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Teachers' DB Plan						
1/1/1997	\$ 31,532,498	\$ 31,532,498	\$ -	100.00%	\$ 16,518,534	0.00%
1/1/1998	55,425,760	55,425,760	-	100.00%	16,280,062	0.00%
1/1/1999	62,622,721	62,622,721	-	100.00%	15,714,131	0.00%
1/1/2000	70,243,735	70,243,735	-	100.00%	14,392,249	0.00%
1/1/2001	69,634,862	69,634,862	-	100.00%	14,009,264	0.00%
1/1/2002	72,917,044	72,917,044	-	100.00%	13,254,219	0.00%
1/1/2003	71,458,839	71,458,839	-	100.00%	12,286,006	0.00%
1/1/2004	73,472,465	73,472,465	-	100.00%	11,014,729	0.00%
1/1/2005	74,889,828	82,120,286	7,230,458	91.20%	7,595,733	95.19%
1/1/2006	75,174,360	83,066,476	7,892,116	90.50%	6,278,718	125.78%

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2006

Schedules of Funding Progress (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Knox Co Executive and Officials						
TCRS (Amounts Expressed in Thousands):						
6/30/1991	\$ 296	\$ 296	\$ -	100.00%	\$ 141	0.00%
6/30/1993	371	371	-	100.00%	157	0.00%
6/30/1995	441	441	-	100.00%	74	0.00%
6/30/1997	600	600	-	100.00%	77	0.00%
6/30/1999	704	704	-	100.00%	81	0.00%
6/30/2001	792	792	-	100.00%	81	0.00%
7/1/2003	842	842	-	100.00%	83	0.00%
7/1/2005	901	901	-	100.00%	86	0.00%

**Schedules of Employer Contributions
(Last Ten Fiscal Years)**

Year Ended June 30	<u>County DB Plan</u>		<u>Teachers' DB Plan</u>	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1996	-	N/A	2,747,575	100.00%
1997	-	N/A	2,797,910	24.92%
1998	-	N/A	2,522,434	688.50%
1999	-	N/A	773,683	100.64%
2000	-	N/A	357,275	96.15%
2001	-	N/A	-	N/A
2002	-	N/A	344,411	174.21%
2003	-	N/A	412,445	145.47%
2004	-	N/A	784,838	100.00%
2005	-	N/A	881,447	100.00%
2006	-	N/A	739,370	100.00%

KNOX COUNTY, TENNESSEE

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (GAAP Basis) - General Fund
 For the year ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Local Taxes	\$ 120,530,418	\$ 120,573,965	\$ 124,821,664	\$ 4,247,699
Licenses and Permits	3,353,350	3,353,350	3,741,911	388,561
Fines, Forfeitures and Penalties	2,765,846	2,775,126	3,564,743	789,617
Charges for Current Services	4,663,195	4,663,195	5,543,369	880,174
Other Local Revenues	1,552,917	1,556,389	1,441,491	(114,898)
State of Tennessee	6,034,400	6,329,198	7,736,719	1,407,521
Federal Government	385,000	385,000	685,539	300,539
Other Governments and Citizen Groups	174,000	376,517	242,040	(134,477)
Increase in Equity Interest in Joint Venture	-	-	10,385	10,385
Total Revenues	139,459,126	140,012,740	147,787,861	7,775,121
Expenditures				
Current:				
Finance and Administration	21,753,315	22,844,231	21,773,462	1,070,769
Finance and Administration - Payments to Component Unit	2,570,000	2,570,000	2,570,000	-
Administration of Justice	13,382,574	13,588,003	13,189,864	398,139
Public Safety	54,472,129	55,094,924	54,487,038	607,886
Public Safety - Payments to Component Unit	326,200	326,200	326,200	-
Public Health and Welfare	30,363,646	30,702,664	28,802,160	1,900,504
Public Health and Welfare - Payments to Component Unit	646,990	646,990	646,990	-
Social and Cultural Services	3,942,265	4,321,083	3,888,972	432,111
Agricultural and Natural Resources	414,491	412,134	402,907	9,227
Other General Government	7,845,617	7,833,736	5,375,687	2,458,049
Decrease in Equity Interest in Joint Venture	-	-	-	-
Total Expenditures	135,717,227	138,339,965	131,463,280	6,876,685
Excess of Revenues Over Expenditures	3,741,899	1,672,775	16,324,581	14,651,806
Other Financing Sources (Uses)				
Transfers from Other Funds	8,324,000	10,903,800	9,718,599	(1,185,201)
Transfers to Other Funds	(14,670,699)	(17,179,640)	(17,178,714)	926
Total Other Financing Uses	(6,346,699)	(6,275,840)	(7,460,115)	(1,184,275)
Net Change in Fund Balances	\$ (2,604,800)	\$ (4,603,065)	8,864,466	\$ 13,467,531
Fund Balances, July 1			<u>48,734,076</u>	
Fund Balances, June 30			<u>\$ 57,598,542</u>	

Note to Required Supplementary Information
June 30, 2006

Budgetary Reporting

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) – General Fund presents comparisons of the original and final legally adopted budget with actual data.

The General Fund budget is prepared at the department and major category level. The legal level of budgetary control, that is, the level at which management cannot overspend funds without a budget amendment approved by the Finance Committee of the County Commission, is the major category level within departments. The major categories are Personal Services, Employee Benefits, Contracted Services, Supplies and Materials, Other Charges, Debt Service and Capital Outlay. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) – General Fund does not present the detail necessary to demonstrate compliance at the legal level of budgetary control. Such detailed schedules are included in the County's separately issued *Budget Report to Citizenry*. Copies of the report may be obtained from the Knox County Department of Finance:

Knox County Department of Finance
Room 630
City County Building
400 Main Avenue
Knoxville, Tennessee 37902

The County's Constitutional Officers Special Revenue Fund is the County's only major special revenue fund. The fund is used to account for the activities of the fee and commission accounts of the County Trustee, Register of Deeds, County Clerk, Criminal and Fourth Circuit Court Clerk, Circuit and General Sessions Court Clerk, and Clerk and Master. These officers earn various fees and commissions, pay certain expenses of their office operations, and transfer all or portions of the fees and commissions generated to other funds. The transactions related to the activities of these offices are not subject to the budgetary control of the County Commission. As there is no legally adopted budget for this fund, there is no budgetary comparison schedule presented in this report.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the County (i.e. public safety, recreation, health and welfare, general government, etc.). These activities are funded principally by property taxes on individuals and businesses.

KNOX COUNTY, TENNESSEE

**General Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 31,800,753	\$ 7,146,885
Receivables (Net of Allowances for Uncollectibles):		
Accounts	6,884,766	7,181,547
Property Taxes	105,453,000	101,025,238
Investments	12,132,359	31,478,785
Due from Other Funds	6,846,889	5,362,803
Due from Component Units	55,503	238,768
Inventories	152,219	160,302
Prepaid Items	282,756	545,120
Investment in Joint Venture	5,106,361	5,095,976
Advances to Other Funds	162,248	162,248
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 168,876,854</u>	<u>\$ 158,397,672</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 5,910,505	\$ 7,606,073
Due to Other Funds	-	1,414,379
Due to Component Units	-	5,697
Deferred Revenue	105,367,807	100,637,447
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>111,278,312</u>	<u>109,663,596</u>
 Fund Balances:		
Reserved	7,823,979	7,934,931
Unreserved:		
Designated	10,366,047	4,047,915
Undesignated	39,408,516	36,751,230
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>57,598,542</u>	<u>48,734,076</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 168,876,854</u>	<u>\$ 158,397,672</u>

KNOX COUNTY, TENNESSEE

**General Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2006 and June 30, 2005**

	2006	2005
Revenues		
Local Taxes	\$ 124,821,664	\$ 114,343,327
Licenses and Permits	3,741,911	3,472,814
Fines, Forfeitures and Penalties	3,564,743	2,980,362
Charges for Current Services	5,543,369	5,065,752
Other Local Revenues	1,441,491	1,702,915
State of Tennessee	7,736,719	7,185,463
Federal Government	685,539	741,228
Other Governments and Citizen Groups	242,040	182,180
Increase in Equity Interest in Joint Venture	10,385	-
Total Revenues	147,787,861	135,674,041
Expenditures		
Current:		
General Government:		
Finance and Administration	21,773,462	21,805,059
Finance and Administration - Payments to Component Unit	2,570,000	1,000,000
Administration of Justice	13,189,864	12,775,176
Public Safety	54,487,038	52,522,985
Public Safety - Payments to Component Unit	326,200	603,450
Public Health and Welfare	28,802,160	27,474,927
Public Health and Welfare - Payments to Component Unit	646,990	562,635
Social and Cultural Services	3,888,972	3,970,464
Agricultural and Natural Resources	402,907	390,615
Other General Government	5,375,687	5,931,928
Decrease in Equity Interest in Joint Venture	-	457,224
Total Expenditures	131,463,280	127,494,463
 Excess of Revenues Over Expenditures	 16,324,581	 8,179,578
Other Financing Sources (Uses)		
Transfers from Other Funds	9,718,599	7,402,990
Transfers to Other Funds	(17,178,714)	(15,113,777)
Total Other Financing Uses	(7,460,115)	(7,710,787)
 Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	 8,864,466	 468,791
Fund Balances, July 1	48,734,076	48,265,285
Fund Balances, June 30	\$ 57,598,542	\$ 48,734,076

SPECIAL REVENUE FUNDS - MAJOR

Constitutional Officers Fund: This fund is used to account for revenues and expenditures associated with the administrative functions of the Constitutional Officers.

KNOX COUNTY, TENNESSEE

Constitutional Officers' Special Revenue Fund

Combining Balance Sheets

June 30, 2006

(With Comparative Totals for June 30, 2005)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2006	2005
ASSETS								
Cash and Cash Equivalents	\$ 547,046	\$ 776,863	\$ 396,591	\$ 976,635	\$ 419,742	\$ 701,994	\$ 3,818,871	\$ 6,556,568
Due from Other Funds	-	-	-	-	-	-	-	86,484
Due from Component Units	-	-	-	-	-	-	-	20,787
TOTAL ASSETS	\$ 547,046	\$ 776,863	\$ 396,591	\$ 976,635	\$ 419,742	\$ 701,994	\$ 3,818,871	\$ 6,663,839
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to Other Funds	\$ 34,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,754	\$ 1,870,056
TOTAL LIABILITIES	34,754	-	-	-	-	-	34,754	1,870,056
Fund Balances:								
Unreserved, Undesignated	512,292	776,863	396,591	976,635	419,742	701,994	3,784,117	4,793,783
TOTAL LIABILITIES AND FUND BALANCES	\$ 547,046	\$ 776,863	\$ 396,591	\$ 976,635	\$ 419,742	\$ 701,994	\$ 3,818,871	\$ 6,663,839

KNOX COUNTY, TENNESSEE

**Constitutional Officers' Special Revenue Fund
Combining Schedule of Revenues, Expenditures
And Changes in Fund Balances**

For the year ended June 30, 2006

(With comparative totals for the year ended June 30, 2005)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2006	2005
Revenues								
Charges for Services	\$ 6,149,031	\$ 5,201,483	\$ 1,333,793	\$ 3,987,486	\$ 1,209,876	\$ 4,310,256	\$ 22,191,925	\$ 22,132,516
Interest Income	1,226	53,818	109,304	-	-	2,545	166,893	105,634
Total Revenues	6,150,257	5,255,301	1,443,097	3,987,486	1,209,876	4,312,801	22,358,818	22,238,150
Expenditures								
Current:								
General Government:								
Finance and Administration:								
Salaries - County Officials	88,204	91,551	60,663	88,886	81,731	88,530	499,565	498,467
Salaries - Staff	1,965,485	3,218,163	838,308	2,611,466	680,011	1,346,333	10,659,766	9,903,788
Travel	60,400	73,200	4,544	-	-	8,400	146,544	135,375
Employee Benefits and Payroll Taxes	414,441	984,255	276,664	989,310	208,891	323,551	3,197,112	2,858,126
Consulting Fees	3,100	-	4,800	-	-	-	7,900	500
Office Supplies	205,937	12,686	2,153	-	16,435	1,787	238,998	208,278
Total Expenditures	2,737,567	4,379,855	1,187,132	3,689,662	987,068	1,768,601	14,749,885	13,604,534
Excess of Revenues Over Expenditures	3,412,690	875,446	255,965	297,824	222,808	2,544,200	7,608,933	8,633,616
Other Financing Uses								
Transfers to Other Funds	(4,566,670)	(1,185,000)	(180,000)	(400,000)	(223,350)	(2,063,579)	(8,618,599)	(7,402,990)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(1,153,980)	(309,554)	75,965	(102,176)	(542)	480,621	(1,009,666)	1,230,626
Fund Balances, July 1	1,666,272	1,086,417	320,626	1,078,811	420,284	221,373	4,793,783	3,563,157
Fund Balances, June 30	\$ 512,292	\$ 776,863	\$ 396,591	\$ 976,635	\$ 419,742	\$ 701,994	\$ 3,784,117	\$ 4,793,783

CAPITAL PROJECTS FUNDS - MAJOR

Capital Projects Funds are used to account for the acquisition and construction of major facilities other than those financed by proprietary or trust funds.

Public Improvement Fund: This fund is used to account for the County construction projects in process. These public improvement construction projects include, but are not limited to, the Penal Farm, roads, the Farmers' Market, sewer lines, Hillcrest Nursing Home, recreation facilities, public library facilities, Juvenile Court renovations, City-County Building renovations, John Tarleton Home renovations, Knox Central facilities, and golf course improvements.

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)

Comparative Balance Sheets

June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 36,393,533	\$ 33,070,059
Receivables (Net of Allowances for Uncollectibles):		
Accounts	118,934	433,045
Due From Other Funds	<u>5,000,000</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 41,512,467</u></u>	<u><u>\$ 33,503,104</u></u>
 LIABILITIES AND FUND BALANCES (DEFICIT)		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,608,957	\$ 892,904
Due to Other Funds	2,103,842	10,208,231
Due to Component Units	35,763,902	-
Deferred Revenue	<u>328</u>	<u>-</u>
TOTAL LIABILITIES	<u>40,477,029</u>	<u>11,101,135</u>
 Fund Balances (Deficits):		
Reserved	4,250,130	16,756,669
Unreserved:		
Designated	3,000,000	-
Undesignated	<u>(6,214,692)</u>	<u>5,645,300</u>
TOTAL FUND BALANCE	<u>1,035,438</u>	<u>22,401,969</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 41,512,467</u></u>	<u><u>\$ 33,503,104</u></u>

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Interest Earned	\$ 112,335	\$ 64,788
Local Taxes	186,615	1,526,475
Charges for Current Services	-	1,192
Other Local Revenues	2,245,373	1,969,281
State of Tennessee	-	159,611
Federal Government	421,571	246
Other Governments and Citizen Groups	<u>128,416</u>	<u>601,000</u>
Total Revenues	<u>3,094,310</u>	<u>4,322,593</u>
Expenditures		
Capital Projects	37,366,642	24,273,805
Debt Proceeds Paid to Component Unit	27,000,000	24,000,000
Debt Issuance Costs	337,500	308,200
Payments to Component Unit	<u>44,994,500</u>	<u>5,500</u>
Total Expenditures	<u>109,698,642</u>	<u>48,587,505</u>
Deficiency of Revenues Under Expenditures	<u>(106,604,332)</u>	<u>(44,264,912)</u>
Other Financing Sources (Uses)		
Long-term Debt Issued	77,000,000	70,000,000
Transfers from Other Funds	9,237,801	2,602,735
Transfers to Other Funds	<u>(1,000,000)</u>	<u>(396,812)</u>
Total Other Financing Sources	<u>85,237,801</u>	<u>72,205,923</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(21,366,531)	27,941,011
Fund Balance (Deficit), July 1	<u>22,401,969</u>	<u>(5,539,042)</u>
Fund Balance, June 30	<u>\$ 1,035,438</u>	<u>\$ 22,401,969</u>

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Comparative Schedules of Revenues, Expenditures And
Changes in Fund Balances - Budget And Actual (Budget Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues	\$ 250,500	\$ 250,500	\$ 186,615	\$ (63,885)	\$ 222,500	\$ 226,475	\$ 3,975
Expenditures							
Capital Projects:							
Contracted Services	-	-	-	-	19,000	16,561	2,439
Supplies & Materials	-	-	-	-	62,110	54,177	7,933
Other Charges	375,300	72,500	47,637	24,863	2,655	1,614	1,041
Capital Outlay	-	-	-	-	122,697	33,873	88,824
Miscellaneous	-	-	-	-	118,253	100,434	17,819
Total Expenditures	375,300	72,500	47,637	24,863	324,715	206,659	118,056
Excess (Deficiency) of Revenues Over (Under) Expenditures	(124,800)	178,000	138,978	(39,022)	(102,215)	19,816	122,031
Other Financing Uses							
Transfers to Other Funds	-	(124,800)	-	(124,800)	-	-	-
Total Other Financing Uses	-	(124,800)	-	(124,800)	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(124,800)	53,200	138,978	85,778	(102,215)	19,816	122,031
Fund Balances, July 1 (Budget Basis)	1,115,512	1,115,512	1,115,512	-	1,095,696	1,095,696	-
Fund Balances, June 30 (Budget Basis)	\$ 990,712	\$ 1,168,712	\$ 1,254,490	\$ 85,778	\$ 993,481	\$ 1,115,512	\$ 122,031
Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):							
Fund Balance (Budget Basis)			\$ 1,254,490			\$ 1,115,512	
Timing Difference:							
Project Length Budgets			(219,052)			21,286,457	
Fund Balance (Deficit) (GAAP Basis)			\$ 1,035,438			\$ 22,401,969	

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Schedule of Construction Project Expenditures-
Budget And Actual**

For the year ended June 30, 2006

Project	Expenditures				Available
	Budget	Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Clinton Highway and Beaver Creek	\$ 124,809	\$ 64,500	\$ 704	\$ 65,204	\$ 59,605
Washington Pike	1,641,889	719,190	855,732	1,574,922	66,967
Knob Creek Bridge	1,799,107	16,821	83,574	100,395	1,698,712
Bridge Replacement	3,290,986	-	-	-	3,290,986
Middlebrook Pike	7,258,871	6,988,302	-	6,988,302	270,569
Hardin Valley Road	11,653,542	11,088,423	59,952	11,148,375	505,167
Sherrill Lane	1,939,641	1,890,416	-	1,890,416	49,225
Ballcamp Improvements	10,778,113	8,259,413	316,764	8,576,177	2,201,936
Murdock Lane Improvements	2,692,492	2,687,492	-	2,687,492	5,000
Lovell Road	2,746,987	1,942,295	-	1,942,295	804,692
Central/Callahan/Dante Road	8,250	4,950	1,187	6,137	2,113
Dry Gap Pike	5,175,160	5,075,794	-	5,075,794	99,366
Westland Drive	4,409,420	4,312,695	96,725	4,409,420	-
Schaad/Callahan Road	13,918,975	13,263,725	-	13,263,725	655,250
Maynard/Norris/Emory	197,780	162,796	-	162,796	34,984
Murphy Road Improvements	1,798,503	1,780,231	-	1,780,231	18,272
Parkside Drive Extension	11,871,196	7,211,162	1,913,946	9,125,108	2,746,088
Maloney Road/Maryville	1,173,288	1,121,669	(3,500)	1,118,169	55,119
Gallher View Road	487,950	5,250	35,500	40,750	447,200
Walker Springs Connector	2,652,953	1,741,964	604	1,742,568	910,385
Dutchtown Road Functional Plan	8,657,853	3,662,993	505,370	4,168,363	4,489,490
Karns Connector	3,635,704	1,915,594	1,047,543	2,963,137	672,567
Carter School Road	945,778	884,058	-	884,058	61,720
Dyestone Gap Road	1,785,400	-	3,794	3,794	1,781,606
Campbell Station Extension	500,000	-	-	-	500,000
	101,144,647	74,799,733	4,917,895	79,717,628	21,427,019
<i>Total Road Construction</i>					
<i>Building Renovations:</i>					
Library Int/Ext Painting	12,500	-	12,500	12,500	-
County Wide Renovations	2,326,980	2,119,489	23,162	2,142,651	184,329
Knox Central	935,360	305,572	66,945	372,517	562,843
Fairview Technical Center	386,500	358,452	15,000	373,452	13,048
John Tarleton	111,000	56,198	53,390	109,588	1,412
AJ/ Dweight Kessel Garage	480,500	34,379	184,434	218,813	261,687
City/County Improvement	7,897,211	6,010,318	588,256	6,598,574	1,298,637
Knox County Health Renovations	10,199,810	10,032,309	128,356	10,160,665	39,145
Juvenile Court/ Detention	13,771,528	13,722,862	36,401	13,759,263	12,265
Detention Facility	1,475,345	691,044	236,444	927,488	547,857
DUI Building	357,258	357,150	-	357,150	108
Sheriff Training Facility	93,000	39,533	-	39,533	53,467
Sports Complex	4,161,500	4,159,085	667	4,159,752	1,748
South Knoxville Branch Library	24,882	-	21,882	21,882	3,000
Cedar Bluff Branch Library	34,000	20,490	-	20,490	13,510
Carter Branch Library	23,000	21,850	991	22,841	159
Norwood Branch Library	73,204	68,367	-	68,367	4,837
Corryton Branch Library	53,847	51,655	-	51,655	2,192
Booth Street, Maintenance Building	101,123	17,993	65,026	83,019	18,104
Courtroom Improvement	377,024	-	328,711	328,711	48,313
Old Courthouse Renovation	932,000	-	230,291	230,291	701,709
Detention Facility Expansion 2006	14,400,000	-	4,253,945	4,253,945	10,146,055
	58,227,572	38,066,746	6,246,401	44,313,147	13,914,425
<i>Total Building Renovations</i>					

continued

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Schedule of Construction Project Expenditures-
Budget And Actual (Continued)
For the year ended June 30, 2006**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures (continued)					
<i>Capital Projects (continued):</i>					
<i>Building Construction:</i>					
Community Kitchen - CAC	\$ 2,300,000	\$ 2,298,289	\$ -	\$ 2,298,289	\$ 1,711
Public Defender	3,221,328	3,206,019	9,201	3,215,220	6,108
Veteran's Nursing Home	3,000,000	505,596	2,339,381	2,844,977	155,023
Beck Cultural Center	1,750,000	414,642	412,306	826,948	923,052
Halls Senior Center	1,342,643	279,031	1,018,278	1,297,309	45,334
Corryton Senior Center	610,000	26,360	545,914	572,274	37,726
South Knox Senior Center	1,472,500	4,187	236,250	240,437	1,232,063
Penal Farm	36,589,360	36,299,764	-	36,299,764	289,596
North Knox Soccer Complex	618,000	615,889	-	615,889	2,111
Burlington Branch Library	2,950,000	1,232,086	654,910	1,886,996	1,063,004
West Knox Branch Library	2,236,056	2,234,319	-	2,234,319	1,737
Halls Branch Library	2,419,530	2,419,130	395	2,419,525	5
Karns Branch Library	1,598,970	1,593,468	-	1,593,468	5,502
Powell Branch Library	2,442,494	417,131	1,944,158	2,361,289	81,205
Fountain City Branch Library	2,369,297	2,363,720	1,139	2,364,859	4,438
Lawson McGhee Library	368,000	-	336,931	336,931	31,069
North Branch Library	20,367	-	20,367	20,367	-
Various Library Branches	117,251	-	76,828	76,828	40,423
<i>Total Building Construction:</i>	<i>65,425,796</i>	<i>53,909,631</i>	<i>7,596,058</i>	<i>61,505,689</i>	<i>3,920,107</i>
<i>Other:</i>					
KC Landmarks	447,345	23,800	370,795	394,595	52,750
Seven Island Foot Bridge	1,645,448	72,531	71,366	143,897	1,501,551
Westbridge	23,925	6,745	-	6,745	17,180
PBA Project Management	576,949	-	435,600	435,600	141,349
Justice System Software	1,850,000	1,706,851	66,965	1,773,816	76,184
Maloney Road Park	78,000	40,955	447	41,402	36,598
Concord Park	584,778	476,011	7,548	483,559	101,219
Nicholas Ball Park	320,822	303,410	17,412	320,822	-
Halls Greenway	210,220	116,366	2,052	118,418	91,802
Halls Community Park	1,050,000	94,826	880,706	975,532	74,468
Hillcrest Park	363,326	359,836	324	360,160	3,166
John Tarleton Building & Parking Lot	515,000	513,927	-	513,927	1,073
Gibbs Ruritan Park	611,994	478,691	89,039	567,730	44,264
East TN Historical Center	15,675,403	15,612,303	1,129	15,613,432	61,971
East TN Historical Renovations	3,394,121	2,700,791	492,091	3,192,882	201,239
Stormwater Management	7,871,970	3,886,860	472,251	4,359,111	3,512,859
Beavercreek Watershed	30,000	7,936	15,000	22,936	7,064
Functional Planning	237,200	234,460	-	234,460	2,740
Geometric Improvements	1,247,543	510,258	149,318	659,576	587,967
Gulf Park Drive Sidewalk	220,830	203,468	-	203,468	17,362
Three Ridges Golf Course	1,258,874	986,974	97,224	1,084,198	174,676
Powell Community Park	350,000	195	345,262	345,457	4,543
I C King Park	22,000	888	20,974	21,862	138

continued

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)
 Schedule of Construction Project Expenditures-
 Budget And Actual (Continued)
 For the year ended June 30, 2006

