

**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, 2013 and 2012**

**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**

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INTRODUCTORY SECTION



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Dale Smith, Administrator/CEO

Board of Directors

Winston Frazier, Chair
George Prosser, Vice Chair
Scott Davis, Secretary
Keena Strickland, Treasurer

November 7, 2013

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

Lewis Cosby
Jennifer Holder
Dr. Rocio Huet
Chuck Severance
Billy J. Stokes
John Sibley
Hubert Smith

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, 2013 and 2012.

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

Mauldin & Jenkins, LLC has issued an unmodified ("clean") opinion on the Public Building Authority of the County of Knox and City of Knoxville, Tennessee ("PBA")'s financial statements for the year ended June 30, 2013. 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 6, 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 and the County 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 2013.

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 885 wholesale establishments, 1,630 retail establishments, and 5,472 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 9.69 million people visited the National Park in 2012.

The presence of the University of Tennessee and the Tennessee Valley Authority in Knoxville lends stability to the area, making the local economy less cyclical than either the national or state economy. This contributes to a low unemployment rate, which was 7.3% in Knox County at July 31, 2013. This compares favorably to the national unemployment rate of 7.4% and the state rate of 8.5%.

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 fourth highest per capita sales tax rate in the state, at roughly 117.04% of the state average. In fiscal years 2013 and 2012, respectively, sales tax collections on a countywide basis were \$715,034,132 and \$725,256,932. This represents a decrease of 1.4%.

Long-Term Financial Planning

The PBA's costs are covered by fees charged to the City and County and certain other rated governmental organizations for management and development of public properties. Both the City and the County have long-term capital plans allocating significant resources totaling \$31,450,000 and \$7,575,474 respectively in which PBA is involved.

Projects	Total Budget	FY 2014 *	FY 2015 to FY 2018
<u>City Projects:</u>			
Beardsley Farm Building	\$ 150,000	\$ 150,000	\$ 0
Convention Center Pedestrian Enhancements	35,000	35,000	0
Convention Center Warranty Repairs	711,000	711,000	0
E.V. Davidson Recreation Center Pool	65,000	65,000	0
Fire Station #7 Concrete Work	35,000	35,000	0
Fire Station #12 Concrete Work	5,000	5,000	0
Fire Station #15 Concrete Work	42,500	42,500	0
Fire Station #16 Concrete Work	33,500	33,500	0
Fire Station #4 Remodel	75,000	75,000	0
Fire Station #20 Remodel	75,000	75,000	0
Fire Station #5 Soffit and Fascia Repairs	55,000	55,000	0
Fire Station #10 Soffit and Fascia Repairs	35,000	35,000	0
Fleet Tire Storage	19,900	19,900	0
Impound Building	175,000	175,000	0
Impound Building New Emergency Generator	65,000	65,000	0
Knoxville Station Transit Storm Water Roof Additions	300,000	300,000	0
Krutch Park – Landscape Modifications	50,000	50,000	0
Lakeshore Administration Building	1,200,000	1,200,000	0
Lorraine Street Salt Sheds Reroof	60,000	60,000	0
LT Ross – Exterior Improvements	350,000	350,000	0
Promenade Roof Replacement	350,000	350,000	0
Public Works Center	15,000,000	1,000,000	14,000,000
Safety Building Tenant Improvements	100,000	100,000	0
State Street Garage Addition	7,100,000	7,100,000	0
Storm Damage Repairs	5,363,100	5,363,100	0
Total City Projects	31,450,000	17,450,000	14,000,000
<u>County Projects:</u>			
Andrew Johnson Building Roof Replacement	400,000	400,000	
Andrew Johnson Building Exterior	135,000	135,000	
Juvenile Court Building Expansion	3,000,000	2,500,000	500,000
Knox County Health Department Roof	194,000	194,000	
Old Courthouse Windows	1,366,474	1,366,474	
<u>Parks:</u>			
Halls Greenway	630,000	630,000	
Knox Blount Greenway	1,400,000	1,400,000	
ADA Remediation – Maynard Elementary	450,000	450,000	
Total County Projects	7,575,474	7,075,474	500,000
Total All Projects	\$ 39,025,474	\$ 24,525,474	\$ 14,500,000

*FY 2014 allocations may include amounts from prior years.

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

Major Initiatives

This fiscal year at PBA consisted of very many small projects being undertaken and completed by our four major departments, Property Management, Property Development, Finance and Telecommunications. We were pleased to have come in under budget for all of our clients, with \$206,142 being refunded to Knox County, \$43,973 (excluding return of net parking revenues of \$1,313,309) being refunded to the City of Knoxville, and smaller amounts returned to our other clients. The highlights of each department's activities are listed below.

Property Management Department - Completed 55 PM projects for a total of \$1.2 million. Listed below are some of the accomplishments we realized with these projects:

City County Building (CCB) Enhancements:

- Installed new elevator monitoring system to four passenger elevators located in the East and West ends of the parking garage at CCB, which allows us to track, stop and manage the elevator systems in the building.
- Spline ceiling replaced in the CCB Session Court Clerk Office.
- Continued replacement of failed or failing drain lines on floor level L3 (under the jail area) which has been an ongoing problem for years at the CCB.
- ADA Lawsuit Issues Resolved- PBA maintenance employees completed 95% of the projects, which provided substantial savings to satisfy the lawsuit demands
- Replaced domestic hot water boiler operating at approximately 60% efficiency to a new boiler system operating at 95% efficiency

Multiple Properties Enhancements:

- Blueprint Scanning Project for CCB and Richards Street drawings is 85% complete. The Project Management team reviewed and cleaned out all the building drawings (over 7,800 sheets) stored in the City County Building and at Richards Street. These drawings were scanned and have been stored on CD for easier access and records.
- Implemented Facility Dude Work Order System, which is half the price of our old work order system, yet allows us to maintain the same data while making the system easier for our users.
- Installation of new shades. Various areas at CCB, Knox County Health Department, and the Old Court House have been updated with the newer shades and old, damaged blinds have been removed.
- New vinyl (low maintenance) flooring was installed for long-term durability in the Old Court House, Family Justice Center and areas of the Health Department.
- Implemented a complex HVAC computer tracking/monitoring in all energy management systems that PBA controls.

Multiple Properties Enhancements (Continued):

- State compliance upgrades at Juvenile Justice Center were completed, which resulted in high (95%) compliance inspections from the State.
- Replaced pumps and installed safety switches to World's Fair Park water features.
- Major upgrades were made to the Sunsphere external lighting to enhance safety.
- Completed four large remodeling and office relocation projects at Knox County Health Department (Lab, Pharmacy, WIC, and CDC).

Property Development Department

The PBA Property Development Department managed over \$6.5 million of projects for the City of Knoxville and over \$2.8 million in projects for the County. Those numbers include the City's and County's portions of over \$1.3 million of improvements at the City County Building (CCB).

Other significant projects in FY12-13 include the following:

- Completed the re-roof of the CAC Mobile Meals kitchen.
- Design was completed and construction work started on the State Street Garage expansion, adding 240 spaces to the garage and a new pedestrian bridge over State Street.
- Completed the preliminary investigation on approximately \$5,500,000 in City storm damage projects.
- Completed sealing of the Main and Locust Street garages, which included the some structural repairs at Main Avenue garage.
- Started work on the upgrades to the passenger elevators at the Andrew Johnson Building.
- Completed work on the electrical upgrades at Knox Central, which included replacement of the 1948 main switchgear and adding a new generator system.
- Completed elevator upgrades to the Family Investment Center elevator.
- Completed ADA upgrades to Ridgedale Elementary School.
- Added a new UPS and emergency generator to the CCB.
- Completed the replacement of the main cooling tower at the CCB.
- Began replacing all roofs at the CCB.

Finance Department

- Conducted an RFP process for PBA banking services, which resulted in transitioning from BB&T to Bank of America.
- Selected and managed the implementation of a new, computerized time keeping system, entitled TimeClock Plus, for PBA employees which is more time efficient for our employees and will provide more accurate data in regard to the locations of work done, especially by maintenance employees.

Telecommunications Department

- Completed 10 upgrades from NEC 2000 to SV8300 switches as well as 6 switch software upgrades and one voicemail system upgrade.
- Completed 12 WiFi and/or other low voltage installations at various locations.

Telecommunications Department (Continued)

- Completed 1,242 work orders and trouble calls of 1,278 received (36 pending completion).
- Management Information Systems accomplishments:
 - Installed and configured storage upgrades for Property Development, Property Management, Finance and Security Departments.
 - Installed and configured 27 desktop and 2 laptop computers for PBA departments.
 - Redesigned and rebuilt PBA's network domain to run VMware servers/system.
 - Migrated internet services from ENA at 1.5 Mps to Comcast at 100 Mps.
 - Renewed PBA's website.
 - Installed Trend Micro Mobile Security on all PBA smartphones/tablets.
 - Overall, MIS manages 9 servers, 115 desktop computers, 20 laptops, 35 smartphones, and 90 printers serving 113 users at 14 networked locations.

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, 2012 and 2011. This was the ninth 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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

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

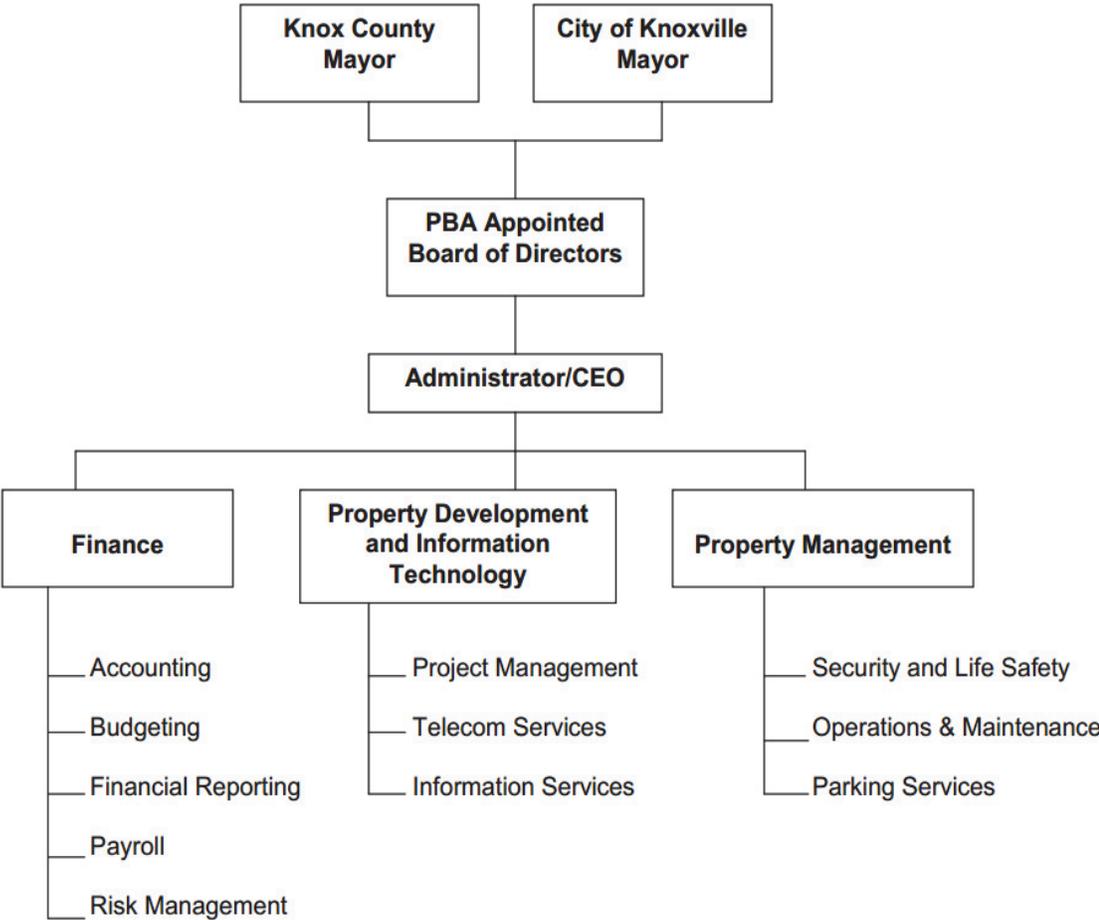
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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

**Organizational Chart
June 30, 2013**



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

ROSTER OF OFFICIALS AND OTHERS

June 30, 2013

<u>Board of Directors</u>	<u>Expiration of Term</u>
Winston Frazier, Chairperson	2013
George T. Prosser, Vice Chairperson	2017
Scott Davis, Secretary	2013
Keena Strickland, Treasurer	2015
Billy J. Stokes, Executive Committee	2013
Lewis Cosby	2017
Dr. Rocio Huet	2015
Chuck Severance	2015
Jennifer Holder	2015
John Sibley	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

Mauldin & Jenkins
Certified Public Accountants
Atlanta, Georgia

Legal Counsel

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

FINANCIAL SECTION



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

Report on the Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the PBA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the PBA as of June 30, 2013, change in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the PBA implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Audit of 2012

