

**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, 2016 and 2015**

**PREPARED BY:
FINANCE DEPARTMENT**

**ROBYN SMITH, CPA
DIRECTOR OF FINANCE**

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

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-v
GFOA Certificate of Achievement for Excellence in Financial Reporting for the 2015 CAFR	vi
Organizational Chart	vii
Roster of Officials and Others	viii
 FINANCIAL SECTION	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-12
Basic Financial Statements:	
Statements of Net Position	13-14
Statements of Revenues, Expenses and Changes in Net Position	15-16
Statements of Cash Flows	17-18
Notes to the Financial Statements	19-33
 Supplementary Information	
Schedule of Net Position by Activity	34-35
Schedule of Revenues, Expenses, and Changes in Net Position by Activity	36-37
Schedule of Revenues, Expenses, and Changes in Net Position – Budget to Actual by Activity	38-57
 STATISTICAL SECTION (UNAUDITED)	
Net Position by Component – Last Ten Fiscal Years	58
Changes in Net Position – Last Ten Fiscal Years	59
Properties Managed – Last Ten Fiscal Years	60-61
Capital Projects Completed – Last Five Fiscal Years	62
Telecommunication Services – Last Ten Fiscal Years	63
Demographic and Economic Statistics – Last Ten Calendar Years	64
Principal Employers – Current Calendar Year and Nine Years Ago	65
Number of Employees by Activity – Last Ten Fiscal Years	66
 INTERNAL CONTROL AND COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67-68

INTRODUCTORY SECTION



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Jayne Burritt, Administrator/CEO

Board of Directors

George Prosser, Chair
Scott Davis, Vice Chair
Keena Strickland, Secretary
Lewis Cosby, Treasurer

Heather Anderson
Winston Frazier
Jennifer Holder
Chuck Severance
Billy J. Stokes
John Sibley
Hubert Smith

October 27, 2016

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

State law and the Comptroller of the Treasury, State of Tennessee, requires that every political subdivision of municipal corporation publish within six months of the close of each fiscal year-end, a complete set of audited financial statements. This Comprehensive Annual Financial Report (CAFR) is published to fulfill these requirements for the fiscal years ended June 30, 2016 and 2015.

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 PBA's financial statements for the year ended June 30, 2016. 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 2016.

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 995 wholesale establishments, 1,615 retail establishments, and 5,924 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 10.7 million people visited the National Park in 2015, breaking a record that was set in 1999.

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 4.2 % in Knox County at July 31, 2016. This compares favorably to the national unemployment rate of 5.1% and the state rate of 4.9%.

The overall economic health of the Knoxville/Knox County area continues to improve. The City of Knoxville serves as the economic hub of the entire upper East Tennessee area, and its trade sector is one of the strongest in the state. Knox County has the fifth highest per capita sales tax rate in the state, at roughly 132.67% of the state average. In fiscal years 2016 and 2015, respectively, sales tax collections on a countywide basis were \$867,865,045 and \$760,655,405. This represents an increase of 14.1%.

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 \$24,604,311 and \$2,086,357 respectively in which PBA is involved.

<u>Projects</u>	<u>Total Budget</u>	<u>FY 2017 *</u>	<u>FY 2018 to FY 2021</u>
<u>City Projects:</u>			
Convention Center Pedestrian Enhancements	2,818,658	2,818,658	0
City county Building Development Services	562,710	562,710	0
Fire Station #12 Structural Repairs	825,000	825,000	0
Knoxville Convention Center Roof – Storm Damage	1,318,000	1,318,000	0
LT Ross – Exterior Improvements	312,124	312,124	0
Promenade Walking Deck Improvements	350,000	350,000	0
Public Works Center	18,237,819	16,000,000	2,237,819
Solid Waste Transfer Center	130,000	130,000	0
Volunteer Landing Master Plan	25,000	25,000	0
World's Fair Park Master Plan	25,000	25,000	0
Total City Projects	<u>24,604,311</u>	<u>22,366,492</u>	<u>2,237,819</u>
<u>County Projects:</u>			
ADA Remediation – Bearden Elementary	500,000	500,000	0
ADA Remediation – Maynard Elementary	1,000,000	1,000,000	0
City County Building Development Services - MPC	348,640	348,640	0
Old Courthouse Exterior Repairs	237,717	237,717	0
Total County Projects	<u>2,086,357</u>	<u>2,086,357</u>	<u>0</u>
Total All Projects	<u>\$ 26,690,668</u>	<u>\$ 24,452,849</u>	<u>\$ 2,237,819</u>

*FY 2017 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

On January 1, 2016, the PBA began a new era with a change in leadership. The board selected Jayne Burritt as PBA's CEO/Administrator. Prior to being promoted to CEO, Mrs. Burritt was the Director of Property Management. She has a unique perspective into the changes that need to take place to ensure success and provide credibility to PBA's clients, board, and employees. PBA plans to change systems, processes, and policies that do not fit the new vision of credibility along with hiring, promoting, and developing employees who can implement the vision, and ultimately reinvigorate the process with new projects and properties.

PBA began this process by consolidating the procurement function within the Finance department. By having a centralized procurement process within Finance, it ultimately makes the bid selection and awards unbiased. PBA will continue to develop and improve relations with vendors to provide the best products and prices to the employees to better manage the projects and properties.

PBA continued the process by bringing the management of parking facilities in-house. This was a change that has been in the making for a few years. With the new direction of PBA, this was the right time to take back control of managing our budgets, revenues, and customer service. Another change in the parking area has been the expansion of on-street parking enforcement to the Central Business Improvement District (CBID) and the Cumberland Avenue "strip". The PBA works closely with the Knoxville Police Department in an effort to enforce the parking limits and allow them to focus on crime and other issues in these areas. Due to the growth in parking management and parking enforcement, over 30 new positions have been added, some of which are part-time positions.

In an effort to reinvigorate the process with new projects and properties, the PBA will begin working on a 5-year capital improvement plan to assist with capital improvement planning for the City of Knoxville and Knox County properties. The plan will be developed through facility assessments that will look at major maintenance upgrades in an effort to be proactive and assist in capital planning. Additionally, individual master plans will be created for Volunteer Landing and World's Fair Park to address and coordinate needed upgrades to these popular City venues.

To assist with the new vision of the PBA, it was determined that significant progress needed to be made in advancing technological capabilities. The employees are the foundation of making the new vision a reality and technology is key to the success of our employees. Updates to financial and timekeeping software will begin in the Fall of 2016. An upgrade to Office 365 was funded in FY2016 and will continue into the first part of FY2017. Funds were also budgeted to begin phase I of Voice Over Internet Protocol (VOIP) to provide a uniform phone which will enhance services mobility and reduce annual operating costs. The VOIP project will take place in three phases with key locations upgraded in phase I. Another component of advancing our technology is rebuilding the PBA's websites to be more informative and relevant to the changes taking place within the organization. The new websites will be up and running in late Fall 2016.

The PBA acknowledges that history and traditions are the backbone of any organization. By creating a new, supportive and resilient organizational culture, the history and traditions become stronger. Culture is not changed overnight, but rather through consistent leadership and with employees embracing the new culture and promoting the organization.

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, 2015, 2014 and 2013. This was the twelfth 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,


Jayne Burritt
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 County
of Knoxville, Tennessee**

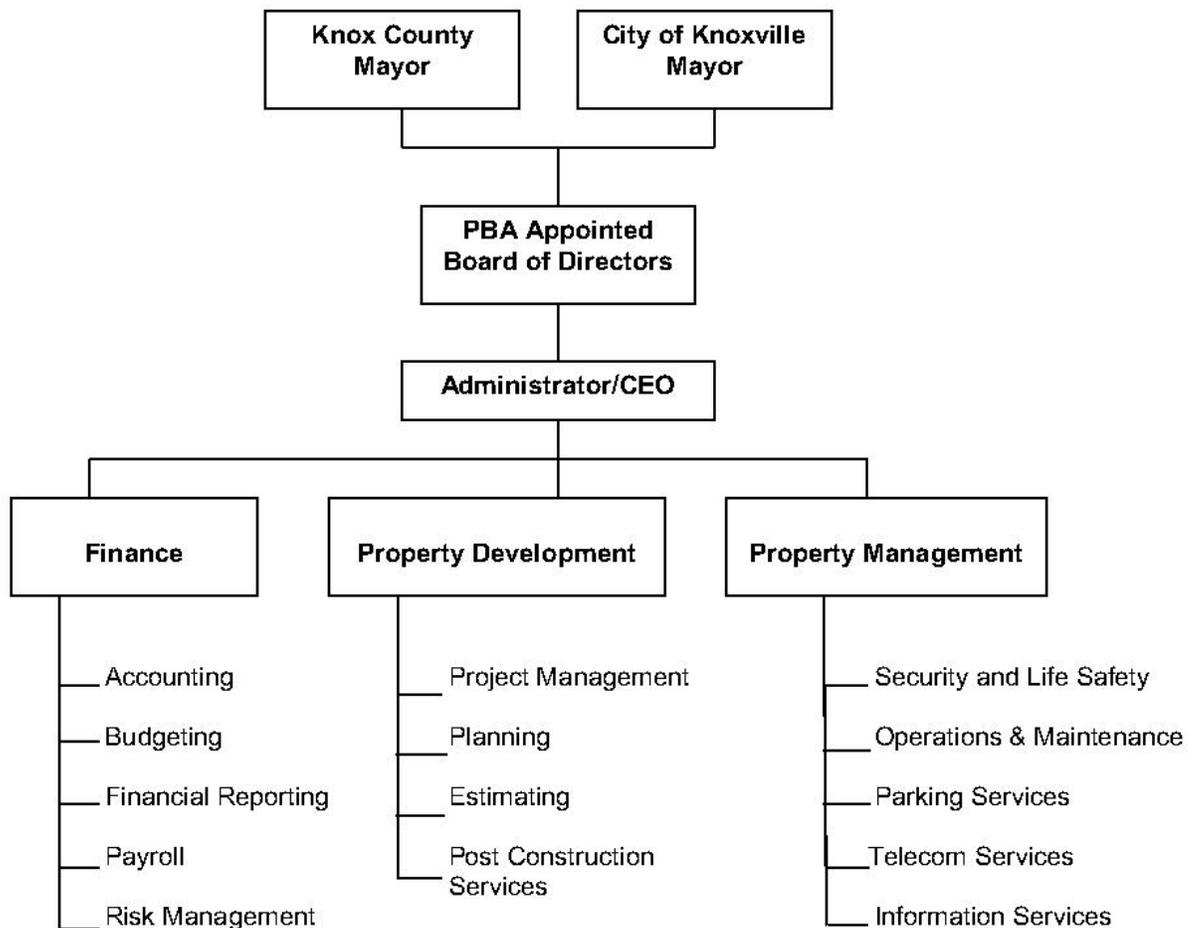
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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

**Organizational Chart
June 30, 2016**



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

ROSTER OF OFFICIALS AND OTHERS

June 30, 2016

<u>Board of Directors</u>	<u>Expiration of Term</u>
George T. Prosser, Chair	2017
Scott Davis, Vice-Chair	2019
Keena Strickland, Secretary	2021
Lewis Cosby, Treasurer	2017
Billy J. Stokes, Executive Committee	2019
Winston Frazier	2019
Heather Anderson	2021
Chuck Severance	2021
Jennifer Holder	2021
John Sibley	2017
Hubert Smith	2016

Management

Jayne Burritt, Administrator/CEO

Robyn Smith, Director of Finance

Kristin Grove, Director of Property Development

David Lively, Director of Facilities Operations and Engineering

Independent Auditor

Mauldin & Jenkins
Certified Public Accountants
Chattanooga, Tennessee

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 years ended June 30, 2016 and 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2016 and 2015, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 an opinion on the financial statements that collectively comprise the PBA's basic financial statements. The supplementary information (schedule 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 (schedule 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 (schedule 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 26, 2016 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 26, 2016

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, 2016, 2015 and 2014. 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, 2016, 2015 and 2014 were \$15,879,618, \$15,804,046, and \$15,826,100, and exceeded liabilities (net position) by \$11,226,581, \$11,244,650, and \$11,863,072 respectively. Of the total net position, \$3,238,721, \$3,269,503, and \$2,605,776 was unrestricted and was available to support short-term operations for the years ending June 30, 2016, 2015 and 2014, respectively.
- Operating revenues were \$15,155,459, \$14,281,017, and \$14,248,217 for the years ending June 30, 2016, 2015 and 2014, representing an increase of 6.12%, 0.23%, and 8.99% from prior years.
- During 2016 there was a increase of \$12,713 in net position investment in capital assets and a decrease in unrestricted net position of \$(30,782) which combined for the overall decrease in net position of \$(18,069).
- Operating expenses before depreciation increased by \$822,043 and increased by \$718,448 during 2016 and 2015, representing a 6.51% increase and 6.09% increase from 2015 and 2014.
- Operating income for 2016 was \$592,200, representing an increase of \$1,087,050 from 2015. The change in net position, before capital contributions and deductions, increased by \$(934,553) when compared to 2015.
- The ratios of operating income to total operating revenues were 3.9% for 2016, (3.5)% for 2015 and 9.8% for 2014.
- Capital asset replacement reserve contributions were \$1,298,538 for 2016, \$1,632,738 for 2015 and \$548,501 for 2014.
- Capital contributions returned were \$1,868,586 for 2016, \$1,704,579 for 2015 and \$2,201,312 for 2014, an increase of \$164,007 and a decrease of \$(496,733) when compared to 2015 and 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

