

*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, 2010 and 2009*

*PREPARED BY:
FINANCE DEPARTMENT*

*ROBYN SMITH, CPA
MANAGER OF ACCOUNTING*

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

*COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2010 and 2009*

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INTRODUCTORY SECTION



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October 27, 2010

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, 2010 and 2009.

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, 2010 and 2009. 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 2010.

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 919 wholesale establishments, 1,653 retail establishments, and 5,318 service establishments.

Tourism also plays a vital role in the economic development of the area. Knox County is the principal Gateway to the Great Smoky Mountains National Park, located 40 miles to the southeast. There are over 500,000 acres that make up the nation's most visited National Park, extending over the States of Tennessee and North Carolina. More than 10 million people visited the National Park in 2009.

The presence of the University of Tennessee and the Tennessee Valley Authority in Knoxville lends stability to the area, making the local economy less cyclical than either the national or state economy. This contributes to a low unemployment rate, which was 7.8% in Knox County at December 31, 2009. This compares favorably to the national unemployment rate of 9.5% and the state rate of 10.0%.

The overall economic health of the Knoxville/Knox County area has begun to decline. 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 114% of the state average. In fiscal years 2010 and 2009, respectively, sales tax collections on a countywide basis were \$630,100,948 and \$653,864,197. This represents a decrease of (3.77) %.

Long-Term Financial Planning

The PBA's costs are covered by fees charged to the City and County and certain other rated governmental organizations for management and development of public properties. Both the City and the County have long-term capital plans allocating significant resources totaling \$4,090,311 and \$6,107,673 respectively in which PBA is involved.

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

Projects	Total Budget	FY 2011 *	FY 2012 to FY 2015
City Projects:			
Convention Center Warranty Repairs	\$ 125,000	\$ -	\$ -
Elm Street Storage Facility	121,400	-	-
Fire Station #4 - Re Roof	14,998	-	-
Fire Station #20 - Re Roof	16,229	-	-
Fire Station #20 - Oil/Water Separator	33,534	-	-
HUD House Demolition - 3210 MLK Jr. Blvd.	11,964	-	-
HUD House Demolition - 309 & 311 N. Chestnut St.	23,987	-	-
KAT Renovation - Magnolia (ARRA)	2,007,000	300,000	-
Larry Cox Senior Center Remodel	300,000	-	-
LT Ross Skylights	280,000	-	-
Cinema Retail Tenant Build Out	150,000	-	-
Richard Leake HVAC Replacement	30,000	-	-
Tyson Park Tennis Clubhouse Re-Roof	5,000	-	-
WFP - Festival Lawn Sod Replacement	175,000	-	-
WFP - Repairs to Bridge Approaches	186,500	-	-
Henley Crossover Bridge Refurb	35,000	-	-
Vol Landing - Concrete Sidewalk repairs	45,000	-	-
Main Ave. Garage - Top deck sealing	50,000	-	-
Locust Street Garage - Top deck sealing	75,000	-	-
Market Square Garage - Bollard Replacement	30,000	-	-
CCB - Install new UPS & Replace Generator (City share)	57,400	-	-
CCB - Post Tension Cable Repairs (City share)	28,700	-	-
CCB - Storm water upgrades (City share)	35,875	-	-
CCB - Cooling tower replacement (City share)	86,100	-	-
<i>Telecom Projects</i>			
CCB - New handsets (City share)	12,925	-	-
CCB - NEC Main Switch Upgrade (City share)	29,690	-	-
KCHD Elm Street - NEC Main Switch Upgrade (City share)	3,509	-	-
KPD - NEC Main Switch Upgrade	83,201	-	-
KAT Magnolia - NEC Main Switch Upgrade	21,049	-	-
KPD - Voice Mail Upgrade	7,775	-	-
311 - Voice Mail Upgrade	8,475	-	-
Total City Projects	4,090,311	300,000	-

Projects	Total Budget	FY 2011 *	FY 2012 to FY 2015
County Projects:			
Carter Senior Center Storage Building Addition	40,000	-	-
Old Courthouse Court Room Modification Juvenile Justice	2,500	-	-
Family Investment Center A/V Upgrades	7,509	-	-
Public Defender Exterior Repairs	20,000	-	-
Seven Islands Park Pedestrian Bridge	1,645,448	-	-
Andrew Johnson Bldg - Terra Cotta Repairs	25,000	-	-
Andrew Johnson Bldg - Chimney Repairs	100,000	-	-
Andrew Johnson Bldg - Elevator Upgrade (phase 1)	325,000	-	-
Old Courthouse - Window Upgrades	1,400,000	-	-
Old Courthouse - Seal exterior brick	65,000	-	-
Knox Central - Asphalt topping at parking lot	120,000	-	-
Knox Central - Replace Main Electrical Switchgear	400,000	-	-
Juvenile Justice Center - Install new parking area	65,000	-	-
Family Investment Center - Install carpet at 2nd floor	20,000	-	-
Family Investment Center - Replace elevator	150,000	-	-
ADA			
Cedar Bluff Middle School	375,000	-	-
South Doyle High School	350,000	-	-
CCB - Install new UPS & Replace Generator (County share)	142,600	-	-
CCB - Post Tension Cable Repairs (County share)	71,300	-	-
CCB - Storm water upgrades (County share)	89,125	-	-
CCB - Cooling tower replacement (County share)	213,900	-	-
Telecom Projects			
Courtroom A/V Upgrades	260,000	-	-
CCB - New handsets (County share)	37,075	-	-
CCB - NEC Main Switch Upgrade (County share)	85,165	-	-
KCHD and Baxter Ave - NEC Main Switch Upgrade (County share)	82,501	-	-
Juvenile Justice - Voice Mail Upgrade	7,775	-	-
KCHD - Voice Mail Upgrade	7,775	-	-
Total County Projects	6,107,673	-	-
School Projects:			
Bearden High School New Phone System	48,071	-	-
Carter High School New Phone System	42,594	-	-
Shannondale Elementary School New Phone System	9,756	-	-
West High School New Phone System	42,722	-	-
Total School Projects	143,143	-	-
Total All Projects	\$ 10,341,127	\$ 300,000	\$ -

*FY 2011 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

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

While no new, major capital projects are anticipated by the City and County, at this time, PBA's Property Development Department will manage over \$9 million in capital, renovation projects for the City and County in FY2010-11, with \$5.6 million in projects for the County and \$3.8 million for the City. The number of projects for County will be 20, and the number of projects for the City will be 29. In addition to those renovation projects, PBA will manage over \$500,000 in telecommunications projects for the County and School District and over \$166,000 in telecommunications projects for the City.

PBA is operating in an environment of changing leadership in both the City and County, with the arrival of new County Mayor Tim Burchett in September 2010. In addition, it is likely that City Mayor Bill Haslam will be elected Governor of the State of Tennessee in November 2010, which will trigger the appointment of a temporary City Mayor in January 2011 and the election of a new City Mayor in the Fall of 2011, subsequently taking office in December 2011. At this point, it is impossible to tell what, if any, new capital projects these new leaders will advance and whether or not PBA would manage those projects.

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

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, 2009 and 2008. This was the sixth consecutive year that the PBA has received this prestigious award. In order to be awarded a

Certificate of Achievement, an organization must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

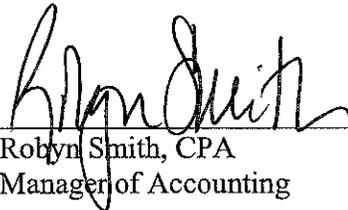
The preparation of this CAFR results from the combined efforts of the staff of the Finance Department. Those involved have our sincere appreciation for the individual and collective contributions made in preparation of the report. Thank you very much for your professional dedication.

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

Respectfully submitted,



Dale Smith
Administrator/CEO



Robyn Smith, CPA
Manager of Accounting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.



A stylized handwritten signature in black ink.

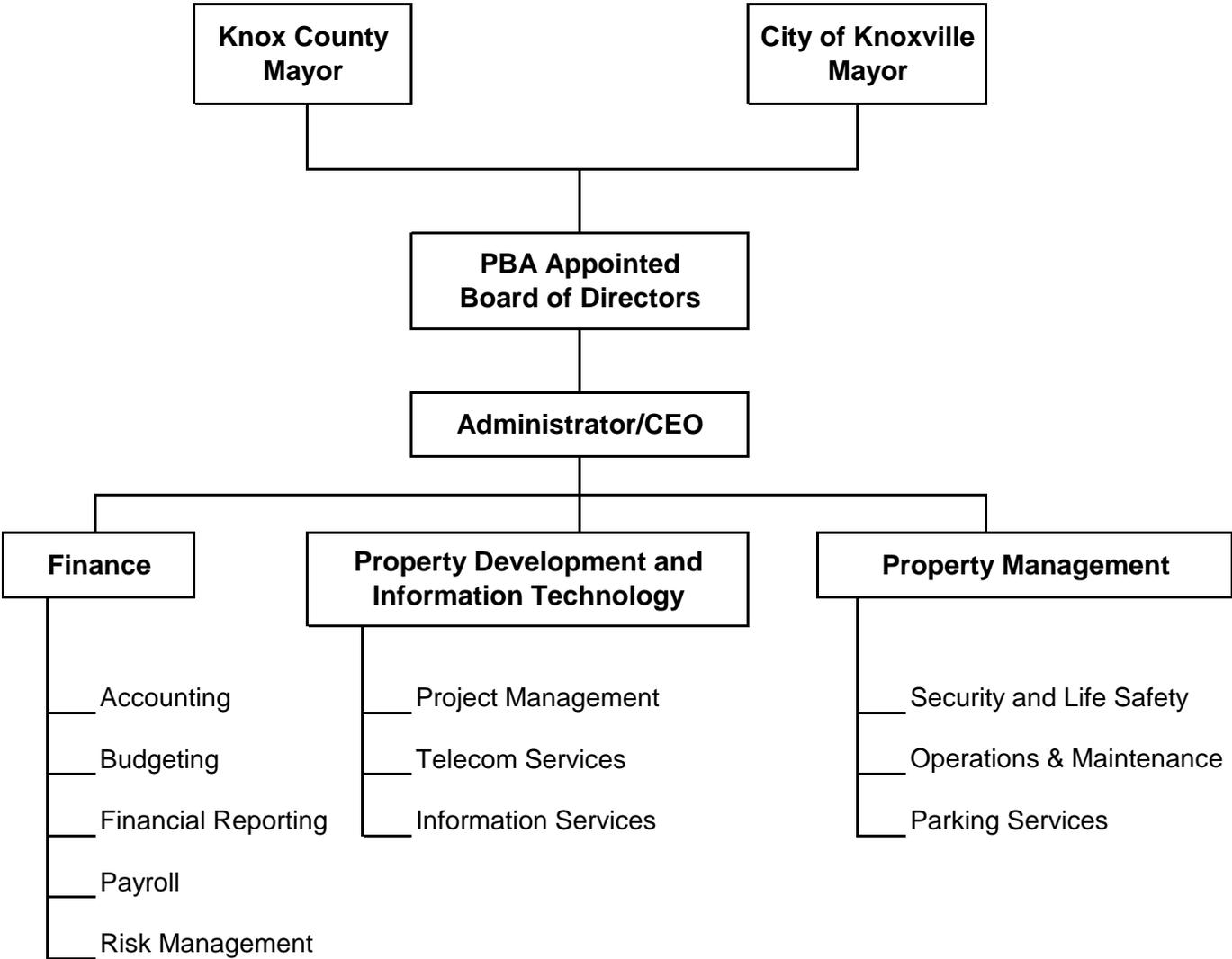
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos".

Executive Director

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

**Organizational Chart
June 30, 2010**



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

ROSTER OF OFFICIALS AND OTHERS

June 30, 2010

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

Management

Dale Smith, Administrator/CEO

Robyn Smith, Manager of Accounting

Jayne Burritt, Director of Property Management

Jeff Galyon, Director of Property Development
and Information Technology

Independent Auditor

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



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, 2010 and 2009, 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, 2010 and 2009, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2010, 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.

Management's Discussion and Analysis on pages 3 through 14 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 27, 2010

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, 2010, 2009 and 2008. 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, 2010, 2009 and 2008 were \$16,383,849, \$16,396,693, and \$18,508,235 and exceeded liabilities (net assets) by \$10,682,652, \$11,021,674, and \$10,584,391, respectively. Of the total net assets, \$3,390,254, \$3,955,855, and \$4,457,421 was unrestricted and was available to support short-term operations for the years ending June 30, 2010, 2009 and 2008, respectively.
- Operating revenues were \$12,863,834, \$13,369,638, and \$16,218,265 for the years ending June 30, 2010, 2009 and 2008, representing a (decrease) increase of (3.78)%, (17.6) % and 5.15%, from prior years.
- During 2010 there was an increase of \$226,579 in net assets invested in capital assets and a decrease in unrestricted net assets of \$(565,601), which combined for the overall decrease in net assets of \$(339,022).
- Operating expenses before depreciation decreased by \$(696,539) and decreased by \$(2,165,217) during 2010 and 2009, representing a (6.0)% decrease and (18.6)% decrease from 2009 and 2008.
- Operating income for 2010 was \$1,220,314, representing an increase of \$111,361 from 2009. The change in net assets, before capital contributions and deductions, increased by \$251,017 when compared to 2009.
- The ratios of operating income to total operating revenues were 9.5% for 2010, 8.3% for 2009 and 11.4% for 2008.
- Capital asset replacement reserve contributions were \$310,985 for 2010, \$1,308,436 for 2009 and \$833,000 for 2008.
- Capital contributions returned were \$1,870,110 for 2010, \$2,073,461 for 2009 and \$2,604,592 for 2008, a decrease of \$(203,351) and a decrease of \$(531,131) when compared to 2009 and 2008.