The financial statements of the PBA as of June 30, 2012, were audited by other auditors whose report dated November 13, 2012, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 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 audit 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PBA's basic financial statements. The supplementary information (statement of net position by activity, schedule of revenues, expenses, and changes in net position by activity, and schedule of revenues, expenses, and changes in net position – budget to actual by activity), introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information (statement of net position by activity, schedule of revenues, expenses, and changes in net position by activity, and schedule of revenues, expenses, and changes in net position – budget to actual by activity) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information (statement of net position by activity, schedule of revenues, expenses, and changes in net position by activity, and schedule of revenues, expenses, and changes in net position – budget to actual by activity) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013 on our consideration of the 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* in considering PBA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Chattanooga, Tennessee
October 24, 2013

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, 2013, 2012 and 2011. 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, 2013, 2012 and 2011 were \$16,037,146, \$14,666,501, and \$13,106,617 and exceeded liabilities (net position) by \$12,610,780, \$11,358,715, and \$11,023,274, respectively. Of the total net position, \$3,778,411, \$3,198,172, and \$3,571,882 was unrestricted and was available to support short-term operations for the years ending June 30, 2013, 2012 and 2011, respectively.
- Operating revenues were \$13,072,479, \$12,783,914, and \$12,942,502 for the years ending June 30, 2013, 2012 and 2011, representing a (decrease) increase of 2.21%, (1.22)% and 0.61%, from prior years.
- During 2013 there was an increase of \$671,826 in net position invested in capital assets and an increase in unrestricted net position of \$580,239, which combined for the overall increase in net position of \$1,252,065.
- Operating expenses before depreciation increased by \$399,639 from 2013 to 2012 and decreased by \$(55,164) from 2012 to 2011, representing a 3.6% increase from 2013 to 2012 and (0.52)% decrease from 2012 to 2011.
- Operating income for 2013 was \$991,323, representing a decrease of \$(186,334) from 2012. The change in net position, before capital contributions and deductions and extraordinary gain on impairment, decreased by \$(55,890) when compared to 2012.
- The ratios of operating income to total operating revenues were 7.6% for 2013, 9.2% for 2012 and 10.7% for 2011.
- Capital asset replacement reserve contributions from the City and County were \$815,424 for 2013, \$882,465 for 2012 and \$702,608 for 2011.
- Capital contributions returned to the City, County, or other agencies were \$1,598,276 for 2013, \$1,744,905 for 2012 and \$1,773,418 for 2011, a decrease of \$(146,629) and a decrease of \$(28,513) when compared to 2012 and 2011.

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 statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the PBA on a full accrual basis of accounting. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position 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 statement of net position and schedule of revenues, expenses and changes in net position by activity of projects. Also, included is a separate schedule of revenues, expenses and changes in net position – budget to actual by project.

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, site 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 Statements of Net Position
(In Thousands of Dollars)
June 30, 2013 and 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Current Assets	\$ 7,205	\$ 6,506	\$ 5,656
Net Capital Assets	<u>8,832</u>	<u>8,161</u>	<u>7,451</u>
TOTAL ASSETS	\$ <u>16,037</u>	\$ <u>14,667</u>	\$ <u>13,107</u>
LIABILITIES			
Current Liabilities	\$ 3,185	\$ 3,101	\$ 1,826
Non-Current Liabilities	<u>242</u>	<u>207</u>	<u>258</u>
TOTAL LIABILITIES	3,427	3,308	2,084
NET POSITION			
Net Investment in Capital Assets	8,832	8,161	7,451
Unrestricted	<u>3,778</u>	<u>3,198</u>	<u>3,572</u>
Total Net Position	<u>12,610</u>	<u>11,359</u>	<u>11,023</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>16,037</u>	\$ <u>14,667</u>	\$ <u>13,107</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed Statements of Revenues, Expenses,
and Changes in Net Position
(In Thousands of Dollars)
For The Years Ended June 30, 2013 and 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues			
Rentals – Net	\$ 4,246	\$ 4,121	\$ 4,195
Management Fees	6,104	5,814	5,930
Net Parking	<u>2,722</u>	<u>2,849</u>	<u>2,817</u>
Total Operating Revenues	<u>13,072</u>	<u>12,784</u>	<u>12,942</u>
Operating Expenses			
Salaries and Benefits	5,569	5,490	5,625
Office	105	93	72
Education and Training	9	7	10
Purchased Services and Supplies	1,157	1,056	1,050
Operating Contracts	1,609	1,586	1,448
Utilities	2,051	1,880	2,060
Communications	96	72	67
Insurance	269	236	229
Professional Fees	49	59	78
Depreciation	982	906	804
Maintenance Facility	82	77	74
Other	<u>103</u>	<u>144</u>	<u>42</u>
Total Operating Expenses	<u>12,081</u>	<u>11,606</u>	<u>11,559</u>
Operating Income	<u>991</u>	<u>1,178</u>	<u>1,383</u>
Non-Operating Revenues (Expenses)			
Interest Income	16	28	27
Bank Charges	(12)	(8)	(8)
Capital Contributions Returned	<u>(1,598)</u>	<u>(1,745)</u>	<u>(1,773)</u>
Total Non-Operating Revenues (Expenses) – Net	<u>(1,594)</u>	<u>(1,725)</u>	<u>(1,754)</u>
Increase (Decrease) in Net Position Before Capital Contributions (Deductions) and Extraordinary Gain on Impairment	<u>(603)</u>	<u>(547)</u>	<u>(371)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital Contributions (Deductions):			
Capital Contributions	<u>815</u>	<u>883</u>	<u>711</u>
Extraordinary Gain on Impairment	<u>1,040</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	1,252	336	340
Net Position, Beginning of Year	<u>11,359</u>	<u>11,023</u>	<u>10,683</u>
Net Position, End of Year	\$ <u><u>12,611</u></u>	\$ <u><u>11,359</u></u>	\$ <u><u>11,023</u></u>

OTHER SELECTED INFORMATION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Space (in Square Feet) Under Management	1,480,288	1,560,288	1,525,288
Number of Parking Spaces Under Management	6,386	6,409	6,393
Parks – Number of Acres Under Management	32	32	32
Employees at Year-End:			
Facilities Management	41	40	38
Safety and Security	41	40	42
Property Development	4	4	4
Telecommunications	9	9	9
Administrative	<u>9</u>	<u>8</u>	<u>9</u>
Total	<u><u>104</u></u>	<u><u>101</u></u>	<u><u>102</u></u>

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Average Number of Employees	104	102	102
Per Average Employee:			
Operating Revenues	\$ 125,697	\$ 125,332	\$ 126,887
Operating Expenses	\$ 116,165	\$ 113,787	\$ 113,320
Ratio of Operating Revenues to:			
Operating Expenses	108%	110%	112%
Operating Expenses – Net of Depreciation	118%	119%	120%
Total Assets	84%	87%	99%
Net Position	113%	113%	117%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS FOR FY 2013

This fiscal year at PBA consisted of very many small projects being undertaken and completed by our four major departments, Property Management, Property Development, Finance and Telecommunications. We were pleased to have come in under budget for all of our clients, with \$206,142 being refunded to Knox County, \$43,973 (excluding return of net parking revenues of \$1,313,308) being refunded to the City of Knoxville, and smaller amounts returned to our other clients. With increasingly tight budgets for both local governments, PBA will continue to look for opportunities to operate more efficiently while providing our clients the level of service they desire. The highlights of each department's activities are listed below.

The PBA Property Management (PM) Department completed 55 projects for a total of \$1.2 million. These projects included various work at the City County Building (CCB), Old Courthouse, Knox County Health Department, Juvenile Justice Center, Family Justice Center, Andrew Johnson Building, and Knox Central. In addition to managing projects, the PM department continues to scan building blueprints for easier access and records.

The PBA Property Development Department managed over \$6.5 million of projects for the City of Knoxville and over \$2.8 million in projects for the County. Those numbers include the City's and County's portions of over \$1.3 million of improvements at the City County Building (CCB).

The PBA Finance Department conducted an RFP process for PBA banking services, which resulted in transitioning from BB&T to Bank of America. In addition to banking, the Finance Department managed the implementation of a new, computerized time keeping system for PBA employees, which is more time efficient for our employees and will provide more accurate data in regard to the locations of work done, especially by maintenance employees.

The PBA Telecommunications Department completed 10 upgrades from NEC 2000 to SV8300 switches as well as 6 switch software upgrades and one voicemail system upgrade. They also completed 12 WiFi and/or other low voltage installations at various locations. The Management Information Systems (MIS) department, a division of Telecommunications, installed and configured storage upgrades for Property Development, Property Management, Finance and Security Departments. Overall, MIS manages 9 servers, 115 desktop computers, 20 laptops, 35 smartphones, and 90 printers serving 113 users at 14 networked locations.

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.

FINANCIAL CONDITION

Net Position increased by \$1,252,065, \$335,441, and \$340,622 for the years ending June 30, 2013, 2012 and 2011, respectively. The increase in net position is the result of recognizing an impairment gain on an insurance settlement for hail damage to the City/County Building.

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 \$815,424 and \$882,465 for 2013 and 2012, respectively. The contributions consist of the following:

<u>Year ended June 30, 2013</u>	<u>Capital Reserves - Contributions</u>
County:	
City County Building	\$ <u>482,525</u>
City:	
City County Building	252,000
City Parking Facilities	0
City Parks	<u>80,899</u>
Total City	<u>332,899</u>
Others	<u>0</u>
Total	<u>\$ <u>815,424</u></u>

<u>Year ended June 30, 2012</u>	<u>Capital Reserves - Contributions</u>
County:	
City County Building	\$ <u>570,600</u>
City:	
City County Building	171,865
City Parking Facilities	0
City Parks	<u>140,000</u>
Total City	<u>311,865</u>
Others	<u>0</u>
Total	<u>\$ <u>882,465</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

RESULTS OF OPERATIONS (Continued)

Capital Contributions (Deductions) (Continued)

Reserves returned to the City and County during 2013 totaled \$1,563,424 and represented a refund of operating results above the calculated desired reserve. Additionally, operating reserves of \$17,845 were refunded to the Emergency Communications District, \$4,635 to Knoxville Utilities Board, \$3,844 to Knox County Schools, and \$8,529 to the Development Corporation, also representing operating reserves above the calculated needed reserve.

Reserves returned to the City and County during 2012 totaled \$1,728,491 and represented a refund of operating results above the calculated desired reserve. Additionally, operating reserves of \$9,752 were refunded to the Emergency Communications District and \$6,662 to the Industrial Development Board, also representing operating reserves above the calculated needed reserve.

Operating Expenses

Operating expenses during 2013, 2012, and 2011 increased (decreased) by \$474,899, \$47,615, and \$(84,879) or 3.9%, 0.41%, and (0.73)%, respectively. This was a result of major increases (decreases) such as:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Salaries and Benefits	\$ 79,325	\$ (135,465)	\$ (271,053)
Purchased Services and Supplies	101,473	6,063	61,293
Operating Contracts	22,300	138,027	65,401
Utilities	171,202	(180,000)	215,311
Other - Net	<u>100,599</u>	<u>218,990</u>	<u>(155,831)</u>
Total	\$ <u>474,899</u>	\$ <u>47,615</u>	\$ <u>(84,879)</u>

Depreciation expense was \$981,701, \$906,441 and \$803,661 in 2013, 2012 and 2011, respectively.

