

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

*COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
June 30, 2008 and 2007*

*PREPARED BY:
FINANCE DEPARTMENT*

*KATHY L. MANIS, CPA, MBA, CGFM, CPFO, CMA
DIRECTOR OF FINANCE*

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

*COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2008 and 2007*

CONTENTS

	<u>Page Number</u>
Introductory Section	
Letter of Transmittal	i-vi
GFOA Certificate of Achievement for Excellence in Financial Reporting for the 2007 CAFR.....	vii
Organizational Chart	viii
Roster of Officials and Others	ix
Financial Section	
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis.....	3-13
Basic Financial Statements:	
Balance Sheets	14
Statements of Revenues, Expenses and Changes in Net Assets	15
Statements of Cash Flows	16
Notes to the Financial Statements	17-47
Supplementary Information	
Balance Sheet by Activity	48-49
Schedule of Revenues, Expenses, and Changes in Net Assets by Activity	50-53

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

*COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2008 and 2007*

CONTENTS (Continued)

	<u>Page Number</u>
Supplementary Information (Continued)	
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget to Actual by Activity.....	54-72
Schedule of Insurance Coverage.....	73
Statistical Section (Unaudited)	
Net Assets by Component – Last Six Fiscal Years.....	74
Changes in Net Assets – Last Six Fiscal Years	75
Properties Managed – Last Five Fiscal Years.....	76-77
Capital Projects Completed – Last Five Fiscal Years.....	78-79
Telecommunication Services – Last Five Fiscal Years	80
Number of Employees by Activity – Last Six Fiscal Years	81
Internal Control and Compliance Section	
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	82-83
Schedule of Audit Findings and Recommendations	84-85
Schedule of Prior Year Audit Findings.....	86

INTRODUCTORY SECTION



City County Building
400 Main Street Suite M-22
Knoxville Tennessee 37902
Phone: (865) 215-2121
Fax: (865) 215-2662
www.ktnpba.org

October 6, 2008

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

State law and the Comptroller of the Treasury, State of Tennessee, requires that every political subdivision of municipal corporation publish within six months of the close of each fiscal year-end a complete set of audited financial statements. This Comprehensive Annual Financial Report (CAFR) is published to fulfill these requirements for the fiscal years ended June 30, 2008 and 2007.

Internal Controls

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

The Comprehensive Annual Financial Report

The CAFR is presented in four sections: Introductory, Financial, Statistical and Internal Control and Compliance. The Introductory Section includes this Letter of Transmittal, a Roster of Officials and Others, and our Organizational Chart. The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements, Notes to Financial Statements, and Supplementary Information. The Statistical Section provides selected unaudited financial information.

Independent Audit

Bacon, Howard and Company, CPAs have issued an unqualified ("clean") opinion on PBA's financial statements for the years ended June 30, 2008 and 2007. As stated in the independent auditor's report, the audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A)

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of MD&A. The Letter of Transmittal is designed to complement MD&A and should be read in conjunction with it. PBA's MD&A can be found immediately following the Independent Auditor's Report.

Profile of The PBA

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

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

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

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

Budgeting

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

Each budget is fully costed, containing both the direct and indirect costs of providing services. An operating reserve has been funded, at an amount agreed upon with each client as appropriate, within each budget through the end of fiscal year 2008.

Local Economy

Knox County is the third most populated county in the State of Tennessee. The City of Knoxville is the County seat. Knoxville is located on the Tennessee River near the geographic center of East Tennessee. Because of its central location in the eastern United States, the Knoxville area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-half of the population of the United States. The County for many years has been known as one of the South's leading wholesale markets. Located within the County are 922 wholesale establishments, 1,689 retail establishments, and 5,098 service establishments.

Tourism also plays a vital role in the economic development of the area. Knox County is the principal Gateway to the Great Smoky Mountains National Park, located 40 miles to the southeast. There are over 500,000 acres that make up the nation's most visited National Park, extending over the States of Tennessee and North Carolina. An estimated 9.3 million people visited the National Park in 2007.

The presence of the University of Tennessee and the Tennessee Valley Authority in Knoxville lends stability to the area, making the local economy less cyclical than either the national or state economy. This contributes to a low unemployment rate, which was 3.4% in Knox County at December 31, 2007. This compares very favorably to the national unemployment rate of 4.6% and the state rate of 4.7%.

The overall economic health of the Knoxville/Knox County area remains positive. The City of Knoxville serves as the economic hub of the entire upper East Tennessee area, and its trade sector is one of the strongest in the state. Knox County has the fifth highest per capita sales tax rate in the state, at roughly 138% of the state average. In fiscal years 2007 and 2006, respectively, sales tax collections on a countywide basis were \$679,552,310 and \$721,394,063. This represents an increase of 6.1%.

Long-Term Financial Planning

The PBA's costs are covered by fees charged to the City and County and certain other related governmental organizations for management and development of public properties. Both the City and the County have long-term capital plans allocating significant resources totaling \$42,483,540 and \$98,722,052 respectively in which PBA is involved.

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

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

Projects	Total Budget	FY 2009 *	FY 2010 to FY 2013
<u>City Projects:</u>			
Central Station Transit Center	\$ 27,500,000	\$ 18,500,000	\$ 9,000,000
Downtown Cinema (includes Public Access & Retail)	12,554,702	12,554,702	-
Gridiorn Burger Build-out	300,000	300,000	-
Sunsphere Renovations	1,028,934	1,028,934	-
Ampitheater Renovations	850,000	850,000	-
City Facilities Assessment	74,000	74,000	-
Second Creek Parking Lot Security	44,343	44,343	-
City Property Re-Roofing Projects	131,561	131,561	-
Total City Projects	42,483,540	33,483,540	9,000,000
<u>County Projects:</u>			
ADA Remediation Phase I - III	1,957,547	1,957,547	-
Carter Senior Center	1,400,000	1,400,000	-
Seven Islands Park Pedestrian Bridge	1,714,132	1,714,132	-
Tommy Schumpert Park	3,712,500	3,712,500	-
Hardin Valley High School	50,000,000	50,000,000	-
Powell Middle School	16,000,000	16,000,000	-
New Harvest Park	2,046,750	2,046,750	-
Jail Expansion	14,400,000	14,400,000	-
Ten Mile Greenway	246,700	246,700	-
School Facilities Assessment	600,000	600,000	-
Health Department Renovations	270,000	270,000	-
Family Investment Center Renovations	613,500	613,500	-
Capital Asset Replacement for County Managed Properties:			
A. Johnson Building/D. Kessel Garage	1,524,503	420,000	1,104,503
Tarleton Homes	100,000	82,000	18,000
Juvenile Justice Center	485,000	120,000	365,000
Knox Central	28,000	28,000	-
Health Department	335,000	135,000	200,000
Libraries	2,223,500	991,500	1,232,000
Old Courthouse	654,500	654,500	-
Senior Centers	46,000	26,000	20,000
Fairview Technology Center	174,420	20,000	154,420
East Tennessee Historical Center	190,000	180,000	10,000
Total County Projects	98,722,052	95,618,129	3,103,923
<u>Other Projects:</u>			
Sullivan County Facilities Assessment	134,000	134,000	-
Total Other Projects	134,000	134,000	-
Total All Projects	\$ 141,339,592	\$ 129,235,669	\$ 12,103,923

*FY 2009 allocations may include immaterial amounts from prior years.

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

Major Initiatives

In early fiscal year 2008, the Downtown Cinema construction project was completed for the City and the Industrial Development Board by the PBA. The Cinema is operated through agreement by the City with the Regal Corporation. Property management responsibilities are limited to certain outside areas and retail space.

Within the World's Fair Park, in early fiscal year 2008, two (2) previously mothballed structures were placed into productive use by the City: the Amphitheater and Sunsphere. The Sunsphere was leased to private developers, with the exception of a public observation deck. The PBA retains property management responsibilities for both of these structures within the Park campus, totaling more than 31,000 square feet.

Full operations of the County's State Street Parking Lot resumed in fiscal year 2008 after plans for alternate use did not materialize.

A central administrative maintenance facility, begun by the PBA in fiscal year 2007, was completed and occupied during the first quarter of fiscal year 2008. Funding was provided under a tri-party agreement including the City, the County, and the PBA.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the PBA for its comprehensive annual financial report for the fiscal years ended June 30, 2007 and 2006. This was the fourth consecutive year that the PBA has received this prestigious award. In order to be awarded a Certificate of Achievement, an organization must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Acknowledgements

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

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

Respectfully submitted,



Dale Smith
Administrator/CEO



Kathy Manis, CPA, MBA, CGFM, CPFO, CMA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



Oliver S. Cox

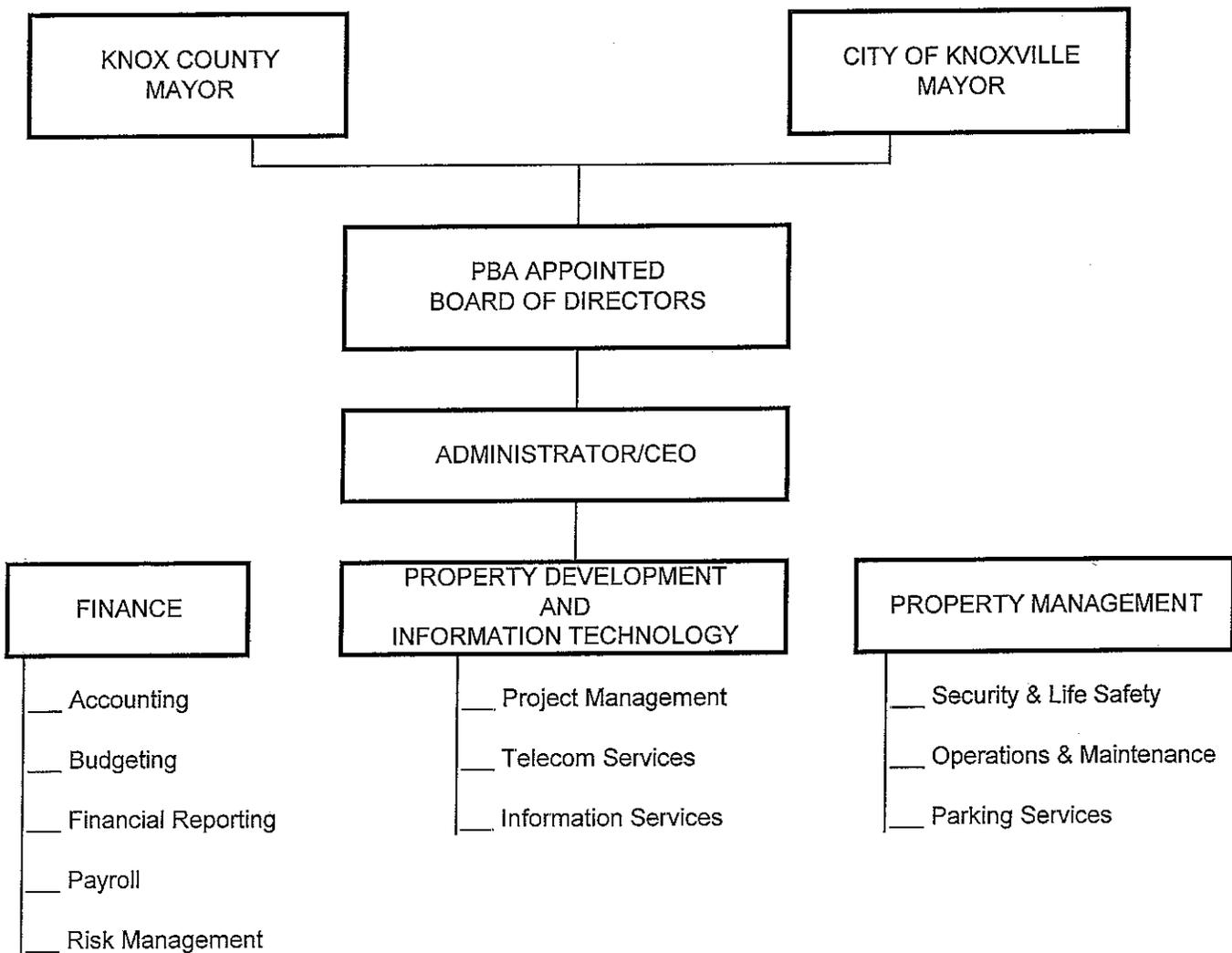
President

Jeffrey R. Emer

Executive Director

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

ORGANIZATIONAL CHART
June 30, 2008



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

ROSTER OF OFFICIALS AND OTHERS

June 30, 2008

<u>Board of Directors</u>	<u>Expiration of Term</u>
John A. Murphy, Chairperson	2009
Dr. Arlene A. Garrison, Vice Chairperson	2007 (Acting)
Dawn Michelle Foster, Secretary	2009
Suzanne T. Schriver, Treasurer	2011
Pete Claussen, Executive Committee	2011
C. Howard Capito	2009
Scott Davis	2013
Dr. Rocio Huet	2009
George T. Prosser	2011
Billy Stokes	2007 (Acting)
F. Carl Tindell	2011

Management

Dale Smith, Administrator/CEO

Kathy Manis, Director of Finance

Jayne Burritt, Director of Property Management

Jeff Galyon, Director of Property Development
and Information Technology

Independent Auditor

John Bacon, CPA
Bacon, Howard and Company, CPAs
Knoxville, Tennessee

Legal Counsel

Herbert H. Slatery III
Egerton, McAfee, Armistead & Davis, P.C.
Knoxville, Tennessee

FINANCIAL SECTION

B A C O N ♦ H O W A R D
& C O M P A N Y

Certified Public Accountants

John W. Bacon, CPA

Calvin C. Howard, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of The Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA) as of June 30, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of PBA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Public Building Authority of the County of Knox and the City of Knoxville, Tennessee as of June 30, 2008 and 2007, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2008, on our consideration of PBA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audits.

