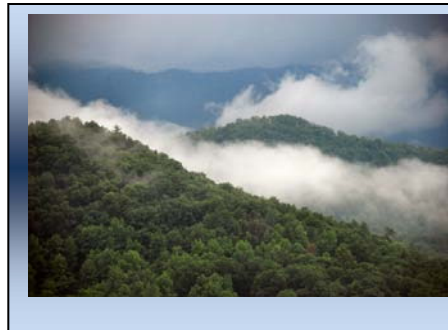




# **Knox County Tennessee**

## *Comprehensive Annual Financial Report*

**For The  
Fiscal Year Ended  
JUNE 30, 2010**



**MICHAEL R. RAGSDALE  
KNOX COUNTY MAYOR**

# KNOX COUNTY, TENNESSEE

## Comprehensive Annual Financial Report

### For The Fiscal Year Ended June 30, 2010

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# Introductory Section





# OFFICE OF COUNTY MAYOR

Department of Finance • 400 Main Street, Suite 630, Knoxville, TN 37902

November 23, 2010

To the Board of Knox County Commissioners and the Citizens of Knox County, Tennessee:

The Comprehensive Annual Financial Report (CAFR) of Knox County, Tennessee (the County) for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentations, including all disclosures, rests with the County. County management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that has been established for that 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 any material misstatements. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County and its component units. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

The introductory section includes this transmittal letter, the County's organization chart, and a list of principal officials. The financial section includes Management's Discussion & Analysis (MD&A), the basic government-wide and fund financial statements and notes to the financial statements. The Financial Section also includes Required Supplementary Information and other supplemental information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The reader is directed to the MD&A for a narrative introduction, overview and analysis of the financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Knox County's MD&A can be found immediately following the report of the independent auditors.

State law requires that the County obtain an annual audit of its books and records. The independent audit performed by KPMG LLP, Certified Public Accountants, has been obtained to fulfill that requirement. The auditors have issued an unqualified ("clean") opinion on the County's financial statements for the year ended June 30, 2010. The independent auditors' report is located at the front of the financial section of this report. The County is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended, and U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including schedules of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

The financial reporting entity (the government) includes all the funds of the Primary Government (i.e., the County) as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. Component units are discretely presented

in separate columns in the government-wide financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The Knox County Board of Education (the Board), Knox County Emergency Communications District (the District), and the Knox County Railroad Authority (KCRA) are reported as discretely presented component units. The County and its Component Units provide a full range of services including, but not limited to, the construction and maintenance of highways, streets and infrastructure, public health and welfare, police protection, emergency telephone services, elementary and secondary education, community services, sanitation services, and recreational and cultural events. Because of the close relationship between the County and the Board and the fact that the Board does not issue financial statements separate from those of the County, several of the supplemental schedules and other financial information have been consolidated to more properly reflect the joint activities of the County and the Board.

### ***GOVERNMENTAL STRUCTURE***

The County has operated under a County Mayor/County Commission form of government since September 1, 1980, and has been under a Home Rule Charter (Charter) since September 1, 1990. Policymaking and legislative authority are vested in the County Mayor (the executive branch of the County) and the County Commission (the legislative branch of the County). The County Commission is responsible for, among other things, passing ordinances, adopting the budget and appointing committees. The County Mayor, elected at-large for a four-year term, is responsible for carrying out the policies and ordinances of the County Commission, overseeing the day-to-day operations of the government and appointing the heads of many of the County's departments.

### ***OFFICE OF THE COUNTY MAYOR***

Mayor Mike Ragsdale finished his second term of office August 31, 2010, shortly after the fiscal year ended June 30, 2010. This section of this document will review some of the Knox County community's achievements over the past eight years:

#### **Every School a Great School**

- Championed Basic Education Program reform, resulting in an additional \$19 million annually to our schools
- Increased the level of education funding by more than \$80 million
- Established "Read With Me" program to put 400 volunteer readers in K-3<sup>rd</sup> grades countywide; received *2004 National Association of Counties Achievement Award*
- Opened new Amherst and Brickey-McCloud Elementary Schools and Hardin Valley Academy
- Expanded and renovated Powell Middle, Cedar Bluff Primary and Gibbs Elementary Schools
- Implemented KnoxAchieves community college scholarship program for county high school seniors
- Held education summits to engage the community in improving our education system
- Implemented "Birth to Kindergarten" program
- Increased ACT scores above state and national averages
- Implemented Teacher Advancement Program (TAP) successfully at Holston Middle and Northwest Middle Schools, and Pond Gap and Lonsdale Elementary Schools
- Held annual First Day Festivals to encourage families to celebrate back to school

### Senior Citizens/Veterans

- Opened Halls, South Knoxville, Corryton and Carter Senior Centers
- Expanded John T. O'Connor and Frank Strang Centers with \$2 million capital investments
- Held regional summits on senior fraud and abuse
- Held annual senior appreciation picnics
- Opened the Ben Atchley State Veterans' Home
- Opened the East Tennessee Veterans' Memorial

### Economic Results

- Received highest bond ratings in the county's history from both Moody's and Standard & Poor's bond rating agencies. During 2010 the County received an upgraded Aa1 bond rating from Moody's, and maintained its AA+ bond rating from Standard & Poor's that had been upgraded in 2009.
- Maintained the lowest unemployment rate for all Tennessee urban counties, even through tough economic times
- Did not increase the property tax rate throughout eight years in office
- Created workforce development initiatives with Jobs Now and Innovation Valley
- Developed Pellissippi Place regional research park
- Developed supplier diversity program that has been commended by the Small Business Administration for its efforts that positively affect the economy
- Developed mentoring program for small and minority-owned business leaders

### Making Government Better Every Day

- Received *2005 National Association of Counties Courthouse Award* for "Excellence in Government." Only three awarded annually
- Addressed jail overcrowding with a Jail Population Reduction Program; received *2010 National Association of Counties Achievement Award*
- Managed Health Department that is recognized as national model
  - Developed Dispensary of Hope medication assistance program for the uninsured
  - Managed model FluMist program in county schools and daycare centers
  - Implemented Together! Healthy Knox, a community approach to better health
  - Implemented Healthy Kids, Healthy Communities childhood obesity initiative
- Parks and Recreation program:
  - Opened or rededicated eight new parks: New Harvest, Schumpert, Powell, Mascot Place, Burlington, Spring Place, Carl Cowen, South-Doyle Cherokee
  - Opened greenways and trails: Ten Mile Creek, Pinkston, Sarah Moore Green
  - Opened Mascot Community Center
  - Implemented Adopt-a-Park program; received *2010 National Association of County Information Officers Superior Award*
  - Opened Farmers Market at New Harvest Park
  - Developed Holiday Festival of Lights at the Cove
- Public Library System:
  - Opened four new libraries: Burlington, Fountain City, Halls, Powell
  - Developed Children's Festival of Reading; received *2010 National Association of County Information Officers Excellence Award*
  - Annually provided summer reading programs for children, teens and adults

- Provided more than 600,000 books to our youngest citizens free of charge through Imagination Library
- Expanded Beck Cultural Exchange Center
- Green initiatives:
  - Initiated \$16 million energy efficiency upgrade to county facilities
  - Built solar hot water farm at detention facility
  - Created employee and citizen versions of Knox Green Team
  - Developed Master Recycler Program
  - Instituted Rainy Day Brushoff & Medication Collection Task Force programs that won *Governor's Environmental Stewardship Award*
  - Recycled over 10 million pounds of papers, plastic, etc., at convenience centers
  - Opened downtown recycling center
- Developed Knox County Happenings social media sites on Facebook and Twitter
- Created Knox County Snapshot (frequently requested documents available on demand from county website)
- Developed DUI litter pick-up program that has cleaned up 1,000 miles of road, resulting in a \$50,000 savings to the county
- Enabled Knox County online content in Spanish
- Opened Solid Waste and Recycling Convenience Center in Halls

### ***Legislative Initiatives***

*Impact of State Funding:* Knox County, like the other 94 county governments in Tennessee, receives significant support from state-shared revenues -- mainly in the form of education and highway dollars. Because of this dependence, the legislative activities of the Tennessee General Assembly are carefully monitored. Thanks to the continuing leadership of our Governor, the State again passed a responsible, balanced budget. We at the local level are thankful for the fiscal responsibility demonstrated by the State Budget. The rating agencies have recognized these positive trends toward financial responsibility enabling the State to regain its "triple AAA" bond rating, as has been our tradition for a long time. A healthy State budget means more stable and predictable revenues for all cities and counties.