Project	Expenditures			Total	Available
	Budget	Prior Years	Current		
Expenditures (continued)					
<i>Capital Projects (continued):</i>					
<i>Other (continued):</i>					
Long Term Economic Development	\$ 9,140,000	\$ 4,767,365	\$ 3,375,000	\$ 8,142,365	\$ 997,635
Frank Strang Center	706,643	701,431	211	701,642	5,001
Downtown Development	838,370	280,134	6,445	286,579	551,791
Financial Software Upgrade	5,568,646	3,794,893	835,712	4,630,605	938,041
Veteran Memorial	500,000	-	500,000	500,000	-
Knox Botanical Garden	100,000	-	100,000	100,000	-
Telecom Knox County Schools	290,761	-	182,453	182,453	108,308
Powell Convenience Center	995,000	12,917	309,287	322,204	672,796
Gibbs Convenience Center	1,358,565	187,001	502,508	689,509	669,056
Solway Yard Waste Facility	1,010,000	923,524	67,312	990,836	19,164
East Beaver Acquisition	1,645,000	223,356	493,376	716,732	928,268
French Park Greenway Trail	191,350	33,975	96,387	130,362	60,988
Ten Mile Creek Greenway	298,618	160,597	32,692	193,289	105,329
Spring Place Park	43,350	18,793	24,557	43,350	-
County Wide Rehab	484,855	348,406	51,629	400,035	84,820
Concord Park Maintenance	182,876	141,229	19,616	160,845	22,031
Turkey Creek Wetlands	11,435	-	11,435	11,435	-
Park Facility Improvement	100,000	-	-	-	100,000
Farmers Market	1,000,000	-	4,634	4,634	995,366
Cruze Farm	581,219	-	581,219	581,219	-
Skate Park	125,000	-	52	52	124,948
Rifle Range Road Park	1,450,000	-	70	70	1,449,930
Lighting Upgrade	160,000	-	148,834	148,834	11,166
Technology Upgrade	300,000	-	48,160	48,160	251,840
Development-Regional Research Park	5,000,000	-	5,000,000	5,000,000	-
Knox County Empowerment Zone	2,000,000	-	2,000,000	2,000,000	-
East Knox Clinic	300,000	-	-	-	300,000
E-911 Improvements	150,000	-	131,471	131,471	18,529
Ten Mile Creek Greenway - Expansion	246,700	-	88	88	246,612
Catholic Charities	500,000	-	500,000	500,000	-
Knoxville Zoo Capital	50,000	-	-	-	50,000
Election Commission Voting Machines	1,558,816	-	-	-	1,558,816
Trustee's Tax Payment Processor	125,000	-	-	-	125,000
Knox-Blount Greenway - Phase I	145,198	-	-	-	145,198
<i>Total Other</i>	<u>75,743,150</u>	<u>39,931,703</u>	<u>18,558,651</u>	<u>58,490,354</u>	<u>17,252,796</u>
<i>Total Capital Projects</i>	<u>\$ 300,541,165</u>	<u>\$ 206,707,813</u>	<u>\$ 37,319,005</u>	<u>\$ 244,026,818</u>	<u>\$ 56,514,347</u>
Project Expenditures			\$ 37,319,005		
Expenditures - Activities Budgeted on Annual Basis			<u>47,637</u>		
Total Public Improvement Fund Expenditures			<u>\$ 37,366,642</u>		

DEBT SERVICE FUND - MAJOR

The Debt Service Fund is used to account for the accumulation of resources for, and related payments of, principal and interest on general long-term debt for the County and for the Knox County Board of Education, a discretely presented component unit.

KNOX COUNTY, TENNESSEE

Debt Service Fund (Major)
Comparative Balance Sheets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 28,937,525	\$ 21,164,320
Receivables (Net of Allowance for Uncollectibles):		
Accounts	-	296
Property Taxes	18,746,957	17,999,200
Accrued Interest	-	116,609
Notes	11,052,000	6,426,000
Due from Other Funds	-	9,810,891
Advance to Component Units	4,172,250	4,308,250
Due from Other Governments	165,266	-
Advance to Other Governments	2,500,000	-
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 65,573,998</u>	<u>\$ 59,825,566</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 13,939	\$ 21,813
Due to Other Funds	5,000,000	8,068
Due to Component Units	172,348	336,275
Deferred Revenue	29,762,597	24,244,537
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>34,948,884</u>	<u>24,610,693</u>
Fund Balances:		
Reserved	6,505,000	4,308,645
Unreserved:		
Designated	3,645	2,000,000
Undesignated	24,116,469	28,906,228
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>30,625,114</u>	<u>35,214,873</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 65,573,998</u>	<u>\$ 59,825,566</u>

KNOX COUNTY, TENNESSEE

Debt Service Fund (Major)
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local Taxes	\$ 19,013,756	\$ 20,710,173
Other Governments/Citizen Groups	297,878	297,354
Interest Earned	6,866,131	2,543,349
Payments from Component Units	<u>21,649,922</u>	<u>20,838,840</u>
Total Revenues	<u>47,827,687</u>	<u>44,389,716</u>
Expenditures		
Debt Service:		
Contracted Services	819,538	518,386
Trustee's Commission	410,745	350,373
Principal on Bonds	21,370,468	20,040,468
Interest on Bonds	<u>23,704,393</u>	<u>21,439,049</u>
Total Expenditures	<u>46,305,144</u>	<u>42,348,276</u>
Excess of Revenues Over Expenditures	<u>1,522,543</u>	<u>2,041,440</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	887,698	540,259
Transfers to Other Funds	(7,000,000)	-
Proceeds of Refunding Bonds	-	101,548,711
Payment to Holders of Refunded Debt	<u>-</u>	<u>(101,548,711)</u>
Total Other Financing Sources (Uses)	<u>(6,112,302)</u>	<u>540,259</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,589,759)	2,581,699
Fund Balances, July 1	<u>35,214,873</u>	<u>32,633,174</u>
Fund Balances, June 30	<u>\$ 30,625,114</u>	<u>\$ 35,214,873</u>

KNOX COUNTY, TENNESSEE

Debt Service Fund (Major)
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
 For the years ended June 30, 2006 and June 30, 2005

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 21,000,000	\$ 21,000,000	\$ 19,013,757	\$ (1,986,243)	\$ 20,714,500	\$ 20,710,173	\$ (4,327)
Other Governments/Citizen Groups	873,251	873,251	297,878	(575,373)	868,968	297,354	(571,614)
Interest Earned	1,917,092	2,747,136	6,866,131	4,118,995	1,117,540	2,543,349	1,425,809
Payments from Component Units	21,921,959	21,921,959	21,649,921	(272,038)	20,878,841	20,838,840	(40,001)
Total Revenues	45,712,302	46,542,346	47,827,687	1,285,341	43,579,849	44,389,716	809,867
Expenditures							
Debt Service:							
Contracted Services	150,000	904,330	819,538	84,792	605,478	518,386	87,092
Trustee's Commission	475,000	475,000	410,745	64,255	450,000	350,373	99,627
Principal on Bonds	21,360,468	21,436,182	21,370,468	65,714	20,040,468	20,040,468	-
Interest on Bonds	27,514,532	27,514,532	23,704,393	3,810,139	22,812,545	21,439,049	1,373,496
Total Expenditures	49,500,000	50,330,044	46,305,144	4,024,900	43,908,491	42,348,276	1,560,215
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,787,698)	(3,787,698)	1,522,543	5,310,241	(328,642)	2,041,440	2,370,082
Other Financing Sources (Uses)							
Transfers from Other Funds	887,698	887,698	887,698	-	887,698	540,259	(347,439)
Transfers to Other Funds	-	(7,000,000)	(7,000,000)	-	-	-	-
Proceeds of Refunding Bonds	-	-	-	-	101,548,711	101,548,711	-
Payment to Holders of Refunded Debt	-	-	-	-	(101,548,711)	(101,548,711)	-
Total Other Financing Sources (Uses)	887,698	(6,112,302)	(6,112,302)	-	887,698	540,259	(347,439)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,900,000)	(9,900,000)	(4,589,759)	5,310,241	559,056	2,581,699	2,022,643
Fund Balance, July 1	35,214,873	35,214,873	35,214,873	-	32,633,174	32,633,174	-
Fund Balance, June 30	\$ 32,314,873	\$ 25,314,873	\$ 30,625,114	\$ 5,310,241	\$ 33,192,230	\$ 35,214,873	\$ 2,022,643

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

State and Federal Grants Fund: This fund is used to account for most State and Federal grant revenues.

Governmental Library Fund: This fund accounts for the operation of the law library that is available to the public but is used primarily by attorneys practicing in the courts. User fees are charged by the Governmental Library.

Public Library Fund: This fund is used to account for the operation of the County-wide public library system.

Solid Waste Fund: This fund is used to account for all solid waste and recycling activities.

Hotel/Motel Tax Fund: This fund accounts for the collection and use of the amusement tax to promote tourism and related economic activity in the County.

Fire District Fund: This fund is used to account for a separate tax for fire protection for businesses in an area commonly known as the Forks of the River Industrial Park.

Drug Control Fund: This fund was established pursuant to an amendment of Tennessee Code Annotated Section 39-17-420. This fund is used to account for drug control activities restricted for drug enforcement, drug education and non-recurring general law enforcement expenditures. This fund is primarily funded from the receipt of fines and costs related to drug enforcement cases.

Highway Fund: This fund is used to account for the County's share of the State gasoline and motor fuel taxes that are utilized to maintain non-state roads within the county.

CAPITAL PROJECTS FUND

ADA Construction Fund: This fund is used to account for construction activity related to the Americans with Disabilities Act.

KNOX COUNTY, TENNESSEE**Combining Balance Sheet
Nonmajor Governmental Funds**June 30, 2006

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 13,605,571	\$ 3,475,205	\$ 17,080,776
Receivables (Net of Allowance for Uncollectibles):			
Accounts	8,965,210	-	8,965,210
Property Taxes	269,475	4,013	273,488
Notes	3,204,030	-	3,204,030
Inventories	7,670	-	7,670
TOTAL ASSETS	\$ 26,051,956	\$ 3,479,218	\$ 29,531,174
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 4,030,206	\$ 6,182	\$ 4,036,388
Due to Other Funds	4,661,987	-	4,661,987
Deferred Revenue	4,093,304	4,013	4,097,317
Advances from Other Funds	37,248	-	37,248
TOTAL LIABILITIES	12,822,745	10,195	12,832,940
Fund balances:			
Reserved	1,540,291	-	1,540,291
Unreserved:			
Designated	1,819,484	-	1,819,484
Undesignated	9,869,436	3,469,023	13,338,459
TOTAL FUND BALANCES	13,229,211	3,469,023	16,698,234
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,051,956	\$ 3,479,218	\$ 29,531,174

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2006**

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
Revenues			
Local Taxes	\$ 12,053,244	\$ -	\$ 12,053,244
Fines, Forfeitures and Penalties	493,833	-	493,833
Charges for Current Services	860,509	-	860,509
Other Local Revenues	783,642	-	783,642
State of Tennessee	8,634,237	-	8,634,237
Federal Government	10,426,926	-	10,426,926
Other Governments and Citizen Groups	372,296	-	372,296
Total Revenues	33,624,687	-	33,624,687
Expenditures			
Current:			
Finance and Administration	395,855	-	395,855
Administration of Justice	725,997	-	725,997
Public Safety	5,137,271	-	5,137,271
Public Health and Welfare	11,226,052	-	11,226,052
Social and Cultural Services	11,830,061	-	11,830,061
Other General Government	6,314,987	-	6,314,987
Highways	12,887,045	-	12,887,045
Capital Projects	-	229,511	229,511
Total Expenditures	48,517,268	229,511	48,746,779
Deficiency of Revenues Under Expenditures	(14,892,581)	(229,511)	(15,122,092)
Other Financing Sources (Uses)			
Transfers from Other Funds	12,583,215	-	12,583,215
Transfers to Other Funds	(100,000)	(180,000)	(280,000)
Total Other Financing Sources	12,483,215	(180,000)	12,303,215
Net Change in Fund Balances	(2,409,366)	(409,511)	(2,818,877)
Fund Balances, July 1	15,638,577	3,878,534	19,517,111
Fund Balances, June 30	\$ 13,229,211	\$ 3,469,023	\$ 16,698,234

KNOX COUNTY, TENNESSEE

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2006

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Fire District	Drug Control	Highway	Total Nonmajor Special Revenue Funds
ASSETS									
Cash and Cash Equivalents	\$ 638,604	\$ 89,160	\$ 2,963,107	\$ 2,532,800	\$ 2,690,872	\$ 76,231	\$ 1,063,605	\$ 3,551,192	\$ 13,605,571
Receivables (Net of Allowance for Uncollectibles):									
Accounts	6,592,414	482	33,148	91,858	-	-	44,319	2,202,989	8,965,210
Property Taxes	-	-	45,140	16,584	-	207,751	-	-	269,475
Notes	3,204,030	-	-	-	-	-	-	-	3,204,030
Inventories	7,670	-	-	-	-	-	-	-	7,670
TOTAL ASSETS	\$ 10,442,718	\$ 89,642	\$ 3,041,395	\$ 2,641,242	\$ 2,690,872	\$ 283,982	\$ 1,107,924	\$ 5,754,181	\$ 26,051,956
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts Payable and Accrued Liabilities	\$ 664,787	\$ 25,626	\$ 216,463	\$ 644,156	\$ 1,521,291	\$ -	\$ 44,764	\$ 913,119	\$ 4,030,206
Due to Other Funds	4,386,108	-	238,617	4,729	-	-	-	32,533	4,661,987
Deferred Revenue	3,811,923	-	58,245	16,584	-	206,552	-	-	4,093,304
Advances from Other Funds	-	37,248	-	-	-	-	-	-	37,248
TOTAL LIABILITIES	8,862,818	62,874	513,325	665,469	1,521,291	206,552	44,764	945,652	12,822,745
Fund Balances:									
Reserved	874,878	1,245	155,491	24,640	217,400	-	183,409	83,228	1,540,291
Unreserved:									
Designated	217,913	-	201,571	-	-	-	-	1,400,000	1,819,484
Undesignated	487,109	25,523	2,171,008	1,951,133	952,181	77,430	879,751	3,325,301	9,869,436
TOTAL FUND BALANCES	1,579,900	26,768	2,528,070	1,975,773	1,169,581	77,430	1,063,160	4,808,529	13,229,211
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,442,718	\$ 89,642	\$ 3,041,395	\$ 2,641,242	\$ 2,690,872	\$ 283,982	\$ 1,107,924	\$ 5,754,181	\$ 26,051,956

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the year ended June 30, 2006

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Fire District	Drug Control	Highway	Total Nonmajor Special Revenue Funds
Revenues									
Local Taxes	\$ -	\$ 63,050	\$ 1,228,428	\$ -	\$ 4,702,072	\$ 209,153	\$ -	\$ 5,850,541	\$ 12,053,244
Fines, Forfeitures and Penalties	55,090	-	-	-	-	-	438,743	-	493,833
Charges for Current Services	454,227	9,625	396,657	-	-	-	-	-	860,509
Other Local Revenues	378,463	10	30,889	235,918	-	-	110,301	28,061	783,642
State of Tennessee	2,317,819	-	52,955	588,816	-	-	-	5,674,647	8,634,237
Federal Government	10,319,130	-	-	-	-	-	107,796	-	10,426,926
Other Governments and Citizen Groups	24,790	32,000	111,793	-	-	-	178,713	25,000	372,296
Total revenues	13,549,519	104,685	1,820,722	824,734	4,702,072	209,153	835,553	11,578,249	33,624,687
Expenditures									
Current:									
Finance and Administration	395,855	-	-	-	-	-	-	-	395,855
Administration of Justice	724,301	-	-	-	-	-	1,696	-	725,997
Public Safety	4,762,931	-	-	-	-	155,046	219,294	-	5,137,271
Public Health and Welfare	6,648,957	-	-	4,577,095	-	-	-	-	11,226,052
Social and Cultural Services	176,289	158,682	11,495,090	-	-	-	-	-	11,830,061
Other General Government	2,377,073	-	-	-	3,937,914	-	-	-	6,314,987
Highways	-	-	-	-	-	-	-	12,887,045	12,887,045
Total expenditures	15,085,406	158,682	11,495,090	4,577,095	3,937,914	155,046	220,990	12,887,045	48,517,268
Excess (deficiency) of revenues over (under) expenditures	(1,535,887)	(53,997)	(9,674,368)	(3,752,361)	764,158	54,107	614,563	(1,308,796)	(14,892,581)
Other financing sources (uses)									
Transfers from Other Funds	879,715	75,000	8,928,500	2,700,000	-	-	-	-	12,583,215
Transfers to Other Funds	-	-	-	-	(100,000)	-	-	-	(100,000)
Total other financing sources (uses)	879,715	75,000	8,928,500	2,700,000	(100,000)	-	-	-	12,483,215
Net change in fund balances	(656,172)	21,003	(745,868)	(1,052,361)	664,158	54,107	614,563	(1,308,796)	(2,409,366)
Fund Balance, July 1	2,236,072	5,765	3,273,938	3,028,134	505,423	23,323	448,597	6,117,325	15,638,577
Fund Balance, June 30	\$ 1,579,900	\$ 26,768	\$ 2,528,070	\$ 1,975,773	\$ 1,169,581	\$ 77,430	\$ 1,063,160	\$ 4,808,529	\$ 13,229,211

KNOX COUNTY, TENNESSEE

State and Federal Grants Special Revenue Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 638,604	\$ 855,821
Receivables (Net of Allowances for Uncollectibles):		
Accounts	6,592,414	5,438,943
Notes	3,204,030	3,211,472
Due from Other Funds	-	252,965
Inventories	7,670	5,537
Prepaid Items	-	37,812
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 10,442,718</u>	<u>\$ 9,802,550</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 664,787	\$ 671,755
Due to Other Funds	4,386,108	3,198,775
Due to Component Units	-	917
Deferred Revenue	3,811,923	3,695,031
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>8,862,818</u>	<u>7,566,478</u>
 Fund Balances (Deficits):		
Reserved	874,878	2,435,020
Unreserved:		
Designated	217,913	-
Undesignated	487,109	(198,948)
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>1,579,900</u>	<u>2,236,072</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,442,718</u>	<u>\$ 9,802,550</u>

KNOX COUNTY, TENNESSEE

**State and Federal Grants Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 55,090	\$ -
Charges for Current Services	454,227	684,867
Other Local Revenues	378,463	232,910
State of Tennessee	2,317,819	6,365,154
Federal Government	10,319,130	5,037,649
Other Governmental and Citizen Groups	<u>24,790</u>	<u>152,021</u>
Total Revenues	<u>13,549,519</u>	<u>12,472,601</u>
Expenditures		
Current:		
General Government:		
Finance and Administration	395,855	383,309
Administration of Justice	724,301	283,472
Public Safety	4,762,931	4,018,653
Public Health and Welfare	6,648,957	6,315,055
Social and Cultural Services	176,289	129,974
Other General Government	<u>2,377,073</u>	<u>2,212,577</u>
Total Expenditures	<u>15,085,406</u>	<u>13,343,040</u>
Deficiency of Revenues Under Expenditures	<u>(1,535,887)</u>	<u>(870,439)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	879,715	1,199,775
Transfers to Other Funds	<u>-</u>	<u>(20,000)</u>
Total Other Financing Sources	<u>879,715</u>	<u>1,179,775</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(656,172)	309,336
Fund Balances, July 1	<u>2,236,072</u>	<u>1,926,736</u>
Fund Balances, June 30	<u>\$ 1,579,900</u>	<u>\$ 2,236,072</u>

KNOX COUNTY, TENNESSEE

**State and Federal Grants Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 452,000	\$ 470,644	\$ 356,610	\$ (114,034)	\$ 400,000	\$ 369,389	\$ (30,611)
Other Local Revenues	-	-	127,724	127,724	152,500	150,516	(1,984)
Federal Government	509,677	715,821	401,659	(314,162)	640,390	373,683	(266,707)
Total Revenues	961,677	1,186,465	885,993	(300,472)	1,192,890	893,588	(299,302)
Expenditures							
Current:							
General Government:							
Personal Services	547,232	614,673	500,671	114,002	572,933	510,614	62,319
Employee Benefits	139,439	151,080	122,261	28,819	160,413	119,584	40,829
Contracted Services	212,750	278,049	215,942	62,107	302,015	238,809	63,206
Supplies and Materials	105,824	111,756	86,039	25,717	164,337	86,450	77,887
Other Charges	129,910	98,065	144,436	(46,371)	208,158	159,559	48,599
Capital Outlay	89,590	80,900	80,900	-	127,723	6,798	120,925
Total Expenditures	1,224,745	1,334,523	1,150,249	184,274	1,535,579	1,121,814	413,765
Excess (Deficiency) of Revenues Over (Under) Expenditures	(263,068)	(148,058)	(264,256)	(116,198)	(342,689)	(228,226)	114,463
Other Financing Sources (Uses)							
Transfers from Other Funds	212,406	212,406	212,406	-	212,406	212,406	-
Transfers to Other Funds	-	(115,010)	-	115,010	-	-	-
Total Other Financing Sources	212,406	97,396	212,406	115,010	212,406	212,406	-
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(50,662)	(50,662)	(51,850)	(1,188)	(130,283)	(15,820)	114,463
Fund Balances, July 1	806,066	806,066	806,066	-	821,886	821,886	-
Fund Balances, June 30	\$ 755,404	\$ 755,404	\$ 754,216	\$ (1,188)	\$ 691,603	\$ 806,066	\$ 114,463
Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):							
Fund Balance (Budget Basis)			\$ 754,216			\$ 806,066	
Entity Difference:							
Unbudgeted Funds			825,684			1,430,006	
Fund Balance (GAAP Basis)			<u>\$ 1,579,900</u>			<u>\$ 2,236,072</u>	

KNOX COUNTY, TENNESSEE

Governmental Library Special Revenue Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 89,160	\$ 47,060
Receivables (Net of Allowances for Uncollectibles):		
Accounts	482	140
Due from Other Funds	-	20,000
Prepaid Items	-	149
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 89,642</u>	<u>\$ 67,349</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 25,626	\$ 24,195
Due to Other Funds	-	141
Advances from Other Funds	37,248	37,248
	<hr/>	<hr/>
TOTAL LIABILITIES	62,874	61,584
 Fund Balances:		
Reserved	1,245	149
Unreserved, undesignated	25,523	5,616
	<hr/>	<hr/>
TOTAL FUND BALANCES	26,768	5,765
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 89,642</u>	<u>\$ 67,349</u>

KNOX COUNTY, TENNESSEE

**Governmental Library Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local Taxes	\$ 63,050	\$ 59,579
Charges for Current Services	9,625	10,349
Other Local Revenues	10	154
Other Governments and Citizens Groups	<u>32,000</u>	<u>30,000</u>
Total Revenues	<u>104,685</u>	<u>100,082</u>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	<u>158,682</u>	<u>157,202</u>
Deficiency of Revenues Under Expenditures	<u>(53,997)</u>	<u>(57,120)</u>
Other Financing Sources		
Transfers from Other Funds	<u>75,000</u>	<u>55,008</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	21,003	(2,112)
Fund Balances, July 1	<u>5,765</u>	<u>7,877</u>
Fund Balances, June 30	<u>\$ 26,768</u>	<u>\$ 5,765</u>

KNOX COUNTY, TENNESSEE

**Governmental Library Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 95,700	\$ 65,700	\$ 63,050	\$ (2,650)	\$ 72,900	\$ 59,579	\$ (13,321)
Charges for Current Services	13,900	14,300	9,625	(4,675)	14,992	10,349	(4,643)
Other Local Revenues	400	-	10	10	100	154	54
Other Governments and Citizens Groups	-	31,000	32,000	1,000	30,000	30,000	-
Total Revenues	110,000	111,000	104,685	(6,315)	117,992	100,082	(17,910)
Expenditures							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	43,806	44,353	44,268	85	42,500	42,499	1
Employee Benefits	9,599	9,332	9,059	273	8,828	8,824	4
Contracted Services	26,096	14,096	4,514	9,582	6,024	4,479	1,545
Supplies and Materials	30,741	107,961	90,782	17,179	105,084	90,906	14,178
Other Charges	9,758	10,258	10,059	199	10,564	10,494	70
Total Expenditures	120,000	186,000	158,682	27,318	173,000	157,202	15,798
Deficiency of Revenues Under Expenditures	(10,000)	(75,000)	(53,997)	21,003	(55,008)	(57,120)	(2,112)
Other Financing Sources							
Transfers from Other Funds	10,000	75,000	75,000	-	55,008	55,008	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	21,003	21,003	-	(2,112)	(2,112)
Fund Balances, July 1	5,765	5,765	5,765	-	7,877	7,877	-
Fund Balances, June 30	\$ 5,765	\$ 5,765	\$ 26,768	\$ 21,003	\$ 7,877	\$ 5,765	\$ (2,112)