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

Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

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

Bacon Howard and Company

Knoxville, Tennessee
October 6, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the PBA's financial condition and results of operations for the years ending June 30, 2008, 2007 and 2006. This information should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The following are key financial highlights:

- Total assets at June 30, 2008, 2007 and 2006 were \$18,508,235, \$16,396,143, and \$12,631,266 and exceeded liabilities (net assets) by \$10,584,391, \$10,157,477, and \$8,026,049, respectively. Of the total net assets, \$4,457,421, \$3,944,131, and \$3,040,305 was unrestricted and was available to support short-term operations for the years ending June 30, 2008, 2007 and 2006, respectively.
- Operating revenues were \$16,218,265, \$15,423,906, and \$13,679,995 for the years ending June 30, 2008, 2007 and 2006, an increase of 5.15%, 12.8% and 6.8%, from prior years.
- During 2008 there was a decrease of \$(86,374) in net assets invested in capital assets and an increase in unrestricted net assets of \$513,290, which combined for the overall increase in net assets of \$426,914.
- Operating expenses before depreciation increased by \$367,133 and \$1,198,317 during 2008 and 2007, representing a 2.7% and 9.8% increase from 2007 and 2006.
- Operating income for 2008 was \$1,852,603, representing an increase of \$362,124 from 2007. The increase in net assets, before capital contributions and deductions, increased by \$324,947 when compared to 2007.
- The ratios of operating income to total operating revenues were 11.4% for 2008, 9.7% for 2007 and 7.3% for 2006.
- Capital asset replacement reserve contributions were \$833,000 for 2008, \$894,500 for 2007 and \$268,416 for 2006.
- Capital contributions returned were \$2,604,592 for 2008, \$615,410 for 2007 and \$1,223,216 for 2006, an increase of \$1,989,182 and a decrease of \$(607,806) when compared to 2007 and 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

SUMMARY OF ORGANIZATION AND BUSINESS

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS

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

Condensed Balance Sheets
(In Thousands of Dollars)
June 30, 2008 and 2007 and 2006

ASSETS	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 12,381	\$ 10,183	\$ 7,641
Net Capital Assets	<u>6,127</u>	<u>6,213</u>	<u>4,990</u>
TOTAL ASSETS	\$ <u>18,508</u>	\$ <u>16,396</u>	\$ <u>12,631</u>
LIABILITIES			
Current Liabilities	\$ <u>7,924</u>	\$ <u>6,239</u>	\$ <u>4,605</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,127	6,213	4,986
Unrestricted	<u>4,457</u>	<u>3,944</u>	<u>3,040</u>
Total Net Assets	<u>10,584</u>	<u>10,157</u>	<u>8,026</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>18,508</u>	\$ <u>16,396</u>	\$ <u>12,631</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Assets (In Thousands of Dollars)

For The Years Ended June 30, 2008 and 2007 and 2006

	2008	2007	2006
Operating Revenues			
Rentals – Net	\$ 3,669	\$ 3,544	\$ 3,544
Management Fees	9,713	9,342	8,152
Net Parking	2,836	2,538	1,984
Total Operating Revenues	16,218	15,424	13,680
Operating Expenses			
Salaries and Benefits	6,272	6,418	5,836
Office	144	173	157
Education and Training	11	34	18
Purchased Services and Supplies	1,031	963	937
Operating Contracts	1,895	1,626	1,471
Utilities	3,906	3,493	3,213
Communications	68	81	67
Insurance	235	189	274
Professional Fees	91	90	115
Depreciation	583	518	463
Other	129	348	129
Total Operating Expenses	14,365	13,933	12,680
Operating Income	1,853	1,491	1,000
Non-Operating Revenues (Expenses)			
Interest Income	331	363	246
Gain on Disposal of Capital Assets	-	6	-
Bank Charges	(8)	(8)	(9)
Interest Expense	-	(1)	(1)
Capital Contributions Returned	(2,605)	(616)	(1,223)
Noncash – Capital Asset Retirements	-	(5)	(9)
Total Non-Operating Revenues – Net	(2,282)	(261)	(996)
Increase in Net Assets Before Capital Contributions (Deductions)	(429)	1,230	4

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Capital Contributions (Deductions):			
Capital Contributions	<u>856</u>	<u>901</u>	<u>268</u>
Increase in Net Assets	427	2,131	272
Net Assets, Beginning of Year	<u>10,157</u>	<u>8,026</u>	<u>7,754</u>
Net Assets, End of Year	\$ <u><u>10,584</u></u>	\$ <u><u>10,157</u></u>	\$ <u><u>8,026</u></u>

OTHER SELECTED INFORMATION

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Space (in Square Feet) Under Management	1,721,345	1,654,209	1,719,435
Number of Parking Spaces Under Management	5,924	5,924	5,647
Parks – Number of Acres Under Management	23	23	23
Employees at Year-End:			
Facilities Management	40	56	48
Safety and Security	48	42	42
Property Development	8	7	7
Telecommunications	8	9	9
Administrative	<u>14</u>	<u>13</u>	<u>13</u>
Total	<u><u>118</u></u>	<u><u>127</u></u>	<u><u>119</u></u>

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Average Number of Employees	123	123	118
Per Average Employee:			
Operating Revenues	\$ 131,854	\$ 125,398	\$ 115,932
Operating Expenses	\$ 116,789	\$ 113,280	\$ 107,458
Ratio of Operating Revenues to:			
Operating Expenses	113%	111%	108%
Operating Expenses – Net of Depreciation	118%	115%	112%
Total Assets	88%	94%	108%
Net Assets	153%	152%	170%

GENERAL TRENDS AND SIGNIFICANT EVENTS FOR FY 2008

In early fiscal year 2008, the Downtown Cinema construction project was completed for the City and the Industrial Development Board by the PBA. The Cinema is operated through agreement by the City with the Regal Corporation. Property management responsibilities are limited to certain outside areas and retail space.

Within the World’s Fair Park, in early fiscal year 2008, two (2) previously mothballed structures were placed into productive use by the City: the Amphitheater and the Sunshpere. The Sunsphere was leased to private developers, with the exception of a public observation deck. The PBA retains property management responsibilities for both of these structures within the Park campus, totaling more than 31,000 square feet.

Full operations of the County’s State Street Parking Lot resumed in fiscal year 2008 after plans for alternate use did not materialize.

A Central administrative maintenance facility, begun by the PBA in fiscal year 2007, was completed and occupied during the first quarter of fiscal year 2008. Funding was provided under a tri-party agreement including the City, the County, and the PBA.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS FOR FY 2007

During fiscal year 2007 construction was completed for the County on two new branch libraries and a senior center. This transition from the role of property developer to that of property manager added more than 30,000 square feet to those managed by the PBA for the County.

Downtown parking spaces totaling 277 were added to those managed for the City when a fifth garage was assigned to the PBA. These 277 spaces brought the total spaces managed for the City to 3,827 and 5,074 for the City and County combined.

Property development consulting services were provided to certain nearby governmental entities during fiscal year 2007. These consulting services consisted of an educational facilities assessment study.

Under a tri-party funding agreement with the City, the County, and the PBA, construction of a central administrative maintenance facility was begun by the PBA in fiscal year 2007. The facility, owned by the PBA, was completed and occupied during the first quarter of fiscal year 2008.

FINANCIAL CONDITION

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

Net assets increased by \$426,914, \$2,131,428, and \$271,711 for the years ending June 30, 2008, 2007 and 2006, respectively.

RESULTS OF OPERATIONS

Capital Contributions (Deductions)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Contributions (Deductions) - Continued

Operating and capital asset replacement reserve contributions were \$855,554 and \$901,103 for 2008 and 2007, respectively. The contributions consist of the following:

June 30, 2008	Capital Reserves
County:	
City County Building	\$ <u>463,393</u>
City:	
City County Building	199,735
City Parks	<u>185,000</u>
Total City	<u>384,735</u>
Others	<u>7,426</u>
Total	\$ <u><u>855,554</u></u>
June 30, 2007	Capital Reserves
County:	
City County Building	\$ <u>450,376</u>
City:	
City County Building	194,124
Central Administrative Maintenance Facility	<u>250,000</u>
Total City	<u>444,124</u>
Others	<u>6,603</u>
Total	\$ <u><u>901,103</u></u>

Reserves returned to the City and County during 2008 totaled \$2,579,761 and represented a refund of operating results above the calculated desired reserve. Additionally, operating reserves of \$14,826 were refunded to the Emergency Communications District and \$10,006 to the Industrial Development Board, also representing operating reserves above the calculated needed reserve.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Operating Expenses

Operating expenses increased by \$432,335 and \$1,253,428, or 3.1% and 9.9% in 2008 and 2007, respectively. This was a result of major increases (decreases) such as:

	2008	2007
Salaries and Benefits	\$ (146,174)	\$ 581,995
Purchased Services and Supplies	68,462	25,628
Operating Contracts	269,051	155,183
Utilities	412,504	280,204
Other – Net	(171,608)	210,418
Total	\$ 432,335	\$ 1,253,428

Depreciation expense was \$582,954 and \$517,852 in 2008 and 2007, respectively.

Capital Assets

During 2008, 2007 and 2006, PBA increased its producing capital assets by \$950,171, \$960,919, and \$579,460, respectively. This increase consists of the following:

	2008	2007	2006
Site Improvements	\$ 37,776	\$ 61,911	\$ 6,670
Building Improvements	725,834	613,829	188,916
Machinery and Equipment	252,806	327,182	302,457
Data Processing Equipment and Software	(66,245)	(69,271)	64,852
Vehicles	-	27,268	16,565
Total	\$ 950,171	\$ 960,919	\$ 579,460

The PBA's capital asset activity for 2008 and 2007 is described in Note 6 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINAL COMMENTS

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

CONTACTING THE PBA

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

Kathy Manis, CPA, MBA, CGFM, CPFO, CMA
PBA Director of Finance
Andrew Johnson Building, Suite 710
912 South Gay Street
Knoxville, TN 37902
865-215-4630

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

*BALANCE SHEETS
June 30, 2008 and 2007*

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and Cash Equivalents	\$ 8,364,494	\$ 5,731,305
Receivables:		
Accounts	30,459	19,158
Due from City and County	3,895,122	4,314,942
Due from Other Governmental Agencies	626	3,326
Inventory	6,418	3,645
Prepaid Items	<u>84,146</u>	<u>110,421</u>
 Total Current Assets	 <u>12,381,265</u>	 <u>10,182,797</u>
 Capital Assets		
Property and Equipment	8,924,989	7,873,802
Less: Accumulated Depreciation	(2,839,113)	(2,322,403)
Construction in Process	<u>41,094</u>	<u>661,947</u>
 Net Capital Assets	 <u>6,126,970</u>	 <u>6,213,346</u>
 TOTAL ASSETS	 <u><u>\$ 18,508,235</u></u>	 <u><u>\$ 16,396,143</u></u>

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

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 4,755,020	\$ 5,001,062
Due to City and County	2,579,760	674,681
Due to Other Governmental Agencies	24,832	29,251
Current Portion of Capital Lease Obligations	-	-
Unearned Revenues	54,795	8,580
Customer Deposits	12,149	24,577
Compensated Absences Payable	497,288	500,515
	<u>7,923,844</u>	<u>6,238,666</u>
Total Current Liabilities		
	<u>7,923,844</u>	<u>6,238,666</u>
Net Assets		
Invested in Capital Assets	6,126,970	6,213,346
Unrestricted	4,457,421	3,944,131
	<u>10,584,391</u>	<u>10,157,477</u>
Total Net Assets		
	<u>10,584,391</u>	<u>10,157,477</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 18,508,235</u></u>	<u><u>\$ 16,396,143</u></u>

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

*STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS*

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Rental Income from City and County	\$ 3,454,701	\$ 3,382,478
Management Fees from City and County	9,536,951	9,169,175
Management Fees from Other Governmental Agencies	176,338	172,652
Other Rental Income - Net	214,103	161,821
Net Parking Revenues	<u>2,836,172</u>	<u>2,537,780</u>
Total Operating Revenues	<u>16,218,265</u>	<u>15,423,906</u>
Operating Expenses		
Salaries and Benefits	6,272,267	6,418,441
Office	143,731	172,569
Education and Training	11,121	34,042
Purchased Services and Supplies	1,030,931	962,469
Operating Contracts	1,895,038	1,625,987
Utilities	3,905,696	3,493,192
Communications	68,443	81,076
Insurance	235,118	189,388
Professional Fees	90,815	90,494
Depreciation	582,954	517,852
Maintenance Facility	51,173	-
Other	<u>78,375</u>	<u>347,917</u>
Total Operating Expenses	<u>14,365,662</u>	<u>13,933,427</u>
Operating Income	<u>1,852,603</u>	<u>1,490,479</u>

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

	<u>2008</u>	<u>2007</u>
Non-Operating Revenues (Expenses)		
Interest Income	\$ 331,019	\$ 362,831
Gain on Disposal of Capital Assets	-	6,018
Bank Charges	(7,669)	(8,156)
Interest Expense	-	(166)
Capital Returned to City and County	(2,579,761)	(586,159)
Capital Returned to Other Governmental Agencies	(24,832)	(29,251)
Noncash: Capital Asset Retirement	<u>-</u>	<u>(5,271)</u>
 Total Non-Operating Revenues (Expenses) - Net	 <u>(2,281,243)</u>	 <u>(260,154)</u>
 Increase (Decrease) in Net Assets Before Capital Contributions	 <u>(428,640)</u>	 <u>1,230,325</u>
Capital Contributions		
Cash:		
Capital Contributions from the City and County	848,128	894,500
Capital Contributions from Other Governmental Agencies	<u>7,426</u>	<u>6,603</u>
 Total Capital Contributions	 <u>855,554</u>	 <u>901,103</u>
 Increase (Decrease) in Net Assets	 426,914	 2,131,428
 Net Assets, Beginning of Year	 <u>10,157,477</u>	 <u>8,026,049</u>
 Net Assets, End of Year	 <u>\$ 10,584,391</u>	 <u>\$ 10,157,477</u>

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

*STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007*

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Receipts from City and County	\$ 13,589,008	\$ 10,734,722
Receipts from Other Governmental Agencies	179,038	177,514
Receipts from Other Customers	3,026,545	2,724,880
Payments to Employees	(6,275,493)	(6,368,838)
Payments to Suppliers	<u>(7,864,302)</u>	<u>(5,224,863)</u>
Net Cash Provided by Operating Activities	<u>2,654,796</u>	<u>2,043,415</u>
Cash Flows from Capital and Related Financing Activities		
Capital Contributed by City and County	848,128	894,500
Capital Contributed by Other Governmental Agencies	7,426	6,603
Capital Returned to City and County	(674,680)	(1,125,771)
Capital Returned to Other Governmental Agencies	(29,252)	(5,335)
Capital Asset Additions	(496,579)	(1,746,215)
Proceeds from Sale of Capital Assets	-	6,018
Principal Paid on Capital Leases	-	(4,506)
Interest Paid on Capital Leases	<u>-</u>	<u>(166)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(344,957)</u>	<u>(1,974,872)</u>
Cash Flows from Investing Activities		
Interest Received on Deposits	331,019	362,831
Bank Charges	<u>(7,669)</u>	<u>(8,156)</u>
Net Cash Provided by Investing Activities	<u>323,350</u>	<u>354,675</u>
Net Increase in Cash and Cash Equivalents	2,633,189	423,218
Cash and Cash Equivalents, Beginning of Year	<u>5,731,305</u>	<u>5,308,087</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,364,494</u>	<u>\$ 5,731,305</u>

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

	<u>2008</u>	<u>2007</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income	\$ 1,852,603	\$ 1,490,479
Adjustments to Reconcile Operating Income to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	582,954	517,853
Changes in:		
Accounts Receivable	(11,301)	11,101
Due from City and County	419,821	(2,138,650)
Due from Other Governmental Agencies	2,700	4,861
Prepaid Items	26,277	4,972
Other Current Assets	(2,773)	(849)
Accounts Payable and Accrued Liabilities	(246,045)	2,088,896
Customer Deposits	(12,429)	14,178
Compensated Absences Payable	(3,225)	49,603
Other Current Liabilities	46,214	971
	<u>\$ 2,654,796</u>	<u>\$ 2,043,415</u>
Net Cash Provided by Operating Activities		
Noncash Investing, Capital and Financing		
Activities		
Capital (Deductions) - Capital Asset Retirement	<u>\$ -</u>	<u>\$ (5,271)</u>

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

*NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008 and 2007*

NOTE 1: ORGANIZATION

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting and Presentation (Continued)

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

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

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Budgeting

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

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

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

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

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

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Reimbursable Projects

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

D. Cash and Cash Equivalents

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

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

E. Receivables and Revenues

Operating revenues consist of net rentals, management fees and net parking revenues.

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

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

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Receivables and Revenues (Continued)

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

F. Inventories and Prepaid Items

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

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

G. Capital Assets

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

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

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets (Continued)

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

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

The City County Building (CCB), Andrew Johnson Building, and Dwight Kessel Metropolitan Parking Garage (AJ/DKMPG) are not recorded on PBA's balance sheet. These facilities were previously "sold" to the City and County under a direct financing capital lease. According to Financial Accounting Standards Board (FASB) Statement No. 13, this type of transactions is an "in-substance" sale by the PBA to the City and County. Currently, title to the CCB remains with the PBA; however, since the City and County can exercise an option for the transfer of ownership, the agreements constitute a capitalized lease transaction according to FASB Statement No. 13.

H. Compensated Absences Payable

Accumulated annual leave eligible to be paid to employees at termination or retirement is recorded as an expense and liability as the benefits are earned by the employee. Because it is due and payable upon use or separation from the PBA by the employee, all accumulated annual leave amounts are considered as due and payable and are presented as a current liability. Sick leave is forfeited upon employee termination or retirement.

I. Capital Asset Replacement Reserve Contributions

The City and County provide capital asset replacement reserve contributions and are recognized in the statement of revenues, expenses, and changes in net assets when earned.