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

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

The financial statements include a 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 schedule of net position and schedule of revenues, expenses and changes in net position by 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, 2016 and 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Current Assets	\$ 7,892	\$ 7,829	\$ 6,569
Net Capital Assets	<u>7,988</u>	<u>7,975</u>	<u>9,257</u>
 TOTAL ASSETS	 <u>\$ 15,880</u>	 <u>\$ 15,804</u>	 <u>\$ 15,826</u>
 LIABILITIES			
Current Liabilities	\$ 4,448	\$ 4,339	\$ 3,741
Non-Current Liabilities	<u>205</u>	<u>220</u>	<u>222</u>
 TOTAL LIABILITIES	 <u>4,653</u>	 <u>4,559</u>	 <u>3,963</u>
 NET POSITION			
Investment in Capital Assets	7,988	7,975	9,257
Unrestricted	<u>3,239</u>	<u>3,270</u>	<u>2,606</u>
 Total Net Position	 <u>11,227</u>	 <u>11,245</u>	 <u>11,863</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 15,880</u>	 <u>\$ 15,804</u>	 <u>\$ 15,826</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, 2016 and 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues			
Rentals – Net	\$ 4,580	\$ 4,456	\$ 4,327
Management Fees	7,492	6,902	6,935
Net Parking	<u>3,083</u>	<u>2,923</u>	<u>2,986</u>
Total Operating Revenues	<u>15,155</u>	<u>14,281</u>	<u>14,248</u>
Operating Expenses			
Salaries and Benefits	6,477	6,594	6,006
Office	146	106	120
Education and Training	13	22	17
Purchased Services and Supplies	1,577	1,288	1,151
Operating Contracts	1,905	1,696	1,676
Utilities	2,134	2,008	2,100
Communications	112	88	83
Insurance	310	308	298
Professional Fees	252	92	58
Depreciation	1,118	2,152	950
Maintenance Facility	107	86	86
Other	<u>412</u>	<u>336</u>	<u>310</u>
Total Operating Expenses	<u>14,563</u>	<u>14,776</u>	<u>12,855</u>
Operating Income (Loss)	<u>592</u>	<u>(495)</u>	<u>1,393</u>
Non-Operating Revenues (Expenses)			
Interest Income	22	28	19
Bank Charges	(62)	(59)	(17)
Loss on Capital Assets Removed/Retired	0	(20)	(490)
Capital Contributions Returned	<u>(1,869)</u>	<u>(1,705)</u>	<u>(2,201)</u>
Total Non-Operating Revenues (Expenses) – Net	<u>(1,909)</u>	<u>(1,756)</u>	<u>(2,689)</u>
Increase (Decrease) in Net Position Before Capital Contributions (Deductions)	<u>(1,317)</u>	<u>(2,251)</u>	<u>(1,296)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Capital Contributions (Deductions):			
Capital Contributions	<u>1,299</u>	<u>1,633</u>	<u>548</u>
Extraordinary Gain on Impairment	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	(18)	(618)	(748)
Net Position, Beginning of Year	<u>11,245</u>	<u>11,863</u>	<u>12,611</u>
Net Position, End of Year	\$ <u>11,227</u>	\$ <u>11,245</u>	\$ <u>11,863</u>

OTHER SELECTED INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Space (in Square Feet) Under Management	1,561,411	1,511,496	1,492,061
Number of Parking Spaces Under Management	6,785	6,626	6,626
Parks – Number of Acres Under Management	32	32	32
Employees at Year-End:			
Facilities Management	67	44	41
Safety and Security	53	47	51
Property Development	4	4	6
Telecommunications	11	12	11
Administrative	<u>7</u>	<u>9</u>	<u>9</u>
Total	<u>142</u>	<u>116</u>	<u>118</u>

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Average Number of Employees	119	120	111
Per Average Employee:			
Operating Revenues	\$ 127,356	\$ 119,008	\$ 128,362
Operating Expenses	\$ 122,380	\$ 123,132	\$ 115,813
Ratio of Operating Revenues to:			
Operating Expenses	104%	97%	111%
Operating Expenses – Net of Depreciation	113%	113%	120%
Total Assets	95%	90%	90%
Net Position	135%	127%	120%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL CONDITION

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

Net position increased (decreased) by \$(18,069), \$(618,422), and \$(747,708) for the years ending June 30, 2016, 2015 and 2014, respectively. Decrease in net position is the result of shortening the life of assets due to a change in policy.

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 \$1,298,538 and \$1,632,738 for 2016 and 2015, respectively. The contributions consist of the following:

<u>June 30, 2016</u>	<u>Capital Reserves</u>
County:	
City County Building	\$ <u>499,100</u>
City:	
City County Building	200,900
City Parking Facilities	130,000
City Parks	468,538
KAT Facilities	0
Telecommunications	<u>0</u>
Total City	<u>799,438</u>
Others	<u>0</u>
Total	\$ <u><u>1,298,538</u></u>

<u>June 30, 2015</u>	<u>Capital Reserves</u>
County:	
City County Building	\$ <u>361,750</u>
City:	
City County Building	138,250
City Parking Facilities	90,000
City Parks	827,601
KAT Facilities	107,099
Telecommunications	<u>108,038</u>
Total City	<u>1,270,988</u>
Others	<u>0</u>
Total	\$ <u><u>1,632,738</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

RESULTS OF OPERATIONS (Continued)

Capital Contributions (Deductions) (Continued)

Reserves returned to the City and County during 2016 totaled \$1,829,891 and represented a refund of operating results above the calculated desired reserve. Additionally, operating reserves of \$9,702 were refunded to the Emergency Communications District, \$1,961 to the Development Corporation Board, and \$27,032 to Knox County Schools, also representing operating reserves above the calculated needed reserve.

Reserves returned to the City and County during 2015 totaled \$1,668,938 and represented a refund of operating results above the calculated desired reserve. Additionally, operating reserves of \$4,515 were refunded to the Emergency Communications District, \$10,310 to the Development Corporation Board, \$16,263 to Knox County Schools, and \$4,553 to the Industrial Development Board, also representing operating reserves above the calculated needed reserve.

Operating Expenses

Operating expenses during 2016, 2015, and 2014 (decreased)/increased by (\$212,608), \$1,920,667, and \$774,044 or (1.4%), 14.9%, and 6.4%, respectively. This was a result of major increases (decreases) such as:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Salaries and Benefits	\$ (116,867)	\$ 587,748	\$ 436,804
Purchased Services and Supplies	289,290	136,870	(6,215)
Operating Contracts	209,473	20,356	66,926
Utilities	126,605	(92,843)	49,372
Other - Net	<u>(721,109)</u>	<u>1,268,536</u>	<u>227,157</u>
Total	<u>\$ (212,608)</u>	<u>\$ 1,920,667</u>	<u>\$ 774,044</u>

Depreciation expense was \$1,117,721, \$2,152,372, and \$950,153 in 2016, 2015 and 2014, respectively.

Capital Assets

During 2016, 2015, and 2014, PBA increased its producing capital assets by \$1,265,451, \$3,051,088, and \$1,098,194 respectively. These increases consist of the following:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Site Improvements	\$ 506,592	\$ 0	\$ 0
Building Improvements	475,047	2,583,291	777,338
Machinery and Equipment	141,196	392,875	280,653
Data Processing Equipment and Software	77,027	0	0
Vehicles	<u>65,589</u>	<u>74,922</u>	<u>40,203</u>
Total	<u>\$ 1,265,451</u>	<u>\$ 3,051,088</u>	<u>\$ 1,098,194</u>

The PBA's capital asset activity for 2016 and 2015 is described in Note 6 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

ECONOMIC FACTORS AND NEXT FISCAL YEAR

- There is a 2.5% salary increase budgeted for FY 2017.
- Insurance expense is expected to increase slightly.
- There is a 7.21% and 0.89% projected increase in operating expense budgets related to the City and County, respectively.
- County property budgets actually decreased overall with the 2% salary increase.
- City property budgets increased due to the addition of personnel for parking enforcement and bringing parking management in-house.
- FY 2017 Budget is summarized as follows:

Revenues	\$	16,649,426
Expenses		<u>15,736,957</u>
Change in Net Position	\$	<u>912,470</u>

FINAL COMMENTS

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

CONTACTING THE PBA

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

Robyn Smith, CPA
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, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,124,722	\$ 4,872,263
Receivables:		
Other Receivables	47,870	72,787
Due from City and County	2,574,586	2,713,019
Due from Other Governmental Agencies	47,293	69,440
Inventory	12,235	11,530
Prepaid Items	<u>85,052</u>	<u>89,860</u>
Total Current Assets	<u>7,891,758</u>	<u>7,828,899</u>
CAPITAL ASSETS		
Property and Equipment	16,382,935	15,117,484
Less: Accumulated Depreciation	(8,514,576)	(7,396,855)
Land	101,016	101,016
Construction in Progress	<u>18,485</u>	<u>153,502</u>
Net Capital Assets	<u>7,987,860</u>	<u>7,975,147</u>
TOTAL ASSETS	<u>\$ 15,879,618</u>	<u>\$ 15,804,046</u>

(Continued)

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

STATEMENTS OF NET POSITION

June 30, 2016 and 2015

LIABILITIES AND NET POSITION

	2016	2015
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 3,068,515	\$ 2,806,780
Due to City and County	1,050,312	1,168,754
Due to Other Governmental Agencies	38,695	35,641
Customer Deposits	18,719	22,970
Compensated Absences Payable	271,771	305,546
Total Current Liabilities	4,448,012	4,339,691
NON-CURRENT LIABILITIES		
Compensated Absences Payable	205,025	219,705
Total Non-Current Liabilities	205,025	219,705
Total Liabilities	4,653,037	4,559,396
NET POSITION		
Investment in capital assets	7,987,860	7,975,147
Unrestricted	3,238,721	3,269,503
Total Net Position	11,226,581	11,244,650
TOTAL LIABILITIES AND NET POSITION	\$ 15,879,618	\$ 15,804,046

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, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Rental Income from City and County	\$ 4,327,759	\$ 4,215,037
Management Fees from City and County	7,177,821	6,596,204
Management Fees from Other Governmental Agencies	313,766	305,775
Other Rental Income - Net	252,697	241,439
Net Parking Revenues	3,083,416	2,922,562
Total Operating Revenues	15,155,459	14,281,017
OPERATING EXPENSES		
Salaries and Benefits	6,476,717	6,593,584
Office	146,403	105,780
Education and Training	13,360	21,507
Purchased Services and Supplies	1,577,232	1,287,942
Operating Contracts	1,905,427	1,695,954
Utilities	2,134,130	2,007,525
Communications	111,963	88,539
Insurance	309,888	308,154
Professional Fees	251,921	91,862
Depreciation	1,117,721	2,152,372
Maintenance Facility	106,568	86,222
Other	411,929	336,426
Total Operating Expenses	14,563,259	14,775,867
OPERATING INCOME (LOSS)	\$ 592,200	\$ (494,850)

(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

June 30, 2016 and 2015

	2016	2015
NON-OPERATING REVENUES		
Interest Income	\$ 21,844	\$ 27,528
Bank Charges	(62,065)	(59,585)
Loss on Capital Assets Removed/Retired	0	(19,674)
Capital Returned to City and County	(1,829,891)	(1,668,938)
Capital Returned to Other Governmental Agencies	(38,695)	(35,641)
Total Non-Operating Revenues (Expenses) - Net	(1,908,807)	(1,756,310)
 INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS		
	(1,316,607)	(2,251,160)
 CAPITAL CONTRIBUTIONS		
Cash:		
Capital Contributions from the City and County	1,298,538	1,632,738
 Total Contributions	 1,298,538	 1,632,738
 INCREASE (DECREASE) IN NET POSITION	 (18,069)	 (618,422)
 NET POSITION, BEGINNING OF YEAR	 11,244,650	 11,863,072
 NET POSITION, END OF YEAR	 \$ 11,226,581	 \$ 11,244,650

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from City and County	\$ 11,644,013	\$ 9,744,903
Receipts from Other Governmental Agencies	335,913	152,665
Receipts from Other Customers	3,356,779	3,113,347
Payments to Employees	(6,525,171)	(6,573,980)
Payments to Suppliers	<u>(6,702,983)</u>	<u>(5,480,340)</u>
Net Cash Provided by Operating Activities	<u>2,108,551</u>	<u>956,595</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributed by City and County	1,298,538	1,632,738
Capital Returned to City and County	(1,948,334)	(1,609,452)
Capital Returned to Other Governmental Agencies	(35,641)	(66,007)
Capital Asset Additions	<u>(1,130,434)</u>	<u>(889,898)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,815,871)</u>	<u>(932,619)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Deposits	21,844	27,528
Bank Charges	<u>(62,065)</u>	<u>(59,585)</u>
Net Cash Provided (Used) by Investing Activities	<u>(40,221)</u>	<u>(32,057)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>252,459</u>	<u>(8,081)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,872,263</u>	<u>4,880,344</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,124,722</u>	<u>\$ 4,872,263</u>

(Continued)

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

STATEMENTS OF CASH FLOWS (Continued)

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 592,200	\$ (494,850)
Depreciation	1,117,721	2,152,372
Changes in:		
Accounts Receivable	24,917	(50,430)
Due from City and County	138,433	(1,180,518)
Due from Other Governmental Agencies	22,147	(38,930)
Prepaid Items	4,808	2,661
Other Current Assets	(705)	(958)
Accounts Payable and Accrued Liabilities	261,735	547,868
Customer Deposits	(4,251)	(224)
Compensated Absences Payable	<u>(48,454)</u>	<u>19,604</u>
Net Cash Provided by Operating Activities	\$ <u>2,108,551</u>	\$ <u>956,595</u>

The accompanying notes are an integral part of these financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

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) are segregated into 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 \$10,000 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	7-45
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. Effective July 1, 2013, retiring full time employees may be eligible to receive a payment for unused accumulated sick leave at a rate of \$100 per day of accumulated sick leave up to a maximum of \$10,000. If an employee is terminated, sick leave is forfeited.