KNOX COUNTY, TENNESSEE

Public Library Special Revenue Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,963,107	\$ 3,738,505
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	33,148	-
Property Taxes	45,140	75,985
Due from Other Funds	-	1,646
Prepaid Items	-	23,832
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 3,041,395</u>	<u>\$ 3,839,968</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 216,463	\$ 427,141
Due to Other Funds	238,617	41,064
Deferred Revenue	58,245	97,825
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>513,325</u>	<u>566,030</u>
 Fund Balances:		
Reserved	155,491	221,953
Unreserved:		
Designated	201,571	54,402
Undesignated	2,171,008	2,997,583
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>2,528,070</u>	<u>3,273,938</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,041,395</u>	<u>\$ 3,839,968</u>

KNOX COUNTY, TENNESSEE

Public Library Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local Taxes	\$ 1,228,428	\$ 1,297,927
Charges for Current Services	396,657	367,479
Other Local Revenues	30,889	49,786
State of Tennessee	52,955	88,646
Other Governments and Citizens Groups	<u>111,793</u>	<u>26,131</u>
Total Revenues	<u>1,820,722</u>	<u>1,829,969</u>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	<u>11,495,090</u>	<u>10,430,592</u>
Deficiency of Revenues Under Expenditures	(9,674,368)	(8,600,623)
Other Financing Sources		
Transfers from Other Funds	<u>8,928,500</u>	<u>8,825,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(745,868)	224,377
Fund Balances, July 1	<u>3,273,938</u>	<u>3,049,561</u>
Fund Balances, June 30	<u>\$ 2,528,070</u>	<u>\$ 3,273,938</u>

KNOX COUNTY, TENNESSEE

**Public Library Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Local Taxes	\$ 1,258,428	\$ 1,258,428	\$ 1,228,428	\$ (30,000)	\$ 1,288,428	\$ 1,297,927	\$ 9,499	
Charges for Current Services	375,000	375,000	396,657	21,657	375,000	367,479	(7,521)	
Other Local Revenues	12,563	28,025	30,889	2,864	85,044	49,786	(35,258)	
State of Tennessee	-	98,455	52,955	(45,500)	100,074	88,646	(11,428)	
Other Governments and Citizens Groups	291,509	393,105	111,793	(281,312)	66,443	26,131	(40,312)	
Total Revenues	1,937,500	2,153,013	1,820,722	(332,291)	1,914,989	1,829,969	(85,020)	
Expenditures								
Current:								
General Government:								
Social and Cultural Services:								
Personal Services	6,022,514	5,847,903	5,842,288	5,615	5,507,164	5,384,329	122,835	
Employee Benefits	1,381,670	1,383,331	1,347,964	35,367	1,320,104	1,216,752	103,352	
Contracted Services	2,856,459	2,666,046	2,631,185	34,861	2,542,937	2,408,267	134,670	
Supplies and Materials	821,407	1,691,294	1,470,110	221,184	1,409,510	1,210,860	198,650	
Other Charges	140,079	115,433	100,799	14,634	111,581	104,475	7,106	
Capital Outlay	175,000	235,658	102,744	132,914	211,349	105,909	105,440	
Total Expenditures	11,397,129	11,939,665	11,495,090	444,575	11,102,645	10,430,592	672,053	
Deficiency of Revenues Under Expenditures	(9,459,629)	(9,786,652)	(9,674,368)	112,284	(9,187,656)	(8,600,623)	587,033	
Other Financing Sources								
Transfers from Other Funds	8,854,000	8,928,500	8,928,500	-	8,825,000	8,825,000	-	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(605,629)	(858,152)	(745,868)	112,284	(362,656)	224,377	587,033	
Fund Balances, July 1	3,273,938	3,273,938	3,273,938	-	3,049,561	3,049,561	-	
Fund Balances, June 30	\$ 2,668,309	\$ 2,415,786	\$ 2,528,070	\$ 112,284	\$ 2,686,905	\$ 3,273,938	\$ 587,033	

KNOX COUNTY, TENNESSEE

Solid Waste Special Revenue Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,532,800	\$ 2,525,981
Receivables (Net of Allowances for Uncollectibles):		
Accounts	91,858	220,255
Property Taxes	16,584	27,917
Due from Other Funds	-	396,951
Prepaid Items	-	4,931
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 2,641,242</u>	<u>\$ 3,176,035</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 644,156	\$ 109,964
Due to Other Funds	4,729	10,020
Deferred Revenue	16,584	27,917
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>665,469</u>	<u>147,901</u>
 Fund Balances:		
Reserved	24,640	405,727
Unreserved:		
Undesignated	1,951,133	2,622,407
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>1,975,773</u>	<u>3,028,134</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,641,242</u>	<u>\$ 3,176,035</u>

KNOX COUNTY, TENNESSEE

**Solid Waste Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local Taxes	\$ -	\$ 25,535
Other Local Revenues	235,918	268,977
State of Tennessee	<u>588,816</u>	<u>564,584</u>
Total Revenues	<u>824,734</u>	<u>859,096</u>
Expenditures		
Current:		
General Government:		
Public Health and Welfare	<u>4,577,095</u>	<u>3,528,646</u>
Deficiency of Revenues		
Under Expenditures	<u>(3,752,361)</u>	<u>(2,669,550)</u>
Other Financing Sources		
Transfers from Other Funds	<u>2,700,000</u>	<u>3,096,812</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(1,052,361)	427,262
Fund Balances, July 1	<u>3,028,134</u>	<u>2,600,872</u>
Fund Balances, June 30	<u>\$ 1,975,773</u>	<u>\$ 3,028,134</u>

KNOX COUNTY, TENNESSEE

**Solid Waste Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)	\$ 60,000	\$ 25,535	\$ (34,465)
Charges for Current Services	-	-	-	-	5,000	-	(5,000)
Other Local Revenues	204,000	204,000	235,918	31,918	201,701	268,977	67,276
State of Tennessee	269,000	269,000	588,816	319,816	355,000	564,584	209,584
Total Revenues	483,000	483,000	824,734	341,734	621,701	859,096	237,395
Expenditures							
Current:							
General Government:							
Public Health and Welfare:							
Personal Services	673,836	683,777	683,616	161	676,288	667,433	8,855
Employee Benefits	241,172	212,727	212,233	494	205,698	201,048	4,650
Contracted Services	2,655,720	3,311,329	3,285,998	25,331	2,969,710	2,457,772	511,938
Supplies and Materials	72,680	151,036	146,298	4,738	108,639	101,031	7,608
Other Charges	189,526	182,700	182,700	-	39,700	39,413	287
Capital Outlay	43,500	86,689	42,022	44,667	551,346	39,420	511,926
Litter and Trash Collection:							
Employee Benefits	-	-	-	-	6,500	4,648	1,852
Contracted Services	3,500	10,500	9,713	787	4,700	4,586	114
Supplies and Materials	6,250	15,250	14,515	735	13,300	13,295	5
Other Charges	-	-	-	-	3,900	-	3,900
Total Expenditures	3,886,184	4,654,008	4,577,095	76,913	4,579,781	3,528,646	1,051,135
Deficiency of Revenues Under Expenditures	(3,403,184)	(4,171,008)	(3,752,361)	418,647	(3,958,080)	(2,669,550)	1,288,530
Other Financing Sources							
Transfers from Other Funds	2,700,000	2,700,000	2,700,000	-	2,700,000	3,096,812	396,812
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(703,184)	(1,471,008)	(1,052,361)	418,647	(1,258,080)	427,262	1,685,342
Fund Balances, July 1	3,028,134	3,028,134	3,028,134	-	2,600,872	2,600,872	-
Fund Balances, June 30	\$ 2,324,950	\$ 1,557,126	\$ 1,975,773	\$ 418,647	\$ 1,342,792	\$ 3,028,134	\$ 1,685,342

KNOX COUNTY, TENNESSEE

Hotel/Motel Tax Special Revenue Fund

Comparative Balance Sheets

June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,690,872	\$ 1,436,253
Accounts Receivable	-	407,824
TOTAL ASSETS	<u>\$ 2,690,872</u>	<u>\$ 1,844,077</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,521,291	\$ 1,330,490
Due to Other Funds	-	8,164
TOTAL LIABILITIES	<u>1,521,291</u>	<u>1,338,654</u>
 Fund Balances:		
Reserved	217,400	-
Unreserved, undesignated	952,181	505,423
TOTAL FUND BALANCES	<u>1,169,581</u>	<u>505,423</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,690,872</u>	<u>\$ 1,844,077</u>

KNOX COUNTY, TENNESSEE

**Hotel/Motel Tax Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local Taxes	\$ 4,702,072	\$ 4,207,643
Total Revenues	<u>4,702,072</u>	<u>4,207,643</u>
Expenditures		
Current:		
General Government:		
Other General Government	<u>3,937,914</u>	<u>5,389,331</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	764,158	(1,181,688)
Other Financing Uses		
Transfers to Other Funds	<u>(100,000)</u>	<u>(1,000,000)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	664,158	(2,181,688)
Fund Balances, July 1	<u>505,423</u>	<u>2,687,111</u>
Fund Balances, June 30	<u>\$ 1,169,581</u>	<u>\$ 505,423</u>

KNOX COUNTY, TENNESSEE

**Hotel/Motel Tax Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 4,100,000	\$ 4,100,000	\$ 4,702,072	\$ 602,072	\$ 4,300,000	\$ 4,207,643	\$ (92,357)
Total Revenues	4,100,000	4,100,000	4,702,072	602,072	4,300,000	4,207,643	(92,357)
Expenditures							
Current:							
General Government:							
Other General Government:							
Contracted Services	2,157,750	2,157,750	2,012,021	145,729	2,157,750	1,812,821	344,929
Other Charges	1,942,250	1,942,250	1,925,893	16,357	108,000	42,260	65,740
Miscellaneous	-	-	-	-	3,534,250	3,534,250	-
Total Expenditures	4,100,000	4,100,000	3,937,914	162,086	5,800,000	5,389,331	410,669
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	764,158	764,158	(1,500,000)	(1,181,688)	318,312
Other Financing Uses							
Transfers to Other Funds	(100,000)	(100,000)	(100,000)	-	(1,000,000)	(1,000,000)	-
Total Other Financing Uses	(100,000)	(100,000)	(100,000)	-	(1,000,000)	(1,000,000)	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(100,000)	(100,000)	664,158	764,158	(2,500,000)	(2,181,688)	318,312
Fund Balances, July 1	505,423	505,423	505,423	-	2,687,111	2,687,111	-
Fund Balances, June 30	\$ 405,423	\$ 405,423	\$ 1,169,581	\$ 764,158	\$ 187,111	\$ 505,423	\$ 318,312

KNOX COUNTY, TENNESSEE

Fire District Special Revenue Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 76,231	\$ 19,446
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>207,751</u>	<u>202,626</u>
TOTAL ASSETS	<u>\$ 283,982</u>	<u>\$ 222,072</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to Other Funds	\$ -	\$ 44
Deferred Revenue	<u>206,552</u>	<u>198,705</u>
TOTAL LIABILITIES	<u>206,552</u>	<u>198,749</u>
 Fund Balances:		
Unreserved, undesignated	<u>77,430</u>	<u>23,323</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 283,982</u>	<u>\$ 222,072</u>

KNOX COUNTY, TENNESSEE

Fire District Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local Taxes	<u>\$ 209,153</u>	<u>\$ 164,033</u>
Expenditures		
Current:		
General Government:		
Public Safety	<u>155,046</u>	<u>152,831</u>
Excess of Revenues Over Expenditures	54,107	11,202
Fund Balances, July 1	<u>23,323</u>	<u>12,121</u>
Fund Balances, June 30	<u><u>\$ 77,430</u></u>	<u><u>\$ 23,323</u></u>

KNOX COUNTY, TENNESSEE

**Fire District Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 172,000	\$ 172,000	\$ 209,153	\$ 37,153	\$ 170,000	\$ 164,033	\$ (5,967)
Expenditures							
Current:							
General Government:							
Public Safety:							
Contracted Services	158,000	158,000	150,828	7,172	156,000	149,550	6,450
Other Charges	14,000	14,000	4,218	9,782	14,000	3,281	10,719
Total Expenditures	172,000	172,000	155,046	16,954	170,000	152,831	17,169
Excess of Revenues Over Expenditures	-	-	54,107	54,107	-	11,202	11,202
Fund Balances, July 1	23,323	23,323	23,323	-	12,121	12,121	-
Fund Balances, June 30	\$ 23,323	\$ 23,323	\$ 77,430	\$ 54,107	\$ 12,121	\$ 23,323	\$ 11,202

KNOX COUNTY, TENNESSEE

Drug Control Special Revenue Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,063,605	\$ 658,306
Receivables (Net of Allowances for Uncollectibles):		
Accounts	<u>44,319</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,107,924</u></u>	<u><u>\$ 658,306</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 44,764	\$ 209,302
Due to Other Funds	<u>-</u>	<u>407</u>
TOTAL LIABILITIES	<u>44,764</u>	<u>209,709</u>
 Fund Balances:		
Reserved	183,409	96,199
Unreserved:		
Undesignated	<u>879,751</u>	<u>352,398</u>
TOTAL FUND BALANCES	<u>1,063,160</u>	<u>448,597</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,107,924</u></u>	<u><u>\$ 658,306</u></u>

KNOX COUNTY, TENNESSEE

**Drug Control Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 438,743	\$ 251,531
Other Local Revenues	110,301	139,050
Federal Government	107,796	-
Other Governments and Citizens Groups	<u>178,713</u>	<u>166,702</u>
Total Revenues	<u>835,553</u>	<u>557,283</u>
Expenditures		
Current:		
General Government:		
Public Safety	219,294	540,905
Administration of Justice	<u>1,696</u>	<u>10,576</u>
Total Expenditures	<u>220,990</u>	<u>551,481</u>
Excess of Revenues Over Expenditures	614,563	5,802
Fund Balances, July 1	<u>448,597</u>	<u>442,795</u>
Fund Balances, June 30	<u>\$ 1,063,160</u>	<u>\$ 448,597</u>

KNOX COUNTY, TENNESSEE

**Drug Control Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Fines, Forfeitures, and Penalties	\$ -	\$ 470,000	\$ 438,743	\$ (31,257)	\$ 240,000	\$ 251,531	\$ 11,531
Other Local Revenues	-	-	110,301	110,301	45,000	139,050	94,050
Federal Government	-	-	107,796	107,796	-	-	-
Other Governments and Citizens Groups	-	5,000	178,713	173,713	185,000	166,702	(18,298)
Total Revenues	-	475,000	835,553	360,553	470,000	557,283	87,283
Expenditures							
Current:							
General Government:							
Public Safety:							
Contracted Services	-	185,000	106,349	78,651	503,503	433,344	70,159
Supplies and Materials	-	215,000	68,652	146,348	72,230	57,515	14,715
Other Charges	-	50,000	44,293	5,707	48,789	48,789	-
Capital Outlay	-	25,000	-	25,000	5,000	1,257	3,743
Administration of Justice:							
Contracted Services	-	1,696	1,696	-	15,348	10,576	4,772
Supplies and Materials	-	-	-	-	25,000	-	25,000
Capital Outlay	-	-	-	-	20,000	-	20,000
Total Expenditures	-	476,696	220,990	255,706	689,870	551,481	138,389
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,696)	614,563	616,259	(219,870)	5,802	225,672
Fund Balances, July 1	448,597	448,597	448,597	-	442,795	442,795	-
Fund Balances, June 30	\$ 448,597	\$ 446,901	\$ 1,063,160	\$ 616,259	\$ 222,925	\$ 448,597	\$ 225,672

KNOX COUNTY, TENNESSEE

Highway Special Revenue Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,551,192	\$ 4,985,815
Receivables (Net of Allowances for Uncollectibles):		
Accounts	2,202,989	1,739,702
Prepaid Items	-	21,493
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 5,754,181</u>	<u>\$ 6,747,010</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 913,119	\$ 543,748
Due to Other Funds	32,533	85,937
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>945,652</u>	<u>629,685</u>
 Fund Balances:		
Reserved	83,228	187,172
Unreserved:		
Designated	1,400,000	2,761,775
Undesignated	3,325,301	3,168,378
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>4,808,529</u>	<u>6,117,325</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,754,181</u>	<u>\$ 6,747,010</u>

KNOX COUNTY, TENNESSEE

**Highway Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local Taxes	\$ 5,850,541	\$ 5,730,156
Other Local Revenues	28,061	20,590
State of Tennessee	5,674,647	4,948,910
Other Governments and Citizens Groups	<u>25,000</u>	<u>-</u>
Total Revenues	<u>11,578,249</u>	<u>10,699,656</u>
Expenditures		
Current:		
Highways	<u>12,887,045</u>	<u>8,607,547</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,308,796)	2,092,109
Fund Balances, July 1	<u>6,117,325</u>	<u>4,025,216</u>
Fund Balances, June 30	<u>\$ 4,808,529</u>	<u>\$ 6,117,325</u>

KNOX COUNTY, TENNESSEE

**Highway Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balance - Budget And Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 5,695,000	\$ 5,695,000	\$ 5,850,541	\$ 155,541	\$ 5,675,000	\$ 5,730,156	\$ 55,156
Other Local Revenues	10,000	10,325	28,061	17,736	72,059	20,590	(51,469)
State of Tennessee	5,375,000	5,375,000	5,674,647	299,647	5,357,477	4,948,910	(408,567)
Other Governments and Citizens Groups	-	-	25,000	25,000	-	-	-
Total Revenues	11,080,000	11,080,325	11,578,249	497,924	11,104,536	10,699,656	(404,880)
Expenditures							
Current:							
Highways:							
Administration:							
Personal Services	620,947	513,673	490,299	23,374	510,785	458,935	51,850
Employee Benefits	143,195	125,719	111,431	14,288	105,011	96,304	8,707
Contracted Services	76,020	134,398	111,623	22,775	113,470	88,029	25,441
Supplies and Materials	100,600	121,606	99,394	22,212	83,769	73,395	10,374
Other Charges	129,792	129,792	127,906	1,886	92,217	90,328	1,889
Highways and Bridge Maintenance:							
Personal Services	2,377,778	2,390,730	2,390,695	35	2,449,138	2,346,013	103,125
Employee Benefits	756,899	705,522	705,043	479	710,042	675,874	34,168
Contracted Services	727,680	956,260	905,833	50,427	725,680	696,104	29,576
Supplies and Materials	4,276,832	6,046,832	5,871,737	175,095	4,226,809	2,248,612	1,978,197
Other Charges	508,400	508,400	508,400	-	428,500	428,500	-
Capital Outlay	-	50,000	44,013	5,987	-	-	-
Various Highway:							
Personal Services	563,143	580,050	578,469	1,581	552,618	551,313	1,305
Employee Benefits	154,546	154,564	151,633	2,931	147,414	144,864	2,550
Contracted Services	346,350	485,941	255,941	230,000	531,406	254,739	276,667
Supplies and Materials	255,318	295,343	230,742	64,601	255,468	203,081	52,387
Other Charges	120,000	120,050	108,211	11,839	106,200	99,005	7,195
Capital Outlay	444,500	1,264,299	195,675	1,068,624	903,410	152,451	750,959
Total Expenditures	11,602,000	14,583,179	12,887,045	1,696,134	11,941,937	8,607,547	3,334,390
Excess (Deficiency) of Revenues Over (Under) Expenditures	(522,000)	(3,502,854)	(1,308,796)	2,194,058	(837,401)	2,092,109	2,929,510
Fund Balances, July 1	6,117,325	6,117,325	6,117,325	-	4,025,216	4,025,216	-
Fund Balances, June 30	\$ 5,595,325	\$ 2,614,471	\$ 4,808,529	\$ 2,194,058	\$ 3,187,815	\$ 6,117,325	\$ 2,929,510

KNOX COUNTY, TENNESSEE

ADA Construction Capital Projects Fund (Nonmajor)

Comparative Balance Sheets

June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,475,205	\$ 3,878,534
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>4,013</u>	<u>6,755</u>
TOTAL ASSETS	<u><u>\$ 3,479,218</u></u>	<u><u>\$ 3,885,289</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 6,182	\$ -
Deferred Revenue	<u>4,013</u>	<u>6,755</u>
TOTAL LIABILITIES	<u>10,195</u>	<u>6,755</u>
 Fund Balances		
Reserved	-	213,008
Unreserved, Undesignated	<u>3,469,023</u>	<u>3,665,526</u>
TOTAL FUND BALANCES	<u>3,469,023</u>	<u>3,878,534</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,479,218</u></u>	<u><u>\$ 3,885,289</u></u>

KNOX COUNTY, TENNESSEE

**ADA Construction Capital Projects Fund (Nonmajor)
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local Taxes	<u>\$ -</u>	<u>\$ 6,177</u>
Expenditures		
Capital Projects:		
Capital Projects	<u>229,511</u>	<u>117</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(229,511)	6,060
Other Financing Uses:		
Transfers to Other Funds	<u>(180,000)</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over Expenditures	(409,511)	6,060
Fund Balances, July 1	<u>3,878,534</u>	<u>3,872,474</u>
Fund Balances, June 30	<u><u>\$ 3,469,023</u></u>	<u><u>\$ 3,878,534</u></u>

KNOX COUNTY, TENNESSEE

**ADA Construction Capital Projects Fund (Nonmajor)
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,177	\$ 6,177
Expenditures							
Capital Projects:							
Contracted Services	45,000	107,752	12,461	95,291	342,440	-	342,440
Supplies & Materials	55,000	55,000	-	55,000	150,000	-	150,000
Other Charges	10,000	-	-	-	19,367	117	19,250
Capital Outlay	640,000	620,256	217,050	403,206	1,625,741	-	1,625,741
Total Expenditures	750,000	783,008	229,511	553,497	2,137,548	117	2,137,431
Excess (Deficiency) of Revenues Over (Under) Expenditures	(750,000)	(783,008)	(229,511)	553,497	(2,137,548)	6,060	2,143,608
Other Financing Sources:							
Transfers to Other Funds	-	(180,000)	(180,000)	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(750,000)	(963,008)	(409,511)	553,497	(2,137,548)	6,060	2,143,608
Fund Balances, July 1	3,878,534	3,878,534	3,878,534	-	3,872,474	3,872,474	-
Fund Balances, June 30	\$ 3,128,534	\$ 2,915,526	\$ 3,469,023	\$ 553,497	\$ 1,734,926	\$ 3,878,534	\$ 2,143,608

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one of the County's departments or agencies to other departments or agencies and to the County's various discretely presented component units and joint ventures.

Vehicle Service Center Fund: This fund is used to account for all gasoline and maintenance services for County vehicles.

Mailroom Fund: This fund is used to account for central mailroom services for the County.

Employee Benefits Fund: This fund is used to account for the payment of medical and unemployment claims.

Employee Retirement Fund: This fund is used to account for the County's retirement plan contributions.

Self Insurance Fund: This fund is used to account for the payment of workers compensation and general liability claims against the County.

Central Maintenance Fund: This fund is used to account for all maintenance services for Knox Central buildings.

Technical Support Service Fund: This fund accounts for technical support and technical repairs associated with electronic data processing.

Capital Leasing Fund: This fund is used for lease/purchase transactions to other departments. The fund also serves as a leasing entity for a fleet of vehicles or other equipment.