Capital Assets

During 2013, 2012 and 2011, PBA increased its producing capital assets by \$513,624, \$1,532,302, and \$859,509, respectively. These increases consist of the following:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Site Improvements	\$ 0	\$ 168,618	\$ 150,163
Building Improvements	203,670	1,010,781	95,693
Machinery and Equipment	195,997	340,238	454,895
Data Processing Equipment and Software	32,365	0	65,567
Vehicles	<u>81,591</u>	<u>12,665</u>	<u>93,191</u>
Total	\$ <u>513,624</u>	\$ <u>1,532,302</u>	\$ <u>859,509</u>

In addition to the depreciable capital asset additions, the PBA had increases in Construction in Progress of \$1,485,767, \$104,366, and \$115,716 for fiscal years 2013, 2012, and 2011, respectively. The PBA's capital asset activity for 2013 and 2012 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 3%.
- There is a 2% salary increase budgeted for FY 2014.
- There is a 10.19% and 3.09% projected increase in operating expense budgets related to the City and County, respectively.
- Insurance expense is expected to increase 6.7%.
- Due to a change in banking, there is a 50% projected decrease in interest income and a 50% projected increase in bank charges.
- FY 2014 Budget is summarized as follows:

Revenues	\$	14,346,321
Expenses		<u>13,186,101</u>
Change in Net Position	\$	<u>1,160,220</u>

CONTACTING THE PBA

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

Robyn Smith, CPA
PBA 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**

STATEMENTS OF NET POSITION

June 30, 2013 and 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,431,454	\$ 5,388,150
Receivables:		
Other Receivables	824,130	24,079
Due from City and County	1,741,678	967,516
Due from Other Governmental Agencies	109,358	33,414
Inventory	10,878	12,184
Prepaid Items	87,279	80,615
Total Current Assets	7,204,777	6,505,958
 CAPITAL ASSETS		
Property and Equipment	13,727,150	13,766,257
Less: Accumulated Depreciation	(6,544,024)	(5,843,051)
Land	101,016	101,016
Construction in Progress	1,548,227	136,321
Net Capital Assets	8,832,369	8,160,543
 TOTAL ASSETS	 \$ 16,037,146	 \$ 14,666,501

(Continued)

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

STATEMENTS OF NET POSITION

June 30, 2013 and 2012

LIABILITIES AND NET POSITION

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 2,273,181	\$ 1,644,883
Due to City and County	541,634	618,156
Due to Other Governmental Agencies	34,853	16,413
Unearned Revenues	0	533,139
Customer Deposits	27,786	25,514
Compensated Absences Payable	<u>307,392</u>	<u>263,022</u>
Total Current Liabilities	<u>3,184,846</u>	<u>3,101,127</u>
NON-CURRENT LIABILITIES		
Compensated Absences Payable	<u>241,520</u>	<u>206,659</u>
Total Non-Current Liabilities	<u>241,520</u>	<u>206,659</u>
Total Liabilities	<u>3,426,366</u>	<u>3,307,786</u>
NET POSITION		
Net Investment in Capital Assets	8,832,369	8,160,543
Unrestricted	<u>3,778,411</u>	<u>3,198,172</u>
Total Net Position	<u>12,610,780</u>	<u>11,358,715</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 16,037,146</u>	<u>\$ 14,666,501</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 POSITION

June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Rental Income from City and County	\$ 4,013,581	\$ 3,912,814
Management Fees from City and County	5,915,239	5,652,775
Management Fees from Other Governmental Agencies	189,380	161,299
Other Rental Income - Net	232,474	208,204
Net Parking Revenues	2,721,805	2,848,822
Total Operating Revenues	13,072,479	12,783,914
 OPERATING REVENUES		
Salaries and Benefits	5,569,032	5,489,707
Office	105,534	93,329
Education and Training	8,723	6,703
Purchased Services and Supplies	1,157,287	1,055,814
Operating Contracts	1,608,672	1,586,372
Utilities	2,050,996	1,879,794
Communications	95,780	72,458
Insurance	269,125	236,013
Professional Fees	48,926	59,226
Depreciation	981,701	906,441
Maintenance Facility	81,728	76,560
Other	103,652	143,840
Total Operating Expenses	12,081,156	11,606,257
 OPERATING INCOME	 991,323	 1,177,657

(Continued)

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

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

June 30, 2013 and 2012

	2013	2012
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	\$ 16,271	\$ 28,448
Bank Charges	(12,232)	(8,224)
Capital Returned to City and County	(1,563,423)	(1,728,491)
Capital Returned to Other Governmental Agencies	(34,853)	(16,414)
Total Non-Operating Revenues (Expenses) - Net	(1,594,237)	(1,724,681)
 INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS AND EXTRAORDINARY GAIN ON IMPAIRMENT	 (602,914)	 (547,024)
 CAPITAL CONTRIBUTIONS		
Cash:		
Capital Contributions from the City and County	815,424	882,465
 Total Contributions	 815,424	 882,465
 EXTRAORDINARY GAIN ON IMPAIRMENT	 1,039,555	 0
 INCREASE (DECREASE) IN NET POSITION	 1,252,065	 335,441
 NET POSITION, BEGINNING OF YEAR	 11,358,715	 11,023,274
 NET POSITION, END OF YEAR	 12,610,780	 11,358,715

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

June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from City and County	\$ 9,154,657	\$ 8,887,773
Receipts from Other Governmental Agencies	113,436	171,139
Receipts from Other Customers	2,156,500	3,052,257
Payments to Employees	(5,489,801)	(5,489,451)
Payments to Suppliers	(5,440,620)	(3,864,019)
Net Cash Provided by Operating Activities	494,172	2,757,699
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributed by City and County	815,424	882,465
Capital Returned to City and County	(1,639,946)	(1,809,124)
Capital Returned to Other Governmental Agencies	(16,413)	(34,339)
Capital Asset Additions	(1,935,779)	(1,634,815)
Insurance Proceeds	1,321,807	(1,634,815)
Net Cash Used by Capital and Related Financing Activities	(1,454,907)	(2,595,813)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Deposits	16,271	28,448
Bank Charges	(12,232)	(8,224)
Net Cash Provided by Investing Activities	4,039	20,224
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(956,696)	182,110
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,388,150	5,206,040
CASH AND CASH EQUIVALENTS, END OF YEAR	4,431,454	5,388,150

(Continued)

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

STATEMENTS OF CASH FLOWS (Continued)

June 30, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 991,323	\$ 1,177,657
Depreciation	981,701	906,441
Changes in:		
Accounts Receivable	(800,051)	1,579
Due from City and County	(774,162)	(677,816)
Due from Other Governmental Agencies	(75,944)	9,840
Prepaid Items	(6,664)	(5,457)
Other Current Assets	1,306	3,231
Accounts Payable and Accrued Liabilities	628,298	815,178
Customer Deposits	2,272	(6,349)
Compensated Absences Payable	79,232	256
Other Current Liabilities	(533,139)	533,139
Net Cash Provided by Operating Activities	494,172	2,757,699

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, 2013 and 2012

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 financial statements of the PBA have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. For the year ended June 30, 2013, the PBA implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

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 statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets, 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 position), 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 position 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 position.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 statement of net position. 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 position when earned.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following two components: net investment in capital assets and unrestricted net position. Net investment in capital assets 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 position 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 statement of net position 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.

Deferred Inflows/Outflows of Resources - The PBA implemented GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, Items Previously Reported as Assets and Liabilities, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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.

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

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. Based on that agreement, the building complex is not an asset of the PBA. 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 2013 and 2012 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
- 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 may be terminated upon 60 days written notice by any party.

NOTE 4 - OPERATING CONTRACTS (continued)

City Operating Contracts (continued)

Knoxville Area Transit Center/Magnolia Facility – The PBA and the City entered into operating contracts on July 15, 2010 to provide property management, maintenance, landscaping, security and custodial services for the Knoxville Area Transit Center and was amended on July 1, 2011 to add the Knoxville Area Transit Magnolia Facility. Under the terms of the agreement, the City shall reimburse the PBA for all costs and expenses. The contract will expire July 14, 2015. This contract may be terminated upon 180 days written notice by either 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. Under the terms of this contract, the City will reimburse the PBA for all costs and expenses. The contract will expire on June 30, 2016. This contract may 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. The contract will expire on June 30, 2016. This contract may be terminated upon 30 days written notice by either party.

City Development Contracts

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.

NOTE 4 - OPERATING CONTRACTS (continued)

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).

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 20 basis points for 2013 and 47 basis points for 2012. The effective rate of interest on all collected funds was .20% at year-end 2013 and .47% at the year-end 2012. All funds are available on demand.

The PBA's cash and cash equivalents at June 30, 2013 and 2012 are as follows:

	2013	2012
Petty Cash	\$ 450	\$ 450
Postage	298	454
Demand Deposits	4,430,706	5,387,246
Total	\$ 4,431,454	\$ 5,388,150

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.

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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 \$16,271 and \$28,448 for 2013 and 2012, respectively. Bank charges are shown separately and were \$12,232 and \$8,224 for 2013 and 2012, respectively.

NOTE 6 - CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2013 was as follows:

	Balances July 1, 2012	Additions	Disposals	Transfers	Balances June 30, 2013
Capital Assets, Not Being Depreciated:					
Land	\$ 101,016	\$ 0	0	\$ 0	\$ 101,016
Construction in Progress	136,321	1,485,767	(52,800)	(21,061)	1,548,227
Subtotal	237,337	1,485,767	(52,800)	(21,061)	1,649,243
Capital Assets Being Depreciated:					
Site Improvements	777,448	0	0	0	777,448
Buildings & Improvements	9,126,620	203,670	(573,792)	0	8,756,498
Machinery & Equipment	3,198,239	195,997	0	21,061	3,415,298
Data Processing Equipment & Software	297,919	32,365	0	0	330,284
Vehicles	366,031	81,591	0	0	447,622
Subtotal	13,766,257	513,624	(573,792)	21,061	13,727,150
Less: Accumulated Depreciation:					
Site Improvements	(173,343)	(75,602)	0	0	(248,945)
Building Improvements	(3,219,384)	(483,994)	280,728	0	(3,422,650)
Machinery & Equipment	(1,992,326)	(344,927)	0	0	(2,337,253)
Data Processing Equipment & Software	(225,811)	(31,319)	0	0	(257,130)
Vehicles	(232,187)	(45,859)	0	0	(278,046)
Subtotal	(5,843,051)	(981,701)	280,728	0	(6,544,024)
Total Capital Assets Being Depreciated – Net	7,923,206	(468,077)	(293,064)	21,061	7,183,126
Total Capital Assets - Net	\$ 8,160,543	\$ 1,017,960	\$ (345,864)	\$ 0	\$ 8,832,369

NOTE 6 - CAPITAL ASSETS (continued)

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

	<u>Balances July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balances June 30, 2012</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 101,016	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
Buildings & 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)

Depreciation expense was charged as follows:

	<u>2013</u>	<u>2012</u>
Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage	\$ 42,229	\$ 43,850
City County Building	434,918	396,472
City Parking Facilities	95,999	85,281
City Parks	147,287	126,002
E-911	300	326
Fairview Technology Center	1,125	1,128
Health Department	921	1,483
John Tarleton Home	0	1,384
Juvenile Justice Center	4,319	2,958
Knoxville Area Transit Facilities	942	0
Knox Central	1,946	2,451
Old Court House	38,604	37,376
Other	30,515	30,598
Property Development	359	360
Senior Centers	2,031	2,086
Telecom	180,208	174,686
	<u> </u>	<u> </u>
Total	\$ <u>981,701</u>	\$ <u>906,441</u>

The PBA reached a settlement with their insurance carrier related to hail damage to building improvements which resulted in an extraordinary gain of \$1,039,555 being reported in fiscal year 2013.

NOTE 7 – CONSTRUCTION IN PROGRESS

At June 30, 2013 and 2012, construction in progress consisted of the following:

<u>Facility/Project</u>	<u>2013</u>		<u>2012</u>	
	<u>Actual To-Date</u>	<u>Remaining Commitment</u>	<u>Actual To-Date</u>	<u>Remaining Commitment</u>
City/County Building:				
Roof Replacement	\$ 998,060	\$ 1,122,380	\$ 71,229	\$ 720,000
Garage Post Tension Cables	157,171	30,819	34,451	150,000
Boiler Replacement	383,416	106,144		
City Parking Facilities:				
Security Camera – Main Avenue Garage			21,061	4,000
City Parks:				
Fountain Computer System – World's Fair Park	9,580	64,500	9,580	50,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>1,548,227</u>	\$ <u>1,323,843</u>	\$ <u>136,321</u>	\$ <u>924,000</u>

NOTE 8 – COMPENSATED ABSENCES PAYABLE

Compensated absences activity during the years ended June 30, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Balance, Beginning of Year	\$ 469,681	\$ 469,424
Earned	340,935	263,236
Used	<u>(261,704)</u>	<u>(262,979)</u>
Balance, End of Year	\$ <u>548,912</u>	\$ <u>469,681</u>
Current Portion	\$ 307,392	\$ 263,022
Non-Current Portion	<u>241,520</u>	<u>206,659</u>
Total	\$ <u>548,912</u>	\$ <u>469,681</u>

NOTE 9 – NET POSITION

Net position represents the difference between assets and liabilities. The net position at June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Net Investment in Capital Assets:		
Net Capital Assets	\$ <u>8,832,369</u>	\$ <u>8,160,543</u>
Unrestricted:		
Designated for Operating Reserve	1,011,126	948,003
Designated for Capital Asset Replacement	<u>2,767,285</u>	<u>2,250,169</u>
	<u>3,778,411</u>	<u>3,198,172</u>
Total	\$ <u>12,610,780</u>	\$ <u>11,358,715</u>

Since the PBA is a joint venture between the City and the County, the net position represents the equity ownership of the City, County and others. The joint venture equity in the PBA at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
City	\$ 5,664,745	\$ 5,312,440
County	6,915,396	5,997,234
Others:		
Development Corp. of Knox County	5,389	7,558
Emergency Communications District	13,850	32,627
Knox County Schools	<u>11,400</u>	<u>8,856</u>
Total	\$ <u>12,610,780</u>	\$ <u>11,358,715</u>