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, 2010 and 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
ASSETS			
Current Assets	\$ 9,092	\$ 9,331	\$ 12,381
Net Capital Assets	<u>7,292</u>	<u>7,066</u>	<u>6,127</u>
TOTAL ASSETS	<u>\$ 16,384</u>	<u>\$ 16,397</u>	<u>\$ 18,508</u>
LIABILITIES			
Current Liabilities	\$ 5,452	\$ 5,156	\$ 7,667
Non-Current Liabilities	<u>249</u>	<u>219</u>	<u>257</u>
TOTAL LIABILITIES	<u>5,701</u>	<u>5,375</u>	<u>7,924</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,293	7,066	6,127
Unrestricted	<u>3,390</u>	<u>3,956</u>	<u>4,457</u>
Total Net Assets	<u>10,683</u>	<u>11,022</u>	<u>10,584</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,384</u>	<u>\$ 16,397</u>	<u>\$ 18,508</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, 2010 and 2009 and 2008

	2010	2009	2008
Operating Revenues			
Rentals – Net	\$ 4,018	\$ 3,816	\$ 3,669
Management Fees	6,014	6,572	9,713
Net Parking	2,832	2,982	2,836
Total Operating Revenues	12,864	13,370	16,218
Operating Expenses			
Salaries and Benefits	5,896	6,451	6,272
Office	90	118	144
Education and Training	7	13	11
Purchased Services and Supplies	988	978	1,031
Operating Contracts	1,383	1,464	1,895
Utilities	1,844	2,011	3,906
Communications	61	59	68
Insurance	225	229	235
Professional Fees	111	57	91
Depreciation	723	643	583
Maintenance Facility	73	60	51
Other	243	178	78
Total Operating Expenses	11,644	12,261	14,365
Operating Income	1,220	1,109	1,853
Non-Operating Revenues (Expenses)			
Interest Income	29	92	331
Bank Charges	(8)	(7)	(8)
Capital Contributions Returned	(1,912)	(2,073)	(2,605)
Total Non-Operating Revenues – Net	(1,891)	(1,988)	(2,282)
Increase (Decrease) in Net Assets Before Capital Contributions (Deductions)	(671)	(879)	(429)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	2010	2009	2008
Capital Contributions (Deductions):			
Capital Contributions	332	1,317	856
Increase (Decrease) in Net Assets	(339)	438	427
Net Assets, Beginning of Year	11,022	10,584	10,157
Net Assets, End of Year	\$ 10,683	\$ 11,022	\$ 10,584
 OTHER SELECTED INFORMATION			
Space (in Square Feet) Under Management	1,410,669	1,711,170	1,721,345
Number of Parking Spaces Under Management	5,924	5,924	5,924
Parks – Number of Acres Under Management	32	32	23
Employees at Year-End:			
Facilities Management	38	47	40
Safety and Security	37	44	48
Property Development	5	5	8
Telecommunications	8	9	8
Administrative	9	12	14
Total	97	117	118
 Average Number of Employees	 97	 117	 123
Per Average Employee:			
Operating Revenues	\$ 132,619	\$ 114,270	\$ 131,854
Operating Expenses	\$ 120,036	\$ 104,792	\$ 116,789
Ratio of Operating Revenues to:			
Operating Expenses	110%	109%	113%
Operating Expenses – Net of Depreciation	118%	115%	118%
Total Assets	79%	82%	88%
Net Assets	120%	121%	153%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS FOR FY 2010

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

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

While no new, major capital projects are anticipated by the City and County, at this time, PBA's Property Development Department will manage over \$9 million in capital, renovation projects for the City and County in FY2010-11, with \$5.6 million in projects for the County and \$3.8 million for the City. The number of projects for County will be 20, and the number of projects for the City will be 29. In addition to those renovation projects, PBA will manage over \$500,000 in telecommunications projects for the County and School District and over \$166,000 in telecommunications projects for the City.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS FOR FY 2009

Beginning with fiscal year 2009, the County took over managing all utility costs and payments for all its properties, eliminating these costs from the PBA's property management budgets. Along these same lines, the County decided to self-manage custodial and grounds services at Knox Central, the Libraries, Senior Centers, and the Health Department, eliminating these activities and costs from the PBA's property management budgets.

The City has requested that PBA's Property Development division manage two of their projects that will be appropriated by one or more federal agencies under the American Recovery and Reinvestment Act of 2009 (ARRA). Of these two ARRA funded projects, the City has designated \$2,300,000 to improve and renovate a facility operated by the Knoxville Area Transit (KAT) and \$3,000,000 for additional work on the current Central Station Transit Facility project (\$26,610,000). The Central Station Transit Facility and the KAT Renovations will be completed by August 2010.

In addition to Property Development's regular project load, two major Knox County projects were completed in fiscal year 2009. Hardin Valley Academy, a \$50,000,000 project, was opened in August 2008. Powell Middle School Renovations, a \$16,000,000 project, was substantially completed in June 2009.

In partnership with Knox County's Energy Efficiency program, PBA has worked with Trane to identify areas of capital savings, provided tours through the County-owned facilities to understand the systems and scheduled access and site visits for their program. Coordination is essential to avoid duplication or further costs with replacements of systems scheduled for repair. PBA will continue to partner with both the County and Trane to recognize the energy efficient cost savings in our future property budgets and to accommodate the requirements for the new systems.

Additionally, PBA's Property Management Division continues to look internally at cost-savings measures as the groundwork is laid for the 2011 budget sessions. Recent initiatives have combined a courier position with a part-time information desk position and not replacing a full-time position for security screening at the Old Courthouse.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL CONDITION

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

Net assets increased (decreased) by \$(339,022), \$437,283, and \$426,914 for the years ending June 30, 2010, 2009 and 2008, respectively. Decrease in net assets is the result of an increase in depreciation and additional return of prior year reserves to the County.

RESULTS OF OPERATIONS

Capital Contributions (Deductions)

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

Operating and capital asset replacement reserve contributions were \$332,128 and \$1,316,805 for 2010 and 2009, respectively. The contributions consist of the following:

<u>June 30, 2010</u>	<u>Capital Reserves</u>
County:	
City County Building	\$ <u>15,075</u>
City:	
City County Building	192,053
City Parking Facilities	-
City Parks	<u>125,000</u>
Total City	<u>317,053</u>
Others	<u>-</u>
Total	\$ <u><u>332,128</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

RESULTS OF OPERATIONS (Continued)

<u>June 30, 2009</u>	<u>Capital Reserves</u>
County:	
City County Building	\$ <u>455,423</u>
City:	
City County Building	196,299
City Parking Facilities	538,090
City Parks	<u>122,346</u>
Total City	<u>856,735</u>
Others	<u>4,647</u>
Total	<u>\$ 1,316,805</u>

Capital Contributions (Deductions) (Continued)

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

Reserves returned to the City and County during 2009 totaled \$2,054,297 and represented a refund of operating results above the calculated desired reserve. Additionally, operating reserves of \$13,076 were refunded to the Emergency Communications District and \$6,088 to the Industrial Development Board, also representing operating reserves above the calculated needed reserve.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

RESULTS OF OPERATIONS (Continued)

Operating Expenses

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

	2010	2009
Salaries and Benefits	\$ (554,266)	\$ 178,221
Purchased Services and Supplies	9,769	(52,242)
Operating Contracts	(80,505)	(431,556)
Utilities	(166,394)	(1,894,819)
Other – Net	174,231	(95,419)
Total	\$ (617,165)	\$ (2,104,977)

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

Capital Assets

During 2010, 2009 and 2008, PBA increased its producing capital assets by \$1,469,558, \$1,027,984, and \$950,171, respectively. These increases (decreases) consist of the following:

	2010	2009	2008
Site Improvements	\$ 127,905	\$ 190,795	\$ 37,776
Building Improvements	927,995	550,698	725,834
Machinery and Equipment	395,429	123,052	252,806
Data Processing Equipment and Software	18,229	56,839	(66,245)
Vehicles	-	106,600	-
Total	\$ 1,469,558	\$ 1,027,984	\$ 950,171

The PBA's capital asset activity for 2010 and 2009 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:

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

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

*BALANCE SHEETS
June 30, 2010 and 2009*

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 6,626,378	\$ 6,455,154
Receivables:		
Accounts	21,642	20,901
Due from City and County	2,352,259	2,763,082
Due from Other Governmental Agencies	864	688
Inventory	13,047	12,043
Prepaid Items	<u>77,261</u>	<u>79,006</u>
 Total Current Assets	 <u>9,091,451</u>	 <u>9,330,874</u>
 Capital Assets		
Property and Equipment	11,326,122	9,952,973
Less: Accumulated Depreciation	(4,151,110)	(3,482,307)
Construction in Progress	<u>117,386</u>	<u>595,153</u>
 Net Capital Assets	 <u>7,292,398</u>	 <u>7,065,819</u>
 TOTAL ASSETS	 <u><u>\$ 16,383,849</u></u>	 <u><u>\$ 16,396,693</u></u>

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

LIABILITIES AND NET ASSETS

	2010	2009
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 4,350,295	\$ 3,852,638
Due to City and County	742,090	948,284
Due to Other Governmental Agencies	111,666	19,164
Unearned Revenues	12,025	31,268
Customer Deposits	30,686	15,025
Compensated Absences Payable	204,950	289,925
Total Current Liabilities	5,451,712	5,156,304
Non-Current Liabilities		
Compensated Absences Payable	249,485	218,715
Total Non-Current Liabilities	249,485	218,715
Total Liabilities	5,701,197	5,375,019
Net Assets		
Invested in Capital Assets	7,292,398	7,065,819
Unrestricted	3,390,254	3,955,855
Total Net Assets	10,682,652	11,021,674
TOTAL LIABILITIES AND NET ASSETS	\$ 16,383,849	\$ 16,396,693

*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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Rental Income from City and County	\$ 3,887,410	\$ 3,623,121
Management Fees from City and County	5,833,766	6,380,409
Management Fees from Other Governmental Agencies	179,713	191,633
Other Rental Income - Net	130,853	192,461
Net Parking Revenues	<u>2,832,092</u>	<u>2,982,014</u>
 Total Operating Revenues	 <u>12,863,834</u>	 <u>13,369,638</u>
Operating Expenses		
Salaries and Benefits	5,896,222	6,450,488
Office	89,703	118,120
Education and Training	6,806	12,437
Purchased Services and Supplies	988,458	978,689
Operating Contracts	1,382,944	1,463,449
Utilities	1,844,483	2,010,877
Communications	60,503	59,126
Insurance	224,990	229,141
Professional Fees	110,701	56,743
Depreciation	722,568	643,194
Maintenance Facility	72,643	60,301
Other	<u>243,499</u>	<u>178,120</u>
 Total Operating Expenses	 <u>11,643,520</u>	 <u>12,260,685</u>
 Operating Income	 <u>1,220,314</u>	 <u>1,108,953</u>

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

	<u>2010</u>	<u>2009</u>
Non-Operating Revenues (Expenses)		
Interest Income	\$ 28,997	\$ 92,272
Bank Charges	(7,706)	(7,286)
Capital Returned to City and County	(1,801,089)	(2,054,297)
Capital Returned to Other Governmental Agencies	<u>(111,666)</u>	<u>(19,164)</u>
 Total Non-Operating Revenues (Expenses) - Net	 <u>(1,891,464)</u>	 <u>(1,988,475)</u>
 Increase (Decrease) in Net Assets Before Capital Contributions	 <u>(671,150)</u>	 <u>(879,522)</u>
Capital Contributions		
Cash:		
Capital Contributions from the City and County	332,128	1,312,158
Capital Contributions from Other Governmental Agencies	<u>-</u>	<u>4,647</u>
 Total Capital Contributions	 <u>332,128</u>	 <u>1,316,805</u>
 Increase (Decrease) in Net Assets	 (339,022)	 437,283
 Net Assets, Beginning of Year	 <u>11,021,674</u>	 <u>10,584,391</u>
 Net Assets, End of Year	 <u><u>\$ 10,682,652</u></u>	 <u><u>\$ 11,021,674</u></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, 2010 and 2009*

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Receipts from City and County	\$ 10,131,999	\$ 11,135,570
Receipts from Other Governmental Agencies	179,537	191,571
Receipts from Other Customers	2,977,865	3,186,909
Payments to Employees	(5,950,427)	(6,439,131)
Payments to Suppliers	<u>(4,545,575)</u>	<u>(6,093,401)</u>
Net Cash Provided by Operating Activities	<u>2,793,399</u>	<u>1,981,518</u>
Cash Flows from Capital and Related Financing Activities		
Capital Contributed by City and County	332,128	1,312,158
Capital Contributed by Other Governmental Agencies	-	4,647
Capital Returned to City and County	(1,964,638)	(3,685,774)
Capital Returned to Other Governmental Agencies	(19,164)	(24,832)
Capital Asset Additions	<u>(991,792)</u>	<u>(1,582,043)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(2,643,466)</u>	<u>(3,975,844)</u>
Cash Flows from Investing Activities		
Interest Received on Deposits	28,997	92,272
Bank Charges	<u>(7,706)</u>	<u>(7,286)</u>
Net Cash Provided by Investing Activities	<u>21,291</u>	<u>84,986</u>
Net Increase (Decrease) in Cash and Cash Equivalents	171,224	(1,909,340)
Cash and Cash Equivalents, Beginning of Year	<u>6,455,154</u>	<u>8,364,494</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,626,378</u>	<u>\$ 6,455,154</u>

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

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income	\$ 1,220,314	\$ 1,108,953
Adjustments to Reconcile Operating Income to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	722,568	643,194
Changes in:		
Accounts Receivable	(741)	9,558
Due from City and County	410,823	1,132,040
Due from Other Governmental Agencies	(176)	(62)
Prepaid Items	1,745	5,139
Other Current Assets	(1,004)	(5,625)
Accounts Payable and Accrued Liabilities	497,657	(902,382)
Customer Deposits	15,661	2,876
Compensated Absences Payable	(54,205)	11,354
Other Current Liabilities	<u>(19,243)</u>	<u>(23,527)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,793,399</u>	<u>\$ 1,981,518</u>

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

*NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010 and 2009*

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, 2010 and 2009*

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, and operating contracts for maintenance, insurance and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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, 2010 and 2009*

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, 2010 and 2009*

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 vendor.