KNOX COUNTY, TENNESSEE

Combining Statement of Net Assets
Internal Service Funds

June 30, 2006

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
ASSETS									
Current Assets:									
Cash and Cash Equivalents	\$ 89,026	\$ 101,490	\$ 1,749,570	\$ 140,333	\$ 10,540,559	\$ 454,501	\$ 268,777	\$ 1,329,774	\$ 14,674,030
Receivables:									
Accounts	14,249	414	14,395	115,000	11,867	-	-	-	155,925
Notes Receivable	-	-	-	-	22,867	-	-	-	22,867
Inventories	94,397	20,630	-	-	-	-	-	-	115,027
Prepaid Items	2,996	-	-	-	-	-	-	-	2,996
TOTAL CURRENT ASSETS	200,668	122,534	1,763,965	255,333	10,575,293	454,501	268,777	1,329,774	14,970,845
Capital Assets:									
Machinery and Equipment	124,568	21,090	-	51,815	33,352	72,217	101,277	11,130,933	11,535,252
Accumulated Depreciation	(93,380)	(21,090)	-	(51,815)	(22,094)	(47,962)	(86,984)	(8,132,704)	(8,456,029)
Capital Assets (Net of Accumulated Depreciation)	31,188	-	-	-	11,258	24,255	14,293	2,998,229	3,079,223
TOTAL ASSETS	231,856	122,534	1,763,965	255,333	10,586,551	478,756	283,070	4,328,003	18,050,068
LIABILITIES									
Current liabilities:									
Accounts Payable and Accrued Liabilities	81,888	3,472	1,312,174	158,497	197,175	-	2,642	213,955	1,969,803
Due to Other Funds	44,240	-	-	526	1,049	-	491	-	46,306
Deferred Revenue	-	-	23,418	-	-	-	-	-	23,418
Self Insured Claims Liability	-	-	-	-	7,340,510	-	-	-	7,340,510
Compensated Absences Payable	66,580	-	-	24,523	11,680	-	-	-	102,783
Advances from Other Funds	-	-	125,000	-	-	-	-	-	125,000
TOTAL CURRENT LIABILITIES	192,708	3,472	1,460,592	183,546	7,550,414	-	3,133	213,955	9,607,820
Noncurrent Liabilities:									
Compensated Absences Payable	7,398	-	-	2,725	1,298	-	-	-	11,421
TOTAL LIABILITIES	200,106	3,472	1,460,592	186,271	7,551,712	-	3,133	213,955	9,619,241
NET ASSETS									
Invested in Capital Assets	31,188	-	-	-	11,258	24,255	14,293	2,998,229	3,079,223
Unrestricted	562	119,062	303,373	69,062	3,023,581	454,501	265,644	1,115,819	5,351,604
TOTAL NET ASSETS	\$ 31,750	\$ 119,062	\$ 303,373	\$ 69,062	\$ 3,034,839	\$ 478,756	\$ 279,937	\$ 4,114,048	\$ 8,430,827

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2006**

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
Operating Revenues									
Charges for Services	\$ 3,027,491	\$ 287,388	\$ 34,826,401	\$ 9,277	\$ 4,528,974	\$ 7,253,733	\$ 397,491	\$ -	\$ 50,330,755
Operating Expenses									
Cost of Sales and Services	2,088,276	242,047	-	-	-	-	-	132,746	2,463,069
General and Administration	942,120	-	147,699	1,047,625	395,048	3,798,065	422,589	-	6,753,146
Depreciation and Amortization	13,087	-	-	-	3,555	6,765	13,554	1,172,986	1,209,947
Medical Claims	-	-	16,633,924	-	-	-	-	-	16,633,924
Retirement Contributions	-	-	17,627,917	-	-	-	-	-	17,627,917
Other Employee Benefits	-	-	447,272	-	-	-	-	-	447,272
Worker's Compensation Claims	-	-	-	-	1,504,647	-	-	-	1,504,647
Other Expenses	193,461	-	-	97,256	864,651	3,370,328	300	-	4,525,996
Total Operating Expenses	3,236,944	242,047	34,856,812	1,144,881	2,767,901	7,175,158	436,443	1,305,732	51,165,918
Operating Gain (Loss)	(209,453)	45,341	(30,411)	(1,135,604)	1,761,073	78,575	(38,952)	(1,305,732)	(835,163)
Nonoperating Revenues (Expenses)									
Payments from Component Units	-	-	-	553,136	-	-	-	-	553,136
Donations	-	-	-	2,250	-	-	-	-	2,250
Subrogation Payments	-	-	-	-	30,348	-	-	7,233	37,581
Miscellaneous Revenue	-	-	-	-	-	-	-	300	300
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	(2,528)	(2,528)
Gain on Disposal of Capital Assets	-	-	-	-	-	-	-	6,250	6,250
Total Nonoperating Revenues	-	-	-	555,386	30,348	-	-	11,255	596,989
Gain (Loss) before Transfers	(209,453)	45,341	(30,411)	(580,218)	1,791,421	78,575	(38,952)	(1,294,477)	(238,174)
Transfers									
Transfers from Other Funds	200,000	-	-	574,737	-	-	-	1,450,000	2,224,737
Change in Net Assets	(9,453)	45,341	(30,411)	(5,481)	1,791,421	78,575	(38,952)	155,523	1,986,563
Total Net Assets, July 1	41,203	73,721	333,784	74,543	1,243,418	400,181	318,889	3,958,525	6,444,264
Total Net Assets, June 30	\$ 31,750	\$ 119,062	\$ 303,373	\$ 69,062	\$ 3,034,839	\$ 478,756	\$ 279,937	\$ 4,114,048	\$ 8,430,827

KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
Operating Activities									
Cash Received from Interfund Services Provided	\$ 3,250,813	\$ 312,838	\$ 35,707,549	\$ (105,723)	\$ 4,909,582	\$ 7,253,733	\$ 404,368	\$ -	\$ 51,733,160
Cash Paid to Employees	(688,263)	-	-	(311,333)	(296,520)	-	-	-	(1,296,116)
Cash Paid for Goods and Services	(2,517,194)	(245,373)	(31,360)	(682,629)	(2,030,147)	(7,168,393)	(424,621)	79,104	(13,020,613)
Cash Paid on Behalf of Employees	(189,288)	-	(34,861,321)	(82,827)	(60,384)	-	-	-	(35,193,820)
Net Cash Provided by (Used in) Operating Activities	(143,932)	67,465	814,868	(1,182,512)	2,522,531	85,340	(20,253)	79,104	2,222,611
Noncapital Financing Activities									
Subrogation Payments	-	-	-	-	15,092	-	-	7,233	22,325
Transfers from Other Funds	200,000	-	-	574,737	-	-	-	1,450,000	2,224,737
Payments from Component Units	-	-	-	553,136	-	-	-	-	553,136
Donations	-	-	-	2,250	-	-	-	-	2,250
Other	-	-	-	-	-	-	-	300	300
Net Cash Provided by Noncapital Financing Activities	200,000	-	-	1,130,123	15,092	-	-	1,457,533	2,802,748
Capital and Related Financing Activities									
Proceeds from Insurance Recovery on Capital Assets	-	-	-	-	-	-	-	16,721	16,721
Acquisition and Construction of Capital Assets	-	-	-	-	-	-	-	(1,081,011)	(1,081,011)
Net Cash Used in Capital and Related Financing Activities	-	-	-	-	-	-	-	(1,064,290)	(1,064,290)
Net Increase (Decrease) in Cash and Cash Equivalents/Investments	56,068	67,465	814,868	(52,389)	2,537,623	85,340	(20,253)	472,347	3,961,069
Cash and Cash Equivalents/Investments									
Beginning of Year	32,958	34,025	934,702	192,722	8,002,936	369,161	289,030	857,427	10,712,961
End of Year	\$ 89,026	\$ 101,490	\$ 1,749,570	\$ 140,333	\$ 10,540,559	\$ 454,501	\$ 268,777	\$ 1,329,774	\$ 14,674,030
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities									
Operating Gain (Loss)	\$ (209,453)	\$ 45,341	\$ (30,411)	\$ (1,135,604)	\$ 1,761,073	\$ 78,575	\$ (38,952)	\$ (1,305,732)	\$ (835,163)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used in Operating Activities:									
Depreciation and Amortization	13,087	-	-	-	3,555	6,765	13,554	1,172,986	1,209,947
Change in Assets and Liabilities									
(Increase) Decrease in Accounts Receivable	55,615	1,139	216,811	(115,000)	-	-	-	-	158,565
(Increase) Decrease in Due from Other Funds	160,572	24,310	980,260	-	-	-	6,452	-	1,171,594
(Increase) Decrease in Due from Component Units	7,134	-	215,765	-	380,608	-	425	-	603,932
Decrease in Inventories	5,653	(5,180)	-	-	-	-	-	-	473
(Increase) Decrease in Prepaid Items	3,312	-	-	1,370	1,379	-	-	-	6,061
Increase (Decrease) in Accounts Payable and Accrued Liability	19,103	1,855	97,097	63,564	383,267	-	1,502	211,850	778,238
Increase (Decrease) in Due to Other Funds	(206,958)	-	(139)	(1,706)	295	-	(3,234)	-	(211,742)
Increase in Due to Component Units	-	-	(132,827)	-	-	-	-	-	(132,827)
Increase (Decrease) in Compensated Absences	8,003	-	-	4,864	(7,646)	-	-	-	5,221
Increase (Decrease) in Deferred Revenues	-	-	(531,688)	-	-	-	-	-	(531,688)
Total Adjustments	65,521	22,124	845,279	(46,908)	761,458	6,765	18,699	1,384,836	3,057,774
Net Cash Provided by (Used in) Operating Activities	\$ (143,932)	\$ 67,465	\$ 814,868	\$ (1,182,512)	\$ 2,522,531	\$ 85,340	\$ (20,253)	\$ 79,104	\$ 2,222,611

KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund
Comparative Statements of Net Assets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 89,026	\$ 32,958
Accounts Receivable	14,249	69,864
Due from Other Funds	-	160,572
Due from Component Units	-	7,134
Inventories	94,397	100,050
Prepaid Items	2,996	6,308
TOTAL CURRENT ASSETS	<u>200,668</u>	<u>376,886</u>
Capital Assets:		
Machinery and Equipment	124,568	124,568
Accumulated Depreciation	<u>(93,380)</u>	<u>(80,293)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>31,188</u>	<u>44,275</u>
TOTAL ASSETS	<u>231,856</u>	<u>421,161</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	81,888	62,785
Due to Other Funds	44,240	251,198
Compensated Absences	66,580	59,377
TOTAL CURRENT LIABILITIES	<u>192,708</u>	<u>373,360</u>
Noncurrent Liabilities:		
Compensated Absences	<u>7,398</u>	<u>6,598</u>
TOTAL LIABILITIES	<u>200,106</u>	<u>379,958</u>
NET ASSETS		
Invested in Capital Assets	31,188	44,275
Unrestricted	<u>562</u>	<u>(3,072)</u>
TOTAL NET ASSETS	<u>\$ 31,750</u>	<u>\$ 41,203</u>

KNOX COUNTY, TENNESSEE

**Vehicle Service Center Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Assets - Budget And Actual (GAAP Basis)**

For the years ended June 30, 2006 and June 30, 2005

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 2,795,772	\$ 3,000,000	\$ 3,027,491	\$ 27,491	\$ 2,452,187	\$ 2,452,187	\$ -
Operating Expenses							
Costs of Sales and Services	1,530,058	2,096,419	2,088,276	8,143	791,569	804,881	(13,312)
General and Administrative	1,007,212	944,776	942,120	2,656	1,763,575	1,745,760	17,815
Depreciation and Amortization	14,693	13,693	13,087	606	11,000	13,990	(2,990)
Other Expenses	243,809	193,510	193,461	49	133,180	130,190	2,990
Total Operating Expenses	2,795,772	3,248,398	3,236,944	11,454	2,699,324	2,694,821	4,503
Operating Loss	-	(248,398)	(209,453)	38,945	(247,137)	(242,634)	4,503
Transfers							
Transfers from Other Funds	-	200,000	200,000	-	211,000	211,000	-
Change in Net Assets	-	(48,398)	(9,453)	38,945	(36,137)	(31,634)	4,503
Net Assets, July 1	41,203	41,203	41,203	-	72,837	72,837	-
Net Assets, June 30	\$ 41,203	\$ (7,195)	\$ 31,750	\$ 38,945	\$ 36,700	\$ 41,203	\$ 4,503

KNOX COUNTY, TENNESSEE

Mailroom Fund
Comparative Statements of Net Assets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 101,490	\$ 34,025
Accounts Receivable	414	1,553
Due from Other Funds	-	24,310
Inventories	<u>20,630</u>	<u>15,450</u>
TOTAL CURRENT ASSETS	<u>122,534</u>	<u>75,338</u>
Capital Assets:		
Machinery and Equipment	21,090	21,090
Accumulated Depreciation	<u>(21,090)</u>	<u>(21,090)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>122,534</u>	<u>75,338</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>3,472</u>	<u>1,617</u>
NET ASSETS		
Unrestricted	<u><u>\$ 119,062</u></u>	<u><u>\$ 73,721</u></u>

KNOX COUNTY, TENNESSEE

Mailroom Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Assets - Budget And Actual (GAAP Basis)
 For the years ended June 30, 2006 and June 30, 2005

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 350,000	\$ 350,000	\$ 287,388	\$ (62,612)	\$ 325,000	\$ 309,455	\$ (15,545)
Operating Expenses							
Costs of Sales and Services	350,000	350,000	242,047	107,953	299,842	250,849	48,993
General and Administrative	-	-	-	-	25,158	13,865	11,293
Total Operating Expenses	350,000	350,000	242,047	107,953	325,000	264,714	60,286
Change in Net Assets	-	-	45,341	45,341	-	44,741	44,741
Net Assets, July 1	73,721	73,721	73,721	-	28,980	28,980	-
Net Assets, June 30	\$ 73,721	\$ 73,721	\$ 119,062	\$ 45,341	\$ 28,980	\$ 73,721	\$ 44,741

KNOX COUNTY, TENNESSEE

Employee Benefits Fund
Comparative Statements of Net Assets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,749,570	\$ 934,702
Accounts Receivable	14,395	231,206
Due from Other Funds	-	980,260
Due from Component Units	-	215,765
	<u>1,763,965</u>	<u>2,361,933</u>
TOTAL ASSETS	<u>1,763,965</u>	<u>2,361,933</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	1,312,174	1,215,077
Due to Other Funds	-	139
Deferred Revenue	23,418	555,106
Due to Component Units	-	132,827
Advances from Other Funds	125,000	125,000
	<u>1,460,592</u>	<u>2,028,149</u>
TOTAL LIABILITIES	<u>1,460,592</u>	<u>2,028,149</u>
NET ASSETS		
Unrestricted	<u>\$ 303,373</u>	<u>\$ 333,784</u>

KNOX COUNTY, TENNESSEE

**Employee Benefits Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Assets - Budget And Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 37,500,000	\$ 37,500,000	\$ 34,826,401	\$ (2,673,599)	\$ 37,000,000	\$ 33,300,958	\$ (3,699,042)
Operating Expenses							
Finance and Administration:							
General and Administrative	186,323	186,323	147,699	38,624	250,000	104,443	145,557
Medical Claims	17,199,093	17,084,093	16,633,924	450,169	16,750,000	15,665,437	1,084,563
Retirement Contributions	19,476,800	19,476,800	17,627,917	1,848,883	19,050,000	17,029,378	2,020,622
Other Employee Benefits	637,784	752,784	447,272	305,512	950,000	402,361	547,639
Total Operating Expenses	37,500,000	37,500,000	34,856,812	2,643,188	37,000,000	33,201,619	3,798,381
Change in Net Assets	-	-	(30,411)	(30,411)	-	99,339	99,339
Net Assets, July 1	333,784	333,784	333,784	-	234,445	234,445	-
Net Assets, June 30	\$ 333,784	\$ 333,784	\$ 303,373	\$ (30,411)	\$ 234,445	\$ 333,784	\$ 99,339

KNOX COUNTY, TENNESSEE

Employee Retirement Fund
Comparative Statements of Net Assets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 140,333	\$ 192,722
Accounts Receivable	115,000	-
Prepaid Items	-	1,370
	<u>255,333</u>	<u>194,092</u>
TOTAL CURRENT ASSETS		
Capital Assets:		
Machinery and Equipment	51,815	51,815
Accumulated Depreciation	(51,815)	(51,815)
	<u>-</u>	<u>-</u>
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>255,333</u>	<u>194,092</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	158,497	94,933
Due to Other Funds	526	2,232
Compensated Absences	24,523	20,146
	<u>183,546</u>	<u>117,311</u>
TOTAL CURRENT LIABILITIES		
Noncurrent Liabilities:		
Compensated Absences	2,725	2,238
	<u>186,271</u>	<u>119,549</u>
TOTAL LIABILITIES		
NET ASSETS		
Unrestricted	<u>69,062</u>	<u>74,543</u>

KNOX COUNTY, TENNESSEE

**Employee Retirement Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Assets - Budget And Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 9,000	\$ 9,000	\$ 9,277	\$ 277	\$ 9,000	\$ 9,385	\$ 385
Operating Expenses							
General and Administrative	1,236,400	1,191,342	1,047,625	143,717	1,284,468	1,138,570	145,898
Depreciation and Amortization	-	-	-	-	8,975	19,346	(10,371)
Workers' Compensation Claims	-	-	-	-	500	199	301
Other Expenses	130,500	175,558	97,256	78,302	20,500	20,000	500
Total Operating Expenses	1,366,900	1,366,900	1,144,881	222,019	1,314,443	1,178,115	136,328
Operating Loss	(1,357,900)	(1,357,900)	(1,135,604)	222,296	(1,305,443)	(1,168,730)	136,713
Nonoperating Revenues							
Payments from Component Units	-	-	553,136	553,136	-	490,486	490,486
Donations	-	-	2,250	2,250	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	555,386	555,386	-	490,486	490,486
Income (Loss) before Transfers	(1,357,900)	(1,357,900)	(580,218)	777,682	(1,305,443)	(678,244)	627,199
Transfers							
Transfers from Other Funds	1,357,900	1,357,900	574,737	(783,163)	1,305,443	661,576	(643,867)
Change in Net Assets	-	-	(5,481)	(5,481)	-	(16,668)	(16,668)
Net Assets, July 1	74,543	74,543	74,543	-	91,211	91,211	-
Net Assets, June 30	\$ 74,543	\$ 74,543	\$ 69,062	\$ (5,481)	\$ 91,211	\$ 74,543	\$ (16,668)

KNOX COUNTY, TENNESSEE

Self Insurance Fund
Comparative Statements of Net Assets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 10,540,559	\$ 8,002,936
Accounts Receivable	11,867	314
Notes Receivable	22,867	19,164
Due from Component Units	-	380,608
Prepaid Items	-	1,379
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	<u>10,575,293</u>	<u>8,404,401</u>
Capital Assets:		
Machinery and Equipment	33,352	33,352
Accumulated Depreciation	<u>(22,094)</u>	<u>(18,539)</u>
	<hr/>	<hr/>
Capital Assets (Net of Accumulated Depreciation)	<u>11,258</u>	<u>14,813</u>
	<hr/>	<hr/>
TOTAL ASSETS	<u>10,586,551</u>	<u>8,419,214</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	197,175	97,283
Due to Other Funds	1,049	754
Self Insured Claims Liability	7,340,510	7,057,135
Compensated Absences	<u>11,680</u>	<u>18,562</u>
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	<u>7,550,414</u>	<u>7,173,734</u>
Noncurrent Liabilities:		
Compensated Absences	<u>1,298</u>	<u>2,062</u>
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>7,551,712</u>	<u>7,175,796</u>
NET ASSETS		
Invested in Capital Assets	11,258	14,813
Unrestricted	<u>3,023,581</u>	<u>1,228,605</u>
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>\$ 3,034,839</u>	<u>\$ 1,243,418</u>

KNOX COUNTY, TENNESSEE

**Self Insurance Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Assets - Budget And Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 3,900,000	\$ 3,900,000	\$ 4,528,974	\$ 628,974	\$ 3,800,000	\$ 3,758,609	\$ (41,391)
Operating Expenses							
General and Administrative	483,618	518,618	395,048	123,570	463,951	454,375	9,576
Depreciation and Amortization	4,202	4,202	3,555	647	-	4,001	(4,001)
Workers' Compensation Claims	1,473,567	1,504,647	1,504,647	-	1,619,112	1,412,476	206,636
Other Claims	2,038,613	1,972,533	864,651	1,107,882	1,916,937	718,641	1,198,296
Total Operating Expenses	4,000,000	4,000,000	2,767,901	1,232,099	4,000,000	2,589,493	1,410,507
Operating Gain (Loss)	(100,000)	(100,000)	1,761,073	1,861,073	(200,000)	1,169,116	1,369,116
Nonoperating Revenues							
Subrogations	100,000	100,000	30,348	(69,652)	200,000	39,272	(160,728)
Change in Net Assets	-	-	1,791,421	1,791,421	-	1,208,388	1,208,388
Net Assets, July 1	1,243,418	1,243,418	1,243,418	-	35,030	35,030	-
Net Assets, June 30	\$ 1,243,418	\$ 1,243,418	\$ 3,034,839	\$ 1,791,421	\$ 35,030	\$ 1,243,418	\$ 1,208,388

KNOX COUNTY, TENNESSEE

Central Maintenance Fund
Comparative Statements of Net Assets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 454,501	\$ 369,161
Capital Assets:		
Machinery and Equipment	72,217	72,217
Accumulated Depreciation	<u>(47,962)</u>	<u>(41,197)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>24,255</u>	<u>31,020</u>
TOTAL ASSETS	<u>478,756</u>	<u>400,181</u>
NET ASSETS		
Invested in Capital Assets	24,255	31,020
Unrestricted	<u>454,501</u>	<u>369,161</u>
TOTAL NET ASSETS	<u>\$ 478,756</u>	<u>\$ 400,181</u>

KNOX COUNTY, TENNESSEE

**Central Maintenance Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Assets - Budget And Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 8,129,564	\$ 8,129,564	\$ 7,253,733	\$ (875,831)	\$ 7,305,214	\$ 7,390,240	\$ 85,026
Operating Expenses							
General and Administrative	4,110,377	4,110,377	3,798,065	312,312	3,738,389	3,738,316	73
Depreciation and Amortization	7,000	7,000	6,765	235	6,300	6,278	22
Other Expenses	4,012,187	4,011,887	3,370,328	641,559	3,560,525	3,273,181	287,344
Total Operating Expenses	8,129,564	8,129,264	7,175,158	954,106	7,305,214	7,017,775	287,439
Change in Net Assets	-	300	78,575	78,275	-	372,465	372,465
Net Assets, July 1	400,181	400,181	400,181	-	27,716	27,716	-
Net Assets, June 30	\$ 400,181	\$ 400,481	\$ 478,756	\$ 78,275	\$ 27,716	\$ 400,181	\$ 372,465

KNOX COUNTY, TENNESSEE

Technical Support Service Fund
Comparative Statements of Net Assets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 268,777	\$ 289,030
Due from Other Funds	-	6,452
Due from Component Units	-	425
	<u>268,777</u>	<u>295,907</u>
TOTAL CURRENT ASSETS		
Capital Assets:		
Machinery and Equipment	101,277	101,277
Accumulated Depreciation	(86,984)	(73,430)
	<u>14,293</u>	<u>27,847</u>
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>283,070</u>	<u>323,754</u>
LIABILITIES		
Liabilities:		
Accounts Payable and		
Accrued Liabilities	2,642	1,140
Due to Other Funds	491	3,725
	<u>3,133</u>	<u>4,865</u>
TOTAL LIABILITIES		
NET ASSETS		
Invested in Capital Assets	14,293	27,847
Unrestricted	265,644	291,042
	<u>279,937</u>	<u>318,889</u>
TOTAL NET ASSETS	<u>\$ 279,937</u>	<u>\$ 318,889</u>

KNOX COUNTY, TENNESSEE

**Technical Support Service Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Assets - Budget And Actual (GAAP Basis)**

For the years ended June 30, 2006 and June 30, 2005

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ 390,500	\$ 390,500	\$ 397,491	\$ 6,991	\$ 380,000	\$ 364,616	\$ (15,384)
Operating Expenses							
General and Administrative	371,484	425,289	422,589	2,700	365,000	361,613	3,387
Depreciation and Amortization	24,411	24,411	13,554	10,857			
Other Expense	54,105	300	300	-	15,000	13,554	1,446
Total Operating Expenses	450,000	450,000	436,443	13,557	380,000	375,167	4,833
Change in Net Assets	(59,500)	(59,500)	(38,952)	20,548	-	(10,551)	(10,551)
Net Assets, July 1	318,889	318,889	318,889	-	329,440	329,440	-
Net Assets, June 30	\$ 259,389	\$ 259,389	\$ 279,937	\$ 20,548	\$ 329,440	\$ 318,889	\$ (10,551)

KNOX COUNTY, TENNESSEE

Capital Leasing Fund
Comparative Statements of Net Assets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,329,774	\$ 857,427
Capital Assets:		
Machinery and Equipment	11,130,933	10,084,843
Accumulated Depreciation	<u>(8,132,704)</u>	<u>(6,981,640)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>2,998,229</u>	<u>3,103,203</u>
TOTAL ASSETS	<u>4,328,003</u>	<u>3,960,630</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>213,955</u>	<u>2,105</u>
NET ASSETS		
Invested in Capital Assets	2,998,229	3,103,203
Unrestricted	<u>1,115,819</u>	<u>855,322</u>
TOTAL NET ASSETS	<u>\$ 4,114,048</u>	<u>\$ 3,958,525</u>

KNOX COUNTY, TENNESSEE

**Capital Leasing Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Assets - Budget And Actual (GAAP Basis)**

For the years ended June 30, 2006 and June 30, 2005

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues							
Charges for Sales and Services	\$ -	\$ -	\$ -	\$ -	\$ 2,800,000	\$ -	\$ (2,800,000)
Operating Expenses							
Costs of Sales and Services	1,050,000	1,239,387	132,746	1,106,641	1,515,000	96,723	1,418,277
Depreciation and Amortization	1,400,000	1,300,121	1,172,986	127,135	1,285,000	1,237,317	47,683
Total Operating Expenses	2,450,000	2,539,508	1,305,732	1,233,776	2,800,000	1,334,040	1,465,960
Operating Loss	(2,450,000)	(2,539,508)	(1,305,732)	1,233,776	-	(1,334,040)	(1,334,040)
Nonoperating Revenues (Expenses)							
Subrogation Payment	-	-	7,233	7,233	-	-	-
Miscellaneous Revenue	-	-	300	300	-	-	-
Loss on Disposal of Capital Asset	-	(2,528)	(2,528)	-	-	39,406	(39,406)
Gain on Disposal of Capital Asset	-	-	6,250	6,250	-	-	-
Total Nonoperating Revenues (Expenses)	-	(2,528)	11,255	13,783	-	39,406	(39,406)
Loss before Transfers	(2,450,000)	(2,542,036)	(1,294,477)	1,247,559	-	(1,373,446)	(1,373,446)
Transfers							
Transfers From Other Funds	2,450,000	2,450,000	1,450,000	(1,000,000)	-	-	-
Change in Net Assets	-	(92,036)	155,523	247,559	-	(1,373,446)	(1,373,446)
Net Assets, July 1	3,958,525	3,958,525	3,958,525	-	5,331,971	5,331,971	-
Net Assets, June 30	\$ 3,958,525	\$ 3,866,489	\$ 4,114,048	\$ 247,559	\$ 5,331,971	\$ 3,958,525	\$ (1,373,446)

FIDUCIARY FUNDS

Trust funds are used to account for assets held by the County in a trustee capacity. Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

PENSION TRUST FUNDS

Pension Trust Fund Defined Benefit: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined benefit plan.