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Assets

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

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

K. Reclassifications

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

L. Estimates

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 3: RENTAL AGREEMENTS WITH THE COUNTY AND CITY

A. Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage
(AJ/DKMPG)

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 3: RENTAL AGREEMENTS WITH THE COUNTY AND CITY (Continued)

B. City County Building (CCB)

The PBA constructed and leases the public building complex, the land and the related equipment thereon to the County and City under a 25 year capital and operating lease which expired on June 30, 2001, and is now being extended on an annual basis. According to the original operating agreement between the PBA and the County and City, dated July 1, 1975, Article VIII, in the event of termination of the lease and after all expenses and obligations of the PBA have been met, the City and County shall direct the PBA to whom and in what manner, title to the City County Building is to be transferred and may direct disposition of any excess funds remaining. Rentals committed under the lease agreement are equal to the related aggregate of (a) amounts necessary, together with other available funds of PBA, to pay the annual estimated expenses for the operation and maintenance of the project as budgeted by the PBA, (b) amounts equal to the unpaid telephone service, (c) amounts necessary, together with other available funds of the PBA, to pay the annual estimated administrative expenses of the project as budgeted by the PBA, and (d) amounts sufficient to pay taxes or assessments levied or made against the PBA as they become due. The 2008 and 2007 rents are apportioned 69.88% to the County and 30.12% to the City.

NOTE 4: OPERATING CONTRACTS

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

A. County Property Development and Operations

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 4: OPERATING CONTRACTS (Continued)

A. County Property Development and Operations (Continued)

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

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

B. City Operating Contracts

City Parking Facilities

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

Downtown Cinema

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 4: OPERATING CONTRACTS (Continued)

B. City Operating Contracts (Continued)

Knoxville Police Department

The PBA and the City entered into an operating contract on July 19, 2005 to provide access control management for the Knoxville Police Department (KPD). Under the agreement, the PBA will purchase, install, manage, and maintain an access control system for the KPD; the City shall reimburse the PBA for all costs and expenses. The contract expires on June 30, 2010 and may be terminated earlier upon 180 days notice by either party.

Locust Street Parking Garage

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

Volunteer Landing Public Park

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

World's Fair Park

The PBA has a contract with the City to manage and maintain the World's Fair Park. Under the terms of the contract the PBA will provide general and scheduling services, property management and road maintenance. The City will reimburse the PBA for all costs and expenses incurred related to this project. This contract expires on June 30, 2009, however, by mutual agreement, the contract may be extended for one additional term of one year. This contract can be terminated upon 30 days written notice by either party.

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 4: OPERATING CONTRACTS (Continued)

C. City Development Contracts

The PBA entered into a contract with the City on April 30, 2004, for the development, design, and construction of a Downtown Intermodal Transit Facility within the City's Central Business Improvement District. The City will provide funding to reimburse the PBA for all direct and indirect costs related to this project. The PBA is required to submit a proposed budget to the City before the start of each major phase. This contract can be terminated upon 60 days written notice by either party.

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

D. City/County Emergency Communications District (District)

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

E. Fairview Technology Center

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 4: OPERATING CONTRACTS (Continued)

F. City/County Telecommunications

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

G. Knox County Board of Education Telecommunications

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

NOTE 5: DEPOSITS AND INVESTMENTS

A. Credit Risk - Deposits

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

B. Custodial Credit Risk - Deposits

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

C. Cash and Cash Equivalents

In lieu of a daily sweep overnight repurchase account, the PBA utilizes a special money rate checking account for public funds. All funds, less a required reserve of 10%, automatically earn interest at the rate of Federal Funds plus 47 basis points. The effective rate of interest on all collected funds is the rate of Federal Funds plus 27 basis points, which was 2.35% and 5.72% at year-end 2008 and 2007. All funds are available on demand.

The PBA's cash and cash equivalents at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Petty Cash	\$ 650	\$ 650
Postage	467	1,144
Demand Deposits	<u>8,363,377</u>	<u>5,729,511</u>
Total	\$ <u>8,364,494</u>	\$ <u>5,731,305</u>

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

D. Credit Risk – Investments

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

E. Custodial Credit Risk – Investments

The PBA's investment policy requires that debt securities be registered in the PBA's name. All safekeeping receipts for investment instruments are held in accounts in the PBA's name and all securities are registered in the PBA's name.

F. Concentration of Credit Risk – Investments

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

G. Interest Rate Risk - Investments

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

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

H. Investment Income

Investment income, which consists of interest income, was \$331,019 and \$362,831 for 2008 and 2007, respectively. Bank charges are shown separately and were \$7,669 and \$8,156 for 2008 and 2007, respectively.

NOTE 6: CAPITAL ASSETS

Capital asset activity during 2008 was as follows:

	<u>Balances July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balances June 30, 2008</u>
Capital Assets, Not Being Depreciated:					
Land	\$ -	\$ 101,016	\$ -	\$ -	\$ 101,016
Construction in Progress	661,947	41,094	-	(661,947)	41,094
Subtotal	661,947	142,110	-	(661,947)	142,110
Capital Assets Being Depreciated:					
Site Improvements	102,216	37,776	-	-	139,992
Buildings & Improvements	5,730,426	63,887	-	661,947	6,456,260
Machinery & Equipment	1,626,299	252,806	-	-	1,879,105
Data Processing Equipment & Software	248,375	-	(66,245)	-	182,130
Vehicles	166,486	-	-	-	166,486
Subtotal	7,873,802	354,469	(66,245)	661,947	8,823,973
Less: Accumulated Depreciation:					
Site Improvements	(9,552)	(8,360)	-	-	(17,912)
Building Improvements	(1,425,723)	(293,236)	-	-	(1,718,959)
Machinery & Equipment	(642,185)	(228,349)	-	-	(870,534)
Data Processing Equipment & Software	(168,034)	(25,632)	66,245	-	(127,421)
Vehicles	(76,909)	(27,378)	-	-	(104,287)
Subtotal	(2,322,403)	(582,955)	66,245	-	(2,839,113)
Total Capital Assets Being Depreciated – Net	5,551,399	(228,486)	-	661,947	5,984,860
Total Capital Assets - Net	\$ 6,213,346	\$ (86,376)	\$ -	\$ -	\$ 6,126,970

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 6: CAPITAL ASSETS (Continued)

Capital asset activity during 2007 was as follows:

	<u>Balances July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balances June 30, 2007</u>
Capital Assets, Not Being Depreciated:					
Construction in Progress	\$ 6,657	\$ 661,947	\$ -	\$ (6,657)	661,947
Capital Assets Being Depreciated:					
Site Improvements	40,305	61,911	-	-	102,216
Building Improvements	5,116,597	613,829	-	-	5,730,426
Machinery & Equipment	1,299,117	355,182	(28,000)	-	1,626,299
Data Processing Equipment & Software	317,646	24,736	(94,007)	-	248,375
Vehicles	139,218	35,268	(8,000)	-	166,486
Subtotal	<u>6,912,883</u>	<u>1,090,926</u>	<u>(130,007)</u>	<u>-</u>	<u>7,873,802</u>
Less: Accumulated Depreciation:					
Site Improvements	(4,224)	(5,328)	-	-	(9,552)
Building Improvements	(1,154,182)	(271,541)	-	-	(1,425,723)
Machinery & Equipment	(481,042)	(189,143)	28,000	-	(642,185)
Data Processing Equipment & Software	(235,356)	(24,627)	91,949	-	(168,034)
Vehicles	(54,486)	(27,214)	4,791	-	(76,909)
Subtotal	<u>(1,929,290)</u>	<u>(517,853)</u>	<u>124,740</u>	<u>-</u>	<u>(2,322,403)</u>
Total Capital Assets Being Depreciated – Net	<u>4,983,593</u>	<u>573,073</u>	<u>(5,267)</u>	<u>-</u>	<u>5,551,399</u>
Total Capital Assets - Net	<u>\$ 4,990,250</u>	<u>\$ 1,235,020</u>	<u>\$ (5,267)</u>	<u>\$ (6,657)</u>	<u>\$ 6,213,346</u>

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 6: CAPITAL ASSETS (Continued)

Depreciation expense was charged as follows:

	<u>2008</u>	<u>2007</u>
Andrew Johnson Building/Dwight		
Kessel Metropolitan Parking Garage	\$ 78,895	\$ 81,597
City County Building	247,090	233,057
City Parking Facilities	31,445	20,274
City Parks	41,320	36,407
E-911	200	25
Downtown Cinema	-	-
Fairview Technology Center	1,128	1,125
Family Investment Center	-	-
Health Department	2,323	2,116
John Tarleton Home	2,021	1,488
Juvenile Justice Center	1,877	988
Knox Central	899	656
Libraries	11,837	9,894
Old Court House	35,592	34,551
Other	16,389	13,284
Property Development	4,508	4,496
Senior Centers	1,707	849
Telecom	<u>105,724</u>	<u>77,046</u>
 Total	 \$ <u>582,955</u>	 \$ <u>517,853</u>

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 7: CONSTRUCTION IN PROGRESS

At year-end 2008 and 2007, construction in progress consisted of the following:

<u>Facility/Project</u>	<u>2008</u>		<u>2007</u>	
	<u>Actual To-Date</u>	<u>Remaining Commitments</u>	<u>Actual To-Date</u>	<u>Remaining Commitments</u>
City/County Building:				
Carpet – Phase I	\$ 24,091	\$ 442,909	\$ -	\$ -
City Parking Facilities:				
ADA Signage – State Street Garage	3,735	31,265	-	-
ADA Sidewalk – State Street Garage	5,276	79,724	-	-
Volunteer Landing:				
Landscaping/Irrigation	7,992	17,008	-	-
Telecommunications:				
NEC Upgrade (KFP Admin/ EMS & Summit Hill)	-	-	172,980	-
Other:				
Facility Maintenance Building	-	-	488,967	171,033
Total	<u>\$ 41,094</u>	<u>\$ 570,906</u>	<u>\$ 661,947</u>	<u>\$ 171,033</u>

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 8: COMPENSATED ABSENCES PAYABLE

Compensated absences activity during 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
Balance, Beginning of Year	\$ 500,515	\$ 450,910
Earned	238,985	294,369
Used	<u>(242,211)</u>	<u>(244,764)</u>
Balance, End of Year	\$ <u>497,289</u>	\$ <u>500,515</u>
Considered Due Within One Year	\$ <u>497,289</u>	\$ <u>500,515</u>

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 9: NET ASSETS

Net assets represent the difference between assets and liabilities. The net assets at June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Invested in Capital Assets:		
Net Capital Assets	\$ 6,126,970	\$ 6,213,346
Unrestricted:		
Designated for Operating Reserve	1,160,924	1,405,826
Designated for Capital Asset Replacement	<u>3,296,497</u>	<u>2,538,305</u>
	<u>4,457,421</u>	<u>3,944,131</u>
 Total	 <u>\$ 10,584,391</u>	 <u>\$ 10,157,477</u>

Since the PBA is a joint venture between the City and the County, the net assets represent the equity ownership of the City, County and others. The joint venture equity in the PBA at June 30, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
City	\$ 4,671,052	\$ 4,302,647
County	5,866,537	5,820,125
Others:		
Development Corp. of Knox County	21,033	19,254
Emergency Communications District	<u>25,769</u>	<u>15,451</u>
 Total	 <u>\$ 10,584,391</u>	 <u>\$ 10,157,477</u>

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 10: OPERATING REVENUES

Operating revenues earned during 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Rental Income from City and County	\$ 3,454,701	\$ 3,382,478
Other Rental Income:		
Gross Revenues	214,103	164,596
Less: Bad Debts	-	(2,775)
Other Rental Income – Net	<u>214,103</u>	<u>161,821</u>
Management Fees from the City and County	9,536,951	9,169,175
Management Fees from Other Governmental Agencies	176,338	172,652
Parking Revenues:		
Gross Revenues	3,253,308	2,927,222
Less: Commissions to Vendor	(417,136)	(389,442)
Net Parking Revenues	<u>2,836,172</u>	<u>2,537,780</u>
Total	<u>\$ 16,218,265</u>	<u>\$ 15,423,906</u>

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 11: CAPITAL CONTRIBUTIONS AND DEDUCTIONS

During 2008, capital contributions and deductions were as follows:

	<u>City</u>	<u>County</u>	<u>Others</u>	<u>Total</u>
Capital Contributions				
Capital Asset Replacement Reserves	\$ 380,178	\$ 452,822	\$ -	\$ 833,000
Operating Reserves	4,557	10,571	7,426	22,554
Capital Deductions				
Capital Contributions Returned	<u>(1,564,326)</u>	<u>(1,015,434)</u>	<u>(24,832)</u>	<u>(2,604,592)</u>
Total - Net	<u>\$ (1,179,591)</u>	<u>\$ (552,041)</u>	<u>\$ (17,406)</u>	<u>\$ (1,749,038)</u>

During 2007, capital contributions and deductions were as follows:

	<u>City</u>	<u>County</u>	<u>Others</u>	<u>Total</u>
Capital Contributions				
Capital Asset Replacement Reserves	\$ 444,124	\$ 450,376	\$ -	\$ 894,500
Operating Reserves	-	-	6,603	6,603
Capital Deductions				
Capital Contributions Returned	<u>(586,159)</u>	<u>-</u>	<u>(29,251)</u>	<u>(615,410)</u>
Total - Net	<u>\$ (142,035)</u>	<u>\$ 450,376</u>	<u>\$ (22,648)</u>	<u>\$ 285,693</u>

During 2008, the PBA returned to the City, the County, the Emergency Communications District (the District), and the Industrial Development Board (IDB) operating funds in excess of those agreed upon to be held in separate operating reserves; \$1,564,326 was returned to the City, \$1,015,434 was returned to the County, \$14,826 was returned to the District, and \$10,006 to the IDB. These funds represented the results of operations.

During 2007, the PBA returned to the City, the Emergency Communications District, and The Development Corporation of Knox County operating funds in excess of those agreed upon to be held in separate operating reserves; \$586,159 was returned to the City, \$27,565 was returned to the Emergency Communications District, and \$1,686 was returned to The Development Corporation of Knox County. These funds represented the results of operations.

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 12: RISK MANAGEMENT

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

NOTE 13: RELATED PARTY TRANSACTIONS AND ECONOMIC CONCENTRATION

PBA's two joint venture "owners," Knox County and the City of Knoxville, had the following activity during 2008 and 2007:

<u>June 30, 2008</u>	<u>City</u>	<u>County</u>	<u>Total</u>
Due From, End of Year	\$ 987,775	\$ 2,907,347	\$ 3,895,122
Due To, End of Year	1,564,326	1,015,434	2,579,760
Rental Income	1,040,555	2,414,146	3,454,701
Management Fees	2,273,737	7,263,214	9,536,951
Net Parking	2,052,138	784,034	2,836,172
<u>June 30, 2007</u>	<u>City</u>	<u>County</u>	<u>Total</u>
Due From, End of Year	\$ 608,651	\$ 3,706,291	\$ 4,314,942
Due To, End of Year	674,681	-	674,681
Rental Income	1,018,802	2,363,676	3,382,478
Management Fees	2,271,809	6,897,366	9,169,175
Net Parking	1,869,248	668,532	2,537,780

During 2008 and 2007, approximately 34% and 34% of operating revenues, respectively, were from the City. During 2008 and 2007, approximately 66% and 66% of operating revenues, respectively, were from the County.

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 14: RETIREMENT PLANS

A. Overview

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

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

1. The *County Defined-Benefit Retirement (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 noncontributing participants and continue to be covered by 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 PBA employees prior to October 1, 1991. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

2. The *County Defined Contribution Retirement (DC) Plan* is a defined contribution plan (an asset accumulation plan) established by Knox County under Sections 401(a)(9) and 457 of the Internal Revenue Code. The Plan covers substantially all full-time employees of PBA, who are regularly scheduled to work 18.5 hours or more per week. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Participation begins on the first day of employment and all eligible employees not participating in the *County DB* retirement plan are required to participate.

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 14: RETIREMENT PLANS (Continued)

- A. Overview (Continued)
3. The *County Defined Contribution (DC) Medical Retirement Plan*, a voluntary defined contribution plan (an asset accumulation plan), was established by the County on July 1, 1998, under Section 401(a)(9) of the Internal Revenue Code. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Voluntary participation begins upon enrollment; eligible employees may begin participation on the first day of employment. The Plan was specifically created to assist employees in planning and investing for anticipated medical expenses upon retirement.