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 comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position are classified in the following two components: investment in capital assets and unrestricted net position. 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 balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

NOTE 3 - RENTAL AGREEMENTS WITH THE COUNTY AND CITY

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

City County Building (CCB) - The PBA constructed and leases the public building complex, the land and the related equipment thereon to the County and City under a 25 year capital and operating lease which expired on June 30, 2001, and is now being extended on an annual basis. According to the original operating agreement between the PBA and the County and City, dated July 1, 1975, Article VIII, in the event of termination of the lease and after all expenses and obligations of the PBA have been met, the City and County shall direct the PBA to whom and in what manner, title to the City County Building is to be transferred and may direct disposition of any excess funds remaining. Rentals committed under the lease agreement are equal to the related aggregate of (a) amounts necessary, together with other available funds of PBA, to pay the annual estimated expenses for the operation and maintenance of the project as budgeted by the PBA, (b) amounts equal to the unpaid telephone service, (c) amounts necessary, together with other available funds of the PBA, to pay the annual estimated administrative expenses of the project as budgeted by the PBA, and (d) amounts sufficient to pay taxes or assessments levied or made against the PBA as they become due. The 2016 and 2015 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
- Forensic Center
- Health Department Facilities
- Juvenile Justice Center
- Knox Central
- Old Court House
- Public Defender
- Senior Citizen Centers

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 will expire June 30, 2017. The contract may be terminated upon 60 days written notice by any party.

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, 2020. This contract may be terminated upon 180 days written notice by either party.

Knoxville Police Department - 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, 2020.

Locust Street Parking Garage - The PBA entered into a contract with the City on December 1, 2000 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 entered into a contract with the City on September 7, 2001 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, 2019. This contract may be terminated upon 30 days written notice by either party.

NOTE 4 - OPERATING CONTRACTS (continued)

City Operating Contracts (continued)

World's Fair Park and Second Creek Greenway - The PBA entered into a contract with the City on July 1, 2001 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, 2019. 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 (180 days) or any project (30 days) can be terminated upon written notice by either party.

City/County Emergency Communications District (District)

The PBA and the District entered into an operating contract on October 1, 2003 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. The contract expired on September 30, 2015 and is still pending.

Fairview Technology Center

The PBA and the Development Corporation of Knox County, Inc. entered into an operating contract on July 1, 2004 for property management services of the Fairview Technology Center. Under terms of the contract, the Development Corporation will reimburse the PBA for all direct and indirect costs related to property management. The PBA is required to submit an annual budget to the Development Corporation's Board of Directors for approval. This contract can be terminated upon 180 days written notice by either party.

City/County Telecommunications

The PBA and the City and County entered into an operating contract on October 30, 2003 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 on December 15, 2003 for the management of telecommunications services and equipment. Under terms of the contract, the County will reimburse the PBA for all direct and indirect costs related to telecommunications. The PBA is required to submit an annual budget to the County for approval. This contract can be terminated upon 180 days written notice by any party.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

Cash and Cash Equivalents - In lieu of a daily sweep overnight repurchase account, the PBA utilizes a special money rate checking account for public funds. All funds, less a required reserve of 10%, automatically earn interest at the rate of Federal Funds plus 20 basis points for 2016 and 47 basis points for 2015. The effective rate of interest on all collected funds was .20% at year-end 2016 and .47% at the year-end 2015. All funds are available on demand.

The PBA's cash and cash equivalents at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Petty Cash	\$ 1,850	\$ 450
Demand Deposits	<u>5,122,872</u>	<u>4,871,813</u>
Total	<u>\$ 5,124,722</u>	<u>\$ 4,872,263</u>

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

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

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

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

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

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

Investment Income - Investment income, which consists of interest income, was \$21,844 and \$27,528 for 2016 and 2015, respectively. Bank charges are shown separately and were \$62,065 and \$59,585 for 2016 and 2015, respectively.

NOTE 6 - CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2016 was as follows:

	Balances July 1, 2015	Additions	Disposals	Transfers	Balances June 30, 2016
Capital Assets, Not Being Depreciated:					
Land	\$ 101,016	\$	\$	\$	\$ 101,016
Construction in Progress	<u>153,502</u>	<u>18,485</u>	<u></u>	<u>(153,502)</u>	<u>18,485</u>
Subtotal	<u>254,518</u>	<u>18,485</u>	<u></u>	<u>(153,502)</u>	<u>119,501</u>
Capital Assets Being Depreciated:					
Site Improvements	696,670	506,592			1,203,262
Buildings & Improvements	11,212,227	475,047			11,687,274
Machinery & Equipment	2,687,512	141,196			2,828,708
Data Processing Equipment & Software	158,639	77,027			235,666
Vehicles	<u>362,436</u>	<u>65,589</u>	<u></u>	<u></u>	<u>428,025</u>
Subtotal	<u>15,117,484</u>	<u>1,265,451</u>	<u></u>	<u></u>	<u>16,382,935</u>
Less: Accumulated Depreciation:					
Site Improvements	(457,132)	(82,900)			(540,032)
Building Improvements	(4,861,845)	(647,280)			(5,509,125)
Machinery & Equipment	(1,712,227)	(321,663)			(2,033,890)
Data Processing Equipment & Software	(139,369)	(19,345)			(158,714)
Vehicles	<u>(226,282)</u>	<u>(46,533)</u>	<u></u>	<u></u>	<u>(272,815)</u>
Subtotal	<u>(7,396,855)</u>	<u>(1,117,721)</u>	<u></u>	<u></u>	<u>(8,514,576)</u>
Total Capital Assets Being Depreciated – Net	<u>7,720,629</u>	<u>147,730</u>	<u></u>	<u></u>	<u>7,868,359</u>
Total Capital Assets - Net	<u>\$ 7,975,147</u>	<u>\$ 166,215</u>	<u>\$</u>	<u>\$ (153,502)</u>	<u>\$ 7,987,860</u>

NOTE 6 - CAPITAL ASSETS (continued)

Capital asset activity during the year ended June 30, 2015 was as follows:

	Balances July 1, 2014	Additions	Disposals	Transfers	Balances June 30, 2015
Capital Assets, Not Being Depreciated:					
Land	\$ 101,016	\$ 0	\$ 0	\$ 0	\$ 101,016
Construction in Progress	<u>2,314,692</u>	<u>108,230</u>	<u>0</u>	<u>(2,269,421)</u>	<u>153,502</u>
Subtotal	<u>2,415,708</u>	<u>108,230</u>	<u>0</u>	<u>(2,269,421)</u>	<u>254,518</u>
Capital Assets Being Depreciated:					
Site Improvements	696,670	0	0	0	696,670
Buildings & Improvements	8,710,958	313,870	(82,022)	2,269,421	11,212,227
Machinery & Equipment	2,294,637	392,875	0	0	2,687,512
Data Processing Equipment & Software	158,639	0	0	0	158,639
Vehicles	<u>287,514</u>	<u>74,922</u>	<u>0</u>	<u>0</u>	<u>362,436</u>
Subtotal	<u>12,148,418</u>	<u>781,677</u>	<u>(82,022)</u>	<u>2,269,421</u>	<u>15,117,484</u>
Less: Accumulated Depreciation:					
Site Improvements	(285,742)	(171,390)	0	0	(457,132)
Building Improvements	(3,339,821)	(1,584,371)	62,347	0	(4,861,845)
Machinery & Equipment	(1,378,106)	(334,121)	0	0	(1,712,227)
Data Processing Equipment & Software	(121,211)	(18,158)	0	0	(139,369)
Vehicles	<u>(181,950)</u>	<u>(44,332)</u>	<u>0</u>	<u>0</u>	<u>(226,282)</u>
Subtotal	<u>(5,306,830)</u>	<u>(2,152,372)</u>	<u>62,347</u>	<u>0</u>	<u>(7,396,855)</u>
Total Capital Assets Being Depreciated – Net	<u>6,841,588</u>	<u>(1,370,695)</u>	<u>(19,675)</u>	<u>2,269,421</u>	<u>7,720,629</u>
Total Capital Assets - Net	<u>\$ 9,257,296</u>	<u>\$ (1,262,465)</u>	<u>\$ (19,675)</u>	<u>\$ 0</u>	<u>\$ 7,975,147</u>

NOTE 6 - CAPITAL ASSETS (continued)

Depreciation expense was charged as follows:

	<u>2016</u>	<u>2015</u>
Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage	\$ 28,143	\$ 122,835
City County Building	586,431	1,218,068
City Parking Facilities	119,462	221,054
City Parks	180,997	239,683
E-911	0	0
Fairview Technology Center	0	564
Health Department	0	0
Juvenile Justice Center	9,100	10,975
Knoxville Area Transit Facilities	0	0
Knox Central	996	0
Old Court House	24,296	128,584
Other	14,739	19,884
Property Development	0	0
Senior Centers	0	0
Telecom	<u>153,557</u>	<u>190,725</u>
 Total	 <u>\$ 1,117,721</u>	 <u>\$ 2,152,372</u>

NOTE 7 – CONSTRUCTION IN PROGRESS

At June 30, 2016, construction in progress consisted of the following:

Facility/Project	2016		2015	
	Actual To-Date	Remaining Commitment	Actual To-Date	Remaining Commitment
City Parks:				
Fountain Computer System – World’s Fair Park			59,527	13,033
Amphitheater Lighting			0	0
Stair Tower Repairs – Volunteer Landing			54,114	76,190
Generator - Sunsphere			3,245	64,455
Elevator - Sunsphere	18,485	18,485		
City Parking Facilities:				
Brick Repair – Locust Street Garage	<u> </u>	<u> </u>	<u>36,616</u>	<u>115,414</u>
 Total	 <u>\$ 18,485</u>	 <u>18,485</u>	 <u>\$ 153,502</u>	 <u>\$ 269,092</u>

NOTE 8 – COMPENSATED ABSENCES PAYABLE

Compensated absences activity during the years ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	\$ 525,251	\$ 505,646
Earned	249,533	312,189
Used	<u>297,988</u>	<u>(292,584)</u>
Balance, End of Year	\$ <u>476,796</u>	\$ <u>525,251</u>
Current Portion	\$ 271,771	\$ 305,546
Non-Current Portion	<u>205,025</u>	<u>219,705</u>
Total	\$ <u><u>476,796</u></u>	\$ <u><u>525,251</u></u>

NOTE 9: NET POSITION

Net position represents the difference between assets and liabilities. The net position at June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Investment in Capital Assets:		
Net Capital Assets	\$ <u>7,987,860</u>	\$ <u>7,975,147</u>
Unrestricted:		
Designated for Operating Reserve	1,078,394	1,056,564
Designated for Capital Asset Replacement	<u>2,160,327</u>	<u>2,212,939</u>
	<u>3,238,721</u>	<u>3,269,503</u>
Total	\$ <u><u>11,226,581</u></u>	\$ <u><u>11,244,650</u></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, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
City	\$ 5,863,721	\$ 5,728,754
County	5,337,350	5,490,386
Others:		
Development Corp. of Knox County	4,610	4,610
Emergency Communications District	9,500	9,500
Knox County Schools	<u>11,400</u>	<u>11,400</u>
Total	\$ <u><u>11,226,581</u></u>	\$ <u><u>11,244,650</u></u>

NOTE 10 – OPERATING REVENUES

Operating revenues earned during the years ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Rental Income from City and County	\$ <u>4,327,759</u>	\$ <u>4,215,037</u>
Other Rental Income:		
Gross Revenues	<u>252,697</u>	<u>241,439</u>
Other Rental Income – Net	<u>252,697</u>	<u>241,439</u>
Management Fees from the City and County	<u>7,177,821</u>	<u>6,596,204</u>
Management Fees from Other Governmental Agencies	<u>313,766</u>	<u>305,775</u>
Parking Revenues:		
Gross Revenues	<u>3,626,145</u>	<u>3,453,222</u>
Less: Commissions to Vendor	<u>(542,729)</u>	<u>(530,660)</u>
Net Parking Revenues	<u>3,083,416</u>	<u>2,922,562</u>
Total	\$ <u>15,155,459</u>	\$ <u>14,281,017</u>

NOTE 11 – CAPITAL CONTRIBUTIONS AND DEDUCTIONS

During the year ended June 30, 2016, 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	\$ 799,438	499,100	0	1,298,538
Capital Deductions				
Capital Contributions Returned	<u>(1,468,316)</u>	<u>(361,575)</u>	<u>(38,695)</u>	<u>(1,868,586)</u>
Total - Net	\$ <u>(668,878)</u>	<u>137,525</u>	<u>(38,695)</u>	<u>(570,048)</u>

During the year ended June 30, 2015, 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	\$ 1,270,988	361,750	0	1,632,738
Capital Deductions				
Capital Contributions Returned	<u>(1,479,272)</u>	<u>(189,666)</u>	<u>(35,641)</u>	<u>(1,704,579)</u>
Total - Net	\$ <u>(208,284)</u>	<u>172,084</u>	<u>(35,641)</u>	<u>(71,841)</u>

NOTE 11 – CAPITAL CONTRIBUTIONS AND DEDUCTIONS (continued)

During the year ended June 30, 2016, the PBA returned to the City, the County, the Emergency Communications District, Knox County Schools, and the Development Corporation Board operating funds in excess of those agreed upon to be held in separate operating reserves; \$1,468,316 was returned to the City, \$361,575 was returned to the County, \$9,702 was returned to the Emergency Communications District, \$27,032 was returned to Knox County Schools, and \$1,961 was returned to the Development Corporation Board. These funds represented the results of operations.