NOTE 10 – OPERATING REVENUES

Operating revenues earned during the years ended June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Rental Income from City and County	\$ <u>4,013,581</u>	\$ <u>3,912,814</u>
Other Rental Income:		
Gross Revenues	232,474	209,859
Less: Bad Debts	<u>0</u>	<u>(1,655)</u>
Other Rental Income – Net	<u>232,474</u>	<u>208,204</u>
Management Fees from the City and County	<u>5,915,239</u>	<u>5,652,775</u>
Management Fees from Other Governmental Agencies	<u>189,380</u>	<u>161,299</u>
Parking Revenues:		
Gross Revenues	<u>3,230,002</u>	<u>3,377,305</u>
Less: Commissions to Vendor	<u>(508,197)</u>	<u>(528,483)</u>
Net Parking Revenues	<u>2,721,805</u>	<u>2,848,822</u>
Total	\$ <u>13,072,479</u>	\$ <u>12,783,914</u>

NOTE 11 – CAPITAL CONTRIBUTIONS AND DEDUCTIONS

During the year ended June 30, 2013, capital contributions and deductions were as follows:

	<u>City</u>	<u>County</u>	<u>Others</u>	<u>Total</u>
Capital Contributions				
Capital Asset Replacement Reserves	\$ 332,899	\$ 482,525	\$ 0	\$ 815,424
Capital Deductions				
Capital Contributions Returned	<u>(1,357,281)</u>	<u>(206,142)</u>	<u>(34,853)</u>	<u>(1,598,276)</u>
Total - Net	<u>\$ (1,024,382)</u>	<u>\$ 276,383</u>	<u>\$ (34,853)</u>	<u>\$ 782,852</u>

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>
Capital Contributions				
Capital Asset Replacement Reserves	\$ 311,865	\$ 570,600	\$ 0	\$ 882,465
Operating Reserves				
Capital Deductions				
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>

NOTE 11 – CAPITAL CONTRIBUTIONS AND DEDUCTIONS (Continued)

During the year ended June 30, 2013, the PBA returned to the City, the County, the Emergency Communications District, Knox County Schools, Knoxville Utilities Board, and the Development Corporation operating funds in excess of those agreed upon to be held in separate operating reserves; \$1,357,281 was returned to the City, \$206,142 was returned to the County, \$17,846 was returned to the Emergency Communications District, \$3,844 was returned to Knox County Schools, \$4,635 was returned to Knoxville Utilities Board, and \$8,528 was returned to the Development Corporation. These funds represented the results of operations.

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, \$9,752 was returned to the Emergency Communications District, and \$6,662 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 2013 and 2012:

June 30, 2013	City	County	Total
Due From, End of Year	\$ 860,100	\$ 881,578	\$ 1,741,678
Due To, End of Year	335,492	206,142	541,634
Rental Income	1,151,898	2,861,683	4,013,581
Management Fees	3,389,988	2,525,251	5,915,239
Net Parking Revenues	2,137,081	584,724	2,721,805
June 30, 2012	City	County	Total
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

During the years ended June 30, 2013 and 2012, approximately 51% and 49% of operating revenues, respectively, were from the City. During the years ended June 30, 2012 and 2011, approximately 46% and 48% 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.

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, 2013. 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

NOTE 14 - RETIREMENT PLANS (Continued)

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.

<u>Contribution Type and Years of Service</u>	<u>Employee Contribution</u>	<u>Employer (PBA) Contribution</u>
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, 2013 and 2012, PBA employees made mandatory and voluntary contributions of \$302,519 and \$298,827, respectively. During 2013 and 2012, PBA made matching employer contributions of \$283,834 and \$280,198, respectively.

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, 2013 and 2012 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>
2013	120
2012	120
2011	120
2010	120

Participants are always 100% vested in voluntary and matching contributions. During 2013 and 2012, PBA employees made voluntary contributions of \$ 4,764 and \$ 4,826, 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, 2013 and 2012.

**SUPPLEMENTARY
INFORMATION**

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

**STATEMENT OF NET POSITION BY ACTIVITY
June 30, 2013**

Property Management - City Properties

	Parking Facilities	Police Department	Parks	Transit Facility	Downtown Cinema	Total City Properties
Assets:						
Current Assets						
Cash and Cash Equivalents	\$ 663,499	\$ 1,423	\$ 569,210	\$ 114,348	\$ 42,568	\$ 1,391,048
Receivables:						
Other Receivables	0	0	35,462	0	0	35,462
Due from County	0	0	0	0	0	0
Due from City	0	0	0	0	0	0
Due from Other Governmental Agencies	0	0	0	0	0	0
Due from Other Departments	0	0	0	0	0	0
Inventory	0	0	0	0	0	0
Prepaid Items	0	0	0	0	0	0
Total Current Assets	663,499	1,423	604,672	114,348	42,568	1,426,510
Capital Assets						
Building Improvements	1,098,006	0	134,470	0	0	1,232,476
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	326,980	0	423,582	0	0	750,562
Vehicles	250	0	272,491	9,500	0	282,241
Total Capital Assets	1,463,268	0	1,500,252	9,500	0	2,973,020
Less: Accumulated Depreciation	(430,885)	0	(637,786)	(942)	0	(1,069,613)
Construction in Progress	0	0	9,580	0	0	9,580
Net Capital Assets	1,032,383	0	872,046	8,558	0	1,912,987
Total Assets	\$ 1,695,882	1,423	1,476,718	122,906	42,568	3,339,497
Liabilities:						
Current Liabilities						
Accounts Payable and Accrued Liabilities	\$ 63,386	194	170,965	42,387	3,988	280,920
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	308,081	700	118,178	49,089	31,472	507,520
Customer Deposits	3,829	0	20,010	0	3,947	27,786
Compensated Absences Payable	16,678	297	61,895	12,809	1,770	93,449
Total Current Liabilities	391,974	1,191	371,048	104,285	41,177	909,675
Non-Current Liabilities						
Compensated Absences Payable	13,104	232	48,633	10,063	1,391	73,423
Total Non-Current Liabilities	13,104	232	48,633	10,063	1,391	73,423
Total Liabilities	405,078	1,423	419,681	114,348	42,568	983,098
Net Position						
Net Investment in Capital Assets	1,032,383	0	872,046	8,558	0	1,912,987
Unrestricted:						
Designated for Operating Reserve	0	0	0	0	0	0
Designated for Capital Asset Replacement Reserve	258,421	0	184,991	0	0	443,412
Total Net Position	1,290,804	0	1,057,037	8,558	0	2,356,399
Total Liabilities and Net Position	\$ 1,695,882	\$ 1,423	\$ 1,476,718	\$ 122,906	\$ 42,568	\$ 3,339,497

Property Management - County Properties

Andrew Johnson Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	Juvenile Justice Center	Knox Central	Old Court House	Senior Centers	State Street Parking Lot	Total County Properties
\$ 27,519	8,055	23,483	86,062	12,805	103,799	9,520	51,937	323,180
0	0	0	0	0	0	0	0	0
27,572	4,300	0	0	148,710	298,249	8,081	0	486,912
0	0	0	0	0	0	0	1,323	1,323
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>55,091</u>	<u>12,355</u>	<u>23,483</u>	<u>86,062</u>	<u>161,515</u>	<u>402,048</u>	<u>17,601</u>	<u>53,260</u>	<u>811,415</u>
1,115,865	0	0	11,591	18,593	728,239	0	0	1,874,288
0	0	0	0	0	0	5,107	0	5,107
27,872	0	708	1,153	1,102	0	0	0	30,835
155,948	0	5,028	9,862	6,656	19,792	10,650	0	207,936
5,300	0	10,100	32,207	10,050	19,304	500	0	77,461
1,304,985	0	15,836	54,813	36,401	767,335	16,257	0	2,195,627
(960,754)	0	(14,714)	(33,665)	(22,009)	(399,685)	(13,707)	0	(1,444,534)
0	0	0	0	0	0	0	0	0
<u>344,231</u>	<u>0</u>	<u>1,122</u>	<u>21,148</u>	<u>14,392</u>	<u>367,650</u>	<u>2,550</u>	<u>0</u>	<u>751,093</u>
\$ <u>399,322</u>	<u>12,355</u>	<u>24,605</u>	<u>107,210</u>	<u>175,907</u>	<u>769,698</u>	<u>20,151</u>	<u>53,260</u>	<u>1,562,508</u>
\$ 64,717	7,114	13,006	16,380	162,364	311,543	11,555	1,738	588,417
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
(47,125)	1,126	(2,210)	45,007	(9,380)	57,978	909	51,329	97,634
0	0	0	0	0	0	0	0	0
21,000	2,304	7,105	13,818	4,777	18,215	2,877	107	70,203
<u>38,592</u>	<u>10,544</u>	<u>17,901</u>	<u>75,205</u>	<u>157,761</u>	<u>387,736</u>	<u>15,341</u>	<u>53,174</u>	<u>756,254</u>
<u>16,499</u>	<u>1,811</u>	<u>5,582</u>	<u>10,857</u>	<u>3,754</u>	<u>14,312</u>	<u>2,260</u>	<u>86</u>	<u>55,161</u>
<u>16,499</u>	<u>1,811</u>	<u>5,582</u>	<u>10,857</u>	<u>3,754</u>	<u>14,312</u>	<u>2,260</u>	<u>86</u>	<u>55,161</u>
<u>55,091</u>	<u>12,355</u>	<u>23,483</u>	<u>86,062</u>	<u>161,515</u>	<u>402,048</u>	<u>17,601</u>	<u>53,260</u>	<u>811,415</u>
344,231	0	1,122	21,148	14,392	367,650	2,550	0	751,093
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>344,231</u>	<u>0</u>	<u>1,122</u>	<u>21,148</u>	<u>14,392</u>	<u>367,650</u>	<u>2,550</u>	<u>0</u>	<u>751,093</u>
\$ <u>399,322</u>	<u>12,355</u>	<u>24,605</u>	<u>107,210</u>	<u>175,907</u>	<u>769,698</u>	<u>20,151</u>	<u>53,260</u>	<u>1,562,508</u>

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY
OF KNOX AND THE CITY OF KNOXVILLE, TENNESSEE**
STATEMENT OF NET POSITION BY ACTIVITY (Continued)
June 30, 2013

	Property Management - Other							
	City County Building	Emergency Communi- cations District	Fairview Technology Center	Total Property Management	Property Development	Telecom Services	Corporate	Total
Assets:								
Current Assets								
Cash and Cash Equivalents	\$ 2,062,443	35,127	19,002	3,830,800	153,759	148,330	298,565	4,431,454
Receivables:								
Other Receivables	788,668	0	0	824,130	0	0	0	824,130
Due from County	257,525	0	0	744,437	0	39,572	97,569	881,578
Due from City	111,000	0	0	112,323	0	737	747,040	860,100
Due from Other Governmental Agencies	0	0	0	0	0	4,338	105,020	109,358
Due from Other Departments	0	0	0	0	0	0	853,986	853,986
Inventory	0	0	0	0	0	10,878	0	10,878
Prepaid Items	0	0	0	0	0	0	87,279	87,279
Total Current Assets	3,219,636	35,127	19,002	5,511,690	153,759	203,855	2,189,459	8,058,763
Capital Assets								
Land	0	0	0	0	0	0	101,016	101,016
Buildings	0	0	0	0	0	0	528,264	528,264
Building Improvements	5,087,448	6,000	0	8,200,212	8,977	0	19,045	8,228,234
Site Improvements	74,341	0	0	777,448	0	0	0	777,448
Data Processing Equipment and Software	116,476	0	0	157,052	20,698	25,846	126,688	330,284
Machinery and Equipment	951,032	0	11,250	1,920,780	0	1,477,236	17,282	3,415,298
Vehicles	55,341	250	0	415,293	0	32,329	0	447,622
Total Capital Assets	6,284,638	6,250	11,250	11,470,785	29,675	1,535,411	792,295	13,828,166
Less: Accumulated Depreciation	(2,791,470)	(1,900)	(9,561)	(5,317,078)	(23,391)	(1,018,374)	(185,181)	(6,544,024)
Construction in Progress	1,538,647	0	0	1,548,227	0	0	0	1,548,227
Net Capital Assets	5,031,815	4,350	1,689	7,701,934	6,284	517,037	607,114	8,832,369
Total Assets	\$ 8,251,451	39,477	20,691	13,213,624	160,043	720,892	2,796,573	16,891,132
Liabilities:								
Current Liabilities								
Accounts Payable and Accrued Liabilities	\$ 361,525	2,550	4,105	1,237,517	20,524	80,584	934,556	2,273,181
Due to City	0	0	0	0	0	0	335,492	335,492
Due to County	0	0	0	0	0	0	206,142	206,142
Due to Other Governmental Agencies	0	0	0	0	0	0	34,853	34,853
Due to (from) Other Departments	82,611	19,046	9,056	715,867	70,134	67,985	0	853,986
Customer Deposits	0	0	0	27,786	0	0	0	27,786
Compensated Absences Payable	73,986	2,257	1,199	241,094	35,337	30,961	0	307,392
Total Current Liabilities	518,122	23,853	14,360	2,222,264	125,995	179,530	1,511,043	4,038,832
Non-Current Liabilities								
Compensated Absences Payable	58,131	1,774	942	189,431	27,764	24,325	0	241,520
Total Non-Current Liabilities	58,131	1,774	942	189,431	27,764	24,325	0	241,520
Total Liabilities	576,253	25,627	15,302	2,411,695	153,759	203,855	1,511,043	4,280,352
Net Position								
Net Investment in Capital Assets	5,031,815	4,350	1,689	7,701,934	6,284	517,037	607,114	8,832,369
Unrestricted:								
Designated for Operating Reserve	319,510	9,500	3,700	332,710	0	0	678,416	1,011,126
Designated for Capital Asset Replacement Reserve	2,323,873	0	0	2,767,285	0	0	0	2,767,285
Total Net Position	7,675,198	13,850	5,389	10,801,929	6,284	517,037	1,285,530	12,610,780
Total Liabilities and Net Position	\$ 8,251,451	39,477	20,691	13,213,624	160,043	720,892	2,796,573	16,891,132