### ***Capital Improvement Initiatives***

As evidence of the County's commitment to build the facilities necessary to serve the citizens of Knox County and promote economic development within the County and region, the County Commission adopted the Knox County Capital Improvement Plan. At the recommendation of the County Mayor, the five-year capital plan represents a road map of anticipated major capital projects. It does not represent appropriations and is subject to annual revisions or modifications. These individual projects will be primarily funded through general obligation bonded debt.

During the year, the County and the Board expended significant resources in the following major construction/renovation projects in accordance with the County’s Capital Plan:

*General Construction/Renovation:*

- General Project Management
- Various Library Upgrades
- Technology Upgrades
- Powell Middle School
- City County Improvements/Developments
- Many Parks and Greenways Improvements
- Health Department Renovations
- Energy Management Project

*Road Construction/Improvements:*

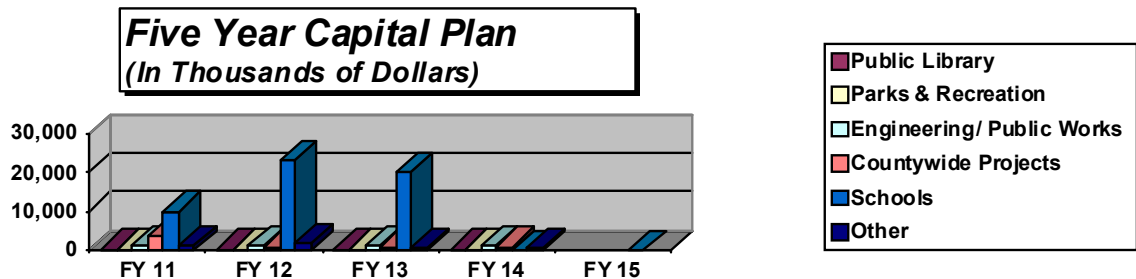
- Ball Camp Pike
- Various Stormwater Improvements
- Gallaher View Road
- General Road Improvements
- Convenience Centers

*School Construction/Renovation:*

- Physical Plant Upgrades
- Energy Management Project
- Hardin Valley High School

The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

Project Description	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	TOTAL
Libraries	\$ 100	\$ 100	\$ 100	\$ 100	\$ -	\$ 400
Countywide Projects	3,577	777	777	777	-	5,908
Parks & Recreation	150	150	150	150	-	600
Engineering & Public Works	1,000	1,000	1,000	1,000	-	4,000
Building Upgrades through PBA	926	1,483	653	500	-	3,562
Schools	10,000	23,100	20,000	-	-	53,100
<b>Total – Approved Projects</b>	<b>\$ 15,753</b>	<b>\$ 26,610</b>	<b>\$ 22,680</b>	<b>\$ 2,527</b>	<b>\$ -</b>	<b>\$ 67,570</b>





## *LOCAL ECONOMIC CONDITION AND OUTLOOK*

### Tennessee



The County is the third most populated county in the State of Tennessee. Located in Middle Eastern Tennessee at the headwaters of the Tennessee River, it is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. The U.S. Census Bureau estimates that, as of 2009, 435,725 citizens reside within the total land area of approximately 526 square miles that make up Knox County. (See [MPC: Population Data](#) for additional information regarding population information, demographics, and other information about Knox County.) Knoxville, the County seat, is about 50 miles west of the North Carolina state line.

The City of Knoxville's population in 2009 was estimated at 185,100. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 20,689. Knoxville has a land area of approximately 93 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee.

### *Manufacturing and Commerce*

Located in the northeastern portion of the State, the County, along with Anderson, Blount, Loudon, and Union counties, is part of the Knoxville Metropolitan Statistical Area (MSA). Because of its central location in the eastern United States, the County metropolitan area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-third of the population of the United States. For many years the County has been known as one of the South's leading wholesale markets. Based on 2009 estimates, there were more than 919 wholesale distribution houses, 1,653 retail establishments, and over 5,318 service industries located in the County.

The area is the trade center for a 42-county region, located in East Tennessee, Kentucky, Virginia and North Carolina, which serves over two million people. It also is the cultural, tourist, and professional center for this region.

The MSA includes nearly 750 manufacturing firms, which produce a large variety of items including medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts.

### ***Business Climate***

The County has a history of being a regional leader in economic activity. The County offers premier location opportunities for high-technology and precision manufacturing firms. The business climate in Knox County is strong. The University of Tennessee, Tennessee Valley Authority and the Oak Ridge National Laboratory provide a stable, secure employment base. The Knoxville area is home to many medium-sized manufacturing and distribution operations as well as customer service centers. The Knoxville area boasts a strong and reliable workforce, and low union membership rates. These assets, combined with an excellent location at the intersections of Interstates 40, 75 and 81, make Knox County a great location for any business. In effort to complement industrial development and recruitment, the Development Corporation of Knox County and the County teamed up to create the Knox County Industrial Scholar's Program. This program provides tuition reimbursement scholarships for students studying in five disciplines in which there is currently a strong need for qualified workers.

### ***Industrial Investment***

The Knoxville MSA has been recognized nationally as a leading location to live and do business. Some of the accolades include:

- *Expansion Management* magazine - ranked # 9 in America's Hottest Cities for Business Relocation & Expansion
- *Forbes* magazine - # 5 Best Places for Business & Careers
- *Forbes* magazine - # 8 Best Places to Raise a Family
- *Inc.* magazine - a Top Mid-Sized Boom Town
- *Site Selection* magazine - # 5 Best Overall Business Climate
- *Southern Business & Development* - # 6 Top Ten Mid-Markets of the Decade
- *Business Facilities* - 2010 Editor's Location Pick

This is recognition of a diverse market. Commerce and industry vary from the media success of Scripps Television Networks (HGTV, DIY, Food Network, GAC, and Travel), to Sysco Corporation's (largest food service marketer and distributor in North America) regional warehouse and distribution center. In addition, many other local companies are recognized as national and global leaders, including Clayton Homes, Brunswick Corporation, Green Mountain Coffee, Bush Brothers Beans, Pilot Corporation, and Ruby Tuesday.

The area is also gaining a reputation as a prime location for corporate headquarters. With 90 corporate headquarters, both large and small, already here, the reputation was enhanced when Cornell Dubilier Foil purchased a 90,000-square-foot manufacturing facility and Scripps Networks expanded its corporate home. Other high profile companies headquartered here in the MSA include the Tennessee Valley Authority, Jewelry Television, AC Entertainment, DeRoyal Industries, Pet Safe/Radio Systems Corporation, and Regal Entertainment. Knox County has 11 business parks and a Technology Corridor to meet a wide range of corporate facility needs. In 2009, over 563 new jobs were created in Knox County and 2,115 jobs were added across the metro area.

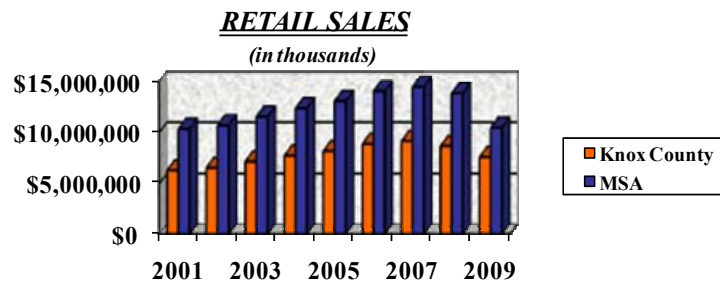
***Innovation Valley***

Innovation Valley Inc. is a regional economic development initiative centered on a 25-mile Technology Corridor with world-class resources in science, technology, and business. Experience shows that a regional approach to economic development offers the most advantages to businesses planning a corporate relocation or expansion as well as to the communities involved.