During the year ended June 30, 2015, the PBA returned to the City, the County, the Emergency Communications District, Knox County Schools, Knoxville Utilities Board, and the Industrial Development Board operating funds in excess of those agreed upon to be held in separate operating reserves; \$1,479,272 was returned to the City, \$189,666 was returned to the County, \$4,515 was returned to the Emergency Communications District, \$16,263 was returned to Knox County Schools, \$10,310 was returned to the Development Corporation, and \$4,553 was returned to the Industrial Development Board. 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 2016 and 2015:

June 30, 2016	City	County	Total
Due From, End of Year	\$ 2,184,077	390,509	2,574,586
Due To, End of Year	688,737	361,575	1,050,312
Rental Income	1,242,067	3,085,692	4,327,759
Management Fees	4,183,328	2,994,493	7,177,821
Net Parking Revenues	2,419,218	664,198	3,083,416
June 30, 2015	City	County	Total
Due From, End of Year	\$ 2,012,887	\$ 700,132	\$ 2,713,019
Due To, End of Year	657,877	510,877	1,168,754
Rental Income	1,209,716	3,005,321	4,215,037
Management Fees	3,887,585	2,708,619	6,596,204
Net Parking Revenues	2,348,573	573,989	2,922,562

During the years ended June 30, 2016 and 2015, approximately 54% and 54% of operating revenues, respectively, were from the City. During the years ended June 30, 2016 and 2015, approximately 46% and 46% 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) Asset Accumulation Plan* is a defined contribution 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 plans are administered by USI Consulting Group.

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, 2016. 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)

Asset Accumulation Retirement Plan

The *Asset Accumulation Plan* is a defined contribution plan established by Knox County under Section 401(a)(9) of the Internal Revenue Code. The plan requires all participants to contribute a minimum of 6% of compensation and the employer matching contribution is 6%. Participants are always 100% vested in their contributions and become 100% vested in the PBA's matching contributions after completing 5 years of credited 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, 2016 and 2015, PBA employees made contributions of \$284,503 and \$286,619 respectively. During 2016 and 2015, PBA made matching employer contributions of \$284,503 and \$286,619, respectively.

In addition to the 401(a) Plan, the Knox County Asset Accumulation Program incorporated a 457(b) Plan in the Defined Contribution Plan. The Knox County Voluntary 457 Plan incorporates voluntary pre-tax contributions by the participant with an employer match based on length of service with the County and/or Board. The employer will match:

Years of Service	Maximum % Match
0 – 5	0%
5 – 9	2%
10 – 14	4%
15 or more	6%

The employer matching contributions for the 457 Plan are deposited into the participants 401(a) account.

During the years ended June 30, 2016 and 2015, PBA employees made voluntary contributions of \$93,202 and \$63,292 respectively. During 2016 and 2015, PBA made matching employer contributions of \$50,193 and \$41,610 respectively.

County Defined Contribution (DC) Medical Expense 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 who make voluntary after-tax contributions are eligible for a percent match contribution from the Knox County Retirement and Pension Board based on the percent approved by the Board for the year in question.

The maximum and minimum participant annual contributions for the years ended June 30, 2016 and 2015 are \$416 and \$208. The County DC Plan will make matching contributions of 50% of the participant's, up to a maximum of \$208. During 2016 and 2015, the Retirement and Pension Board contributions were \$3,496 and \$2,524, respectively. 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:

Calendar Year	Amount
2016	120
2015	120
2014	120
2013	120
2012	120

Participants are always 100% vested in voluntary and matching contributions. During 2016 and 2015, PBA employees made voluntary contributions of \$6,992 and \$6,940, respectively.

**SUPPLEMENTARY
INFORMATION**

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

**SCHEDULE OF NET POSITION BY ACTIVITY
June 30, 2016**

Property Management - City Properties

	Parking Facilities	Police Department	Parks	Transit Facility	Downtown Cinema	Total City Properties
Assets:						
Current Assets						
Cash and Cash Equivalents	\$ 436,446	3,940	1,027,421	228,972	37,193	1,733,972
Receivables:						
Other Receivables	9,865	0	38,005	0	0	47,870
Due from County	0	0	0	0	0	0
Due from City	130,000	0	220,000	0	0	350,000
Due from Other Governmental Agencies	46,066	0	0	0	0	46,066
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	622,377	3,940	1,285,426	228,972	37,193	2,177,908
Capital Assets						
Building Improvements	1,187,815	0	488,337	0	0	1,676,152
Site Improvements	0	0	1,134,007	0	0	1,134,007
Data Processing Equipment and Software	14,000	0	59,527	0	0	73,527
Machinery and Equipment	330,198	0	438,246	0	0	768,444
Vehicles	20,922	0	211,691	0	0	232,613
Total Capital Assets	1,552,935	0	2,331,808	0	0	3,884,743
Less: Accumulated Depreciation	(826,227)	0	(1,059,856)	0	0	(1,886,083)
Construction in Progress	0	0	18,485	0	0	18,485
Net Capital Assets	726,708	0	1,290,437	0	0	2,017,145
Total Assets	\$ 1,349,085	3,940	2,575,863	228,972	37,193	4,195,053
Liabilities:						
Current Liabilities						
Accounts Payable and Accrued Liabilities	\$ 196,534	913	176,274	36,934	1,985	412,640
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	190,967	2,774	304,261	90,916	24,364	613,282
Customer Deposits	3,172	0	11,600	0	3,947	18,719
Compensated Absences Payable	21,452	144	59,415	20,180	1,748	102,939
Total Current Liabilities	412,125	3,831	551,550	148,030	32,044	1,147,580
Non-Current Liabilities						
Compensated Absences Payable	16,184	109	44,822	15,224	1,319	77,658
Total Non-Current Liabilities	16,184	109	44,822	15,224	1,319	77,658
Total Liabilities	428,309	3,940	596,372	163,254	33,363	1,225,238
Net Position						
Investment in Capital Assets	726,708	0	1,290,437	0	0	2,017,145
Unrestricted:						
Designated for Operating Reserve	0	0	0	0	3,830	3,830
Designated for Capital Asset Replacement Reserve	194,068	0	689,054	65,718	0	948,840
Total Net Position	920,776	0	1,979,491	65,718	3,830	2,969,815
Total Liabilities and Net Position	\$ 1,349,085	3,940	2,575,863	228,972	37,193	4,195,053

Property Management - County Properties

Andrew Johnson Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Forencis Center	Health Department	Juvenile Justice Center	Knox Central	Old Court House	Public Defender	Senior Centers	Young Williams AWC	Total County Properties
\$ 228,027	17,524	88,197	44,937	67,636	42,929	77,607	53,954	16,341	43,749	680,901
0	0	0	0	0	0	0	0	0	0	0
0	11,188	0	9,370	230	39,682	655	0	0	0	61,125
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	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
<u>228,027</u>	<u>28,712</u>	<u>88,197</u>	<u>54,307</u>	<u>67,866</u>	<u>82,611</u>	<u>78,262</u>	<u>53,954</u>	<u>16,341</u>	<u>43,749</u>	<u>742,026</u>
665,141	0	0	0	11,591	0	659,863	0	0	0	1,336,595
0	0	0	0	0	0	0	0	0	0	0
23,120	0	0	0	0	0	0	0	0	0	23,120
129,327	0	0	5,028	0	6,656	0	0	0	0	141,011
0	0	0	0	41,000	10,000	10,200	0	0	0	61,200
817,588	0	0	5,028	52,591	16,656	670,063	0	0	0	1,561,926
(712,554)	0	0	(5,028)	(27,489)	(7,652)	(536,600)	0	0	0	(1,289,323)
0	0	0	0	0	0	0	0	0	0	0
<u>105,034</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,102</u>	<u>9,004</u>	<u>133,463</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>272,603</u>
\$ <u>333,061</u>	<u>28,712</u>	<u>88,197</u>	<u>54,307</u>	<u>92,968</u>	<u>91,615</u>	<u>211,725</u>	<u>53,954</u>	<u>16,341</u>	<u>43,749</u>	<u>1,014,629</u>
\$ 39,343	15,975	13,226	19,042	22,774	46,029	21,248	6,868	5,008	13,949	203,462
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
159,963	8,717	71,380	22,807	20,223	29,954	36,360	46,554	6,336	28,747	431,041
0	0	0	0	0	0	0	0	0	0	0
16,371	2,291	2,047	7,101	14,175	3,778	11,773	303	2,848	600	61,287
<u>215,677</u>	<u>26,983</u>	<u>86,653</u>	<u>48,950</u>	<u>57,172</u>	<u>79,761</u>	<u>69,381</u>	<u>53,725</u>	<u>14,192</u>	<u>43,296</u>	<u>695,790</u>
<u>12,350</u>	<u>1,729</u>	<u>1,544</u>	<u>5,357</u>	<u>10,694</u>	<u>2,850</u>	<u>8,881</u>	<u>229</u>	<u>2,149</u>	<u>453</u>	<u>46,236</u>
<u>12,350</u>	<u>1,729</u>	<u>1,544</u>	<u>5,357</u>	<u>10,694</u>	<u>2,850</u>	<u>8,881</u>	<u>229</u>	<u>2,149</u>	<u>453</u>	<u>46,236</u>
<u>228,027</u>	<u>28,712</u>	<u>88,197</u>	<u>54,307</u>	<u>67,866</u>	<u>82,611</u>	<u>78,262</u>	<u>53,954</u>	<u>16,341</u>	<u>43,749</u>	<u>742,026</u>
105,034	0	0	0	25,102	9,004	133,463	0	0	0	272,603
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
<u>105,034</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,102</u>	<u>9,004</u>	<u>133,463</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>272,603</u>
\$ <u>333,061</u>	<u>28,712</u>	<u>88,197</u>	<u>54,307</u>	<u>92,968</u>	<u>91,615</u>	<u>211,725</u>	<u>53,954</u>	<u>16,341</u>	<u>43,749</u>	<u>1,014,629</u>

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

**SCHEDULE OF NET POSITION BY ACTIVITY (Continued)
June 30, 2016**

	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	\$ 1,855,260	26,700	10,839	4,307,672	113,706	249,702	453,642	5,124,722
Receivables:								
Other Receivables	0	0	0	47,870	0	0	0	47,870
Due from County	370	1,250	0	62,745	0	9,966	317,798	390,509
Due from City	149	0	0	350,149	0	2,085	1,831,843	2,184,077
Due from Other Governmental Agencies	0	0	0	46,066	0	867	360	47,293
Due from Other Departments	0	0	0	0	0	0	1,253,879	1,253,879
Inventory	0	0	0	0	0	12,235	0	12,235
Prepaid Items	0	0	0	0	0	0	85,052	85,052
Total Current Assets	1,855,779	27,950	10,839	4,814,502	113,706	274,855	3,942,574	9,145,637
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	8,133,461	0	0	11,146,208	0	0	12,802	11,159,010
Site Improvements	69,255	0	0	1,203,262	0	0	0	1,203,262
Data Processing Equipment and Software	103,470	0	0	200,117	0	18,751	16,798	235,666
Machinery and Equipment	891,320	0	11,250	1,812,025	0	1,016,683	0	2,828,708
Vehicles	83,080	0	0	376,893	0	51,132	0	428,025
Total Capital Assets	9,280,586	0	11,250	14,738,505	0	1,086,566	658,880	16,483,951
Less: Accumulated Depreciation	(4,308,869)	0	(11,250)	(7,495,525)	0	(892,864)	(126,187)	(8,514,576)
Construction in Progress	0	0	0	18,485	0	0	0	18,485
Net Capital Assets	4,971,717	0	0	7,261,465	0	193,702	532,693	7,987,860
Total Assets	\$ 6,827,496	27,950	10,839	12,075,967	113,706	468,557	4,475,267	17,133,497
Liabilities:								
Current Liabilities								
Accounts Payable and Accrued Liabilities	\$ 230,743	4,325	2,519	853,689	46,512	36,163	2,132,151	3,068,515
Due to City	0	0	0	0	0	0	688,737	688,737
Due to County	0	0	0	0	0	0	361,575	361,575
Due to Other Governmental Agencies	0	0	0	0	0	0	38,695	38,695
Due to (from) Other Departments	51,782	10,639	2,392	1,109,136	57,073	87,670	0	1,253,879
Customer Deposits	0	0	0	18,719	0	0	0	18,719
Compensated Absences Payable	74,538	1,987	751	241,502	5,769	24,500	0	271,771
Total Current Liabilities	357,063	16,951	5,662	2,223,046	109,354	148,333	3,221,158	5,701,891
Non-Current Liabilities								
Compensated Absences Payable	56,230	1,499	567	182,190	4,352	18,483	0	205,025
Total Non-Current Liabilities	56,230	1,499	567	182,190	4,352	18,483	0	205,025
Total Liabilities	413,293	18,450	6,229	2,405,236	113,706	166,816	3,221,158	5,906,916
Net Position								
Investment in Capital Assets	4,971,717	0	0	7,261,465	0	193,702	532,693	7,987,860
Unrestricted:								
Designated for Operating Reserve	339,038	9,500	4,610	356,978	0	0	721,416	1,078,394
Designated for Capital Asset Replacement Reserve	1,103,448	0	0	2,052,288	0	108,039	0	2,160,327
Total Net Position	6,414,203	9,500	4,610	9,670,731	0	301,741	1,254,109	11,226,581
Total Liabilities and Net Position	\$ 6,827,496	27,950	10,839	12,075,967	113,706	468,557	4,475,267	17,133,497

