

**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, 2012 and 2011**

**PREPARED BY:  
FINANCE DEPARTMENT**

**ROBYN SMITH, CPA  
DIRECTOR OF FINANCE**

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

**TABLE OF CONTENTS**

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	i-vi
GFOA Certificate of Achievement for Excellence in Financial Reporting for the 2011 CAFR .....	vii
Organizational Chart.....	viii
Roster of Officials and Others .....	ix
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis .....	3-12
Basic Financial Statements:	
Balance Sheets .....	13-14
Statements of Revenues, Expenses and Changes in Net Assets .....	15-16
Statements of Cash Flows .....	17-18
Notes to the Financial Statements .....	19-33
Supplementary Information	
Balance Sheet by Activity.....	34-35
Schedule of Revenues, Expenses, and Changes in Net Assets by Activity .....	36-37
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget to Actual by Activity .....	38-56
<b>STATISTICAL SECTION (UNAUDITED)</b>	
Net Assets by Component – Last Ten Fiscal Years.....	57
Changes in Net Assets – Last Ten Fiscal Years .....	58
Properties Managed – Last Nine Fiscal Years .....	59-60
Capital Projects Completed – Last Five Fiscal Years .....	61-62
Telecommunication Services – Last Nine Fiscal Years .....	63
Demographic and Economic Statistics – Last Ten Calendar Years .....	64
Principal Employers – Current Calendar Year and Nine Years Ago.....	65
Number of Employees by Activity – Last Ten Fiscal Years.....	66
<b>INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	67-68

## **INTRODUCTORY SECTION**



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

Dale Smith, Administrator/CEO

**Board of Directors**

Billy J. Stokes, Chair  
Winston Frazier, Vice Chair  
George Prosser, Secretary  
Suzanne T. Schriver, Treasurer  
Pete Claussen  
Scott Davis  
Dr. Rocio Huet  
Chip Miller  
Keena Ogle  
F. Carl Tindell

November 13, 2012

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, 2012 and 2011.

**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**

Pugh & Company, P.C. has issued an unqualified (“clean”) opinion on PBA’s financial statements for the year ended June 30, 2012. 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 the 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 2012.

### **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 879 wholesale establishments, 1,649 retail establishments, and 5,352 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. Around 9 million people visited the National Park in 2011.

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 6.7% in Knox County at July 31, 2012. This compares favorably to the national unemployment rate of 8.3% and the state rate of 8.4%.

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

The overall economic health of the Knoxville/Knox County area has improved slightly. The City of Knoxville serves as the economic hub of the entire upper East Tennessee area, and its trade sector is one of the strongest in the state. Knox County has the fifth highest per capita sales tax rate in the state, at roughly 119.65% of the state average. In fiscal years 2012 and 2011, respectively, sales tax collections on a countywide basis were \$725,256,932 and \$657,997,858. This represents an increase of 10%.

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

The PBA's costs are covered by fees charged to the City and County and certain other related governmental organizations for management and development of public properties. Both the City and the County have long-term capital plans allocating significant resources totaling \$12,806,850 and \$10,263,030 respectively in which PBA is involved.

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

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

Projects	Total Budget	FY 2013 *	FY 2014 to FY 2017
<b>City Projects:</b>			
Badgett Field Concession Bldg Reroof	\$ 50,000	\$ 50,000	\$ 0
Beardsley Farm Shed Reroof	6,000	6,000	0
Convention Center Warranty Repairs	711,000	711,000	0
Duff Field Reroof	6,100	6,100	0
Fire Station #12 Structural Investigation	4,750	4,750	0
Fire Station #5 Soffit and Fascia repairs	50,000	50,000	0
Fleet Services Storage Building Reroof	11,300	11,300	0
Impound Building New Emergency Generator	65,000	65,000	0
Larry Cox Senior Center Remodel	350,000	350,000	0
Lorraine St. Salt Sheds Reroof	50,000	50,000	0
Mary Vestal Park Reroof	7,700	7,700	0
State Street Garage	7,100,000	1,100,000	6,000,000
Storm Damage Repairs	4,395,000	4,395,000	0
Total City Projects	<u>12,806,850</u>	<u>6,806,850</u>	<u>6,000,000</u>
<b>County Projects:</b>			
Andrew Johnson Building Elevator Upgrade	275,000	275,000	0
Andrew Johnson Building Exterior	135,000	135,000	0
Juvenile Court Building Expansion	3,000,000	500,000	2,500,000
Knox Central Generator	250,000	250,000	0
Knox Central Switchgear	400,000	400,000	0
Old Courthouse Windows	1,366,474	1,000,000	366,474
<b>Parks:</b>			
Clayton Park Greenway	240,000	240,000	0
Halls Greenway	630,000	630,000	0
Knox Blount Greenway	1,451,975	451,975	1,000,000
<b>Capital Asset Replacement for County Managed Properties:</b>			
AJ/Dwight Kessel Garage	475,000	475,000	0
Family Investment Center	14,200	14,200	0
Juvenile Justice	143,627	143,627	0
Knox Central	57,000	57,000	0
Health Department	225,000	225,000	0
Old Courthouse	221,500	221,500	0
ADA Remediation	1,378,254	1,378,254	0
Total County Projects	<u>10,263,030</u>	<u>6,396,556</u>	<u>3,866,474</u>
<b>Other Projects:</b>			
CAC Mobile Meals Roof Collapse	682,595	682,595	0
Total Other Projects	<u>682,595</u>	<u>682,595</u>	<u>0</u>
Total All Projects	<u>\$ 23,752,475</u>	<u>\$ 13,886,001</u>	<u>\$ 9,866,474</u>

\*FY 2013 allocations may include immaterial amounts from prior years.

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

### **Major Initiatives**

The Public Building Authority's (PBA's) Property Management Department (PM) added four properties to its management responsibilities this fiscal year. The properties were the Knoxville Area Transit (KAT) W. D. Crutcher building on E. Magnolia Avenue, which handles maintenance of the KAT fleet of buses and trolleys, the Knox County Clerk's satellite offices, the City of Knoxville's Gateway building, which now houses an outdoor recreation center run by the Legacy Parks Foundation, and the City's Hill Street surface parking lot. PBA's PM department added management of these properties with no addition to its staff.

Our Computerized Maintenance Management System (CMMS) continues to be strengthened, this year by adding a complete inventory of all PBA's equipment, service dates and parts listings. PBA's PM department also developed a comprehensive Maintenance Policy and Procedures manual that was used recently by the City of Knoxville in a presentation on best management practices.

At the City County Building (CCB), the only asset owned by PBA, we are benefiting from a \$750 per month savings in natural gas costs thanks to the installation of two new condensing boilers for the building's hot water system. The boilers also provide redundant water heating in the event one boiler should go down for some reason.

PBA also is working through a number of Americans with Disabilities Act (ADA) issues in the CCB that were identified last year by an ADA advocacy organization. This has included removing and replacing a number of water fountains that were not ADA compliant as well as restroom accessibility issues on some floors and new signage that is fully ADA compliant.

PBA's PM department has implemented usage of a new 3M filter technology in all its managed properties that increases efficiency in airflow from 30% to 85% while improving air quality. These new filters also have a longer life, thereby decreasing waste disposal impacts.

We also have installed mini-split HVAC systems in most of the computer rooms maintained by PBA, helping maintain the integrity of the server rooms as well as the pharmacy at the Knox County Health Department. These mini-split systems also reduce the heating and cooling costs for these areas.

PBA's Property Development Department (PD) managed over \$22,700,000 in projects for the City and County this fiscal year. Included in that number were over \$14 million in City projects, over \$6 million in County projects, over \$2 million in City County Building improvements, and a \$700,000 roof repair at the Community Action Council's Mobile Meals kitchen on Western Avenue.

After years of accusations of mismanagement regarding PBA's management of the Hardin Valley Academy project, which is a new, \$50 million high school in Western Knox County, the County conducted an in-depth, six month audit of the project. The only financial finding was an apparent \$608 overpayment to the architect. In addition, there were a few generic recommendations regarding project management best practices.

PBA's Finance Department was awarded the Government Finance Officers' Association "Excellence in Financial Reporting" for the 8<sup>th</sup> year in a row, achieving that award in spite of a 30% reduction in Finance Department staffing three years ago.

**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, 2011 and 2010. This was the eighth 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.

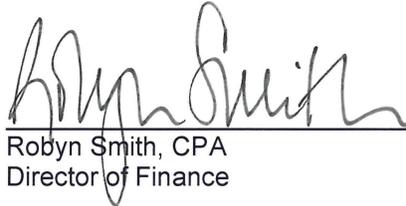
Recognition and appreciation are also extended to the Board for its continued guidance of the operations of the PBA in a financially responsible and progressive manner.

Respectfully submitted,



---

Dale Smith  
Administrator/CEO



---

Robyn Smith, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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.



*Linda C. Davidson*

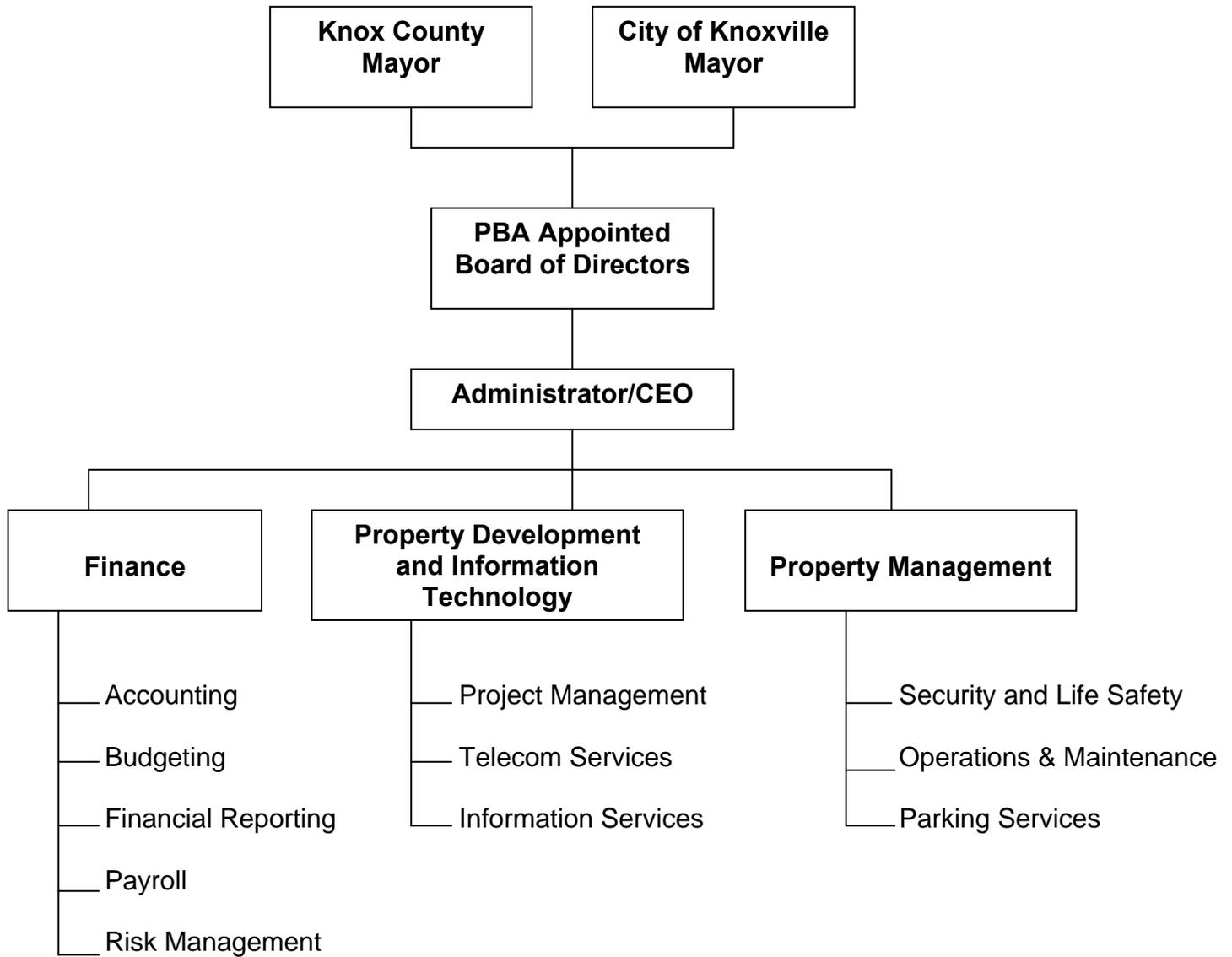
President

*Jeffrey R. Enev*

Executive Director

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

## Organizational Chart June 30, 2012



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

ROSTER OF OFFICIALS AND OTHERS

June 30, 2012

<u>Board of Directors</u>	<u>Expiration of Term</u>
Billy J. Stokes, Chairperson	2013
Winston Frazier, Vice Chairperson	2013
George T. Prosser, Secretary	2017
Keena Ogle, Treasurer	2015
Scott Davis, Executive Committee	2013
Lewis Crosby	2017
Dr. Rocio Huet	2015
Chip Miller	2015
Jennifer Holder	2015
VACANT (Tierney Bates resigned)	2017
Hubert Smith	2016

Management

Dale Smith, Administrator/CEO

Robyn Smith, Director of Finance

Jayne Burritt, Director of Property Management

Jeff Galyon, Director of Property Development  
and Information Technology

Independent Auditor

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

Legal Counsel

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

**FINANCIAL SECTION**

315 NORTH CEDAR BLUFF ROAD – SUITE 200  
KNOXVILLE, TENNESSEE 37923  
TELEPHONE 865-769-0660  
TELECOPIER 865-769-1660



100 E. TENNESSEE AVENUE  
OAK RIDGE, TENNESSEE 37830  
TELEPHONE 865-483-5634  
TELECOPIER 865-483-9781

P.O. BOX 31409  
KNOXVILLE, TENNESSEE 37930-1409  
TOLL FREE 800-332-7021

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of The Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA) as of June 30, 2012 and 2011, 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 the 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 opinion.