Pension Trust Fund Defined Contribution: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined contribution (asset accumulation) plan.

Pension Trust Fund Medical Retirement Defined Contribution: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined contribution (asset accumulation) plan. This plan assists employees in planning and investing for anticipated medical expenses upon retirement.

AGENCY FUNDS

Municipal Sales Tax Fund: This fund accounts for the local sales tax levied by local municipalities. These funds are collected by the State of Tennessee and remitted to the County for distribution to the municipalities.

Juvenile Court Fund: This fund accounts for the receipt and disposition of funds held on behalf of juvenile defendants.

Subdivision Bonds: This fund accounts for the receipt and distribution of funds held by the County from subdivision developers pending completion of road and hydrology requirements.

External Agencies Fund: This fund accounts for the cash of several external agencies and County joint ventures held by the County Trustee on their behalf.

Constitutional Officers: The various elected officials use this fund to account for the receipt and disbursement of funds on behalf of state agencies and/or other funds.

KNOX COUNTY, TENNESSEE

Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2006

	Defined Benefit Plan	Defined Contribution Plan	Medical Retirement Plan	Total
ASSETS				
Receivables:				
Contributions	\$ 27,964	\$ -	\$ -	\$ 27,964
Investments	<u>78,037,879</u>	<u>188,184,735</u>	<u>5,775,177</u>	<u>271,997,791</u>
TOTAL ASSETS	78,065,843	188,184,735	5,775,177	272,025,755
LIABILITIES				
Accounts Payable and Accrued Liabilities	<u>107,194</u>	<u>-</u>	<u>-</u>	<u>107,194</u>
NET ASSETS				
Held in Trust for:				
Pension Benefits	<u>\$ 77,958,649</u>	<u>\$ 188,184,735</u>	<u>\$ 5,775,177</u>	<u>\$ 271,918,561</u>

KNOX COUNTY, TENNESSEE

**Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the year ended June 30, 2006**

	Defined Benefit Plan	Defined Contribution Plan	Medical Retirement Plan	Total
Additions				
Contributions:				
Employer	\$ -	\$ 7,725,983	\$ 78,498	\$ 7,804,481
Employees	391,481	8,882,090	336,370	9,609,941
Transfers from Other Plans	-	88,427	-	88,427
Total Contributions	<u>391,481</u>	<u>16,696,500</u>	<u>414,868</u>	<u>17,502,849</u>
Investment Earnings:				
Interest and Dividend Income	1,848,708	-	-	1,848,708
Net Appreciation in Fair Value of Investments	6,481,870	14,280,653	237,344	20,999,867
Total Investment Earnings	<u>8,330,578</u>	<u>14,280,653</u>	<u>237,344</u>	<u>22,848,575</u>
Less Investment Expenses	(206,035)	-	-	(206,035)
Net Investment Earnings	<u>8,124,543</u>	<u>14,280,653</u>	<u>237,344</u>	<u>22,642,540</u>
Total Additions	<u>8,516,024</u>	<u>30,977,153</u>	<u>652,212</u>	<u>40,145,389</u>
Deductions				
Benefits and Refunds	6,465,843	8,921,956	352,434	15,740,233
Transfers to Other Funds (Administrative and Professional)	574,737	-	-	574,737
Transfers to Other Plans	206,202	-	-	206,202
Total Deductions	<u>7,246,782</u>	<u>8,921,956</u>	<u>352,434</u>	<u>16,521,172</u>
Change in Net Assets	1,269,242	22,055,197	299,778	23,624,217
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>76,689,407</u>	<u>166,129,538</u>	<u>5,475,399</u>	<u>248,294,344</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 77,958,649</u>	<u>\$ 188,184,735</u>	<u>\$ 5,775,177</u>	<u>\$ 271,918,561</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Receivables:		
Contributions	\$ 27,964	\$ 24,482
Investments	78,037,879	76,687,786
Prepaid Items	-	18,080
	<u>78,065,843</u>	<u>76,730,348</u>
TOTAL ASSETS		
	<u>78,065,843</u>	<u>76,730,348</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	<u>107,194</u>	<u>40,941</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 77,958,649</u>	<u>\$ 76,689,407</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Assets Pension Trust Fund - Defined Benefit Plan

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Additions		
Contributions:		
Employees	\$ 391,481	\$ 442,717
Investment Earnings:		
Interest and Dividend Income	1,848,708	1,493,425
Net Appreciation in Fair Value of Investments	6,481,870	4,862,134
Total Investment Earnings	8,330,578	6,355,559
Less Investment Expenses	(206,035)	(275,144)
Net Investment Earnings	8,124,543	6,080,415
Total Additions	8,516,024	6,523,132
Deductions		
Benefits and Refunds	6,465,843	5,976,914
Transfers to Other Funds (Administrative and Professional)	574,737	661,576
Transfers to Other Plans	206,202	311,333
Total Deductions	7,246,782	6,949,823
Change in Net Assets	1,269,242	(426,691)
Total Net Assets Held in Trust for Pension Benefits, July 1	76,689,407	77,116,098
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 77,958,649</u>	<u>\$ 76,689,407</u>

KNOX COUNTY, TENNESSEE

**Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Defined Contribution Plan**

June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 188,184,735</u>	<u>\$ 166,129,538</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 188,184,735</u>	<u>\$ 166,129,538</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Assets Pension Trust Fund - Defined Contribution Plan For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Additions		
Contributions:		
Employer	\$ 7,725,983	\$ 7,444,183
Employees	8,882,090	8,568,726
Transfers from Other Plans	88,427	81,333
Total Contributions	<u>16,696,500</u>	<u>16,094,242</u>
Investment Earnings:		
Net Appreciation in Fair Value of Investments	<u>14,280,653</u>	<u>9,993,435</u>
Total Additions	<u>30,977,153</u>	<u>26,087,677</u>
Deductions		
Benefits and Refunds	<u>8,921,956</u>	<u>8,204,698</u>
Change in Net Assets	22,055,197	17,882,979
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>166,129,538</u>	<u>148,246,559</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u><u>\$ 188,184,735</u></u>	<u><u>\$ 166,129,538</u></u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Medical Retirement Defined Contribution Plan
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 5,775,177	\$ 5,457,719
Receivables:		
Contributions	-	17,680
TOTAL ASSETS	<u>5,775,177</u>	<u>5,475,399</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 5,775,177</u>	<u>\$ 5,475,399</u>

KNOX COUNTY, TENNESSEE

**Comparative Statements of Changes in Fiduciary Net Assets
Pension Trust Fund - Medical Retirement Defined Contribution Plan**

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Additions		
Contributions:		
Employees	\$ 336,370	\$ 353,978
Employer	78,498	40,965
Total Contributions	<u>414,868</u>	<u>394,943</u>
Investment Earnings:		
Net Appreciation in Fair Value of Investments	<u>237,344</u>	<u>214,801</u>
Total Additions	<u>652,212</u>	<u>609,744</u>
Deductions		
Benefits and Refunds	<u>352,434</u>	<u>395,382</u>
Change in Net Assets	299,778	214,362
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>5,475,399</u>	<u>5,261,037</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 5,775,177</u>	<u>\$ 5,475,399</u>

KNOX COUNTY, TENNESSEE

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2006

(With comparative totals for June 30, 2005)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2006	2005
ASSETS							
Cash and Cash Equivalents	\$ -	\$ 105,834	\$ 38,446	\$ 1,957,184	\$ 20,614,891	\$ 22,716,355	\$ 23,470,834
Receivables:							
Accounts	6,179,648	-	-	-	83,509	6,263,157	5,887,038
TOTAL ASSETS	<u>\$ 6,179,648</u>	<u>\$ 105,834</u>	<u>\$ 38,446</u>	<u>\$ 1,957,184</u>	<u>\$ 20,698,400</u>	<u>\$ 28,979,512</u>	<u>\$ 29,357,872</u>
LIABILITIES							
Accounts Payable and Accrued Liabilities	\$ 6,179,648	\$ 105,834	\$ -	\$ 1,957,184	\$ -	\$ 8,242,666	\$ 7,365,506
Due to Other Governments	-	-	-	-	3,783,132	3,783,132	4,358,501
Due to Litigants, Heirs and Others	-	-	-	-	16,915,268	16,915,268	17,633,865
Deferred Revenue	-	-	38,446	-	-	38,446	-
TOTAL LIABILITIES	<u>\$ 6,179,648</u>	<u>\$ 105,834</u>	<u>\$ 38,446</u>	<u>\$ 1,957,184</u>	<u>\$ 20,698,400</u>	<u>\$ 28,979,512</u>	<u>\$ 29,357,872</u>

KNOX COUNTY, TENNESSEE

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds**

For the year ended June 30, 2006

(With comparative totals for the year ended June 30, 2005)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2006	2005
Assets and Liabilities, July 1	\$ 5,849,943	\$ 105,919	\$ 43,446	\$ 1,515,563	\$ 21,843,001	\$ 29,357,872	\$ 23,968,016
Additions	37,263,162	105,834	5,000	6,428,389	96,948,332	140,750,717	167,605,226
Deductions	(36,933,457)	(105,919)	(10,000)	(5,986,768)	(98,092,933)	(141,129,077)	(162,215,370)
Assets and Liabilities, June 30	\$ 6,179,648	\$ 105,834	\$ 38,446	\$ 1,957,184	\$ 20,698,400	\$ 28,979,512	\$ 29,357,872

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, Register and Sheriff
Combined Schedule of Assets and Liabilities
June 30, 2006**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total (Memorandum Only)
ASSETS								
Cash and Cash Equivalents	\$ 136,346,798	\$ 2,384,199	\$ 7,393,704	\$ 4,173,028	\$ 6,477,111	\$ 2,366,152	\$ 61,016	\$ 159,202,008
Investments	12,105,925	-	-	-	-	-	-	12,105,925
Accounts Receivable	-	-	57,597	-	-	25,912	-	83,509
Total Assets	\$ 148,452,723	\$ 2,384,199	\$ 7,451,301	\$ 4,173,028	\$ 6,477,111	\$ 2,392,064	\$ 61,016	\$ 171,391,442
LIABILITIES								
Due to Other Governments	\$ -	\$ 1,607,336	\$ 180	\$ 563,039	\$ -	\$ 1,612,577	\$ -	\$ 3,783,132
Due to Litigants, Heirs and Others	1,031,506	-	7,054,530	2,633,354	6,057,369	77,493	61,016	16,915,268
Fee and Commission Account	512,292	776,863	396,591	976,635	419,742	701,994	-	3,784,117
Amounts Held in Custody for								
Other County Funds:								
General Fund	5,146,344	-	-	-	-	-	-	5,146,344
Special Revenue Funds	12,322,274	-	-	-	-	-	-	12,322,274
Debt Service Fund	28,162,735	-	-	-	-	-	-	28,162,735
Capital Projects Fund - Component Units	72,552,376	-	-	-	-	-	-	72,552,376
Capital Projects Fund - Public Improvement	544,777	-	-	-	-	-	-	544,777
Capital Projects Fund - ADA Construction	3,475,205	-	-	-	-	-	-	3,475,205
Internal Service Funds	14,311,411	-	-	-	-	-	-	14,311,411
Fiduciary Funds/Other	10,393,803	-	-	-	-	-	-	10,393,803
Total Liabilities	\$ 148,452,723	\$ 2,384,199	\$ 7,451,301	\$ 4,173,028	\$ 6,477,111	\$ 2,392,064	\$ 61,016	\$ 171,391,442

KNOX COUNTY, TENNESSEE

Trustee, Clerks, Register and Sheriff
Combined Schedule of Cash Receipts, Disbursements and Balances
 For the Year Ended June 30, 2006

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total (Memorandum Only)
Receipts								
Fund Accounts	\$ 835,046,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 835,046,875
Litigants, Heirs and Others	30,485,525	-	7,811,728	2,484,623	4,878,403	1,587,764	1,509,073	48,757,116
State of Tennessee	-	27,786,141	307,586	1,769,429	90,393	16,901,366	-	46,854,915
Knox County	-	24,525,421	942,948	4,652,244	167,798	-	-	30,288,411
Fees and Commissions	7,108,187	5,255,301	1,443,097	3,987,486	1,212,361	3,856,801	-	22,863,233
Cities - Clerk Collections	-	-	-	501,909	-	-	-	501,909
Total Receipts	872,640,587	57,566,863	10,505,359	13,395,691	6,348,955	22,345,931	1,509,073	984,312,459
Disbursements	(847,405,685)	(58,532,881)	(11,476,354)	(13,050,766)	(6,991,253)	(22,220,160)	(1,487,323)	(961,164,422)
Excess (Deficiency) of Receipts Over (Under) Disbursements	25,234,902	(966,018)	(970,995)	344,925	(642,298)	125,771	21,750	23,148,037
Balances, July 1, 2005	123,217,821	3,350,217	8,422,296	3,828,103	7,119,409	2,266,293	39,266	148,243,405
Balances, June 30, 2006	\$ 148,452,723	\$ 2,384,199	\$ 7,451,301	\$ 4,173,028	\$ 6,477,111	\$ 2,392,064	\$ 61,016	\$ 171,391,442

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, and Register
Combined Analysis of Fee and Commission Accounts
For the Year Ended June 30, 2006**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total (Memorandum Only)
Revenues							
Fees and Commissions	\$ 7,106,961	\$ 5,201,483	\$ 1,333,793	\$ 3,987,486	\$ 1,212,361	\$ 3,854,256	\$ 22,696,340
Interest Earned	1,226	53,818	109,304	-	-	2,545	166,893
Total Revenues	7,108,187	5,255,301	1,443,097	3,987,486	1,212,361	3,856,801	22,863,233
Expenditures							
Salaries-Staff	1,965,485	3,218,163	838,308	2,611,466	680,011	1,346,333	10,659,766
Payroll Taxes/Benefits	414,441	984,255	276,664	989,310	208,891	323,551	3,197,112
County Official/Administrative Officer	88,204	91,551	60,663	88,886	81,731	88,530	499,565
Travel	60,400	73,200	4,544	-	-	8,400	146,544
Office Supplies/Expenditures	205,937	12,686	2,153	-	16,435	1,787	238,998
Consulting Fees	3,100	-	4,800	-	-	-	7,900
Total Expenditures	2,737,567	4,379,855	1,187,132	3,689,662	987,068	1,768,601	14,749,885
Other (Sources) Uses							
Fees and Commissions to County (General Fund)	5,417,329	1,185,000	380,000	400,000	225,835	2,062,579	9,670,743
Total Expenditures and Other Uses	8,154,896	5,564,855	1,567,132	4,089,662	1,212,903	3,831,180	24,420,628
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,046,709)	(309,554)	(124,035)	(102,176)	(542)	25,621	(1,557,395)
Balances, July 1, 2005	1,559,001	1,086,417	520,626	1,078,811	420,284	676,373	5,341,512
Balances, June 30, 2006	\$ 512,292	\$ 776,863	\$ 396,591	\$ 976,635	\$ 419,742	\$ 701,994	\$ 3,784,117

KNOX COUNTY, TENNESSEE

Schedule of Debt Service Requirements

General Bonded Debt

June 30, 2006

Fiscal Year Ending	\$8,350,000 Women's Basketball Hall of Fame		\$25,000,000 General Obligation Series 2000		\$39,467,607 General Obligation Refunding Series 2001		\$50,000,000 General Obligation Public Improvement Series 2001		\$2,597,104 Andrew Johnson GO Refunding Series 2002		\$31,200,221 General Obligation Refunding Series 2002A		\$31,361,297 General Obligation Refunding Bonds Series 2003	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 400,000	\$ 316,750	\$ 994,230	\$ 102,967	\$ 3,716,350	\$ 1,160,507	\$ 2,081,250	\$ 743,648	\$ 287,616	\$ 65,073	\$ 597,314	\$ 1,494,661	\$ 1,730,601	\$ 1,286,849
2008	415,000	296,750	1,044,230	53,255	4,413,710	990,669	2,156,250	629,179	297,888	53,568	11,408	1,558,967	1,800,761	1,217,625
2009	440,000	276,000	-	-	4,610,449	789,146	2,237,500	510,585	306,448	41,653	11,408	1,558,482	1,886,511	1,136,590
2010	460,000	254,000	-	-	4,850,775	555,871	2,321,875	393,117	320,144	28,629	2,645,234	1,617,615	1,972,261	1,046,981
2011	485,000	231,000	-	-	5,092,738	309,720	2,415,625	271,219	333,840	15,023	2,753,367	1,498,340	2,063,209	953,299
2012	505,000	206,750	-	-	594,887	29,744	2,515,625	138,359	-	-	2,867,488	1,374,268	5,433,464	855,296
2013	535,000	181,500	-	-	-	-	-	-	-	-	3,748,390	1,168,784	5,695,912	583,623
2014	560,000	154,750	-	-	-	-	-	-	-	-	3,626,100	977,704	5,976,550	298,827
2015	590,000	126,750	-	-	-	-	-	-	-	-	7,280,815	700,601	-	-
2016	615,000	97,250	-	-	-	-	-	-	-	-	1,573,077	332,976	-	-
2017	650,000	66,500	-	-	-	-	-	-	-	-	1,648,077	258,255	-	-
2018	680,000	34,000	-	-	-	-	-	-	-	-	1,730,770	179,970	-	-
2019	-	-	-	-	-	-	-	-	-	-	1,823,079	93,432	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 6,335,000	\$ 2,242,000	\$ 2,038,460	\$ 156,222	\$ 23,278,909	\$ 3,835,657	\$ 13,728,125	\$ 2,686,107	\$ 1,545,936	\$ 203,946	\$ 30,316,527	\$ 12,814,055	\$ 26,559,269	\$ 7,379,090

continued

KNOX COUNTY, TENNESSEE

Schedule of Debt Service Requirements

General Bonded Debt (Continued)

June 30, 2006

Fiscal Year Ending	\$5,321,983 General Obligation Refunding Bonds Series 2003A		\$40,000,000 General Obligation Series 2003		\$14,337,717 General Obligation Refunding Series 2004		\$46,000,000 General Obligation Series 2004		\$29,083,377 General Obligation Refunding Series 2005A		\$50,000,000 General Obligation Series 2005		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ -	\$ 248,940	\$ 866,400	\$ 1,750,119	\$ 1,234,579	\$ 701,572	\$ 197,143	\$ 1,832,114	\$ -	\$ 1,440,412	\$ 551,947	\$ 2,500,000	\$ 12,657,430	\$ 13,643,612
2008	-	248,940	914,100	1,727,665	1,292,677	652,552	262,857	1,824,229	-	1,440,412	633,116	2,472,403	13,241,997	13,166,214
2009	-	248,940	955,700	1,703,341	1,359,074	588,394	328,571	1,813,714	1,096,514	1,440,412	714,286	2,440,747	13,946,461	12,548,004
2010	-	248,940	760,217	1,677,769	-	520,940	394,286	1,800,571	-	1,376,231	795,455	2,405,032	14,520,247	11,925,696
2011	-	248,939	815,150	1,648,455	-	520,940	460,000	1,784,800	-	1,376,231	876,623	2,365,260	15,295,552	11,223,226
2012	-	248,939	1,214,400	1,616,022	-	520,940	525,714	1,766,400	-	1,376,231	957,792	2,321,429	14,614,370	10,454,378
2013	-	248,939	1,278,367	1,564,255	-	520,940	591,429	1,745,371	2,626,750	1,376,231	1,038,961	2,273,539	15,514,809	9,663,182
2014	-	248,939	1,345,117	1,509,368	-	520,940	657,143	1,721,714	2,724,489	1,255,719	1,120,130	2,221,591	16,009,529	8,909,552
2015	-	248,939	1,420,750	1,451,364	-	520,940	1,314,286	1,695,429	2,837,499	1,120,226	1,201,299	2,165,584	14,644,649	8,029,833
2016	3,163,596	248,939	1,499,183	1,389,617	1,888,180	520,940	1,971,429	1,642,857	2,931,640	978,996	1,298,701	2,105,519	14,940,806	7,317,094
2017	1,815,180	90,759	1,577,600	1,324,128	2,074,923	422,540	2,102,857	1,564,000	3,069,085	834,511	1,363,636	2,040,584	14,301,358	6,601,277
2018	-	-	1,665,617	1,254,896	2,122,646	319,557	2,234,286	1,479,886	3,209,585	683,049	1,461,039	1,972,403	13,103,943	5,923,761
2019	-	-	1,752,933	1,181,299	2,240,917	214,205	2,365,714	1,390,514	3,362,301	524,457	1,542,208	1,899,351	13,087,152	5,303,258
2020	-	-	1,843,733	1,103,336	2,074,923	102,983	2,503,714	1,295,886	3,524,181	358,113	1,623,377	1,822,240	11,569,928	4,682,558
2021	-	-	1,953,000	1,021,007	-	-	2,648,286	1,195,737	3,701,333	183,552	1,704,545	1,741,071	10,007,164	4,141,367
2022	-	-	2,064,367	933,064	-	-	2,799,429	1,089,806	-	-	698,052	1,655,844	5,561,848	3,678,714
2023	-	-	1,978,567	839,508	-	-	2,957,143	977,829	-	-	649,351	1,620,942	5,585,061	3,438,279
2024	-	-	2,097,367	740,339	-	-	3,128,000	859,543	-	-	681,818	1,588,474	5,907,185	3,188,356
2025	-	-	2,225,050	634,933	-	-	3,298,857	734,423	-	-	714,286	1,554,383	6,238,193	2,923,739
2026	-	-	2,353,433	522,666	-	-	3,482,857	602,469	-	-	746,753	1,518,669	6,583,043	2,643,804
2027	-	-	2,489,317	403,538	-	-	3,666,857	463,154	-	-	762,987	1,481,331	6,919,161	2,348,023
2028	-	-	2,487,500	276,925	-	-	3,857,429	316,480	-	-	795,455	1,443,182	7,140,384	2,036,587
2029	-	-	2,638,332	142,829	-	-	4,054,570	162,183	-	-	827,922	1,403,409	7,520,824	1,708,421
2030	-	-	-	-	-	-	-	-	-	-	5,032,468	1,362,013	5,032,468	1,362,013
2031	-	-	-	-	-	-	-	-	-	-	5,227,273	1,110,390	5,227,273	1,110,390
2032	-	-	-	-	-	-	-	-	-	-	5,438,312	849,026	5,438,312	849,026
2033	-	-	-	-	-	-	-	-	-	-	5,649,351	577,110	5,649,351	577,110
2034	-	-	-	-	-	-	-	-	-	-	5,892,857	294,643	5,892,857	294,643
Totals	\$ 4,978,776	\$ 2,580,153	\$ 38,196,200	\$ 26,416,443	\$ 14,287,919	\$ 6,648,383	\$ 45,802,857	\$ 29,759,109	\$ 29,083,377	\$ 15,764,783	\$ 50,000,000	\$ 49,206,169	\$ 286,151,355	\$ 159,692,117