**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, 2016**

	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	7,963	2,347,004	945,713	36,771	3,337,451
Management Fees from Other Governmental Agencies	0	0	0	0	34,047	34,047
Rental and Event Revenues	58,128	0	135,497	0	51,701	245,326
Net Parking Revenues (Expenses)	<u>2,322,757</u>	<u>0</u>	<u>78,824</u>	<u>0</u>	<u>0</u>	<u>2,401,581</u>
Total Operating Revenues	<u>2,380,885</u>	<u>7,963</u>	<u>2,561,325</u>	<u>945,713</u>	<u>122,519</u>	<u>6,018,405</u>
Operating Expenses:						
Direct:						
<u>Property Management</u>						
Management	408,780	687	382,466	32,316	5,503	829,752
Safety and Services	361,281	3,963	422,673	278,865	6,907	1,073,689
Operations and Maintenance	666,340	0	1,464,685	515,361	72,916	2,719,302
<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>1,436,401</u>	<u>4,650</u>	<u>2,269,824</u>	<u>826,542</u>	<u>85,326</u>	<u>4,622,743</u>
Indirect:						
Corporate Administration	41,734	223	75,260	28,661	3,699	149,577
Finance	50,529	269	90,950	34,721	4,476	180,945
MIS	21,694	116	39,076	14,904	1,922	77,712
Total Indirect Operating Expenses	<u>113,957</u>	<u>608</u>	<u>205,286</u>	<u>78,286</u>	<u>10,097</u>	<u>408,234</u>
Total Operating Expenses	<u>1,550,358</u>	<u>5,258</u>	<u>2,475,110</u>	<u>904,828</u>	<u>95,423</u>	<u>5,030,977</u>
Operating Income (Loss)	<u>830,527</u>	<u>2,705</u>	<u>86,215</u>	<u>40,885</u>	<u>27,096</u>	<u>987,428</u>
Non-Operating Revenues (Expenses):						
Interest Income	1,903	14	5,610	1,146	130	8,803
Bank Charges	(39,897)	(12)	(4,935)	(1,006)	(115)	(45,965)
Capital Assets Removed/Retired	0	0	0	0	0	0
Capital Returned to City, County and Other Governmental Agencies	<u>(957,981)</u>	<u>(2,707)</u>	<u>(281,115)</u>	<u>(82,406)</u>	<u>(23,281)</u>	<u>(1,347,490)</u>
Total Non-Operating Revenues (Expenses) - Net	<u>(995,975)</u>	<u>(2,705)</u>	<u>(280,440)</u>	<u>(82,266)</u>	<u>(23,266)</u>	<u>(1,384,652)</u>
Increase (Decrease) in Net Position Before Capital Contributions	<u>(165,448)</u>	<u>0</u>	<u>(194,225)</u>	<u>(41,381)</u>	<u>3,830</u>	<u>(397,224)</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>130,000</u>	<u>0</u>	<u>468,538</u>	<u>0</u>	<u>0</u>	<u>598,538</u>
Total Capital Contributions	<u>130,000</u>	<u>0</u>	<u>468,538</u>	<u>0</u>	<u>0</u>	<u>598,538</u>
Increase (Decrease) in Net Position	<u>(35,448)</u>	<u>0</u>	<u>274,313</u>	<u>(41,381)</u>	<u>3,830</u>	<u>201,314</u>
Net Position, Beginning of Year	<u>956,224</u>	<u>0</u>	<u>1,705,178</u>	<u>107,099</u>	<u>0</u>	<u>2,768,501</u>
Net Position, End of Year	<u>\$ 920,776</u>	<u>\$ 0</u>	<u>\$ 1,979,491</u>	<u>\$ 65,718</u>	<u>\$ 3,830</u>	<u>\$ 2,969,815</u>

Property Management - County Properties

Andrew Johnson Building/ Dwight Kessel Metropolitan Parking Garage	Family Investment Center	Health Department	Forensic Center	Juvenile Justice Center	Knox Central	Old Court House	Public Defender	Senior Centers	Young Williams AWC	Total County Properties
\$ 0	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
284,740	135,917	271,893	268,499	642,717	199,463	595,700	76,077	102,373	88,414	2,665,793
0	0	0	0	0	0	0	0	0	0	0
0	0	7,371	0	0	0	0	0	0	0	7,371
620,381	0	0	0	0	0	0	0	0	0	620,381
905,121	135,917	279,264	268,499	642,717	199,463	595,700	76,077	102,373	88,414	3,293,545
89,371	8,563	14,896	10,183	34,319	13,319	65,669	1,368	6,074	1,549	245,311
173,916	15,298	46,496	10,972	215,957	28,334	213,714	0	12,588	0	717,275
441,713	93,506	174,757	155,046	334,841	104,431	261,266	22,197	70,151	51,219	1,709,127
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
705,000	117,367	236,149	176,201	585,117	146,084	540,649	23,565	88,813	52,768	2,671,713
24,855	4,081	8,396	8,444	19,283	5,996	17,843	2,406	3,023	2,783	97,110
30,103	4,917	10,160	10,512	23,271	7,251	21,533	2,995	3,620	3,465	117,827
12,923	2,115	4,363	4,466	10,003	3,115	9,256	1,272	1,561	1,472	50,546
67,881	11,113	22,919	23,422	52,557	16,362	48,632	6,673	8,204	7,720	265,483
772,881	128,480	259,068	199,623	637,674	162,446	589,281	30,238	97,017	60,488	2,937,196
132,240	7,437	20,196	68,876	5,043	37,017	6,419	45,839	5,356	27,926	356,349
867	105	248	307	517	188	524	147	95	156	3,154
(5,481)	(92)	(218)	(263)	(452)	(164)	(461)	(125)	(84)	(134)	(7,474)
0	0	0	0	0	0	0	0	0	0	0
(152,269)	(7,450)	(20,226)	(68,920)	(14,208)	(28,037)	(30,778)	(45,861)	(5,367)	(27,948)	(401,064)
(156,883)	(7,437)	(20,196)	(68,876)	(14,143)	(28,013)	(30,715)	(45,839)	(5,356)	(27,926)	(405,384)
(24,643)	0	0	0	(9,100)	9,004	(24,296)	0	0	0	(49,035)
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
(24,643)	0	0	0	(9,100)	9,004	(24,296)	0	0	0	(49,035)
129,677	0	0	0	34,202	0	157,759	0	0	0	321,638
\$ 105,034	\$ 0	\$ 0	0	\$ 25,102	\$ 9,004	\$ 133,463	\$ 0	\$ 0	\$ 0	\$ 272,603

**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 (Continued)
For the Year Ended June 30, 2016**

	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	\$ 4,327,759	\$ 0	\$ 0	\$ 4,327,759	\$ 0	\$ 0	\$ 0	\$ 4,327,759
Management Fees from City and County	0	0	0	6,003,244	618,621	555,956	0	7,177,821
Management Fees from Other								
Governmental Agencies	0	106,456	48,910	189,413	0	124,353	0	313,766
Rental and Event Revenues	0	0	0	252,697	0	0	0	252,697
Net Parking Revenues	61,454	0	0	3,083,416	0	0	0	3,083,416
	<u>4,389,213</u>	<u>106,456</u>	<u>48,910</u>	<u>13,856,529</u>	<u>618,621</u>	<u>680,309</u>	<u>0</u>	<u>15,155,459</u>
Operating Expenses:								
Direct								
<u>Property Management</u>								
Management	863,039	4,743	1,661	1,944,506	0	0	14,739	1,959,245
Safety and Services	639,444	7,672	5,066	2,443,146	0	0	0	2,443,146
Operations and Maintenance	3,246,740	75,521	36,181	7,786,871	0	0	0	7,786,871
<u>Other Management Services</u>								
Property Development	0	0	0	0	472,932	0	0	472,932
Telecom Services	0	0	0	0	0	669,680	0	669,680
Total Direct Operating Expenses	<u>4,749,223</u>	<u>87,936</u>	<u>42,908</u>	<u>12,174,523</u>	<u>472,932</u>	<u>669,680</u>	<u>14,739</u>	<u>13,331,874</u>
Indirect								
Corporate Administration	132,379	3,240	1,485	383,791	36,067	31,298	0	451,156
Finance	159,982	3,913	1,793	464,460	43,470	37,892	0	545,822
MIS	68,734	1,682	770	199,444	18,695	16,268	0	234,407
Total Indirect Operating Expenses	<u>361,095</u>	<u>8,835</u>	<u>4,048</u>	<u>1,047,695</u>	<u>98,232</u>	<u>85,458</u>	<u>0</u>	<u>1,231,385</u>
Total Operating Expenses	<u>5,110,318</u>	<u>96,771</u>	<u>46,956</u>	<u>13,222,218</u>	<u>571,164</u>	<u>755,138</u>	<u>14,739</u>	<u>14,563,259</u>
Operating Income (Loss)	<u>(721,105)</u>	<u>9,685</u>	<u>1,954</u>	<u>634,311</u>	<u>47,457</u>	<u>(74,829)</u>	<u>(14,739)</u>	<u>592,200</u>
Non-Operating Revenues (Expenses):								
Interest Income	8,276	128	59	20,420	401	1,023	0	21,844
Bank Charges	(7,223)	(111)	(52)	(60,825)	(348)	(892)	0	(62,065)
Capital Assets Removed/Retired	0	0	0	0	0	0	0	0
Capital Returned to City, County and Other Governmental Agencies	0	(9,702)	(1,961)	(1,760,217)	(47,510)	(78,859)	18,000	(1,868,586)
Total Non-Operating Revenues (Expenses) - Net	<u>1,053</u>	<u>(9,685)</u>	<u>(1,954)</u>	<u>(1,800,622)</u>	<u>(47,457)</u>	<u>(78,728)</u>	<u>18,000</u>	<u>(1,908,807)</u>
Increase (Decrease) in Net Position Before Capital Contributions	<u>(720,052)</u>	<u>0</u>	<u>0</u>	<u>(1,166,311)</u>	<u>0</u>	<u>(153,557)</u>	<u>3,261</u>	<u>(1,316,607)</u>
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	700,000	0	0	1,298,538	0	0	0	1,298,538
Total Capital Contributions	<u>700,000</u>	<u>0</u>	<u>0</u>	<u>1,298,538</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,298,538</u>
Increase (Decrease) in Net Position	<u>(20,052)</u>	<u>0</u>	<u>0</u>	<u>132,227</u>	<u>0</u>	<u>(153,557)</u>	<u>3,261</u>	<u>(18,069)</u>
Net Position, Beginning of Year	<u>6,434,255</u>	<u>9,500</u>	<u>4,610</u>	<u>9,538,504</u>	<u>0</u>	<u>455,298</u>	<u>1,250,848</u>	<u>11,244,650</u>
Net Position, End of Year	<u>\$ 6,414,203</u>	<u>\$ 9,500</u>	<u>\$ 4,610</u>	<u>\$ 9,670,731</u>	<u>\$ 0</u>	<u>\$ 301,741</u>	<u>\$ 1,254,109</u>	<u>\$ 11,226,581</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
For the Year Ended June 30, 2016**

	City Parking Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Net Parking Revenue	\$ 2,219,032	\$ 2,322,757	\$ 103,725
Tenant Rental Income	52,380	58,128	5,748
Total Operating Revenues	<u>2,271,412</u>	<u>2,380,885</u>	<u>109,473</u>
Operating Expenses			
Direct:			
Salaries and Wages	488,236	367,903	120,333
Employee Benefits	180,647	158,816	21,831
Office Expenses	6,775	26,806	(20,031)
Education and Training	11,526	1,965	9,561
Operating Expenses	95,416	220,875	(125,459)
Operating Contracts	362,990	254,665	108,325
Utilities	175,500	172,874	2,626
Communications	22,480	18,762	3,718
Insurance	10,379	10,460	(81)
Professional Services	3,100	13,927	(10,827)
Maintenance Facility	10,207	9,900	307
Capital Purchases	0	59,986	(59,986)
Depreciation Expense	0	119,462	(119,462)
Total Direct Operating Expenses	<u>1,367,256</u>	<u>1,436,401</u>	<u>(69,145)</u>
Total Indirect Operating Expenses	<u>118,433</u>	<u>113,957</u>	<u>4,476</u>
Total Operating Expenses	<u>1,485,689</u>	<u>1,550,358</u>	<u>(64,669)</u>
Operating Income (Loss)	<u>785,723</u>	<u>830,527</u>	<u>44,804</u>
Non-Operating Revenues (Expenses)			
Interest Income	4,000	1,903	(2,097)
Bank Charges	(32,950)	(39,897)	(6,947)
Transfer of Operating Reserves	(756,773)	(957,981)	(201,208)
Net Non-Operating Revenues (Expenses)	<u>(785,723)</u>	<u>(995,975)</u>	<u>(210,252)</u>
Increase (Decrease) in Net Position Before Capital Contributions	<u>0</u>	<u>(165,448)</u>	<u>(165,448)</u>
Capital Contributions			
Capital Asset Replacement Reserve	<u>0</u>	<u>130,000</u>	<u>130,000</u>
Increase (Decrease) in Net Position	<u>\$ 0</u>	<u>(35,448)</u>	<u>\$ (35,448)</u>
Net Position, Beginning of Year		<u>956,224</u>	
Net Position, End of Year		<u>\$ 920,776</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, 2016**