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

The financial statements of the County's pension plans are reported within Knox County's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008. The CAFR may be obtained by writing or contacting the Knox County Finance Department at:

Knox County Finance Department
400 Main Avenue
City County Building, Suite 630
Knoxville, Tennessee 37902
865-215-2350
www.knoxcounty.org

B. County Defined Benefit (DB) Retirement Plan

Certain employees of the PBA are participants in the Knox County Defined Benefit Plan, a cost-sharing multiple employer plan.

The County DB Plan was closed to the PBA employees hired after September 30, 1991.

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 14: RETIREMENT PLANS (Continued)

B. County Defined Benefit (DB) Retirement Plan (Continued)

The County DB Plan requires all participants to make pre-tax contributions of five percent of annual compensation. PBA will make employer contributions as actuarially determined by the Knox County Retirement Board. Separate actuarial information for PBA employees is not available. For detailed actuarial information on the County DB Plan, you should review this data as disclosed in Knox County's CAFR for the year ended June 30, 2008.

Participants are always 100% vested in their contributions. Participants who have five years of credited service (960 annual hours) upon termination shall be entitled to elect to leave their contributions in the Plan and receive retirement benefits at age 65. In addition, an employee may elect to receive all of their mandatory contributions as a lump-sum distribution upon termination. Normal retirement age is age 65 with completion of five years of credited service (960 hours of annual work). Early retirement is age 55, with a reduced benefit, and five years of credit service.

Normal retirement benefits are based upon the participant's five highest consecutive years of compensation, multiplied by 1.75% and years of credited service.

Early retirement plan benefits are reduced by 5/12 of one percent for each full month from the normal retirement date. The Plan provides for retiree cost of living increase (COLA). Normal and early retirement benefits are increased annually equal to three percent of the initial benefit.

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 14: RETIREMENT PLANS (Continued)

B. County Defined Benefit (DB) Retirement Plan (Continued)

Three-year trend information

Fiscal Year	Required Annual Contribution (ARC)	Contributions Made	Percentage of ARC Contribution
2008	\$ -	\$ -	N/A
2007	-	-	N/A
2006	-	-	N/A

Due to the Plan's excess prior years' funding, PBA did not make any employer contributions during 2008, 2007 or 2006.

C. County Defined Contribution (DC) Retirement Plan

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

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

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 14: RETIREMENT PLANS (Continued)

C. County Defined Contribution (DC) Retirement Plan (Continued)

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

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

During 2008 and 2007, PBA employees made mandatory and voluntary contributions of \$348,013 and \$320,479, respectively. During 2008 and 2007, PBA made matching employer contributions of \$323,129 and \$289,827, respectively.

D. County Defined Contribution (DC) Medical Retirement Plan

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

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

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 14: RETIREMENT PLANS (Continued)

D. County Defined Contribution (DC) Medical Retirement Plan (Continued)

The maximum and minimum participant annual contributions for 2008 and 2007 are \$416 and \$208, respectively. The County DC Plan will make matching contributions of 25% of the participant's. In addition, participants and retirees may qualify for the following additional benefits:

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

<u>Calendar Year</u>	<u>Amount</u>
2008	\$ 120
2007	120
2006	120

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

During 2008 and 2007, PBA employees made voluntary contributions of \$11,928 and \$12,290, respectively.

NOTE 15: DEFERRED COMPENSATION PLAN

The PBA offers its employees, through the Knox County Retirement Board, a supplemental deferred compensation plan created in accordance with Internal Revenue Code, Section 457 (the 457 Plan). The 457 Plan, available to all PBA employees, permits them to defer a portion of their salary until retirement. Employees can make voluntary pre-tax contributions; however, the PBA does not make any matching employer contributions. Employees are always 100% vested in their voluntary contributions. Employee contributions were \$870 during 2008 and \$1,820 during 2007.

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007*

NOTE 16: SUBSEQUENT EVENTS

Beginning with fiscal year 2009, the County is managing all utility costs and payments for all its properties, eliminating these costs from the PBA's property management budgets.

Also, beginning with fiscal year 2009, the County will self-manage custodial and grounds services at certain properties, eliminating these activities and costs from the PBA's property management budgets. The properties involved are Knox Central, the Libraries, Senior Centers, and the Health Department.

Prior to fiscal year 2009, the County directly funded the PBA's Telecommunications budget for the Board of Education. Effective with the 2009 fiscal year, the Board of Education will fund the PBA's Telecommunications budget directly.

**SUPPLEMENTARY
INFORMATION**

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

BALANCE SHEET BY ACTIVITY
June 30, 2008

	Property Management - City Properties				
	Parking Facilities	Police Department	Parks	Downtown Cinema	Total City Properties
Assets:					
Current Assets					
Cash and Cash Equivalents	\$ 2,154,195	\$ 1,177	\$ 1,179,241	\$ 33,241	\$ 3,367,854
Receivables:					
Accounts	12,604	-	14,769	-	27,373
Due from County	-	-	-	-	-
Due from City	-	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-	-
Due from Other Departments	-	-	-	-	-
Inventory	-	-	-	-	-
Prepaid Items	318	24	1,999	7	2,348
Total Current Assets	<u>2,167,117</u>	<u>1,201</u>	<u>1,196,009</u>	<u>33,248</u>	<u>3,397,575</u>
Capital Assets					
Building Improvements	291,181	-	-	-	291,181
Site Improvements	-	-	120,881	-	120,881
Data Processing Equipment and Software	3,300	-	3,456	-	6,756
Machinery and Equipment	224,866	-	149,921	-	374,787
Vehicles	250	-	104,422	-	104,672
Total Capital Assets	519,597	-	378,680	-	898,277
Less: Accumulated Depreciation	(83,678)	-	(163,139)	-	(246,817)
Construction in Process	9,011	-	7,992	-	17,003
Net Capital Assets	<u>444,930</u>	<u>-</u>	<u>223,533</u>	<u>-</u>	<u>668,463</u>
Total Assets	<u>\$ 2,612,047</u>	<u>\$ 1,201</u>	<u>\$ 1,419,542</u>	<u>\$ 33,248</u>	<u>\$ 4,066,038</u>
Liabilities:					
Current Liabilities					
Accounts Payable and Accrued Liabilities	\$ 99,900	\$ 517	\$ 192,590	\$ 762	\$ 293,769
Due to City	-	-	-	-	-
Due to County	-	-	-	-	-
Due to Other Governmental Agencies	-	-	-	10,006	10,006
Due to (from) Other Departments	1,333,596	(28)	155,134	22,144	1,510,846
Current Portion Capital Lease Obligations	-	-	-	-	-
Deferred Revenues	41,603	-	-	-	41,603
Customer Deposits	3,536	-	8,613	-	12,149
Compensated Absences Payable	23,656	712	84,083	336	108,787
Total Current Liabilities	<u>1,502,291</u>	<u>1,201</u>	<u>440,420</u>	<u>33,248</u>	<u>1,977,160</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	444,930	-	223,533	-	668,463
Unrestricted:					
Designated for Operating Reserve	-	-	-	-	-
Designated for Capital Asset Replacement Reserve	664,826	-	755,589	-	1,420,415
Total Net Assets	<u>1,109,756</u>	<u>-</u>	<u>979,122</u>	<u>-</u>	<u>2,088,878</u>
Total Liabilities and Net Assets	<u>\$ 2,612,047</u>	<u>\$ 1,201</u>	<u>\$ 1,419,542</u>	<u>\$ 33,248</u>	<u>\$ 4,066,038</u>

Property Management - County Properties

Andrew Johnson Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	John Tarleton Homes	Juvenile Justice Center	Knox Central	Library System	Old Court House	Senior Centers	State Street Parking Lot	Total County Properties
\$ 223,259	\$ 57,438	\$ 138,352	\$53,452	\$162,184	\$ 50,510	\$201,060	\$ 112,733	\$144,705	\$ (597)	\$ 1,143,096
2,192	-	-	-	-	-	-	-	-	39	2,231
10,535	-	36,559	-	2,791	7,551	-	-	388	-	57,824
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
693	78	1,079	153	503	604	1,457	333	99	10	5,009
236,679	57,516	175,990	53,605	165,478	58,665	202,517	113,066	145,192	(548)	1,208,160
1,115,865	-	-	26,327	11,591	18,593	40,107	692,443	-	-	1,904,926
-	-	-	-	-	-	8,917	-	5,107	-	14,024
20,520	-	-	-	-	-	-	-	-	-	20,520
155,948	-	5,028	-	9,861	1,628	30,569	19,793	7,650	-	230,477
1,501	-	8,000	3,500	4,000	250	19,800	1,250	500	-	38,801
1,293,834	-	13,028	29,827	25,452	20,471	99,393	713,486	13,257	-	2,208,748
(667,927)	-	(7,595)	(4,952)	(3,763)	(1,869)	(34,888)	(212,322)	(2,556)	-	(935,872)
-	-	-	-	-	-	-	-	-	-	-
625,907	-	5,433	24,875	21,689	18,602	64,505	501,164	10,701	-	1,272,876
\$ 862,586	\$ 57,516	\$ 181,423	\$78,480	\$187,167	\$ 77,267	\$267,022	\$ 614,230	\$155,893	\$ (548)	\$ 2,481,036
\$ 63,763	\$ 7,133	\$ 100,757	\$ 4,249	\$ 64,514	\$ 34,949	\$ 71,076	\$ 29,266	\$ 9,774	\$ 1,357	\$ 386,838
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
128,102	50,383	54,158	43,946	90,554	12,388	76,677	65,368	131,333	(2,531)	650,378
-	-	-	-	-	-	-	-	-	-	-
10,492	-	-	-	-	-	-	-	-	-	10,492
-	-	-	-	-	-	-	-	-	-	-
34,322	-	21,075	5,410	10,410	11,328	54,764	18,432	4,085	626	160,452
236,679	57,516	175,990	53,605	165,478	58,665	202,517	113,066	145,192	(548)	1,208,160
625,907	-	5,433	24,875	21,689	18,602	64,505	501,164	10,701	-	1,272,876
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
625,907	-	5,433	24,875	21,689	18,602	64,505	501,164	10,701	-	1,272,876
\$ 862,586	\$ 57,516	\$ 181,423	\$78,480	\$187,167	\$ 77,267	\$267,022	\$ 614,230	\$155,893	\$ (548)	\$ 2,481,036

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

BALANCE SHEET BY ACTIVITY (Continued)
June 30, 2008

	Property Management - Other							Total
	City County Building	Emergency Communi- cations District	Fairview Technology Center	Total Property Management	Property Development	Telecom Services	Corporate	
Assets:								
Current Assets								
Cash and Cash Equivalents	\$ 2,440,154	\$ 51,822	\$ 19,869	\$ 7,022,795	\$ 204,670	\$ 305,311	\$ 831,718	\$ 8,364,494
Receivables:								
Accounts	818	-	-	30,422	-	-	37	30,459
Due from County	-	-	-	57,824	-	18,367	2,831,156	2,907,347
Due from City	-	-	-	-	300	1,063	986,412	987,775
Due from Other Governmental Agencies	-	-	-	-	-	-	626	626
Due from Other Departments	-	-	-	-	-	-	2,488,877	2,488,877
Inventory	-	-	-	-	-	6,418	-	6,418
Prepaid Items	2,824	50	38	10,269	1,506	1,233	71,138	84,146
Total Current Assets	<u>2,443,796</u>	<u>51,872</u>	<u>19,907</u>	<u>7,121,310</u>	<u>206,476</u>	<u>332,392</u>	<u>7,209,964</u>	<u>14,870,142</u>
Capital Assets								
Land	-	-	-	-	-	-	101,016	101,016
Buildings	-	-	-	-	-	-	528,264	528,264
Building Improvements	3,716,912	6,000	-	5,919,019	8,977	-	-	5,927,996
Site Improvements	5,086	-	-	139,991	-	-	-	139,991
Data Processing Equipment and Software	62,982	-	-	90,258	20,698	18,751	52,424	182,131
Machinery and Equipment	675,848	-	11,250	1,292,362	-	586,743	-	1,879,105
Vehicles	2,350	250	-	146,073	-	20,413	-	166,486
Total Capital Assets	4,463,178	6,250	11,250	7,587,703	29,675	625,907	681,704	8,924,989
Less: Accumulated Depreciation	(1,346,553)	(225)	(3,933)	(2,533,400)	(11,247)	(260,719)	(33,747)	(2,839,113)
Construction in Process	24,091	-	-	41,094	-	-	-	41,094
Net Capital Assets	<u>3,140,716</u>	<u>6,025</u>	<u>7,317</u>	<u>5,095,397</u>	<u>18,428</u>	<u>365,188</u>	<u>647,957</u>	<u>6,126,970</u>
Total Assets	<u>\$ 5,584,512</u>	<u>\$ 57,897</u>	<u>\$ 27,224</u>	<u>\$ 12,216,707</u>	<u>\$ 224,904</u>	<u>\$ 697,580</u>	<u>\$ 7,857,921</u>	<u>\$ 20,997,112</u>
Liabilities:								
Current Liabilities								
Accounts Payable and Accrued Liabilities	\$ 94,227	\$ 13,614	\$ 3,791	\$ 792,239	\$ 38,798	\$ 31,425	\$ 3,892,558	\$ 4,755,020
Due to City	-	-	-	-	-	-	1,564,326	1,564,326
Due to County	-	-	-	-	-	-	1,015,434	1,015,434
Due to Other Governmental Agencies	-	14,826	-	24,832	-	-	-	24,832
Due to (from) Other Departments	61,629	1,495	572	2,224,920	15,860	248,097	-	2,488,877
Current Portion of Capital Lease Obligations	-	-	-	-	-	-	-	-
Deferred Revenues	2,700	-	-	54,795	-	-	-	54,795
Customer Deposits	-	-	-	12,149	-	-	-	12,149
Compensated Absences Payable	123,030	2,193	1,827	396,289	52,022	48,977	-	497,288
Total Current Liabilities	<u>281,586</u>	<u>32,128</u>	<u>6,190</u>	<u>3,505,224</u>	<u>106,680</u>	<u>328,499</u>	<u>6,472,318</u>	<u>10,412,721</u>
Net Assets								
Invested in Capital Assets, Net of Related Debt	3,140,716	6,025	7,317	5,095,397	18,428	365,188	647,958	6,126,971
Unrestricted:								
Designated for Operating Reserve	286,128	19,744	13,717	319,589	99,796	3,893	737,645	1,160,923
Designated for Capital Asset Replacement Reserve	1,876,082	-	-	3,296,497	-	-	-	3,296,497
Total Net Assets	<u>5,302,926</u>	<u>25,769</u>	<u>21,034</u>	<u>8,711,483</u>	<u>118,224</u>	<u>369,081</u>	<u>1,385,603</u>	<u>10,584,391</u>
Total Liabilities and Net Assets	<u>\$ 5,584,512</u>	<u>\$ 57,897</u>	<u>\$ 27,224</u>	<u>\$ 12,216,707</u>	<u>\$ 224,904</u>	<u>\$ 697,580</u>	<u>\$ 7,857,921</u>	<u>\$ 20,997,112</u>

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

*SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS BY ACTIVITY
For the Year Ended June 30, 2008*