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

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, 2010 and 2009*

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. PBA has assumed a first-in, first-out method of using accumulated compensated time and the related liability has been recorded as a current and long-term liability in the financial statements. Sick leave is forfeited upon employee termination or retirement.

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, 2010 and 2009*

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, 2010 and 2009*

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.

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

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 2010 rents are apportioned 71.3% to the County and 28.7% to the City.

NOTE 4: OPERATING CONTRACTS

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

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, 2010 and 2009*

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
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.

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

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 expired on June 30, 2010, and will be taken to City Council in October 2010 for renewal.

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 and Second Creek Greenway

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

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

NOTE 4: OPERATING CONTRACTS (Continued)

C. City Development Contracts

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

The PBA and the City entered into a contract in February 2005 for planning and construction services for various City owned properties. Under the terms of the contract, the City reimburses the PBA for all direct and indirect costs and expenses incurred related to these services. The PBA is required to submit a project budget 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.

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

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
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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
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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 .47% and .47% at year-end 2010 and 2009. All funds are available on demand.

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

C. Cash and Cash Equivalents (Continued)

The PBA's cash and cash equivalents at June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Petty Cash	\$ 450	\$ 650
Postage	756	1,040
Demand Deposits	<u>6,625,172</u>	<u>6,453,464</u>
Total	\$ <u>6,626,378</u>	\$ <u>6,455,154</u>

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

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.

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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.

H. Investment Income

Investment income, which consists of interest income, was \$28,997 and \$92,272 for 2010 and 2009, respectively. Bank charges are shown separately and were \$7,706 and \$7,286 for 2010 and 2009, respectively.

*THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

NOTE 6: CAPITAL ASSETS

Capital asset activity during 2010 was as follows:

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

*THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

NOTE 6: CAPITAL ASSETS (Continued)

Capital asset activity during 2009 was as follows:

	<u>Balances July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balances June 30, 2009</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 101,016	\$ -	\$ -	\$ -	\$ 101,016
Construction in Progress	<u>41,094</u>	<u>591,418</u>	<u>-</u>	<u>(37,359)</u>	<u>595,153</u>
Subtotal	<u>142,110</u>	<u>591,418</u>	<u>-</u>	<u>(37,359)</u>	<u>696,169</u>
Capital Assets Being Depreciated:					
Site Improvements	139,992	190,795	-	-	330,787
Buildings & Improvements	6,456,260	513,339	-	37,359	7,006,958
Machinery & Equipment	1,879,105	123,052	-	-	2,002,157
Data Processing Equipment & Software	182,130	56,839	-	-	238,969
Vehicles	<u>166,486</u>	<u>106,600</u>	<u>-</u>	<u>-</u>	<u>273,086</u>
Subtotal	<u>8,823,973</u>	<u>990,625</u>	<u>-</u>	<u>37,359</u>	<u>9,851,957</u>
Less: Accumulated Depreciation:					
Site Improvements	(17,912)	(17,671)	-	-	(35,583)
Building Improvements	(1,718,959)	(319,535)	-	-	(2,038,494)
Machinery & Equipment	(870,534)	(248,380)	-	-	(1,118,914)
Data Processing Equipment & Software	(127,421)	(27,715)	-	-	(155,136)
Vehicles	<u>(104,287)</u>	<u>(29,893)</u>	<u>-</u>	<u>-</u>	<u>(134,180)</u>
Subtotal	<u>(2,839,113)</u>	<u>(643,194)</u>	<u>-</u>	<u>-</u>	<u>(3,482,307)</u>
Total Capital Assets Being Depreciated – Net	<u>5,984,860</u>	<u>347,431</u>	<u>-</u>	<u>37,359</u>	<u>6,369,650</u>
Total Capital Assets - Net	<u>\$ 6,126,970</u>	<u>\$ 938,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,065,819</u>

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

NOTE 6: CAPITAL ASSETS (Continued)

Depreciation expense was charged as follows:

	<u>2010</u>	<u>2009</u>
Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage	\$ 72,046	\$ 78,624
City County Building	307,128	259,282
City Parking Facilities	55,942	36,392
City Parks	68,071	52,488
E-911	350	350
Fairview Technology Center	1,125	1,125
Health Department	1,359	1,889
John Tarleton Home	2,983	2,377
Juvenile Justice Center	3,031	2,726
Knox Central	2,050	1,222
Libraries	3,425	11,260
Old Court House	37,285	36,448
Other	31,986	26,439
Property Development	4,496	4,496
Senior Centers	2,130	1,702
Telecom	129,161	126,374
Total	\$ <u>722,568</u>	\$ <u>643,194</u>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
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NOTE 7: CONSTRUCTION IN PROGRESS

At year-end 2010 and 2009, construction in progress consisted of the following:

Facility / Project	2010		2009	
	Actual To-Date	Remaining Commitments	Actual To-Date	Remaining Commitments
City/County Building:				
Carpet – Phase II	\$ -	\$ -	\$ 281,394	\$ 18,851
West Elevator Upgrade	-	-	4,997	4,275
Assembly Room Lighting	-	-	16,663	60,772
Crossover Pavers	-	-	5,413	6,587
AMAG Upgrade	15,850	48,738	-	-
Liebert System	64,642	9,475	-	-
Garage Post Tension Cables	7,989	111,512	-	-
Flood Correction	8,835	125,000	-	-
City Parking Facilities:				
ADA Signage – State Street Garage	3,735	31,265	3,735	31,265
Structural Upgrades– State Street Garage	-	-	279,333	319,137
Bollards – Market Square Garage	434	30,000	-	-
City Parks:				
Festival Lawn – Worlds’ Fair Park	3,691	175,000	-	-
Sunsphere Elevator	12,210	7,652	-	-
Other:				
Fence - Maintenance Building	-	-	3,618	2,662
Total	\$ 117,386	\$ 538,642	\$ 595,153	\$ 443,279

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

NOTE 8: COMPENSATED ABSENCES PAYABLE

Compensated absences activity during 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Balance, Beginning of Year	\$ 508,640	\$ 497,287
Earned	175,240	294,700
Used	<u>(229,445)</u>	<u>(283,347)</u>
Balance, End of Year	\$ <u>454,435</u>	\$ <u>508,640</u>
Current Portion	\$ 204,950	\$ 289,925
Non-Current Portion	<u>249,485</u>	<u>218,715</u>
Total	\$ <u>454,435</u>	\$ <u>508,640</u>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
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NOTE 9: NET ASSETS

Net assets represent the difference between assets and liabilities. The net assets at June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Invested in Capital Assets:		
Net Capital Assets	\$ 7,292,398	\$ 7,065,819
Unrestricted:		
Designated for Operating Reserve	1,008,692	1,072,981
Designated for Capital Asset Replacement	<u>2,381,562</u>	<u>2,882,874</u>
	<u>3,390,254</u>	<u>3,955,855</u>
Total	\$ <u>10,682,652</u>	\$ <u>11,021,674</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, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
City	\$ 5,314,606	\$ 5,124,429
County	5,317,006	5,845,855
Others:		
Development Corp. of Knox County	16,390	16,390
Emergency Communications District	<u>34,650</u>	<u>35,000</u>
Total	\$ <u>10,682,652</u>	\$ <u>11,021,674</u>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
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NOTE 10: OPERATING REVENUES

Operating revenues earned during 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Rental Income from City and County	\$ 3,887,410	\$ 3,623,121
Other Rental Income:		
Gross Revenues	130,853	193,603
Less: Bad Debts	-	(1,142)
Other Rental Income – Net	<u>130,853</u>	<u>192,461</u>
Management Fees from the City and County	5,833,766	6,380,409
Management Fees from Other Governmental Agencies	179,713	191,633
Parking Revenues:		
Gross Revenues	3,277,863	3,397,972
Less: Commissions to Vendor	(445,771)	(415,958)
Net Parking Revenues	<u>2,832,092</u>	<u>2,982,014</u>
Total	<u>\$ 12,863,834</u>	<u>\$ 13,369,638</u>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

NOTE 11: CAPITAL CONTRIBUTIONS AND DEDUCTIONS

During 2010, 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	\$ 310,985	\$ -	\$ -	\$ 310,985
Operating Reserves	6,068	15,075	-	21,143
Capital Deductions				
Capital Contributions Returned	<u>(1,429,079)</u>	<u>(372,010)</u>	<u>(111,666)</u>	<u>(1,912,755)</u>
Total - Net	<u>\$ (1,112,026)</u>	<u>\$ (356,935)</u>	<u>\$ (111,666)</u>	<u>\$ (1,580,627)</u>

During 2009, 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	\$ 855,614	\$ 452,822	\$ -	\$ 1,308,436
Operating Reserves	1,121	2,601	4,647	8,369
Capital Deductions				
Capital Contributions Returned	<u>(1,688,014)</u>	<u>(366,283)</u>	<u>(19,164)</u>	<u>(2,073,461)</u>
Total - Net	<u>\$ (831,179)</u>	<u>\$ 89,140</u>	<u>\$ (14,517)</u>	<u>\$ (756,656)</u>

During 2010, 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; \$1,429,079 was returned to the City, \$372,010 was returned to the County, \$5,649 was returned to the District, \$4,833 to the IDB, \$90,963 was returned to Knox County Schools, and \$10,221 was returned to the Development Corporation. These funds represented the results of operations.

During 2009, 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; \$1,688,014 was returned to the City, \$366,283 was returned to the County, \$13,076 was returned to the District, and \$6,088 to the IDB. 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, 2010 and 2009*

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 2010 and 2009:

<u>June 30, 2010</u>	<u>City</u>	<u>County</u>	<u>Total</u>
Due From, End of Year	\$ 2,183,592	\$ 168,667	\$ 2,352,259
Due To, End of Year	412,725	329,365	742,090
Rental Income	1,115,687	2,771,723	3,887,410
Management Fees	2,430,396	3,403,370	5,833,766
Net Parking Revenues	2,225,205	606,887	2,832,092
<u>June 30, 2009</u>	<u>City</u>	<u>County</u>	<u>Total</u>
Due From, End of Year	\$ 1,446,831	\$ 1,316,251	\$ 2,763,082
Due To, End of Year	582,000	366,283	948,284
Rental Income	1,091,284	2,531,837	3,623,121
Management Fees	2,182,384	4,198,025	6,380,409
Net Parking Revenues	2,216,174	765,840	2,982,014

During 2010 and 2009, approximately 45% and 41% of operating revenues, respectively, were from the City. During 2010 and 2009, approximately 53% and 56% 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, 2010 and 2009

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, 2010 and 2009*

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, 2010. 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, 2010 and 2009*

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, 2010 and 2009*

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
2010	\$ -	\$ -	N/A
2009	-	-	N/A
2008	-	-	N/A

Due to the Plan's excess prior years' funding, PBA did not make any employer contributions during 2010, 2009 or 2008.

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, 2010 and 2009*

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 2010 and 2009, PBA employees made mandatory and voluntary contributions of \$324,102 and \$353,557, respectively. During 2010 and 2009, PBA made matching employer contributions of \$303,854 and \$329,412, 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, 2010 and 2009*

NOTE 14: RETIREMENT PLANS (Continued)

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

The maximum and minimum participant annual contributions for 2010 and 2009 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>
2010	\$ 120
2009	120
2008	120

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

During 2010 and 2009, PBA employees made voluntary contributions of \$7,623 and \$10,105, 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 \$-0- during 2010 and \$220 during 2009.

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

*NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009*

NOTE 16: SUBSEQUENT EVENTS

On August 16, 2010, the 108,000 square foot, Knoxville Transit Station Center officially opened for operation. The Knoxville Station Transit Center is a unique property as it was designed and constructed to achieve Silver certification through the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) for New Construction v2.2 program. PBA transitions from the role of property developer to that of property manager.

The Jackson Avenue Parking Lot was re-opened on September 13, 2010. The Jackson Avenue Parking Lot has been closed since a warehouse fire in February 2007. This parking lot adds 190 spaces to our management of City Parking Facilities.