The Knoxville Police Department			
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City	\$ 7,963	\$ 7,963	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	3,152	1,789	1,363
Employee Benefits	1,166	1,032	134
Office Expenses	400	3	397
Education and Training	500	0	500
Operating Expenses	1,800	1,616	184
Communications	65	25	40
Insurance	40	50	(10)
Professional Services	85	71	14
Maintenance Facility	71	64	7
Total Direct Operating Expenses	7,279	4,650	2,629
Total Indirect Operating Expenses	684	608	76
Total Operating Expenses	7,963	5,258	2,705
Operating Income (Loss)	0	2,705	2,705
Non-Operating Revenues (Expenses)			
Interest Income	12	14	2
Bank Charges	(12)	(12)	0
Transfer of Operating Reserves	0	(2,707)	(2,707)
Net Non-Operating Revenues (Expenses)	0	(2,705)	(2,705)
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, 2016**

	City Parks		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City	\$ 2,347,004	\$ 2,347,004	\$ 0
Net Parking Revenues	73,091	78,824	5,733
Rental and Event Income	96,760	135,498	38,738
Total Operating Revenues	<u>2,516,855</u>	<u>2,561,326</u>	<u>44,471</u>
Operating Expenses			
Direct:			
Salaries and Wages	868,046	768,123	99,923
Employee Benefits	321,177	285,225	35,952
Office Expenses	21,200	10,410	10,790
Education and Training	3,500	243	3,257
Operating Expenses	386,000	415,392	(29,392)
Operating Contracts	186,790	135,310	51,480
Utilities	424,000	394,931	29,069
Communications	18,797	20,459	(1,662)
Insurance	22,763	22,986	(223)
Professional Services	2,500	1,025	1,475
Maintenance Facility	22,151	21,495	656
Capital Purchases	25,000	13,229	11,771
Depreciation Expense	0	180,997	(180,997)
Total Direct Operating Expenses	<u>2,301,924</u>	<u>2,269,825</u>	<u>32,099</u>
Total Indirect Operating Expenses	<u>214,136</u>	<u>205,286</u>	<u>8,850</u>
Total Operating Expenses	<u>2,516,060</u>	<u>2,475,111</u>	<u>40,949</u>
Operating Income (Loss)	<u>795</u>	<u>86,215</u>	<u>85,420</u>
Non-Operating Revenue (Expenses)			
Interest Income	4,205	5,610	1,405
Bank Charges	(5,000)	(4,935)	65
Transfer of Operating Reserves	0	(281,115)	(281,115)
Net Non-Operating Revenues (Expenses)	<u>(795)</u>	<u>(280,440)</u>	<u>(279,645)</u>
Increase (Decrease) in Net Position Before Capital Contributions	<u>0</u>	<u>(194,225)</u>	<u>(194,225)</u>
Capital Contributions			
Capital Asset Replacement Reserve	<u>0</u>	<u>468,538</u>	<u>468,538</u>
Increase (Decrease) in Net Position	<u>\$ 0</u>	<u>274,313</u>	<u>\$ 274,313</u>
Net Position, Beginning of Year		<u>1,705,178</u>	
Net Position, End of Year		<u>\$ 1,979,491</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, 2016**

	Knoxville Area Transit Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City	\$ 945,713	\$ 945,713	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	323,731	294,912	28,819
Employee Benefits	119,780	106,827	12,953
Office Expenses	7,050	4,579	2,471
Education and Training	3,500	923	2,577
Operating Expenses	92,200	77,628	14,572
Operating Contracts	188,941	189,977	(1,036)
Utilities	97,500	89,557	7,943
Communications	17,500	7,368	10,132
Insurance	5,125	5,167	(42)
Professional Services	500	71	429
Maintenance Facility	8,408	8,152	256
Capital Purchases	0	41,381	(41,381)
Depreciation Expense	0	0	0
Total Direct Operating Expenses	864,235	826,542	37,693
Total Indirect Operating Expenses	81,278	78,286	2,992
Total Operating Expenses	945,513	904,828	40,685
Operating Income (Loss)	200	40,885	40,685
Non-Operating Revenues (Expenses)			
Interest Income	1,000	1,146	146
Bank Charges	(1,200)	(1,006)	194
Transfer of Operating Reserves	0	(82,406)	(82,406)
Net Non-Operating Revenues (Expenses)	(200)	(82,266)	(82,066)
Increase in Net Position Before Capital Contributions	0	(41,381)	(41,381)
Capital Contributions			
Capital Asset Replacement Reserve	0	0	0
Increase (Decrease) in Net Position	\$ 0	(41,381)	\$ (41,381)
Net Position, Beginning of Year		107,099	
Net Position, End of Year		\$ 65,718	

**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, 2016**

	Downtown Cinema		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental and Event Revenues	\$ 51,307	\$ 51,701	\$ 394
Management Fees from City	36,771	36,771	0
Management Fees from Other Governmental Agencies	34,047	34,047	0
Total Operating Revenues	<u>122,125</u>	<u>122,519</u>	<u>394</u>
Operating Expenses			
Direct:			
Salaries and Wages	16,410	12,326	4,084
Employee Benefits	6,072	5,377	695
Office Expenses	150	6	144
Operating Expenses	40,300	12,949	27,351
Operating Contracts	43,847	48,963	(5,116)
Utilities	2,000	3,199	(1,199)
Communications	800	568	232
Insurance	681	680	1
Professional Services	500	341	159
Maintenance Facility	946	917	29
Capital Purchases	0	0	0
Total Direct Operating Expenses	<u>111,706</u>	<u>85,326</u>	<u>26,380</u>
Total Indirect Operating Expenses	<u>10,519</u>	<u>10,097</u>	<u>422</u>
Total Operating Expenses	<u>122,225</u>	<u>95,423</u>	<u>26,802</u>
Operating Income (Loss)	<u>(100)</u>	<u>27,096</u>	<u>27,196</u>
Non-Operating Revenues (Expenses)			
Interest Income	192	130	(62)
Bank Charges	(92)	(115)	(23)
Transfer of Operating Reserves	0	(23,281)	(23,281)
Net Non-Operating Revenues (Expenses)	<u>100</u>	<u>(23,266)</u>	<u>(23,366)</u>
Increase (Decrease) in Net Position	<u>\$ 0</u>	<u>3,830</u>	<u>\$ 3,830</u>
Net Position, Beginning of Year		<u>0</u>	
Net Position, End of Year		<u>\$ 3,830</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)
June 30, 2016**

	Andrew Johnson Building/Dwight Kessel Metropolitan Parking Garage		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 284,740	\$ 284,740	\$ 0
Net Parking Revenues	543,587	620,381	76,794
Total Operating Revenues	828,327	905,121	76,794
Operating Expenses			
Direct: Andrew Johnson Building			
Salaries and Wages	247,474	200,038	47,436
Employee Benefits	91,565	80,878	10,687
Office Expenses	5,400	1,424	3,976
Education and Training	1,000	881	119
Operating Expenses	60,200	75,778	(15,578)
Operating Contracts	158,984	168,687	(9,703)
Communications	7,850	3,350	4,500
Insurance	3,605	3,629	(24)
Professional Services	500	0	500
Maintenance Facility	9,291	9,026	265
Capital Purchases	0	0	0
Depreciation Expense	0	28,143	(28,143)
Total Direct Operating Expenses - Andrew Johnson Building	585,869	571,834	14,035
Direct: Dwight Kessel Metropolitan Parking Garage			
Salaries and Wages	66,688	50,617	16,071
Employee Benefits	25,008	21,679	3,329
Office Expenses	900	3,430	(2,530)
Education and Training	2,600	548	2,052
Operating Expenses	16,600	11,066	5,534
Operating Contracts	50,844	39,514	11,330
Communications	1,800	1,576	224
Insurance	1,519	1,537	(18)
Professional Services	500	599	(99)
Maintenance Facility	2,683	2,600	83
Total Direct Operating Expenses - DKMPG	169,142	133,166	35,976
Total Indirect Operating Expenses	70,566	67,881	2,685
Total Operating Expenses	825,577	772,881	52,696
Operating Income (Loss)	2,750	132,240	129,490
Non-Operating Revenues (Expenses)			
Interest Income	565	867	302
Bank Charges	(3,315)	(5,481)	(2,166)
Capital Assets Removed/Retired	0	0	0
Transfer of Operating Reserves	0	(152,269)	(152,269)
Net Non-Operating Revenues (Expenses)	(2,750)	(156,883)	(154,133)
Increase (Decrease) in Net Position	\$ 0	(24,643)	\$ (24,643)
Net Position, Beginning of Year		129,677	
Net Position, End of Year		\$ 105,034	

**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, 2016**

	Family Investment Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 135,917	\$ 135,917	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	40,009	40,289	(280)
Employee Benefits	14,804	13,080	1,724
Office Expenses	500	31	469
Education and Training	500	0	500
Operating Expenses	19,500	16,096	3,404
Operating Contracts	43,566	42,707	859
Communications	2,100	2,425	(325)
Insurance	831	832	(1)
Professional Services	500	0	500
Maintenance Facility	1,971	1,907	64
Total Direct Operating Expenses	124,281	117,367	6,914
Total Indirect Operating Expenses	11,616	11,113	503
Total Operating Expenses	135,897	128,480	7,417
Operating Income (Loss)	20	7,437	7,417
Non-Operating Revenues (Expenses)			
Interest Income	150	105	(45)
Bank Charges	(170)	(92)	78
Transfer of Operating Reserves	0	(7,450)	(7,450)
Net Non-Operating Revenues (Expenses)	(20)	(7,437)	(7,417)
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, 2016**

	Health Department		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental Income	\$ 7,371	\$ 7,371	\$ 0
Management Fees from the County	271,893	271,893	0
Total Operating Revenues	<u>279,264</u>	<u>279,264</u>	<u>0</u>
Operating Expenses			
Direct:			
Salaries and Wages	105,598	103,075	2,523
Employee Benefits	39,071	34,759	4,312
Office Expenses	4,200	84	4,116
Education and Training	2,000	0	2,000
Operating Expenses	65,500	61,434	4,066
Operating Contracts	29,812	28,373	1,439
Communications	3,070	2,929	141
Insurance	1,547	1,563	(16)
Professional Services	500	0	500
Maintenance Facility	4,050	3,932	118
Depreciation Expense	0	0	0
Total Direct Operating Expenses	<u>255,348</u>	<u>236,149</u>	<u>19,199</u>
Total Indirect Operating Expenses	<u>23,866</u>	<u>22,919</u>	<u>947</u>
Total Operating Expenses	<u>279,214</u>	<u>259,068</u>	<u>20,146</u>
Operating Income (Loss)	<u>50</u>	<u>20,196</u>	<u>20,146</u>
Non-Operating Revenues (Expenses)			
Interest Income	300	248	(52)
Bank Charges	(350)	(218)	132
Transfer of Operating Reserves	0	(20,226)	(20,226)
Net Non-Operating Revenues (Expenses)	<u>(50)</u>	<u>(20,196)</u>	<u>(20,146)</u>
Increase (Decrease) in Net Position	\$ <u>0</u>	\$ 0	\$ <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, 2016**

	Forensic Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from the County	\$ 268,499	\$ 268,499	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	48,088	41,229	6,859
Employee Benefits	17,793	15,862	1,931
Office Expenses	3,000	673	2,327
Education and Training	1,000	0	1,000
Operating Expenses	86,085	66,998	19,087
Operating Contracts	80,390	45,944	34,446
Communications	4,000	411	3,589
Insurance	1,285	1,311	(26)
Maintenance Facility	3,894	3,773	121
Total Direct Operating Expenses	245,535	176,201	69,334
Total Indirect Operating Expenses	22,949	23,422	(473)
Total Operating Expenses	268,484	199,623	68,861
Operating Income (Loss)	15	68,876	68,861
Non-Operating Revenues (Expenses)			
Interest Income	115	307	192
Bank Charges	(130)	(263)	(133)
Transfer of Operating Reserves	0	(68,920)	(68,920)
Net Non-Operating Revenues (Expenses)	(15)	(68,876)	(68,861)
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, 2016**

	Juvenile Justice Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 642,717	\$ 642,717	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	242,871	248,306	(5,435)
Employee Benefits	89,862	80,026	9,836
Office Expenses	2,000	1,013	987
Education and Training	1,250	87	1,163
Operating Expenses	87,500	93,319	(5,819)
Operating Contracts	137,640	135,078	2,562
Communications	12,500	4,639	7,861
Insurance	4,246	4,285	(39)
Professional Services	500	227	273
Maintenance Facility	9,320	9,037	283
Depreciation Expense	0	9,100	(9,100)
	587,689	585,117	2,572
Total Direct Operating Expenses			
Total Indirect Operating Expenses	54,928	52,557	2,371
Total Operating Expenses	642,617	637,674	4,943
Operating Income (Loss)	100	5,043	4,943
Non-Operating Revenues (Expenses)			
Interest Income	700	517	(183)
Bank Charges	(800)	(453)	347
Transfer of Operating Reserves	0	(14,208)	(14,208)
Net Non-Operating Revenues (Expenses)	(100)	(14,144)	(14,044)
Increase (Decrease) in Net Position	\$ 0	(9,101)	\$ (9,101)
Net Position, Beginning of Year		34,202	
Net Position, End of Year		\$ 25,101	