Property Management - City Properties					
	Parking Facilities	Police Department	Parks	Downtown Cinema	Total City Properties
Operating Revenues:					
Rental Income from City and County	\$ 40,941	\$ -	\$ 66,205		\$ 107,146
Management Fees from City and County	-	13,524	1,862,975	53,353	1,929,852
Management Fees from Other Governmental Agencies	-	-	-	24,618	24,618
Rental and Event Revenues	-	-	-	-	-
Net Parking Revenues (Expenses)	<u>1,987,257</u>	<u>-</u>	<u>20,266</u>	<u>-</u>	<u>2,007,523</u>
Total Operating Revenues	<u>2,028,198</u>	<u>13,524</u>	<u>1,949,446</u>	<u>77,971</u>	<u>4,069,139</u>
Operating Expenses:					
Direct					
<u>Property Management</u>					
Management	31,445	-	41,320	-	72,765
Safety and Services	230,226	12,868	567,604	988	811,686
Operations and Maintenance	345,935	-	1,137,072	46,015	1,529,022
Custodial	-	-	-	-	-
Grounds	-	-	-	-	-
<u>Other Management Services</u>					
Property Development	-	-	-	-	-
Telecom Services	-	-	-	-	-
Total Direct Operating Expenses	<u>607,606</u>	<u>12,868</u>	<u>1,745,996</u>	<u>47,003</u>	<u>2,413,473</u>
Indirect					
Corporate Administration	14,319	333	45,037	702	60,391
Finance	23,796	554	74,842	1,165	100,357
MIS	5,121	119	16,122	253	21,615
Total Indirect Operating Expenses	<u>43,236</u>	<u>1,006</u>	<u>136,001</u>	<u>2,120</u>	<u>182,363</u>
Total Operating Expenses	<u>650,842</u>	<u>13,874</u>	<u>1,881,997</u>	<u>49,123</u>	<u>2,595,836</u>
Operating Income (Loss)	<u>1,377,356</u>	<u>(350)</u>	<u>67,449</u>	<u>28,848</u>	<u>1,473,303</u>
Non-Operating Revenues (Expenses)					
Interest Income	66,323	129	46,298	2,881	115,631
Gain on Disposal of Capital Assets	-	-	-	-	-
Bank Charges	(3,865)	(1)	(722)	(64)	(4,652)
Interest Expense	-	-	-	-	-
Capital Returned to City, County and Other Governmental Agencies	<u>(1,325,827)</u>	<u>222</u>	<u>(134,951)</u>	<u>(31,665)</u>	<u>(1,492,221)</u>
Total Non-Operating Revenues (Expenses) - Net	<u>(1,263,369)</u>	<u>350</u>	<u>(89,375)</u>	<u>(28,848)</u>	<u>(1,381,242)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>113,987</u>	<u>-</u>	<u>(21,926)</u>	<u>-</u>	<u>92,061</u>

Property Management - County Properties

Andrew Johnson										
Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	John Tarleton Homes	Juvenile Justice Center	Knox Central	Library System	Old Court House	Senior Centers	State Street Parking Lot	Total County Properties
\$ 106,457	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,957
283,427	169,620	1,027,146	150,997	739,054	489,529	2,172,268	519,734	320,258	-	5,872,033
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
666,463	-	-	-	-	-	-	-	-	14,060	680,523
<u>1,056,347</u>	<u>170,120</u>	<u>1,027,146</u>	<u>150,997</u>	<u>739,054</u>	<u>489,529</u>	<u>2,172,268</u>	<u>519,734</u>	<u>320,258</u>	<u>14,060</u>	<u>6,659,513</u>
78,895	-	2,323	2,021	1,877	899	11,837	35,592	1,707	-	135,151
187,352	-	53,978	10,852	70,770	34,440	351,979	47,399	6,349	1,082	764,201
689,465	121,447	865,850	91,279	533,284	409,966	1,626,435	374,834	173,028	14,080	4,899,668
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>955,712</u>	<u>121,447</u>	<u>922,151</u>	<u>104,152</u>	<u>605,931</u>	<u>445,305</u>	<u>1,990,251</u>	<u>457,825</u>	<u>181,084</u>	<u>15,162</u>	<u>5,799,020</u>
22,982	-	22,920	3,029	15,871	10,964	48,329	12,600	5,908	351	142,954
38,197	-	38,093	5,035	26,376	18,222	80,323	20,939	9,819	582	237,586
8,213	-	8,192	1,081	5,681	3,918	17,272	4,508	2,110	127	51,102
<u>69,392</u>	<u>-</u>	<u>69,205</u>	<u>9,145</u>	<u>47,928</u>	<u>33,104</u>	<u>145,924</u>	<u>38,047</u>	<u>17,837</u>	<u>1,060</u>	<u>431,642</u>
<u>1,025,104</u>	<u>121,447</u>	<u>991,356</u>	<u>113,297</u>	<u>653,859</u>	<u>478,409</u>	<u>2,136,175</u>	<u>495,872</u>	<u>198,921</u>	<u>16,222</u>	<u>6,230,662</u>
<u>31,243</u>	<u>48,673</u>	<u>35,790</u>	<u>37,700</u>	<u>85,195</u>	<u>11,120</u>	<u>36,093</u>	<u>23,862</u>	<u>121,337</u>	<u>(2,162)</u>	<u>428,851</u>
9,134	1,688	10,338	2,770	8,032	4,938	20,233	7,339	6,000	-	70,472
-	-	-	-	-	-	-	-	-	-	-
(691)	(58)	(72)	(20)	(58)	(34)	(140)	(50)	(43)	(477)	(1,643)
-	-	-	-	-	-	-	-	-	-	-
<u>(118,580)</u>	<u>(50,303)</u>	<u>(48,379)</u>	<u>(42,471)</u>	<u>(85,184)</u>	<u>(8,299)</u>	<u>(59,098)</u>	<u>(60,100)</u>	<u>(129,001)</u>	<u>2,639</u>	<u>(598,776)</u>
<u>(110,137)</u>	<u>(48,673)</u>	<u>(38,113)</u>	<u>(39,721)</u>	<u>(77,210)</u>	<u>(3,395)</u>	<u>(39,005)</u>	<u>(52,811)</u>	<u>(123,044)</u>	<u>2,162</u>	<u>(529,947)</u>
<u>(78,894)</u>	<u>-</u>	<u>(2,323)</u>	<u>(2,021)</u>	<u>7,985</u>	<u>7,725</u>	<u>(2,912)</u>	<u>(28,949)</u>	<u>(1,707)</u>	<u>-</u>	<u>(101,096)</u>

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

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS BY ACTIVITY (Continued)
For the Year Ended June 30, 2008

	Property Management - Other							Total
	City County Building	Emergency Communic. District	Fairview Technology Center	Total Property Management	Property Development	Telecom Services	Corporate	
Operating Revenues:								
Rental Income from City and County	\$ 3,454,701	\$ -	\$ -	\$ 3,668,804	\$ -	\$ -	\$ -	\$ 3,668,804
Management Fees from City and County	-	-	-	7,801,885	892,206	842,860	-	9,536,951
Management Fees from Other Governmental Agencies	-	89,037	57,021	170,676	5,662	-	-	176,338
Rental and Event Revenues	-	-	-	-	-	-	-	-
Net Parking Revenues	148,126	-	-	2,836,172	-	-	-	2,836,172
Total Operating Revenues	<u>3,602,827</u>	<u>89,037</u>	<u>57,021</u>	<u>14,477,537</u>	<u>897,868</u>	<u>842,860</u>	<u>-</u>	<u>16,218,265</u>
Operating Expenses:								
Direct								
<u>Property Management</u>								
Management	247,090	200	1,128	456,334	-	-	5,881	462,215
Safety and Services	744,045	8,922	9,156	2,338,010	-	-	-	2,338,010
Operations and Maintenance	2,645,166	55,525	45,054	9,174,435	-	-	-	9,174,435
Custodial	-	-	-	-	-	-	-	-
Grounds	-	-	-	-	-	-	-	-
<u>Other Management Services</u>								
Property Development	-	-	-	-	618,284	-	-	618,284
Telecom Services	-	-	-	-	-	513,942	-	513,942
Total Direct Operating Expenses	<u>3,636,301</u>	<u>64,647</u>	<u>55,338</u>	<u>11,968,779</u>	<u>618,284</u>	<u>513,942</u>	<u>5,881</u>	<u>13,106,886</u>
Indirect								
Corporate Administration	82,143	1,934	1,282	288,704	64,207	60,488	-	413,399
Finance	136,522	3,216	2,130	479,811	106,699	100,530	4,779	691,819
MIS	29,361	688	458	103,224	22,985	21,620	5,729	153,558
Total Indirect Operating Expenses	<u>248,026</u>	<u>5,838</u>	<u>3,870</u>	<u>871,739</u>	<u>193,891</u>	<u>182,638</u>	<u>10,508</u>	<u>1,258,776</u>
Total Operating Expenses	<u>3,884,327</u>	<u>70,485</u>	<u>59,208</u>	<u>12,840,518</u>	<u>812,175</u>	<u>696,580</u>	<u>16,389</u>	<u>14,365,662</u>
Operating Income (Loss)	<u>(281,500)</u>	<u>18,552</u>	<u>(2,187)</u>	<u>1,637,019</u>	<u>85,693</u>	<u>146,280</u>	<u>(16,389)</u>	<u>1,852,603</u>
Non-Operating Revenues (Expenses)								
Interest Income	116,052	2,089	993	305,237	9,662	16,120	-	331,019
Gain on Disposal of Capital Assets	-	-	-	-	-	-	-	-
Bank Charges	(1,170)	(15)	(7)	(7,487)	(68)	(114)	-	(7,669)
Interest Expense	-	-	-	-	-	-	-	-
Capital Returned to City, County and Other Governmental Agencies	-	(14,826)	73	(2,105,750)	-	(268,010)	(230,833)	(2,604,593)
Total Non-Operating Revenues (Expenses) - Net	<u>114,882</u>	<u>(12,752)</u>	<u>1,059</u>	<u>(1,808,000)</u>	<u>9,594</u>	<u>(252,004)</u>	<u>(230,833)</u>	<u>(2,281,243)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>(166,618)</u>	<u>5,800</u>	<u>(1,128)</u>	<u>(170,981)</u>	<u>95,287</u>	<u>(105,724)</u>	<u>(247,222)</u>	<u>(428,640)</u>

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

*SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS BY ACTIVITY(Continued)
For the Year Ended June 30, 2008*

	Property Management - City Properties				
	Parking Facilities	Police Department	Parks	Downtown Cinema	Total City Properties
Capital Contributions					
Cash:					
Operating Reserves from Other Governmental Agencies	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Asset Replacement Reserves from City and County	-	-	185,000	-	185,000
Total Capital Contributions	-	-	185,000	-	185,000
Increase (Decrease) in Net Assets	113,987	-	163,074	-	277,061
Net Assets (Deficit), Beginning of Year	995,769	-	816,048	-	1,811,817
Net Assets, End of Year	<u>\$ 1,109,756</u>	<u>\$ -</u>	<u>\$ 979,122</u>	<u>\$ -</u>	<u>\$ 2,088,878</u>

Property Management - County Properties

Andrew Johnson										
Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	John Tarleton Homes	Juvenile Justice Center	Knox Central	Library System	Old Court House	Senior Centers	State Street Parking Lot	Total County Properties
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(78,894)	-	(2,323)	(2,021)	7,985	7,725	(2,912)	(28,949)	(1,707)	-	(101,096)
<u>704,801</u>	<u>-</u>	<u>7,756</u>	<u>26,896</u>	<u>13,704</u>	<u>10,877</u>	<u>67,417</u>	<u>530,113</u>	<u>12,408</u>	<u>-</u>	<u>1,373,972</u>
<u>\$ 625,907</u>	<u>\$ -</u>	<u>\$ 5,433</u>	<u>\$ 24,875</u>	<u>\$ 21,689</u>	<u>\$ 18,602</u>	<u>\$ 64,505</u>	<u>\$ 501,164</u>	<u>\$ 10,701</u>	<u>\$ -</u>	<u>\$ 1,272,876</u>

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

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS BY ACTIVITY (Continued)
For the Year Ended June 30, 2008

	Property Management - Other				Property Development	Telecom Services	Corporate	Total
	City County Building	Emergency Communi- cations District	Fairview Technology Center	Total Property Management				
Capital Contributions (Deductions)								
Cash:								
Operating Reserves from City and County and Other Governmental Agencies	\$ 15,128	\$ 4,518	\$ 2,908	\$ 22,554	\$ -	\$ -	\$ -	\$ 22,554
Capital Asset Replacement Reserves from City and County	<u>648,000</u>	<u>-</u>	<u>-</u>	<u>833,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>833,000</u>
Total Capital Contributions	<u>663,128</u>	<u>4,518</u>	<u>2,908</u>	<u>855,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>855,554</u>
Increase (Decrease) in Net Assets	496,510	10,318	1,780	684,573	95,287	(105,724)	(247,222)	426,914
Net Assets, Beginning of Year	<u>4,806,416</u>	<u>15,451</u>	<u>19,254</u>	<u>8,026,910</u>	<u>22,937</u>	<u>474,805</u>	<u>1,632,825</u>	<u>10,157,477</u>
Net Assets, End of Year	<u>\$ 5,302,926</u>	<u>\$ 25,769</u>	<u>\$ 21,034</u>	<u>\$ 8,711,483</u>	<u>\$ 118,224</u>	<u>\$ 369,081</u>	<u>\$ 1,385,603</u>	<u>\$ 10,584,391</u>

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

*SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY
For the Year Ended June 30, 2008*

	City Parking Facilities		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Net Parking Revenue	\$ 1,823,864	\$ 1,987,257	\$ 163,393
Tenant Rental Income	42,000	40,941	(1,059)
Total Operating Revenues	<u>1,865,864</u>	<u>2,028,198</u>	<u>162,334</u>
Operating Expenses			
Direct:			
Salaries and Wages	161,625	146,057	15,568
Employee Benefits	50,750	36,505	14,245
Office Expenses	4,460	6,320	(1,860)
Education and Training	464	69	395
Operating Expenses	54,380	55,469	(1,089)
Operating Contracts	187,938	175,717	12,221
Utilities	116,280	118,073	(1,793)
Communications	1,400	12,705	(11,305)
Insurance	6,515	6,578	(63)
Professional Services	3,000	4,585	(1,585)
Maintenance Facility	7,324	3,956	3,368
Capital Purchases	13,100	10,127	2,973
Depreciation Expense	-	31,445	(31,445)
Total Direct Operating Expenses	<u>607,236</u>	<u>607,606</u>	<u>(370)</u>
Indirect:			
Total Indirect Operating Expenses	<u>47,356</u>	<u>43,236</u>	<u>4,120</u>
Total Operating Expenses	<u>654,592</u>	<u>650,842</u>	<u>3,750</u>
Operating Income	<u>1,211,272</u>	<u>1,377,356</u>	<u>166,084</u>
Non-Operating Revenues (Expenses)			
Interest Income	31,660	66,323	34,663
Bank Charges	(4,500)	(3,865)	635
Interest Expense	-	-	-
Capital Asset Replacement Reserve Expenditure	(150,000)	-	150,000
Transfer of Operating Reserves to City	-	(1,325,827)	(1,325,827)
Net Non-Operating Revenues (Expenses)	<u>(122,840)</u>	<u>(1,263,369)</u>	<u>(1,140,529)</u>
Increase (Decrease) in Net Assets before Capital Contributions	<u>1,088,432</u>	<u>113,987</u>	<u>(974,445)</u>
Capital Contributions			
Capital Contributed from City	-	-	-
Increase (Decrease) in Net Assets	<u>\$ 1,088,432</u>	113,987	<u>\$ (974,445)</u>
Net Assets, Beginning of Year		<u>995,769</u>	
Net Assets, End of Year		<u>\$ 1,109,756</u>	

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

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

For the Year Ended June 30, 2008

	The Knoxville Police Department		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City	\$ 13,524	\$ 13,524	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	8,154	9,245	(1,091)
Employee Benefits	2,560	2,983	(423)
Office Expenses	396	28	368
Education and Training	-	2	(2)
Operating Expenses	390	3	387
Operating Contracts	-	-	-
Utilities	-	-	-
Communications	70	39	31
Insurance	32	31	1
Professional Services	-	30	(30)
Depreciation Expense	938	507	431
Total Direct Operating Expenses	<u>12,540</u>	<u>12,868</u>	<u>(328)</u>
Indirect:			
Total Indirect Operating Expenses	<u>1,099</u>	<u>1,006</u>	<u>93</u>
Total Operating Expenses	<u>13,639</u>	<u>13,874</u>	<u>(235)</u>
Operating Income	<u>(115)</u>	<u>(350)</u>	<u>(235)</u>
Non-Operating Revenues (Expenses)			
Interest Income	130	129	(1)
Bank Charges	(15)	(1)	14
Interest Expense	-	-	-
Transfer of Operating Reserves from City	-	222	-
Net Non-Operating Revenues (Expenses)	<u>115</u>	<u>350</u>	<u>13</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>-</u>	<u>(222)</u>
Capital Contributions			
Capital Contributed from City	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>-</u>	<u>\$ (222)</u>
Net Assets, Beginning of Year		<u>-</u>	
Net Assets, End of Year		<u>\$ -</u>	