The partnership was created to implement a five-year economic development blueprint for business growth in the Knoxville-Oak Ridge area of East Tennessee. The blueprint outlines 13 targeted industry sectors that are based on an analysis of the region’s world-class resources. Six program areas provide the framework for the group’s business relocation and industrial development efforts.

***Commercial Development***

Four regional shopping malls and nearly 182 shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Knox County has traditionally been the regional hub of the MSA. Of the nearly \$10.4 billion economy, Knox County has traditionally accounted for a solid majority.



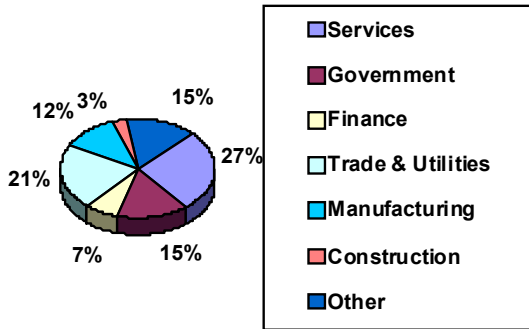
***State Economic Perspective***

Tennessee is a traditionally business-friendly, low-tax state. Tennessee’s fate hinges on the path taken by the global and national economies in the quarters ahead.

According to the analysis reported in the *2010 Tennessee Economic Report* published by the University of Tennessee (<http://cber.utk.edu/erg/erg2010.pdf>), the state’s nominal personal income is expected to grow by 2.1 percent for 2010, improving to 3.5 percent in 2011. Taxable sales are projected to increase by 2.1 percent in 2010. Tennessee’s unemployment rate has drifted upward since achieving a record low rate of 4.5 percent in the first quarter of 2007. The state unemployment rate is expected to average 10.4 percent in 2010, and remain at more than 10 percent in 2011.

**Employment Information**

**NON-AGRICULTURAL EMPLOYMENT**

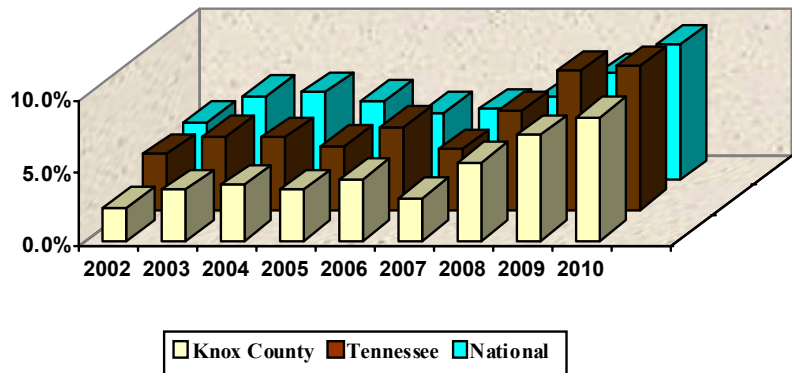


Knox County has demonstrated a very healthy diversity in employment. Services and trade are the two largest employment sectors in the County metropolitan area, followed by Government.

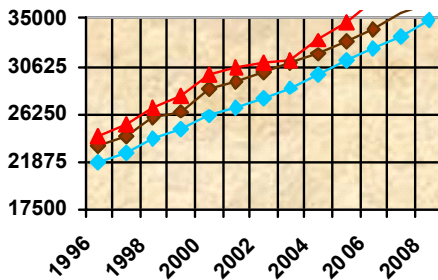
**Economic Data**

Historically, Knox County's unemployment rate has been low relative to the state and national rates. This relationship has held, although rates have increased in this current recession. For the month of June 2010, the seasonally unadjusted unemployment rates for the County, state and nation stood at 7.8%, 10.1% and 9.5%, respectively.

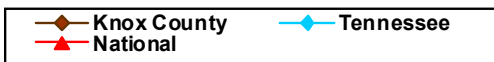
**UNEMPLOYMENT DATA**



**PER CAPITA PERSONAL INCOME**



Due to the County's importance as a regional commercial base, the County's level of per capita income has traditionally exceeded the State level. The 2007 data ranks Knox County 7th highest in Tennessee in this measure.



*Tourism*



Knoxville & Knox County is home to both the U.T men's and 8-time national champion women's basketball teams. Thompson Boling Arena recently has been renovated and now is one of the most elaborate college basketball facilities in the nation, seating 21,678. The site is also used for other events such as concerts, conventions, and other sporting events.

Although industry is frequently considered the core of an economic base, secondary and tertiary activities also make important contributions to economic development. The convention and tourism business contribute to the County's economic base by drawing income into the region -- resulting in employment and investment opportunities in tourist-related facilities.

The influx of tourist dollars provides stimulus to economic activity in the area. Two major interstate highways, I-40 and I-75, flow through the County, and the southern end of I-81 terminates just outside the County. The interstate and highway systems put the County within a day's drive of more than 70 million people.

The County is the principal gateway to the Great Smoky Mountains National Park located approximately 40 miles to the southeast. The park covers over 500,000 acres and extends over the States of Tennessee and North Carolina. Visitors, number nearly ten million annually making the Smokies the most visited National Park in the United States.

Special thanks to Jon Guymon for the use of the picture that was taken in Cades Cove.



## ***FINANCIAL INFORMATION***

### ***Internal Controls***

County management is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the County are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of the financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the County is responsible for adequate internal control structures in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management.

### ***Budgetary Controls***

In addition, the County maintains intensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget appropriated by the County Commission. Activities of the general fund, selected special revenue funds and the debt service fund are included in the budget. Project length budgets (as well as an annual budget for some projects) are adopted for the capital projects funds. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) for the County is at the major category level within divisions of departments. The major categories are: Personal Services, Employee Benefits, Contracted Services, Supplies and Materials, Other Charges, Debt Service and Capital Outlay.

As demonstrated in the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

### ***Cash Management Policies and Practices***

The County has a formal investment policy. Investment decisions are made by an investment committee in consultation with the Knox County Trustee. Investment options, policies, and practices defined in the policy are based on the required liquidity of the available funds. Investments for operating needs, capital needs, and any surplus funds each have different levels of risk tolerance. Operating funds, whose primary objective is the preservation of principal, have the lowest level of risk tolerance and are therefore invested in highly liquid, low-risk instruments. Capital funds, whose primary objective is the preservation of principal and sufficient liquidity to meet capital funding needs, are subject to some volatility in risk tolerance depending on when payment for projects is due. Surplus funds, whose primary objective is to provide income for future use, have the highest level of risk tolerance in order to obtain additional income. Regardless of the type of funds invested, all investments are made in accordance with state statutes.

It is the County's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, the County's and the Board's deposits were either insured by federal depository insurance or collateralized. The investments held by the County at June 30, 2010, excluding the portion invested in the State Treasurer's investment pool and investments of the Pension Trust funds, consisted of securities of the U.S. Government or its agencies.

Cash temporarily idle during the year was invested in an investment sweep account, certificates of deposit, and obligations of the U.S. Government, corporate bonds, and the State of Tennessee Local Government Investment Pool. The majority of interest earnings are transferred to the County's General Fund.

### ***Pension Trust Operations/Employee Retirement Benefits***

The employees of the County and the Board participate in a variety of retirement plans. The majority participate in a defined contribution plan (*County DC Plan*). Those not participating in the defined contribution plan participate in the County's or the Board's respective defined benefit plans or the Tennessee Consolidated Retirement System. Both the County's and the Board's defined benefit plans are closed to new members. Participation in one of these plans for eligible employees is mandatory and a condition of employment. Employees are given the option to voluntarily participate in the *Medical Retirement Plan* (a defined contribution plan) and employees who are eligible (based on years of service) to participate in the *Voluntary 457 Plan* may choose to participate. The participants in the *Medical Retirement Plan* include a number of retirees, who are allowed to remain in the plan while paying 100% of the related premium. The premiums are at the same amount as established for current employees. In 2009, the County implemented the provisions of Governmental Accounting Standards Board Statement No. 45. The resulting liability of \$367,156, representing the implicit subsidy of retirees' healthcare premiums, is reported in the 2010 Statement of Net Assets. In 2008 a new defined benefit plan, the *Uniformed Officers Pension Plan*, was established pursuant to the approval by Knox County electorate for the benefit of sworn officers of the Sheriff's Department.