**SUPPLEMENTARY
INFORMATION**

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

BALANCE SHEET BY ACTIVITY
June 30, 2010

	Property Management - City Properties				
	Parking Facilities	Police Department	Parks	Downtown Cinema	Total City Properties
Assets:					
Current Assets					
Cash and Cash Equivalents	\$ 1,163,069	\$ 4,138	\$ 797,590	\$ 83,358	\$ 2,048,155
Receivables:					
Accounts	-	-	21,642	-	21,642
Due from County	-	-	-	-	-
Due from City	-	-	125,000	-	125,000
Prepaid Items	<u>768</u>	<u>9</u>	<u>1,408</u>	<u>112</u>	<u>2,297</u>
Total Current Assets	<u>1,163,837</u>	<u>4,147</u>	<u>945,640</u>	<u>83,470</u>	<u>2,197,094</u>
Capital Assets					
Building Improvements	887,281	-	-	-	887,281
Site Improvements	-	-	370,328	-	370,328
Data Processing Equipment and Software	4,184	-	5,557	-	9,741
Machinery and Equipment	302,638	-	243,262	-	545,900
Vehicles	250	-	201,862	-	202,112
Total Capital Assets	1,194,353	-	821,009	-	2,015,362
Less: Accumulated Depreciation	(176,013)	-	(283,698)	-	(459,711)
Construction in Progress	<u>4,168</u>	<u>-</u>	<u>15,901</u>	<u>-</u>	<u>20,069</u>
Net Capital Assets	<u>1,022,508</u>	<u>-</u>	<u>553,212</u>	<u>-</u>	<u>1,575,720</u>
Total Assets	<u>\$ 2,186,345</u>	<u>\$ 4,147</u>	<u>\$ 1,498,852</u>	<u>\$ 83,470</u>	<u>\$ 3,772,814</u>
Liabilities:					
Current Liabilities					
Accounts Payable and Accrued Liabilities	\$ 253,184	\$ 367	\$ 266,444	\$ 4,906	\$ 524,901
Due to (from) Other Departments	333,739	3,630	28,248	69,671	435,288
Unearned Revenues	12,025	-	-	-	12,025
Customer Deposits	2,500	-	20,293	7,893	30,686
Compensated Absences Payable	<u>9,760</u>	<u>68</u>	<u>37,808</u>	<u>451</u>	<u>48,087</u>
Total Current Liabilities	<u>611,208</u>	<u>4,065</u>	<u>352,793</u>	<u>82,921</u>	<u>1,050,987</u>
Non-Current Liabilities					
Compensated Absences Payable	<u>11,880</u>	<u>82</u>	<u>46,024</u>	<u>549</u>	<u>58,535</u>
Total Non-Current Liabilities	<u>11,880</u>	<u>82</u>	<u>46,024</u>	<u>549</u>	<u>58,535</u>
Total Liabilities	<u>623,088</u>	<u>4,147</u>	<u>398,817</u>	<u>83,470</u>	<u>1,109,522</u>
Net Assets					
Invested in Capital Assets	1,022,508	-	553,212	-	1,575,720
Unrestricted:					
Designated for Capital Asset Replacement Reserve	<u>540,749</u>	<u>-</u>	<u>546,823</u>	<u>-</u>	<u>1,087,572</u>
Total Net Assets	<u>1,563,257</u>	<u>-</u>	<u>1,100,035</u>	<u>-</u>	<u>2,663,292</u>
Total Liabilities and Net Assets	<u>\$ 2,186,345</u>	<u>\$ 4,147</u>	<u>\$ 1,498,852</u>	<u>\$ 83,470</u>	<u>\$ 3,772,814</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
\$ (48,734)	\$ (10,650)	\$ 47,869	\$ 46,253	\$ 102,640	\$ 31,644	\$ 72,904	\$ 63,426	\$ 22,126	\$ 47,034	\$ 374,512
-	-	-	-	-	-	-	-	-	-	-
-	-	18,276	-	-	-	-	-	-	-	18,276
-	-	-	-	-	-	-	-	-	-	-
<u>749</u>	<u>95</u>	<u>278</u>	<u>102</u>	<u>351</u>	<u>183</u>	<u>-</u>	<u>302</u>	<u>68</u>	<u>10</u>	<u>2,138</u>
<u>(47,985)</u>	<u>(10,555)</u>	<u>66,423</u>	<u>46,355</u>	<u>102,991</u>	<u>31,827</u>	<u>72,904</u>	<u>63,728</u>	<u>22,194</u>	<u>47,044</u>	<u>394,926</u>
1,115,865	-	-	26,327	11,591	18,593	-	714,744	-	-	1,887,120
-	-	-	-	-	-	-	-	5,106	-	5,106
27,871	-	709	576	576	1,103	-	-	-	-	30,835
155,949	-	5,028	-	9,862	6,656	-	19,792	10,650	-	207,937
<u>5,300</u>	<u>-</u>	<u>8,000</u>	<u>12,454</u>	<u>9,454</u>	<u>7,950</u>	<u>-</u>	<u>4,304</u>	<u>500</u>	<u>-</u>	<u>47,962</u>
1,304,985	-	13,737	39,357	31,483	34,302	-	738,840	16,256	-	2,178,960
(820,497)	-	(10,843)	(15,620)	(11,680)	(15,354)	-	(286,055)	(7,459)	-	(1,167,508)
-	-	-	-	-	-	-	-	-	-	-
<u>484,488</u>	<u>-</u>	<u>2,894</u>	<u>23,737</u>	<u>19,803</u>	<u>18,948</u>	<u>-</u>	<u>452,785</u>	<u>8,797</u>	<u>-</u>	<u>1,011,452</u>
<u>\$ 436,503</u>	<u>\$ (10,555)</u>	<u>\$ 69,317</u>	<u>\$ 70,092</u>	<u>\$ 122,794</u>	<u>\$ 50,775</u>	<u>\$ 72,904</u>	<u>\$ 516,513</u>	<u>\$ 30,991</u>	<u>\$ 47,044</u>	<u>\$ 1,406,378</u>
\$ 32,345	\$ 11,326	\$ 38,984	\$ 10,336	\$ 66,784	\$ 8,612	\$ 7,766	\$ 24,429	\$ 3,851	\$ 4,030	\$ 208,463
(114,144)	(27,658)	13,319	29,436	13,389	13,946	65,138	7,587	13,586	42,706	57,305
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>15,250</u>	<u>2,605</u>	<u>6,368</u>	<u>2,969</u>	<u>10,291</u>	<u>4,180</u>	<u>-</u>	<u>14,302</u>	<u>2,145</u>	<u>139</u>	<u>58,249</u>
<u>(66,549)</u>	<u>(13,727)</u>	<u>58,671</u>	<u>42,741</u>	<u>90,464</u>	<u>26,738</u>	<u>72,904</u>	<u>46,318</u>	<u>19,582</u>	<u>46,875</u>	<u>324,017</u>
<u>18,564</u>	<u>3,172</u>	<u>7,752</u>	<u>3,614</u>	<u>12,527</u>	<u>5,089</u>	<u>-</u>	<u>17,410</u>	<u>2,612</u>	<u>169</u>	<u>70,909</u>
<u>18,564</u>	<u>3,172</u>	<u>7,752</u>	<u>3,614</u>	<u>12,527</u>	<u>5,089</u>	<u>-</u>	<u>17,410</u>	<u>2,612</u>	<u>169</u>	<u>70,909</u>
<u>(47,985)</u>	<u>(10,555)</u>	<u>66,423</u>	<u>46,355</u>	<u>102,991</u>	<u>31,827</u>	<u>72,904</u>	<u>63,728</u>	<u>22,194</u>	<u>47,044</u>	<u>394,926</u>
484,488	-	2,894	23,737	19,803	18,948	-	452,785	8,797	-	1,011,452
-	-	-	-	-	-	-	-	-	-	-
<u>484,488</u>	<u>-</u>	<u>2,894</u>	<u>23,737</u>	<u>19,803</u>	<u>18,948</u>	<u>-</u>	<u>452,785</u>	<u>8,797</u>	<u>-</u>	<u>1,011,452</u>
<u>\$ 436,503</u>	<u>\$ (10,555)</u>	<u>\$ 69,317</u>	<u>\$ 70,092</u>	<u>\$ 122,794</u>	<u>\$ 50,775</u>	<u>\$ 72,904</u>	<u>\$ 516,513</u>	<u>\$ 30,991</u>	<u>\$ 47,044</u>	<u>\$ 1,406,378</u>

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

BALANCE SHEET BY ACTIVITY (Continued)
June 30, 2010

	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	\$ 1,904,523	\$ 45,965	\$ 24,820	\$ 4,397,975	\$ 287,641	\$ 337,842	\$ 1,602,920	\$ 6,626,378
Receivables:								
Accounts	-	-	-	21,642	-	-	-	21,642
Due from County	-	-	-	18,276	-	2,985	147,406	168,667
Due from City	185,985	-	-	310,985	15,342	85	1,857,180	2,183,592
Due from Other Governmental Agencies	-	-	-	-	-	-	864	864
Due from Other Departments	-	-	-	-	-	-	1,021,625	1,021,625
Inventory	-	-	-	-	-	13,047	-	13,047
Prepaid Items	21,408	64	38	25,945	-	993	50,323	77,261
Total Current Assets	<u>2,111,916</u>	<u>46,029</u>	<u>24,858</u>	<u>4,774,823</u>	<u>302,983</u>	<u>354,952</u>	<u>4,680,318</u>	<u>10,113,076</u>
Capital Assets								
Land	-	-	-	-	-	-	101,016	101,016
Buildings	-	-	-	-	-	-	528,264	528,264
Building Improvements	4,558,159	6,000	-	7,338,560	8,977	-	19,045	7,366,582
Site Improvements	74,342	-	-	449,776	-	-	-	449,776
Data Processing Equipment and Software	42,436	-	-	83,012	20,698	18,751	109,890	232,351
Machinery and Equipment	845,083	-	11,250	1,610,170	-	764,876	-	2,375,046
Vehicles	2,350	250	-	252,674	-	20,413	-	273,087
Total Capital Assets	5,522,370	6,250	11,250	9,734,192	29,675	804,040	758,215	11,326,122
Less: Accumulated Depreciation	(1,888,118)	(925)	(6,183)	(3,522,445)	(20,239)	(516,255)	(92,171)	(4,151,110)
Construction in Progress	97,317	-	-	117,386	-	-	-	117,386
Net Capital Assets	<u>3,731,569</u>	<u>5,325</u>	<u>5,067</u>	<u>6,329,133</u>	<u>9,436</u>	<u>287,785</u>	<u>666,044</u>	<u>7,292,398</u>
Total Assets	<u>\$ 5,843,485</u>	<u>\$ 51,354</u>	<u>\$ 29,925</u>	<u>\$ 11,103,956</u>	<u>\$ 312,419</u>	<u>\$ 642,737</u>	<u>\$ 5,346,362</u>	<u>\$ 17,405,474</u>
Liabilities:								
Current Liabilities								
Accounts Payable and Accrued Liabilities	\$ 383,297	\$ 7,654	\$ 1,881	\$ 1,126,196	\$ 31,699	\$ 22,889	\$ 3,169,511	\$ 4,350,295
Due to City	-	-	-	-	-	-	412,725	412,725
Due to County	-	-	-	-	-	-	329,365	329,365
Due to Other Governmental Agencies	-	-	-	-	-	-	111,666	111,666
Due to (from) Other Departments	(5,973)	6,703	10,504	503,827	222,499	295,299	-	1,021,625
Unearned Revenues	-	-	-	12,025	-	-	-	12,025
Customer Deposits	-	-	-	30,686	-	-	-	30,686
Compensated Absences Payable	58,454	1,059	519	166,368	22,002	16,580	-	204,950
Total Current Liabilities	<u>435,778</u>	<u>15,416</u>	<u>12,904</u>	<u>1,839,102</u>	<u>276,200</u>	<u>334,768</u>	<u>4,023,267</u>	<u>6,473,337</u>
Non-Current Liabilities								
Compensated Absences Payable	71,155	1,288	631	202,518	26,783	20,184	-	249,485
Total Non-Current Liabilities	<u>71,155</u>	<u>1,288</u>	<u>631</u>	<u>202,518</u>	<u>26,783</u>	<u>20,184</u>	<u>-</u>	<u>249,485</u>
Total Liabilities	<u>506,933</u>	<u>16,704</u>	<u>13,535</u>	<u>2,041,620</u>	<u>302,983</u>	<u>354,952</u>	<u>4,023,267</u>	<u>6,722,822</u>
Net Assets								
Invested in Capital Assets	3,731,569	5,325	5,067	6,329,133	9,436	287,785	666,044	7,292,398
Unrestricted:								
Designated for Operating Reserve	310,993	29,325	11,323	351,641	-	-	657,051	1,008,692
Designated for Capital Asset Replacement Reserve	1,293,990	-	-	2,381,562	-	-	-	2,381,562
Total Net Assets	<u>5,336,552</u>	<u>34,650</u>	<u>16,390</u>	<u>9,062,336</u>	<u>9,436</u>	<u>287,785</u>	<u>1,323,095</u>	<u>10,682,652</u>
Total Liabilities and Net Assets	<u>\$ 5,843,485</u>	<u>\$ 51,354</u>	<u>\$ 29,925</u>	<u>\$ 11,103,956</u>	<u>\$ 312,419</u>	<u>\$ 642,737</u>	<u>\$ 5,346,362</u>	<u>\$ 17,405,474</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, 2010**

	Property Management - City Properties				Total City Properties
	Parking Facilities	Police Department	Parks	Downtown Cinema	
Operating Revenues:					
Rental Income from City and County	\$ -	\$ -	\$ -	\$ -	\$ -
Management Fees from City and County	-	7,005	1,927,610	142,313	2,076,928
Management Fees from Other Governmental Agencies	-	-	-	24,223	24,223
Rental and Event Revenues	29,397	-	91,971	-	121,368
Net Parking Revenues (Expenses)	<u>2,158,718</u>	<u>-</u>	<u>51,090</u>	<u>-</u>	<u>2,209,808</u>
 Total Operating Revenues	 <u>2,188,115</u>	 <u>7,005</u>	 <u>2,070,671</u>	 <u>166,536</u>	 <u>4,432,327</u>
Operating Expenses:					
Direct					
<u>Property Management</u>					
Management	277,635	1,529	217,341	12,312	508,817
Safety and Services	255,014	1,346	400,042	6,521	662,923
Operations and Maintenance	296,746	-	1,297,094	76,273	1,670,113
<u>Other Management Services</u>					
Property Development	-	-	-	-	-
Telecom Services	-	-	-	-	-
Total Direct Operating Expenses	<u>829,395</u>	<u>2,875</u>	<u>1,914,477</u>	<u>95,106</u>	<u>2,841,853</u>
Indirect					
Corporate Administration	27,845	254	75,309	969	104,377
Finance	40,661	359	109,801	1,358	152,179
MIS	<u>7,618</u>	<u>68</u>	<u>20,582</u>	<u>258</u>	<u>28,526</u>
Total Indirect Operating Expenses	<u>76,124</u>	<u>681</u>	<u>205,692</u>	<u>2,585</u>	<u>285,082</u>
Total Operating Expenses	<u>905,519</u>	<u>3,556</u>	<u>2,120,169</u>	<u>97,691</u>	<u>3,126,935</u>
Operating Income (Loss)	<u>1,282,596</u>	<u>3,449</u>	<u>(49,498)</u>	<u>68,845</u>	<u>1,305,392</u>
Non-Operating Revenues (Expenses)					
Interest Income	5,678	20	4,931	294	10,923
Bank Charges	(3,823)	(1)	(817)	(22)	(4,663)
Capital Returned to City, County and Other Governmental Agencies	<u>(1,339,172)</u>	<u>(3,468)</u>	<u>(1,202)</u>	<u>(69,117)</u>	<u>(1,412,959)</u>
Total Non-Operating Revenues (Expenses) - Net	<u>(1,337,317)</u>	<u>(3,449)</u>	<u>2,912</u>	<u>(68,845)</u>	<u>(1,406,699)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>(54,721)</u>	<u>-</u>	<u>(46,586)</u>	<u>-</u>	<u>(101,307)</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, 2010*