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

*SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2008*

	City Parks		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from City	\$ 1,862,975	\$ 1,862,975	\$ -
Net Parking Revenues	19,000	20,266	1,266
Rental Income	109,000	66,205	(42,795)
Total Operating Revenues	<u>1,990,975</u>	<u>1,949,446</u>	<u>(41,529)</u>
Operating Expenses			
Direct:			
Salaries and Wages	742,548	711,278	31,270
Employee Benefits	233,160	238,769	(5,609)
Office Expenses	13,064	11,234	1,830
Education and Training	11,282	536	10,746
Operating Expenses	239,112	299,892	(60,780)
Operating Contracts	157,601	124,107	33,494
Utilities	414,976	279,003	135,973
Communications	11,615	8,505	3,110
Insurance	8,591	9,665	(1,074)
Professional Services	5,500	4,459	1,041
Maintenance Facility	23,963	12,931	
Capital Purchases	41,200	4,297	36,903
Depreciation Expense	-	41,320	(41,320)
Total Direct Operating Expenses	<u>1,902,612</u>	<u>1,745,996</u>	<u>156,616</u>
Indirect:			
Total Indirect Operating Expenses	<u>148,388</u>	<u>136,001</u>	<u>12,387</u>
Total Operating Expenses	<u>2,051,000</u>	<u>1,881,997</u>	<u>169,003</u>
Operating Income (Loss)	<u>(60,025)</u>	<u>67,449</u>	<u>127,474</u>
Non-Operating Revenue (Expenses)			
Interest Income	6,100	46,298	40,198
Bank Charges	(975)	(722)	253
Interest Expense	-	-	-
Capital Asset Replacement Reserve Expenditures	(189,220)	-	189,220
Transfer of Operating Reserves to City	-	(134,951)	(134,951)
Net Non-Operating Revenues (Expenses)	<u>(184,095)</u>	<u>(89,375)</u>	<u>94,720</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>(244,120)</u>	<u>(21,926)</u>	<u>222,194</u>
Capital Contributions			
Capital Asset Replacement Reserve	<u>185,000</u>	<u>185,000</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>\$ (59,120)</u>	<u>163,074</u>	<u>\$ 222,194</u>
Net Assets, Beginning of Year		<u>816,048</u>	
Net Assets, End of Year		<u>\$ 979,122</u>	

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

*SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2008*

	Downtown Cinema		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Rental and Event Revenues	\$ -	\$ -	\$ -
Management Fees from City	53,353	53,353	-
Management Fees from Other Governmental Agencies	24,618	24,618	-
Total Operating Revenues	<u>77,971</u>	<u>77,971</u>	<u>-</u>
Operating Expenses			
Direct:			
Salaries and Wages	8,587	2,949	5,638
Employee Benefits	2,696	1,220	1,476
Office Expenses	-	50	(50)
Education and Training	67	15	52
Operating Expenses	13,500	5,229	8,271
Operating Contracts	25,300	30,134	(4,834)
Utilities	20,000	3,431	16,569
Communications	105	664	(559)
Insurance	225	218	7
Professional Services	-	2	(2)
Maintenance Facility	5,726	3,091	2,635
Capital Purchases	-	-	-
Depreciation Expense	-	-	-
Total Direct Operating Expenses	<u>76,206</u>	<u>47,003</u>	<u>29,203</u>
Indirect:			
Total Indirect Operating Expenses	<u>2,205</u>	<u>2,120</u>	<u>85</u>
Total Operating Expenses	<u>78,411</u>	<u>49,123</u>	<u>29,288</u>
Operating Income	<u>(440)</u>	<u>28,848</u>	<u>29,288</u>
Non-Operating Revenues (Expenses)			
Interest Income	450	2,881	2,431
Gain on Disposal of Capital Asset	-	-	-
Bank Charges	(10)	(64)	(54)
Interest Expense	-	-	-
Transfer of Operating Reserves to City	-	(31,665)	(31,665)
Net Non-Operating Revenues (Expenses)	<u>440</u>	<u>(28,848)</u>	<u>(29,288)</u>
Increase (Decrease) in Net Assets Before			
Capital Contributions	-	-	-
Capital Contributions			
Capital Contributed from City	-	-	-
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Net Assets, Beginning of Year		-	
Net Assets, End of Year		<u>\$ -</u>	

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

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY
For the Year Ended June 30, 2008

	Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental Income	\$ 96,000	\$ 106,457	\$ 10,457
Mangement Fees from County	283,427	283,427	-
Net Parking Revenues	<u>663,960</u>	<u>666,463</u>	<u>2,503</u>
Total Operating Revenues	<u>1,043,387</u>	<u>1,056,347</u>	<u>12,960</u>
Operating Expenses			
Direct: Andrew Johnson Building			
Salaries and Wages	228,835	196,423	32,412
Employee Benefits	70,311	64,678	5,633
Office Expenses	3,437	2,618	819
Education and Training	4,319	159	4,160
Operating Expenses	42,492	36,253	6,239
Operating Contracts	163,053	161,481	1,572
Utilities	274,050	240,198	33,852
Communicaitons	1,992	3,688	(1,696)
Insurance	3,817	3,910	(93)
Professional Services	500	10,097	(9,597)
Maintenance Facility	4,544	2,451	2,093
Capital Purchases	8,860	2,420	6,440
Depreciation Expense	-	78,895	(78,895)
Total Direct - Andrew Johnson Building	<u>806,210</u>	<u>803,271</u>	<u>2,939</u>
Direct: Dwight Kessel Metropolitan Parking Garage			
Salaries and Wages	55,449	60,537	(5,088)
Employee Benefits	17,164	15,437	1,727
Office Expenses	1,375	2,215	(840)
Education and Training	1,306	97	1,209
Operating Expenses	17,297	2,318	14,979
Operating Contracts	16,560	13,768	2,792
Utilities	53,500	55,154	(1,654)
Communicaitons	406	487	(81)
Insurance	1,198	1,298	(100)
Professional Services	200	142	58
Maintenance Facility	1,833	988	845
Capital Purchases	280	-	280
Total Direct - DKMPG	<u>166,568</u>	<u>152,441</u>	<u>14,127</u>
Indirect:			
Total Indirect Operating Expenses	<u>76,419</u>	<u>69,392</u>	<u>7,027</u>
Total Operating Expenses	<u>1,049,197</u>	<u>1,025,104</u>	<u>24,093</u>
Operating Income (Loss)	<u>(5,810)</u>	<u>31,243</u>	<u>37,053</u>
Non-Operating Revenues (Expenses)			
Interest Income	6,690	9,134	2,444
Bank Charges	(880)	(691)	189
Interest Expense	-	-	-
Transfer of Operating Reserves to County	-	(118,580)	(118,580)
Net Non-Operating Revenues (Expenses)	<u>5,810</u>	<u>(110,137)</u>	<u>(115,947)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>(78,894)</u>	<u>(78,894)</u>
Capital Contributions			
Capital Contributed from County	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(78,894)</u>	<u>\$ (78,894)</u>
Net Assets, Beginning of Year		<u>704,801</u>	
Net Assets, End of Year		<u>\$ 625,907</u>	

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

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

For the Year Ended June 30, 2008

	Family Investment Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 169,620	\$ 169,620	\$ -
Rental Income	-	500	500
Total Operating Revenues	<u>169,620</u>	<u>170,120</u>	<u>500</u>
Operating Expenses			
Direct:			
Salaries and Wages	30,000	32,475	(2,475)
Employee Benefits	9,420	10,830	(1,410)
Office Expenses	1,500	372	1,128
Education and Training	-	-	-
Operating Expenses	28,000	9,029	18,971
Operating Contracts	51,000	30,124	20,876
Utilities	50,000	38,031	11,969
Communications	550	-	550
Insurance	965	586	379
Professional Services	-	-	-
Depreciation Expense	-	-	-
Total Direct Operating Expenses	<u>171,435</u>	<u>121,447</u>	<u>49,988</u>
Indirect:			
Total Indirect Operating Expenses	-	-	-
Total Operating Expenses	<u>171,435</u>	<u>121,447</u>	<u>49,988</u>
Operating Income	<u>(1,815)</u>	<u>48,673</u>	<u>50,488</u>
Non-Operating Revenues (Expenses)			
Interest Income	1,850	1,688	(162)
Bank Charges	(35)	(58)	(23)
Interest Expense	-	-	-
Transfer of Operating Reserves to County	-	(50,303)	(50,303)
Net Non-Operating Revenues (Expenses)	<u>1,815</u>	<u>(48,673)</u>	<u>(50,488)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>1,815</u>	-	-
Capital Contributions			
Capital Contributions from County	-	-	-
Increase (Decrease) in Net Assets	<u>\$ 1,815</u>	-	<u>\$ -</u>
Net Assets, Beginning of Year		-	
Net Assets, End of Year		<u>\$ -</u>	

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

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

For the Year Ended June 30, 2008

	Health Department		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from the County	\$ 1,027,146	\$ 1,027,146	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	300,867	208,179	92,688
Employee Benefits	89,795	70,066	19,729
Office Expenses	5,025	3,814	1,211
Education and Training	7,466	239	7,227
Operating Expenses	104,345	93,903	10,442
Operating Contracts	123,480	167,131	(43,651)
Utilities	309,850	363,708	(53,858)
Communications	2,307	3,732	(1,425)
Insurance	7,954	5,655	2,299
Professional Services	1,000	315	685
Maintenance Facility	5,717	3,086	2,631
Capital Purchases	2,940	-	2,940
Depreciation Expense	-	2,323	(2,323)
Total Direct Operating Expenses	<u>960,746</u>	<u>922,151</u>	<u>38,595</u>
Indirect:			
Total Indirect Operating Expenses	<u>76,140</u>	<u>69,205</u>	<u>6,935</u>
Total Operating Expenses	<u>1,036,886</u>	<u>991,356</u>	<u>45,530</u>
Operating Income (Loss)	<u>(9,740)</u>	<u>35,790</u>	<u>45,530</u>
Non-Operating Revenues (Expenses)			
Interest Income	9,840	10,338	498
Bank Charges	(100)	(72)	28
Interest Expense	-	-	-
Transfer of Operating Reserves to County	-	(48,379)	(48,379)
Net Non-Operating Revenues (Expenses)	<u>9,740</u>	<u>(38,113)</u>	<u>(47,853)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>(2,323)</u>	<u>(2,323)</u>
Capital Contributions			
Capital Contributed from County	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(2,323)</u>	<u>\$ (2,323)</u>
Net Assets, Beginning of Year		<u>7,756</u>	
Net Assets, End of Year		<u>\$ 5,433</u>	

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

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

For the Year Ended June 30, 2008

	John Tarleton Homes		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from the County	\$ 150,997	\$ 150,997	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	50,623	44,500	6,123
Employee Benefits	17,120	16,497	623
Office Expenses	1,080	779	301
Education and Training	1,296	43	1,253
Operating Expenses	39,504	19,465	20,039
Operating Contracts	17,250	14,149	3,101
Communications	676	516	160
Insurance	965	892	73
Professional Services	-	12	(12)
Maintenance Facility	1,507	814	693
Capital Purchases	-	4,464	(4,464)
Depreciation Expense	12,560	2,021	10,539
Total Direct Operating Expenses	<u>142,581</u>	<u>104,152</u>	<u>38,429</u>
Indirect:			
Total Indirect Operating Expenses	<u>10,181</u>	<u>9,145</u>	<u>1,036</u>
Total Operating Expenses	<u>152,762</u>	<u>113,297</u>	<u>39,465</u>
Operating Income (Loss)	<u>(1,765)</u>	<u>37,700</u>	<u>39,465</u>
Non-Operating Revenues (Expenses)			
Interest Income	1,790	2,770	980
Bank Charges	(25)	(20)	5
Interest Expense	-	-	-
Transfer of Operating Reserves to County	-	(42,471)	(42,471)
Net Non-Operating Revenues (Expenses)	<u>1,765</u>	<u>(39,721)</u>	<u>(41,486)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>(2,021)</u>	<u>(2,021)</u>
Capital Contributions			
Capital Contributed from County	-	-	-
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(2,021)</u>	<u>\$ (2,021)</u>
Net Assets, Beginning of Year		<u>26,896</u>	
Net Assets, End of Year		<u>\$ 24,875</u>	

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

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

For the Year Ended June 30, 2008

	Juvenile Justice Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 739,054	\$ 739,054	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	238,903	75,652	163,251
Employee Benefits	31,891	23,331	8,560
Office Expenses	2,025	3,511	(1,486)
Education and Training	2,709	111	2,598
Operating Expenses	65,008	106,824	(41,816)
Operating Contracts	82,610	134,042	(51,432)
Utilities	248,850	253,267	(4,417)
Communications	999	3,574	(2,575)
Insurance	2,602	2,526	76
Professional Services	500	320	180
Maintenance Facility	1,656	896	760
Capital Purchases	13,700	-	13,700
Depreciation Expense	-	1,877	(1,877)
Total Direct Operating Expenses	<u>691,453</u>	<u>605,931</u>	<u>85,522</u>
Indirect:			
Total Indirect Operating Expenses	<u>52,381</u>	<u>47,928</u>	<u>4,453</u>
Total Operating Expenses	<u>743,834</u>	<u>653,859</u>	<u>89,975</u>
Operating Income (Loss)	<u>(4,780)</u>	<u>85,195</u>	<u>89,975</u>
Non-Operating Revenues (Expenses)			
Interest Income	4,830	8,032	3,202
Bank Charges	(50)	(58)	(8)
Interest Expense	-	-	-
Transfer of Operating Reserves to County	-	(85,184)	(85,184)
Net Non-Operating Revenues (Expenses)	<u>4,780</u>	<u>(77,210)</u>	<u>(81,990)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>7,985</u>	<u>7,985</u>
Capital Contributions			
Capital Contributed by County	-	-	-
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>7,985</u>	<u>\$ 7,985</u>
Net Assets, Beginning of Year		<u>13,704</u>	
Net Assets, End of Year		<u>\$ 21,689</u>	

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

*SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2008*

	Knox Central		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from the County	\$ 489,529	\$ 489,529	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	114,026	117,088	(3,062)
Employee Benefits	32,935	37,169	(4,234)
Office Expenses	3,098	1,490	1,608
Education and Training	3,135	111	3,024
Operating Expenses	49,629	29,608	20,021
Operating Contracts	61,200	63,334	(2,134)
Utilities	184,500	186,520	(2,020)
Communications	1,131	3,414	(2,283)
Insurance	3,473	3,783	(310)
Professional Services	200	912	(712)
Maintenance Facility	1,811	977	834
Capital Purchases	2,520	-	2,520
Depreciation Expenses	-	899	(899)
Total Direct Operating Expenses	<u>457,658</u>	<u>445,305</u>	<u>12,353</u>
Indirect:			
Total Indirect Operating Expenses	<u>36,471</u>	<u>33,104</u>	<u>3,367</u>
Total Operating Expenses	<u>494,129</u>	<u>478,409</u>	<u>15,720</u>
Operating (Loss)	<u>(4,600)</u>	<u>11,120</u>	<u>15,720</u>
Non-Operating Revenues (Expenses)			
Interest Income	4,650	4,938	288
Bank Charges	(50)	(34)	16
Interest Expense	-	-	-
Transfer of Operating Reserves to County	<u>-</u>	<u>(8,299)</u>	<u>(8,299)</u>
Net Non-Operating Revenues (Expenses)	<u>4,600</u>	<u>(3,395)</u>	<u>(7,995)</u>
Increase (Decrease) in Net Assets Before			
Capital Contributions	<u>-</u>	<u>7,725</u>	<u>7,725</u>
Capital Contributions			
Capital Contributed by County	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>7,725</u>	<u>\$ 7,725</u>
Net Assets, Beginning of Year		<u>10,877</u>	
Net Assets, End of Year		<u>\$ 18,602</u>	