In our opinion, the financial statements referred to previously 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, 2012 and 2011, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012, on our consideration of PBA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 - 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the PBA's financial statements. The accompanying supplementary information on pages 35 - 56 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the PBA's financial statements. The introductory section on pages i - ix and the statistical section on pages 57 - 66 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Pugh & Company, P.C.*  
Certified Public Accountants  
Knoxville, Tennessee  
November 13, 2012

## 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, 2012, 2011 and 2010. 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, 2012, 2011 and 2010 were \$14,666,501, \$13,106,617, and \$16,383,849 and exceeded liabilities (net assets) by \$11,358,715, \$11,023,274, and \$10,682,652, respectively. Of the total net assets, \$3,198,172, \$3,571,882, and \$3,390,254 was unrestricted and was available to support short-term operations for the years ending June 30, 2012, 2011 and 2010, respectively.
- Operating revenues were \$12,783,914, \$12,942,502, and \$12,863,834 for the years ending June 30, 2012, 2011 and 2010, representing a (decrease) increase of (1.22)%, 0.61% and (3.78)%, from prior years.
- During 2012 there was an increase of \$709,151 in net assets invested in capital assets and a decrease in unrestricted net assets of \$(373,710) which combined for the overall increase in net assets of \$335,441.
- Operating expenses before depreciation decreased by \$(55,164) and decreased by \$(165,972) during 2012 and 2011, representing a (0.52)% decrease and (1.5)% decrease from 2011 and 2010.
- Operating income for 2012 was \$1,177,657 representing a decrease of \$(206,204) from 2011. The change in net assets, before capital contributions and deductions, decreased by \$(5,181) when compared to 2011.
- The ratios of operating income to total operating revenues were 9.2% for 2012, 10.7% for 2011 and 9.5% for 2010.
- Capital asset replacement reserve contributions were \$882,465 for 2011, \$702,608 for 2011 and \$310,985 for 2010.
- Reserves returned to the City, County and Other Governmental Agencies, representing a refund of operating results and parking garage revenues, were \$1,744,905 for 2012, \$1,773,418 for 2011 and \$1,912,755 for 2010, a decrease of \$(28,513) and a decrease of \$(139,337) when compared to 2011 and 2010.

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

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

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

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

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

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

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

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

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL ANALYSIS

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

Condensed Balance Sheets  
(In Thousands of Dollars)  
June 30, 2012, 2011 and 2010

	2012	2011	2010
<b>ASSETS</b>			
Current Assets	\$ 6,506	\$ 5,656	\$ 9,092
Net Capital Assets	8,161	7,451	7,292
<b>TOTAL ASSETS</b>	<b>\$ 14,667</b>	<b>\$ 13,107</b>	<b>\$ 16,384</b>
<b>LIABILITIES</b>			
Current Liabilities	\$ 3,101	\$ 1,826	\$ 5,452
Non-Current Liabilities	207	258	249
<b>TOTAL LIABILITIES</b>	<b>3,308</b>	<b>2,084</b>	<b>5,701</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	8,161	7,451	7,293
Unrestricted	3,198	3,572	3,390
Total Net Assets	11,359	11,023	10,683
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 14,667</b>	<b>\$ 13,107</b>	<b>\$ 16,384</b>

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

Condensed Statements of Revenues, Expenses, and Changes in Net Assets  
(In Thousands of Dollars)  
For The Years Ended June 30, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Operating Revenues</b>			
Rentals – Net	\$ 4,121	\$ 4,195	\$ 4,018
Management Fees	5,814	5,930	6,014
Net Parking	<u>2,849</u>	<u>2,817</u>	<u>2,832</u>
 Total Operating Revenues	 <u>12,784</u>	 <u>12,942</u>	 <u>12,864</u>
<b>Operating Expenses</b>			
Salaries and Benefits	5,490	5,625	5,896
Office	93	72	90
Education and Training	7	10	7
Purchased Services and Supplies	1,056	1,050	988
Operating Contracts	1,586	1,448	1,383
Utilities	1,880	2,060	1,844
Communications	72	67	61
Insurance	236	229	225
Professional Fees	59	78	111
Depreciation	906	804	723
Maintenance Facility	77	74	73
Other	<u>144</u>	<u>42</u>	<u>243</u>
 Total Operating Expenses (Expenses)	 <u>11,606</u>	 <u>11,559</u>	 <u>11,644</u>
 Operating Income	 <u>1,178</u>	 <u>1,383</u>	 <u>1,220</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	28	27	29
Bank Charges	(8)	(8)	(8)
Capital Contributions Returned	<u>(1,745)</u>	<u>(1,773)</u>	<u>(1,912)</u>
 Total Non-Operating Revenues (Expenses) – Net	 <u>(1,725)</u>	 <u>(1,754)</u>	 <u>(1,891)</u>
 Increase (Decrease) in Net Assets Before Capital Contributions (Deductions)	 <u>(547)</u>	 <u>(371)</u>	 <u>(671)</u>

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

Condensed Statements of Revenues, Expenses, and Changes in Net Assets (Continued)  
(In Thousands of Dollars)  
For The Years Ended June 30, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Capital Contributions (Deductions):</b>			
Capital Contributions	<u>883</u>	<u>711</u>	<u>332</u>
<b>Increase (Decrease) in Net Assets</b>	336	340	(339)
<b>Net Assets, Beginning of Year</b>	<u>11,023</u>	<u>10,683</u>	<u>11,022</u>
<b>Net Assets, End of Year</b>	\$ <u>11,359</u>	\$ <u>11,023</u>	\$ <u>10,683</u>

OTHER SELECTED INFORMATION

Space (in Square Feet) Under Management	1,560,288	1,525,288	1,421,571
Number of Parking Spaces Under Management	6,409	6,393	5,924
Parks – Number of Acres Under Management	32	32	32
Employees at Year-End:			
Facilities Management	40	38	38
Safety and Security	40	42	37
Property Development	4	4	5
Telecommunications	9	9	8
Administrative	<u>8</u>	<u>9</u>	<u>9</u>
Total	<u>101</u>	<u>102</u>	<u>97</u>
Average Number of Employees	102	102	97
Per Average Employee:			
Operating Revenues	\$ 125,332	\$ 126,887	\$ 132,619
Operating Expenses	\$ 113,787	\$ 113,320	\$ 120,036
Ratio of Operating Revenues to:			
Operating Expenses	110%	112%	110%
Operating Expenses – Net of Depreciation	119%	120%	118%
Total Assets	87%	99%	79%
Net Assets	113%	117%	120%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### GENERAL TRENDS AND SIGNIFICANT EVENTS FOR FY 2012

The Public Building Authority's (PBA's) Property Management Department (PM) added four properties to its management responsibilities this fiscal year. The properties were the Knoxville Area Transit (KAT) W. D. Crutcher building on E. Magnolia Avenue, which handles maintenance of the KAT fleet of buses and trolleys, the Knox County Clerk's satellite offices, the City of Knoxville's Gateway building, which now houses an outdoor recreation center run by the Legacy Parks Foundation, and the City's Hill Street surface parking lot. PBA's PM department added management of these properties with no addition to its staff.

Our Computerized Maintenance Management System (CMMS) continues to be strengthened, this year by adding a complete inventory of all PBA's equipment, service dates and parts listings. PBA's PM department also developed a comprehensive Maintenance Policy and Procedures manual that was used recently by the City of Knoxville in a presentation on best management practices.

At the City County Building (CCB), the only asset owned by PBA, we are benefiting from a \$750 per month savings in natural gas costs thanks to the installation of two new condensing boilers for the building's hot water system. The boilers also provide redundant water heating in the event one boiler should go down for some reason.

PBA also is working through a number of Americans with Disabilities Act issues in the CCB that were identified last year by an ADA advocacy organization. This has included removing and replacing a number of water fountains that were not ADA compliant as well as restroom accessibility issues on some floors and new signage that is fully ADA compliant.

PBA's PM department has implemented usage of a new 3M filter technology in all its managed properties that increases efficiency in airflow from 30% to 85% while improving air quality. These new filters also have a longer life, thereby decreasing waste disposal impacts.

We also have installed mini-split HVAC systems in most of the computer rooms maintained by PBA, helping maintain the integrity of the server rooms as well as the pharmacy at the Knox County Health Department. These mini-split systems also reduce the heating and cooling costs for these areas.

PBA's Property Development Department (PD) managed over \$22,700,000 in projects for the City and County this fiscal year. Included in that number were over \$14 million in City projects, over \$6 million in County projects, over \$2 million in City County Building improvements, and a \$700,000 roof repair at the Community Action Council's Mobile Meals kitchen on Western Avenue.

Beginning with fiscal year 2013, the County decided to turn over the maintenance and security of John Tarleton Homes to Helen Ross McNabb, as they are already onsite managing the children and youth programs. PBA's PM department will continue to assist the County with storm damage repairs to homes, but will no longer be involved in the on-going maintenance and security monitoring of this property.

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

### **GENERAL TRENDS AND SIGNIFICANT EVENTS FOR FY 2011**

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

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

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

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

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

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

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

### **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 \$335,441, \$340,622 and \$(339,022), for the years ending June 30, 2012, 2011 and 2010, respectively. Decrease in net assets is the result of an increase in depreciation and additional return of prior year reserves to the County.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

RESULTS OF OPERATIONS

Capital Contributions (Deductions)

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

Operating and capital asset replacement reserve contributions were \$882,465 and \$711,125 for 2012 and 2011, respectively. The contributions consist of the following:

<u>June 30, 2012</u>	<u>Capital Reserves</u>
County:	
City County Building	\$ <u>570,600</u>
City:	
City County Building	171,865
City Parks	140,000
City Parking Facilities	<u>0</u>
Total City	<u>311,865</u>
Others	<u>0</u>
Total	<u>\$ 882,465</u>
 <u>June 30, 2011</u> 	
County:	
City County Building	\$ <u>569,343</u>
City:	
City County Building	43,189
City Parks	98,593
City Parking Facilities	<u>0</u>
Total City	<u>141,782</u>
Others	<u>0</u>
Total	<u>\$ 711,125</u>

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

**RESULTS OF OPERATIONS (Continued)**

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

Reserves returned to the City and County during 2012 totaled \$1,728,491 and represented a refund of operating results and parking garage revenues above the calculated desired reserve. Additionally, operating reserves of \$6,661 were refunded to the Development Corporation, and \$9,752 to Emergency Communication District, also representing operating reserves above the calculated needed reserve.

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

**Operating Expenses**

Operating expenses during 2012, 2011 and 2010 increased (decreased) by \$47,615, \$(84,879) and \$(617,165) or 0.41%, (0.73)% and (5.03)%, respectively. This was a result of major increases (decreases) such as:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Salaries and Benefits	\$ (135,465)	\$ (271,053)	\$ (554,266)
Purchased Services and Supplies	6,063	61,293	9,769
Operating Contracts	138,027	65,401	(80,505)
Utilities	(180,000)	215,311	(166,394)
Other – Net	<u>218,990</u>	<u>(155,831)</u>	<u>174,231</u>
Total	<u>\$ 47,615</u>	<u>\$ (84,879)</u>	<u>\$ (617,165)</u>

Depreciation expense was \$906,441, \$803,661 and \$722,568 in 2012, 2011 and 2010 respectively.

**Capital Assets**

During 2012, 2011 and 2010, PBA increased its producing capital assets by \$1,532,302, \$859,509, and \$1,469,558, respectively. These increases consist of the following:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Site Improvements	\$ 168,618	\$ 150,163	\$ 127,905
Building Improvements	1,010,781	95,693	927,995
Machinery and Equipment	340,238	454,895	395,429
Data Processing Equipment and Software	0	65,567	18,229
Vehicles	<u>12,665</u>	<u>93,191</u>	<u>0</u>
Total	<u>\$ 1,532,302</u>	<u>\$ 859,509</u>	<u>\$ 1,469,558</u>

The PBA's capital asset activity for 2012 and 2011 is described in Note 6 to the financial statements.

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

**ECONOMIC FACTORS AND NEXT FISCAL YEAR**

- Employer's portion of health insurance is expected to increase by 8%.
- There are no salary increases expected for FY 2013.
- There is a 1.7% and 1.8% projected decrease in operating expense budgets related to the City and County, respectively.
- FY 2013 Budget is summarized as follows:

Revenues	\$	13,596,018
Expenses		<u>12,271,793</u>
Change in Net Assets	\$	<u><u>1,324,225</u></u>

**FINAL COMMENTS**

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

**CONTACTING THE PBA**

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

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

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

BALANCE SHEETS

	As of June 30,	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$	5,388,150	\$ 5,206,040
Receivables:			
Accounts		24,079	25,658
Due from City and County		967,516	289,699
Due from Other Governmental Agencies		33,414	43,254
Inventory		12,184	15,416
Prepaid Items		<u>80,615</u>	<u>75,158</u>
<b>Total Current Assets</b>		<u>6,505,958</u>	<u>5,655,225</u>
<b>CAPITAL ASSETS</b>			
Property and Equipment		13,867,273	12,282,458
Less: Accumulated Depreciation		(5,843,051)	(4,954,771)
Construction in Progress		<u>136,321</u>	<u>123,705</u>
<b>Net Capital Assets</b>		<u>8,160,543</u>	<u>7,451,392</u>
<b>TOTAL ASSETS</b>	\$	<u>14,666,501</u>	\$ <u>13,106,617</u>

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

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

BALANCE SHEETS (Continued)

	As of June 30,	<u>2012</u>	<u>2011</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$	1,644,883	\$ 829,705
Due to City and County		618,156	718,012
Due to Other Governmental Agencies		16,413	34,339
Unearned Revenues		533,139	0
Customer Deposits		25,514	31,863
Compensated Absences Payable		<u>263,022</u>	<u>211,710</u>
<b>Total Current Liabilities</b>		<u>3,101,127</u>	<u>1,825,629</u>
<b>NON-CURRENT LIABILITIES</b>			
Compensated Absences Payable		<u>206,659</u>	<u>257,714</u>
<b>Total Non-Current Liabilities</b>		<u>206,659</u>	<u>257,714</u>
<b>Total Liabilities</b>		<u>3,307,786</u>	<u>2,083,343</u>
<b>NET ASSETS</b>			
Invested in Capital Assets		8,160,543	7,451,392
Unrestricted		<u>3,198,172</u>	<u>3,571,882</u>
<b>Total Net Assets</b>		<u>11,358,715</u>	<u>11,023,274</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<u><u>14,666,501</u></u>	<b>\$</b> <u><u>13,106,617</u></u>

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

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

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

	For the Years Ended June 30,	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>			
Rental Income from City and County	\$	3,912,814	\$ 3,999,608
Management Fees from City and County		5,652,775	5,776,189
Management Fees from Other Governmental Agencies		161,299	153,846
Other Rental Income - Net		208,204	196,173
Net Parking Revenues		<u>2,848,822</u>	<u>2,816,686</u>
<b>Total Operating Revenues</b>		<u>12,783,914</u>	<u>12,942,502</u>
<b>OPERATING EXPENSES</b>			
Salaries and Benefits		5,489,707	5,625,169
Office		93,329	72,415
Education and Training		6,703	10,335
Purchased Services and Supplies		1,055,814	1,049,751
Operating Contracts		1,586,372	1,448,345
Utilities		1,879,794	2,059,794
Communications		72,458	67,270
Insurance		236,013	228,725
Professional Fees		59,226	77,905
Depreciation		906,441	803,661
Maintenance Facility		76,560	73,593
Other		<u>143,840</u>	<u>41,678</u>
<b>Total Operating Expenses</b>		<u>11,606,257</u>	<u>11,558,641</u>
<b>OPERATING INCOME</b>		<u>1,177,657</u>	<u>1,383,861</u>