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION BY ACTIVITY
For the Year Ended June 30, 2013**

	Property Management - City Properties					
	Parking Facilities	Police Department	Parks	Transit Facility	Downtown Cinema	Total City Properties
Operating Revenues:						
Rental Income from City and County	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Management Fees from City and County	0	6,043	2,026,194	746,283	50,271	2,828,791
Management Fees from Other Governmental Agencies	0	0	0	0	31,682	31,682
Rental and Event Revenues	51,753	0	126,160	0	47,360	225,273
Net Parking Revenues (Expenses)	<u>2,060,691</u>	<u>0</u>	<u>60,882</u>	<u>0</u>	<u>0</u>	<u>2,121,573</u>
Total Operating Revenues	<u>2,112,444</u>	<u>6,043</u>	<u>2,213,236</u>	<u>746,283</u>	<u>129,313</u>	<u>5,207,319</u>
Operating Expenses:						
Direct:						
<u>Property Management</u>						
Management	300,740	1,629	337,737	32,451	8,134	680,691
Safety and Services	241,446	3,262	412,366	243,922	9,482	910,478
Operations and Maintenance	263,324	0	1,308,567	363,332	71,351	2,006,574
<u>Other Management Services</u>						
Property Development	0	0	0	0	0	0
Telecom Services	0	0	0	0	0	0
Total Direct Operating Expenses	<u>805,510</u>	<u>4,891</u>	<u>2,058,670</u>	<u>639,705</u>	<u>88,967</u>	<u>3,597,743</u>
Indirect:						
Corporate Administration	28,697	206	74,447	22,278	3,996	129,624
Finance	32,565	233	84,578	25,280	4,538	147,194
MIS	13,373	96	34,770	10,381	1,865	60,485
Total Indirect Operating Expenses	<u>74,635</u>	<u>535</u>	<u>193,795</u>	<u>57,939</u>	<u>10,399</u>	<u>337,303</u>
Total Operating Expenses	<u>880,145</u>	<u>5,426</u>	<u>2,252,465</u>	<u>697,644</u>	<u>99,366</u>	<u>3,935,046</u>
Operating Income (Loss)	<u>1,232,299</u>	<u>617</u>	<u>(39,229)</u>	<u>48,639</u>	<u>29,947</u>	<u>1,272,273</u>
Non-Operating Revenues (Expenses):						
Interest Income	1,944	4	2,000	476	82	4,506
Bank Charges	(6,498)	(1)	(1,006)	(95)	(20)	(7,620)
Capital Returned to City, County and Other Governmental Agencies	<u>(1,317,944)</u>	<u>(620)</u>	<u>(87,949)</u>	<u>(40,462)</u>	<u>(30,009)</u>	<u>(1,476,984)</u>
Total Non-Operating Revenues (Expenses) - Net	<u>(1,322,498)</u>	<u>(617)</u>	<u>(86,955)</u>	<u>(40,081)</u>	<u>(29,947)</u>	<u>(1,480,098)</u>
Increase (Decrease) in Net Position Before Capital Contributions and Extraordinary Gain On Impairment	<u>(90,199)</u>	<u>0</u>	<u>(126,184)</u>	<u>8,558</u>	<u>0</u>	<u>(207,825)</u>
Capital Contributions						
Cash:						
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>80,899</u>	<u>0</u>	<u>0</u>	<u>80,899</u>
Total Capital Contributions	<u>0</u>	<u>0</u>	<u>80,899</u>	<u>0</u>	<u>0</u>	<u>80,899</u>
Extraordinary Gain on Impairment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>(90,199)</u>	<u>0</u>	<u>(45,285)</u>	<u>8,558</u>	<u>0</u>	<u>(126,926)</u>
Net Position, Beginning of Year	<u>1,381,003</u>	<u>0</u>	<u>1,102,322</u>	<u>0</u>	<u>0</u>	<u>2,483,325</u>
Net Position, End of Year	<u>\$ 1,290,804</u>	<u>\$ 0</u>	<u>\$ 1,057,037</u>	<u>\$ 8,558</u>	<u>\$ 0</u>	<u>\$ 2,356,399</u>

Property Management - County Properties

Andrew Johnson Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	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
121,057	114,469	265,199	536,963	177,513	492,443	86,264	0	1,793,908
0	0	0	0	0	0	0	0	0
0	0	7,201	0	0	0	0	0	7,201
489,304	0	0	0	0	0	0	56,893	546,197
<u>610,361</u>	<u>114,469</u>	<u>272,400</u>	<u>536,963</u>	<u>177,513</u>	<u>492,443</u>	<u>86,264</u>	<u>56,893</u>	<u>2,347,306</u>
113,901	8,987	27,103	26,543	13,356	63,037	6,086	1,169	260,182
195,191	18,644	48,650	161,331	39,627	144,210	20,363	0	628,016
328,591	77,231	180,125	261,515	123,746	221,417	54,588	3,514	1,250,727
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>637,683</u>	<u>104,862</u>	<u>255,878</u>	<u>449,389</u>	<u>176,729</u>	<u>428,664</u>	<u>81,037</u>	<u>4,683</u>	<u>2,138,925</u>
22,199	3,873	8,991	18,075	5,623	15,634	2,922	123	77,440
25,176	4,398	10,212	20,463	6,378	17,759	3,317	140	87,843
10,333	1,807	4,197	8,384	2,618	7,300	1,362	58	36,059
<u>57,708</u>	<u>10,078</u>	<u>23,400</u>	<u>46,922</u>	<u>14,619</u>	<u>40,693</u>	<u>7,601</u>	<u>321</u>	<u>201,342</u>
695,391	114,940	279,278	496,311	191,348	469,357	88,638	5,004	2,340,267
<u>(85,030)</u>	<u>(471)</u>	<u>(6,878)</u>	<u>40,652</u>	<u>(13,835)</u>	<u>23,086</u>	<u>(2,374)</u>	<u>51,889</u>	<u>7,039</u>
217	51	149	279	148	333	59	101	1,337
(970)	(10)	(28)	(60)	(41)	(74)	(10)	(712)	(1,905)
<u>43,554</u>	<u>430</u>	<u>5,836</u>	<u>(37,690)</u>	<u>11,782</u>	<u>(39,453)</u>	<u>294</u>	<u>(51,278)</u>	<u>(66,525)</u>
<u>42,801</u>	<u>471</u>	<u>5,957</u>	<u>(37,471)</u>	<u>11,889</u>	<u>(39,194)</u>	<u>343</u>	<u>(51,889)</u>	<u>(67,093)</u>
<u>(42,229)</u>	<u>0</u>	<u>(921)</u>	<u>3,181</u>	<u>(1,946)</u>	<u>(16,108)</u>	<u>(2,031)</u>	<u>0</u>	<u>(60,054)</u>
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(42,229)	0	(921)	3,181	(1,946)	(16,108)	(2,031)	0	(60,054)
<u>386,460</u>	<u>0</u>	<u>2,043</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>\$ 344,231</u>	<u>\$ 0</u>	<u>\$ 1,122</u>	<u>\$ 21,148</u>	<u>\$ 14,392</u>	<u>\$ 367,650</u>	<u>\$ 2,550</u>	<u>\$ 0</u>	<u>\$ 751,093</u>

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION BY ACTIVITY
For the Year Ended June 30, 2013**

	Property Management - Other							
	City County Building	Emergency Communic. District	Fairview Technology Center	Total Property Management	Property Development	Telecom Services	Corporate	Total
Operating Revenues:								
Rental Income from City and County	\$ 4,013,581	\$ 0	\$ 0	\$ 4,013,581	\$ 0	\$ 0	\$ 0	\$ 4,013,581
Management Fees from City and County	0	0	0	4,622,699	566,262	726,278	0	5,915,239
Management Fees from Other								
Governmental Agencies	0	95,923	41,775	169,380	20,000	0	0	189,380
Rental and Event Revenues	0	0	0	232,474	0	0	0	232,474
Net Parking Revenues	54,035	0	0	2,721,805	0	0	0	2,721,805
Total Operating Revenues	4,067,616	95,923	41,775	11,759,939	586,262	726,278	0	13,072,479
Operating Expenses:								
Direct								
<u>Property Management</u>								
Management	728,888	4,933	6,094	1,680,788	0	0	15,670	1,696,458
Safety and Services	529,577	6,714	5,043	2,079,828	0	0	0	2,079,828
Operations and Maintenance	2,820,675	76,727	20,602	6,175,305	0	0	0	6,175,305
<u>Other Management Services</u>								
Property Development	0	0	0	0	437,582	0	0	437,582
Telecom Services	0	0	0	0	0	606,577	0	606,577
Total Direct Operating Expenses	4,079,140	88,374	31,739	9,935,921	437,582	606,577	15,670	10,995,750
Indirect								
Corporate Administration	140,150	3,297	1,430	351,941	34,374	25,216	0	411,531
Finance	159,097	3,744	1,620	399,498	39,010	28,635	0	467,143
MIS	65,355	1,538	664	164,101	16,020	11,767	14,844	206,732
Total Indirect Operating Expenses	364,602	8,579	3,714	915,540	89,404	65,618	14,844	1,085,406
Total Operating Expenses	4,443,742	96,953	35,453	10,851,461	526,986	672,195	30,514	12,081,156
Operating Income (Loss)	(376,126)	(1,030)	6,322	908,478	59,276	54,083	(30,514)	991,323
Non-Operating Revenues (Expenses):								
Interest Income	9,271	122	47	15,283	493	495	0	16,271
Bank Charges	(2,477)	(23)	(10)	(12,035)	(102)	(95)	0	(12,232)
Capital Returned to City, County and Other Governmental Agencies	0	(17,846)	(8,528)	(1,569,883)	(60,026)	(51,011)	82,644	(1,598,276)
Total Non-Operating Revenues (Expenses) - Net	6,794	(17,747)	(8,491)	(1,566,635)	(59,635)	(50,611)	82,644	(1,594,237)
Increase (Decrease) in Net Position Before Capital Contributions and Extraordinary Gain on Impairment	(369,332)	(18,777)	(2,169)	(658,157)	(359)	3,472	52,130	(602,914)
Capital Contributions (Deductions)								
Cash:								
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	734,525	0	0	815,424	0	0	0	815,424
Total Capital Contributions	734,525	0	0	815,424	0	0	0	815,424
Extraordinary Gain on Impairment	1,039,555	0	0	1,039,555	0	0	0	1,039,555
Increase (Decrease) in Net Position	1,404,748	(18,777)	(2,169)	1,196,822	(359)	3,472	52,130	1,252,065
Net Position, Beginning of Year	6,270,450	32,627	7,558	9,605,107	6,643	513,565	1,233,400	11,358,715
Net Position, End of Year	\$ 7,675,198	\$ 13,850	\$ 5,389	\$ 10,801,929	\$ 6,284	\$ 517,037	\$ 1,285,530	\$ 12,610,780

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY
For the Year Ended June 30, 2013**

	City Parking Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Net Parking Revenue	\$ 2,071,615	\$ 2,060,691	\$ (10,924)
Tenant Rental Income	37,500	51,753	14,253
 Total Operating Revenues	 2,109,115	 2,112,444	 3,329
Operating Expenses			
Direct:			
Salaries and Wages	229,447	233,282	(3,835)
Employee Benefits	84,895	77,431	7,464
Office Expenses	4,000	1,778	2,222
Education and Training	2,000	622	1,378
Operating Expenses	65,500	49,043	16,457
Operating Contracts	164,474	159,047	5,427
Utilities	175,640	154,905	20,735
Communications	14,900	14,144	756
Insurance	9,764	10,483	(719)
Professional Services	4,100	1,845	2,255
Maintenance Facility	7,566	6,931	635
Depreciation Expense	0	95,999	(95,999)
 Total Direct Operating Expenses	 762,286	 805,510	 (43,224)
 Total Indirect Operating Expenses	 78,950	 74,635	 4,315
 Total Operating Expenses	 841,236	 880,145	 (38,909)
 Operating Income (Loss)	 1,267,879	 1,232,299	 (35,580)
 Non-Operating Revenues (Expenses)			
Interest Income	4,736	1,944	(2,792)
Bank Charges	(4,372)	(6,498)	(2,126)
Capital Asset Replacement Reserve Expenses	(250,891)	0	250,891
Transfer of Operating Reserves	(1,268,243)	(1,317,944)	(49,701)
 Net Non-Operating Revenues (Expenses)	 (1,518,770)	 (1,322,498)	 196,272
 Increase (Decrease) in Net Position	 \$ (250,891)	 (90,199)	 \$ 160,692
 Net Position, Beginning of Year		 1,381,003	
 Net Position, End of Year		 \$ 1,290,804	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