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

*SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2008*

	Library System		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from the County	\$ 2,172,268	\$ 2,172,268	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	414,311	464,248	(49,937)
Employee Benefits	130,824	140,037	(9,213)
Office Expenses	5,289	4,960	329
Education and Training	5,246	330	4,916
Operating Expenses	165,558	124,239	41,319
Operating Contracts	359,119	311,957	47,162
Utilities	878,220	909,212	(30,992)
Communications	3,467	2,062	1,405
Insurance	11,809	11,029	780
Professional Services	1,000	803	197
Maintenance Facility	8,789	4,744	4,045
Capital Purchases	44,070	4,793	39,277
Depreciation Expense	-	11,837	(11,837)
Total Direct Operating Expenses	<u>2,027,702</u>	<u>1,990,251</u>	<u>37,451</u>
Indirect:			
Total Indirect Operating Expenses	<u>160,686</u>	<u>145,924</u>	<u>14,762</u>
Total Operating Expenses	<u>2,188,388</u>	<u>2,136,175</u>	<u>52,213</u>
Operating Income (Loss)	<u>(16,120)</u>	<u>36,093</u>	<u>52,213</u>
Non-Operating Revenues (Expenses)			
Interest Income	16,280	20,233	3,953
Bank Charges	(160)	(140)	20
Interest Expense	-	-	-
Transfer of Operating Reserves	-	(59,098)	(59,098)
Net Non-Operating Revenues (Expenses)	<u>16,120</u>	<u>(39,005)</u>	<u>(55,125)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>(2,912)</u>	<u>(2,912)</u>
Capital Contributions			
Capital Contributed by County	-	-	-
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(2,912)</u>	<u>\$ (2,912)</u>
Net Assets, Beginning of Year		<u>67,417</u>	
Net Assets, End of Year		<u>\$ 64,505</u>	

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

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

For the Year Ended June 30, 2008

	Old Court House		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from County	\$ 519,734	\$ 519,734	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	198,229	127,596	70,633
Employee Benefits	57,252	41,390	15,862
Office Expenses	2,239	2,878	(639)
Education and Training	2,181	190	1,991
Operating Expenses	37,091	64,642	(27,551)
Operating Contracts	72,222	62,995	9,227
Utilities	105,000	117,085	(12,085)
Communications	1,574	1,394	180
Insurance	1,797	1,912	(115)
Professional Services	500	114	386
Maintenance Facility	3,772	2,037	1,735
Capital Purchases	840	-	840
Depreciation Expense	-	35,592	(35,592)
Total Direct Operating Expenses	<u>482,697</u>	<u>457,825</u>	<u>24,872</u>
Indirect:			
Total Indirect Operating Expenses	<u>41,717</u>	<u>38,047</u>	<u>3,670</u>
Total Operating Expenses	<u>524,414</u>	<u>495,872</u>	<u>28,542</u>
Operating Income (Loss)	<u>(4,680)</u>	<u>23,862</u>	<u>28,542</u>
Non-Operating Revenue (Expenses)			
Interest Income	4,730	7,339	2,609
Bank Charges	(50)	(50)	-
Interest Expense	-	-	-
Transfer of Operating Reserves	-	(60,100)	(60,100)
Net Non-Operating Revenue (Expenses)	<u>4,680</u>	<u>(52,811)</u>	<u>(57,491)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>(28,949)</u>	<u>(28,949)</u>
Capital Contributions			
Capital Contributed by County	-	-	-
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(28,949)</u>	<u>\$ (28,949)</u>
Net Assets, Beginning of Year		<u>530,113</u>	
Net Assets, End of Year		<u>\$ 501,164</u>	

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

*SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2008*

	Senior Centers		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from County	\$ 320,258	\$ 320,258	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	25,263	32,569	(7,306)
Employee Benefits	5,249	10,160	(4,911)
Office Expenses	1,621	1,066	555
Education and Training	269	36	233
Operating Expenses	40,532	16,544	23,988
Operating Contracts	119,292	59,246	60,046
Utilities	107,756	57,445	50,311
Communications	176	339	(163)
Insurance	1,087	1,382	(295)
Professional Services	548	206	342
Maintenance Facility	713	384	329
Capital Purchases	140	-	140
Depreciation Expense	-	1,707	(1,707)
Total Direct Operating Expenses	<u>302,646</u>	<u>181,084</u>	<u>121,562</u>
Indirect:			
Total Indirect Operating Expenses	<u>19,757</u>	<u>17,837</u>	<u>1,920</u>
Total Operating Expenses	<u>322,403</u>	<u>198,921</u>	<u>123,482</u>
Operating Income (Loss)	<u>(2,145)</u>	<u>121,337</u>	<u>123,482</u>
Non-Operating Revenues (Expenses)			
Interest Income	2,170	6,000	3,830
Bank Charges	(25)	(43)	(18)
Interest Expense	-	-	-
Transfer of Operating Reserves to County	-	(129,001)	(129,001)
Net Non-Operating Revenues (Expenses)	<u>2,145</u>	<u>(123,044)</u>	<u>(125,189)</u>
(Increase) Decrease in Net Assets Before Capital Contributions	<u>-</u>	<u>(1,707)</u>	<u>(1,707)</u>
Capital Contributions			
Capital Contributed by County	-	-	-
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(1,707)</u>	<u>\$ (1,707)</u>
Net Assets, Beginning of Year		<u>12,408</u>	
Net Assets, End of Year		<u>\$ 10,701</u>	

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

*SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2008*

	State Street Parking Lot		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Net Parking Revenues	\$ 16,500	\$ 14,060	\$ (2,440)
Operating Expenses			
Direct:			
Salaries and Wages	5,301	5,153	148
Employee Benefits	1,665	1,529	136
Office Expenses	55	36	19
Education and Training	-	3	(3)
Operating Expenses	-	1,830	(1,830)
Operating Contracts	6,500	4,244	2,256
Utilities	-	1,903	(1,903)
Communications	70	62	8
Insurance	-	-	-
Professional Services	-	3	(3)
Maintenance Facility	740	399	341
Capital Purchases	105	-	105
Depreciation Expense	-	-	-
Total Direct Operating Expenses	<u>14,436</u>	<u>15,162</u>	<u>(726)</u>
Indirect:			
Total Indirect Operating Expenses	<u>1,104</u>	<u>1,060</u>	<u>44</u>
Total Operating Expenses	<u>15,540</u>	<u>16,222</u>	<u>(682)</u>
Operating Income	<u>960</u>	<u>(2,162)</u>	<u>(3,122)</u>
Non-Operating Revenues (Expenses)			
Interest Income	80	-	(80)
Bank Charges	(25)	(477)	(452)
Interest Expense	-	-	-
Transfer of Operating Reserves from County	<u>-</u>	<u>2,639</u>	<u>2,639</u>
Net Non-Operating Revenues	<u>55</u>	<u>2,162</u>	<u>2,107</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>1,015</u>	<u>-</u>	<u>(1,015)</u>
Capital Contributions			
Capital Contributed by County	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>\$ 1,015</u>	<u>-</u>	<u>\$ (1,015)</u>
Net Assets, Beginning of Year		<u>-</u>	
Net Assets, End of Year		<u>\$ -</u>	

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

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

For the Year Ended June 30, 2008

	City County Building		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Rental Income from City and County	\$ 3,454,701	\$ 3,454,701	\$ -
Net Parking Revenues	<u>162,971</u>	<u>148,126</u>	<u>(14,845)</u>
Total Operating Revenues	<u>3,617,672</u>	<u>3,602,827</u>	<u>(14,845)</u>
Operating Expenses			
Direct:			
Salaries and Wages	918,115	978,053	(59,938)
Employee Benefits	276,952	311,682	(34,730)
Office Expenses	33,388	22,920	10,468
Education and Training	19,710	1,425	18,285
Operating Expenses	253,811	146,750	107,061
Operating Contracts	538,020	476,497	61,523
Utilities	1,221,200	1,274,420	(53,220)
Communications	7,084	9,875	(2,791)
Insurance	123,160	121,733	1,427
Professional Services	2,500	2,823	(323)
Maintenance Facility	24,130	13,018	11,112
Capital Purchases	39,220	30,015	9,205
Depreciation Expense	-	247,090	(247,090)
Total Direct Operating Expenses	<u>3,457,290</u>	<u>3,636,301</u>	<u>(179,011)</u>
Indirect:			
Total Indirect Operating Expenses	<u>272,987</u>	<u>248,026</u>	<u>24,961</u>
Total Operating Expenses	<u>3,730,277</u>	<u>3,884,327</u>	<u>(154,050)</u>
Operating Income (Loss)	<u>(112,605)</u>	<u>(281,500)</u>	<u>(168,895)</u>
Non-Operating Revenues (Expenses)			
Interest Income	114,330	116,052	1,722
Bank Charges	(1,725)	(1,170)	555
Interest Expense	-	-	-
Capital Asset Replacement Reserve Expenditures	<u>(682,220)</u>	<u>-</u>	<u>682,220</u>
Net Non-Operating Revenues (Expenses)	<u>(569,615)</u>	<u>114,882</u>	<u>684,497</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>(682,220)</u>	<u>(166,618)</u>	<u>515,602</u>
Capital Contributions			
Capital Asset Replacement Reserve Contributions from City and County	648,000	648,000	-
Operating Reserve Contributions from City and County	<u>15,128</u>	<u>15,128</u>	<u>-</u>
Total Capital Contributions	<u>663,128</u>	<u>663,128</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>\$ (19,092)</u>	496,510	<u>\$ 515,602</u>
Net Assets, Beginning of Year		<u>4,806,416</u>	
Net Assets, End of Year		<u>\$ 5,302,926</u>	

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

*SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2008*

	Emergency Communications District		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from Other Governmental Agencies	\$ 89,037	\$ 89,037	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	18,738	17,823	915
Employee Benefits	5,884	5,946	(62)
Office Expenses	1,591	184	1,407
Education and Training	525	17	508
Operating Expenses	20,656	11,635	9,021
Operating Contracts	34,654	27,722	6,932
Communications	211	183	28
Insurance	411	507	(96)
Professional Services	-	21	(21)
Maintenance Facility	754	409	345
Capital Purchases	280	-	280
Depreciation Expense	-	200	(200)
Total Direct Operating Expenses	<u>83,704</u>	<u>64,647</u>	<u>19,057</u>
Indirect:			
Total Indirect Operating Expenses	<u>6,528</u>	<u>5,838</u>	<u>690</u>
Total Operating Expenses	<u>90,232</u>	<u>70,485</u>	<u>19,747</u>
Operating Income	<u>(1,195)</u>	<u>18,552</u>	<u>19,747</u>
Non-Operating Revenues (Expenses)			
Interest Income	1,210	2,089	879
Bank Charges	(15)	(15)	-
Interest Expense	-	-	-
Transfer of Operating Reserves to Other Governmental Agencies	<u>-</u>	<u>(14,826)</u>	<u>(14,826)</u>
Net Non-Operating Revenues (Expenses)	<u>1,195</u>	<u>(12,752)</u>	<u>(13,947)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>5,800</u>	<u>5,800</u>
Capital Contributions			
Operating Reserve Contributions from Other Governmental Agencies	<u>4,518</u>	<u>4,518</u>	<u>-</u>
Increase in Net Assets	<u>\$ 4,518</u>	10,318	<u>\$ 5,800</u>
Net Assets, Beginning of Year		<u>15,451</u>	
Net Assets, End of Year		<u>\$ 25,769</u>	

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

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

For the Year Ended June 30, 2008

	Fairview Technology Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from Other Governmental Agencies	\$ 57,021	\$ 57,021	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	14,968	15,747	(779)
Employee Benefits	4,700	5,217	(517)
Office Expenses	606	174	432
Education and Training	68	15	53
Operating Expenses	3,498	2,777	721
Operating Contracts	20,781	17,449	3,332
Utilities	7,599	8,246	(647)
Communications	200	3,892	(3,692)
Insurance	193	194	(1)
Professional Services	-	13	(13)
Maintenance Facility	903	486	417
Capital Purchases	210		
Depreciation Expense	-	1,128	(1,128)
Total Direct Operating Expenses	<u>53,726</u>	<u>55,338</u>	<u>(1,612)</u>
Indirect:			
Total Indirect Operating Expenses	<u>4,190</u>	<u>3,870</u>	<u>320</u>
Total Operating Expenses	<u>57,916</u>	<u>59,208</u>	<u>(1,292)</u>
Operating Income	<u>(895)</u>	<u>(2,187)</u>	<u>(1,292)</u>
Non-Operating Revenues (Expenses)			
Interest Income	910	993	83
Bank Charges	(15)	(7)	8
Interest Expense	-	-	-
Transfer of Operating Reserves from Others	-	73	73
Net Non-Operating Revenues (Expenses)	<u>895</u>	<u>1,059</u>	<u>164</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>(1,128)</u>	<u>(1,128)</u>
Capital Contributions			
Operating Reserve Contributions from Others	<u>2,908</u>	<u>2,908</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>\$ 2,908</u>	1,780	<u>\$ (1,128)</u>
Net Assets, Beginning of Year		<u>19,254</u>	
Net Assets, End of Year		<u>\$ 21,034</u>	

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

*SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2008*

	Property Development		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from City and County	\$ 972,537	\$ 892,206	\$ (80,331)
Management Fees from Other Governmental Agencies	-	5,662	5,662
Total Operating Revenues	<u>972,537</u>	<u>897,868</u>	<u>(74,669)</u>
Operating Expenses			
Direct:			
Salaries and Wages	533,000	458,944	74,056
Employee Benefits	166,185	111,332	54,853
Office Expenses	33,850	24,127	9,723
Education and Training	16,000	2,188	13,812
Operating Expenses	15,500	1,524	13,976
Operating Contracts	-	7,834	(7,834)
Communications	4,646	6,030	(1,384)
Insurance	1,000	902	98
Professional Services	10,000	895	9,105
Depreciation Expense	-	4,508	(4,508)
Total Direct Operating Expenses	<u>780,181</u>	<u>618,284</u>	<u>161,897</u>
Indirect:			
Total Indirect Operating Expenses	<u>211,636</u>	<u>193,891</u>	<u>17,745</u>
Total Operating Expenses	<u>991,817</u>	<u>812,175</u>	<u>179,642</u>
Operating Income	<u>(19,280)</u>	<u>85,693</u>	<u>104,973</u>
Non-Operating Revenues (Expenses)			
Interest Income	19,500	9,662	(9,838)
Bank Charges	(220)	(68)	152
Interest Expense	-	-	-
Net Non-Operating Revenues (Expenses)	<u>19,280</u>	<u>9,594</u>	<u>(9,686)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>95,287</u>	<u>95,287</u>
Capital Contributions			
Capital Contributed by City, County and Others	-	-	-
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>95,287</u>	<u>\$ 95,287</u>
Net Assets, Beginning of Year		<u>22,937</u>	
Net Assets, End of Year		<u>\$ 118,224</u>	

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

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2008

	Telecommunications Services		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City and County	\$ 487,772	\$ 487,772	\$ -
Management Fees Related to KCS	<u>355,088</u>	<u>355,088</u>	<u>-</u>
Total Operating Revenues	<u>842,860</u>	<u>842,860</u>	<u>-</u>
Direct Operating Expenses			
Direct:			
Salaries and Wages	239,319	206,103	33,216
Employee Benefits	74,538	66,197	8,341
Office Expenses	10,099	3,764	6,335
Education and Training	9,806	979	8,827
Operating Expenses	10,285	1,051	9,234
Communications	1,531	1,469	62
Insurance	6,376	6,402	(26)
Professional Services	10,000	2,165	7,835
Capital Purchases	27,500	1,392	26,108
Depreciation Expense	<u>-</u>	<u>105,724</u>	<u>(105,724)</u>
Direct Telecom Operating Expenses	<u>389,454</u>	<u>395,246</u>	<u>(5,792)</u>
Knox County Schools			
Salaries and Wages	158,546	86,162	72,384
Employee Benefits	49,391	28,524	20,867
Office Expenses	8,369	445	7,924
Education and Training	4,343	234	4,109
Operating Expenses	44,950	1,215	43,735
Communications	878	1,329	(451)
Insurance	1,050	787	263
Professional Services	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Direct Schools Operating Expenses KCS	<u>272,527</u>	<u>118,696</u>	<u>153,831</u>
Total Direct Operating Expenses	<u>661,981</u>	<u>513,942</u>	<u>148,039</u>
Indirect:			
Total Indirect Operating Expenses	<u>201,039</u>	<u>182,638</u>	<u>18,401</u>
Total Operating Expenses	<u>863,020</u>	<u>696,580</u>	<u>166,440</u>
Operating Income (Loss)	<u>(20,160)</u>	<u>146,280</u>	<u>166,440</u>
Non-Operating Revenues (Expenses)			
Interest Income	20,500	16,120	(4,380)
Bank Charges	(340)	(114)	226
Interest Expense	-	-	-
Transfer of Operating Reserves to City, County and Others	<u>-</u>	<u>(268,010)</u>	<u>(268,010)</u>
Net Non-Operating Revenues (Expenses)	<u>20,160</u>	<u>(252,004)</u>	<u>(272,164)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>(105,724)</u>	<u>(105,724)</u>
Capital Contributions			
Capital Contributed by City, County and Others	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(105,724)</u>	<u>\$ (105,724)</u>
Net Assets, Beginning of Year		<u>474,805</u>	
Net Assets, End of Year		<u>\$ 369,081</u>	