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

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

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)**

	For the Years Ended June 30,	<u>2012</u>	<u>2011</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income		28,448	27,264
Bank Charges		(8,224)	(8,210)
Capital Returned to City and County		(1,728,491)	(1,730,881)
Capital Returned to Other Governmental Agencies		<u>(16,414)</u>	<u>(42,537)</u>
Total Non-Operating Revenues (Expenses) - Net		<u>(1,724,681)</u>	<u>(1,754,364)</u>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS</b>			
		<u>(547,024)</u>	<u>(370,503)</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Cash:			
Capital Contributions from the City and County		<u>882,465</u>	<u>711,125</u>
Total Capital Contributions		<u>882,465</u>	<u>711,125</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>			
		335,441	340,622
<b>NET ASSETS, BEGINNING OF YEAR</b>			
		<u>11,023,274</u>	<u>10,682,652</u>
<b>NET ASSETS, END OF YEAR</b>			
		<u>\$ 11,358,715</u>	<u>\$ 11,023,274</u>

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

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

**STATEMENTS OF CASH FLOWS**

	<u>2012</u>	<u>2011</u>
For the Years Ended June 30,		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from City and County	\$ 8,887,773	\$ 11,838,357
Receipts from Other Governmental Agencies	171,139	111,456
Receipts from Other Customers	3,052,257	3,010,020
Payments to Employees	(5,489,451)	(5,610,180)
Payments to Suppliers	<u>(3,864,019)</u>	<u>(8,662,692)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>2,757,699</u>	<u>686,961</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contributed by City and County	882,465	711,125
Capital Returned to City and County	(1,809,124)	(1,763,157)
Capital Returned to Other Governmental Agencies	(34,339)	(111,666)
Capital Asset Additions	<u>(1,634,815)</u>	<u>(962,655)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(2,595,813)</u>	<u>(2,126,353)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Deposits	28,448	27,264
Bank Charges	<u>(8,224)</u>	<u>(8,210)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>20,224</u>	<u>19,054</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	182,110	(1,420,338)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,206,040</u>	<u>6,626,378</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,388,150</u>	<u>\$ 5,206,040</u>

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

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

**STATEMENTS OF CASH FLOWS (Continued)**

	For the Years Ended June 30,	<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>			
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$	1,177,657	\$ 1,383,861
Depreciation		906,441	803,661
Changes in:			
Accounts Receivable		1,579	(4,016)
Due from City and County		(677,816)	2,062,560
Due from Other Governmental Agencies		9,840	(42,390)
Prepaid Items		(5,457)	2,103
Other Current Assets		3,231	(2,369)
Accounts Payable and Accrued Liabilities		815,178	(3,520,590)
Customer Deposits		(6,349)	1,177
Compensated Absences Payable		256	14,989
Other Current Liabilities		<u>533,139</u>	<u>(12,025)</u>
 <b>Net Cash Provided by Operating Activities</b>	 \$	 <u>2,757,699</u>	 \$ <u>686,961</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

**NOTE 1 - ORGANIZATION**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**City County Building (CCB)** - The PBA constructed and leases the public building complex, the land and the related equipment thereon to the County and City under a 25 year capital and operating lease which expired on June 30, 2001, and is now being extended on an annual basis. According to the original operating agreement between the PBA and the County and City, dated July 1, 1975, Article VIII, in the event of termination of the lease and after all expenses and obligations of the PBA have been met, the City and County shall direct the PBA to whom and in what manner, title to the City County Building is to be transferred and may direct disposition of any excess funds remaining. Rentals committed under the lease agreement are equal to the related aggregate of (a) amounts necessary, together with other available funds of PBA, to pay the annual estimated expenses for the operation and maintenance of the project as budgeted by the PBA, (b) amounts equal to the unpaid telephone service, (c) amounts necessary, together with other available funds of the PBA, to pay the annual estimated administrative expenses of the project as budgeted by the PBA, and (d) amounts sufficient to pay taxes or assessments levied or made against the PBA as they become due. The 2012 and 2011 rents are apportioned 71.3% to the County and 28.7% to the City.

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

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

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

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

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

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

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

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

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

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

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

Volunteer Landing Public Park - The PBA has a contract with the City to maintain the Volunteer Landing Public Park and related facilities. This contract was extended to June 30, 2012 and is in the process of renewal. Under the terms of this contract, the City will reimburse the PBA for all costs and expenses incurred related to this project. This contract can be terminated upon 30 days written notice by either party.

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

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

##### **City Development Contracts**

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

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

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

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

##### **Fairview Technology Center**

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

##### **City/County Telecommunications**

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

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

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

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

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

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

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

**Cash and Cash Equivalents** - In lieu of a daily sweep overnight repurchase account, the PBA utilizes a special money rate checking account for public funds. All funds, less a required reserve of 10%, automatically earn interest at the rate of Federal Funds plus 47 basis points. The effective rate of interest on all collected funds is the rate of Federal Funds plus 35 basis points, which was .47% at year-end 2012 and 2011, respectively. All funds are available on demand.

The PBA's cash and cash equivalents at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Petty Cash	\$ 450	\$ 450
Postage	454	556
Demand Deposits	<u>5,387,246</u>	<u>5,205,034</u>
Total	<u>\$ 5,388,150</u>	<u>\$ 5,206,040</u>

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

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

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

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

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

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

**Investment Income** - Investment income, which consists of interest income, was \$28,448 and \$27,264 for 2012 and 2011, respectively. Bank charges are shown separately and were \$8,224 and \$8,210 for 2012 and 2011, respectively.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity during the year ended June 30, 2012 was as follows:

	Balances July 1, 2011	Additions	Disposals	Transfers	Balances June 30, 2012
Capital Assets, Not Being Depreciated:					
Land	\$ 101,016	\$ 0	\$ 0	\$ 0	\$ 101,016
Construction in Progress	<u>123,705</u>	<u>104,366</u>	<u>0</u>	<u>(91,750)</u>	<u>136,321</u>
Subtotal	<u>224,721</u>	<u>104,366</u>	<u>0</u>	<u>(91,750)</u>	<u>237,337</u>
Capital Assets Being Depreciated:					
Site Improvements	603,630	168,618	0	5,200	777,448
Building & Improvements	8,055,615	1,010,781	(26,326)	86,550	9,126,620
Machinery & Equipment	2,858,001	340,238	0	0	3,198,239
Data Processing Equipment & Software	297,919	0	0	0	297,919
Vehicles	<u>366,277</u>	<u>12,665</u>	<u>(12,911)</u>	<u>0</u>	<u>366,031</u>
Subtotal	<u>12,181,442</u>	<u>1,532,302</u>	<u>(39,237)</u>	<u>91,750</u>	<u>13,766,257</u>
Less: Accumulated Depreciation:					
Site Improvements	(104,668)	(68,675)	0	0	(173,343)
Building & Improvements	(2,790,384)	(436,104)	7,104	0	(3,219,384)
Machinery & Equipment	(1,661,348)	(330,978)	0	0	(1,992,326)
Data Processing Equipment & Software	(195,144)	(30,667)	0	0	(225,811)
Vehicles	<u>(203,227)</u>	<u>(40,017)</u>	<u>11,057</u>	<u>0</u>	<u>(232,187)</u>
Subtotal	<u>(4,954,771)</u>	<u>(906,441)</u>	<u>18,161</u>	<u>0</u>	<u>(5,843,051)</u>
Total Capital Assets Being Depreciated – Net	<u>7,226,671</u>	<u>625,861</u>	<u>(21,076)</u>	<u>91,750</u>	<u>7,923,206</u>
Total Capital Assets - Net	<u>\$ 7,451,392</u>	<u>\$ 730,227</u>	<u>\$ (21,076)</u>	<u>\$ 0</u>	<u>\$ 8,160,543</u>

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

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

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

Depreciation expense was charged as follows:

	2012	2011
Andrew Johnson Building/Dwight Kessel		
Metropolitan Parking Garage	\$ 43,850	\$ 54,177
City County Building	396,472	352,689
City Parking Facilities	85,281	73,592
City Parks	126,002	91,858
E-911	326	350
Fairview Technology Center	1,128	1,125
Health Department	1,483	1,467
John Tarleton Home	1,384	2,041
Juvenile Justice Center	2,958	2,768
Knox Central	2,451	2,258
Old Court House	37,376	37,650
Other	30,598	31,898
Property Development	360	2,433
Senior Centers	2,086	2,130
Telecom	174,686	147,225
Total	<u>\$ 906,441</u>	<u>\$ 803,661</u>

**NOTE 7 - CONSTRUCTION IN PROGRESS**

At June 30, 2012 and 2011, construction in progress consisted of the following:

Facility / Project	2012		2011	
	Actual To-Date	Remaining Commitment	Actual To-Date	Remaining Commitment
City/County Building:				
Roof Replacement	\$ 71,229	\$ 720,000	\$ 0	\$ 0
Garage Post Tension Cables	34,451	150,000	31,955	76,305
Cooling Tower	0	0	32,887	278,063
UPS Modifications	0	0	13,790	313,045
Drive/Pump Replacements	0	0	25,194	14,805
City Parking Facilities:				
Security Camera - Main Avenue Garage	21,061	4,000	0	0
City Parks:				
Fountain Computer System – Worlds’ Fair Park	9,580	50,000	0	0
Restroom Renovations - Volunteer Landing	0	0	14,679	2,321
Pedestrian Bridge - World's Fair Park	0	0	5,200	131,300
Total	<u>\$ 136,321</u>	<u>\$ 924,000</u>	<u>\$ 123,705</u>	<u>\$ 815,839</u>

**NOTE 8 - COMPENSATED ABSENCES PAYABLE**

Compensated absences activity during the years ended June 30, 2012 and 2011 was as follows:

	2012	2011
Balance, Beginning of Year	\$ 469,424	\$ 454,435
Earned	263,236	263,715
Used	<u>(262,979)</u>	<u>(248,726)</u>
Balance, End of Year	<u>\$ 469,681</u>	<u>\$ 469,424</u>
Current Portion	\$ 263,022	\$ 211,710
Non-Current Portion	<u>206,659</u>	<u>257,714</u>
Total	<u>\$ 469,681</u>	<u>\$ 469,424</u>

**NOTE 9 - NET ASSETS**

Net assets represent the difference between assets and liabilities. The net assets at June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Invested in Capital Assets:		
Net Capital Assets	\$ 8,160,543	\$ 7,451,392
Unrestricted:		
Designated for Operating Reserve	948,003	822,547
Designated for Capital Asset Replacement	<u>2,250,169</u>	<u>2,749,335</u>
	3,198,172	3,571,882
 Total	 <u>\$ 11,358,715</u>	 <u>\$ 11,023,274</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, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
City	\$ 5,312,440	\$ 5,318,543
County	5,997,234	5,666,092
Others:		
Development Corp. of Knox County	7,558	5,686
Emergency Communications District	32,627	32,953
Knox County Schools	<u>8,856</u>	<u>0</u>
 Total	 <u>\$ 11,358,715</u>	 <u>\$ 11,023,274</u>

**NOTE 10 - OPERATING REVENUES**

Operating revenues earned during the years ended June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Rental Income from City and County	\$ 3,912,814	\$ 3,999,608
Other Rental Income:		
Gross Revenues	209,859	196,173
Less: Bad Debts	<u>(1,655)</u>	<u>0</u>
Other Rental Income – Net	208,204	196,173
Management Fees from the City and County	<u>5,652,775</u>	<u>5,776,189</u>
Management Fees from Other Governmental Agencies	<u>161,299</u>	<u>153,846</u>
Parking Revenues:		
Gross Revenues	3,377,305	3,286,390
Less: Commissions to Vendor	<u>(528,483)</u>	<u>(469,704)</u>
Net Parking Revenues	<u>2,848,822</u>	<u>2,816,686</u>
 Total	 <u>\$ 12,783,914</u>	 <u>\$ 12,942,502</u>

**NOTE 11 - CAPITAL CONTRIBUTIONS AND DEDUCTIONS**

During the year ended June 30, 2012, capital contributions and deductions were as follows:

	<u>City</u>	<u>County</u>	<u>Others</u>	<u>Total</u>
<b>Capital Contributions</b>				
Capital Asset Replacement Reserves	\$ 311,865	\$ 570,600	\$ 0	\$ 882,465
<b>Capital Deductions</b>				
Capital Contributions Returned	<u>(1,546,426)</u>	<u>(182,065)</u>	<u>(16,414)</u>	<u>(1,744,905)</u>
Total - Net	<u>\$ (1,234,561)</u>	<u>\$ 388,535</u>	<u>\$ (16,414)</u>	<u>\$ (862,440)</u>

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

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

During the year ended June 30, 2012, the PBA returned to the City, the County, the Emergency Communications District, and the Development Corporation operating funds in excess of those agreed upon to be held in separate operating reserves; \$1,546,426 was returned to the City, \$182,065 was returned to the County, \$9,753 was returned to the Emergency Communications District, and \$6,661 was returned to the Development Corporation. These funds represented the results of operations.

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

**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 2012 and 2011:

<u>June 30, 2012</u>	<u>City</u>	<u>County</u>	<u>Total</u>
Due From, End of Year	\$ 476,145	\$ 491,371	\$ 967,516
Due To, End of Year	455,314	162,842	618,156
Rental Income	1,122,978	2,789,836	3,912,814
Management Fees	2,964,741	2,688,034	5,652,775
Net Parking Revenues	2,222,066	626,756	2,848,822
<u>June 30, 2011</u>			
Due From, End of Year	\$ 94,467	\$ 195,232	\$ 289,699
Due To, End of Year	380,820	337,192	718,012
Rental Income	1,147,888	2,851,720	3,999,608
Management Fees	2,913,207	2,862,982	5,776,189
Net Parking Revenues	2,178,331	638,355	2,816,686

During the years ended June 30, 2012 and 2011, approximately 49% and 48% of operating revenues, respectively, were from the City. During the years ended June 30, 2012 and 2011, approximately 48% and 49% of operating revenues, respectively, were from the County.

**NOTE 14 - RETIREMENT PLANS**

**Overview**

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

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

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

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

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

The financial statements of the County's retirement plans are reported within Knox County's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. The CAFR may be obtained by writing or contacting the Knox County Finance Department at:

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

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

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

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

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

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

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

During the years ended June 30, 2012 and 2011, PBA employees made mandatory and voluntary contributions of \$298,827 and \$287,974, respectively. During 2012 and 2011, PBA made matching employer contributions of \$280,198 and \$276,941, respectively.

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

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

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

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

The maximum and minimum participant annual contributions for the years ended June 30, 2012 and 2011 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>
2012	\$ 120
2011	120
2010	120
2009	120

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

During 2012 and 2011, PBA employees made voluntary contributions of \$4,826 and \$5,150, respectively.

**NOTE 15 - DEFERRED COMPENSATION PLAN**

The PBA offers its employees, through the Knox County Retirement Board, a supplemental deferred compensation plan created in accordance with Internal Revenue Code, Section 457 (the 457 Plan). The 457 Plan, available to all PBA employees, permits them to defer a portion of their salary until retirement. Employees can make voluntary pre-tax contributions; however, the PBA does not make any matching employer contributions. Employees are always 100% vested in their voluntary contributions. There were no employee contributions made during the years ended June 30, 2012 and 2011.