The Knoxville Police Department			
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City	\$ 6,043	\$ 6,043	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	3,070	3,128	(58)
Employee Benefits	1,136	1,152	(16)
Office Expenses	50	6	44
Education and Training	200	0	200
Operating Expenses	800	448	352
Communications	50	63	(13)
Insurance	42	45	(3)
Professional Services	85	0	85
Maintenance Facility	54	49	5
	5,487	4,891	596
Total Direct Operating Expenses			
Total Indirect Operating Expenses	568	535	33
Total Operating Expenses	6,055	5,426	629
Operating Income (Loss)	(12)	617	629
Non-Operating Revenues (Expenses)			
Interest Income	12	4	(8)
Bank Charges	0	(1)	(1)
Transfer of Operating Reserves	0	(620)	(620)
Net Non-Operating Revenues (Expenses)	12	(617)	(629)
Increase (Decrease) in Net Position	\$ 0	0	\$ 0
Net Position, Beginning of Year		0	
Net Position, End of Year		\$ 0	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	City Parks		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Management Fees from City	\$ 2,026,194	\$ 2,026,194	\$ 0
Net Parking Revenues	57,016	60,882	3,866
Rental and Event Income	92,760	126,160	33,400
Total Operating Revenues	<u>2,175,970</u>	<u>2,213,236</u>	<u>37,266</u>
Operating Expenses			
Direct:			
Salaries and Wages	714,526	689,873	24,653
Employee Benefits	264,374	247,274	17,100
Office Expenses	11,000	9,723	1,277
Education and Training	2,500	0	2,500
Operating Expenses	345,000	387,635	(42,635)
Operating Contracts	177,832	155,153	22,679
Utilities	392,997	338,863	54,134
Communications	19,275	18,178	1,097
Insurance	17,834	19,190	(1,356)
Professional Services	5,000	2,395	2,605
Maintenance Facility	19,552	17,898	1,654
Capital Purchases	5,000	25,201	(20,201)
Depreciation Expense	0	147,287	(147,287)
Total Direct Operating Expenses	<u>1,974,890</u>	<u>2,058,670</u>	<u>(83,780)</u>
Total Indirect Operating Expenses	<u>204,020</u>	<u>193,795</u>	<u>10,225</u>
Total Operating Expenses	<u>2,178,910</u>	<u>2,252,465</u>	<u>(73,555)</u>
Operating Income (Loss)	<u>(2,940)</u>	<u>(39,229)</u>	<u>(36,289)</u>
Non-Operating Revenue (Expenses)			
Interest Income	3,800	2,000	(1,800)
Bank Charges	(860)	(1,006)	(146)
Capital Asset Replacement Reserve Expenses	(260,610)	0	260,610
Transfer of Operating Reserves	0	(87,949)	(87,949)
Net Non-Operating Revenues (Expenses)	<u>(257,670)</u>	<u>(86,955)</u>	<u>170,715</u>
Increase (Decrease) in Net Position Before Capital Contributions	<u>(260,610)</u>	<u>(126,184)</u>	<u>134,426</u>
Capital Contributions			
Capital Asset Replacement Reserve	<u>80,899</u>	<u>80,899</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>\$ (179,711)</u>	<u>(45,285)</u>	<u>\$ 134,426</u>
Net Position, Beginning of Year		<u>1,102,322</u>	
Net Position, End of Year		<u>\$ 1,057,037</u>	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	Knoxville Area Transit Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City	\$ 746,283	\$ 746,283	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	231,175	211,405	19,770
Employee Benefits	85,534	79,125	6,409
Office Expenses	5,000	2,533	2,467
Education and Training	3,600	40	3,560
Operating Expenses	73,000	72,461	539
Operating Contracts	161,391	161,507	(116)
Utilities	93,000	89,752	3,248
Communications	11,205	8,578	2,627
Insurance	5,341	5,743	(402)
Professional Services	1,210	2,233	(1,023)
Maintenance Facility	5,878	5,386	492
Capital Purchases	9,000	0	9,000
Depreciation Expense	0	942	(942)
Total Direct Operating Expenses	685,334	639,705	45,629
Total Indirect Operating Expenses	61,337	57,939	3,398
Total Operating Expenses	746,671	697,644	49,027
Operating Income (Loss)	(388)	48,639	49,027
Non-Operating Revenues (Expenses)			
Interest Income	484	476	(8)
Bank Charges	(96)	(95)	1
Transfer of Operating Reserves	0	(40,462)	(40,462)
Net Non-Operating Revenues (Expenses)	388	(40,081)	(40,469)
Increase (Decrease) in Net Position	\$ 0	8,558	\$ 8,558
Net Position, Beginning of Year		0	
Net Position, End of Year		\$ 8,558	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	Downtown Cinema		Variance
	Budget	Actual	Favorable (Unfavorable)
Operating Revenues			
Rental and Event Revenues	\$ 50,271	\$ 50,271	\$ 0
Management Fees from City	31,682	31,682	0
Management Fees from Other Governmental Agencies	47,360	47,360	0
Total Operating Revenues	<u>129,313</u>	<u>129,313</u>	<u>0</u>
Operating Expenses			
Direct:			
Salaries and Wages	15,797	16,877	(1,080)
Employee Benefits	5,845	5,544	301
Office Expenses	50	41	9
Education and Training	0		0
Operating Expenses	24,000	21,013	2,987
Operating Contracts	48,657	39,457	9,200
Utilities	6,000	3,697	2,303
Communications	700	525	175
Insurance	929	996	(67)
Professional Services	2,660	0	2,660
Maintenance Facility	893	817	76
Capital Purchases	13,200	0	13,200
Total Direct Operating Expenses	<u>118,731</u>	<u>88,967</u>	<u>29,764</u>
Total Indirect Operating Expenses	<u>10,946</u>	<u>10,399</u>	<u>547</u>
Total Operating Expenses	<u>129,677</u>	<u>99,366</u>	<u>30,311</u>
Operating Income (Loss)	<u>(364)</u>	<u>29,947</u>	<u>30,311</u>
Non-Operating Revenues (Expenses)			
Interest Income	384	82	(302)
Bank Charges	(20)	(20)	0
Transfer of Operating Reserves	0	(30,009)	(30,009)
Net Non-Operating Revenues (Expenses)	<u>364</u>	<u>(29,947)</u>	<u>(30,311)</u>
Increase (Decrease) in Net Position	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
Net Position, Beginning of Year		<u>0</u>	
Net Position, End of Year		<u>\$ 0</u>	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 121,057	\$ 121,057	\$ 0
Net Parking Revenues	536,531	489,304	(47,227)
Total Operating Revenues	657,588	610,361	(47,227)
Operating Expenses			
Direct: Andrew Johnson Building			
Salaries and Wages	171,382	200,234	(28,852)
Employee Benefits	63,411	57,470	5,941
Office Expenses	5,400	1,964	3,436
Education and Training	2,000	78	1,922
Operating Expenses	53,200	48,585	4,615
Operating Contracts	153,341	154,194	(853)
Communications	7,025	4,323	2,702
Insurance	2,522	2,716	(194)
Professional Services	2,140	235	1,905
Maintenance Facility	8,551	7,829	722
Depreciation Expense	0	42,229	(42,229)
Total Direct Operating Expenses - Andrew Johnson Building	468,972	519,857	(50,885)
Direct: Dwight Kessel Metropolitan Parking Garage			
Salaries and Wages	70,080	66,713	3,367
Employee Benefits	25,930	24,010	1,920
Office Expenses	1,700	337	1,363
Education and Training	600	186	414
Operating Expenses	8,000	8,144	(144)
Operating Contracts	14,012	13,792	220
Communications	1,350	1,358	(8)
Insurance	1,077	1,161	(84)
Professional Services	2,150	0	2,150
Maintenance Facility	2,320	2,125	195
Total Direct Operating Expenses - DKMPG	127,219	117,826	9,393
Total Indirect Operating Expenses	61,229	57,708	3,521
Total Operating Expenses	657,420	695,391	(37,971)
Operating Income (Loss)	168	(85,030)	(85,198)
Non-Operating Revenues (Expenses)			
Interest Income	540	217	(323)
Bank Charges	(708)	(970)	(262)
Transfer of Operating Reserves	0	43,554	43,554
Net Non-Operating Revenues (Expenses)	(168)	42,801	42,969
Increase (Decrease) in Net Position	\$ 0	(42,229)	\$ (42,229)
Net Position, Beginning of Year		386,460	
Net Position, End of Year		\$ 344,231	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	Family Investment Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 114,469	\$ 114,469	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	24,759	32,062	(7,303)
Employee Benefits	9,160	8,362	798
Office Expenses	500	765	(265)
Education and Training	400	0	400
Operating Expenses	19,500	15,027	4,473
Operating Contracts	44,516	44,041	475
Communications	1,800	1,906	(106)
Insurance	894	966	(72)
Professional Services	500	0	500
Maintenance Facility	1,895	1,733	162
Total Direct Operating Expenses	103,924	104,862	(938)
Total Indirect Operating Expenses	10,673	10,078	595
Total Operating Expenses	114,597	114,940	(343)
Operating Income (Loss)	(128)	(471)	(343)
Non-Operating Revenues (Expenses)			
Interest Income	136	51	(85)
Bank Charges	(8)	(10)	(2)
Transfer of Operating Reserves	0	430	430
Net Non-Operating Revenues (Expenses)	128	471	343
Increase (Decrease) in Net Position	\$ 0	0	\$ 0
Net Position, Beginning of Year		0	
Net Position, End of Year		\$ 0	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	Health Department		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental Income	\$ 7,201	\$ 7,201	\$ 0
Management Fees from the County	265,199	265,199	0
Total Operating Revenues	<u>272,400</u>	<u>272,400</u>	<u>0</u>
Operating Expenses			
Direct:			
Salaries and Wages	108,036	105,998	2,038
Employee Benefits	39,974	36,640	3,334
Office Expenses	3,000	743	2,257
Education and Training	2,100	40	2,060
Operating Expenses	50,000	76,249	(26,249)
Operating Contracts	27,776	26,692	1,084
Communications	2,500	2,602	(102)
Insurance	1,852	1,989	(137)
Professional Services	500	0	500
Maintenance Facility	4,376	4,004	372
Capital Purchases	8,000	0	8,000
Depreciation Expense	0	921	(921)
Total Direct Operating Expenses	<u>248,114</u>	<u>255,878</u>	<u>(7,764)</u>
Total Indirect Operating Expenses	<u>24,650</u>	<u>23,400</u>	<u>1,250</u>
Total Operating Expenses	<u>272,764</u>	<u>279,278</u>	<u>(6,514)</u>
Operating Income (Loss)	<u>(364)</u>	<u>(6,878)</u>	<u>(6,514)</u>
Non-Operating Revenues (Expenses)			
Interest Income	392	149	(243)
Bank Charges	(28)	(28)	0
Transfer of Operating Reserves	0	5,836	5,836
Net Non-Operating Revenues (Expenses)	<u>364</u>	<u>5,957</u>	<u>5,593</u>
Increase (Decrease) in Net Position	\$ <u>0</u>	(921)	\$ <u>(921)</u>
Net Position, Beginning of Year		<u>2,043</u>	
Net Position, End of Year		<u>\$ 1,122</u>	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY(Continued)
For the Year Ended June 30, 2013**