The defined contribution plans offer participants a variety of investment options depending on their sensitivity to risk in their personal portfolio. Plan benefits depend solely on amounts contributed to the respective plans plus investment earnings. The operations of the pension plans are recorded as pension trust funds in the County's reporting entity.

### ***Risk Management***

The County has a comprehensive risk management and self-insurance program for all areas of risk management including claims for employee health insurance, worker's compensation insurance and other claims and judgments against the County. The county has accounted for these activities in two internal service funds where resources are accumulated to meet potential losses. As part of the overall risk management strategy, the County has developed and implemented discounts for employee health insurance for wellness initiatives and for tobacco cessation. These efforts and others position the County to better address the complex healthcare market while maintaining competitive benefits for employees. An analysis of these types of claims over the years has enabled the County to implement specific safety measures to reduce the risk of loss.

## *OTHER INFORMATION*

### *Awards*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Knox County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the fourteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government 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.

A Certificate of Achievement is valid for a period of one year only. We believe that our present report continues to meet the program's requirements and we are submitting it to the GFOA to determine eligibility for another certificate.

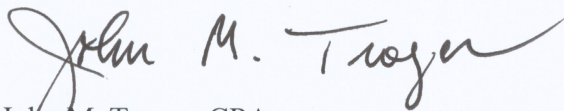
The County has also received, for the fifteenth consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2011 Annual Operating Budget. In qualifying for the award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

### *Acknowledgments*

The preparation of the CAFR was made possible by the dedicated service of the Department of Finance. Those involved have our sincere appreciation for the individual and collective contributions made in the preparation of the report. It is especially important to recognize the additional efforts required to meet an aggressive reporting schedule. The efforts of Ann Acuff, Jack Blackburn, Chris Caldwell, Steve Campbell, Jeff Clark, Dora Compton, Susan Corlew, Patti Galvan-Balzer, Scott Hill, Jason Lay, Peter Lin, John Troyer and Melanie Wilck all went above and beyond the call of duty to design and generate this report. Thank you very much for your professional dedication in this effort. Thank you to the entire Department of Finance for your efforts to "get the job done well," every day. You serve the citizens of Knox County very well.

Recognition and appreciation are also extended to the County Commission and the Board of Education for their continued dedication in planning and conducting the operations of the County and the Board in a financially responsible and progressive manner.

Sincerely,



John M. Troyer, CPA  
Senior Director of Finance



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Knox County  
Tennessee

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

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

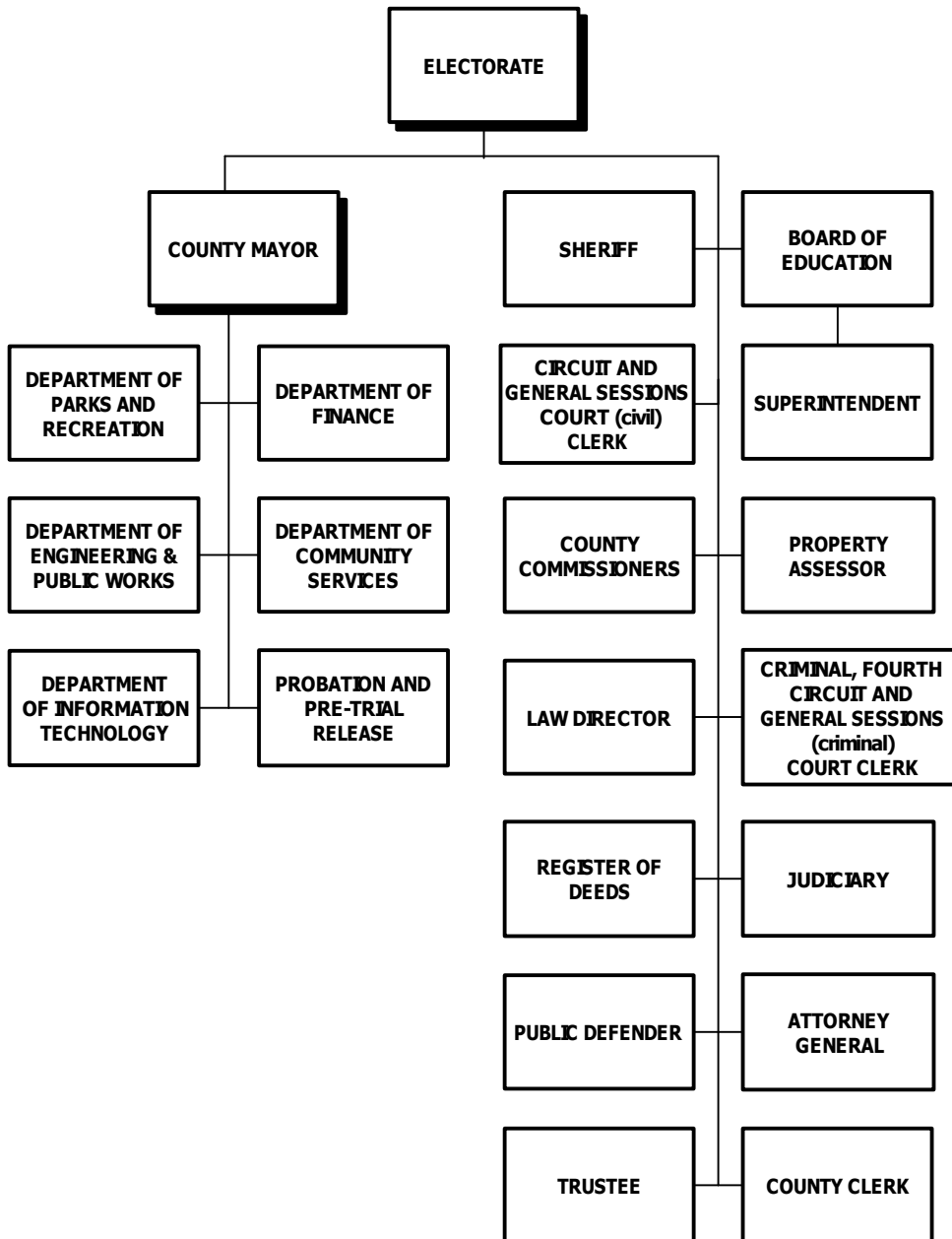
Executive Director

Knox County, Tennessee  
 Roster of Publicly Elected Officials  
 As of June 30, 2010

Assessor of Property - Phil Ballard  
 Attorney General - Randall Nichols  
 Circuit and General Sessions (civil) Court - Cathy Quist  
 County Clerk - Foster D. Arnett, Jr  
 County Mayor - Michael R. Ragsdale  
 Criminal, 4th Circuit & General Sessions (criminal) - Joy McCroskey  
 Law Director - Joseph Jarret  
 Public Defender - Mark Stephens  
 Register of Deeds - Sherry Witt  
 Sheriff - Jimmy "J.J." Jones  
 Trustee - Fred Sisk