**SUPPLEMENTARY INFORMATION**

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

**BALANCE SHEET BY ACTIVITY  
June 30, 2012**

Property Management - City Properties

	Parking Facilities	Police Department	Parks	Transit Facility	Downtown Cinema	Total City Properties
<b>Assets:</b>						
<b>Current Assets</b>						
Cash and Cash Equivalents	\$ 789,603	\$ 461	\$ 387,050	\$ 134,592	\$ 17,988	\$ 1,329,694
Receivables:						
Accounts	0	0	24,079	0	0	24,079
Due from County	0	0	0	0	0	0
Due from City	6,378	0	155,033	0	0	161,411
Due from Other Governmental Agencies	0	0	0	0	0	0
Due from Other Departments	0	0	0	0	0	0
Inventory	0	0	0	0	0	0
Prepaid Items	0	0	0	0	0	0
<b>Total Current Assets</b>	<u>795,981</u>	<u>461</u>	<u>566,162</u>	<u>134,592</u>	<u>17,988</u>	<u>1,515,184</u>
<b>Capital Assets</b>						
Building Improvements	1,103,018	0	63,880	0	0	1,166,898
Site Improvements	33,848	0	664,152	0	0	698,000
Data Processing Equipment and Software	4,184	0	5,557	0	0	9,741
Machinery and Equipment	302,638	0	407,450	0	0	710,088
Vehicles	250	0	262,491	0	0	262,741
<b>Total Capital Assets</b>	<u>1,443,938</u>	<u>0</u>	<u>1,403,530</u>	<u>0</u>	<u>0</u>	<u>2,847,468</u>
Less: Accumulated Depreciation	(334,887)	0	(490,499)	0	0	(825,386)
Construction in Progress	21,061	0	9,580	0	0	30,641
<b>Net Capital Assets</b>	<u>1,130,112</u>	<u>0</u>	<u>922,611</u>	<u>0</u>	<u>0</u>	<u>2,052,723</u>
<b>Total Assets</b>	<u>\$ 1,926,093</u>	<u>\$ 461</u>	<u>\$ 1,488,773</u>	<u>\$ 134,592</u>	<u>\$ 17,988</u>	<u>\$ 3,567,907</u>
<b>Liabilities:</b>						
<b>Current Liabilities</b>						
Accounts Payable and Accrued Liabilities	\$ 189,997	\$ 332	\$ 179,826	\$ 24,909	\$ 6,453	\$ 401,517
Due to City	0	0	0	0	0	0
Due to County	0	0	0	0	0	0
Due to Other Governmental Agencies	0	0	0	0	0	0
Due to (from) Other Departments	324,060	(334)	103,755	94,682	5,531	527,694
Customer Deposits	3,172	0	18,395	0	3,947	25,514
Compensated Absences Payable	15,602	259	47,306	8,401	1,152	72,720
<b>Total Current Liabilities</b>	<u>532,831</u>	<u>257</u>	<u>349,282</u>	<u>127,992</u>	<u>17,083</u>	<u>1,027,445</u>
<b>Non-Current Liabilities</b>						
Compensated Absences Payable	12,259	204	37,169	6,600	905	57,137
<b>Total Non-Current Liabilities</b>	<u>12,259</u>	<u>204</u>	<u>37,169</u>	<u>6,600</u>	<u>905</u>	<u>57,137</u>
<b>Total Liabilities</b>	<u>545,090</u>	<u>461</u>	<u>386,451</u>	<u>134,592</u>	<u>17,988</u>	<u>1,084,582</u>
<b>Net Assets</b>						
Invested in Capital Assets	1,130,112	0	922,611	0	0	2,052,723
Unrestricted:						
Designated for Operating Reserve	0	0	0	0	0	0
Designated for Capital Asset Replacement Reserve	250,891	0	179,711	0	0	430,602
<b>Total Net Assets</b>	<u>1,381,003</u>	<u>0</u>	<u>1,102,322</u>	<u>0</u>	<u>0</u>	<u>2,483,325</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,926,093</u>	<u>\$ 461</u>	<u>\$ 1,488,773</u>	<u>\$ 134,592</u>	<u>\$ 17,988</u>	<u>\$ 3,567,907</u>

Property Management - County Properties

Andrew Johnson Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	John Tarleton Homes	Juvenile Justice Center	Knox Central	Old Court House	Senior Centers	State Street Parking Lot	Total County Properties
\$ 86,414	\$ 15,748	\$ 25,557	\$ 56,325	\$ 49,275	\$ 32,004	\$ 52,540	\$ 19,439	\$ 54,720	\$ 392,022
0	0	0	0	0	0	0	0	0	0
68,565	17,500	0	75,277	37,558	491	88,480	0	0	287,871
0	0	0	0	0	0	0	0	0	0
0	0	0	1,782	0	0	0	0	0	1,782
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
<u>154,979</u>	<u>33,248</u>	<u>25,557</u>	<u>133,384</u>	<u>86,833</u>	<u>32,495</u>	<u>141,020</u>	<u>19,439</u>	<u>54,720</u>	<u>681,675</u>
1,115,865	0	0	0	11,591	18,593	720,743	0	0	1,866,792
0	0	0	0	0	0	0	5,107	0	5,107
27,872	0	708	0	1,153	1,102	0	0	0	30,835
155,948	0	5,028	0	9,862	6,656	19,792	10,650	0	207,936
5,300	0	10,100	0	24,707	10,050	4,304	500	0	54,961
<u>1,304,985</u>	<u>0</u>	<u>15,836</u>	<u>0</u>	<u>47,313</u>	<u>36,401</u>	<u>744,839</u>	<u>16,257</u>	<u>0</u>	<u>2,165,631</u>
(918,525)	0	(13,793)	0	(29,346)	(20,063)	(361,081)	(11,676)	0	(1,354,484)
0	0	0	0	0	0	0	0	0	0
<u>386,460</u>	<u>0</u>	<u>2,043</u>	<u>0</u>	<u>17,967</u>	<u>16,338</u>	<u>383,758</u>	<u>4,581</u>	<u>0</u>	<u>811,147</u>
<u>\$ 541,439</u>	<u>\$ 33,248</u>	<u>\$ 27,600</u>	<u>\$ 133,384</u>	<u>\$ 104,800</u>	<u>\$ 48,833</u>	<u>\$ 524,778</u>	<u>\$ 24,020</u>	<u>\$ 54,720</u>	<u>\$ 1,492,822</u>
\$ 106,507	\$ 21,341	\$ 9,785	\$ 82,878	\$ 61,420	\$ 12,993	\$ 101,202	\$ 2,742	\$ 1,196	\$ 400,064
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
10,175	7,745	4,568	50,506	1,548	11,740	11,899	11,942	53,354	163,477
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
<u>21,447</u>	<u>2,331</u>	<u>6,274</u>	<u>0</u>	<u>13,364</u>	<u>4,347</u>	<u>15,635</u>	<u>2,663</u>	<u>95</u>	<u>66,156</u>
<u>138,129</u>	<u>31,417</u>	<u>20,627</u>	<u>133,384</u>	<u>76,332</u>	<u>29,080</u>	<u>128,736</u>	<u>17,347</u>	<u>54,645</u>	<u>629,697</u>
<u>16,850</u>	<u>1,831</u>	<u>4,930</u>	<u>0</u>	<u>10,501</u>	<u>3,415</u>	<u>12,284</u>	<u>2,092</u>	<u>75</u>	<u>51,978</u>
<u>16,850</u>	<u>1,831</u>	<u>4,930</u>	<u>0</u>	<u>10,501</u>	<u>3,415</u>	<u>12,284</u>	<u>2,092</u>	<u>75</u>	<u>51,978</u>
<u>154,979</u>	<u>33,248</u>	<u>25,557</u>	<u>133,384</u>	<u>86,833</u>	<u>32,495</u>	<u>141,020</u>	<u>19,439</u>	<u>54,720</u>	<u>681,675</u>
386,460	0	2,043	0	17,967	16,338	383,758	4,581	0	811,147
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
<u>386,460</u>	<u>0</u>	<u>2,043</u>	<u>0</u>	<u>17,967</u>	<u>16,338</u>	<u>383,758</u>	<u>4,581</u>	<u>0</u>	<u>811,147</u>
<u>\$ 541,439</u>	<u>\$ 33,248</u>	<u>\$ 27,600</u>	<u>\$ 133,384</u>	<u>\$ 104,800</u>	<u>\$ 48,833</u>	<u>\$ 524,778</u>	<u>\$ 24,020</u>	<u>\$ 54,720</u>	<u>\$ 1,492,822</u>

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

BALANCE SHEET BY ACTIVITY (Continued)  
June 30, 2012

	Property Management - Other							
	City County Building	Emergency Communications District	Fairview Technology Center	Total Property Management	Property Development	Telecom Services	Corporate	Total
<b>Assets:</b>								
<b>Current Assets</b>								
Cash and Cash Equivalents	\$ 3,109,200	\$ 44,999	\$ 16,888	\$ 4,892,803	\$ 160,175	\$ 89,332	\$ 245,840	\$ 5,388,150
Receivables:								
Accounts	0	0	0	24,079	0	0	0	24,079
Due from County	0	0	0	287,871	0	13,294	190,206	491,371
Due from City	0	0	0	161,411	0	1,939	312,795	476,145
Due from Other Governmental Agencies	0	0	0	1,782	0	0	31,632	33,414
Due from Other Departments	0	0	0	0	0	0	915,935	915,935
Inventory	0	0	0	0	0	12,184	0	12,184
Prepaid Items	0	0	0	0	0	0	80,615	80,615
<b>Total Current Assets</b>	<b>3,109,200</b>	<b>44,999</b>	<b>16,888</b>	<b>5,367,946</b>	<b>160,175</b>	<b>116,749</b>	<b>1,777,023</b>	<b>7,421,893</b>
<b>Capital Assets</b>								
Land	0	0	0	0	0	0	101,016	101,016
Buildings	0	0	0	0	0	0	528,264	528,264
Building Improvements	5,530,644	6,000	0	8,570,334	8,977	0	19,045	8,598,356
Site Improvements	74,341	0	0	777,448	0	0	0	777,448
Data Processing Equipment and Software	91,206	0	0	131,782	20,698	18,751	126,688	297,919
Machinery and Equipment	951,032	0	11,250	1,880,306	0	1,300,651	17,282	3,198,239
Vehicles	15,750	250	0	333,702	0	32,329	0	366,031
Total Capital Assets	6,662,973	6,250	11,250	11,693,572	29,675	1,351,731	792,295	13,867,273
Less: Accumulated Depreciation	(2,637,280)	(1,600)	(8,436)	(4,827,186)	(23,032)	(838,166)	(154,667)	(5,843,051)
Construction in Progress	105,680	0	0	136,321	0	0	0	136,321
Net Capital Assets	4,131,373	4,650	2,814	7,002,707	6,643	513,565	637,628	8,160,543
<b>Total Assets</b>	<b>\$ 7,240,573</b>	<b>\$ 49,649</b>	<b>\$ 19,702</b>	<b>\$ 12,370,653</b>	<b>\$ 166,818</b>	<b>\$ 630,314</b>	<b>\$ 2,414,651</b>	<b>\$ 15,582,436</b>
<b>Liabilities:</b>								
<b>Current Liabilities</b>								
Accounts Payable and Accrued Liabilities	\$ 241,674	\$ 2,847	\$ 3,169	\$ 1,049,271	\$ 21,984	\$ 26,946	\$ 546,682	\$ 1,644,883
Due to City	0	0	0	0	0	0	455,314	455,314
Due to County	0	0	0	0	0	0	162,842	162,842
Due to Other Governmental Agencies	0	0	0	0	0	0	16,413	16,413
Due to (from) Other Departments	71,608	10,742	7,166	780,687	92,992	42,256	0	915,935
Unearned Revenues	533,139	0	0	533,139	0	0	0	533,139
Customer Deposits	0	0	0	25,514	0	0	0	25,514
Compensated Absences Payable	69,273	1,922	1,013	211,084	25,312	26,626	0	263,022
<b>Total Current Liabilities</b>	<b>915,694</b>	<b>15,511</b>	<b>11,348</b>	<b>2,599,695</b>	<b>140,288</b>	<b>95,828</b>	<b>1,181,251</b>	<b>4,017,062</b>
<b>Non-Current Liabilities</b>								
Compensated Absences Payable	54,429	1,511	796	165,851	19,887	20,921	0	206,659
<b>Total Non-Current Liabilities</b>	<b>54,429</b>	<b>1,511</b>	<b>796</b>	<b>165,851</b>	<b>19,887</b>	<b>20,921</b>	<b>0</b>	<b>206,659</b>
<b>Total Liabilities</b>	<b>970,123</b>	<b>17,022</b>	<b>12,144</b>	<b>2,765,546</b>	<b>160,175</b>	<b>116,749</b>	<b>1,181,251</b>	<b>4,223,721</b>
<b>Net Assets</b>								
Invested in Capital Assets	4,131,373	4,650	2,814	7,002,707	6,643	513,565	637,628	8,160,543
Unrestricted:								
Designated for Operating Reserve	319,510	27,977	4,744	352,231	0	0	595,772	948,003
Designated for Capital Asset Replacement Reserve	1,819,567	0	0	2,250,169	0	0	0	2,250,169
<b>Total Net Assets</b>	<b>6,270,450</b>	<b>32,627</b>	<b>7,558</b>	<b>9,605,107</b>	<b>6,643</b>	<b>513,565</b>	<b>1,233,400</b>	<b>11,358,715</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,240,573</b>	<b>\$ 49,649</b>	<b>\$ 19,702</b>	<b>\$ 12,370,653</b>	<b>\$ 166,818</b>	<b>\$ 630,314</b>	<b>\$ 2,414,651</b>	<b>\$ 15,582,436</b>

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS BY ACTIVITY  
For the Year Ended June 30, 2012**