**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, 2016**

	Knox Central		Variance
	Budget	Actual	Favorable (Unfavorable)
Operating Revenues			
Management Fees from the County	\$ 199,463	\$ 199,463	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	83,314	62,860	20,454
Employee Benefits	30,827	27,222	3,605
Office Expenses	7,650	3,036	4,614
Education and Training	1,000	0	1,000
Operating Expenses	36,350	28,115	8,235
Operating Contracts	13,556	14,404	(848)
Communications	4,500	4,833	(333)
Insurance	1,801	1,815	(14)
Professional Services	500	0	500
Maintenance Facility	2,893	2,803	90
Depreciation Expenses	0	996	(996)
	182,391	146,084	36,307
Total Direct Operating Expenses			
Total Indirect Operating Expenses	17,047	16,362	685
Total Operating Expenses	199,438	162,446	36,992
Operating Income (Loss)	25	37,017	36,992
Non-Operating Revenues (Expenses)			
Interest Income	125	188	63
Bank Charges	(150)	(164)	(14)
Transfer of Operating Reserves	0	(28,037)	(28,037)
Net Non-Operating Revenues (Expenses)	(25)	(28,013)	(27,988)
Increase (Decrease) in Net Position	\$ 0	9,004	9,004
Net Position, Beginning of Year		0	
Net Position, End of Year		\$ 9,004	

**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, 2016**

	Old Court House		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 595,700	\$ 595,700	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	267,618	236,443	31,175
Employee Benefits	99,019	86,829	12,190
Office Expenses	2,350	2,281	69
Education and Training	1,000	881	119
Operating Expenses	54,200	65,942	(11,742)
Operating Contracts	100,164	99,957	207
Communications	7,100	5,124	1,976
Insurance	4,079	4,108	(29)
Professional Services	500	6,412	(5,912)
Maintenance Facility	8,638	8,376	262
Capital Purchases	0	0	0
Depreciation Expense	0	24,296	(24,296)
Total Direct Operating Expenses	544,668	540,649	4,019
Total Indirect Operating Expenses	50,907	48,632	2,275
Total Operating Expenses	595,575	589,281	6,294
Operating Income (Loss)	125	6,419	6,294
Non-Operating Revenue (Expenses)			
Interest Income	750	524	(226)
Bank Charges	(875)	(461)	414
Transfer of Operating Reserves	0	(30,778)	(30,778)
Net Non-Operating Revenue (Expenses)	(125)	(30,715)	(30,590)
Increase (Decrease) in Net Position	\$ 0	(24,296)	\$ (24,296)
Net Position, Beginning of Year		157,759	
Net Position, End of Year		\$ 133,463	

**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, 2016**

	Public Defender		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 76,077	\$ 76,077	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	8,592	6,490	2,102
Employee Benefits	3,179	2,819	360
Office Expenses	300	2	298
Education and Training	500	0	500
Operating Expenses	50,000	12,826	37,174
Operating Contracts	5,000	0	5,000
Communications	600	60	540
Insurance	300	302	(2)
Professional Services	0	0	0
Maintenance Facility	1,103	1,066	37
Depreciation Expense	0	0	0
Total Direct Operating Expenses	69,574	23,565	46,009
Total Indirect Operating Expenses	6,503	6,673	(170)
Total Operating Expenses	76,077	30,238	45,839
Operating Income (Loss)	0	45,839	45,839
Non-Operating Revenues (Expenses)			
Interest Income	100	147	47
Bank Charges	(100)	(125)	(25)
Transfer of Operating Reserves	0	(45,861)	(45,861)
Net Non-Operating Revenues (Expenses)	0	(45,839)	(45,839)
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, 2016**

	Senior Centers		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 102,373	\$ 102,373	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	43,134	47,081	(3,947)
Employee Benefits	15,959	14,370	1,589
Office Expenses	450	683	(233)
Education and Training	750	0	750
Operating Expenses	22,800	20,053	2,747
Operating Contracts	6,555	4,436	2,119
Communications	1,560	(81)	1,641
Insurance	828	832	(4)
Professional Services	75	0	75
Maintenance Facility	1,484	1,439	45
Depreciation Expense	0	0	0
Total Direct Operating Expenses	93,595	88,813	4,782
Total Indirect Operating Expenses	8,748	8,204	544
Total Operating Expenses	102,343	97,017	5,326
Operating Income (Loss)	30	5,356	5,326
Non-Operating Revenues (Expenses)			
Interest Income	185	95	(90)
Bank Charges	(215)	(84)	131
Transfer of Operating Reserves	0	(5,367)	(5,367)
Net Non-Operating Revenues (Expenses)	(30)	(5,356)	(5,326)
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, 2016**

	Young Williams Aminmal Welfare Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from County	\$ 88,414	\$ 88,414	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	17,065	11,709	5,356
Employee Benefits	6,314	5,747	567
Office Expenses	300	4	296
Education and Training	0	0	0
Operating Expenses	50,000	33,678	16,322
Operating Contracts	5,000	0	5,000
Communications	600	81	519
Insurance	296	302	(6)
Professional Services	0	0	0
Maintenance Facility	1,282	1,247	35
Depreciation Expense	0	0	0
	80,857	52,768	28,089
Total Direct Operating Expenses			
Total Indirect Operating Expenses	7,557	7,720	(163)
Total Operating Expenses	88,414	60,488	27,926
Operating Income (Loss)	0	27,926	27,926
Non-Operating Revenues (Expenses)			
Interest Income	100	156	56
Bank Charges	(100)	(134)	(34)
Transfer of Operating Reserves	0	(27,948)	(27,948)
Net Non-Operating Revenues (Expenses)	0	(27,926)	(27,926)
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, 2016

	City County Building		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental Income from City and County	\$ 4,327,759	\$ 4,327,759	\$ 0
Net Parking Revenues	59,487	61,454	1,967
Total Operating Revenues	<u>4,387,246</u>	<u>4,389,213</u>	<u>1,967</u>
Operating Expenses			
Direct:			
Salaries and Wages	937,142	927,795	9,347
Employee Benefits	346,742	308,886	37,856
Office Expenses	25,250	13,987	11,263
Education and Training	11,500	987	10,513
Operating Expenses	350,000	327,994	22,006
Operating Contracts	609,833	594,177	15,656
Utilities	1,488,413	1,473,568	14,845
Communications	24,000	21,245	2,755
Insurance	172,126	173,957	(1,831)
Professional Services	2,500	2,743	(243)
Maintenance Facility	20,745	20,120	625
Capital Purchases	20,500	297,333	(276,833)
Depreciation Expense	0	586,431	(586,431)
Total Direct Operating Expenses	<u>4,008,751</u>	<u>4,749,223</u>	<u>(740,472)</u>
Total Indirect Operating Expenses	<u>376,795</u>	<u>361,095</u>	<u>15,700</u>
Total Operating Expenses	<u>4,385,546</u>	<u>5,110,318</u>	<u>(724,772)</u>
Operating Income (Loss)	<u>1,700</u>	<u>(721,105)</u>	<u>(722,805)</u>
Non-Operating Revenues (Expenses)			
Interest Income	8,800	8,276	(524)
Bank Charges	(10,500)	(7,223)	3,277
Capital Asset Replacement Reserve Expenses	(700,000)	0	700,000
Capital Assets Removed/Retired	0	0	0
Net Non-Operating Revenues (Expenses)	<u>(701,700)</u>	<u>1,053</u>	<u>702,753</u>
Increase (Decrease) in Net Position Before Capital Contributions			
	<u>(700,000)</u>	<u>(720,052)</u>	<u>(20,052)</u>
Capital Contributions			
Capital Asset Replacement Reserve Contributions from City and County	<u>700,000</u>	<u>700,000</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>\$ 0</u>	<u>(20,052)</u>	<u>\$ (20,052)</u>
Net Position, Beginning of Year		<u>6,434,255</u>	
Net Position, End of Year		<u>\$ 6,414,203</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, 2016**

	Emergency Communications District		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from Other Governmental Agencies	\$ 106,456	\$ 106,456	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	30,379	29,356	1,023
Employee Benefits	11,240	9,991	1,249
Office Expenses	100	386	(286)
Education and Training	500	0	500
Operating Expenses	24,000	17,896	6,104
Operating Contracts	29,224	28,617	607
Communications	425	570	(145)
Insurance	620	630	(10)
Professional Services	250	0	250
Maintenance Facility	506	490	16
Depreciation Expense	0	0	0
Total Direct Operating Expenses	97,244	87,936	9,308
Total Indirect Operating Expenses	9,187	8,835	352
Total Operating Expenses	106,431	96,771	9,660
Operating Income (Loss)	25	9,685	9,660
Non-Operating Revenues (Expenses)			
Interest Income	130	128	(2)
Bank Charges	(155)	(111)	44
Transfer of Operating Reserves	0	(9,702)	(9,702)
Net Non-Operating Revenues (Expenses)	(25)	(9,685)	(9,660)
Increase (Decrease) in Net Position	\$ 0	0	\$ 0
Net Position, Beginning of Year		9,500	
Net Position, End of Year		\$ 9,500	

**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, 2016**

	Fairview Technology Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from Other Governmental Agencies	\$ 48,910	\$ 48,910	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	17,413	20,140	(2,727)
Employee Benefits	6,442	5,745	697
Office Expenses	622	24	598
Education and Training	52	0	52
Operating Expenses	11,470	9,599	1,871
Operating Contracts	4,027	4,722	(695)
Communications	4,065	2,152	1,913
Insurance	301	302	(1)
Professional Services	50	0	50
Maintenance Facility	232	224	8
Depreciation Expense	0	0	0
Total Direct Operating Expenses	44,674	42,908	1,766
Total Indirect Operating Expenses	4,221	4,048	173
Total Operating Expenses	48,895	46,956	1,939
Operating Income (Loss)	15	1,954	1,939
Non-Operating Revenues (Expenses)			
Interest Income	70	59	(11)
Bank Charges	(85)	(52)	33
Transfer of Operating Reserves	0	(1,961)	(1,961)
Net Non-Operating Revenues (Expenses)	(15)	(1,954)	(1,939)
Increase (Decrease) in Net Position	\$ 0	0	\$ 0
Net Position, Beginning of Year		4,610	
Net Position, End of Year		\$ 4,610	

**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, 2016**

	Property Development		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City and County	\$ 618,621	\$ 618,621	\$ 0
Operating Expenses			
Direct:			
Salaries and Wages	314,340	168,564	145,776
Employee Benefits	116,305	109,622	6,683
Office Expenses	34,000	20,633	13,367
Education and Training	15,000	2,196	12,804
Operating Expenses	5,000	1,213	3,787
Operating Contracts		36	(36)
Communications	10,000	3,227	6,773
Insurance	935	933	2
Professional Services	20,000	166,508	(146,508)
Depreciation Expense	0	0	0
	515,580	472,932	42,648
Total Direct Operating Expenses			
Total Indirect Operating Expenses	103,116	98,232	4,884
Total Operating Expenses	618,696	571,164	47,532
Operating Income (Loss)	(75)	47,457	47,532
Non-Operating Revenues (Expenses)			
Interest Income	690	401	(289)
Bank Charges	(615)	(348)	267
Transfer of Operating Reserves	0	(47,510)	(47,510)
Net Non-Operating Revenues (Expenses)	75	(47,457)	(47,532)
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, 2016

	Telecommunications Services		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Management Fees from City and County	\$ 555,956	555,956	\$ 0
Management Fees Related to KCS	124,353	124,353	0
Total Operating Revenues	680,309	680,309	0
Direct Operating Expenses			
Telecom			
Salaries and Wages	321,716	290,769	30,947
Employee Benefits	118,772	105,530	13,242
Office Expenses	9,500	6,364	3,136
Education and Training	2,400	185	2,215
Operating Expenses	6,800	4,399	2,401
Operating Contracts	5,000	7,639	(2,639)
Communications	7,700	8,920	(1,220)
Insurance	9,726	9,830	(104)
Professional Services	2,000	423	1,577
Capital Purchases	0	0	0
Depreciation Expense	0	153,557	(153,557)
Telecom Operating Expenses	483,614	587,616	(104,002)
Knox County Schools			
Salaries and Wages	75,204	55,053	20,151
Employee Benefits	27,825	24,569	3,256
Office Expenses	1,500	438	1,062
Education and Training	600	60	540
Operating Expenses	1,200	647	553
Communications	1,000	894	106
Insurance	391	403	(12)
Professional Services	500	0	500
Schools Operating Expenses	108,220	82,064	26,156
Total Direct Operating Expenses	591,834	669,680	(77,846)
Total Indirect Operating Expenses	88,775	85,458	3,317
Total Operating Expenses	680,609	755,138	(74,529)
Operating Income (Loss)	(300)	(74,829)	(74,529)
Non-Operating Revenues (Expenses)			
Interest Income	474	1,023	549
Bank Charges	(174)	(892)	(718)
Transfer of Operating Reserves	0	(78,859)	(78,859)
Net Non-Operating Revenues (Expenses)	300	(78,728)	(79,028)
Increase (Decrease) in Net Position Before Capital Contributions	0	(153,557)	(153,557)
Capital Contributions			
Capital Asset Replacement Reserve Contributions from City and County	0	0	0
Increase (Decrease) in Net Position	\$ 0	(153,557)	\$ (153,557)
Net Position, Beginning of Year		455,298	
Net Position, End of Year		\$ 301,741	

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.	58-59
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.....	60-63
Debt Capacity	
The PBA is a joint venture between the City of Knoxville and Knox County; the PBA has no taxing authority. Debt for capital projects managed for the City and the County are funded by debt issued by these two government entities. Information on the City's and County's debt capacity is contained in their individual CAFRs.....	N/A
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which PBA's financial activities take place approved by the City Council and the County Commission.....	64-65
Operating Information	
This schedule contains service data to help the reader understand how the information in the PBA's financial report relates to services provided and the activities performed.	66