**Knox County**



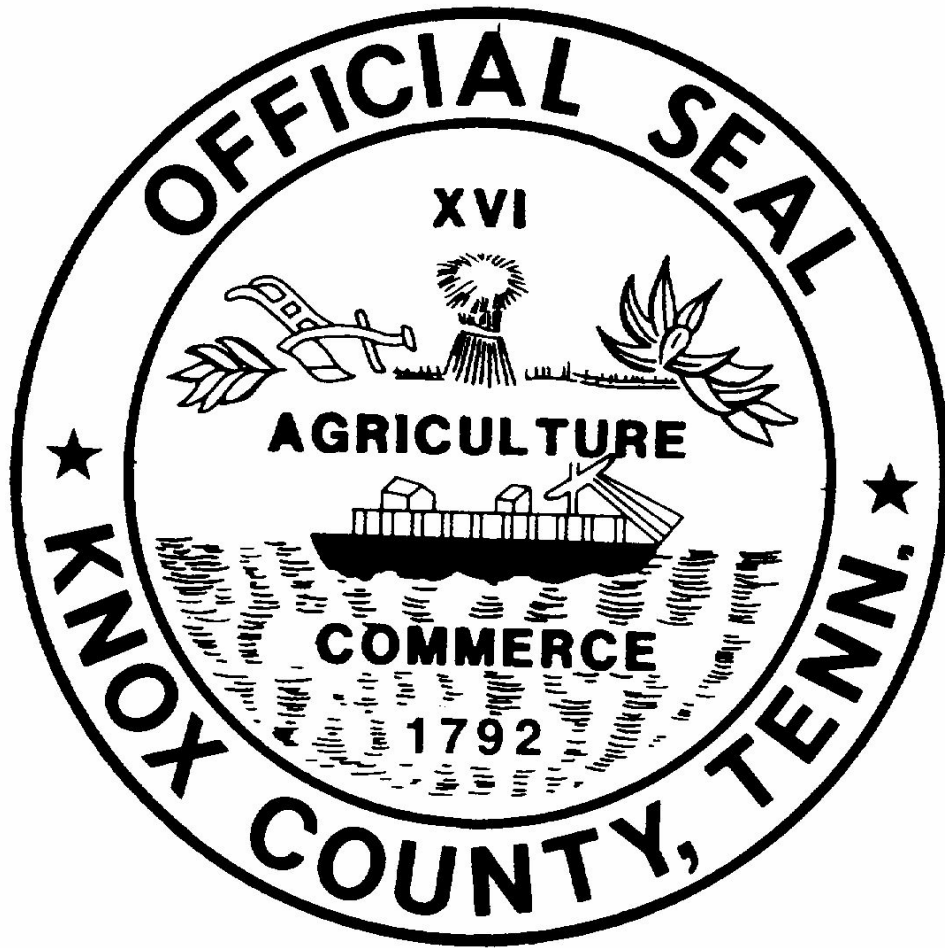
**Board of Commissioners:**

Brad Anders	Craig Leuthold
Bud Armstrong	Samuel McKenzie
Richard Briggs	Tony Norman
Mike Brown	Paul Pinkston
Amy Broyles	Finbarr Saunders
Michele Carringer	Ed Shouse
Mike Hammond	R. Larry Smith
Ivan Harmon	Thomas Strickland
Mark Harmon	Dave Wright
Greg Lambert	

**Board of Education:**

Sam Anderson	Thomas Deakins
Robert Bratton	Indya Kincannon
Cynthia Buttry	Daniel P. Murphy
Karen Carson	Patrick Richmond
	Rex Stooksbury

# Financial Section





KPMG LLP  
Suite 1000  
401 Commerce Street  
Nashville, TN 37219-2422

## Independent Auditor's Report

Knox County Mayor and the County Commissioners of  
Knox County, Tennessee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Knox County, Tennessee (the County), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Student Activity Funds agency fund of the Knox County Board of Education, a discretely presented component unit of Knox County, Tennessee, as of and for the year ended June 30, 2010. The fund financial statements were audited by other auditors whose report thereon dated November 15, 2010, has been furnished to us, and our opinion, insofar as it relates to the amounts included for the entity, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Knox County, Tennessee, as of June 30, 2010, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note IV (H), the County implemented Governmental Accounting Standards Board Statement (GASB) No. 53, "*Accounting and Financial Reporting for Derivative Instruments*", effective July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting



and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplemental information sections are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, supplemental section, component unit – board of education section and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental section and component unit – board of education section information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 23, 2010

## Management's Discussion and Analysis

As management of the Knox County Government, we offer readers of the Knox County Government's financial statements this narrative overview and analysis of the financial activities of the Knox County Government for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-xiii of this report. All amounts, unless otherwise indicated, are expressed in dollars.

### Financial Highlights

- The assets of the Knox County Primary Government Governmental Activities exceeded its liabilities at the close of the most recent fiscal year by \$85,114,255 (net assets), which compares to \$116,510,195 (restated due to the implementation of GASB Statement No. 53—see Note (A)) in 2009. The assets of the Knox County Government Total Reporting Unit exceeded its liabilities at the close of the most recent fiscal year by \$459,729,242 (net assets), which compares to \$480,776,080 (as restated) in 2009. However, most of the County's net assets balance is invested in capital assets, which will be used in the County's ongoing operations. Conversely, the unrestricted net assets amounts of \$234,271,029 (deficit) and \$60,078,086 (surplus) for the Primary Government Governmental Activities and Total Reporting Unit, respectively, represent amounts that will be needed to meet the government's obligations to citizens and creditors and that will be financed with future tax revenues, or amounts already available. This is compared to restated (see Note (A)) prior year amounts of \$220,325,864 (deficit) and \$57,335,107 (surplus), respectively.
- Of the Primary Government's \$86,251,123 net assets balance, \$292,183,224 was invested in Capital Assets (net of related debt), \$832,590 was invested in capital assets, \$24,978,733 was restricted for debt service, \$0 was restricted for capital projects, and \$2,223,327 was restricted for other purposes. The difference of \$233,966,751 (unrestricted net assets) is reported as a deficit, an increase of \$13,927,668 over the prior year unrestricted deficit (restated) of \$220,039,083. The reported deficit comes from the process by which the County issues debt on behalf of the Knox County Board of Education (the Board). The County issues general obligation debt for the Board, the proceeds of which are used for School projects resulting in Board assets. The Board then makes debt service payments to the County from future budgets. Since the debt is issued in the County's legal name, the debt is reported as a liability of the Primary Government. The unrestricted net deficit demonstrates the expectation of the Board to fund its portion of the total debt in future years.
- The Primary Government's total net assets decreased by \$31,439,562, representing 10.7% of the \$293,753,631 expenses of the Primary Government. This compares to the 2009 decrease of \$16,708,686, or 5.9% of 2009 expenses totaling \$283,898,708. The primary reason for the decrease in net assets for both years is the amount borrowed on behalf of other entities. In 2010, the County issued bonds with a face value of \$20,550,000, of which \$15,000,000 was borrowed on behalf of the Board. That amount (net of the allocated effects of issuance costs and debt premium, totaling \$14,822,428) was remitted to the Board, thus reducing the Primary Government's net assets, as the entire portion of the debt related to the amounts borrowed on behalf of the Board is included with Primary Government debt. This transaction represented a significant portion of the 2010 decrease in net assets, since the amounts borrowed for and remitted to the Board are classified as expenses in the Primary Government

operations. In addition, the County incurred capital project outlays for a major renovation/addition project for the Board's Powell Middle School. The project was completed and the related capital asset totaling \$14,763,666 was, essentially, donated to the Board, and was accounted for as a payment to the Board from the Primary Government. An additional reason for the decrease in net assets of the Primary Government was the implementation of GASB Statement No. 53, which resulted in the recognition of the 2010 \$3,031,442 decrease in fair value of the County's interest rate swap investment derivative as a reduction of investment revenues. The combined effect of these three factors totaled \$32,617,536, which exceeds the \$31,439,562 decrease in net assets by \$1,177,974. Therefore, if these three items were excluded from the results of operations, net assets would have increased. As the individual funds are budgeted to "break even" prior to depreciation expense, these results demonstrate how closely matched revenues and expenses were -- as the County continued its long record of operating within the approved budget. The Total Reporting Unit's total net assets decreased by \$21,046,838, or 2.7% of 2010 expenses of \$780,624,451. This compares to the 2009 decrease of \$24,385,643, or 3.2% of 2009 expenses totaling \$761,233,701. These amounts include charges for depreciation. Included in the government-wide expenses is depreciation expense of \$24.4 million in 2010 and \$24.6 million in 2009 for the County, and \$11.7 million in 2010 and \$10.1 million in 2009 for the Board of Education. Without depreciation expense (a non-budgeted item), the Total Reporting Unit would have realized an increase in net assets of \$15.1 million for 2010 and \$10.3 million for 2009.