Property Management - City Properties

	Parking Facilities	Police Department	Parks	Transit Facility	Downtown Cinema	Total City Properties
<b>Operating Revenues:</b>						
Rental Income from City and County	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Management Fees from City and County	0	5,471	1,803,355	694,116	41,580	2,544,522
Management Fees from Other Governmental Agencies	0	0	0	0	26,567	26,567
Rental and Event Revenues	35,115	0	119,365	0	47,360	201,840
Net Parking Revenues (Expenses)	<u>2,144,594</u>	<u>0</u>	<u>59,079</u>	<u>0</u>	<u>0</u>	<u>2,203,673</u>
<b>Total Operating Revenues</b>	<u>2,179,709</u>	<u>5,471</u>	<u>1,981,799</u>	<u>694,116</u>	<u>115,507</u>	<u>4,976,602</u>
<b>Operating Expenses:</b>						
<b>Direct:</b>						
<u>Property Management</u>						
Management	282,523	1,498	299,380	24,746	13,890	622,037
Safety and Services	249,451	3,860	381,813	210,796	9,535	855,455
Operations and Maintenance	261,752	0	1,246,689	313,249	78,076	1,899,766
<u>Other Management Services</u>						
Property Development	0	0	0	0	0	0
Telecom Services	0	0	0	0	0	0
<b>Total Direct Operating Expenses</b>	<u>793,726</u>	<u>5,358</u>	<u>1,927,882</u>	<u>548,791</u>	<u>101,501</u>	<u>3,377,258</u>
<b>Indirect:</b>						
Corporate Administration	28,222	198	65,373	22,152	3,702	119,647
Finance	33,362	235	77,212	26,245	4,377	141,431
MIS	12,722	90	29,449	10,002	1,669	53,932
<b>Total Indirect Operating Expenses</b>	<u>74,306</u>	<u>523</u>	<u>172,034</u>	<u>58,399</u>	<u>9,748</u>	<u>315,010</u>
<b>Total Operating Expenses</b>	<u>868,032</u>	<u>5,881</u>	<u>2,099,916</u>	<u>607,190</u>	<u>111,249</u>	<u>3,692,268</u>
<b>Operating Income (Loss)</b>	<u>1,311,677</u>	<u>(410)</u>	<u>(118,117)</u>	<u>86,926</u>	<u>4,258</u>	<u>1,284,334</u>
<b>Non-Operating Revenues (Expenses):</b>						
Interest Income	4,131	4	3,513	768	85	8,501
Bank Charges	(4,480)	0	(699)	(55)	(6)	(5,240)
Capital Returned to City, County and Other Governmental Agencies	<u>(1,406,735)</u>	<u>406</u>	<u>(80,899)</u>	<u>(87,639)</u>	<u>(4,337)</u>	<u>(1,579,204)</u>
<b>Total Non-Operating Revenues (Expenses) - Net</b>	<u>(1,407,084)</u>	<u>410</u>	<u>(78,085)</u>	<u>(86,926)</u>	<u>(4,258)</u>	<u>(1,575,943)</u>
<b>Increase (Decrease) in Net Assets Before Capital Contributions</b>	<u>(95,407)</u>	<u>0</u>	<u>(196,202)</u>	<u>0</u>	<u>0</u>	<u>(291,609)</u>
<b>Capital Contributions</b>						
<b>Cash:</b>						
Operating Reserves from City and County and Other Governmental Agencies	0	0	0	0	0	0
Capital Asset Replacement Reserves from City and County	<u>0</u>	<u>0</u>	<u>140,000</u>	<u>0</u>	<u>0</u>	<u>140,000</u>
<b>Total Capital Contributions</b>	<u>0</u>	<u>0</u>	<u>140,000</u>	<u>0</u>	<u>0</u>	<u>140,000</u>
<b>Increase (Decrease) in Net Assets</b>	<u>(95,407)</u>	<u>0</u>	<u>(56,202)</u>	<u>0</u>	<u>0</u>	<u>(151,609)</u>
<b>Net Assets, Beginning of Year</b>	<u>1,476,410</u>	<u>0</u>	<u>1,158,524</u>	<u>0</u>	<u>0</u>	<u>2,634,934</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,381,003</u>	<u>\$ 0</u>	<u>\$ 1,102,322</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,483,325</u>

Property Management - County Properties

Andrew Johnson Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	John Tarleton Homes	Juvenile Justice Center	Knox Central	Old Court House	Senior Centers	State Street Parking Lot	Total County Properties
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
133,902	116,248	234,327	156,708	498,650	179,382	415,386	83,499	0	1,818,102
0	0	0	0	0	0	0	0	0	0
0	0	6,364	0	0	0	0	0	0	6,364
522,067	0	0	0	0	0	0	0	58,996	581,063
<u>655,969</u>	<u>116,248</u>	<u>240,691</u>	<u>156,708</u>	<u>498,650</u>	<u>179,382</u>	<u>415,386</u>	<u>83,499</u>	<u>58,996</u>	<u>2,405,529</u>
115,047	8,920	26,613	8,292	21,433	13,791	64,889	6,029	1,322	266,336
198,773	17,319	46,568	16,862	152,118	42,214	156,712	21,417	0	651,983
324,034	74,354	146,760	71,574	288,943	101,370	187,851	39,861	3,802	1,238,549
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
637,854	100,593	219,941	96,728	462,494	157,375	409,452	67,307	5,124	2,156,868
22,939	3,566	8,024	4,914	16,694	5,756	13,968	2,825	116	78,802
27,071	4,206	9,462	5,768	19,775	6,787	16,531	3,355	136	93,091
10,327	1,605	3,610	2,163	7,576	2,590	6,302	1,278	52	35,503
60,337	9,377	21,096	12,845	44,045	15,133	36,801	7,458	304	207,396
698,191	109,970	241,037	109,573	506,539	172,508	446,253	74,765	5,428	2,364,264
(42,222)	6,278	(346)	47,135	(7,889)	6,874	(30,867)	8,734	53,568	41,265
496	137	227	248	446	212	384	103	168	2,421
(658)	(10)	(16)	(18)	(31)	(15)	(27)	(7)	(471)	(1,253)
(1,466)	(6,405)	(1,349)	(69,060)	5,606	(9,523)	(6,866)	(10,916)	(53,265)	(153,244)
(1,628)	(6,278)	(1,138)	(68,830)	6,021	(9,326)	(6,509)	(10,820)	(53,568)	(152,076)
(43,850)	0	(1,484)	(21,695)	(1,868)	(2,452)	(37,376)	(2,086)	0	(110,811)
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
(43,850)	0	(1,484)	(21,695)	(1,868)	(2,452)	(37,376)	(2,086)	0	(110,811)
430,310	0	3,527	21,695	19,835	18,790	421,134	6,667	0	921,958
<u>\$ 386,460</u>	<u>\$ 0</u>	<u>\$ 2,043</u>	<u>\$ 0</u>	<u>\$ 17,967</u>	<u>\$ 16,338</u>	<u>\$ 383,758</u>	<u>\$ 4,581</u>	<u>\$ 0</u>	<u>\$ 811,147</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, 2012

	Property Management - Other							
	City County Building	Emergency Communications District	Fairview Technology Center	Total Property Management	Property Development	Telecom Services	Corporate	Total
<b>Operating Revenues:</b>								
Rental Income from City and County	\$ 3,912,814	\$ 0	\$ 0	\$ 3,912,814	\$ 0	\$ 0	\$ 0	\$ 3,912,814
Management Fees from City and County	0	0	0	4,362,624	572,809	717,342	0	5,652,775
Management Fees from Other								
Governmental Agencies	0	92,383	42,349	161,299	0	0	0	161,299
Rental and Event Revenues	0	0	0	208,204	0	0	0	208,204
Net Parking Revenues	64,086	0	0	2,848,822	0	0	0	2,848,822
<b>Total Operating Revenues</b>	<b>3,976,900</b>	<b>92,383</b>	<b>42,349</b>	<b>11,493,763</b>	<b>572,809</b>	<b>717,342</b>	<b>0</b>	<b>12,783,914</b>
<b>Operating Expenses:</b>								
<b>Direct</b>								
<u>Property Management</u>								
Management	664,613	5,148	4,919	1,563,053	0	0	15,713	1,578,766
Safety and Services	508,400	6,174	4,676	2,026,688	0	0	0	2,026,688
Operations and Maintenance	2,718,404	63,837	19,931	5,940,487	0	0	0	5,940,487
<u>Other Management Services</u>								
Property Development	0	0	0	0	402,239	0	0	402,239
Telecom Services	0	0	0	0	0	608,466	0	608,466
<b>Total Direct Operating Expenses</b>	<b>3,891,417</b>	<b>75,159</b>	<b>29,526</b>	<b>9,530,228</b>	<b>402,239</b>	<b>608,466</b>	<b>15,713</b>	<b>10,556,646</b>
<b>Indirect</b>								
Corporate Administration	133,171	3,039	1,653	336,312	33,292	23,523	0	393,127
Finance	157,304	3,596	1,954	397,376	39,142	27,945	0	464,463
MIS	59,995	1,371	745	151,546	14,947	10,643	14,885	192,021
<b>Total Indirect Operating Expenses</b>	<b>350,470</b>	<b>8,006</b>	<b>4,352</b>	<b>885,234</b>	<b>87,381</b>	<b>62,111</b>	<b>14,885</b>	<b>1,049,611</b>
<b>Total Operating Expenses</b>	<b>4,241,887</b>	<b>83,165</b>	<b>33,878</b>	<b>10,415,462</b>	<b>489,620</b>	<b>670,577</b>	<b>30,598</b>	<b>11,606,257</b>
<b>Operating Income (Loss)</b>	<b>(264,987)</b>	<b>9,218</b>	<b>8,471</b>	<b>1,078,301</b>	<b>83,189</b>	<b>46,765</b>	<b>(30,598)</b>	<b>1,177,657</b>
<b>Non-Operating Revenues (Expenses):</b>								
Interest Income	15,806	225	67	27,020	851	577	0	28,448
Bank Charges	(1,609)	(16)	(5)	(8,123)	(61)	(40)	0	(8,224)
Capital Returned to City, County and Other Governmental Agencies	0	(9,752)	(6,661)	(1,748,861)	(84,339)	(34,161)	122,456	(1,744,905)
<b>Total Non-Operating Revenues (Expenses) - Net</b>	<b>14,197</b>	<b>(9,543)</b>	<b>(6,599)</b>	<b>(1,729,964)</b>	<b>(83,549)</b>	<b>(33,624)</b>	<b>122,456</b>	<b>(1,724,681)</b>
<b>Increase (Decrease) in Net Assets Before Capital Contributions</b>	<b>(250,790)</b>	<b>(325)</b>	<b>1,872</b>	<b>(651,663)</b>	<b>(360)</b>	<b>13,141</b>	<b>91,858</b>	<b>(547,024)</b>
<b>Capital Contributions (Deductions)</b>								
<b>Cash:</b>								
Operating Reserves from City and County and Other Governmental Agencies	0	0	0	0	0	0	0	0
Capital Asset Replacement Reserves from City and County	742,465	0	0	882,465	0	0	0	882,465
<b>Total Capital Contributions</b>	<b>742,465</b>	<b>0</b>	<b>0</b>	<b>882,465</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>882,465</b>
<b>Increase (Decrease) in Net Assets</b>	<b>491,675</b>	<b>(325)</b>	<b>1,872</b>	<b>230,802</b>	<b>(360)</b>	<b>13,141</b>	<b>91,858</b>	<b>335,441</b>
<b>Net Assets, Beginning of Year</b>	<b>5,778,775</b>	<b>32,952</b>	<b>5,686</b>	<b>9,374,305</b>	<b>7,003</b>	<b>500,424</b>	<b>1,141,542</b>	<b>11,023,274</b>
<b>Net Assets, End of Year</b>	<b>\$ 6,270,450</b>	<b>\$ 32,627</b>	<b>\$ 7,558</b>	<b>\$ 9,605,107</b>	<b>\$ 6,643</b>	<b>\$ 513,565</b>	<b>\$ 1,233,400</b>	<b>\$ 11,358,715</b>

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY  
For the Year Ended June 30, 2012**

	City Parking Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Net Parking Revenue	\$ 2,043,406	\$ 2,144,594	\$ 101,188
Tenant Rental Income	36,620	35,115	(1,505)
	<u>2,080,026</u>	<u>2,179,709</u>	<u>99,683</u>
<b>Operating Expenses</b>			
<b>Direct:</b>			
Salaries and Wages	248,528	239,221	9,307
Employee Benefits	86,984	72,382	14,602
Office Expenses	4,000	1,915	2,085
Education and Training	2,000	2,031	(31)
Operating Expenses	56,500	45,950	10,550
Operating Contracts	153,710	160,269	(6,559)
Utilities	177,446	148,762	28,684
Communications	11,000	11,879	(879)
Insurance	5,700	5,938	(238)
Professional Services	4,100	3,082	1,018
Maintenance Facility	6,930	6,890	40
Capital Purchases	9,000	0	9,000
Depreciation Expense	0	85,281	(85,281)
	<u>765,898</u>	<u>783,600</u>	<u>(17,702)</u>
Total Direct Operating Expenses			
Total Indirect Operating Expenses	80,127	74,306	5,821
	<u>846,025</u>	<u>857,906</u>	<u>(11,881)</u>
Total Operating Expenses			
Operating Income (Loss)	1,234,001	1,321,803	87,802
	<u>1,234,001</u>	<u>1,321,803</u>	<u>87,802</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	5,120	4,131	(989)
Bank Charges	(4,164)	(4,480)	(316)
Capital Asset Replacement Reserve	(464,003)	(10,126)	453,877
Transfer of Operating Reserves	(1,234,957)	(1,406,735)	(171,778)
	<u>(1,698,004)</u>	<u>(1,417,210)</u>	<u>280,794</u>
Net Non-Operating Revenues (Expenses)			
<b>Increase (Decrease) in Net Assets</b>	\$ <u>(464,003)</u>	(95,407)	\$ <u>368,596</u>
<b>Net Assets, Beginning of Year</b>		<u>1,476,410</u>	
<b>Net Assets, End of Year</b>		<u>\$ 1,381,003</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, 2012

	The Knoxville Police Department		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from City	\$ 5,471	\$ 5,471	\$ 0
<b>Operating Expenses</b>			
<b>Direct:</b>			
Salaries and Wages	3,030	3,053	(23)
Employee Benefits	1,060	1,256	(196)
Office Expenses	50	7	43
Education and Training	200	0	200
Operating Expenses	390	880	(490)
Communications	50	64	(14)
Insurance	50	52	(2)
Professional Services	85	0	85
Maintenance Facility	45	46	(1)
Total Direct Operating Expenses	4,960	5,358	(398)
Total Indirect Operating Expenses	525	523	2
Total Operating Expenses	5,485	5,881	(396)
Operating Income (Loss)	(14)	(410)	(396)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	16	4	(12)
Bank Charges	(2)	0	2
Transfer of Operating Reserves	0	406	406
Net Non-Operating Revenues (Expenses)	14	410	396
<b>Increase (Decrease) in Net Assets</b>	\$ 0	0	\$ 0
<b>Net Assets, Beginning of Year</b>		0	
<b>Net Assets, End of Year</b>		\$ 0	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2012**