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

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

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

<u>Fiscal Year</u>	<u>Investment in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
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	3,256,753	12,089,122
2014	9,257,296	2,605,776	11,863,072
2015	7,975,147	3,269,503	11,244,650
2016	7,987,860	3,238,721	11,226,581

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

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenues										
Rental Income from City and County	\$ 4,327,759	\$ 4,215,037	\$ 4,101,739	4,013,581	\$ 3,912,814	3,999,608	\$ 3,887,410	\$ 3,623,121	\$ 3,454,701	\$ 3,382,478
Other Rental Income - Net	252,697	241,439	225,648	232,474	208,204	196,173	130,853	192,461	214,103	161,821
Management Fees from City and County	7,177,821	6,596,204	6,770,676	5,915,239	5,652,775	5,776,189	5,833,766	6,380,409	9,536,951	9,169,175
Management Fees from Other										
Governmental Agencies	313,766	305,775	163,956	189,380	161,299	153,846	179,713	191,633	176,338	172,652
Net Parking Revenues	3,083,416	2,922,562	2,986,198	2,721,805	2,848,822	2,816,686	2,832,092	2,982,014	2,836,172	2,537,780
Total Operating Revenues	15,155,459	14,281,017	14,248,217	13,072,479	12,783,914	12,942,502	12,863,834	13,369,638	16,218,265	15,423,906
Operating Expenses										
Salaries and Benefits	6,476,717	6,593,584	6,005,836	5,569,032	5,489,707	5,625,169	5,896,222	6,450,488	6,272,267	6,418,441
Office	146,403	105,780	120,030	105,534	93,329	72,415	89,703	118,120	143,731	172,569
Education and Training	13,360	21,507	17,241	8,723	6,703	10,335	6,806	12,437	11,121	34,042
Purchased Services and Supplies	1,577,232	1,287,942	1,151,072	1,157,287	1,055,814	1,049,751	988,458	978,689	1,030,931	962,469
Operating Contracts	1,905,427	1,695,954	1,675,598	1,608,672	1,586,372	1,448,345	1,382,944	1,463,449	1,895,038	1,625,987
Utilities	2,134,130	2,007,525	2,100,368	2,050,996	1,879,794	2,059,794	1,844,483	2,010,877	3,905,696	3,493,192
Communications	111,963	88,539	82,609	95,780	72,458	67,270	60,503	59,126	68,443	81,076
Insurance	309,888	308,154	298,444	269,125	236,013	228,725	224,990	229,141	235,118	189,388
Professional Fees	251,921	91,862	58,113	48,926	59,226	77,905	110,701	56,743	90,815	90,494
Depreciation	1,117,721	2,152,372	950,153	981,701	906,441	803,661	722,568	643,194	582,954	517,852
Maintenance Facility	106,568	86,222	86,008	81,728	76,560	73,593	72,643	60,301	51,173	0
Other	411,929	336,426	309,728	103,652	143,840	41,678	243,499	178,120	78,375	347,917
Total Operating Expenses	14,563,259	14,775,867	12,855,200	12,081,156	11,606,257	11,558,641	11,643,520	12,260,685	14,365,662	13,933,427
Operating Income (Loss)	592,200	(494,850)	1,393,017	991,323	1,177,657	1,383,861	1,220,314	1,108,953	1,852,603	1,490,479
Non-Operating Revenues (Expenses)										
Interest Income	21,844	27,528	19,038	16,271	28,448	27,264	28,997	92,272	331,019	362,831
Gain (Loss) on Disposal of Capital Assets			(489,579)	0	0	0	0	0	0	6,018
Bank Charges	(62,065)	(59,585)	(17,373)	(12,232)	(8,224)	(8,210)	(7,706)	(7,286)	(7,669)	(8,156)
Impairment Gain - Insurance Settlement	0	0	0	1,039,555	0	0	0	0	0	(166)
Interest Expense	0	0	0	0	0	0	0	0	0	(166)
Capital Returned to the City and County	(1,829,891)	(1,668,938)	(2,135,304)	(1,563,423)	(1,728,491)	(1,730,881)	(1,801,089)	(2,054,297)	(2,579,761)	(586,159)
Capital Returned to Other										
Governmental Agencies	(38,695)	(35,641)	(66,008)	(34,853)	(16,414)	(42,537)	(111,666)	(19,164)	(24,832)	(29,251)
Noncash:										
Capital Asset Retirements from the City and County		(19,674)	0	0	0	0	0	0	0	(5,271)
Total Non-Operating Revenues (Expenses) - Net	(1,908,807)	(1,756,310)	(2,689,226)	(554,682)	(1,724,681)	(1,754,364)	(1,891,464)	(1,988,475)	(2,281,243)	(260,154)
Increase (Decrease) in Net Position Before Capital Contributions	(1,316,607)	(2,251,160)	(1,296,209)	436,641	(547,024)	(370,503)	(671,150)	(879,522)	(428,640)	1,230,325
Capital Contributions										
Capital Contributions from the City and County	1,298,538	1,632,738	548,501	815,424	882,465	711,125	332,128	1,312,158	848,128	894,500
Capital Contributions from Other										
Governmental Agencies	0	0	0	0	0	0	0	4,647	7,426	6,603
Noncash:										
Capital Asset Retirements from the City and County	0	0	0	0	0	0	0	0	0	0
Total Capital Contributions	1,298,538	1,632,738	548,501	815,424	882,465	711,125	332,128	1,316,805	855,554	901,103
Increase (Decrease) in Net Position	(18,069)	(618,422)	(747,708)	1,252,065	335,441	340,622	(339,022)	437,283	426,914	2,131,428
Net Position, Beginning of Year	11,244,650	11,863,072	12,610,780	11,358,715	11,023,274	10,682,652	11,021,674	10,584,391	10,157,477	8,026,049
Net Position, End of Year	\$ 11,226,581	\$ 11,244,650	\$ 11,863,072	\$ 12,610,780	\$ 11,358,715	\$ 11,023,274	\$ 10,682,652	\$ 11,021,674	\$ 10,584,391	\$ 10,157,477

**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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
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	N/A	N/A	N/A	19,161
Fairview Technology Center	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Senior Centers (4)	38,940	33,738	33,738	33,738	33,738	33,738	33,738	33,738	27,500	27,500
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	157,800	157,800	157,800
John Tarleton Homes	N/A	N/A	N/A	N/A	80,000	80,000	80,000	80,000	80,000	80,000
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	171,000	171,000	171,000
Library System (1 main location, 1 history center, and 16 community branches)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	300,201	321,537	302,376
Old Court House	64,098	64,098	64,098	64,098	64,098	64,098	64,098	64,098	64,098	64,098
County Clerk Satellite Offices (5)	11,773	11,773	11,773	11,773	11,773	11,773	11,773	11,773	11,773	11,773
Family Investment Center	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	N/A
Forensic Center	19,435	19,435	19,435	19,435	19,435	19,435	19,435	19,435	19,435	19,435
Public Defender's Office	23,405	23,405	23,405	23,405	23,405	23,405	23,405	23,405	23,405	23,405
Young Williams Animal Center	21,308	21,308	21,308	21,308	21,308	21,308	21,308	21,308	21,308	21,308
City Owned										
Volunteer Landing Park	16,331	16,331	16,331	16,331	16,331	16,331	16,331	16,331	5,170	5,170
World's Fair Park	39,600	39,600	39,600	39,600	39,600	39,600	39,600	39,600	39,600	3,600
Downtown Cinema	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	N/A
Knoxville Station Transit Center	103,717	103,717	103,717	103,717	103,717	103,717	103,717	103,717	103,717	103,717
Knoxville Area Transit - Magnolia Facility	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	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	531,634
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	1,561,411	1,511,496	1,492,061	1,480,288	1,560,288	1,525,288	1,421,571	1,721,772	1,725,709	1,654,209

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

**PROPERTIES MANAGED (Continued)
Last Ten Fiscal Years**

Location	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
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	283
City Owned										
Hill Avenue Parking Lot	16	16	16	16	16					
Jackson Avenue Parking Lot	190	190	190	190	190	190	190	190	190	190
Locust Street Garage	645	645	645	645	645	645	645	645	645	645
Main Avenue Garage	475	475	475	475	475	475	475	475	475	475
Market Square Garage	677	677	677	677	700	700	700	700	700	700
Promenade Garage	277	277	277	277	277	277	277	277	277	277
State Street Garage	1,082	1,082	1,082	842	842	842	842	842	842	842
World's Fair Parking Lots	698	698	698	698	698	698	698	698	698	698
Tennessee Department of Transportation (TDOT)	469	469	469	469	469	469	0	0	0	0
Supreme Court Parking Lot	159									
PBA Owned										
City County Building Garage	850	850	850	850	850	850	850	850	850	850
Totals	6,785	6,626	6,626	6,386	6,409	6,393	5,924	5,924	5,924	5,924
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	9	9	9	0	0
Estimated Park Visitors Annually	699,608	706,236	671,988	678,733	689,518	648,530	610,955	446,885	200,000	200,000

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 Buidling Elevator Upgrade	\$ 275,000
Andrew Johnson Building Reroof - Phase I	400,000
Andrew Johnson Building Reroof - Phase II	350,000
Juvenile Court Building Expansion	3,958,298
Knox Central Generator	250,000
Knox Central Switchgear	400,000
Old Courthouse Windows	1,366,474
Young Williams Animal Center Renovations	88,575
County Subtotal	7,088,347
CITY PROJECTS	
Badgett Field Concession Bldg Reroof	50,000
Beardsley Farm Building	235,000
Convention Center Warranty Repairs	711,000
Duff Field Reroof	6,100
Fire Station #5 Soffit and Fascia repairs	55,000
Fire Station #7 Interior Renovations and Concrete Bay	259,000
Fire Station #10 Soffit, Fascia, Concrete and Roof Repairs	137,681
Fire Station #12 Structural Investigation	4,750
Fire Station #15 Concrete Bay Room Replacement	85,000
Fire Station #16 Concrete Apron Work	35,000
Fire Station #20 Remodel	75,000
Fleet Services Storage Building Reroof	11,300
Krutch Park	56,000
Lakeshore Administration Building - Phase I	1,200,000
Lakeshore Administration Building - Phase II	2,100,000
Larry Cox Senior Center Remodel	350,000
Locust Street Garage Brick Repair	85,000
Lorraine Street Salt Sheds Reroof	60,000
Mary Vestal Park Reroof	7,700
Safety Building Tenant Improvements	100,000
Solid Waste Transfer Station	25,000
Solid Waste Management Storm Water and Roof Additions	300,000
State Street Addition	7,100,000
State Street Garage Lower Addition	500,000
Transit Center Doors	70,500
Volunteer Landing Stair Repairs	146,640
Whittle Springs Golf Shed	25,000
City Projects Subtotal	13,790,671
Total All Projects	\$ 20,879,017.63

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

**TELECOMMUNICATION SERVICES
Last Ten Fiscal Years**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
CITY AND COUNTY										
Total Extensions	8,305	8,299	8,243	8,280	8,280	8,367	8,156	8,544	7,790	7,790
Telephone Lines	811	805	804	360	360	360	360	489	489	489
Cellular Telephones	95	140	144	127	131	96	145	218	823	795
Pagers	33	33	33	34	50	72	106	160	312	348
Repair Work Orders	1,387	1,002	823	716	807	905	829	858	1,177	973
SCHOOLS										
Total Extensions	797	855	852	852	929	817	785	631	661	634
Telephone Lines	2242	2,300	2,338	2,329	2,285	2,430	2,391	2,430	2,386	2,340
Repair Work Orders	614	591	627	562	644	594	728	578	575	696

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
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	18,149,825	41,127	6.3	8
2013	441,311	18,466,333	41,533	5.6	7.9
2014	448,664	19,297,297	43,012	5.7	6.6
2015	453,519	N/A	N/A	4.8	5.6

- 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	2015		2006	
		Number of Employees	% of Total Knox County Workforce	Number of Employees	% of Total Knox County Workforce
U.S. Department of Energy	Government	N/A	N/A %	11,943	3.52 %
Covenant Health	Health Care	10,304	4.51	8,664	2.56
Knox County Schools	Education	7,241	3.17	7,860	2.32
The University of Tennessee	Government	6,609	2.89	8,447	2.49
Wal-Mart Stores, Inc.	Retail	5,951	2.60	4,472	1.32
University Health Systems	Health Care	4,941	2.16	3,367	0.99
Tennova Healthcare	Health Care	3,997	1.75	N/A	N/A
St. Mary's Medical Center	Health Care	N/A	N/A	3,529	1.04
K-VA-T Food Stores	Retail Grocery	3,913	1.71	3,416	1.01
Knox County	Government	2,952	1.29	2,974	0.88
State of Tennessee	Government	N/A	N/A	3,733	1.10
Team Health Holdings	Health Services	2,015	0.88	N/A	N/A
East Tennessee Children's Hospital	Health Care	2000	0.88	N/A	N/A
Total		<u>49,923</u>	<u>21.84 %</u>	<u>58,405</u>	<u>17.23 %</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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Facilities Management	67	44	41	41	40	38	38	47	40	56
Safety and Security	53	47	51	41	40	42	37	44	48	42
Property Development	4	4	6	4	4	4	5	5	8	7
Telecommunications/MIS/PBX	11	12	11	9	9	9	8	9	8	9
Administrative	7	9	9	9	8	9	9	12	14	13
Total	142	116	118	104	101	102	97	117	118	127

Source: PBA Payroll Department.

**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, 2016, 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 26, 2016.

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 entity'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

Chattanooga, TN
October 26, 2016