- As of the close of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$95,061,366, a decrease of \$16,003,528 in comparison with the prior year balances of \$111,064,894. Various factors contributed to the decrease. Each of the Primary Government's major funds experienced a decrease in fund balance. Both the General Fund and the Debt Service Fund planned the use of a portion of fund balance to be applied to operations of the 2010 fiscal year as a means to continue to provide needed services in this current difficult economic environment, while not burdening taxpayers with increases in tax rates. Although each of these funds did experience a reduction in fund balance (\$1,479,860 and \$2,003,541 for General and Debt Service, respectively), each actually expended less than budgeted (positive variances from the budget of \$5,289,479 and \$9,014,358 for the General Fund and Debt Service Fund, respectively.) Another reason for the reduction was the planned spending down of funds for capital purposes, resulting in the reduction of fund balance in the Capital Projects Public Improvement Fund of \$9,834,011. In addition, the Constitutional Officers Special Revenue Fund experienced a net reduction of fund balances of \$1,444,644, which is comparable to the prior year reduction of \$1,574,162. Of the total fund balance amount, \$64,164,916 (67%) is available for spending at the government's discretion (unreserved fund balance). This is a decrease of \$23,868,540 from the prior year total unreserved fund balance of \$88,033,456 (79% of prior year total fund balance). Unreserved and undesignated fund balance for the County's governmental funds decreased from \$84,539,882 to \$62,787,395, a decrease of \$21,752,487, primarily as a result of the aforementioned reductions in total fund balances combined with an increase in amounts reserved for encumbrances for the Public Improvement Fund of \$6,584,314 for ongoing projects (2010 balance of \$9,645,621 compared to 2009 balance of \$3,061,307.)
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$43,415,759 (29% of total General Fund expenditures of \$149,537,519), compared to \$44,197,261 (30% of last year's expenditures of \$148,389,576). The undesignated portion of

the County's General Fund increased to \$42,041,215, or 28.1% of General Fund expenditures, compared to the prior year ending balance of \$41,344,844, or 27.9% of General Fund expenditures. The \$42 million unreserved, undesignated General Fund balance is greater than the amount that was projected upon adoption of the General Fund budget by \$4.2 million, and represents the second highest amount of undesignated balance ever reported by the County. These measures of fund balance demonstrate the County's continued fiscal discipline and show that the County has resources available to meet unexpected emergencies, temporary cash needs and other uncertainties our County faces in the normal course of everyday operations.

- The Knox County Government's total bonded debt decreased by 2.1 percent, or \$13,150,467, less than the prior year total of \$627,121,402. This decrease was in accordance with the County's adopted Capital Improvement Plan. Of the current year total of \$613,970,935, \$363,953,720 pertains to County general government activities and \$250,017,215 pertains to the Knox County Schools Component Unit. The key factors in this decrease were: (1) The issuance of \$20.55 million in bonds (\$1 million to fund Primary Government capital improvements, \$4.55 million to refund existing bonded debt, and \$15 million for Knox County Schools capital improvements), less (2) Principal paid of \$33.7 million.
- The County Property Tax Rate was \$2.36 for the fiscal year. This is another indication of the County's commitment to fiscal conservatism. Subsequent to the end of the 2009 fiscal year, the County completed a reappraisal that increased the total assessed valuation of County property. As a result, the tax rate for 2010 was decreased \$0.33 from \$2.69 to \$2.36 to achieve revenue neutrality.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Knox County Government's basic financial statements. The Knox County Government's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Knox County Government's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Knox County Government's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Knox County Government is either improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Knox County Government that are principally supported by taxes and intergovernmental revenues



(governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Knox County Government include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. Knox County Government reports business-type activities for the operations of the Three Ridges Golf Course enterprise fund.

The government-wide financial statements include the Knox County Government itself (known as the primary government), and legally separate entities for which Knox County Government is financially accountable (component units): the school district – the Board of Education (The Board), a legally separate Emergency Communications District, and the Knox County Railroad Authority. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Emergency Communications District issues separate financial statements. The Board of Education and the Railroad Authority do not issue separate financial statements. The government-wide financial statements can be found on pages 17 and 18 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Knox County Government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Knox County Government can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The Knox County Government maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Constitutional Officers Special Revenue Fund, Capital Projects Public Improvement Fund and the Debt Service Fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Knox County Government adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund for information in the Required Supplemental Information section of the report. For a more detailed demonstration of budgetary compliance, the County also issues a separate Budget Report to the Citizenry, which is available online at <http://www.knoxcounty.org/finance/budget.php>.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

**Proprietary funds.** There are two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Knox County Government established an enterprise fund in 2009 to account for the operations of the Three Ridges Golf Course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Knox County Government's various functions. Knox County Government uses internal service funds to account for its fleet service operations, mailroom operations, employee benefits activities, retirement office operations, self-insurance activities, central maintenance operations, technical support operations, and fleet capital leasing activities. Because these services benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The nine internal service funds are combined into a single, aggregated presentation in the basic proprietary fund financial statements, along with the presentation of the Three Ridges Golf Course enterprise fund. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Knox County Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 26 and 27 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-103 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Knox County Government's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 104-108 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 120-150. Combining and individual fund statements for internal service funds can be found on pages 155-175 of this report.

### Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The Total Reporting Unit assets exceeded liabilities by \$459,729,242 at the close of the most recent fiscal year, which compares to \$480,776,080 (restated) from last year. The Primary Government's Governmental Activities net assets totaled \$85,114,255 which compares to last year's net assets of \$116,510,195 (restated). If depreciation expense (a non-budgeted item) were excluded from the results of operations, the Total Reporting Unit and the Primary Government Governmental Activities would have had an increase in net assets of \$15.1 and \$7.0 million, respectively. The actual results are in line with the County's expectations.

### Knox County, Tennessee

#### Net Assets - Primary Government – Governmental Activities

	June 30,	
	2010	2009
Current and Other Assets	\$ 305,777,316	\$ 308,522,322
Capital Assets	644,874,415	660,284,476
Total Assets	950,651,731	968,806,798
Long-term Liabilities Outstanding	625,850,703	640,092,935
Other Liabilities	239,686,773	212,203,668
Total Liabilities	865,537,476	852,296,603
Net Assets:		
Invested in Capital Assets, net of Related Debt (See Note A)	292,183,224	298,546,888
Restricted	27,202,060	38,289,171
Unrestricted (Deficit) (See Note A)	(234,271,029)	(220,325,864)
Total Net Assets	\$ 85,114,255	\$ 116,510,195

By far the largest portion of the Knox County Government's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any outstanding related debt used to acquire those assets. The Knox County Government uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Knox County Government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### **KNOX COUNTY GOVERNMENT'S Net Assets**

An additional portion of the Knox County Primary Government's governmental activities net assets represents resources that are subject to external restriction on how they may be used. These include restricted for Debt Service \$24,978,733 (last year \$26,982,274) Capital Projects \$0 (last year \$8,364,400) and Other Purposes \$2,223,327 (last year \$2,942,497). The remaining balance of unrestricted net assets deficit of \$234,271,029 reflects a reduction of \$13,945,165 compared to the prior year restated deficit of \$220,325,864. The reduction results primarily from the payment to the Board component unit of the Powell Middle School capital asset totaling \$14,763,666 plus the effects of the implementation of GASB Statement No. 53, which resulted in a reduction of net assets related to the decreased in the fair value of the interest rate swap investment derivative instrument of \$3,031,442, partially offset by the positive differences between the amounts expected to be realized from the General Fund operations for the year compared to its adopted budget, which were realized from a combination of revenues exceeding expectations combined with prudent management of expenditures. These factors are described in more detail in the following discussion of the results of the governmental funds. The unrestricted net assets balance represents funds that would normally be available to be used to meet the government's ongoing obligations to citizens and creditors. The primary reason for the deficit balance is due to the County's recognition of long-term debt issued on behalf of the Knox County Board of Education. As the Board and the County Commission identify school capital needs that require funding from bonds (through the long-term capital planning process), the County issues bonds on behalf of the Board. Repayment of the bonds is funded through the Board's operating budget each year. Since the County is the legal entity issuing the bonds, the bonds are considered a liability of the County, while the associated capital assets are reported with the Board. The payments of the debt related to the bonds issued on behalf of the School Board are made from the Board's budgeted funding each year. At June 30, 2010, the amount of bonds issued by the County on behalf of the School Board still outstanding was \$250,017,215 (excluding unamortized premium) compared to prior year of \$248,065,935. If this liability were shown with the Board's amounts to match the capital assets, the County would have had positive unrestricted net assets of its governmental activities of \$15,746,186 in 2010 and \$27,740,071 in 2009.