	City Parks		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Operating Revenues</b>			
Management Fees from City	\$ 1,803,355	\$ 1,803,355	\$ 0
Net Parking Revenues	56,050	59,079	3,029
Rental and Event Income	101,760	119,365	17,605
Total Operating Revenues	<u>1,961,165</u>	<u>1,981,799</u>	<u>20,634</u>
<b>Operating Expenses</b>			
<b>Direct:</b>			
Salaries and Wages	647,762	653,044	(5,282)
Employee Benefits	226,717	259,883	(33,166)
Office Expenses	11,000	7,679	3,321
Education and Training	2,500	354	2,146
Operating Expenses	300,000	288,958	11,042
Operating Contracts	157,923	155,281	2,642
Utilities	362,964	311,465	51,499
Communications	9,500	12,351	(2,851)
Insurance	14,200	14,792	(592)
Professional Services	8,150	1,068	7,082
Maintenance Facility	16,086	15,993	93
Capital Purchases	22,000	0	22,000
Depreciation Expense	0	126,002	(126,002)
Total Direct Operating Expenses	<u>1,778,802</u>	<u>1,846,870</u>	<u>(68,068)</u>
Total Indirect Operating Expenses	<u>185,979</u>	<u>172,034</u>	<u>13,945</u>
Total Operating Expenses	<u>1,964,781</u>	<u>2,018,904</u>	<u>(54,123)</u>
Operating Income (Loss)	<u>(3,616)</u>	<u>(37,105)</u>	<u>(33,489)</u>
<b>Non-Operating Revenue (Expenses)</b>			
Interest Income	4,416	3,513	(903)
Bank Charges	(800)	(699)	101
Capital Asset Replacement Reserve	(488,410)	(81,012)	407,398
Transfer of Operating Reserves	0	(80,899)	(80,899)
Net Non-Operating Revenues (Expenses)	<u>(484,794)</u>	<u>(159,097)</u>	<u>325,697</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>(488,410)</u>	<u>(196,202)</u>	<u>292,208</u>
<b>Capital Contributions</b>			
Capital Asset Replacement Reserve	<u>140,000</u>	<u>140,000</u>	<u>0</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (348,410)</u>	<u>(56,202)</u>	<u>\$ 292,208</u>
<b>Net Assets, Beginning of Year</b>		<u>1,158,524</u>	
<b>Net Assets, End of Year</b>		<u>\$ 1,102,322</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, 2012**

	Knoxville Station Transit Facility		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from City	\$ 694,116	\$ 694,116	\$ 0
<b>Operating Expenses</b>			
<b>Direct:</b>			
Salaries and Wages	208,636	195,042	13,594
Employee Benefits	73,023	61,630	11,393
Office Expenses	5,000	1,300	3,700
Education and Training	3,600	209	3,391
Operating Expenses	63,000	41,258	21,742
Operating Contracts	170,025	155,897	14,128
Utilities	93,000	80,030	12,970
Communications	6,330	4,720	1,610
Insurance	2,800	2,917	(117)
Professional Services	1,210	399	811
Maintenance Facility	5,418	5,389	29
Total Direct Operating Expenses	632,042	548,791	83,251
Total Indirect Operating Expenses	62,646	58,399	4,247
Total Operating Expenses	694,688	607,190	87,498
Operating Income (Loss)	(572)	86,926	87,498
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	732	768	36
Bank Charges	(160)	(55)	105
Transfer of Operating Reserves	0	(87,639)	(87,639)
Net Non-Operating Revenues (Expenses)	572	(86,926)	(87,498)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	0	\$ 0
<b>Net Assets, Beginning of Year</b>		0	
<b>Net Assets, End of Year</b>		\$ 0	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2012**

	Downtown Cinema		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Rental and Event Revenues	\$ 47,360	\$ 47,360	\$ 0
Management Fees from City	41,580	41,580	0
Management Fees from Other Governmental Agencies	26,567	26,567	0
Total Operating Revenues	115,507	115,507	0
<b>Operating Expenses</b>			
<b>Direct:</b>			
Salaries and Wages	11,015	13,370	(2,355)
Employee Benefits	3,855	5,260	(1,405)
Office Expenses	50	18	32
Education and Training	0	4	(4)
Operating Expenses	24,000	20,938	3,062
Operating Contracts	49,126	47,776	1,350
Utilities	6,000	5,135	865
Communications	700	552	148
Insurance	650	677	(27)
Professional Services	2,660	6,936	(4,276)
Maintenance Facility	838	835	3
Capital Purchases	6,500	0	6,500
Total Direct Operating Expenses	105,394	101,501	3,893
Total Indirect Operating Expenses	10,477	9,748	729
Total Operating Expenses	115,871	111,249	4,622
Operating Income (Loss)	(364)	4,258	4,622
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	384	85	(299)
Bank Charges	(20)	(6)	14
Transfer of Operating Reserves	0	(4,337)	(4,337)
Net Non-Operating Revenues (Expenses)	364	(4,258)	(4,622)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	0	\$ 0
<b>Net Assets, Beginning of Year</b>		0	
<b>Net Assets, End of Year</b>		\$ 0	

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

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2012

	Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from County	\$ 133,902	\$ 133,902	\$ 0
Net Parking Revenues	559,489	522,067	(37,422)
Total Operating Revenues	<u>693,391</u>	<u>655,969</u>	<u>(37,422)</u>
<b>Operating Expenses</b>			
<b>Direct: Andrew Johnson Building</b>			
Salaries and Wages	199,407	183,817	15,590
Employee Benefits	69,792	74,867	(5,075)
Office Expenses	5,400	914	4,486
Education and Training	2,000	140	1,860
Operating Expenses	50,000	42,863	7,137
Operating Contracts	153,562	149,092	4,470
Communications	3,900	4,225	(325)
Insurance	4,000	4,167	(167)
Professional Services	4,140	0	4,140
Maintenance Facility	7,662	7,625	37
Capital Purchases	6,000	0	6,000
Depreciation Expense	0	43,850	(43,850)
Total Direct Operating Expenses - Andrew Johnson Building	<u>505,863</u>	<u>511,560</u>	<u>(5,697)</u>
<b>Direct: Dwight Kessel Metropolitan Parking Garage</b>			
Salaries and Wages	68,606	68,563	43
Employee Benefits	24,012	23,608	404
Office Expenses	1,700	236	1,464
Education and Training	600	94	506
Operating Expenses	8,000	15,566	(7,566)
Operating Contracts	12,801	14,248	(1,447)
Communications	375	564	(189)
Insurance	1,500	1,562	(62)
Professional Services	2,150	0	2,150
Maintenance Facility	1,864	1,853	11
Total Direct Operating Expenses - DKMPG	<u>121,608</u>	<u>126,294</u>	<u>(4,686)</u>
Total Indirect Operating Expenses	<u>65,380</u>	<u>60,337</u>	<u>5,043</u>
Total Operating Expenses	<u>692,851</u>	<u>698,191</u>	<u>(5,340)</u>
Operating Income (Loss)	<u>540</u>	<u>(42,222)</u>	<u>(42,762)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	152	496	344
Bank Charges	(692)	(658)	34
Transfer of Operating Reserves	0	(1,466)	(1,466)
Net Non-Operating Revenues (Expenses)	<u>(540)</u>	<u>(1,628)</u>	<u>(1,088)</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 0</u>	<u>(43,850)</u>	<u>\$ (43,850)</u>
<b>Net Assets, Beginning of Year</b>		<u>430,310</u>	
<b>Net Assets, End of Year</b>		<u>\$ 386,460</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, 2012**

	Family Investment Center		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from County	\$ 116,248	\$ 116,248	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	24,664	26,759	(2,095)
Employee Benefits	8,632	12,510	(3,878)
Office Expenses	500	30	470
Education and Training	400	8	392
Operating Expenses	15,000	12,751	2,249
Operating Contracts	44,194	44,211	(17)
Communications	600	1,909	(1,309)
Insurance	900	937	(37)
Professional Services	690	0	690
Maintenance Facility	1,488	1,478	10
Capital Purchases	9,000	0	9,000
Total Direct Operating Expenses	106,068	100,593	5,475
Total Indirect Operating Expenses	10,212	9,377	835
Total Operating Expenses	116,280	109,970	6,310
Operating Income (Loss)	(32)	6,278	6,310
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	36	137	101
Bank Charges	(4)	(10)	(6)
Transfer of Operating Reserves	0	(6,405)	(6,405)
Net Non-Operating Revenues (Expenses)	32	(6,278)	(6,310)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	0	\$ 0
<b>Net Assets, Beginning of Year</b>		0	
<b>Net Assets, End of Year</b>		\$ 0	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2012**

	Health Department		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Rental Income	\$ 6,364	\$ 6,364	\$ 0
Management Fees from the County	234,327	234,327	0
Total Operating Revenues	240,691	240,691	0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	92,336	95,341	(3,005)
Employee Benefits	32,317	37,280	(4,963)
Office Expenses	3,000	493	2,507
Education and Training	2,100	33	2,067
Operating Expenses	50,000	47,863	2,137
Operating Contracts	28,016	29,151	(1,135)
Communications	2,500	2,370	130
Insurance	2,500	2,604	(104)
Professional Services	2,000	0	2,000
Maintenance Facility	3,343	3,323	20
Capital Purchases	0	0	0
Depreciation Expense	0	1,483	(1,483)
Total Direct Operating Expenses	218,112	219,941	(1,829)
Total Indirect Operating Expenses	22,946	21,096	1,850
Total Operating Expenses	241,058	241,037	21
Operating Income (Loss)	(367)	(346)	21
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	400	227	(173)
Bank Charges	(33)	(16)	17
Transfer of Operating Reserves	0	(1,349)	(1,349)
Net Non-Operating Revenues (Expenses)	367	(1,138)	(1,505)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(1,484)	\$ (1,484)
<b>Net Assets, Beginning of Year</b>		3,527	
<b>Net Assets, End of Year</b>		\$ 2,043	

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, 2012

	John Tarleton Homes		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from the County	\$ 156,708	\$ 156,708	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	64,195	32,106	32,089
Employee Benefits	22,468	15,312	7,156
Office Expenses	800	85	715
Education and Training	800	27	773
Operating Expenses	31,000	31,257	(257)
Operating Contracts	13,638	12,839	799
Communications	800	803	(3)
Insurance	800	833	(33)
Professional Services	245	0	245
Maintenance Facility	2,098	2,082	16
Capital Purchases	5,700	0	5,700
Depreciation Expense	0	1,384	(1,384)
Total Direct Operating Expenses	142,544	96,728	45,816
Total Indirect Operating Expenses	14,396	12,845	1,551
Total Operating Expenses	156,940	109,573	47,367
Operating Income (Loss)	(232)	47,135	47,367
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	252	248	(4)
Bank Charges	(20)	(18)	2
Transfer of Operating Reserves	0	(69,060)	(69,060)
Net Non-Operating Revenues (Expenses)	232	(68,830)	(69,062)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(21,695)	\$ (21,695)
<b>Net Assets, Beginning of Year</b>		21,695	
<b>Net Assets, End of Year</b>		\$ 0	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY(Continued)  
For the Year Ended June 30, 2012**

	Juvenile Justice Center		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from County	\$ 498,650	\$ 498,650	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	169,246	171,987	(2,741)
Employee Benefits	59,235	53,985	5,250
Office Expenses	2,000	1,169	831
Education and Training	1,100	122	978
Operating Expenses	65,000	85,496	(20,496)
Operating Contracts	134,395	132,952	1,443
Communications	3,500	3,388	112
Insurance	3,500	3,646	(146)
Professional Services	950	0	950
Maintenance Facility	6,833	6,791	42
Capital Purchases	6,500	0	6,500
Depreciation Expense	0	2,958	(2,958)
Total Direct Operating Expenses	452,259	462,494	(10,235)
Total Indirect Operating Expenses	46,895	44,045	2,850
Total Operating Expenses	499,154	506,539	(7,385)
Operating Income (Loss)	(504)	(7,889)	(7,385)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	548	446	(102)
Bank Charges	(44)	(31)	13
Transfer of Operating Reserves	0	5,606	5,606
Net Non-Operating Revenues (Expenses)	504	6,021	5,517
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(1,868)	\$ (1,868)
<b>Net Assets, Beginning of Year</b>		19,835	
<b>Net Assets, End of Year</b>		\$ 17,967	

**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, 2012**

	Knox Central		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from the County	\$ 179,382	\$ 179,382	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	75,661	67,405	8,256
Employee Benefits	26,481	31,525	(5,044)
Office Expenses	2,200	802	1,398
Education and Training	800	29	771
Operating Expenses	30,000	33,650	(3,650)
Operating Contracts	12,337	14,429	(2,092)
Communications	3,500	3,140	360
Insurance	1,500	1,563	(63)
Professional Services	1,285	0	1,285
Maintenance Facility	2,394	2,381	13
Capital Purchases	7,000	0	7,000
Depreciation Expenses	0	2,451	(2,451)
Total Direct Operating Expenses	163,158	157,375	5,783
Total Indirect Operating Expenses	16,428	15,133	1,295
Total Operating Expenses	179,586	172,508	7,078
Operating Income (Loss)	(204)	6,874	7,078
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	220	212	(8)
Bank Charges	(16)	(15)	1
Transfer of Operating Reserves	0	(9,523)	(9,523)
Net Non-Operating Revenues (Expenses)	204	(9,326)	(9,530)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(2,452)	\$ (2,452)
<b>Net Assets, Beginning of Year</b>		18,790	
<b>Net Assets, End of Year</b>		\$ 16,338	

**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, 2012**

	Old Court House		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from County	\$ 415,386	\$ 415,386	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	192,627	195,355	(2,728)
Employee Benefits	67,419	77,162	(9,743)
Office Expenses	2,700	1,059	1,641
Education and Training	800	140	660
Operating Expenses	34,000	22,697	11,303
Operating Contracts	65,848	65,615	233
Communications	1,500	1,414	86
Insurance	2,400	2,500	(100)
Professional Services	3,205	400	2,805
Maintenance Facility	5,767	5,734	33
Capital Purchases	0	0	0
Depreciation Expense	0	37,376	(37,376)
	376,266	409,452	(33,186)
Total Direct Operating Expenses			
Total Indirect Operating Expenses	39,584	36,801	2,783
Total Operating Expenses	415,850	446,253	(30,403)
Operating Income (Loss)	(464)	(30,867)	(30,403)
<b>Non-Operating Revenue (Expenses)</b>			
Interest Income	504	384	(120)
Bank Charges	(40)	(27)	13
Transfer of Operating Reserves	0	(6,866)	(6,866)
Net Non-Operating Revenue (Expenses)	464	(6,509)	(6,973)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(37,376)	\$ (37,376)
<b>Net Assets, Beginning of Year</b>		421,134	
<b>Net Assets, End of Year</b>		\$ 383,758	

**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, 2012**

	Senior Centers		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from County	\$ 83,499	\$ 83,499	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	37,283	28,937	8,346
Employee Benefits	13,049	13,910	(861)
Office Expenses	450	176	274
Education and Training	600	13	587
Operating Expenses	17,000	14,660	2,340
Operating Contracts	5,064	5,276	(212)
Communications	375	468	(93)
Insurance	600	625	(25)
Professional Services	75	0	75
Maintenance Facility	1,160	1,156	4
Depreciation Expense	0	2,086	(2,086)
Total Direct Operating Expenses	75,656	67,307	8,349
Total Indirect Operating Expenses	7,959	7,458	501
Total Operating Expenses	83,615	74,765	8,850
Operating Income (Loss)	(116)	8,734	8,850
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	124	103	(21)
Bank Charges	(8)	(7)	1
Transfer of Operating Reserves	0	(10,916)	(10,916)
Net Non-Operating Revenues (Expenses)	116	(10,820)	(10,936)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(2,086)	\$ (2,086)
<b>Net Assets, Beginning of Year</b>		6,667	
<b>Net Assets, End of Year</b>		\$ 4,581	