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
106,631	99,176	348,041	161,675	532,186	225,553	261,610	503,347	89,700	-	2,327,919
-	-	-	-	-	-	-	-	-	-	-
-	-	9,485	-	-	-	-	-	-	-	9,485
<u>517,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,804</u>	<u>568,638</u>
<u>624,465</u>	<u>99,176</u>	<u>357,526</u>	<u>161,675</u>	<u>532,186</u>	<u>225,553</u>	<u>261,610</u>	<u>503,347</u>	<u>89,700</u>	<u>50,804</u>	<u>2,906,042</u>
149,431	6,671	33,066	11,857	15,753	21,026	(1,211)	61,358	8,178	1,616	307,745
209,470	15,794	54,327	17,676	137,254	46,934	91,908	195,337	17,761	2	786,463
365,315	88,125	214,106	87,190	309,312	122,270	119,034	211,674	42,817	4,280	1,564,123
-	-	-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>724,216</u>	<u>110,590</u>	<u>301,499</u>	<u>116,723</u>	<u>462,319</u>	<u>190,230</u>	<u>209,731</u>	<u>468,369</u>	<u>68,756</u>	<u>5,898</u>	<u>2,658,331</u>
36,343	6,608	16,023	7,652	24,181	10,098	(2,331)	22,727	4,116	763	126,180
52,873	9,617	22,692	11,207	35,068	14,452	(5,813)	33,099	5,751	1,120	180,066
<u>9,917</u>	<u>1,804</u>	<u>4,291</u>	<u>2,097</u>	<u>6,584</u>	<u>2,724</u>	<u>(955)</u>	<u>6,206</u>	<u>1,092</u>	<u>209</u>	<u>33,969</u>
<u>99,133</u>	<u>18,029</u>	<u>43,006</u>	<u>20,956</u>	<u>65,833</u>	<u>27,274</u>	<u>(9,099)</u>	<u>62,032</u>	<u>10,959</u>	<u>2,092</u>	<u>340,215</u>
<u>823,349</u>	<u>128,619</u>	<u>344,505</u>	<u>137,679</u>	<u>528,152</u>	<u>217,504</u>	<u>200,632</u>	<u>530,401</u>	<u>79,715</u>	<u>7,990</u>	<u>2,998,546</u>
<u>(198,884)</u>	<u>(29,443)</u>	<u>13,021</u>	<u>23,996</u>	<u>4,034</u>	<u>8,049</u>	<u>60,978</u>	<u>(27,054)</u>	<u>9,985</u>	<u>42,814</u>	<u>(92,504)</u>
198	45	440	267	612	246	790	540	137	179	3,454
(705)	(3)	(31)	(19)	(44)	(18)	(54)	(39)	(10)	(593)	(1,516)
<u>129,245</u>	<u>29,401</u>	<u>(14,789)</u>	<u>(26,635)</u>	<u>(7,392)</u>	<u>(7,812)</u>	<u>(114,959)</u>	<u>(1,132)</u>	<u>(10,314)</u>	<u>(42,400)</u>	<u>(66,787)</u>
<u>128,738</u>	<u>29,443</u>	<u>(14,380)</u>	<u>(26,387)</u>	<u>(6,824)</u>	<u>(7,584)</u>	<u>(114,223)</u>	<u>(631)</u>	<u>(10,187)</u>	<u>(42,814)</u>	<u>(64,849)</u>
<u>(70,146)</u>	<u>-</u>	<u>(1,359)</u>	<u>(2,391)</u>	<u>(2,790)</u>	<u>465</u>	<u>(53,245)</u>	<u>(27,685)</u>	<u>(202)</u>	<u>-</u>	<u>(157,353)</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, 2010**

	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	\$ 3,887,410	\$ -	\$ -	\$ 3,887,410	\$ -	\$ -	\$ -	\$ 3,887,410
Management Fees from City and County	-	-	-	4,404,847	627,093	801,826	-	5,833,766
Management Fees from Other Governmental Agencies	-	91,571	51,238	167,032	12,681	-	-	179,713
Rental and Event Revenues	-	-	-	130,853	-	-	-	130,853
Net Parking Revenues	<u>53,646</u>	<u>-</u>	<u>-</u>	<u>2,832,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,832,092</u>
Total Operating Revenues	<u>3,941,056</u>	<u>91,571</u>	<u>51,238</u>	<u>11,422,234</u>	<u>639,774</u>	<u>801,826</u>	<u>-</u>	<u>12,863,834</u>
Operating Expenses:								
Direct								
<u>Property Management</u>								
Management	546,837	3,064	4,539	1,371,002	-	-	14,487	1,385,489
Safety and Services	554,397	3,755	5,826	2,013,364	-	-	-	2,013,364
Operations and Maintenance	2,739,530	69,711	30,983	6,074,460	-	-	-	6,074,460
<u>Other Management Services</u>								
Property Development	-	-	-	-	429,585	-	-	429,585
Telecom Services	-	-	-	-	-	536,970	-	536,970
Total Direct Operating Expenses	<u>3,840,764</u>	<u>76,530</u>	<u>41,348</u>	<u>9,458,826</u>	<u>429,585</u>	<u>536,970</u>	<u>14,487</u>	<u>10,439,868</u>
Indirect								
Corporate Administration	144,905	3,591	(58)	378,995	36,776	21,599	-	437,370
Finance	210,697	5,226	(145)	548,023	52,387	29,825	4,766	635,001
MIS	39,527	980	(24)	102,978	9,888	5,683	12,732	131,281
Total Indirect Operating Expenses	<u>395,129</u>	<u>9,797</u>	<u>(227)</u>	<u>1,029,996</u>	<u>99,051</u>	<u>57,107</u>	<u>17,498</u>	<u>1,203,652</u>
Total Operating Expenses	<u>4,235,893</u>	<u>86,327</u>	<u>41,121</u>	<u>10,488,822</u>	<u>528,636</u>	<u>594,077</u>	<u>31,985</u>	<u>11,643,520</u>
Operating Income (Loss)	<u>(294,837)</u>	<u>5,244</u>	<u>10,117</u>	<u>933,412</u>	<u>111,138</u>	<u>207,749</u>	<u>(31,985)</u>	<u>1,220,314</u>
Non-Operating Revenues (Expenses)								
Interest Income	11,539	219	112	26,247	1,301	1,449	-	28,997
Bank Charges	(1,246)	(16)	(8)	(7,449)	(95)	(162)	-	(7,706)
Capital Returned to City, County and Other Governmental Agencies	<u>(5,964)</u>	<u>(5,797)</u>	<u>(10,221)</u>	<u>(1,501,728)</u>	<u>(214,778)</u>	<u>(232,378)</u>	<u>36,129</u>	<u>(1,912,755)</u>
Total Non-Operating Revenues (Expenses) - Net	<u>4,329</u>	<u>(5,594)</u>	<u>(10,117)</u>	<u>(1,482,930)</u>	<u>(213,572)</u>	<u>(231,091)</u>	<u>36,129</u>	<u>(1,891,464)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>(290,508)</u>	<u>(350)</u>	<u>-</u>	<u>(549,518)</u>	<u>(102,434)</u>	<u>(23,342)</u>	<u>4,144</u>	<u>(671,150)</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, 2010*

	Property Management - City Properties				
	Parking Facilities	Police Department	Parks	Downtown Cinema	Total City Properties
Capital Contributions					
Cash:					
Capital Asset Replacement Reserves from City and County	-	-	125,000	-	125,000
Total Capital Contributions	-	-	125,000	-	125,000
Increase (Decrease) in Net Assets	(54,721)	-	78,414	-	23,693
Net Assets (Deficit), Beginning of Year	1,617,978	-	1,021,621	-	2,639,599
Net Assets, End of Year	<u>\$ 1,563,257</u>	<u>\$ -</u>	<u>\$ 1,100,035</u>	<u>\$ -</u>	<u>\$ 2,663,292</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
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(70,146)	-	(1,359)	(2,391)	(2,790)	465	(53,245)	(27,685)	(202)	-	(157,353)
<u>554,634</u>	-	<u>4,253</u>	<u>26,128</u>	<u>22,593</u>	<u>18,483</u>	<u>53,245</u>	<u>480,470</u>	<u>8,999</u>	-	<u>1,168,805</u>
<u>\$ 484,488</u>	<u>\$ -</u>	<u>\$ 2,894</u>	<u>\$ 23,737</u>	<u>\$ 19,803</u>	<u>\$ 18,948</u>	<u>\$ -</u>	<u>\$ 452,785</u>	<u>\$ 8,797</u>	<u>\$ -</u>	<u>\$ 1,011,452</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, 2010*

	Property Management - Other			Total Property Management	Property Development	Telecom Services	Corporate	Total
	City County Building	Emergency Communi- cations District	Fairview Technology Center					
Capital Contributions (Deductions)								
Cash:								
Operating Reserves from City and County and Other Governmental Agencies	21,143	-	-	21,143	-	-	-	21,143
Capital Asset Replacement Reserves from City and County	<u>185,985</u>	-	-	<u>310,985</u>	-	-	-	<u>310,985</u>
Total Capital Contributions	<u>207,128</u>	-	-	<u>332,128</u>	-	-	-	<u>332,128</u>
Increase (Decrease) in Net Assets	(83,380)	(350)	-	(217,390)	(102,434)	(23,342)	4,144	(339,022)
Net Assets, Beginning of Year	<u>5,419,932</u>	<u>35,000</u>	<u>16,390</u>	<u>9,279,726</u>	<u>111,870</u>	<u>311,127</u>	<u>1,318,951</u>	<u>11,021,674</u>
Net Assets, End of Year	<u>\$ 5,336,552</u>	<u>\$ 34,650</u>	<u>\$ 16,390</u>	<u>\$ 9,062,336</u>	<u>\$ 9,436</u>	<u>\$ 287,785</u>	<u>\$ 1,323,095</u>	<u>\$ 10,682,652</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, 2010

	City Parking Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Net Parking Revenue	\$ 2,506,954	\$ 2,158,718	\$ (348,236)
Tenant Rental Income	33,584	29,397	(4,187)
Total Operating Revenues	<u>2,540,538</u>	<u>2,188,115</u>	<u>(352,423)</u>
Operating Expenses			
Direct:			
Salaries and Wages	223,230	255,738	(32,508)
Employee Benefits	71,434	75,043	(3,609)
Office Expenses	4,460	1,537	2,923
Education and Training	464	44	420
Operating Expenses	48,120	39,433	8,687
Operating Contracts	193,738	174,331	19,407
Utilities	118,606	166,024	(47,418)
Communications	1,400	10,836	(9,436)
Insurance	6,189	5,036	1,153
Professional Services	3,000	4,494	(1,494)
Maintenance Facility	7,434	5,303	2,131
Capital Purchases	-	10,245	(10,245)
Depreciation Expense	-	55,942	(55,942)
Total Direct Operating Expenses	<u>678,075</u>	<u>804,006</u>	<u>(125,931)</u>
Total Indirect Operating Expenses	<u>86,227</u>	<u>76,124</u>	<u>10,103</u>
Total Operating Expenses	<u>764,302</u>	<u>880,130</u>	<u>(115,828)</u>
Operating Income (Loss)	<u>1,776,236</u>	<u>1,307,985</u>	<u>(468,251)</u>
Non-Operating Revenues (Expenses)			
Interest Income	21,340	5,678	(15,662)
Bank Charges	(4,276)	(3,823)	453
Capital Asset Replacement Reserve Expenditure	-	(25,389)	(25,389)
Transfer of Operating Reserves	<u>(1,793,300)</u>	<u>(1,339,172)</u>	<u>454,128</u>
Net Non-Operating Revenues (Expenses)	<u>(1,776,236)</u>	<u>(1,362,706)</u>	<u>413,530</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(54,721)</u>	<u>\$ (54,721)</u>
Net Assets, Beginning of Year		<u>1,617,978</u>	
Net Assets, End of Year		<u>\$ 1,563,257</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, 2010*

	The Knoxville Police Department		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City	\$ 7,005	\$ 7,005	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	3,349	1,215	2,134
Employee Benefits	1,072	251	821
Office Expenses	396	16	380
Education and Training	-	1	(1)
Operating Expenses	390	561	(171)
Communications	70	12	58
Insurance	30	25	5
Professional Services	-	118	(118)
Maintenance Facility	950	676	274
Total Direct Operating Expenses	6,257	2,875	3,382
Total Indirect Operating Expenses	794	681	113
Total Operating Expenses	7,051	3,556	3,495
Operating Income (Loss)	(46)	3,449	3,495
Non-Operating Revenues (Expenses)			
Interest Income	48	20	(28)
Bank Charges	(2)	(1)	1
Transfer of Operating Reserves	-	(3,468)	(3,468)
Net Non-Operating Revenues (Expenses)	46	(3,449)	(3,495)
Increase (Decrease) in Net Assets	\$ -	-	\$ -
Net Assets, Beginning of Year		-	
Net Assets, End of Year		\$ -	