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2006**

Fiscal Year Ending June 30,	\$15,750,000 General Obligation Pension Bonds, Series 1998		\$40,000,000 General Obligation Series 2000		\$2,585,603 Qualified Zone Academy		\$17,277,393 Refunding Bonds Series 2001		\$30,000,000 GO Public Improvement Series 2001		\$4,987,896 AJ Refunding Bonds Series 2001		\$51,799,779 Refunding Bonds Series 2002A		\$28,983,703 Refunding Bonds Series 2003	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 665,000	\$ 87,338	\$ 1,590,770	\$ 164,748	\$ 215,467	\$ -	\$ 1,103,650	\$ 609,918	\$ 1,248,750	\$ 446,189	\$ 552,384	\$ 124,977	\$ 1,067,686	\$ 2,671,676	\$ 1,599,399	\$ 1,189,289
2008	705,000	44,944	1,670,770	85,210	215,467	-	2,331,290	562,856	1,293,750	377,508	572,112	102,882	18,592	2,540,771	1,664,239	1,125,313
2009	-	-	-	-	215,467	-	2,439,551	460,854	1,342,500	306,353	588,552	79,997	18,592	2,539,981	1,743,489	1,050,422
2010	-	-	-	-	215,467	-	2,569,225	341,629	1,393,125	235,870	614,856	54,984	4,054,766	2,479,573	1,822,739	967,606
2011	-	-	-	-	215,467	-	2,707,262	216,780	1,449,375	162,731	641,160	28,852	4,221,633	2,297,348	1,906,791	881,026
2012	-	-	-	-	215,467	-	1,355,114	67,756	1,509,375	83,017	-	-	4,397,512	2,107,544	5,021,536	790,454
2013	-	-	-	-	-	-	-	-	-	-	-	-	6,136,610	1,913,454	5,264,088	539,377
2014	-	-	-	-	-	-	-	-	-	-	-	-	5,788,900	1,560,859	5,523,450	276,173
2015	-	-	-	-	-	-	-	-	-	-	-	-	13,719,185	1,320,137	-	-
2016	-	-	-	-	-	-	-	-	-	-	-	-	2,516,923	532,760	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-	2,636,923	413,208	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-	2,769,230	287,954	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-	2,916,921	149,492	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 1,370,000	\$ 132,282	\$ 3,261,540	\$ 249,958	\$ 1,292,802	\$ -	\$ 12,506,092	\$ 2,259,793	\$ 8,236,875	\$ 1,611,668	\$ 2,969,064	\$ 391,692	\$ 50,263,473	\$ 20,814,757	\$ 24,545,731	\$ 6,819,660

continued

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2006

Fiscal Year Ending June 30,	\$12,123,017 Refunding Bonds Series 2003A	\$32,000,000 G.O. Bonds Series 2003	\$20,212,283 Refunding Bonds Series 2004	\$24,000,000 G.O. Bonds Series 2004	\$18,526,623 Refunding Bonds Series 2005A	\$11,150,000 Refunding Bonds Series 2005B	\$27,000,000 General Obligation Series 2005	Totals								
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest								
2007	\$ -	\$ 567,060	\$ 33,600	\$ 1,406,631	\$ 1,740,421	\$ 1,001,553	\$ 102,857	\$ 955,886	\$ -	\$ 882,428	\$ 105,000	\$ 518,612	\$ 298,053	\$ 1,350,000	\$ 10,323,037	\$ 11,976,305
2008	-	567,060	60,900	1,388,585	1,822,323	931,573	137,143	951,771	-	882,428	110,000	514,380	341,884	1,335,097	10,943,470	11,410,378
2009	-	567,060	69,300	1,369,034	1,915,926	839,981	171,429	946,286	1,803,486	882,428	870,000	509,782	385,714	1,318,003	11,564,006	10,870,181
2010	-	567,060	414,783	1,348,481	-	743,685	205,714	939,429	-	843,109	905,000	472,459	429,545	1,298,718	12,625,220	10,292,603
2011	-	567,061	484,850	1,324,920	-	743,685	240,000	931,200	-	843,109	945,000	432,458	473,377	1,277,240	13,284,915	9,706,410
2012	-	567,061	860,600	1,298,853	-	743,685	274,286	921,600	-	843,109	995,000	389,744	517,208	1,253,571	15,146,098	9,066,394
2013	-	567,061	921,633	1,257,245	-	743,685	308,571	910,629	1,583,250	843,109	1,040,000	344,173	561,039	1,227,711	15,815,191	8,346,444
2014	-	567,061	979,883	1,213,132	-	743,685	342,857	898,286	1,645,511	769,281	1,095,000	296,229	604,870	1,199,659	15,980,471	7,524,365
2015	-	567,061	1,054,250	1,166,511	-	743,685	685,714	884,571	1,717,501	686,274	1,150,000	243,998	648,701	1,169,416	18,975,351	6,781,653
2016	7,206,404	567,061	1,125,817	1,116,883	2,661,820	743,685	1,028,571	857,143	1,728,360	599,754	1,210,000	188,798	701,299	1,136,981	18,179,194	5,743,065
2017	4,134,820	206,741	1,197,400	1,064,247	2,925,077	603,210	1,097,143	816,000	1,815,915	511,239	1,275,000	130,113	736,364	1,101,916	15,818,642	4,846,674
2018	-	-	1,284,383	1,008,604	2,992,354	456,193	1,165,714	772,114	1,905,415	418,451	1,340,000	67,000	788,961	1,065,097	12,246,057	4,075,413
2019	-	-	1,372,067	949,451	3,159,083	305,795	1,234,286	725,486	2,002,699	321,293	-	-	832,792	1,025,649	11,517,848	3,477,166
2020	-	-	1,456,267	886,789	2,925,077	147,017	1,306,286	676,114	2,105,819	219,387	-	-	876,623	984,010	8,670,072	2,913,317
2021	-	-	1,572,000	820,618	-	-	1,381,714	623,863	2,218,667	112,448	-	-	920,455	940,179	6,092,836	2,497,108
2022	-	-	1,685,633	749,936	-	-	1,460,571	568,594	-	-	-	-	376,948	894,156	3,523,152	2,212,686
2023	-	-	1,996,433	674,742	-	-	1,542,857	510,171	-	-	-	-	350,649	875,308	3,889,939	2,060,221
2024	-	-	2,127,633	595,036	-	-	1,632,000	448,457	-	-	-	-	368,182	857,776	4,127,815	1,901,269
2025	-	-	2,274,950	510,317	-	-	1,721,143	383,177	-	-	-	-	385,714	839,367	4,381,807	1,732,861
2026	-	-	2,421,567	420,084	-	-	1,817,143	314,331	-	-	-	-	403,247	820,081	4,641,957	1,554,496
2027	-	-	2,585,683	324,337	-	-	1,913,143	241,646	-	-	-	-	412,013	799,919	4,910,839	1,365,902
2028	-	-	2,887,500	222,575	-	-	2,012,571	165,120	-	-	-	-	429,545	779,318	5,329,616	1,167,013
2029	-	-	3,086,668	114,796	-	-	2,115,430	84,617	-	-	-	-	447,078	757,841	5,649,176	957,254
2030	-	-	-	-	-	-	-	-	-	-	-	-	2,717,532	735,487	2,717,532	735,487
2031	-	-	-	-	-	-	-	-	-	-	-	-	2,822,727	599,610	2,822,727	599,610
2032	-	-	-	-	-	-	-	-	-	-	-	-	2,936,688	458,474	2,936,688	458,474
2033	-	-	-	-	-	-	-	-	-	-	-	-	3,050,649	311,640	3,050,649	311,640
2034	-	-	-	-	-	-	-	-	-	-	-	-	3,182,143	159,107	3,182,143	159,107
Totals	\$ 11,341,224	\$ 5,877,347	\$ 31,953,800	\$ 21,231,807	\$ 20,142,081	\$ 9,491,117	\$ 23,897,143	\$ 15,526,491	\$ 18,526,623	\$ 9,657,847	\$ 11,040,000	\$ 4,107,746	\$ 27,000,000	\$ 26,571,331	\$ 248,346,448	\$ 124,743,496

KNOX COUNTY, TENNESSEE

Schedule of Salaries and Bonds of Principal Elected Officials
For the year ended June 30, 2006

OFFICIAL	AUTHORIZATION FOR SALARY	SALARY PAID DURING YEAR	BOND AMOUNT	SURETY
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 108,167	\$ 10,000	Hartford Fire Insurance
Attorney General	Section 8-6-104, T.C.A.	\$ 5,500	\$ -	-
Circuit and Civil Sessions Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 92,148	\$ 300,000	Hartford Fire Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 88,548	\$ 60,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 147,865	\$ 50,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 88,885	\$ 250,000	Hartford Fire Insurance
Law Director	Section 3.08, Knox County Charter	\$ 124,548	\$ -	-
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 97,058	\$ 100,000	Hartford Fire Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 116,322	\$ 25,000	Hartford Fire Insurance
Trustee	Section 8-24-102 (k), T.C.A.	\$ 95,404	\$ 15,701,108	Hartford Fire Insurance

KNOX COUNTY, TENNESSEE

**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source¹
June 30, 2006 and 2005
(In Thousands of Dollars)**

	<u>2006</u>	<u>2005</u>
Governmental Funds Capital Assets:		
Land	\$ 92,279	\$ 88,483
Buildings	191,250	183,040
Improvements Other than Buildings	18,963	18,020
Machinery and Equipment	21,744	23,994
Intangibles	17,504	11,868
Infrastructure	477,497	473,250
Construction in Progress	30,849	27,581
Total Governmental Funds Capital Assets	<u>\$ 850,086</u>	<u>\$ 826,236</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 5,311	\$ 5,111
Special Revenue Funds	6,283	6,083
Capital Projects Funds	838,492	815,042
Total Governmental Funds Capital Assets	<u>\$ 850,086</u>	<u>\$ 826,236</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

KNOX COUNTY, TENNESSEE

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2006 and 2005
(In Thousands of Dollars)**

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery And Equipment	Intangibles	Infrastructure	Construction In Progress	Total
General Government:								
Finance and Administration	\$ -	\$ 264	\$ 16	\$ 1,743	\$ 6,232	\$ -		\$ 8,255
Administration of Justice	3,176	21,936	-	327	10,915	-		36,354
Public Safety	366	40,879	12	10,979	291	-	4,225	56,752
Public Health and Welfare	4,176	36,471	651	1,280	-	-	2,726	45,304
Social and Cultural Services	19,129	60,689	18,284	1,401	66	-	709	100,278
Other General Government	3,446	28,793	-	1,861	-	-	185	34,285
Total General Government	30,293	189,032	18,963	17,591	17,504	-	7,845	281,228
Highways	61,986	2,218	-	4,153	-	477,497	23,004	568,858
Total Governmental Funds Capital Assets	\$ 92,279	\$ 191,250	\$ 18,963	\$ 21,744	\$ 17,504	\$ 477,497	\$ 30,849	\$ 850,086

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

KNOX COUNTY, TENNESSEE

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
For the Fiscal Year Ended June 30, 2006
(In Thousands of Dollars)**

Function and Activity	Governmental Funds Capital Assets July 1, 2005	Additions	Deductions	Governmental Funds Capital Assets June 30, 2006
General Government:				
Finance and Administration	\$ 6,421	\$ 1,834	\$ -	\$ 8,255
Administration of Justice	39,063	-	2,709	36,354
Public Safety	48,670	8,082	-	56,752
Public Health and Welfare	39,851	5,453	-	45,304
Social and Cultural Services	98,418	1,860	-	100,278
Other General Government	34,417	-	132	34,285
Total General Government	<u>266,840</u>	<u>17,229</u>	<u>2,841</u>	<u>281,228</u>
Highways	<u>559,396</u>	<u>9,462</u>	<u>-</u>	<u>568,858</u>
Total Governmental Funds Capital Assets	<u>\$ 826,236</u>	<u>\$ 26,691</u>	<u>\$ 2,841</u>	<u>\$ 850,086</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

DISCRETELY PRESENTED COMPONENT UNIT KNOX COUNTY BOARD OF EDUCATION

This section presents combining and individual fund financial statements for the Knox County Board of Education (the Board), a discretely presented component unit. The Board uses a general fund, a capital projects fund, three special revenue funds, a pension trust fund, and an agency fund. This section also includes the Statement of Net Assets and Statement of Activities for the Board and its discretely presented component unit, the Great Schools Partnership.

MAJOR FUNDS

GENERAL FUND

General Purpose School Fund: This fund is used to account for general operations of the Board. Major funding is provided through local tax levies and state education funds.

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUND

School Construction Fund: This fund is used to account for the Schools' building construction and renovations of the Board.

SPECIAL REVENUE FUNDS

School Federal Projects Fund: This fund is used to account for restricted federal revenues that must be expended on specific education programs.

School General Projects Fund: This fund is used to account for state, local and federal pass-through revenues which must be expended on specific education programs.

Central Cafeteria Fund: This fund is used to account for the cafeteria operations in each of the individual schools. The primary sources of funding are federal and state revenues for the school lunch program and sales to students and adults.

FIDUCIARY FUND

Pension Trust Fund: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the Board's defined benefit plan for certificated teachers.

AGENCY FUND

School Activity Fund: This fund accounts for the activity related to individual public school funds held in an agency capacity since these funds legally belong to students.

Knox County Board of Education

Statement of Net Assets

June 30, 2006

	Primary Government	Component Unit	
	Total -- Governmental Activities	Great Schools Partnership	
Assets			
Cash and Cash Equivalents	\$ 61,668,195	\$ 3,359,526	\$ 65,027,721
Accounts Receivable	32,152,215	-	32,152,215
Property Taxes Receivable, net	104,673,813	-	104,673,813
Due from Component Units	2,199,509	-	2,199,509
Due from Primary Government	35,763,902	-	35,763,902
Inventories	1,321,095	-	1,321,095
Prepaid Items	1,076,130	-	1,076,130
Capital Assets:			-
Land and Construction in Process	36,108,081	-	36,108,081
Other Capital Assets, Net of Accumulated Depreciation	227,504,533	-	227,504,533
Total Assets	502,467,473	3,359,526	505,826,999
Liabilities			
Accounts Payable	41,364,443	11,918	41,376,361
Due to Knox County Primary Government	50,339	4,322	54,661
Due to Knox County Board of Education Primary Government		2,199,509	2,199,509
Unearned Revenue	98,245,676	-	98,245,676
Accrued Pension Obligation	3,356,406	-	3,356,406
Long-term Obligations:			
Due in Less than One Year	1,437,597	-	1,437,597
Due in More than One Year	159,733	-	159,733
Total Liabilities	144,614,194	2,215,749	146,829,943
Net Assets			
Invested in Capital Assets	263,612,614	-	263,612,614
Restricted for:			
Capital Projects	15,317,750	-	15,317,750
Other Purposes	1,161,831	-	1,161,831
Net Assets - Unrestricted	77,761,084	1,143,777	78,904,861
	\$ 357,853,279	\$ 1,143,777	\$ 358,997,056

Knox County Board of Education

Statement of Activities

For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Component Unit The Partnership</u>	<u>Total Reporting Unit</u>
Primary government:							
Governmental activities:							
Education	383,862,108	\$ 12,406,982	\$ 168,227,009	\$ -	\$ (203,228,117)		\$ (203,228,117)
Education - Payment to Primary Government	\$ 21,367,124	-	-	-	(21,367,124)		(21,367,124)
Education - Payment to Component Unit	2,570,000	-	-	-	(2,570,000)		(2,570,000)
Total primary government	<u>\$ 407,799,232</u>	<u>\$ 12,406,982</u>	<u>\$ 168,227,009</u>	<u>\$ -</u>	<u>(227,165,241)</u>		<u>(227,165,241)</u>
Component unit:							
Great Schools Partnership	\$ 2,537,868	\$ -	\$ 115,000	\$ -		\$ (2,422,868)	(2,422,868)
General Revenues:							
Property Taxes					96,753,338	-	96,753,338
Sales Taxes					118,690,397	-	118,690,397
Wheel Taxes					1,500,000	-	1,500,000
Other Local Taxes					1,139,144	-	1,139,144
Interest Income					1,827,647	-	1,827,647
Payments from Knox County					74,382,250	-	74,382,250
Payments from Knox County Board of Education					-	2,570,000	2,570,000
Payments from Component Unit					2,199,509	-	2,199,509
Total General Revenues					<u>296,492,285</u>	<u>2,570,000</u>	<u>299,062,285</u>
Change in Net Assets					69,327,044	147,132	69,474,176
Net Assets, July 1					288,526,235	996,645	289,522,880
Net Assets, June 30					<u>\$ 357,853,279</u>	<u>\$ 1,143,777</u>	<u>\$ 358,997,056</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Balance Sheet

Governmental Funds

June 30, 2006

	General Purpose School	School Construction Capital Projects	Nonmajor			Total Governmental Funds
			School Federal Projects	School General Projects	Central Cafeteria	
ASSETS						
Cash and Cash Equivalents	\$ 37,311,516	\$ 22,257,592	\$ -	\$ 75	\$ 2,099,012	\$ 61,668,195
Receivables (Net of Allowance for Uncollectibles):						
Accounts	20,687,268	3,165,992	7,094,922	186,156	1,017,877	32,152,215
Property Taxes	104,673,813	-	-	-	-	104,673,813
Due from Other Funds	4,181,168	-	-	-	885,437	5,066,605
Due from Component Units	-	-	-	2,199,509	-	2,199,509
Due from Primary Government	-	35,763,902	-	-	-	35,763,902
Inventories	1,126,027	-	-	-	195,068	1,321,095
Prepaid Items	1,042,428	-	33,702	-	-	1,076,130
TOTAL ASSETS	\$ 169,022,220	\$ 61,187,486	\$ 7,128,624	\$ 2,385,740	\$ 4,197,394	\$ 243,921,464
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 33,570,812	\$ 3,486,332	\$ 3,281,738	\$ 643,201	\$ 382,360	\$ 41,364,443
Due to Other Funds	885,437	-	3,702,105	405,268	73,795	5,066,605
Due to Primary Government	48,385	-	837	1,117	-	50,339
Deferred Revenue	103,548,821	-	130,408	192,365	7,276	103,878,870
TOTAL LIABILITIES	138,053,455	3,486,332	7,115,088	1,241,951	463,431	150,360,257
Fund balances:						
Reserved	4,595,586	2,718,623	124,441	1,268,508	298,978	9,006,136
Unreserved:						
Designated	5,802,032	-	-	-	-	5,802,032
Undesignated	20,571,147	54,982,531	(110,905)	(124,719)	3,434,985	78,753,039
TOTAL FUND BALANCES	30,968,765	57,701,154	13,536	1,143,789	3,733,963	93,561,207
TOTAL LIABILITIES AND FUND BALANCES	\$ 169,022,220	\$ 61,187,486	\$ 7,128,624	\$ 2,385,740	\$ 4,197,394	\$ 243,921,464

KNOX COUNTY, TENNESSEE
Discretely Presented Component Unit
Knox County Board of Education
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Ending Fund Balance - Governmental Funds	\$ 93,561,207
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	263,612,614
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were deferred in the fund financial statements but have been recognized under the accrual basis.	5,633,194
Long-term liabilities, consisting of compensated absences (\$1,597,330) and pension obligation (\$3,356,406), are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,953,736)</u>
Net Assets of Governmental Activities	<u><u>\$ 357,853,279</u></u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2006

	General Purpose School	School Construction Capital Projects	Nonmajor		Central Cafeteria	Total Governmental Funds
			School Federal Projects	School General Projects		
Revenues						
Local Taxes	\$ 196,647,429	\$ 18,160,252	\$ -	\$ -	\$ -	\$ 214,807,681
Licenses and Permits	1,530,087	-	-	2,201	-	1,532,288
Charges for Current Services	727,266	-	277	16,568	9,348,987	10,093,098
Other Local Revenues	1,401,942	1,827,647	-	573,095	306,559	4,109,243
State of Tennessee	127,785,836	-	95,537	872,770	244,711	128,998,854
Federal Government	753,385	-	29,496,172	-	9,796,015	40,045,572
Other Governments and Citizen Groups	-	-	-	321,727	-	321,727
Payments from Primary Government	-	44,994,500	-	2,570,000	-	47,564,500
Payment from Component Unit	-	-	-	2,199,509	-	2,199,509
Debt Proceeds Received from Primary Government	-	27,000,000	-	-	-	27,000,000
Total Revenues	328,845,945	91,982,399	29,591,986	6,555,870	19,696,272	476,672,472
Expenditures						
Current:						
Education	313,178,078	-	29,679,521	5,929,666	19,409,994	368,197,259
Capital Outlay	-	28,636,246	-	-	-	28,636,246
Payments to Primary Government	4,467,124	16,900,000	-	-	-	21,367,124
Payment to Component Unit	-	-	-	2,570,000	-	2,570,000
Other Charges	-	182,250	-	-	-	182,250
Total Expenditures	317,645,202	45,718,496	29,679,521	8,499,666	19,409,994	420,952,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,200,743	46,263,903	(87,535)	(1,943,796)	286,278	55,719,593
Other Financing Sources (Uses)						
Transfers from Other Funds	4,506	-	56,839	705,301	-	766,646
Transfers to Other Funds	(762,140)	-	-	(4,506)	-	(766,646)
Total Other Financing Sources (Uses)	(757,634)	-	56,839	700,795	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	10,443,109	46,263,903	(30,696)	(1,243,001)	286,278	55,719,593
Fund Balance, July 1	20,525,656	11,437,251	44,232	2,386,790	3,447,685	37,841,614
Fund Balance, June 30	\$ 30,968,765	\$ 57,701,154	\$ 13,536	\$ 1,143,789	\$ 3,733,963	\$ 93,561,207

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit
Knox County Board of Education**

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities**

For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds \$ 55,719,593

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$22,034,338) exceeded depreciation (\$9,041,148) in the current period. 12,993,190

Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements. 5,633,194

Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities. (4,997,140)

Expenses reported in the statement of activities include the increase in the liability for compensated absences (\$50,403). In addition, the decrease in net pension obligation results in the reduction of expenses totaling \$28,610. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (21,793)

Change in Net Assets of Governmental Activities \$ 69,327,044

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Balance Sheets
June 30, 2006 and June 30, 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 37,311,516	\$ 29,561,822
Receivables (Net of Allowance for Uncollectibles):		
Accounts	20,687,268	16,749,723
Property Taxes	104,673,813	100,331,069
Due from Other Funds	4,181,168	5,164,944
Due from Primary Government	-	134,914
Prepaid Items	1,042,428	1,104,925
Inventories	<u>1,126,027</u>	<u>1,153,038</u>
TOTAL ASSETS	<u>\$ 169,022,220</u>	<u>\$ 154,200,435</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 33,570,812	\$ 31,861,073
Due to Other Funds	885,437	1,887,404
Due to Primary Government	48,385	588,368
Deferred Revenue	<u>103,548,821</u>	<u>99,337,934</u>
TOTAL LIABILITIES	<u>138,053,455</u>	<u>133,674,779</u>
Fund Balances:		
Reserved	4,595,586	5,908,404
Unreserved:		
Designated	5,802,032	-
Undesignated	<u>20,571,147</u>	<u>14,617,252</u>
TOTAL FUND BALANCES	<u>30,968,765</u>	<u>20,525,656</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 169,022,220</u>	<u>\$ 154,200,435</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local Taxes	\$ 196,647,429	\$ 185,309,363
Licenses and Permits	1,530,087	30,951
Charges for Current Services	727,266	880,885
Other Local Revenues	1,401,942	1,362,755
State of Tennessee	127,785,836	125,863,650
Federal Government	753,385	584,417
Other Governments and Citizen Groups	-	743,620
	<u>328,845,945</u>	<u>314,775,641</u>
Expenditures		
Current:		
Education:	313,178,078	310,773,347
Payments to Primary Government	4,467,124	3,856,640
	<u>317,645,202</u>	<u>314,629,987</u>
Total Expenditures		
Excess of Revenues Over Expenditures	<u>11,200,743</u>	<u>145,654</u>
Other Financing Sources (Uses)		
Transfers From Other Funds	4,506	249,677
Transfers To Other Funds	(762,140)	(1,064,430)
	<u>(757,634)</u>	<u>(814,753)</u>
Total Other Financing Uses		
Excess (Deficiency) of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	10,443,109	(669,099)
Fund Balances, July 1	<u>20,525,656</u>	<u>21,194,755</u>
Fund Balances, June 30	<u>\$ 30,968,765</u>	<u>\$ 20,525,656</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Schedules of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Local Taxes	\$ 187,717,809	\$ 187,717,809	\$ 196,647,429	\$ 8,929,620	\$ 183,515,500	\$ 185,309,363	\$ 1,793,863	
Licenses and Permits	36,000	36,000	1,530,087	1,494,087	36,000	30,951	(5,049)	
Charges for Current Services	616,500	618,925	727,266	108,341	710,276	880,885	170,609	
Other Local Revenues	1,024,000	1,374,545	1,401,942	27,397	1,358,166	1,362,755	4,589	
State of Tennessee	127,997,000	128,117,000	127,785,836	(331,164)	125,506,335	125,863,650	357,315	
Federal Government	448,691	740,601	753,385	12,784	558,698	584,417	25,719	
Other Governments and Citizen Groups	-	-	-	-	743,500	743,620	120	
Total Revenues	317,840,000	318,604,880	328,845,945	10,241,065	312,428,475	314,775,641	2,347,166	
Expenditures								
Current:								
Education:								
Personal Services	224,807,007	221,083,437	217,503,458	3,579,979	219,721,708	218,830,818	890,890	
Employee Benefits	45,835,742	46,632,842	45,920,101	712,741	45,628,495	44,967,058	661,437	
Contracted Services	19,140,462	18,826,514	18,007,677	818,837	17,412,568	17,039,663	372,905	
Supplies and Materials	19,131,039	28,117,001	25,693,405	2,423,596	26,984,108	23,125,895	3,858,213	
Other Charges	10,569,584	5,511,230	5,253,890	257,340	6,577,113	5,922,106	655,007	
Capital Outlay	616,166	873,954	799,547	74,407	901,150	887,807	13,343	
Payments to Primary Government	-	4,467,124	4,467,124	-	3,180,463	3,856,640	(676,177)	
Total Expenditures	320,100,000	325,512,102	317,645,202	7,866,900	320,405,605	314,629,987	5,775,618	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,260,000)	(6,907,222)	11,200,743	18,107,965	(7,977,130)	145,654	8,122,784	

continued

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
 Knox County Board of Education
 General Fund - General Purpose School
 Comparative Schedules of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual (GAAP Basis) (Continued)
 For the years ended June 30, 2006 and June 30, 2005