At the end of the current fiscal year, the Knox County Government is able to report positive balances in all three categories of total net assets -- for the Total Reporting Unit, for the Primary Government and for each of its separate component units. The same situation held true for the prior fiscal year. The Total Reporting Unit's net assets decreased by \$21,046,838 during the current fiscal year, compared to \$24,385,643 for the prior year. The primary reason for the total decrease was the \$36.1 million for depreciation (\$24.4 million in Primary Governmental Activities and \$11.7 million related to the School Board's operations). The County finished very much in line with expectations. Depreciation is a non-cash expense that is not recorded at the individual governmental fund level, and is a non-budgeted item.

**Governmental activities.** Governmental activities decreased the Knox County Primary Government's net assets by \$31,395,940. Included in this amount are payments totaling \$14,822,428 to the Board of Education Component Unit for amounts borrowed by the County on behalf of the Board. In addition, the Primary Government completed a construction project for a major renovation/addition for Powell Middle School, and donated to the completed facility to the Board (accounted for as a payment from the Primary Government to the Board.) Also included in the total was \$3,031,442 reduction to investment revenue due to the implementation of GASB Statement No. 53, which resulted in the 2010 reduction in the fair value of the interest rate swap

investment derivative instrument as a reduction of net assets. If the effects of those reductions were excluded from the calculation of the change in net assets, governmental activities would have increased net assets by \$1,177,974. The County's intent is that operations break even before depreciation. For 2010, if the effects of the 2010 depreciation expense of \$24,426,473 were removed from the change in net assets, coupled with the factors described above, governmental activities would have recognized an increase of more than \$25 million, largely attributable to the positive variances experienced by the Primary Government's General and Debt Service fund expenditures compared to the amounts budgeted for the year of nearly \$15 million. In 2009, the change in net assets consisted of a \$24,385,643 decrease, which compared closely to the depreciation expense for the Primary Government Governmental Activities of \$24,543,311.

The Knox County School Board activity increased the County's total net assets by \$8,317,134. This increase is primarily due to the planned spending down of fund balance in the General Purpose School Fund, totaling \$2.1 million, offset by depreciation, a non-budgeted item, of \$11.7 million.

The Total Reporting Unit recorded a decrease in net assets of \$21,046,838, which is 2.7% of Total Expenses of \$780,624,451. As previously noted, these results include the effects of depreciation expense for the Total Reporting Unit, which included \$24.4 million for the Primary Government and \$11.7 million for the Board, for a total of \$36.1 million depreciation expense applicable to governmental activities of the Primary Government and the Board. Excluding these amounts, the Total Reporting Unit would have reported an increase in net assets of \$15.1 million. As the County's intent at the start of the year was to "break even" before depreciation, these results confirm the County has again demonstrated its financial discipline in another successful year.

## KNOX COUNTY GOVERNMENT'S Changes in Net Assets

Revenues included a decrease of local taxes of \$6.1 million compared to the prior year. Once again, Education was the largest single activity by far for the fiscal year. The payment to the Board from the Primary Government increased over the amount for the prior year, which included payment to the Board for borrowing for capital purposes of \$14.8 million combined with the payment to the Board for the capital asset constructed for and donated to the Board totaling an additional \$14.8 million. Other increases in expenses closely paralleled inflation and growth in the demand for services.

### Knox County's Total Reporting Unit

	2010	2009
Finance and Administration	\$ 46,019,619	\$ 45,756,935
Administration of Justice	15,691,782	15,651,510
Public Safety	74,436,026	71,715,147
Public Health and Welfare	38,623,222	38,630,559
Social and Cultural Services	22,555,747	22,116,126
Other General Government	17,362,556	21,514,449
Engineering & Public Works	24,009,373	23,630,899
Debt Service	25,524,229	30,093,010
Education	509,748,433	485,202,432
Emergency Communications	6,653,464	6,922,634
Total	\$ 780,624,451	\$ 761,233,701

The Total Reporting Unit expenses increased by \$19,390,750. The Education category increased by \$24.5 million, primarily due to the aforementioned \$29.6 million in payments by the Primary Government to the Board, with the effects of other planned reductions in spending for education purposes also reflected. Additionally, expenses for Public Safety increased by \$2.7 million. If the expenses for Education and Public Safety (totaling \$584,184,459 and \$556,917,579 for 2010 and 2009, respectively) were excluded from the above totals, the expense totals for the Total Reporting Unit would have decreased from \$204,316,122 in 2009 to \$196,439,992 in 2010, a reduction of \$7,876,130, or 3.9% of the 2009 totals. Expenses in these remaining other categories were generally comparable to the prior year, with the notable reduction in debt service expenses. This was attributable largely to savings in interest due to the current low interest rate environment, resulting in savings in variable-rate debt interest payments.

### Financial Analysis of the Government's Funds

As noted earlier, the Knox County Government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Knox County Government's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Knox County Government's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net

resources available for spending at the end of the fiscal year and to help ensure future stability of governmental operations.

As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$95,061,366, a decrease of \$16,003,528 in comparison with the prior year total of \$111,064,894. The fund balances include amounts: 1) to liquidate contracts and purchase orders of the prior period and specifically reserved items (\$30,896,450), 2) to be used for specific designated items (\$1,377,521), 3) to be used in conjunction with special revenue purposes (\$5,064,906), or 4) capital projects (\$1,590,873) or 5) Debt Service (\$15,753,733). All of these amounts are in line with the County's expectations and intentions. The County continues to show its financial strength and stability.

The General Fund is the chief operating fund of the Knox County Government. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$42,041,215 compared to \$41,344,844 last year (an increase of \$0.7 million), while total fund balance decreased to \$51,797,913 compared to last year's \$53,277,773 (reflecting the planned reduction of funds specifically reserved or designated). As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 28.1% of total General Fund expenditures, compared to 27.9% last year. The actual unreserved and undesignated fund balance as a percentage of actual expenditures (28.1%) compares favorably to the budgeted balance as a percentage of budgeted expenditures (21.9%). Total fund balance represents 34.6% of actual expenditures compared to 35.9% last year. These amounts indicate that the County maintained the strong relationship between the fund balances and the size of its budget and is continuing to hold steady in its financial stability in spite of challenging economic times.

The total fund balance of the County's General Fund decreased by \$1,479,860 during 2010, compared to last year's \$6,095,351 decrease. The General Fund's original budget planned for a net decrease in fund balance for the year of \$3,538,012. The actual undesignated fund balance was \$4,234,383 greater than the original budgeted amount of \$37,806,832. Key factors in the positive outcomes for the General Fund are as follows:

- Revenues exceeded budget in three of nine categories; total revenues of \$153,576,072 totaled 101.6% of the total budget of \$151,140,564. These results were achieved in a year of a difficult economy. Although local tax revenues, which include property and sales taxes (among others), exceeded the budget by \$3,297,063, actual interest revenues realized were less than the budget due to lower than expected interest rates, causing a shortfall in the other local revenues category of \$2,469,587.
- The General Fund Reserved Fund Balances decreased by \$698,358 to \$8,382,154, while Designated Fund Balances decreased by \$1,477,873. The primary reason for the decrease in reserved fund balance was due to the decrease in the amounts reserved for prepaid items and encumbrances. The 2010 designated fund balance decreased due to the reduction of amounts designated at the end of 2009 for certain employee compensation amounts to be paid in 2010. The General Fund undesignated fund balance increased by \$696,371 to \$42,041,215 (representing the second highest amount of undesignated balance ever reported by the County), compared to the originally budgeted decrease to \$37,806,832 (a planned decrease of \$3,538,012).