*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, 2010*

	City Parks		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from City	\$ 1,927,610	\$ 1,927,610	\$ -
Net Parking Revenues	37,193	51,090	13,897
Rental and Event Income	93,335	91,971	(1,364)
Total Operating Revenues	<u>2,058,138</u>	<u>2,070,671</u>	<u>12,533</u>
Operating Expenses			
Direct:			
Salaries and Wages	737,889	689,160	48,729
Employee Benefits	236,124	240,563	(4,439)
Office Expenses	13,064	8,562	4,502
Education and Training	11,283	300	10,983
Operating Expenses	233,022	372,082	(139,060)
Operating Contracts	177,600	132,493	45,107
Utilities	344,976	297,539	47,437
Communications	11,615	10,432	1,183
Insurance	8,161	12,731	(4,570)
Professional Services	5,500	6,182	(682)
Maintenance Facility	25,228	17,979	7,249
Capital Purchases	36,000	40,037	(4,037)
Depreciation Expense	-	68,071	(68,071)
Total Operating Expenses	<u>1,840,462</u>	<u>1,896,131</u>	<u>(55,669)</u>
Total Indirect Operating Expenses	<u>233,788</u>	<u>205,692</u>	<u>28,096</u>
Total Operating Expenses	<u>2,074,250</u>	<u>2,101,823</u>	<u>(27,573)</u>
Operating Income (Loss)	<u>(16,112)</u>	<u>(31,152)</u>	<u>(15,040)</u>
Non-Operating Revenue (Expenses)			
Interest Income	17,020	4,931	(12,089)
Bank Charges	(908)	(817)	91
Capital Asset Replacement Reserve Expenditures	-	(18,346)	(18,346)
Transfer of Operating Reserves	-	(1,202)	(1,202)
Net Non-Operating Revenues (Expenses)	<u>16,112</u>	<u>(15,434)</u>	<u>(31,546)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>(46,586)</u>	<u>(46,586)</u>
Capital Contributions			
Capital Asset Replacement Reserve	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Increase in Net Assets	<u>\$ 125,000</u>	78,414	<u>\$ (46,586)</u>
Net Assets, Beginning of Year		<u>1,021,621</u>	
Net Assets, End of Year		<u>\$ 1,100,035</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, 2010

	Downtown Cinema		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from City	\$ 142,313	\$ 142,313	\$ -
Management Fees from Other Governmental Agencies	<u>24,223</u>	<u>24,223</u>	<u>-</u>
Total Operating Revenues	<u>166,536</u>	<u>166,536</u>	<u>-</u>
Operating Expenses			
Direct:			
Salaries and Wages	7,275	8,377	(1,102)
Employee Benefits	2,328	3,029	(701)
Office Expenses	-	162	(162)
Education and Training	69	2	67
Operating Expenses	48,000	19,497	28,503
Operating Contracts	59,433	46,346	13,087
Utilities	40,600	4,739	35,861
Communications	108	682	(574)
Insurance	214	616	(402)
Professional Services	-	7,523	(7,523)
Maintenance Facility	<u>5,800</u>	<u>4,133</u>	<u>1,667</u>
Total Direct Operating Expenses	<u>163,827</u>	<u>95,106</u>	<u>68,721</u>
Total Indirect Operating Expenses	<u>3,209</u>	<u>2,585</u>	<u>624</u>
Total Operating Expenses	<u>167,036</u>	<u>97,691</u>	<u>69,345</u>
Operating Income (Loss)	<u>(500)</u>	<u>68,845</u>	<u>69,345</u>
Non-Operating Revenues (Expenses)			
Interest Income	516	294	(222)
Bank Charges	(16)	(22)	(6)
Transfer of Operating Reserves	<u>-</u>	<u>(69,117)</u>	<u>(69,117)</u>
Net Non-Operating Revenues (Expenses)	<u>500</u>	<u>(68,845)</u>	<u>(69,345)</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>-</u>	<u>\$ -</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*

For the Year Ended June 30, 2010

	Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental Income	\$ 94,728	\$ -	\$ (94,728)
Mangement Fees from County	106,631	106,631	-
Net Parking Revenues	<u>616,186</u>	<u>517,834</u>	<u>(98,352)</u>
Total Operating Revenues	<u>817,545</u>	<u>624,465</u>	<u>(193,080)</u>
Operating Expenses			
Direct: Andrew Johnson Building			
Salaries and Wages	227,798	233,757	(5,959)
Employee Benefits	72,896	80,653	(7,757)
Office Expenses	3,437	1,279	2,158
Education and Training	4,320	157	4,163
Operating Expenses	53,872	53,589	283
Operating Contracts	173,053	145,395	27,658
Communicaitons	2,992	3,543	(551)
Insurance	3,626	3,775	(149)
Professional Services	500	44	456
Maintenance Facility	7,179	5,114	2,065
Depreciation Expense	-	<u>72,046</u>	<u>(72,046)</u>
Total Operating Expenses	<u>549,673</u>	<u>599,352</u>	<u>(49,679)</u>
Direct: Dwight Kessel Metropolitan Parking Garage			
Salaries and Wages	76,494	76,620	(126)
Employee Benefits	24,478	23,718	760
Office Expenses	1,376	272	1,104
Education and Training	1,306	15	1,291
Operating Expenses	20,967	5,302	15,665
Operating Contracts	26,561	15,133	11,428
Communicaitons	406	350	56
Insurance	1,138	1,270	(132)
Professional Services	200	215	(15)
Maintenance Facility	<u>2,768</u>	<u>1,969</u>	<u>799</u>
Total Direct - DKMPG	<u>155,694</u>	<u>124,864</u>	<u>30,830</u>
Total Indirect Operating Expenses	<u>113,150</u>	<u>99,133</u>	<u>14,017</u>
Total Operating Expenses	<u>818,517</u>	<u>823,349</u>	<u>(4,832)</u>
Operating Income (Loss)	<u>(972)</u>	<u>(198,884)</u>	<u>(197,912)</u>
Non-Operating Revenues (Expenses)			
Interest Income	1,840	198	(1,642)
Bank Charges	(868)	(705)	163
Transfer of Operating Reserves	-	<u>129,245</u>	<u>129,245</u>
Net Non-Operating Revenues (Expenses)	<u>972</u>	<u>128,738</u>	<u>127,766</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(70,146)</u>	<u>\$ (70,146)</u>
Net Assets, Beginning of Year		<u>554,634</u>	
Net Assets, End of Year		<u>\$ 484,488</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, 2010*

	Family Investment Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 99,176	\$ 99,176	\$ -
Rental Income	42,500	-	(42,500)
Total Operating Revenues	<u>141,676</u>	<u>99,176</u>	<u>(42,500)</u>
Operating Expenses			
Direct:			
Salaries and Wages	28,850	38,350	(9,500)
Employee Benefits	9,232	16,023	(6,791)
Office Expenses	1,500	189	1,311
Education and Training	-	10	(10)
Operating Expenses	28,171	15,042	13,129
Operating Contracts	51,000	37,033	13,967
Communications	550	1,095	(545)
Insurance	917	569	348
Professional Services	-	1,364	(1,364)
Maintenance Facility	1,286	915	371
Total Direct Operating Expenses	<u>121,506</u>	<u>110,590</u>	<u>10,916</u>
Total Indirect Operating Expenses	<u>20,494</u>	<u>18,029</u>	<u>2,465</u>
Total Operating Expenses	<u>142,000</u>	<u>128,619</u>	<u>13,381</u>
Operating Income (Loss)	<u>(324)</u>	<u>(29,443)</u>	<u>(29,119)</u>
Non-Operating Revenues (Expenses)			
Interest Income	332	45	(287)
Bank Charges	(8)	(3)	5
Transfer of Operating Reserves	-	29,401	29,401
Net Non-Operating Revenues (Expenses)	<u>324</u>	<u>29,443</u>	<u>29,119</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>-</u>	<u>\$ -</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, 2010

	Health Department		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Rental Income	\$ 9,485	\$ 9,485	\$ -
Management Fees from the County	<u>348,041</u>	<u>348,041</u>	<u>-</u>
Total Operating Revenues	<u>357,526</u>	<u>357,526</u>	<u>-</u>
Operating Expenses			
Direct:			
Salaries and Wages	126,069	148,861	(22,792)
Employee Benefits	40,342	53,183	(12,841)
Office Expenses	3,267	823	2,444
Education and Training	7,467	132	7,335
Operating Expenses	63,350	58,355	4,995
Operating Contracts	48,667	28,553	20,114
Communications	2,307	1,810	497
Insurance	7,556	2,241	5,315
Professional Services	-	109	(109)
Maintenance Facility	8,526	6,073	2,453
Depreciation Expense	<u>-</u>	<u>1,359</u>	<u>(1,359)</u>
Total Direct Operating Expenses	<u>307,551</u>	<u>301,499</u>	<u>6,052</u>
Total Indirect Operating Expenses	<u>51,727</u>	<u>43,006</u>	<u>8,721</u>
Total Operating Expenses	<u>359,278</u>	<u>344,505</u>	<u>14,773</u>
Operating Income (Loss)	<u>(1,752)</u>	<u>13,021</u>	<u>14,773</u>
Non-Operating Revenues (Expenses)			
Interest Income	1,804	440	(1,364)
Bank Charges	(52)	(31)	21
Transfer of Operating Reserves	<u>-</u>	<u>(14,789)</u>	<u>(14,789)</u>
Net Non-Operating Revenues (Expenses)	<u>1,752</u>	<u>(14,380)</u>	<u>(16,132)</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(1,359)</u>	<u>\$ (1,359)</u>
Net Assets, Beginning of Year		<u>4,253</u>	
Net Assets, End of Year		<u>\$ 2,894</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, 2010*

	John Tarleton Homes		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from the County	\$ 161,675	\$ 161,675	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	47,673	46,447	1,226
Employee Benefits	15,256	16,323	(1,067)
Office Expenses	1,080	337	743
Education and Training	1,296	113	1,183
Operating Expenses	52,404	34,706	17,698
Operating Contracts	17,250	12,940	4,310
Communications	676	476	200
Insurance	917	818	99
Professional Services	-	26	(26)
Maintenance Facility	2,178	1,554	624
Depreciation Expense	-	2,983	(2,983)
Total Direct Operating Expenses	<u>138,730</u>	<u>116,723</u>	<u>22,007</u>
Total Indirect Operating Expenses	<u>23,629</u>	<u>20,956</u>	<u>2,673</u>
Total Operating Expenses	<u>162,359</u>	<u>137,679</u>	<u>24,680</u>
Operating Income (Loss)	<u>(684)</u>	<u>23,996</u>	<u>24,680</u>
Non-Operating Revenues (Expenses)			
Interest Income	704	267	(437)
Bank Charges	(20)	(19)	1
Transfer of Operating Reserves	-	(26,635)	(26,635)
Net Non-Operating Revenues (Expenses)	<u>684</u>	<u>(26,387)</u>	<u>(27,071)</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(2,391)</u>	<u>\$ (2,391)</u>
Net Assets, Beginning of Year		<u>26,128</u>	
Net Assets, End of Year		<u>\$ 23,737</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, 2010*

	Juvenile Justice Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 532,186	\$ 532,186	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	181,259	169,596	11,663
Employee Benefits	58,003	51,124	6,879
Office Expenses	2,025	1,349	676
Education and Training	2,709	205	2,504
Operating Expenses	78,188	68,338	9,850
Operating Contracts	122,887	122,365	522
Communications	1,500	2,376	(876)
Insurance	2,472	2,894	(422)
Professional Services	500	34	466
Maintenance Facility	3,664	2,608	1,056
Capital Purchases	5,500	38,399	(32,899)
Depreciation Expense	-	3,031	(3,031)
Total Direct Operating Expenses	<u>458,707</u>	<u>462,319</u>	<u>(3,612)</u>
Total Indirect Operating Expenses	<u>75,671</u>	<u>65,833</u>	<u>9,838</u>
Total Operating Expenses	<u>534,378</u>	<u>528,152</u>	<u>6,226</u>
Operating Income (Loss)	<u>(2,192)</u>	<u>4,034</u>	<u>6,226</u>
Non-Operating Revenues (Expenses)			
Interest Income	2,260	612	(1,648)
Bank Charges	(68)	(44)	24
Transfer of Operating Reserves	-	(7,392)	(7,392)
Net Non-Operating Revenues (Expenses)	<u>2,192</u>	<u>(6,824)</u>	<u>(9,016)</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(2,790)</u>	<u>\$ (2,790)</u>
Net Assets, Beginning of Year		<u>22,593</u>	
Net Assets, End of Year		<u><u>\$ 19,803</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, 2010

	Knox Central		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from the County	\$ 225,553	\$ 225,553	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	87,830	95,954	(8,124)
Employee Benefits	28,106	34,741	(6,635)
Office Expenses	3,098	1,092	2,006
Education and Training	3,135	679	2,456
Operating Expenses	42,865	35,213	7,652
Operating Contracts	14,076	14,374	(298)
Communications	1,131	2,991	(1,860)
Insurance	3,299	1,129	2,170
Professional Services	-	60	(60)
Maintenance Facility	2,736	1,947	789
Capital Purchases	8,000	-	8,000
Depreciation Expenses	-	2,050	(2,050)
Total Direct Operating Expenses	<u>194,276</u>	<u>190,230</u>	<u>4,046</u>
Total Indirect Operating Expenses	<u>32,121</u>	<u>27,274</u>	<u>4,847</u>
Total Operating Expenses	<u>226,397</u>	<u>217,504</u>	<u>8,893</u>
Operating Income (Loss)	<u>(844)</u>	<u>8,049</u>	<u>8,893</u>
Non-Operating Revenues (Expenses)			
Interest Income	872	246	(626)
Bank Charges	(28)	(18)	10
Transfer of Operating Reserves	-	(7,812)	(7,812)
Net Non-Operating Revenues (Expenses)	<u>844</u>	<u>(7,584)</u>	<u>(8,428)</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	465	<u>\$ 465</u>
Net Assets, Beginning of Year		<u>18,483</u>	
Net Assets, End of Year		<u>\$ 18,948</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, 2010