Juvenile Justice Center			
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 536,963	\$ 536,963	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	190,508	185,024	5,484
Employee Benefits	70,488	64,385	6,103
Office Expenses	2,000	706	1,294
Education and Training	1,100	38	1,062
Operating Expenses	68,500	43,477	25,023
Operating Contracts	135,184	132,852	2,332
Communications	6,425	6,266	159
Insurance	3,885	4,182	(297)
Professional Services	500	0	500
Maintenance Facility	8,889	8,140	749
Depreciation Expense	0	4,319	(4,319)
Total Direct Operating Expenses	487,479	449,389	38,090
Total Indirect Operating Expenses	50,064	46,922	3,142
Total Operating Expenses	537,543	496,311	41,232
Operating Income (Loss)	(580)	40,652	41,232
Non-Operating Revenues (Expenses)			
Interest Income	624	279	(345)
Bank Charges	(44)	(60)	(16)
Transfer of Operating Reserves	0	(37,690)	(37,690)
Net Non-Operating Revenues (Expenses)	580	(37,471)	(38,051)
Increase (Decrease) in Net Position	\$ 0	3,181	\$ 3,181
Net Position, Beginning of Year		17,967	
Net Position, End of Year		\$ 21,148	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	Knox Central		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from the County	\$ 177,513	\$ 177,513	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	69,433	86,710	(17,277)
Employee Benefits	25,690	23,816	1,874
Office Expenses	2,200	1,745	455
Education and Training	800	59	741
Operating Expenses	30,000	42,246	(12,246)
Operating Contracts	13,307	13,337	(30)
Communications	3,500	2,874	626
Insurance	1,381	1,487	(106)
Professional Services	1,285	0	1,285
Maintenance Facility	2,741	2,509	232
Capital Purchases	12,000	0	12,000
Depreciation Expenses	0	1,946	(1,946)
	162,337	176,729	(14,392)
Total Direct Operating Expenses			
Total Indirect Operating Expenses	15,440	14,619	821
	177,777	191,348	(13,571)
Total Operating Expenses			
Operating Income (Loss)	(264)	(13,835)	(13,571)
Non-Operating Revenues (Expenses)			
Interest Income	284	148	(136)
Bank Charges	(20)	(41)	(21)
Transfer of Operating Reserves	0	11,782	11,782
	264	11,889	11,625
Net Non-Operating Revenues (Expenses)			
Increase (Decrease) in Net Position	\$ 0	(1,946)	\$ (1,946)
Net Position, Beginning of Year		16,338	
Net Position, End of Year		\$ 14,392	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	Old Court House		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 492,443	\$ 492,443	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	208,650	162,204	46,446
Employee Benefits	77,200	70,687	6,513
Office Expenses	2,700	1,778	922
Education and Training	800	38	762
Operating Expenses	47,200	44,502	2,698
Operating Contracts	98,126	97,019	1,107
Communications	3,450	3,404	46
Insurance	3,228	3,473	(245)
Professional Services	1,000	0	1,000
Maintenance Facility	7,600	6,955	645
Depreciation Expense	0	38,604	(38,604)
Total Direct Operating Expenses	449,954	428,664	21,290
Total Indirect Operating Expenses	42,805	40,693	2,112
Total Operating Expenses	492,759	469,357	23,402
Operating Income (Loss)	(316)	23,086	23,402
Non-Operating Revenue (Expenses)			
Interest Income	340	333	(7)
Bank Charges	(24)	(74)	(50)
Transfer of Operating Reserves	0	(39,453)	(39,453)
Net Non-Operating Revenue (Expenses)	316	(39,194)	(39,510)
Increase (Decrease) in Net Position	\$ 0	(16,108)	\$ (16,108)
Net Position, Beginning of Year		383,758	
Net Position, End of Year		\$ 367,650	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	Senior Centers		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 86,264	\$ 86,264	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	39,244	37,875	1,369
Employee Benefits	14,520	13,281	1,239
Office Expenses	450	79	371
Education and Training	600	0	600
Operating Expenses	15,000	21,229	(6,229)
Operating Contracts	5,876	4,005	1,871
Communications	500	539	(39)
Insurance	642	690	(48)
Professional Services	75	0	75
Maintenance Facility	1,428	1,308	120
Depreciation Expense	0	2,031	(2,031)
Total Direct Operating Expenses	78,335	81,037	(2,702)
Total Indirect Operating Expenses	8,045	7,601	444
Total Operating Expenses	86,380	88,638	(2,258)
Operating Income (Loss)	(116)	(2,374)	(2,258)
Non-Operating Revenues (Expenses)			
Interest Income	124	59	(65)
Bank Charges	(8)	(10)	(2)
Transfer of Operating Reserves	0	294	294
Net Non-Operating Revenues (Expenses)	116	343	227
Increase (Decrease) in Net Position	\$ 0	(2,031)	\$ (2,031)
Net Position, Beginning of Year		4,581	
Net Position, End of Year		\$ 2,550	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	State Street Parking Lot		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Net Parking Revenues	\$ 60,170	\$ 56,893	\$ (3,277)
Operating Expenses			
Direct:			
Salaries and Wages	894	947	(53)
Employee Benefits	322	292	30
Office Expenses	50	4	46
Education and Training	100	0	100
Operating Expenses	150	130	20
Operating Contracts	1,750	3,200	(1,450)
Communications	50	14	36
Insurance	32	39	(7)
Maintenance Facility	62	57	5
Total Direct Operating Expenses	3,410	4,683	(1,273)
Total Indirect Operating Expenses	350	321	29
Total Operating Expenses	3,760	5,004	(1,244)
Operating Income (Loss)	56,410	51,889	(4,521)
Non-Operating Revenues (Expenses)			
Interest Income	144	101	(43)
Bank Charges	(572)	(712)	(140)
Transfer of Operating Reserves	0	(51,278)	(51,278)
Net Non-Operating Revenues (Expenses)	(428)	(51,889)	(51,461)
Increase (Decrease) in Net Position	\$ 55,982	0	\$ (55,982)
Net Position, Beginning of Year		0	
Net Position, End of Year		\$ 0	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	City County Building		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental Income from City and County	\$ 4,013,581	\$ 4,013,581	\$ 0
Net Parking Revenues	64,895	54,035	(10,860)
Total Operating Revenues	4,078,476	4,067,616	(10,860)
Operating Expenses			
Direct:			
Salaries and Wages	854,612	811,617	42,995
Employee Benefits	316,206	288,748	27,458
Office Expenses	10,000	24,407	(14,407)
Education and Training	6,500	726	5,774
Operating Expenses	254,000	292,215	(38,215)
Operating Contracts	517,781	514,860	2,921
Utilities	1,553,075	1,463,778	89,297
Communications	21,800	18,869	2,931
Insurance	140,857	151,568	(10,711)
Professional Services	5,000	0	5,000
Maintenance Facility	16,882	15,463	1,419
Capital Purchases	8,500	61,971	(53,471)
Depreciation Expense	0	434,918	(434,918)
Total Direct Operating Expenses	3,705,213	4,079,140	(373,927)
Total Indirect Operating Expenses	384,939	364,602	20,337
Total Operating Expenses	4,090,152	4,443,742	(353,590)
Operating Income (Loss)	(11,676)	(376,126)	(364,450)
Non-Operating Revenues (Expenses)			
Interest Income	13,048	9,271	(3,777)
Bank Charges	(1,372)	(2,477)	(1,105)
Capital Asset Replacement Reserve Expenses	(366,000)	0	366,000
Transfer of Operating Reserves	0	0	0
Net Non-Operating Revenues (Expenses)	(354,324)	6,794	361,118
Increase (Decrease) in Net Position Before Capital Contributions and Extraordinary Gain on Impairment	(366,000)	(369,332)	(3,332)
Capital Contributions			
Capital Asset Replacement Reserve Contributions from City and County	366,000	734,525	368,525
Operating Reserve Contributions from City and County	0	0	0
Total Capital Contributions	366,000	734,525	368,525
Extraordinary Gain on Impairment	0	1,039,555	1,039,555
Increase (Decrease) in Net Position	\$ 0	1,404,748	\$ 1,404,748
Net Position, Beginning of Year		6,270,450	
Net Position, End of Year		\$ 7,675,198	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	Emergency Communications District		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from Other Governmental Agencies	\$ 95,923	\$ 95,923	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	26,702	26,580	122
Employee Benefits	9,880	9,090	790
Office Expenses	300	26	274
Education and Training	150	0	150
Operating Expenses	20,000	22,078	(2,078)
Operating Contracts	28,429	28,811	(382)
Communications	300	361	(61)
Insurance	711	760	(49)
Professional Services	130	0	130
Maintenance Facility	397	368	29
Depreciation Expense	0	300	(300)
Total Direct Operating Expenses	86,999	88,374	(1,375)
Total Indirect Operating Expenses	9,060	8,579	481
Total Operating Expenses	96,059	96,953	(894)
Operating Income (Loss)	(136)	(1,030)	(894)
Non-Operating Revenues (Expenses)			
Interest Income	148	122	(26)
Bank Charges	(12)	(23)	(11)
Transfer of Operating Reserves	0	(17,846)	(17,846)
Net Non-Operating Revenues (Expenses)	136	(17,747)	(17,883)
Increase (Decrease) in Net Position	\$ 0	(18,777)	\$ (18,777)
Net Position, Beginning of Year		32,627	
Net Position, End of Year		\$ 13,850	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	Fairview Technology Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from Other Governmental Agencies	\$ 41,775	\$ 41,775	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	15,604	11,936	3,668
Employee Benefits	5,773	5,299	474
Office Expenses	622	7	615
Education and Training	71	0	71
Operating Expenses	7,500	7,679	(179)
Operating Contracts	3,796	3,552	244
Communications	4,000	1,638	2,362
Insurance	326	348	(22)
Professional Services	50	0	50
Maintenance Facility	173	155	18
Depreciation Expense	0	1,125	(1,125)
	37,915	31,739	6,176
Total Direct Operating Expenses			
Total Indirect Operating Expenses	3,948	3,714	234
	41,863	35,453	6,410
Total Operating Expenses			
Operating Income (Loss)	(88)	6,322	6,410
Non-Operating Revenues (Expenses)			
Interest Income	96	47	(49)
Bank Charges	(8)	(10)	(2)
Transfer of Operating Reserves	0	(8,528)	(8,528)
	88	(8,491)	(8,579)
Net Non-Operating Revenues (Expenses)			
Increase (Decrease) in Net Position	\$ 0	(2,169)	\$ (2,169)
Net Position, Beginning of Year		7,558	
Net Position, End of Year		\$ 5,389	

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET TO ACTUAL BY ACTIVITY (Continued)
For the Year Ended June 30, 2013**

	Property Development		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City and County	\$ 566,262	\$ 566,262	\$ 0
Management Fees from Other Governmental Agencies	0	20,000	20,000
Total Operating Revenues	566,262	586,262	20,000
Operating Expenses			
Direct:			
Salaries and Wages	291,190	295,618	(4,428)
Employee Benefits	107,740	104,790	2,950
Office Expenses	25,000	20,546	4,454
Education and Training	12,000	6,647	5,353
Operating Expenses	10,000	1,420	8,580
Operating Contracts	0	318	(318)
Communications	6,000	3,535	2,465
Insurance	872	933	(61)
Professional Services	20,000	3,416	16,584
Depreciation Expense	0	359	(359)
Total Direct Operating Expenses	472,802	437,582	35,220
Total Indirect Operating Expenses	94,560	89,404	5,156
Total Operating Expenses	567,362	526,986	40,376
Operating Income (Loss)	(1,100)	59,276	60,376
Non-Operating Revenues (Expenses)			
Interest Income	1,192	493	(699)
Bank Charges	(92)	(102)	(10)
Transfer of Operating Reserves	0	(60,026)	(60,026)
Net Non-Operating Revenues (Expenses)	1,100	(59,635)	(60,735)
Increase (Decrease) in Net Position	\$ 0	(359)	\$ (359)
Net Position, Beginning of Year		6,643	
Net Position, End of Year		\$ 6,284	

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

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

For the Year Ended June 30, 2013

	Telecommunications Services		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City and County	\$ 615,005	\$ 615,005	\$ 0
Management Fees Related to KCS	111,273	111,273	0
Total Operating Revenues	<u>726,278</u>	<u>726,278</u>	<u>0</u>
Direct Operating Expenses			
Telecom			
Salaries and Wages	246,706	220,148	26,558
Employee Benefits	91,036	83,676	7,360
Office Expenses	4,500	5,251	(751)
Education and Training	2,800	0	2,800
Operating Expenses	2,800	2,396	404
Operating Contracts	0	3,344	(3,344)
Communications	3,500	2,336	1,164
Insurance	6,930	7,459	(529)
Professional Services	6,000	823	5,177
Capital Purchases	196,732	9,704	187,028
Depreciation Expense	0	180,208	(180,208)
Telecom Operating Expenses	<u>561,004</u>	<u>515,345</u>	<u>45,659</u>
Knox County Schools			
Salaries and Wages	66,979	64,962	2,017
Employee Benefits	24,782	22,897	1,885
Office Expenses	1,000	395	605
Education and Training	700	0	700
Operating Expenses	700	922	(222)
Communications	700	1,232	(532)
Insurance	770	824	(54)
Professional Services	1,500	0	1,500
Schools Operating Expenses	<u>97,131</u>	<u>91,232</u>	<u>5,899</u>
Total Direct Operating Expenses	<u>658,135</u>	<u>606,577</u>	<u>51,558</u>
Total Indirect Operating Expenses	<u>69,211</u>	<u>65,618</u>	<u>3,593</u>
Total Operating Expenses	<u>727,346</u>	<u>672,195</u>	<u>55,151</u>
Operating Income (Loss)	<u>(1,068)</u>	<u>54,083</u>	<u>55,151</u>
Non-Operating Revenues (Expenses)			
Interest Income	1,148	495	(653)
Bank Charges	(80)	(95)	(15)
Transfer of Operating Reserves	0	(51,011)	(51,011)
Net Non-Operating Revenues (Expenses)	<u>1,068</u>	<u>(50,611)</u>	<u>(51,679)</u>
Increase (Decrease) in Net Position	<u>\$ 0</u>	<u>3,472</u>	<u>\$ 3,472</u>
Net Position, Beginning of Year		<u>513,565</u>	
Net Position, End of Year		<u>\$ 517,037</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.	60-61
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.	62-66
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.	67-68
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.	69