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, 2012

	State Street Parking Lot		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Net Parking Revenues	\$ 41,125	\$ 58,996	\$ 17,871
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	869	826	43
Employee Benefits	303	310	(7)
Office Expenses	50	11	39
Education and Training	100	0	100
Operating Expenses	150	2,151	(2,001)
Operating Contracts	1,750	1,704	46
Communications	50	16	34
Insurance	50	52	(2)
Maintenance Facility	52	54	(2)
Total Direct Operating Expenses	3,374	5,124	(1,750)
Total Indirect Operating Expenses	355	304	51
Total Operating Expenses	3,729	5,428	(1,699)
Operating Income (Loss)	37,396	53,568	16,172
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	164	168	4
Bank Charges	(584)	(471)	113
Transfer of Operating Reserves	0	(53,265)	(53,265)
Net Non-Operating Revenues (Expenses)	(420)	(53,568)	(53,148)
<b>Increase (Decrease) in Net Assets</b>	\$ 36,976	0	\$ (36,976)
<b>Net Assets, Beginning of Year</b>		0	
<b>Net Assets, End of Year</b>		\$ 0	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET TO ACTUAL BY ACTIVITY (Continued)  
For the Year Ended June 30, 2012**

	City County Building		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Rental Income from City and County	\$ 3,912,814	\$ 3,912,814	\$ 0
Net Parking Revenues	54,744	64,086	9,342
Total Operating Revenues	3,967,558	3,976,900	9,342
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	801,981	801,095	886
Employee Benefits	268,500	308,798	(40,298)
Office Expenses	16,000	15,651	349
Education and Training	6,500	641	5,859
Operating Expenses	251,606	323,290	(71,684)
Operating Contracts	535,445	512,846	22,599
Utilities	1,525,063	1,334,403	190,660
Communications	8,700	12,739	(4,039)
Insurance	125,000	130,273	(5,273)
Professional Services	10,170	294	9,876
Maintenance Facility	14,597	14,516	81
Capital Purchases	34,000	0	34,000
Depreciation Expense	0	396,472	(396,472)
Total Direct Operating Expenses	3,597,562	3,851,018	(253,456)
Total Indirect Operating Expenses	379,002	350,470	28,532
Total Operating Expenses	3,976,564	4,201,488	(224,924)
Operating Income (Loss)	(9,006)	(224,588)	(215,582)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	10,222	15,806	5,584
Bank Charges	(1,216)	(1,609)	(393)
Capital Asset Replacement Reserve	(1,437,643)	(40,399)	1,397,244
Transfer of Operating Reserves	0	0	0
Net Non-Operating Revenues (Expenses)	(1,428,637)	(26,202)	1,402,435
<b>Increase (Decrease) in Net Assets Before Capital Contributions</b>	(1,437,643)	(250,790)	1,186,853
<b>Capital Contributions</b>			
Capital Asset Replacement Reserve Contributions from City and County	742,465	742,465	0
Operating Reserve Contributions from City and County	0	0	0
Total Capital Contributions	742,465	742,465	0
<b>Increase (Decrease) in Net Assets</b>	\$ (695,178)	491,675	\$ 1,186,853
<b>Net Assets, Beginning of Year</b>		5,778,775	
<b>Net Assets, End of Year</b>		\$ 6,270,450	

**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, 2012**

	Emergency Communications District		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from Other Governmental Agencies	\$ 92,383	\$ 92,383	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	23,310	22,140	1,170
Employee Benefits	8,159	9,282	(1,123)
Office Expenses	300	24	276
Education and Training	150	9	141
Operating Expenses	24,000	13,778	10,222
Operating Contracts	26,858	28,359	(1,501)
Communications	150	275	(125)
Insurance	700	729	(29)
Professional Services	130	0	130
Maintenance Facility	239	237	2
Depreciation Expense	0	326	(326)
Total Direct Operating Expenses	83,996	75,159	8,837
Total Indirect Operating Expenses	8,575	8,006	569
Total Operating Expenses	92,571	83,165	9,406
Operating Income (Loss)	(188)	9,218	9,406
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	204	225	21
Bank Charges	(16)	(16)	0
Transfer of Operating Reserves	0	(9,752)	(9,752)
Net Non-Operating Revenues (Expenses)	188	(9,543)	(9,731)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(325)	\$ (325)
<b>Net Assets, Beginning of Year</b>		32,952	
<b>Net Assets, End of Year</b>		\$ 32,627	

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, 2012

	Fairview Technology Center		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from Other Governmental Agencies	\$ 42,349	\$ 42,349	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	15,008	10,479	4,529
Employee Benefits	5,253	4,264	989
Office Expenses	622	63	559
Education and Training	71	6	65
Operating Expenses	7,500	7,380	120
Operating Contracts	4,806	3,679	1,127
Communications	4,000	2,091	1,909
Insurance	250	260	(10)
Professional Services	50	0	50
Maintenance Facility	177	176	1
Depreciation Expense	0	1,128	(1,128)
Total Direct Operating Expenses	37,737	29,526	8,211
Total Indirect Operating Expenses	4,704	4,352	352
Total Operating Expenses	42,441	33,878	8,563
Operating Income (Loss)	(92)	8,471	8,563
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	100	67	(33)
Bank Charges	(8)	(5)	3
Transfer of Operating Reserves	0	(6,661)	(6,661)
Net Non-Operating Revenues (Expenses)	92	(6,599)	(6,691)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	1,872	\$ 1,872
<b>Net Assets, Beginning of Year</b>		5,686	
<b>Net Assets, End of Year</b>		\$ 7,558	

**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, 2012**

	Property Development		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from City and County	\$ 572,809	\$ 572,809	\$ 0
<b>Operating Expenses</b>			
Direct:			
Salaries and Wages	295,968	283,518	12,450
Employee Benefits	103,589	92,141	11,448
Office Expenses	25,000	16,510	8,490
Education and Training	12,000	1,268	10,732
Operating Expenses	10,000	1,171	8,829
Operating Contracts	5,000	0	5,000
Communications	6,000	3,585	2,415
Insurance	700	729	(29)
Professional Services	20,000	2,957	17,043
Depreciation Expense	0	360	(360)
Total Direct Operating Expenses	478,257	402,239	76,018
Total Indirect Operating Expenses	95,652	87,381	8,271
Total Operating Expenses	573,909	489,620	84,289
Operating Income (Loss)	(1,100)	83,189	84,289
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	1,192	851	(341)
Bank Charges	(92)	(61)	31
Transfer of Operating Reserves	0	(84,339)	(84,339)
Net Non-Operating Revenues (Expenses)	1,100	(83,549)	(84,649)
<b>Increase (Decrease) in Net Assets</b>	\$ 0	(360)	\$ (360)
<b>Net Assets, Beginning of Year</b>		7,003	
<b>Net Assets, End of Year</b>		\$ 6,643	

**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, 2012

	Telecommunications Services		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Management Fees from City and County	\$ 608,758	\$ 608,758	\$ 0
Management Fees Related to KCS	108,584	108,584	0
Total Operating Revenues	<u>717,342</u>	<u>717,342</u>	<u>0</u>
<b>Direct Operating Expenses</b>			
<b>Telecom</b>			
Salaries and Wages	237,560	245,520	(7,960)
Employee Benefits	81,909	75,304	6,605
Office Expenses	4,500	1,373	3,127
Education and Training	2,800	1,099	1,701
Operating Expenses	2,800	2,325	475
Communications	3,500	2,099	1,401
Insurance	6,300	6,562	(262)
Professional Services	6,000	658	5,342
Capital Purchases	212,404	12,303	200,101
Depreciation Expense	0	174,686	(174,686)
Telecom Operating Expenses	<u>557,773</u>	<u>521,929</u>	<u>35,844</u>
<b>Knox County Schools</b>			
Salaries and Wages	66,237	65,906	331
Employee Benefits	23,183	17,596	5,587
Office Expenses	1,000	315	685
Education and Training	700	0	700
Operating Expenses	700	808	(108)
Communications	700	1,183	(483)
Insurance	700	729	(29)
Professional Services	1,500	0	1,500
Schools Operating Expenses	<u>94,720</u>	<u>86,537</u>	<u>8,183</u>
Total Direct Operating Expenses	<u>652,493</u>	<u>608,466</u>	<u>44,027</u>
Total Indirect Operating Expenses	<u>66,013</u>	<u>62,111</u>	<u>3,902</u>
Total Operating Expenses	<u>718,506</u>	<u>670,577</u>	<u>47,929</u>
Operating Income (Loss)	<u>(1,164)</u>	<u>46,765</u>	<u>47,929</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	1,320	577	(743)
Bank Charges	(156)	(40)	116
Transfer of Operating Reserves	0	(34,161)	(34,161)
Net Non-Operating Revenues (Expenses)	<u>1,164</u>	<u>(33,624)</u>	<u>(34,788)</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 0</u>	<u>13,141</u>	<u>\$ 13,141</u>
<b>Net Assets, Beginning of Year</b>		<u>500,424</u>	
<b>Net Assets, End of Year</b>		<u>\$ 513,565</u>	

**STATISTICAL SECTION**

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

<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.....	57-58
Revenue Capacity	
These schedules contain information to help the reader assess the PBA’s operating revenues and customer statistics. As a joint venture between the City of Knoxville and Knox County, the PBA’s revenues are materially earned from revenue derived from rental income, management fees, net parking revenues, and miscellaneous charges. Rental income and management fees are annually negotiated with the City and County and approved by the City Council and the County Commission. ....	59-63
Debt Capacity	
The PBA is a joint venture between the City of Knoxville and Knox County; the PBA has no taxing authority. Debt for capital projects managed for the City and the County are funded by debt issued by these two government entities. Information on the City’s and County’s debt capacity is contained in their individual CAFRs.....	N/A
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which PBA’s financial activities take place approved by the City Council and the County Commission. ....	64-65
Operating Information	
This schedule contains service data to help the reader understand how the information in the PBA’s financial report relates to services provided and the activities performed.....	66

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

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

**NET ASSETS BY COMPONENT  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
2003	\$ 3,966,984	\$ 4,798,166	\$ 8,765,150
2004	4,544,503	3,540,685	8,085,188
2005	4,837,925	2,916,413	7,754,338
2006	4,985,744	3,040,305	8,026,049
2007	6,213,346	3,944,131	10,157,477
2008	6,126,970	4,457,421	10,584,391
2009	7,065,819	3,955,855	11,021,674
2010	7,292,398	3,390,254	10,682,652
2011	7,451,392	3,571,882	11,023,274
2012	8,160,543	3,198,172	11,358,715

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

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Operating Revenues</b>										
Rental Income from City and County	\$ 3,912,814	\$ 3,999,608	\$ 3,887,410	\$ 3,623,121	\$ 3,454,701	\$ 3,382,478	\$ 3,345,387	\$ 3,186,770	\$ 2,838,748	\$ 3,060,799
Other Rental Income - Net	208,204	196,173	130,853	192,461	214,103	161,821	198,273	199,343	185,193	146,218
Management Fees from City and County	5,652,775	5,776,189	5,833,766	6,380,409	9,536,951	9,169,175	7,998,757	7,859,868	6,796,961	3,715,118
Management Fees from Other										
Governmental Agencies	161,299	153,846	179,713	191,633	176,338	172,652	153,357	158,203	46,788	166,747
Net Parking Revenues	2,848,822	2,816,686	2,832,092	2,982,014	2,836,172	2,537,780	1,984,221	1,410,632	1,257,159	1,303,360
<b>Total Operating Revenues</b>	<b>12,783,914</b>	<b>12,942,502</b>	<b>12,863,834</b>	<b>13,369,638</b>	<b>16,218,265</b>	<b>15,423,906</b>	<b>13,679,995</b>	<b>12,814,816</b>	<b>11,124,849</b>	<b>8,392,242</b>
<b>Operating Expenses</b>										
Salaries and Benefits	5,489,707	5,625,169	5,896,222	6,450,488	6,272,267	6,418,441	5,836,446	5,453,141	5,355,107	4,136,380
Office	93,329	72,415	89,703	118,120	143,731	172,569	157,085	131,971	82,521	76,954
Education and Training	6,703	10,335	6,806	12,437	11,121	34,042	17,696	28,646	22,260	45,631
Purchased Services and Supplies	1,055,814	1,049,751	988,458	978,689	1,030,931	962,469	936,841	996,551	679,011	400,056
Operating Contracts	1,586,372	1,448,345	1,382,944	1,463,449	1,895,038	1,625,987	1,470,804	1,362,369	1,124,838	908,369
Utilities	1,879,794	2,059,794	1,844,483	2,010,877	3,905,696	3,493,192	3,212,988	2,876,037	2,794,113	1,512,351
Communications	72,458	67,270	60,503	59,126	68,443	81,076	67,377	48,737	58,237	47,608
Insurance	236,013	228,725	224,990	229,141	235,118	189,388	273,981	337,218	338,488	378,303
Professional Fees	59,226	77,905	110,701	56,743	90,815	90,494	114,714	61,226	72,851	370,051
Depreciation	906,441	803,661	722,568	643,194	582,954	517,852	462,741	412,003	349,597	277,372
Maintenance Facility	76,560	73,593	72,643	60,301	51,173	0	0	0	0	0
Other	143,840	41,678	243,499	178,120	78,375	347,917	129,327	115,462	105,023	268,281
<b>Total Operating Expenses</b>	<b>11,606,257</b>	<b>11,558,641</b>	<b>11,643,520</b>	<b>12,260,685</b>	<b>14,365,662</b>	<b>13,933,427</b>	<b>12,680,000</b>	<b>11,823,361</b>	<b>10,982,046</b>	<b>8,421,356</b>
<b>Operating Income (Loss)</b>	<b>1,177,657</b>	<b>1,383,861</b>	<b>1,220,314</b>	<b>1,108,953</b>	<b>1,852,603</b>	<b>1,490,479</b>	<b>999,995</b>	<b>991,455</b>	<b>142,803</b>	<b>(29,114)</b>
<b>Non-Operating Revenues (Expenses)</b>										
Interest Income	28,448	27,264	28,997	92,272	331,019	362,831	246,342	150,119	84,833	95,232
Gain on Disposal of Capital Assets	0	0	0	0	0	6,018	0	0	0	0
Bank Charges	(8,224)	(8,210)	(7,706)	(7,286)	(7,669)	(8,156)	(9,783)	(10,585)	(10,280)	(13,821)
Interest Expense	0	0	0	0	0	(166)	(732)	(1,282)	(1,974)	(2,979)
Capital Returned to the City and County	(1,728,491)	(1,730,881)	(1,801,089)	(2,054,297)	(2,579,761)	(586,159)	(1,217,881)	(1,980,628)	(2,052,530)	(1,153,976)
Capital Returned to Other										
Governmental Agencies	(16,414)	(42,537)	(111,666)	(19,164)	(24,832)	(29,251)	(5,335)	(25,673)	0	0
Noncash:										
Capital Asset Retirements from the City and County	0	0	0	0	0	(5,271)	(9,311)	0	0	0
<b>Total Non-Operating Revenues (Expenses) - Net</b>	<b>(1,724,681)</b>	<b>(1,754,364)</b>	<b>(1,891,464)</b>	<b>(1,988,475)</b>	<b>(2,281,243)</b>	<b>(260,154)</b>	<b>(996,700)</b>	<b>(1,868,049)</b>	<b>(1,979,951)</b>	<b>(1,075,544)</b>
<b>Increase (Decrease) in Net Assets Before Capital Contributions</b>	<b>(547,024)</b>	<b>(370,503)</b>	<b>(671,150)</b>	<b>(879,522)</b>	<b>(428,640)</b>	<b>1,230,325</b>	<b>3,295</b>	<b>(876,594)</b>	<b>(1,837,148)</b>	<b>(1,104,658)</b>
<b>Capital Contributions</b>										
Capital Contributions from the City and County	882,465	711,125	332,128	1,312,158	848,128	894,500	268,416	537,848	1,149,186	1,126,123
Capital Contributions from Other Governmental Agencies	0	0	0	4,647	7,426	6,603	0	7,896	0	0
Noncash:										
Capital Asset Retirements from the City and County	0	0	0	0	0	0	0	0	8,000	27,710
<b>Total Capital Contributions</b>	<b>882,465</b>	<b>711,125</b>	<b>332,128</b>	<b>1,316,805</b>	<b>855,554</b>	<b>901,103</b>	<b>268,416</b>	<b>545,744</b>	<b>1,157,186</b>	<b>1,153,833</b>
<b>Increase (Decrease) in Net Assets</b>	<b>335,441</b>	<b>340,622</b>	<b>(339,022)</b>	<b>437,283</b>	<b>426,914</b>	<b>2,131,428</b>	<b>271,711</b>	<b>(330,850)</b>	<b>(679,962)</b>	<b>49,175</b>
<b>Net Assets, Beginning of Year</b>	<b>11,023,274</b>	<b>10,682,652</b>	<b>11,021,674</b>	<b>10,584,391</b>	<b>10,157,477</b>	<b>8,026,049</b>	<b>7,754,338</b>	<b>8,085,188</b>	<b>8,765,150</b>	<b>8,715,975</b>
<b>Net Assets, End of Year</b>	<b>\$ 11,358,715</b>	<b>\$ 11,023,274</b>	<b>\$ 10,682,652</b>	<b>\$ 11,021,674</b>	<b>\$ 10,584,391</b>	<b>\$ 10,157,477</b>	<b>\$ 8,026,049</b>	<b>\$ 7,754,338</b>	<b>\$ 8,085,188</b>	<b>\$ 8,765,150</b>