	Library System		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from the County	\$ 261,610	\$ 261,610	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	76,024	75,580	444
Employee Benefits	135,901	83,305	52,596
Office Expenses	-	675	(675)
Education and Training	-	44	(44)
Operating Expenses	35,503	36,908	(1,405)
Operating Contracts	11,475	8,208	3,267
Communications	828	694	134
Insurance	2,680	892	1,788
Depreciation Expense	-	3,425	(3,425)
Total Direct Operating Expenses	<u>262,411</u>	<u>209,731</u>	<u>52,680</u>
Total Indirect Operating Expenses	<u>-</u>	<u>(9,099)</u>	<u>9,099</u>
Total Operating Expenses	<u>262,411</u>	<u>200,632</u>	<u>61,779</u>
Operating Income (Loss)	<u>(801)</u>	<u>60,978</u>	<u>61,779</u>
Non-Operating Revenues (Expenses)			
Interest Income	881	790	(91)
Bank Charges	(80)	(54)	26
Transfer of Operating Reserves	-	(114,959)	(114,959)
Net Non-Operating Revenues (Expenses)	<u>801</u>	<u>(114,223)</u>	<u>(115,024)</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(53,245)</u>	<u>\$ (53,245)</u>
Net Assets, Beginning of Year		<u>53,245</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, 2010*

	Old Court House		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from County	\$ 503,347	\$ 503,347	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	226,627	233,076	(6,449)
Employee Benefits	72,521	83,247	(10,726)
Office Expenses	2,239	1,357	882
Education and Training	2,181	58	2,123
Operating Expenses	41,311	29,605	11,706
Operating Contracts	72,222	58,511	13,711
Communications	1,574	1,424	150
Insurance	1,707	2,180	(473)
Professional Services	500	3,810	(3,310)
Maintenance Facility	5,525	3,937	1,588
Capital Purchases	8,000	13,879	(5,879)
Depreciation Expense	-	37,285	(37,285)
Total Direct Operating Expenses	434,407	468,369	(33,962)
Total Indirect Operating Expenses	70,664	62,032	8,632
Total Operating Expenses	505,071	530,401	(25,330)
Operating Income (Loss)	(1,724)	(27,054)	(25,330)
Non-Operating Revenue (Expenses)			
Interest Income	1,776	540	(1,236)
Bank Charges	(52)	(39)	13
Transfer of Operating Reserves	-	(1,132)	(1,132)
Net Non-Operating Revenue (Expenses)	1,724	(631)	(2,355)
Increase (Decrease) in Net Assets	\$ -	(27,685)	\$ (27,685)
Net Assets, Beginning of Year		480,470	
Net Assets, End of Year		\$ 452,785	

*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, 2010

	Senior Centers		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 89,700	\$ 89,700	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	23,934	32,815	(8,881)
Employee Benefits	7,659	12,361	(4,702)
Office Expenses	972	189	783
Education and Training	269	8	261
Operating Expenses	25,108	15,112	9,996
Operating Contracts	17,015	4,528	12,487
Communications	177	330	(153)
Insurance	1,033	547	486
Professional Services	49	2	47
Maintenance Facility	1,034	734	300
Depreciation Expense	-	2,130	(2,130)
Total Direct Operating Expenses	77,250	68,756	8,494
Total Indirect Operating Expenses	13,518	10,959	2,559
Total Operating Expenses	90,768	79,715	11,053
Operating Income (Loss)	(1,068)	9,985	11,053
Non-Operating Revenues (Expenses)			
Interest Income	1,092	137	(955)
Bank Charges	(24)	(10)	14
Transfer of Operating Reserves	-	(10,314)	(10,314)
Net Non-Operating Revenues (Expenses)	1,068	(10,187)	(11,255)
Increase (Decrease) in Net Assets	\$ -	(202)	\$ (202)
Net Assets, Beginning of Year		8,999	
Net Assets, End of Year		\$ 8,797	

*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, 2010*

	State Street Parking Lot		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Net Parking Revenues	\$ 41,125	\$ 50,804	\$ 9,679
Operating Expenses			
Direct:			
Salaries and Wages	1,622	1,209	413
Employee Benefits	519	408	111
Office Expenses	55	6	49
Operating Expenses	150	1,721	(1,571)
Operating Contracts	6,500	1,756	4,744
Communications	70	16	54
Insurance	50	63	(13)
Maintenance Facility	1,010	719	291
Total Direct Operating Expenses	9,976	5,898	4,078
Total Indirect Operating Expenses	2,280	2,092	188
Total Operating Expenses	12,256	7,990	4,266
Operating Income (Loss)	28,869	42,814	13,945
Non-Operating Revenues (Expenses)			
Interest Income	64	179	115
Bank Charges	(588)	(593)	(5)
Transfer of Operating Reserves	-	(42,400)	(42,400)
Net Non-Operating Revenues (Expenses)	(524)	(42,814)	(42,290)
Increase (Decrease) in Net Assets	\$ 28,345	-	\$ (28,345)
Net Assets, Beginning of Year		-	
Net Assets, End of Year		\$ -	

*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, 2010*

	City County Building		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental Income from City and County	\$ 3,887,410	\$ 3,887,410	\$ -
Net Parking Revenues	47,699	53,646	5,947
Total Operating Revenues	<u>3,935,109</u>	<u>3,941,056</u>	<u>5,947</u>
Operating Expenses			
Direct:			
Salaries and Wages	957,835	909,901	47,934
Employee Benefits	306,507	309,122	(2,615)
Office Expenses	33,388	14,616	18,772
Education and Training	19,710	433	19,277
Operating Expenses	266,811	160,389	106,422
Operating Contracts	538,019	522,904	15,115
Utilities	1,221,200	1,376,181	(154,981)
Communications	7,083	8,375	(1,292)
Insurance	117,002	125,669	(8,667)
Professional Services	2,500	2,262	238
Maintenance Facility	24,795	17,660	7,135
Capital Purchases	26,169	13,100	13,069
Depreciation Expense	-	307,128	(307,128)
Total Direct Operating Expenses	<u>3,521,019</u>	<u>3,767,740</u>	<u>(246,721)</u>
Total Indirect Operating Expenses	<u>451,614</u>	<u>395,129</u>	<u>56,485</u>
Total Operating Expenses	<u>3,972,633</u>	<u>4,162,869</u>	<u>(190,236)</u>
Operating Income (Loss)	<u>(37,524)</u>	<u>(221,813)</u>	<u>(184,289)</u>
Non-Operating Revenues (Expenses)			
Interest Income	39,320	11,539	(27,781)
Bank Charges	(1,796)	(1,246)	550
Capital Asset Replacement Reserve Expenditures	-	(73,024)	(73,024)
Transfer of Operating Reserves	-	(5,964)	(5,964)
Net Non-Operating Revenues (Expenses)	<u>37,524</u>	<u>(68,695)</u>	<u>(106,219)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>(290,508)</u>	<u>(290,508)</u>
Capital Contributions			
Capital Asset Replacement Reserve Contributions from City and County	185,985	185,985	-
Operating Reserve Contributions from City and County	21,143	21,143	-
Total Capital Contributions	<u>207,128</u>	<u>207,128</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>\$ 207,128</u>	<u>(83,380)</u>	<u>\$ (290,508)</u>
Net Assets, Beginning of Year		<u>5,419,932</u>	
Net Assets, End of Year		<u>\$ 5,336,552</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, 2010

	Emergency Communications District		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from Other Governmental Agencies	\$ 98,677	\$ 91,571	\$ (7,106)
Operating Expenses			
Direct:			
Salaries and Wages	20,867	16,233	4,634
Employee Benefits	6,677	6,553	124
Office Expenses	1,592	123	1,469
Education and Training	525	5	520
Operating Expenses	22,292	26,639	(4,347)
Operating Contracts	34,655	25,084	9,571
Communications	211	179	32
Insurance	390	629	(239)
Professional Services	-	118	(118)
Maintenance Facility	864	617	247
Depreciation Expense	-	350	(350)
Total Direct Operating Expenses	<u>88,073</u>	<u>76,530</u>	<u>11,543</u>
Total Indirect Operating Expenses	<u>11,214</u>	<u>9,797</u>	<u>1,417</u>
Total Operating Expenses	<u>99,287</u>	<u>86,327</u>	<u>12,960</u>
Operating Income (Loss)	<u>(610)</u>	<u>5,244</u>	<u>5,854</u>
Non-Operating Revenues (Expenses)			
Interest Income	628	219	(409)
Bank Charges	(18)	(16)	2
Transfer of Operating Reserves	-	(5,797)	(5,797)
Net Non-Operating Revenues (Expenses)	<u>610</u>	<u>(5,594)</u>	<u>(6,204)</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>-</u>	<u>(350)</u>	<u>(350)</u>
Capital Contributions			
Operating Reserve Contributions from Other Governmental Agencies	<u>4,934</u>	<u>-</u>	<u>(4,934)</u>
Increase (Decrease) in Net Assets	<u>\$ 4,934</u>	<u>(350)</u>	<u>\$ (5,284)</u>
Net Assets, Beginning of Year		<u>35,000</u>	
Net Assets, End of Year		<u>\$ 34,650</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, 2010*

	Fairview Technology Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from Other Governmental Agencies	\$ 51,238	\$ 51,238	\$ -
Operating Expenses			
Direct:			
Salaries and Wages	15,080	13,438	1,642
Employee Benefits	4,826	5,039	(213)
Office Expenses	623	70	553
Education and Training	70	3	67
Operating Expenses	8,001	5,876	2,125
Operating Contracts	21,846	11,053	10,793
Communications	206	3,796	(3,590)
Insurance	189	219	(30)
Professional Services	-	24	(24)
Maintenance Facility	985	705	280
Depreciation Expense	-	1,125	(1,125)
Total Direct Operating Expenses	<u>51,826</u>	<u>41,348</u>	<u>10,478</u>
Total Indirect Operating Expenses	<u>-</u>	<u>(227)</u>	<u>227</u>
Total Operating Expenses	<u>51,826</u>	<u>41,121</u>	<u>10,705</u>
Operating Income (Loss)	<u>(588)</u>	<u>10,117</u>	<u>10,705</u>
Non-Operating Revenues (Expenses)			
Interest Income	600	112	(488)
Bank Charges	(12)	(8)	4
Transfer of Operating Reserves	-	(10,221)	(10,221)
Net Non-Operating Revenues (Expenses)	<u>588</u>	<u>(10,117)</u>	<u>(10,705)</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Net Assets, Beginning of Year		<u>16,390</u>	
Net Assets, End of Year		<u>\$ 16,390</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, 2010

	Property Development		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from City and County	\$ 576,949	\$ 627,093	\$ 50,144
Management Fees from Other Governmental Agencies	-	12,681	12,681
Total Operating Revenues	<u>576,949</u>	<u>639,774</u>	<u>62,825</u>
Operating Expenses			
Direct:			
Salaries and Wages	296,463	297,464	(1,001)
Employee Benefits	94,868	90,336	4,532
Office Expenses	33,850	19,437	14,413
Education and Training	14,000	2,995	11,005
Operating Expenses	15,500	3,954	11,546
Operating Contracts	-	1,601	(1,601)
Communications	4,646	4,722	(76)
Insurance	1,000	814	186
Professional Services	10,000	3,766	6,234
Depreciation Expense	-	4,496	(4,496)
Total Direct Operating Expenses	<u>470,327</u>	<u>429,585</u>	<u>40,742</u>
Total Indirect Operating Expenses	<u>117,809</u>	<u>99,051</u>	<u>18,758</u>
Total Operating Expenses	<u>588,136</u>	<u>528,636</u>	<u>59,500</u>
Operating Income (Loss)	<u>(11,187)</u>	<u>111,138</u>	<u>122,325</u>
Non-Operating Revenues (Expenses)			
Interest Income	3,204	1,301	(1,903)
Bank Charges	(96)	(95)	1
Transfer of Operating Reserves	-	(214,778)	(214,778)
Net Non-Operating Revenues (Expenses)	<u>3,108</u>	<u>(213,572)</u>	<u>(216,680)</u>
Increase (Decrease) in Net Assets	<u>\$ (8,079)</u>	<u>(102,434)</u>	<u>\$ (94,355)</u>
Net Assets, Beginning of Year		<u>111,870</u>	
Net Assets, End of Year		<u>\$ 9,436</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, 2010*

	Telecommunications Services		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City and County	\$ 637,310	\$ 637,310	\$ -
Management Fees Related to KCS	<u>164,516</u>	<u>164,516</u>	<u>-</u>
Total Operating Revenues	<u>801,826</u>	<u>801,826</u>	<u>-</u>
Direct Operating Expenses			
Telecom			
Salaries and Wages	282,291	264,642	17,649
Employee Benefits	90,332	69,453	20,879
Office Expenses	10,100	4,555	5,545
Education and Training	9,806	447	9,359
Operating Expenses	10,286	2,475	7,811
Communications	1,531	1,263	268
Insurance	6,068	6,045	23
Professional Services	10,000	1,731	8,269
Capital Purchases	168,185	-	168,185
Depreciation Expense	<u>-</u>	<u>129,161</u>	<u>(129,161)</u>
Telecom Operating Expenses	<u>588,599</u>	<u>479,772</u>	<u>108,827</u>
Knox County Schools			
Salaries and Wages	60,697	43,846	16,851
Employee Benefits	19,423	9,531	9,892
Office Expenses	8,369	352	8,017
Education and Training	4,343	447	3,896
Operating Expenses	44,950	781	44,169
Communications	878	1,586	(708)
Insurance	988	655	333
Professional Services	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Capital Purchases	<u>-</u>	<u>-</u>	<u>-</u>
Schools Operating Expenses	<u>144,648</u>	<u>57,198</u>	<u>87,450</u>
Total Direct Operating Expenses	<u>733,247</u>	<u>536,970</u>	<u>196,277</u>
Total Indirect Operating Expenses	<u>72,063</u>	<u>57,107</u>	<u>14,956</u>
Total Operating Expenses	<u>805,310</u>	<u>594,077</u>	<u>211,233</u>
Operating Income (Loss)	<u>(3,484)</u>	<u>207,749</u>	<u>211,233</u>
Non-Operating Revenues (Expenses)			
Interest Income	3,580	1,449	(2,131)
Bank Charges	(96)	(162)	(66)
Transfer of Operating Reserves	<u>-</u>	<u>(232,378)</u>	<u>(232,378)</u>
Net Non-Operating Revenues (Expenses)	<u>3,484</u>	<u>(231,091)</u>	<u>(234,575)</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>(23,342)</u>	<u>\$ (23,342)</u>
Net Assets, Beginning of Year		<u>311,127</u>	
Net Assets, End of Year		<u>\$ 287,785</u>	