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)							
Transfers From Other Funds	\$ 260,000	\$ 10,000	\$ 4,506	\$ (5,494)	\$ 410,000	\$ 249,677	\$ (160,323)
Transfers To Other Funds	-	(775,300)	(762,140)	13,160	(1,156,993)	(1,064,430)	92,563
Total Other Financing Sources (Uses)	260,000	(765,300)	(757,634)	7,666	(746,993)	(814,753)	(67,760)
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(2,000,000)	(7,672,522)	10,443,109	18,115,631	(8,724,123)	(669,099)	8,055,024
Fund Balances, July 1	20,525,656	20,525,656	20,525,656	-	21,194,755	21,194,755	-
Fund Balances, June 30	\$ 18,525,656	\$ 12,853,134	\$ 30,968,765	\$ 18,115,631	\$ 12,470,632	\$ 20,525,656	\$ 8,055,024

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 22,257,592	\$ 10,559,470
Receivables (Net of Allowance for Uncollectibles):		
Accounts	3,165,992	2,888,011
Due from Primary Government	<u>35,763,902</u>	<u>250,506</u>
TOTAL ASSETS	<u><u>\$ 61,187,486</u></u>	<u><u>\$ 13,697,987</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 3,486,332	\$ 2,256,098
Due to Other Funds	<u>-</u>	<u>4,638</u>
TOTAL LIABILITIES	<u>3,486,332</u>	<u>2,260,736</u>
 Fund Balances (Deficits):		
Reserved	2,718,623	7,885,856
Unreserved, Undesignated	<u>54,982,531</u>	<u>3,551,395</u>
TOTAL FUND BALANCES	<u>57,701,154</u>	<u>11,437,251</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 61,187,486</u></u>	<u><u>\$ 13,697,987</u></u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances**

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local Taxes	\$ 18,160,252	\$ 16,723,695
Other Local Revenues	1,827,647	-
Interest Earned	-	250,552
Payments from Primary Government	44,994,500	5,500
Debt Proceeds Received from Primary Government	<u>27,000,000</u>	<u>24,000,000</u>
Total Revenues	<u>91,982,399</u>	<u>40,979,747</u>
Expenditures		
Capital Projects	28,636,246	23,025,085
Payments to Primary Government	16,900,000	16,700,000
Other Charges	<u>182,250</u>	<u>160,800</u>
Total Expenditures	<u>45,718,496</u>	<u>39,885,885</u>
Excess of Revenues Over Expenditures	46,263,903	1,093,862
Fund Balances, July 1	<u>11,437,251</u>	<u>10,343,389</u>
Fund Balances, June 30	<u>\$ 57,701,154</u>	<u>\$ 11,437,251</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Schedules of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (Budget Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 16,450,000	\$ 16,655,000	\$ 18,160,252	\$ 1,505,252	\$ 16,723,695	\$ 16,723,695	\$ -
Other Local Revenue	250,000	250,000	-	(250,000)	-	-	-
Interest Earned	-	-	1,827,647	1,827,647	450,000	250,552	(199,448)
Payments from Primary Government	-	44,994,500	44,994,500	-	5,500	5,500	-
Debt Proceeds Received from Primary Government	-	29,500,000	27,000,000	(2,500,000)	24,000,000	24,000,000	-
Total Revenues	16,700,000	91,399,500	91,982,399	582,899	41,179,195	40,979,747	(199,448)
Expenditures							
Capital Projects:							
Other Charges	-	205,000	149,943	55,057	473,695	167,237	306,458
Other Charges:							
Payments to Primary Government	16,700,000	16,700,000	16,900,000	(200,000)	16,700,000	16,700,000	-
Total Expenditures	16,700,000	16,905,000	17,049,943	(144,943)	17,173,695	16,867,237	306,458
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	-	74,494,500	74,932,456	437,956	24,005,500	24,112,510	107,010
Fund Balances, July 1 (Budget Basis)	66,681,872	66,681,872	66,681,872	-	42,569,362	42,569,362	-
Fund Balances, June 30 (Budget Basis)	<u>\$ 66,681,872</u>	<u>\$ 141,176,372</u>	<u>\$ 141,614,328</u>	<u>\$ 437,956</u>	<u>\$ 66,574,862</u>	<u>\$ 66,681,872</u>	<u>\$ 107,010</u>
Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):							
Fund Balance (Budget Basis)			\$ 141,614,328			\$ 66,681,872	
Timing Differences:							
Project Length Budgets			(83,913,174)			(55,244,621)	
Fund Balance (GAAP Basis)			<u>\$ 57,701,154</u>			<u>\$ 11,437,251</u>	

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
 Knox County Board of Education
 School Construction Capital Projects Fund
 Schedule of Construction Project Expenditures -
 Budget and Actual
 For the Year Ended June 30, 2006

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Fire Alarm Upgrade	\$ 500,000	\$ 240,674	\$ 251,317	\$ 491,991	\$ 8,009
Amherst Elementary	16,246,500	13,863,694	1,938,392	15,802,086	444,414
Cedar Bluff K-3	17,777,113	495,535	3,199,160	3,694,695	14,082,418
Brickey Elementary	14,422,574	14,292,529	56,664	14,349,193	73,381
Halls Elementary	3,532,111	3,513,434	-	3,513,434	18,677
Bonny Kate Elementary	282,410	280,098	-	280,098	2,312
Whittle Springs Middle	3,405,816	3,405,816	-	3,405,816	-
Holston Middle	2,200,499	2,154,064	36,295	2,190,359	10,140
New Holston Middle	11,944,500	8,006,352	3,049,108	11,055,460	889,040
Powell Middle	1,129,149	49,554	1,000,232	1,049,786	79,363
Maintenance Land Acquisition	168,000	73,738	-	73,738	94,262
West High Library / Cafeteria	2,200,000	1,703,452	331,688	2,035,140	164,860
Magnet Equipment	3,402,216	3,402,216	-	3,402,216	-
Gibbs Elementary School	15,404,720	1,826,946	7,406,413	9,233,359	6,171,361
New West Knox High School	40,000,000	5,500	5,844,780	5,850,280	34,149,720
Karns High Addition and Renovations	3,000,000	30,823	635,663	666,486	2,333,514
Land Investigation	578,615	502,414	67,218	569,632	8,983
Roofing and HVAC	22,947,487	22,690,876	111,461	22,802,337	145,150
Stadium Bleachers	1,563,164	1,546,837	-	1,546,837	16,327
Professional Development Technology Center	1,241,000	1,210,303	24,780	1,235,083	5,917
Physical Plant Upgrades	10,766,817	2,763,273	4,533,132	7,296,405	3,470,412
<i>Total Capital Projects:</i>	<u>\$ 172,712,691</u>	<u>\$ 82,058,128</u>	<u>\$ 28,486,303</u>	<u>\$ 110,544,431</u>	<u>\$ 62,168,260</u>
Project Expenditures			\$ 28,486,303		
Expenditures - Activities Budgeted on Annual Basis			<u>17,049,943</u>		
Total School Construction Fund Expenditures			<u>\$ 45,536,246</u>		

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Special Revenue Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 7,094,922	\$ 8,608,616
Due from Other Funds	-	101,610
Prepaid Items	<u>33,702</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 7,128,624</u>	<u>\$ 8,710,226</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 3,281,738	\$ 2,310,899
Due to Other Funds	3,702,105	5,167,482
Due to Primary Government	837	43,643
Deferred Revenue	<u>130,408</u>	<u>1,143,970</u>
TOTAL LIABILITIES	<u>7,115,088</u>	<u>8,665,994</u>
Fund Balances (Deficits):		
Reserved	124,441	165,752
Unreserved, Undesignated	<u>(110,905)</u>	<u>(121,520)</u>
TOTAL FUND BALANCES	<u>13,536</u>	<u>44,232</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,128,624</u>	<u>\$ 8,710,226</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Special Revenue Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
For the years ended June 30, 2006 and June 30, 2005**

	<u>2006</u>	<u>2005</u>
Revenues		
Charges for Current Services	\$ 277	\$ 18,364
Other Local Revenues	-	7,981
State of Tennessee	95,537	72,536
Federal Government	<u>29,496,172</u>	<u>28,389,516</u>
Total Revenues	<u>29,591,986</u>	<u>28,488,397</u>
Expenditures		
Current:		
Education	<u>29,679,521</u>	<u>28,528,576</u>
Deficiency of Revenues Under Expenditures	(87,535)	(40,179)
Other Financing Sources		
Transfers From Other Funds	<u>56,839</u>	<u>81,034</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(30,696)	40,855
Fund Balances, July 1	<u>44,232</u>	<u>3,377</u>
Fund Balances, June 30	<u>\$ 13,536</u>	<u>\$ 44,232</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ -	\$ 23,355	\$ 277	\$ (23,078)	\$ 19,185	\$ 18,364	\$ (821)
Other Local Revenues	-	-	-	-	80,070	7,981	(72,089)
State of Tennessee	-	98,066	95,537	(2,529)	76,036	72,536	(3,500)
Federal Government	-	43,473,587	29,496,172	(13,977,415)	42,320,051	28,389,516	(13,930,535)
Other Governments & Citizens Groups	-	1,049	-	(1,049)	-	-	-
Total Revenues	-	43,596,057	29,591,986	(14,004,071)	42,495,342	28,488,397	(14,006,945)
Expenditures							
Current:							
Education:							
Personal Services	-	23,885,588	19,002,564	4,883,024	21,627,292	16,692,031	4,935,261
Employee Benefits	-	5,103,418	3,911,634	1,191,784	4,533,480	3,403,625	1,129,855
Contracted Services	-	2,206,539	1,356,966	849,573	5,855,919	2,163,964	3,691,955
Supplies and Materials	-	8,678,096	3,659,787	5,018,309	7,086,767	3,996,210	3,090,557
Other Charges	-	3,460,189	1,604,502	1,855,687	1,748,146	915,172	832,974
Capital Outlay	-	326,145	144,068	182,077	1,728,119	1,357,574	370,545
Total Expenditures	-	43,659,975	29,679,521	13,980,454	42,579,723	28,528,576	14,051,147
Deficiency of Revenues Under Expenditures	-	(63,918)	(87,535)	(23,617)	(84,381)	(40,179)	44,202
Other Financing Sources							
Transfer From Other Funds	-	63,918	56,839	(7,079)	82,411	81,034	(1,377)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	(30,696)	(30,696)	(1,970)	40,855	42,825
Fund Balances, July 1	-	44,232	44,232	-	3,377	3,377	-
Fund Balances, June 30	\$ -	\$ 44,232	\$ 13,536	\$ (30,696)	\$ 1,407	\$ 44,232	\$ 42,825

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School General Projects Special Revenue Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005**

	2006	2005
ASSETS		
Cash and Cash Equivalents	\$ 75	\$ 2,471,993
Receivables (Net of Allowance for Uncollectibles):		
Accounts	186,156	200,203
Due from Component Units	2,199,509	266,163
TOTAL ASSETS	\$ 2,385,740	\$ 2,938,359
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 643,201	\$ 456,443
Due to Other Funds	405,268	74,745
Due to Primary Government	1,117	2,670
Deferred Revenue	192,365	17,711
TOTAL LIABILITIES	1,241,951	551,569
 Fund Balances (Deficits):		
Reserved	1,268,508	3,055,923
Unreserved:		
Undesignated	(124,719)	(669,133)
TOTAL FUND BALANCES	1,143,789	2,386,790
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,385,740	\$ 2,938,359

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School General Projects Special Revenue Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances**

For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Licenses and Permits	\$ 2,201	\$ 3,255
Charges for Current Services	16,568	143,766
Other Local Revenues	573,095	660,565
State of Tennessee	872,770	527,807
Other Governments and Citizens Groups	321,727	376,152
Payments from Primary Government	2,570,000	1,000,000
Payment from Component Unit	2,199,509	-
	<u>6,555,870</u>	<u>2,711,545</u>
Expenditures		
Current:		
Education:	5,929,666	3,028,961
Payment to Component Unit	2,570,000	1,000,000
	<u>8,499,666</u>	<u>4,028,961</u>
Total Expenditures	<u>8,499,666</u>	<u>4,028,961</u>
Deficiency of Revenues Under Expenditures	<u>(1,943,796)</u>	<u>(1,317,416)</u>
Other Financing Sources (Uses)		
Transfers From Other Funds	705,301	983,396
Transfers To Other Funds	(4,506)	-
	<u>700,795</u>	<u>983,396</u>
Total Other Financing Sources	<u>700,795</u>	<u>983,396</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	<u>(1,243,001)</u>	<u>(334,020)</u>
Fund Balances, July 1	<u>2,386,790</u>	<u>2,720,810</u>
Fund Balances, June 30	<u>\$ 1,143,789</u>	<u>\$ 2,386,790</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
 Knox County Board of Education
 School General Projects Special Revenue Fund
 Comparative Schedules of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual (GAAP Basis)
 For the years ended June 30, 2006 and June 30, 2005

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Licenses and Permits	\$ -	\$ -	\$ 2,201	\$ 2,201	\$ -	\$ 3,255	\$ 3,255
Charges for Current Services	-	143,433	16,568	(126,865)	177,371	143,766	(33,605)
Other Local Revenues	-	625,233	573,095	(52,138)	674,123	660,565	(13,558)
State of Tennessee	-	1,001,653	872,770	(128,883)	641,701	527,807	(113,894)
Payments from Primary Government	-	2,570,000	2,570,000	-	376,736	376,152	(584)
Other Governments and Citizens Groups	-	529,504	321,727	(207,777)	1,000,000	1,000,000	-
Payment from Component Unit	-	2,199,509	2,199,509	-	-	-	-
Total Revenues	-	7,069,332	6,555,870	(513,462)	2,869,931	2,711,545	(158,386)
Expenditures							
Current:							
Education:							
Personal Services	-	2,910,454	2,555,696	354,758	1,059,224	858,625	200,599
Employee Benefits	-	645,313	506,114	139,199	161,406	142,494	18,912
Contracted Services	-	1,186,181	1,205,551	(19,370)	1,122,446	854,058	268,388
Supplies and Materials	-	1,415,553	1,047,116	368,437	678,952	548,824	130,128
Other Charges	-	181,957	103,531	78,426	139,701	122,727	16,974
Capital Outlay	-	1,299,767	511,658	788,109	2,482,545	502,233	1,980,312
Payment to Component Unit	-	2,570,000	2,570,000	-	1,000,000	1,000,000	-
Total Expenditures	-	10,209,225	8,499,666	1,709,559	6,644,274	4,028,961	2,615,313
Deficiency of Revenues Under Expenditures	-	(3,139,893)	(1,943,796)	1,196,097	(3,774,343)	(1,317,416)	2,456,927
Other Financing Sources (Uses)							
Transfers from Other Funds	-	3,164,399	705,301	(2,459,098)	1,053,533	983,396	(70,137)
Transfers to Other Funds	-	(4,506)	(4,506)	-	-	-	-
Total Other Financing Sources (Uses)	-	3,159,893	700,795	(2,459,098)	1,053,533	983,396	(70,137)
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	-	20,000	(1,243,001)	(1,263,001)	(2,720,810)	(334,020)	2,386,790
Fund Balances, July 1	-	2,386,790	2,386,790	-	2,720,810	2,720,810	-
Fund Balances, June 30	\$ -	\$ 2,406,790	\$ 1,143,789	\$ (1,263,001)	\$ -	\$ 2,386,790	\$ 2,386,790

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Central Cafeteria Special Revenue Fund
Comparative Balance Sheets
June 30, 2006 and June 30, 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,099,012	\$ 1,675,879
Receivables (Net of Allowance for Uncollectibles):		
Accounts	1,017,877	112,143
Due from Other Funds	885,437	1,636,242
Inventories	<u>195,068</u>	<u>252,501</u>
TOTAL ASSETS	<u><u>\$ 4,197,394</u></u>	<u><u>\$ 3,676,765</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 382,360	\$ 190,666
Due to Other Funds	73,795	34,690
Deferred Revenue	<u>7,276</u>	<u>3,724</u>
TOTAL LIABILITIES	<u>463,431</u>	<u>229,080</u>
Fund Balances:		
Reserved	298,978	355,662
Unreserved, Undesignated	<u>3,434,985</u>	<u>3,092,023</u>
TOTAL FUND BALANCES	<u>3,733,963</u>	<u>3,447,685</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,197,394</u></u>	<u><u>\$ 3,676,765</u></u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Central Cafeteria Special Revenue Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
For the years ended June 30, 2006 and June 30, 2005**

	<u>2006</u>	<u>2005</u>
Revenues		
Charges for Current Services	\$ 9,348,987	\$ 8,906,586
Other Local Revenues	306,559	368,199
State of Tennessee	244,711	242,074
Federal Government	<u>9,796,015</u>	<u>9,115,966</u>
Total Revenues	<u>19,696,272</u>	<u>18,632,825</u>
Expenditures		
Current:		
Education:		
Food Service	<u>19,409,994</u>	<u>18,217,218</u>
Excess of Revenues Over Expenditures	286,278	415,607
Other Financing Uses		
Transfers to Other Funds	<u>-</u>	<u>(249,677)</u>
Excess of Revenues Over Expenditures and Other Financing Uses	286,278	165,930
Fund Balances, July 1	<u>3,447,685</u>	<u>3,281,755</u>
Fund Balances, June 30	<u><u>\$ 3,733,963</u></u>	<u><u>\$ 3,447,685</u></u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Central Cafeteria Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2006 and June 30, 2005**

	2006				2005		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 9,269,000	\$ 9,269,000	\$ 9,348,987	\$ 79,987	\$ 9,020,585	\$ 8,906,586	\$ (113,999)
Other Local Revenues	435,000	435,000	306,559	(128,441)	713,000	368,199	(344,801)
State of Tennessee	245,000	245,000	244,711	(289)	244,500	242,074	(2,426)
Federal Government	8,711,750	9,497,816	9,796,015	298,199	8,608,313	9,115,966	507,653
Total Revenues	18,660,750	19,446,816	19,696,272	249,456	18,586,398	18,632,825	46,427
Expenditures							
Current:							
Education:							
Food Service:							
Personal Services	7,592,750	7,277,250	6,820,194	457,056	7,061,450	6,918,633	142,817
Employee Benefits	1,826,000	2,071,500	2,071,335	165	2,016,298	1,766,618	249,680
Contracted Services	366,000	588,834	588,106	728	471,022	470,981	41
Supplies & Materials	8,641,000	9,528,852	9,309,738	219,114	8,770,133	8,770,094	39
Other Charges	165,000	305,451	278,455	26,996	234,120	209,985	24,135
Capital Outlay	70,000	557,400	342,166	215,234	85,042	80,907	4,135
Total Expenditures	18,660,750	20,329,287	19,409,994	919,293	18,638,065	18,217,218	420,847
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(882,471)	286,278	1,168,749	(51,667)	415,607	467,274
Other Financing Uses							
Transfers to Other Funds	-	-	-	-	-	(249,677)	(249,677)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	-	(882,471)	286,278	1,168,749	(51,667)	165,930	217,597
Fund Balances, July 1	3,447,685	3,447,685	3,447,685	-	3,281,755	3,281,755	-
Fund Balances, June 30	\$ 3,447,685	\$ 2,565,214	\$ 3,733,963	\$ 1,168,749	\$ 3,230,088	\$ 3,447,685	\$ 217,597

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Receivables (Net of Allowance for Uncollectibles):		
Contributions	\$ 38,325	\$ -
Investments	78,114,366	-
Other Assets	<u> -</u>	<u>6,345,426</u>
TOTAL ASSETS	<u>78,152,691</u>	<u>\$ 6,345,426</u>
 LIABILITIES		
Accounts Payable and Accrued Liabilities	117,591	\$ -
Liability for Student Activities	<u> -</u>	<u>6,345,426</u>
TOTAL LIABILITIES	<u>117,591</u>	<u>\$ 6,345,426</u>
 NET ASSETS		
Held in Trust for:		
Pension Benefits	<u>\$ 78,035,100</u>	

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan
June 30, 2006 and June 30, 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Contributions Receivable	\$ 38,325	\$ 783,381
Prepaid Items	-	14,793
Investments, at Fair Value		
Mutual Funds	<u>78,114,366</u>	<u>73,575,991</u>
TOTAL ASSETS	<u>78,152,691</u>	<u>74,374,165</u>
 LIABILITIES		
Accounts Payable	<u>117,591</u>	<u>37,791</u>
TOTAL LIABILITIES	<u>117,591</u>	<u>37,791</u>
 NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 78,035,100</u>	<u>\$ 74,336,374</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Comparative Statements of Changes in Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan
For the years ended June 30, 2006 and June 30, 2005**

	<u>2006</u>	<u>2005</u>
Additions		
Contributions		
Employer	\$ (739,370)	\$ 1,620,817
Employee	1,055,707	330,840
Total Contributions	<u>316,337</u>	<u>1,951,657</u>
Investment Income		
Net Appreciation in Fair Value of Investments	6,353,518	4,617,317
Interest and Dividends	1,824,271	1,414,516
Total Investment Earnings	8,177,789	6,031,833
Less Investment Expense	<u>(183,142)</u>	<u>(231,854)</u>
Net Investment Income	<u>7,994,647</u>	<u>5,799,979</u>
Total Additions	<u>8,310,984</u>	<u>7,751,636</u>
Deductions		
Benefits and Refunds	4,059,122	3,564,370
Administrative and Professional Expenses	553,136	490,486
Total Deductions	<u>4,612,258</u>	<u>4,054,856</u>
Net Increase	3,698,726	3,696,780
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	<u>74,336,374</u>	<u>70,639,594</u>
End of Year	<u>\$ 78,035,100</u>	<u>\$ 74,336,374</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Agency Fund - Student Activity Fund**
Comparative Statements of Changes in Fiduciary Assets and Liabilities
For the years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Assets and Liabilities, July 1	\$ 6,030,851	\$ 5,787,139
Additions	16,714,241	16,457,909
Deductions	<u>(16,399,666)</u>	<u>(16,214,197)</u>
Assets and Liabilities, June 30	<u>\$ 6,345,426</u>	<u>\$ 6,030,851</u>

STATISTICAL SECTION

This part of Knox County Government's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Knox County's overall financial health.