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

SCHEDULE OF INSURANCE COVERAGE

June 30, 2008

	Coverage
Travelers Property and Casualty Insurance Company	
Commercial General Liability:	
General Aggregate	\$ 2,000,000
Products and Completed Operations Aggregate	2,000,000
Bodily Injury and Property Damage	1,000,000
Personal and Advertising Injury	1,000,000
Employee Benefits Liability	1,000,000/2,000,000
Umbrella and Excess Liability	10,000,000
Property and Casualty:	
Buildings and Contents (Replacement Cost)	\$ 122,157,169
Earthquake (Co-Insurance 95%)	25,000,000
City and County PBX Phone System (Replacement Cost)	6,854,475
EDP Equipment	484,000
Miscellaneous Equipment	802,137
Extra Expense/Rental Income	6,871,653
Boiler and Machinery	122,157,169
Valuable Papers	200,000
Business Auto (Includes Private Autos):	
Bodily Injury and Property Damage	\$ 1,000,000
Medical Payments	2,000
Uninsured Motorists	1,000,000
Comprehensive Deductible	250
Collision Deductible	500
Umbrella	
Per Occurrence/Aggregate Limit of Liability	\$ 10,000,000
Wausau Business Insurance Co.	
Worker's Compensation:	
Each Accident or Disease	\$ 500,000
Each Employee	500,000
Disease Limit - Aggregate	500,000
Hartford Fire Insurance Company	
Blanket Employee Dishonesty	\$ 1,000,000
ERISA Fidelity	500,000
Crime:	
Depositors Forgery or Alteration	1,000,000
Theft, Disappearance and Destruction	1,000,000
Computer and Funds Transfer Fraud	1,000,000
Money Orders and Counterfeit Currency	1,000,000
National Union Fire Insurance Company	
Primary Director's and Officers'	
Liability and Employment Practices Liability	\$ 10,000,000

Note: All policies, unless noted otherwise, begin March 1, 2008 and expire March 1, 2009.

STATISTICAL SECTION

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

<u>Contents</u>	<u>Pages</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the PBA's financial performance and well-being have changed over time.	74-75
Revenue Capacity	
These schedules contain information to help the reader assess the PBA's operating revenues and customer statistics. As a joint venture between the City of Knoxville and Knox County, the PBA's revenues are materially earned from revenue derived from rental income, management fees, net parking revenues, and miscellaneous charges. Rental income and management fees are annually negotiated with the City and County and approved by the City Council and the County Commission.	76-80
Debt Capacity	
The PBA is a joint venture between the City of Knoxville and Knox County; the PBA has no taxing authority. Debt for capital projects managed for the City and the County are funded by debt issued by these two government entities. Information on the City's and County's debt capacity is contained in their individual CAFRs.	N/A
Demographic and Economic Information	
Information on demographic and economic indicators within the City of Knoxville and Knox County can be found within their individual CAFRs.	N/A
Operating Information	
This schedule contains service data to help the reader understand how the information in the PBA's financial report relates to services provided and the activities performed.	81

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

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

*NET ASSETS BY COMPONENT
Last Six Fiscal Years*

<u>Fiscal Year</u>	<u>Invested in Capital Assets Net of Related Debt</u>	<u>Unrestricted</u>	<u>Total</u>
2003	\$ 3,966,984	\$ 4,798,166	\$ 8,765,150
2004	4,544,503	3,540,685	8,085,188
2005	4,837,925	2,916,413	7,754,338
2006	4,985,744	3,040,305	8,026,049
2007	6,213,346	3,944,131	10,157,477
2008	6,126,970	4,457,421	10,584,391

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

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

*CHANGES IN NET ASSETS
Last Six Fiscal Years*

	2008	2007	2006	2005	2004	2003
Operating Revenues						
Rental Income from City and County	\$ 3,454,701	\$ 3,382,478	\$ 3,345,387	\$ 3,186,770	\$ 2,838,748	\$ 3,060,799
Other Rental Income - Net	214,103	161,821	198,273	199,343	185,193	146,218
Management Fees from City and County	9,536,951	9,169,175	7,998,757	7,859,868	6,796,961	3,715,118
Management Fees from Other Governmental Agencies	176,338	172,652	153,357	158,203	46,788	166,747
Net Parking Revenues	<u>2,836,172</u>	<u>2,537,780</u>	<u>1,984,221</u>	<u>1,410,632</u>	<u>1,257,159</u>	<u>1,303,360</u>
Total Operating Revenues	<u>16,218,265</u>	<u>15,423,906</u>	<u>13,679,995</u>	<u>12,814,816</u>	<u>11,124,849</u>	<u>8,392,242</u>
Operating Expenses						
Salaries and Benefits	6,272,267	6,418,441	5,836,446	5,453,141	5,355,107	4,136,380
Office	143,731	172,569	157,085	131,971	82,521	76,954
Education and Training	11,121	34,042	17,696	28,646	22,260	45,631
Purchased Services and Supplies	1,030,931	962,469	936,841	996,551	679,011	400,056
Operating Contracts	1,895,038	1,625,987	1,470,804	1,362,369	1,124,838	908,369
Utilities	3,905,696	3,493,192	3,212,988	2,876,037	2,794,113	1,512,351
Communications	68,443	81,076	67,377	48,737	58,237	47,608
Insurance	235,118	189,388	273,981	337,218	338,488	378,303
Professional Fees	90,815	90,494	114,714	61,226	72,851	370,051
Depreciation	582,954	517,852	462,741	412,003	349,597	277,372
Maintenance Facility	51,173	-	-	-	-	-
Other	<u>78,375</u>	<u>347,917</u>	<u>129,327</u>	<u>115,462</u>	<u>105,023</u>	<u>268,281</u>
Total Operating Expenses	<u>14,365,662</u>	<u>13,933,427</u>	<u>12,680,000</u>	<u>11,823,361</u>	<u>10,982,046</u>	<u>8,421,356</u>
Operating Income	<u>1,852,603</u>	<u>1,490,479</u>	<u>999,995</u>	<u>991,455</u>	<u>142,803</u>	<u>(29,114)</u>
Non-Operating Revenues (Expenses)						
Interest Income	331,019	362,831	246,342	150,119	84,833	95,232
Gain on Disposal of Capital Assets	-	6,018	-	-	-	-
Bank Charges	(7,669)	(8,156)	(9,783)	(10,585)	(10,280)	(13,821)
Interest Expense	-	(166)	(732)	(1,282)	(1,974)	(2,979)
Capital Returned to the City and County	(2,579,761)	(586,159)	(1,217,881)	(1,980,628)	(2,052,530)	(1,153,976)
Capital Returned to Other Governmental Agencies	(24,832)	(29,251)	(5,335)	(25,673)	-	-
Noncash:						
Capital Asset Retirements from the City and County	-	(5,271)	(9,311)	-	-	-
Total Non-Operating Revenues (Expenses) - Net	<u>(2,281,243)</u>	<u>(260,154)</u>	<u>(996,700)</u>	<u>(1,868,049)</u>	<u>(1,979,951)</u>	<u>(1,075,544)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>(428,640)</u>	<u>1,230,325</u>	<u>3,295</u>	<u>1,129,707</u>	<u>215,382</u>	<u>(1,104,658)</u>
Capital Contributions						
Capital Contributions from the City and County	848,128	894,500	268,416	537,848	1,149,186	1,126,123
Capital Contributions from Other Governmental Agencies	7,426	6,603	-	7,896	-	-
Noncash:						
Capital Asset Contributions from the City and County	-	-	-	-	8,000	27,710
Total Capital Contributions	<u>855,554</u>	<u>901,103</u>	<u>268,416</u>	<u>545,744</u>	<u>1,157,186</u>	<u>1,153,833</u>
Increase (Decrease) in Net Assets	426,914	2,131,428	271,711	(330,850)	(679,962)	49,175
Net Assets, Beginning of Year	<u>10,157,477</u>	<u>8,026,049</u>	<u>7,754,338</u>	<u>8,085,188</u>	<u>8,765,150</u>	<u>8,715,975</u>
Net Assets, End of Year	<u>\$ 10,584,391</u>	<u>\$ 10,157,477</u>	<u>\$ 8,026,049</u>	<u>\$ 7,754,338</u>	<u>\$ 8,085,188</u>	<u>\$ 8,765,150</u>

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

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

*PROPERTIES MANAGED
Last Five Fiscal Years*

Space in Square Feet					
Property	2008	2007	2006	2005	2004
County Owned					
Andrew Johnson Building	145,661	145,661	145,661	145,661	145,661
Beck Cultural Center	-	19,161	19,161	18,961	-
Fairview Technology Center	17,000	17,000	17,000	17,000	-
Senior Centers (4)	27,500	27,500	27,500	7,800	6,300
Health Department					
(1 main facility, 3 community clinics and air quality lab)	157,800	157,800	153,000	153,000	153,000
John Tarleton Homes	80,000	80,000	64,474	64,474	50,500
Juvenile Justice Center	104,209	104,209	104,209	104,209	104,209
Knox Central	171,000	171,000	165,000	165,000	165,000
Library System					
(1 main location, 1 history center, 1 cultural center and 16 community branches)	321,537	302,376	393,928	279,371	217,000
Old Court House	64,098	64,098	64,098	64,098	64,098
Family Investment Center	31,500	-	-	-	-
City Owned					
Volunteer Landing Park	5,170	5,170	5,170	16,331	16,331
World's Fair Park	35,236	3,600	3,600	88,279	88,279
Downtown Cinema	4,000	-	-	-	-
PBA Owned					
City County Building	531,634	531,634	531,634	531,634	517,856
Owned by Other Governmental Agencies					
Emergency Communications District	25,000	25,000	25,000	25,000	25,000
Totals	<u>1,721,345</u>	<u>1,654,209</u>	<u>1,719,435</u>	<u>1,680,818</u>	<u>1,553,234</u>

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

*PROPERTIES MANAGED (Continued)
Last Five Fiscal Years*

Location	2008	2007	2006	2005	2004
NUMBER OF PARKING SPACES					
County Owned					
Dwight Kessel Metropolitan Parking Garage	964	964	964	964	964
State Street Parking Lot	283	283	283	283	-
City Owned					
Jackson Avenue Parking Lot	190	190	190	-	-
Locust Street Garage	645	645	645	645	645
Main Avenue Garage	475	475	475	-	-
Market Square Garage	700	700	700	-	-
Promenade Garage	277	277	-	-	-
State Steet Garage	842	842	842	-	-
World's Fair Parking Lots	698	698	698	698	698
PBA Owned					
City County Building Garage	850	850	850	850	850
Totals	<u>5,924</u>	<u>5,924</u>	<u>5,647</u>	<u>3,440</u>	<u>3,157</u>
PARKS					
City Owned					
World's Fair Park:					
Number of Acres	18	18	18	18	18
Volunteer Landing Park:					
Number of Acres	5	5	5	5	5
Estimated Park Visitors Annually	200,000	200,000	150,000	110,000	90,000

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

Source: PBA property management department.

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

CAPITAL PROJECTS COMPLETED
Last Five Fiscal Years

<u>Projects</u>	<u>Managed Budget</u>
County Projects	
LIBRARIES	
Burlington	\$ 2,950,000
Burlington - UT Buildout	251,000
East Tennessee Historical Center	18,328,224
Fountain City	2,509,297
Halls	2,684,099
Powell	2,438,766
Library Subtotal	29,161,386
OTHER COUNTY PROJECTS	
Beck Cultural Exchange Center	2,079,000
Carl Cowan Park Water Feature	224,476
Concord Park Concession Building	108,861
Corryton Senior Center	550,000
Courtroom Renovations	445,024
Frank Strang Senior Center	706,387
Halls Community Park	1,050,000
Halls Senior Center	1,342,643
Hardy Professional Building	300,000
House Mountain	253,491
Knox County Clerk's Office - Five Points	175,000
Northwest Sports Complex	4,161,500
Parks and Recreation Office Building	515,000
Pinkston Greenway	191,350
Powell Station Park	350,000
Skate Park - County Portion	250,000
South Knox Senior Center	1,225,000
Three Ridges Golf Course Tournament Pavilion	231,403
Other County Subtotal	12,080,135
Total County Projects	41,241,521

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

CAPITAL PROJECTS COMPLETED (Continued)
Last Five Fiscal Years

<u>Projects</u>	<u>Managed Budget</u>
CITY PROJECTS	
Convention Center	\$ -
Downtown Roads	-
Downtown Wayfinding	207,686
Family Justice Center	250,000
Skate Park - County Portion	341,000
Tyson Park ADA Renovations	183,069
Total City Projects	<u>981,755</u>
OTHER PROJECTS	
Animal Center - Permanent	3,850,000
Mobile Meals Community Facility	-
Emergency Communications District	4,984,902
Emergency Communications District - Renovations	150,000
John T. O'Connor Senior Center Addition	712,274
Public Defenders Office Building	-
Total Other Projects	<u>9,697,176</u>
Grand Total All Projects	<u>\$ 51,920,452</u>

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

*TELECOMMUNICATION SERVICES
Last Five Fiscal Years*

<u>CITY AND COUNTY</u>	Fiscal Year				
	2008	2007	2006	2005	2004
Total Extensions	7,790	7,790	7,753	7,759	7,783
Telephone Lines	489	489	489	443	114
Cellular Telephones	823	795	708	591	504
Pagers	312	348	443	504	610
Repair Work Orders	1,177	973	927	767	138
<u>SCHOOLS</u>					
Total Extensions	661	634	628	500	N/A
Telephone Lines	2,386	2,340	2,341	2,492	N/A
Repair Work Orders	575	696	671	511	N/A

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

Source: PBA Telecommunications Services Department.

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

*NUMBER OF EMPLOYEES BY ACTIVITY
Last Six Fiscal Years*

<u>Department</u>	<u>Fiscal Year</u>					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Facilities Management	33	45	50	48	56	40
Safety and Security	25	45	37	42	42	48
Property Development	6	5	7	7	7	8
Telecommunications	4	6	8	9	9	8
Administrative	<u>14</u>	<u>14</u>	<u>14</u>	<u>13</u>	<u>13</u>	<u>14</u>
Total	<u>82</u>	<u>115</u>	<u>116</u>	<u>119</u>	<u>127</u>	<u>118</u>

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

**INTERNAL CONTROL
AND
COMPLIANCE SECTION**

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

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

We have audited the financial statements of The Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operating of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the PBA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the PBA's financial statements that is more than inconsequential will not be prevented or detected by the PBA's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by PBA's internal control.

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

Compliance and Other Matters

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

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

Bacon Howard and Company

Knoxville, Tennessee
October 6, 2008

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

*SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS
June 30, 2008*

A: SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of PBA.
2. No significant deficiencies were disclosed during the audit of the financial statements and is reported in the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of PBA were disclosed during the audit.

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

*SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS (Continued)
June 30, 2008*

B. FINDINGS AND RECOMMENDATIONS

There were no findings

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

*SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2008*

There were no audit findings in the prior year ending June 30, 2007.