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 POSITION BY COMPONENT
Last Ten Fiscal Years**

Fiscal Year	Net Investment in Capital Assets	Unrestricted	Total
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
2013	8,832,369	3,778,411	12,610,780

**THE PUBLIC BUILDING AUTHORITY OF THE COUNTY OF KNOX AND
THE CITY OF KNOXVILLE, TENNESSEE**
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Revenues										
Rental Income from City and County	4,013,561	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
Other Rental Income - Net	232,474	208,204	196,173	130,853	192,461	214,103	161,821	198,273	199,343	185,193
Management Fees from City and County	5,915,239	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
Management Fees from Other	189,380	161,299	153,846	179,713	191,633	176,338	172,652	153,357	158,203	46,788
Governmental Agencies	2,721,805	2,848,922	2,816,686	2,832,092	2,982,014	2,836,172	2,537,780	1,984,221	1,410,632	1,257,159
Net Parking Revenues	13,072,479	12,783,914	12,942,502	12,863,834	13,369,638	16,218,265	15,423,906	13,679,995	12,814,816	11,124,849
Total Operating Revenues	5,569,032	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
Operating Expenses										
Salaries and Benefits	105,534	93,329	72,415	69,703	118,120	143,731	172,969	157,085	131,971	82,921
Office	8,723	6,703	10,335	6,806	12,437	11,121	34,042	17,696	28,646	22,260
Education and Training	1,157,287	1,055,814	1,049,751	988,458	978,689	1,030,931	962,469	936,841	996,551	679,011
Purchased Services and Supplies	1,608,672	1,486,372	1,448,345	1,382,449	1,463,449	1,895,038	1,625,987	1,470,804	1,362,269	1,124,838
Operating Contracts	2,050,996	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
Utilities	95,760	72,458	67,270	60,503	59,126	68,443	81,076	67,377	48,737	58,237
Communications	269,125	236,013	228,725	224,990	229,141	235,118	189,388	273,981	337,218	338,488
Insurance	48,926	59,226	77,905	110,701	56,743	90,815	90,494	114,714	61,226	72,851
Professional Fees	981,701	906,441	803,661	722,568	643,194	582,984	517,852	462,741	412,003	349,597
Depreciation	81,728	76,560	73,593	72,643	60,301	51,173	0	0	0	0
Maintenance Facility	103,652	143,840	41,678	243,499	178,120	78,375	347,917	129,327	115,462	105,023
Other	12,081,156	11,606,257	11,558,641	11,643,520	12,280,685	14,365,662	13,933,427	12,680,000	11,823,361	10,982,046
Total Operating Expenses	991,323	1,177,657	1,383,861	1,220,314	1,108,953	1,852,803	1,490,479	999,995	991,455	142,803
Operating Income (Loss)	16,271	28,448	27,264	28,987	92,272	331,019	362,831	246,342	150,119	84,833
Interest Income	0	0	0	0	0	0	6,018	0	0	0
Gain on Disposal of Capital Assets	(12,232)	(8,224)	(8,210)	(7,706)	(7,286)	(7,669)	(8,156)	(9,783)	(10,585)	(10,280)
Bank Charges	0	0	0	0	0	0	(166)	(732)	(1,282)	(1,974)
Interest Expense	(1,563,423)	(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)
Capital Returned to the City and County	(34,853)	(16,414)	(42,537)	(111,666)	(19,164)	(24,832)	(29,251)	(5,335)	(25,673)	0
Capital Returned to Other	0	0	0	0	0	0	(5,271)	(9,311)	0	0
Governmental Agencies	0	0	0	0	0	0	0	0	0	0
Noncash:										
Capital Asset Retirements										
from the City and County										
Total Non-Operating										
Revenues (Expenses) - Net	(1,594,237)	(1,724,681)	(1,754,364)	(1,891,464)	(1,988,475)	(2,281,243)	(260,154)	(986,700)	(1,868,049)	(1,979,951)
Increase (Decrease) in Net Position Before Capital Contributions and Extraordinary Items	(602,914)	(547,024)	(370,503)	(671,150)	(879,522)	(428,640)	1,230,325	3,295	(876,594)	(1,837,148)
Capital Contributions										
Capital Contributions from the City and County	815,424	882,465	711,125	332,128	1,312,158	848,128	894,500	268,416	537,848	1,149,186
Capital Contributions from Other Governmental Agencies	0	0	0	0	4,647	7,426	6,603	0	7,896	0
Noncash:										
Capital Asset Retirements										
from the City and County										
Total Capital Contributions	815,424	882,465	711,125	332,128	1,316,805	855,554	901,103	268,416	545,744	1,157,186
Extraordinary Items	1,039,555	882,465	711,125	332,128	1,316,805	855,554	901,103	268,416	545,744	1,157,186
Increase (Decrease) in Net Position	1,252,065	335,441	340,622	(339,022)	437,283	426,914	2,131,428	271,711	(330,850)	(679,962)
Net Position, Beginning of Year	11,358,715	11,023,274	10,682,652	11,021,674	10,584,391	10,157,477	8,026,049	7,754,338	8,085,188	8,765,150
Net Position, End of Year	12,610,780	11,358,715	11,023,274	10,682,652	11,021,674	10,584,391	10,157,477	8,026,049	7,754,338	8,085,188

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

**PROPERTIES MANAGED
Last Ten Fiscal Years**

Property	Space in Square Feet									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
County Owned										
Andrew Johnson Building	145,661	145,661	145,661	145,661	145,661	145,661	145,661	145,661	145,661	145,661
Beck Cultural Center	N/A	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	17,000	N/A
Senior Centers (4)	33,738	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	157,800	153,000	153,000	153,000
John Tarleton Homes	N/A	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	104,209
Knox Central	171,000	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	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	64,098
Family Investment Center	31,500	31,500	31,500	31,500	31,500	31,500	N/A	N/A	N/A	N/A
City Owned										
Volunteer Landing Park	16,331	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	39,600	3,600	3,600	93,521	93,521
Downtown Cinema	4,000	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	103,717							
Knoxville Area Transit - Magnolia Facility	35,000									
PBA Owned										
City County Building	531,634	531,634	531,634	531,634	531,634	531,634	531,634	531,634	531,634	517,856
Owned by Other Governmental Agencies										
Emergency Communications District	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Totals	<u>1,480,288</u>	<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>

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

PROPERTIES MANAGED (Continued)
Last Ten Fiscal Years

Location	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
NUMBER OF PARKING SPACES										
County Owned										
Dwight Kessel Metropolitan Parking Garage	964	964	964	964	964	964	964	964	964	964
State Street Parking Lot	283	283	283	283	283	283	283	283	283	0
City Owned										
Hill Avenue Parking Lot	16	16								
Jackson Avenue Parking Lot	190	190	190	190	190	190	190	190	0	0
Locust Street Garage	645	645	645	645	645	645	645	645	645	645
Main Avenue Garage	475	475	475	475	475	475	475	475	0	0
Market Square Garage	677	700	700	700	700	700	700	700	0	0
Promenade Garage	277	277	277	277	277	277	277	0	0	0
State Street Garage	842	842	842	842	842	842	842	842	0	0
World's Fair Parking Lots	698	698	698	698	698	698	698	698	698	698
Tennessee Department of Transportation (TDOT)	469	469	469	0	0	0	0	0	0	0
PBA Owned										
City County Building Garage	850	850	850	850	850	850	850	850	850	850
Totals	6,386	6,409	6,393	5,924	5,924	5,924	5,924	5,647	3,440	3,157
PARKS										
City Owned										
World's Fair Park:										
Number of Acres	18	18	18	18	18	18	18	18	18	18
Volunteer Landing Park:										
Number of Acres	5	5	5	5	5	5	5	5	5	5
Second Creek Greenway:										
Number of Acres	9	9	9	9	9	0	0	0	0	0
Estimated Park Visitors Annually	678,733	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.

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**

Projects	Managed Budget
COUNTY PROJECTS	
Andrew Johnson Building Elevator Upgrade	\$ 275,000
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
Jail Expansion	14,400,000
Knox Central Generator	250,000
Knox Central Parking Lot	110,550
Knox Central Switchgear	400,000
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
Powell Middle School Addition	16,000,000
Public Defender Exterior Repairs	25,200
Schumpert Park	3,712,500
Ten Mile Greenway	246,700
ADA Projects:	
South Doyle High School	375,000
South Doyle High School	350,000
County Subtotal	\$ 91,747,287

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

**CAPITAL PROJECTS COMPLETED (Continued)
Last Five Fiscal Years**

Projects	Managed Budget
CITY PROJECTS	
Adaptive Center	\$ 159,000
Alice Bell Ballfield Re-roof	16,300
Amphitheater Renovations	850,000
Badgett Field Concession Bldg Reroof	50,000
Beardsley Farm Shed Reroof	6,000
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
Duff Field Reroof	6,100
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
Fire Station #12 Structural Investigation	4,750
Fleet Services Storage Building Reroof	11,300
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
Larry Cox Senior Center Remodel	350,000
Lorraine Street Medical Center	67,770
LT Ross Skylights	280,000
Mary Vestal Park Reroof	7,700
Oakland Recreation Center Reroof	33,700
Richard Leake HVAC Replacement	30,000
Second Creek Parking Lot Security	44,343
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
City Projects Subtotal	48,325,359
OTHER PROJECTS	
Jefferson County Facilities Assessment	67,000
Sullivan County Facility Assessment	134,000
Other Project Subtotal	201,000
Total All Projects	\$ 140,273,646

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

TELECOMMUNICATION SERVICES
Last Ten Fiscal Years

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
CITY AND COUNTY										
Total Extensions	8,280	8,280	8,367	8,156	8,544	7,790	7,790	7,753	7,759	7,783
Telephone Lines	360	360	360	360	489	489	489	489	443	114
Cellular Telephones	127	131	96	145	218	823	795	708	591	504
Pagers	34	50	72	106	160	312	348	443	504	610
Repair Work Orders	716	807	905	829	858	1,177	973	927	767	138
SCHOOLS										
Total Extensions	852	929	817	785	631	661	634	628	500	N/A
Telephone Lines	2,329	2,285	2,430	2,391	2,430	2,386	2,340	2,341	2,492	N/A
Repair Work Orders	562	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
2003	396,742	12,257,757	30,901	4.1	5.5
2004	400,340	12,826,956	32,040	4.1	5.4
2005	404,972	13,301,853	32,815	4.4	5.1
2006	411,967	14,140,692	33,963	4.5	4.5
2007	416,352	15,201,428	34,180	3.4	4.7
2008	430,019	15,666,206	36,431	4.8	6.4
2009	435,725	15,371,687	35,278	8.0	10.5
2010	432,226	15,222,567	35,219	7.0	9.5
2011	436,104	16,961,829	38,894	6.9	9.2
2012	440,725	N/A	N/A	7.7	9.6

- 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	2012		2003	
		Number of Employees	% of Total Knox County Workforce	Number of Employees	% of Total Knox County Workforce
The University of Tennessee	Government	6,409	2.68 %	8,311	3.94 %
Covenant Health	Health Care	9,328	3.90	8,000	3.79
Knox County Schools	Education	6,771	2.83	7,230	3.43
Tenova Healthcare	Health Care	4,613	1.93	n/a	n/a
Wal-Mart Stores, Inc.	Retail	5,326	2.23	4,173	1.98
K-VA-T Food Stores	Retail Grocery	3,537	1.48	n/a	n/a
State of Tennessee	Government	3,468	1.45	2,503	1.19
Baptist Health	Health Care	n/a		3,000	n/a
Knox County	Government	3,037	1.27	2,500	1.19
St. Mary's Health	Health Care	n/a		3,553	1.00
University of Tennessee Medical Center	Health Care	3,986	1.67	3,707	1.68
McDonald's	Restaurant	2,858	1.19	n/a	n/a
City of Knoxville	Government	1,555	0.65	2,798	1.33
Total		<u>50,888</u>	<u>21.26 %</u>	<u>45,775</u>	<u>21.70 %</u>

Notes: (a) Only Knox County is presented.

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Facilities Management	41	40	38	38	47	40	56	48	50	45
Safety and Security	41	40	42	37	44	48	42	42	37	45
Property Development	4	4	4	5	5	8	7	7	7	5
Telecommunications/MIS/PBX	9	9	9	8	9	8	9	9	8	6
Administrative	9	8	9	9	12	14	13	13	14	14
Total	<u>104</u>	<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>

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**



**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (the "PBA") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the PBA's basic financial statements, and have issued our report thereon dated October 24, 2013. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the PBA's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PBA's internal control. Accordingly, we do not express an opinion on the effectiveness of the PBA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PBA's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PBA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 24, 2013