Contents	Page
Financial Trends	205-213
<i>These schedules contain trend information to help the reader understand how Knox County Government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	214-217
<i>These schedules contain information to help the reader assess Knox County Government's most significant local revenue source, the property tax.</i>	
Debt Capacity	218-220
<i>These schedules present information to help the reader assess the affordability of Knox County Government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	221-222
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which Knox County Government's financial activities take place.</i>	
Operating Information	223-225
<i>These schedules contain service and infrastructure data to help the reader understand how the information in Knox County Government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

KNOX COUNTY, TENNESSEE

**Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year				
	2002	2003	2004	2005	2006
Primary government					
Governmental activities					
Invested in capital assets, net of related debt	\$ 439,996,102	\$ 429,012,067	\$ 430,036,480	\$ 395,113,478	\$ 365,746,439
Restricted	33,485,986	32,646,617	34,559,910	60,297,870	68,750,828
Unrestricted	(141,993,533)	(130,655,604)	(148,747,919)	(150,361,587)	(204,425,615)
Total primary government activities net assets	<u>\$ 331,488,555</u>	<u>\$ 331,003,080</u>	<u>\$ 315,848,471</u>	<u>\$ 305,049,761</u>	<u>\$ 230,071,652</u>
Component units					
Invested in capital assets, net of related debt	268,404,853	280,139,475	246,697,189	255,600,529	269,693,300
Restricted	21,543,330	4,029,664	5,045,320	9,118,222	16,479,581
Unrestricted	13,477,500	11,757,631	33,961,884	30,697,796	78,988,946
Total component units activities net assets	<u>\$ 303,425,683</u>	<u>\$ 295,926,770</u>	<u>\$ 285,704,393</u>	<u>\$ 295,416,547</u>	<u>\$ 365,161,827</u>
Total reporting unit activities net assets	<u><u>\$ 634,914,238</u></u>	<u><u>\$ 626,929,850</u></u>	<u><u>\$ 601,552,864</u></u>	<u><u>\$ 600,466,308</u></u>	<u><u>\$ 595,233,479</u></u>

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Primary government:					
Governmental activities:					
Finance and Administration	\$ 30,108,481	\$ 32,196,730	\$ 34,272,564	\$ 36,027,013	\$ 37,137,558
Finance and Administration - payment to component unit	-	-	-	-	2,570,000
Administration of Justice	11,003,409	11,828,805	12,635,947	13,701,681	16,568,869
Public Safety	44,075,976	48,108,309	61,702,000	59,055,357	61,608,268
Public Safety - payment to component unit	1,073,360	1,136,184	603,450	603,450	326,200
Public Health and Welfare	36,660,927	37,804,098	37,216,721	38,368,614	43,340,309
Public Health and Welfare - payment to component unit	-	-	562,635	562,635	646,990
Social and Cultural Services	13,546,306	15,766,968	15,130,591	16,592,017	19,562,356
Social and Cultural Services - payment to component unit	1,504,800	-	-	-	-
Agricultural and Natural Resources	318,902	335,090	346,591	390,615	402,907
Other General Government	49,628,200	54,261,242	59,603,677	64,208,431	74,658,255
Highways	21,001,851	21,881,988	23,223,425	21,570,330	24,718,942
Education - payment to component unit	30,635,055	8,400,000	32,000,000	24,844,700	71,812,250
Debt Service - interest and fees	19,120,169	18,389,968	17,958,758	21,404,699	23,403,511
Debt Service - other	368,441	374,006	-	-	-
Total primary government expenses	<u>\$ 259,045,877</u>	<u>\$ 250,483,388</u>	<u>\$ 295,256,359</u>	<u>\$ 297,329,542</u>	<u>\$ 376,756,415</u>
Component units:					
Board of Education	\$ 335,660,189	\$ 360,448,491	\$ 386,742,267	\$ 395,291,970	\$ 405,567,591
Knox County Railroad Authority	74,365	508,507	220,964	63,818	77,809
Knox County Emergency Communications District	6,185,897	6,008,787	6,840,936	7,148,453	6,468,004
Knox County Tourist Commission	1,916,595	-	-	-	-
Total component units expenses	<u>\$ 343,837,046</u>	<u>\$ 366,965,785</u>	<u>\$ 393,804,167</u>	<u>\$ 402,504,241</u>	<u>\$ 412,113,404</u>
Total reporting unit expenses	<u>\$ 602,882,923</u>	<u>\$ 617,449,173</u>	<u>\$ 689,060,526</u>	<u>\$ 699,833,783</u>	<u>\$ 788,869,819</u>

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Program Revenues					
Primary government:					
Governmental activities:					
Charges for Services:					
Finance and Administration	\$ 23,459,317	\$ 24,360,351	\$ 26,732,880	\$ 28,316,120	\$ 20,316,983
Administration of Justice	3,421,390	3,099,291	3,212,895	3,657,019	11,071,804
Public Safety	662,636	789,430	903,493	1,032,281	533,509
Public Health and Welfare	4,180,347	4,085,553	5,086,478	4,901,207	5,349,029
Social and Cultural Services	1,591,060	805,230	2,206,814	1,873,889	1,122,961
Other General Government	33,314,872	34,091,186	39,248,765	47,591,147	52,743,662
Highways	10,664	2,492	50,692	20,570	53,041
Operating grants and contributions	18,997,160	20,962,543	23,108,400	22,760,584	23,799,473
Total primary government program revenues	<u>\$ 85,637,446</u>	<u>\$ 88,196,076</u>	<u>\$ 100,550,417</u>	<u>\$ 110,152,817</u>	<u>\$ 114,990,462</u>
Component units:					
Charges for Services:					
Board of Education	\$ 11,766,285	\$ 11,023,657	\$ 11,723,822	\$ 12,199,060	\$ 12,406,982
Knox County Emergency Communications District	3,717,937	3,768,771	3,806,247	3,867,183	3,739,653
Knox County Tourist Commission	201,709	-	-	-	-
Operating grants and contributions	140,046,001	147,774,587	150,148,071	166,164,250	168,419,769
Capital grants and contributions	-	-	-	-	131,471
Total component units program revenues	<u>\$ 155,731,932</u>	<u>\$ 162,567,015</u>	<u>\$ 165,678,140</u>	<u>\$ 182,230,493</u>	<u>\$ 184,697,875</u>
Total reporting unit program revenues	<u>\$ 241,369,378</u>	<u>\$ 250,763,091</u>	<u>\$ 266,228,557</u>	<u>\$ 292,383,310</u>	<u>\$ 299,688,337</u>
Net (expense)/revenue					
Primary government activities	\$ (173,408,431)	\$ (162,287,312)	\$ (194,705,942)	\$ (187,176,725)	\$ (261,765,953)
Component units	(188,105,114)	(204,398,770)	(228,126,027)	(220,273,748)	(227,415,529)
Total net (expense) revenues for reporting unit	<u>\$ (361,513,545)</u>	<u>\$ (366,686,082)</u>	<u>\$ (422,831,969)</u>	<u>\$ (407,450,473)</u>	<u>\$ (489,181,482)</u>

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets					
Primary government:					
Governmental activities:					
Taxes					
Property taxes	\$ 107,481,587	\$ 112,175,848	\$ 113,293,837	\$ 116,504,303	\$ 117,697,785
Sales taxes	6,480,559	9,516,271	9,185,734	9,133,387	9,626,296
Lodging taxes	3,857,548	4,272,762	4,025,335	4,207,643	4,702,072
Business taxes	4,602,011	4,797,392	5,115,059	5,605,190	5,864,308
Wheel taxes	-	-	1,186,075	9,182,465	10,118,110
Other local taxes	3,326,165	3,229,268	3,249,019	3,671,045	3,649,170
Interest income	3,738,576	2,839,049	2,016,481	2,756,903	7,142,137
Other revenues	20,848,860	20,849,073	31,715,158	25,001,861	27,521,207
Contracts - other governments and citizens	1,017,769	1,679,555	1,797,835	307,354	466,759
Miscellaneous	-	(876)	-	7,864	-
Total primary government	<u>\$ 151,353,075</u>	<u>\$ 159,358,342</u>	<u>\$ 171,584,533</u>	<u>\$ 176,378,015</u>	<u>\$ 186,787,844</u>
Component units:					
Taxes					
Property taxes	\$ 83,864,682	\$ 87,309,066	\$ 88,924,962	\$ 91,224,003	\$ 96,753,338
Sales taxes	98,456,334	99,196,928	104,990,997	109,296,323	118,690,397
Wheel taxes	-	-	1,186,075	1,500,000	1,500,000
Other local taxes	-	-	-	-	1,139,144
Interest income	365,736	215,361	222,216	361,331	2,003,350
Payments from primary government	33,213,215	9,536,184	33,166,085	26,010,785	75,355,440
Other revenues	5,573	-	-	-	-
Contracts - other governments and citizens	1,440,198	1,518,452	1,518,460	1,593,460	1,719,140
Miscellaneous	-	1,000	-	-	-
Special item - distribution of net assets to successor organization	-	(877,134)	-	-	-
Total component units	<u>\$ 217,345,738</u>	<u>\$ 196,899,857</u>	<u>\$ 230,008,795</u>	<u>\$ 229,985,902</u>	<u>\$ 297,160,809</u>
Total reporting unit	<u>\$ 368,698,813</u>	<u>\$ 356,258,199</u>	<u>\$ 401,593,328</u>	<u>\$ 406,363,917</u>	<u>\$ 483,948,653</u>
Change in Net Assets					
Primary government activities	\$ (22,055,356)	\$ (2,928,970)	\$ (23,121,409)	\$ (10,798,710)	\$ (74,978,109)
Component units activities	29,240,624	(7,498,913)	1,882,768	9,712,154	69,745,280
Total reporting unit	<u>\$ 7,185,268</u>	<u>\$ (10,427,883)</u>	<u>\$ (21,238,641)</u>	<u>\$ (1,086,556)</u>	<u>\$ (5,232,829)</u>

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

**Primary Government Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)**

Fiscal Year	Property Tax	Sales Tax	Lodging Tax	Business Tax	Wheel Tax	Other Local Tax	Total
2002	\$ 107,481,587	\$ 6,480,559	\$ 3,857,548	\$ 4,602,011	\$ -	\$ 3,326,165	\$ 125,747,870
2003	112,175,848	9,516,271	4,272,762	4,797,392	-	3,229,268	133,991,541
2004	113,293,837	9,185,734	4,025,335	5,115,059	1,186,075 (1)	3,249,019	136,055,059
2005	116,504,303	9,133,387	4,207,643	5,605,190	9,182,465	3,671,045	148,304,033
2006	117,697,785	9,626,296	4,702,072	5,864,308	10,118,110	3,649,170	151,657,741

(1) First year of tax

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

**Component Units Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)**

Fiscal Year	Property Tax	Sales Tax	Wheel Tax	Other Local Tax	Total
2002	\$ 83,864,682	\$ 98,456,334	\$ -	\$ -	\$ 182,321,016
2003	87,309,066	99,196,928	-	-	186,505,994
2004	88,924,962	104,990,997	1,186,075 (1)	-	195,102,034
2005	91,224,003	109,296,323	1,500,000	-	202,020,326
2006	96,753,338	118,690,397	1,500,000	1,139,144	218,082,879

(1) First year of tax

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

**Reporting Unit Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)**

Fiscal Year	Property Tax	Sales Tax	Lodging Tax	Business Tax	Wheel Tax	Other Local Tax	Total
2002	\$ 191,346,269	\$ 104,936,893	\$ 3,857,548	\$ 4,602,011	\$ -	\$ 3,326,165	\$ 308,068,886
2003	199,484,914	108,713,199	4,272,762	4,797,392	-	3,229,268	320,497,535
2004	202,218,799	114,176,731	4,025,335	5,115,059	2,372,150 (1)	3,249,019	331,157,093
2005	207,728,306	118,429,710	4,207,643	5,605,190	10,682,465	3,671,045	350,324,359
2006	214,451,123	128,316,693	4,702,072	5,864,308	11,618,110	4,788,314	369,740,620

(1) First year of tax

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year				
	2002	2003	2004	2005	2006
General fund					
Reserved	\$ 5,364,376	\$ 10,937,680	\$ 8,671,373	\$ 7,934,931	\$ 7,823,979
Unreserved	36,120,754	38,472,540	39,593,912	40,799,145	49,774,563
Total general fund	<u>\$ 41,485,130</u>	<u>\$ 49,410,220</u>	<u>\$ 48,265,285</u>	<u>\$ 48,734,076</u>	<u>\$ 57,598,542</u>
All other governmental funds					
Reserved	\$ 36,587,826	\$ 26,269,284	\$ 22,402,928	\$ 24,624,542	\$ 12,295,421
Unreserved, reported in:					
Special revenue constitutional officers	2,512,960	2,560,175	3,563,157	4,793,783	3,784,117
Capital projects public improvement	(9,877,536)	(17,489,451)	(20,814,424)	5,645,300	(3,214,692)
Debt service	26,210,928	25,500,852	28,024,529	30,906,228	24,120,114
Permanent funds	15,882,015	19,135,952	16,105,862	15,957,883	15,157,943
Total all other governmental funds	<u>\$ 71,316,193</u>	<u>\$ 55,976,812</u>	<u>\$ 49,282,052</u>	<u>\$ 81,927,736</u>	<u>\$ 52,142,903</u>

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Taxes	\$ 128,776,863	\$ 134,082,211	\$ 136,756,864	\$ 148,071,025	\$ 156,075,279
Licenses and permits	2,379,483	2,840,878	3,226,481	3,472,814	3,741,911
State of Tennessee	20,558,477	19,612,800	19,657,610	19,312,368	16,370,956
Federal government	2,736,348	4,465,916	6,472,966	5,779,123	11,534,036
Other governments and citizen groups	1,966,116	730,942	2,321,912	1,455,388	1,040,630
Charges for services	23,506,444	24,030,206	27,142,787	27,835,419	28,388,616
Fines	3,033,556	2,846,280	2,856,308	3,231,893	4,058,576
Investment earnings	3,720,835	2,834,462	2,015,723	2,713,771	7,145,359
Payments from component units	15,795,391	16,457,417	27,473,875	20,838,840	21,649,922
Fees received from county officials	271,420	310,317	370,274	426,736	207,187
Increase in equity interest in joint venture	-	-	-	-	10,385
Other local revenues	2,955,393	4,416,726	4,271,988	4,383,663	4,470,506
Total revenues	<u>205,700,326</u>	<u>212,628,155</u>	<u>232,566,788</u>	<u>237,521,040</u>	<u>254,693,363</u>
Expenditures					
Finance and administration	30,185,822	32,108,836	34,004,920	35,792,902	36,919,202
Finance and administration - payments to component units	-	-	-	1,000,000	2,570,000
Administration of justice	10,294,719	11,233,689	12,139,488	13,069,224	13,915,861
Public safety	41,576,515	46,654,053	55,531,601	57,235,374	59,624,309
Public safety - payments to component units	-	1,136,184	603,450	603,450	326,200
Public health and welfare	35,774,006	36,867,614	36,382,457	37,318,628	40,028,212
Public health and welfare - payments to component units	-	-	562,635	562,635	646,990
Social and cultural services	12,553,883	14,186,357	13,955,047	14,688,232	15,719,033
Agricultural and natural resources	318,902	335,090	346,591	390,615	402,907
Other general government	13,673,548	13,352,236	13,625,581	13,533,836	11,690,674
Highways	9,829,051	9,113,368	11,938,273	8,607,547	12,887,045
Decrease in equity interest in joint venture	-	-	442,629	457,224	-
Debt proceeds paid to component unit	-	-	32,000,000	24,000,000	27,000,000
Debt issuance cost	-	-	144,875	308,200	337,500
Payments to component units	2,578,160	-	-	5,500	44,994,500
Capital Outlay	20,992,178	31,512,938	40,140,959	24,273,922	37,596,153
Debt Service:					
Principal	17,985,467	21,455,467	18,790,467	20,040,468	21,370,468
Interest	18,634,020	18,251,918	18,567,892	21,439,049	23,704,393
Other charges	539,190	427,087	559,594	868,759	1,230,283
Total expenditures	<u>214,935,461</u>	<u>236,634,837</u>	<u>289,736,459</u>	<u>274,195,565</u>	<u>350,963,730</u>
Excess of revenues over (under) expenditures	(9,235,135)	(24,006,682)	(57,169,671)	(36,674,525)	(96,270,367)
Other financing sources (uses)					
Transfers in	8,758,013	8,906,826	42,381,859	23,722,579	32,427,313
Transfers out	(9,245,787)	(11,410,264)	(43,446,859)	(23,933,579)	(34,077,313)
Refunding bonds issued	33,891,691	81,110,000	-	93,310,000	77,000,000
Bonds issued	50,000,000	13,099,424	72,000,000	70,000,000	-
Premium on bonds issued	3,388,812	7,613,126	-	8,238,711	-
Discount on bonds issued	(299,724)	(555,460)	-	(585,773)	-
Payments to refunded bond escrow agent	(35,030,150)	(88,167,090)	(21,605,024)	(100,962,938)	-
Decrease in equity interest in joint venture	-	(370,313)	-	-	-
Total other financing sources (uses)	<u>51,462,855</u>	<u>10,226,249</u>	<u>49,329,976</u>	<u>69,789,000</u>	<u>75,350,000</u>
Net change in fund balances	<u>\$ 42,227,720</u>	<u>\$ (13,780,433)</u>	<u>\$ (7,839,695)</u>	<u>\$ 33,114,475</u>	<u>\$ (20,920,367)</u>
Debt service as a percentage of noncapital expenditures	19.16%	19.57%	15.19%	16.94%	14.78%

Only five years reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Tax Years**

Tax Year Ended June 30	Real Property		Personal Property	Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
2001	\$ 3,500,743,875	\$ 2,004,715,480	\$ 535,256,469	\$ 263,632,399	\$ 6,304,348,223	\$ 2.96	\$ 21,278,284,065	\$ 29.63
2002	3,606,764,625	2,063,227,360	547,329,124	257,387,958	\$ 6,474,709,067	2.96	21,877,535,419	29.60
2003	3,723,284,900	2,096,341,920	522,595,219	229,326,698	\$ 6,571,548,737	2.96	22,292,936,096	29.48
2004	3,905,616,475	2,110,926,520	517,162,396	237,929,088	\$ 6,771,634,479	2.96	23,056,255,195	29.37
2005	4,641,294,150	2,360,192,280	532,543,347	253,178,224	\$ 7,787,208,001	2.96	26,701,125,834	29.16

Source: Tennessee State Board of Equalization.

Notes: Assessment rates are set by Tennessee State Law as follows:

- Real Property: Residential and Farm at 25% of value
- Commercial and Industrial at 40% of value
- Personal property at 30% of value
- Public Utilities at 55% of value (Railroads 40%)

In FY 2005 a county-wide reappraisal was completed.

Only five years reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

**Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

	Year Taxes Are Payable				
	2002	2003	2004	2005	2006
Knox County Direct Rates					
General	1.167	1.143	1.36	1.36	1.24
Public Library	0.134	0.135	-	-	-
Solid Waste	0.047	0.050	-	-	-
Debt Service	0.277	0.277	0.25	0.25	0.22
ADA Construction	0.012	0.012	-	-	-
Schools	1.323	1.343	1.35	1.35	1.23
Total direct rate	2.96	2.96	2.96	2.96	2.69
City of Knoxville Rates	2.70	2.70	3.05	2.81	2.81
Total direct & overlapping rates	5.66	5.66	6.01	5.77	5.50

Only five years reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

Principal Property Taxpayers
Tax Year 2005 and Four Years Ago

Taxpayer	Fiscal Year 2006			Fiscal Year 2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
BellSouth	\$ 82,818,634	1	1.06%	\$ 95,462,295	1	1.53%
West Town Mall	37,718,880	2	0.48%	38,092,720	2	0.61%
Knoxville Center/East Towne Mall	22,414,920	3	0.29%	30,231,440	3	0.48%
Norfolk Southern	16,463,021	4	0.21%	16,127,598	4	0.26%
Parkway Properties LP	13,274,480	5	0.17%	13,330,160	5	0.21%
Fort Sanders Alliance	11,581,560	6	0.15%	10,437,280	8	0.17%
Concord Telephone	10,949,386	7	0.14%	10,468,984	7	0.17%
Harvard Behringer	9,735,280	8	0.13%			
East Tennessee Baptist Hospital	7,603,480	9	0.10%			
U. Dean Hall (Walkers Crossing)	7,587,080	10	0.10%			
AT&T Communications				12,923,349	6	0.21%
River View Tower/City				9,060,120	9	0.14%
Knoxville Cellular Telephone Company				8,645,175	10	0.14%
Totals	\$ 220,146,721		2.83%	\$ 244,779,121		3.92%

Source: Knox County, Tennessee Property Assessor Department.

Only five years reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

**Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	178,460	169,060	94.7%	8,838	177,898	99.7%
2002	186,502	177,651	95.3%	7,992	185,643	99.5%
2003	190,903	181,786	95.2%	7,739	189,525	99.3%
2004	193,982	186,380	96.1%	5,746	192,126	99.0%
2005	198,950	191,042	96.0%	4,683	195,725	98.4%

Only five years reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)**

Fiscal Year	Primary Government		Component Units		Total Reporting Unit	Percentage of Personal Income (1)	Per Capita (2)
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2002	\$ 195,975	\$ 265	\$ 205,885	\$ 3,484	\$ 405,609	6.20%	\$ 1,076
2003	193,455	55	193,369	2,950	389,829	5.68%	1,026
2004	213,987	-	216,547	6,714	437,248	5.97%	1,130
2005	247,817	-	231,051	5,652	484,520	6.35%	1,236
2006	286,151	-	248,346	4,552	539,049	6.37% (2)	1,338 (2)

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 221 for personal income and population data.

(2) Estimated, schedule will be updated when the information becomes available.

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

**Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
2002	\$ 401,860	\$ 26,211	\$ 375,649	1.77%	\$ 998
2003	386,824	25,501	361,323	1.65%	950
2004	430,534	28,025	402,509	1.81%	1,039
2005	478,868	28,906	449,962	1.95%	1,147
2006	534,498	24,116	510,382	1.91%	1,267

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 214 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 221.

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2006
(amounts expressed in thousands)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County Subtotal, direct debt	\$ 539,049	100.00%	<u>\$ 539,049</u>
City of Knoxville overlapping debt	232,155	100.00%	232,155
Town of Farragut overlapping debt	-		<u>-</u>
Total direct and overlapping debt			<u><u>\$ 771,204</u></u>

KNOX COUNTY, TENNESSEE

**Demographic and Economic Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (amounts expressed in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (1)</u>	<u>School Enrollment (1)</u>	<u>Unemployment Rate (2)</u>
2002	376,584	\$ 6,543,995	\$ 30,039	36.9	98,074	4.0%
2003	380,498	6,858,503	30,901	37.6	99,998	4.3%
2004	387,471	7,320,754	32,040	38	96,563	4.1%
2005	392,382	7,634,809	33,744 (3)	37.5	92,507	4.8%
2006	402,970 (3)	8,459,864 (3)	35,769 (3)	40 (3)	92,507 (3)	4.5%

Data sources:

(1) US Census Bureau/American Community Survey Profile.

(2) Tennessee Department of Labor and Workforce Development.

(3) Estimated, schedule will be updated when the information becomes available.

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

**Principal Employers
Calendar Year 2005 and Nine Years Ago**

Employer (1)	2005			1996		
	Employees (2)	Rank	Percentage of Total County Employment (3)	Employees	Rank	Percentage of Total County Employment
U.S. Department of Energy, Oak Ridge Operations	11,802	1	3.64%	-		-
The University of Tennessee, Knoxville	7,997	2	2.47%	6,133	3	1.87%
Knox County Public Schools	7,900	3	2.44%	8,046	2	2.45%
Covenant Health	6,997	4	2.16%	-		-
Wal-Mart Stores	4,565	5	1.41%	-		-
St. Mary's Medical Center	3,411	6	1.05%	2,200	9	0.67%
University of Tennessee Medical Center	3,195	7	0.99%	4,100	4	1.25%
County of Knoxville	2,999	8	0.93%	2,200	8	0.67%
State of Tennessee, Regional Offices	2,681	9	0.83%	2,626	7	0.80%
K-VA-T Food Stores	2,490	10	0.77%	-		-
Lockheed - Martin Energy Systems	-		-	14,320	1	4.37%
Fort Sanders Alliance	-		-	3,871	5	1.18%
Levi Strauss & Company	-		-	3,482	6	1.06%
DeRoyal Industries	-		-	2,100	10	0.64%
Total	54,037		16.69%	49,078		14.96%

(1) Based on employers in the Knoxville metropolitan area which includes Anderson, Blount, Knox, Loudon, Sevier, and Union Counties.

(2) Greater Knoxville Chamber of Commerce.

(3) Tennessee Department of Labor and Workforce Development.

KNOX COUNTY, TENNESSEE

**Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years**

Function	Full-time Equivalent Employees as of June 30				
	2002	2003	2004	2005	2006
General Government	707	672	705	664	682
Public safety	858	886	815	856	885
Health & human services	236	239	234	224	290
Engineering & public works	174	174	174	172	176
Parks & recreation	59	59	55	54	56
Total	2,034	2,030	1,983	1,970	2,089

*Source: Knox County Budget.
Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

KNOX COUNTY, TENNESSEE

**Operating Indicators by Function
Last Ten Fiscal Years**

Function	2002	2003	2004	2005	2006
Sheriff (1)					
Arrests	27,026	27,278	28,386	31,218	*
Accidents	3,592	4,125	4,026	4,868	*
Incidents	15,821	15,883	16,704	15,595	*
Health services (2)					
Clinical services					
Pediatric cases	11,886	11,178	11,162	10,850	10,537
Preventive health cases	14,092	13,198	18,161	13,749	14,571
WIC services	19,352	17,151	16,936	26,533	31,156
Communicable diseases treated	17,563	16,923	17,195	17,896	18,893
New prescriptions filled	55,484	49,749	39,923	29,299	26,578
Engineering & public works (2)					
Street resurfacing (miles)	115	86	83	78	104
Road maintenance service orders processed	2,037	2,275	2,024	1,525	1,288
Litter reduction from right of way (miles)	187	300	417	361	538
Parks & recreation (2)					
Number of park shelter reservations	505	404	690	843	900
Total all participants on all teams	26,100	26,150	26,800	27,700	28,750
Total number of attendees at events	13,500	26,050	16,925	35,000	35,000

* Information not yet available.

(1) Information kept by calendar year.

(2) Information kept by fiscal year.

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	Fiscal Year				
	2002	2003	2004	2005	2006
Public safety					
Sheriff					
Detention Facility	1	1	1	1	1
Penal Farm	1	1	1	1	1
Patrol units	N/A	N/A	N/A	N/A	10
Engineering & public works					
Streets (miles)	N/A	N/A	N/A	N/A	203,252
Bridges	3	3	4	4	4
Traffic signals	46	46	47	49	49
Parks & recreation					
Parks acreage	2,437	2,584	2,915	2,874	3,026
Parks	35	40	40	43	45
Spray pools	-	-	-	2	2
Tennis courts	5	5	6	6	7

Only five years are reported as Knox County implemented GASB 34 in fiscal year 2002.