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

SCHEDULE OF INSURANCE COVERAGE
June 30, 2010

	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
Property and Casualty:	
Buildings and Contents (Replacement Cost)	\$ 130,934,266
Earthquake (Co-Insurance 95%)	25,000,000
City and County PBX Phone System (Replacement Cost)	6,918,275
EDP Equipment	852,496
Miscellaneous Equipment	1,113,970
Extra Expense/Rental Income	6,590,163
Boiler and Machinery	145,295,200
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
The Travelers Indemnity Company	
Worker's Compensation:	
Each Accident or Disease	\$ 500,000
Each Employee	500,000
Disease Limit - Aggregate	500,000
Travelers Casualty and Surety Company (3/1/2008 to 3/1/2011)	
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
Personal Accounts Forgery or Alterations	1,000,000
Personal Accounts Identity Fraud Expense	-
Claim Expense	5,000
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, 2010 and expire April 30, 2011.

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.	76-77
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.	78-82
Debt Capacity	
The PBA is a joint venture between the City of Knoxville and Knox County; the PBA has no taxing authority. Debt for capital projects managed for the City and the County are funded by debt issued by these two government entities. Information on the City's and County's debt capacity is contained in their individual CAFRs.	N/A
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which PBA's financial activities take place and approved by the City Council and the County Commission.	83-84
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.	85

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 Eight 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
2009	7,065,819	3,955,855	11,021,674
2010	7,292,398	3,390,254	10,682,652

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 Eight Fiscal Years

	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenues								
Rental Income								
from City and County	\$ 3,887,410	\$ 3,623,121	\$ 3,454,701	\$ 3,382,478	\$ 3,345,387	\$ 3,186,770	\$ 2,838,748	\$ 3,060,799
Other Rental Income - Net	130,853	192,461	214,103	161,821	198,273	199,343	185,193	146,218
Management Fees								
from City and County	5,833,766	6,380,409	9,536,951	9,169,175	7,998,757	7,859,868	6,796,961	3,715,118
Management Fees from								
Other Governmental Agencies	179,713	191,633	176,338	172,652	153,357	158,203	46,788	166,747
Net Parking Revenues	<u>2,832,092</u>	<u>2,982,014</u>	<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>12,863,834</u>	<u>13,369,638</u>	<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	5,896,222	6,450,488	6,272,267	6,418,441	5,836,446	5,453,141	5,355,107	4,136,380
Office	89,703	118,120	143,731	172,569	157,085	131,971	82,521	76,954
Education and Training	6,806	12,437	11,121	34,042	17,696	28,646	22,260	45,631
Purchased Services and Supplies	988,458	978,689	1,030,931	962,469	936,841	996,551	679,011	400,056
Operating Contracts	1,382,944	1,463,449	1,895,038	1,625,987	1,470,804	1,362,369	1,124,838	908,369
Utilities	1,844,483	2,010,877	3,905,696	3,493,192	3,212,988	2,876,037	2,794,113	1,512,351
Communications	60,503	59,126	68,443	81,076	67,377	48,737	58,237	47,608
Insurance	224,990	229,141	235,118	189,388	273,981	337,218	338,488	378,303
Professional Fees	110,701	56,743	90,815	90,494	114,714	61,226	72,851	370,051
Depreciation	722,568	643,194	582,954	517,852	462,741	412,003	349,597	277,372
Maintenance Facility	72,643	60,301	51,173	-	-	-	-	-
Other	<u>243,499</u>	<u>178,120</u>	<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>11,643,520</u>	<u>12,260,685</u>	<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>1,220,314</u>	<u>1,108,953</u>	<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	28,997	92,272	331,019	362,831	246,342	150,119	84,833	95,232
Gain on Disposal of Capital Assets	-	-	-	6,018	-	-	-	-
Bank Charges	(7,706)	(7,286)	(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	(1,801,089)	(2,054,297)	(2,579,761)	(586,159)	(1,217,881)	(1,980,628)	(2,052,530)	(1,153,976)
Capital Returned to Other Governmental Agencies	(111,666)	(19,164)	(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>(1,891,464)</u>	<u>(1,988,475)</u>	<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>(671,150)</u>	<u>(879,522)</u>	<u>(428,640)</u>	<u>1,230,325</u>	<u>3,295</u>	<u>(876,594)</u>	<u>(1,837,148)</u>	<u>(1,104,658)</u>
Capital Contributions								
the City and County	332,128	1,312,158	848,128	894,500	268,416	537,848	1,149,186	1,126,123
Capital Contributions from Other								
Noncash:								
Capital Asset Retirements from the City and County	-	-	-	-	-	-	8,000	27,710
Total Capital Contributions	<u>332,128</u>	<u>1,312,158</u>	<u>848,128</u>	<u>894,500</u>	<u>268,416</u>	<u>537,848</u>	<u>1,157,186</u>	<u>1,153,833</u>
Increase (Decrease) in Net Assets	(339,022)	432,636	419,488	2,124,825	271,711	(338,746)	(679,962)	49,175
Net Assets, Beginning of Year	<u>11,021,674</u>	<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>	<u>8,715,975</u>
Net Assets, End of Year	<u>\$ 10,682,652</u>	<u>\$ 11,017,027</u>	<u>\$ 10,576,965</u>	<u>\$ 10,150,874</u>	<u>\$ 8,026,049</u>	<u>\$ 7,746,442</u>	<u>\$ 8,085,188</u>	<u>\$ 8,765,150</u>

Data not available prior to FY 2003.

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

PROPERTIES MANAGED
Last Seven Fiscal Years

Property	Space in Square Feet						
	2010	2009	2008	2007	2006	2005	2004
County Owned							
Andrew Johnson Building	145,661	145,661	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	17,000	17,000	-
Senior Centers (4)	27,500	27,500	27,500	27,500	27,500	7,800	6,300
Health Department (1 main facility, 3 community clinics, and air quality lab)	157,500	157,800	157,800	157,800	153,000	153,000	153,000
John Tarleton Homes	80,000	80,000	80,000	80,000	64,474	64,474	50,500
Juvenile Justice Center	104,209	104,209	104,209	104,209	104,209	104,209	104,209
Knox Central	171,000	171,000	171,000	171,000	165,000	165,000	165,000
Library System (1 main location, 1 history center, and 16 community branches)	-	300,201	321,537	302,376	393,928	279,371	217,000
Old Court House	64,098	64,098	64,098	64,098	64,098	64,098	64,098
Family Investment Center	31,500	31,500	31,500	-	-	-	-
City Owned							
Volunteer Landing Park	16,331	16,331	5,170	5,170	5,170	16,331	16,331
World's Fair Park	35,236	35,236	35,236	3,600	3,600	88,279	88,279
Downtown Cinema	4,000	4,000	4,000	-	-	-	-
PBA Owned							
City County Building	531,634	531,634	531,634	531,634	531,634	531,634	517,856
Owned by Other							
Governmental Agencies							
Emergency Communications District	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Totals	<u>1,410,669</u>	<u>1,711,170</u>	<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>

Statistical data not available prior to FY 2004.

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

PROPERTIES MANAGED (Continued)

Last Seven Fiscal Years

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

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

Statistical data not available prior to FY 2004.

Source: PBA property management department.

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

CAPITAL PROJECTS COMPLETED
Last Five Fiscal Years

<u>Projects</u>	<u>Managed Budget</u>
LIBRARIES	
Beck Archive - Burlington	\$ 124,000
Burlington	2,950,000
Burlington - UT Buildout	251,000
East Tennessee Historical Center	18,328,224
Powell	2,438,766
Library Subtotal	24,091,990
OTHER COUNTY PROJECTS	
Beck Cultural Exchange Center	2,079,000
Burlington Park - Phase I	50,000
Carter Senior Center	1,400,000
Clayton Park - Phase I	20,000
Concord Park Concession Building	108,861
Corryton Senior Center	550,000
Courtroom Renovations	445,024
Family Investment Center Renovations	613,500
Halls Community Park	1,050,000
Halls Senior Center	1,342,643
Hardin Valley High School	50,000,000
Hardy Professional Building	300,000
Health Department Renovation	270,000
House Mountain	253,491
Jail Expansion	14,400,000
Knox County Clerk's Office - Five Points	175,000
Knox County School Facilities Assessment	600,000
KUB Park - Phase I	25,000
New Harvest Park	2,046,750
Pinkston Greenway	191,350
Powell Middle School Addition	16,000,000
Powell Station Park	350,000
Schumpert Park	3,712,500
Skate Park - County Portion	250,000
South Knoxville Senior Center	1,225,000
Ten Mile Greenway	246,700
Other County Subtotal	97,704,819

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

CAPITAL PROJECTS COMPLETED (Continued)
Last Five Fiscal Years

Projects	Managed Budget
CITY PROJECTS	
Amphitheater Renovations	850,000
Central Station Transit Center	26,610,000
Central Station Transit Center (ARRA)	3,000,000
City Facilities Assessment	74,000
Downtown Dog Park	162,000
Downtown Cinema (Includes Public Access & Retail)	12,554,702
Family Justice Center	250,000
Lorraine Street Medical Center	67,770
Second Creek Parking Lot Security	44,343
Skate Park - County Portion	341,000
Sunsphere Renovations	1,028,934
Tyson Park ADA Renovations	183,069
West Haven Recreation Center Re-Roof	19,232
West View Park Shelters Re-roof	105,250
World's Fair Park Playground	150,000
City Projects Subtotal	45,440,300
OTHER PROJECTS	
Emergency Communications District (E911) - Renovations	150,000
Jefferson County Facilities Assessment	67,000
Sullivan County Facility Assessment	134,000
Other Project Subtotal	351,000
Total All Projects	\$ 167,588,109

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

TELECOMMUNICATION SERVICES

Last Seven Fiscal Years

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

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

Source: PBA Telecommunications Services Department.

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

*DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years*

Calendar Year	Population	Personal Income (Thousands of Dollars)	Per Capita Personal Income	Unemployment Rate	
				County	State
2000	382,812	10,930,847	28,554	3.4	4.0
2001	387,092	11,297,562	29,182	3.7	4.6
2002	391,418	11,760,023	30,039	3.9	5.2
2003	396,742	12,257,757	30,901	4.1	5.5
2004	400,340	12,826,956	32,040	4.1	5.4
2005	404,972	13,301,853	32,815	4.4	5.1
2006	411,967	14,140,692	33,963	4.5	4.5
2007	416,352	15,201,428	34,180	3.4	4.7
2008	430,019	15,666,206	34,696	4.8	6.4
2009	435,725	N/A	N/A	8.0	10.5

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

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

*PRINCIPAL EMPLOYERS
Current Calendar Year and Nine Years Ago*

Employer	Industry	2009		2000	
		Number of Employees	% of Total MSA Employees	Number of Employees	% of Total MSA Employees
U.S. Department of Energy	Government	13,182	5.78%	-	- %
The University of Tennessee	Education	11,901	5.22	6,100	3.01
Covenant Health	Health Care	8,982	3.94	8,500	4.20
Knox County Schools	Education	8,382	3.68	7,661	3.78
WalMart Stores	Retail	5,330	2.34	-	-
Mercy Health Partners	Health Care	4,368	1.92	-	-
K-VA-T Food Stores	Retail Grocery	4,118	1.81	-	-
University Health System	Health Care	3,724	1.63	3,494	1.73
State of Tennessee	Government	3,709	1.63	-	-
Knox County	Government	3,055	1.33	-	-
Lockheed Martin	Manufacturing, Research	-	-	4,165	2.06
St. Mary's Medical Center	Health Care	-	-	3,135	1.55
Denso	Manufacturing	-	-	2,706	1.35
City of Knoxville	Government	-	-	2,691	1.33
Clayton Homes	Manufacturing	-	-	2,500	1.23
Aluminum Co. of America	Manufacturing	-	-	2,500	1.23
Total		<u>66,751</u>	<u>29.28%</u>	<u>43,452</u>	<u>21.47%</u>

Notes: (a) Only Knox County presented.

(b) The Knoxville – Knox County MSA consists of six counties: Anderson, Blount, Knox, Loudon, Sevier and Union.

Source: Greater Knoxville Chamber Partnership.

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

*NUMBER OF EMPLOYEES BY ACTIVITY
Last Eight Fiscal Years*

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

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

Statistical data not available prior to FY 2003.

**INTERNAL CONTROL
AND
COMPLIANCE SECTION**



John W. Bacon, CPA

Calvin C. Howard, CPA

**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, 2010, and have issued our report thereon dated October 27, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

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 27, 2010

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

*SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS
June 30, 2010*

A: SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of PBA.
2. No 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, 2010*

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, 2010*

There were no audit findings in the prior year ending June 30, 2009.