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

**PROPERTIES MANAGED  
Last Nine Fiscal Years**

Property	Space in Square Feet								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>County Owned</b>									
Andrew Johnson Building	145,661	145,661	145,661	145,661	145,661	145,661	145,661	145,661	145,661
Beck Cultural Center	N/A	N/A	N/A	N/A	N/A	19,161	19,161	18,961	N/A
Fairview Technology Center	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	N/A
Senior Centers (4)	33,738	33,738	33,738	33,738	27,500	27,500	27,500	7,800	6,300
Health Department (1 main facility, 3 community clinics, and air quality lab)	157,800	157,800	157,800	157,800	157,800	157,800	153,000	153,000	153,000
John Tarleton Homes	80,000	80,000	80,000	80,000	80,000	80,000	64,474	64,474	50,500
Juvenile Justice Center	104,209	104,209	104,209	104,209	104,209	104,209	104,209	104,209	104,209
Knox Central	171,000	171,000	171,000	171,000	171,000	171,000	165,000	165,000	165,000
Library System (1 main location, 1 history center, and 16 community branches)	N/A	N/A	N/A	300,201	321,537	302,376	294,549	279,371	217,000
Old Court House	64,098	64,098	64,098	64,098	64,098	64,098	64,098	64,098	64,098
Family Investment Center	31,500	31,500	31,500	31,500	31,500	N/A	N/A	N/A	N/A
<b>City Owned</b>									
Volunteer Landing Park	16,331	16,331	16,331	16,331	5,170	5,170	5,170	5,170	16,331
World's Fair Park	39,600	39,600	39,600	39,600	39,600	3,600	3,600	93,521	93,521
Downtown Cinema	4,000	4,000	4,000	4,000	4,000	N/A	N/A	N/A	N/A
Knoxville Station Transit Center	103,717	103,717	N/A						
Knoxville Area Transit - Magnolia Facility	35,000	N/A							
<b>PBA Owned</b>									
City County Building	531,634	531,634	531,634	531,634	531,634	531,634	531,634	531,634	517,856
<b>Owned by Other Governmental Agencies</b>									
Emergency Communications District	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
<b>Totals</b>	<u>1,560,288</u>	<u>1,525,288</u>	<u>1,421,571</u>	<u>1,721,772</u>	<u>1,725,709</u>	<u>1,654,209</u>	<u>1,620,056</u>	<u>1,674,899</u>	<u>1,558,476</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 Nine Fiscal Years**

Location	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>NUMBER OF PARKING SPACES</b>									
<b>County Owned</b>									
Dwight Kessel Metropolitan Parking Garage	964	964	964	964	964	964	964	964	964
State Street Parking Lot	283	283	283	283	283	283	283	283	0
<b>City Owned</b>									
Hill Avenue Parking Lot	16								
Jackson Avenue Parking Lot	190	190	190	190	190	190	190	0	0
Locust Street Garage	645	645	645	645	645	645	645	645	645
Main Avenue Garage	475	475	475	475	475	475	475	0	0
Market Square Garage	700	700	700	700	700	700	700	0	0
Promenade Garage	277	277	277	277	277	277	0	0	0
State Street Garage	842	842	842	842	842	842	842	0	0
World's Fair Parking Lots	698	698	698	698	698	698	698	698	698
Tennessee Department of Transportation (TDOT)	469	469	0	0	0	0	0	0	0
<b>PBA Owned</b>									
City County Building Garage	850	850	850	850	850	850	850	850	850
<b>Totals</b>	<b>6,409</b>	<b>6,393</b>	<b>5,924</b>	<b>5,924</b>	<b>5,924</b>	<b>5,924</b>	<b>5,647</b>	<b>3,440</b>	<b>3,157</b>
<b>PARKS</b>									
<b>City Owned</b>									
World's Fair Park:									
Number of Acres	18	18	18	18	18	18	18	18	18
Volunteer Landing Park:									
Number of Acres	5	5	5	5	5	5	5	5	5
Second Creek Greenway:									
Number of Acres	9	9	9	9	0	0	0	0	0
Estimated Park Visitors Annually	689,518	648,530	610,955	446,885	200,000	200,000	150,000	110,000	90,000

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

*Statistical data not available prior to FY 2004.*

*Source: PBA property management department.*

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

CAPITAL PROJECTS COMPLETED  
Last Five Fiscal Years

<u>Projects</u>	<u>Managed Budget</u>
<b>LIBRARIES</b>	
Beck Archive - Burlington	\$ 124,000
Burlington - UT Buildout	251,000
<b>Library Subtotal</b>	<b>375,000</b>
<b>OTHER COUNTY PROJECTS</b>	
Beck Cultural Exchange Center	2,079,000
Burlington Park - Phase I	50,000
Carter Senior Center	1,400,000
Carter Senior Center Storage Building Addition	28,127
Clayton Park - Phase I	20,000
Courtroom A/V Upgrades	260,000
Dwight Kessel Parking Garage Elevator Equipment Room	16,536
Dwight Kessel Parking Garage Lighting Upgrades	45,000
Family Investment Center A/V Upgrades	7,509
Family Investment Center Elevator Upgrades	42,475
Family Investment Center Renovations	613,500
Hardin Valley High School	50,000,000
Health Department - Access Control Addition	16,990
Health Department - Cooling Tower	59,900
Health Department - Piping/Capped Flange	20,000
Health Department - Pump Replacement	18,000
Health Department - Sputum Room	40,550
Health Department Renovation	270,000
House Mountain	253,491
Jail Expansion	14,400,000
Knox Central Parking Lot	110,550
Knox County School Facilities Assessment	600,000
KUB Park - Phase I	25,000
New Harvest Park	2,046,750
Old Courthouse HVAC Consoles	22,000
Pinkston Greenway	191,350
Powell Middle School Addition	16,000,000
Public Defender Exterior Repairs	25,200
Schumpert Park	3,712,500
Skate Park - County Portion	250,000
Ten Mile Greenway	246,700
ADA Projects:	
Cedar Bluff Middle School	375,000
South Doyle High School	350,000
<b>Other County Subtotal</b>	<b>\$ 93,596,128</b>

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

CAPITAL PROJECTS COMPLETED (Continued)  
Last Five Fiscal Years

<u>Projects</u>	<u>Managed Budget</u>
<b>CITY PROJECTS</b>	
Adaptive Center	\$ 159,000
Alice Bell Ballfield Re-roof	16,300
Amphitheater Renovations	850,000
Central Station Transit Center	26,610,000
Central Station Transit Center ( ARRA)	3,000,000
Cinema Retail Tenant Build Out	150,000
City Facilities Assessment	74,000
Downtown Cinema (Includes Public Access & Retail)	12,554,702
Downtown Dog Park	162,000
Elm Street Signal Shop	5,000
Elm Street Storage Facility	121,400
Fire Station #20 - Re Roof	16,229
Fire Station #4 - Re Roof	14,998
HUD House Demolition - 309 & 311 N. Chestnut St.	23,987
HUD House Demolition - 3210 MLK Jr. Blvd.	11,964
Ijams Skylights	6,000
KAT Renovation - Magnolia (ARRA)	2,300,000
Lorraine Street Medical Center	67,770
LT Ross Skylights	280,000
Oakland Recreation Center Reroof	33,700
Richard Leake HVAC Replacement	30,000
Second Creek Parking Lot Security	44,343
Skate Park - County Portion	341,000
State Street Garage Dumpster Pad	43,500
Sunsphere Renovations	1,028,934
Tyson Park Tennis Clubhouse Re-Roof	5,000
Walter Hardy Park	6,200
West Haven Recreation Center Re-Roof	19,232
West View Park Shelters Re-roof	105,250
World's Fair Park Playground	150,000
	<hr/>
<b>City Projects Subtotal</b>	<b>48,230,509</b>
	<hr/>
<b>OTHER PROJECTS</b>	
Jefferson County Facilities Assessment	67,000
Sullivan County Facility Assessment	134,000
	<hr/>
<b>Other Project Subtotal</b>	<b>201,000</b>
	<hr/>
<b>Total All Projects</b>	<b>\$ 142,402,637</b>
	<hr/> <hr/>

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

**TELECOMMUNICATION SERVICES  
Last Nine Fiscal Years**

	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>CITY AND COUNTY</b>									
Total Extensions	8,280	8,367	8,156	8,544	7,790	7,790	7,753	7,759	7,783
Telephone Lines	360	360	360	489	489	489	489	443	114
Cellular Telephones	131	96	145	218	823	795	708	591	504
Pagers	50	72	106	160	312	348	443	504	610
Repair Work Orders	807	905	829	858	1,177	973	927	767	138
<b>SCHOOLS</b>									
Total Extensions	929	817	785	631	661	634	628	500	N/A
Telephone Lines	2,285	2,430	2,391	2,430	2,386	2,340	2,341	2,492	N/A
Repair Work Orders	644	594	728	578	575	696	671	511	N/A

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

*Source: PBA Telecommunications Services Department.*

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

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

Calendar Year	Population	Personal Income (Thousands of Dollars)	Per Capita Personal Income	Unemployment Rate	
				County	State
2002	391,418	11,760,023	30,039	3.9	4.6
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	15,371,687	35,278	8.0	10.5
2010	432,226	15,222,567	35,219	7.0	9.5
2011	436,104	N/A	N/A	6.9	9.2

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

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

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

Employer (a)	Industry	2011		2002	
		Number of Employees	% of Total MSA Employees (b)	Number of Employees	% of Total MSA Employees (b)
The University of Tennessee	Education	6,400	2.69 %	9,317	4.45 %
Covenant Health	Health Care	9,494	3.99	8,000	3.82
Knox County Schools	Education	6,891	2.89	7,230	3.45
Tennova Healthcare	Health Care	3,857	1.62	0	0.00
Wal-Mart Stores, Inc.	Retail Store	4,007	1.68	2,413	1.15
K-VA-T Food Stores	Retail Grocery	3,924	1.65	0	0.00
State of Tennessee	Government	3,528	1.48	0	0.00
Baptist Health	Health Care	0	0.00	2,347	1.12
Knox County	Government	2,998	1.26	2,500	1.19
St. Mary's Health	Health Care	0	0.00	3,470	1.66
University of Tennessee Medical Center	Health Care	3,942	1.65	3,088	1.47
City of Knoxville	Government	2,811	1.18	3,500	1.67
State of Tennessee Regional Offices	Government	0	0.00	2,401	1.15
<b>Total</b>		<b>47,852</b>	<b>20.09</b>	<b>44,266</b>	<b>21.13</b>

Notes: (a) Only Knox County is presented.

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

Source: Greater Knoxville Chamber Partnership

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

**NUMBER OF EMPLOYEES BY ACTIVITY  
Last Ten Fiscal Years**

Department	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Facilities Management	40	38	38	47	40	56	48	50	45	33
Safety and Security	40	42	37	44	48	42	42	37	45	25
Property Development	4	4	5	5	8	7	7	7	5	6
Telecommunications/MIS/PBX	9	9	8	9	8	9	9	8	6	4
Administrative	8	9	9	12	14	13	13	14	14	14
Total	<u>101</u>	<u>102</u>	<u>97</u>	<u>117</u>	<u>118</u>	<u>127</u>	<u>119</u>	<u>116</u>	<u>115</u>	<u>82</u>

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

**INTERNAL CONTROL AND  
COMPLIANCE SECTION**

315 NORTH CEDAR BLUFF ROAD – SUITE 200  
KNOXVILLE, TENNESSEE 37923  
TELEPHONE 865-769-0660  
TELECOPIER 865-769-1660



100 E. TENNESSEE AVENUE  
OAK RIDGE, TENNESSEE 37830  
TELEPHONE 865-483-5634  
TELECOPIER 865-483-9781

P.O. BOX 31409  
KNOXVILLE, TENNESSEE 37930-1409  
TOLL FREE 800-332-7021

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, 2012, and have issued our report thereon dated November 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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



### Compliance and Other Matters

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

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

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
November 13, 2012