- The General Fund departments, in their normal conservative pattern, showed their fiscal responsibility by turning back unspent budget of \$5,289,479 (3.4% of the final allowed budget of \$154,826,998) for the fiscal year (compared to last year's results of \$5,607,103, or 3.6% of the budget of \$153,996,679).

The Debt Service Fund has a total fund balance of \$24,978,733, which compares to \$26,982,274 last year. The undesignated portion totaled \$15,753,733 and \$17,757,274 in 2010 and 2009, respectively. The net decrease in fund balance during the current year was \$2,003,541, compared to a decrease of \$3,441,613 last year. The undesignated portion of the Debt Service Fund decreased in the current year by \$2,003,541, compared to a decrease of \$6,626,613 last year. The County had planned for a decrease in the Debt Service Fund, and had budgeted for \$9,222,323 to be applied to the current year budget. As the current year result of operations was an actual decrease in fund balance of \$2,003,541, the fund experienced a positive variance of \$7,218,782 of actual results compared to the adopted budget. This resulted from the significant savings from conservatively budgeting for its expenses that the County experienced from its variable rate debt, the County's practice of issuing debt as close to the time of the anticipated cash needs as practicable in order to minimize total interest costs, combined with the realization of actual revenues which were less than that of budgeted estimates by \$1,795,576, or 3.0%, primarily due to lower interest revenues realized. The County plans to continue its conservative financial planning.

The Public Improvement Capital Projects Fund experienced a net reduction in fund balances of \$9,834,011 in 2010, compared to an increase in fund balance of \$41,642,424 in 2009. As a result, fund balance at June 30, 2010 totaling \$5,595,251 declined from the June 30, 2009 balance of \$15,429,262. This result represents the planned current year spending down of revenues received in the prior year for long-term projects. The County's practice is to issue debt for capital purposes generally on an annual basis, with the intent that debt proceeds be received as close as practicable to the timing of the planned expenditures. This is done to help keep interest charges to the minimum level needed.

The Constitutional Officers Special Revenue Fund experienced a decrease in the fund balance in the current year of \$1,444,644, resulting in fund balance at June 30, 2010 totaling \$2,387,038 compared to the June 30, 2009 total of \$3,831,682. The current year reduction is comparable to the prior year reduction of \$1,574,162. This fund is used to account for the operations of various County offices that receive fees for providing various services to the public. A portion of these fees are used to pay for certain operating expenses, and the remaining fees are transferred to the County General Fund. Total amounts transferred to the General Fund in 2010 of \$6,854,002, an increase of \$315,089 from the prior year total of \$6,538,913. These results were in line with expectations, as there were no major changes to the operations of these offices during 2010 causing changes in results of operations.

**Proprietary funds.** The Knox County Government's proprietary fund statements provide underlying detail information included in the government-wide financial statements.

Unrestricted net assets of the Internal Service Funds at the end of the year amounted to \$8,083,827 compared to \$8,913,997 at the end of 2009. The decrease of \$830,170 was primarily due to the increases in self-insurance claims activity. The Internal Service Funds are used to accumulate and distribute costs as a planning tool, and are expected to break even over the long run. The total change in net assets for all Internal Service Funds was \$1,045,694 (deficit) (1.6%



of total charges for services of \$64,670,966), compared to the prior year 3.9% (deficit change in net assets). The intent of these funds is to “break even; however, the current year included a planned draw of the balances in the Capital Leasing Fund, which caused a larger than normal difference between revenues and expenses for these funds.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were within the normal course of County business and totaled a net \$5,528,417 increase in the total budgeted-for expenditures. Included in the increase were normal carryover appropriations for projects not completed during the previous fiscal year (\$848,837) and appropriations for additional expenditures related to numerous additional revenues received for specific purposes during the year that were in addition to the revenues estimated in the original budget.

The County continued to show the results of conservative budgeting and careful stewardship of approved spending. These qualities were again demonstrated by positive actual results, including the realization of actual revenues exceeding budgetary estimates by 1.6%, and actual expenditures less than budgetary provisions by \$5,289,479. Overall, the General Fund Balance decreased by \$1,479,860, which is \$5,990,845 less than the budgeted decrease of \$7,470,705. As a result of these positive results compared to budget for the year, the County has designated \$1,374,544 of the fund balance to future uses. The undesignated portion of the County’s General Fund Balance increased by \$696,371, compared to the planned decrease of \$3,538,012. Total unreserved fund balance (designated plus undesignated) totaled \$43,415,759, compared to the prior year total of \$44,197,261, a decrease of \$781,502. These results reflect the careful and appropriate budgeting of revenues and prudent management of expenses in a difficult economic environment.

### **Capital Asset and Debt Administration**

**Capital assets.** The Knox County Government Total Reporting Unit reported a total balance of capital assets (net of accumulated depreciation) as of June 30, 2010, of \$980,071,242, which compares to the prior year total of \$979,674,432. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net increase in the Knox County Government’s investment in capital assets for the current fiscal year was \$396,810 (0.04 percent), which reflects the capital additions for the year in amounts approximating depreciation.

Spending for major capital asset additions during the current fiscal year included the following: progress on the Family Investment Center, Legacy Park Foundation land acquisition and other land improvements, Health Department improvements, completion of the Powell Middle School, various school upgrades, numerous road projects, and various other projects.

The County Primary Government’s Governmental Activities investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$945,399,609 less accumulated depreciation of \$300,525,194, leaving a net book value of \$644,874,415. The prior year net book value totaled \$660,284,476. The decrease of \$15,410,061 results primarily from the planned completion of the Powell Middle School project totaling \$14,763,666 and the “payment” of the related capital asset to the Board, which will operate and maintain the facility. Investment in capital assets includes land and land improvements, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and of

value only to the County, such as roads and streets, bridges, sidewalks, lighting systems, and similar items.

Additional information on the Knox County Government’s capital assets can be found in note III.C on pages 50-51 of this report and pages 198-200.

**Long-term debt.** At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$613,970,935, compared to \$627,121,402 at the end of 2009. All of the bonded debt was backed by the full faith and credit of the County government. \$250,017,215 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remaining \$363,953,720 of the Knox County Government’s debt represents bonds issued solely for general government purposes.

**KNOX COUNTY GOVERNMENT’S Bonded Debt Changes during FY 2010:**

	<b>Primary Government</b>	<b>Board</b>	<b>Total</b>
<b>Rollforward of Debt:</b>			
Beginning Balance	\$ 379,055,467	\$ 248,065,935	\$ 627,121,402
Principal Paid	(20,651,747)	(13,048,720)	(33,700,467)
Issued Amounts	5,550,000	15,000,000	20,550,000
Ending Amount – Bonds	<u>\$363,953,720</u>	<u>\$250,017,215</u>	<u>\$613,970,935</u>

Knox County’s total bonded debt decreased by \$13,150,467 (2.1 percent) during the current fiscal year. The key factor in this decrease was the issuance in fiscal 2010 of \$20.55 million in general obligation bonds, of which \$15 million was issued on behalf of the Knox County Board of Education, combined with debt repayment of over \$33 million.

During the 2009 fiscal year, the Knox County Government received an increase in its bond rating to “AA+” from “AA” from Standard & Poor’s, the highest rating in County history. During the 2010 year, the County also received an “Aa1” rating from Moody’s for general obligation debt, an increase from the previous rating of “Aa2.” This continued confidence from the rating agencies confirms the County’s commitment to financial integrity, stability and strength.

State statutes set no limit for the amount of general obligation debt a governmental entity may issue. Current bonded debt outstanding for the County Government is \$613,970,935. This translates to approximately \$1,361 per capita using the 2010 estimated population. This compares to \$1,400 per capita last year.

Additional information on the Knox County’s long-term debt can be found in the Notes to the Financial Statements of this report on pages 64-75.

**Economic Factors and Next Year’s Budgets and Rates**

- The unemployment rate for Knox County for June 2010 was 7.8% (subsequently lower at 7.1% for September 2010), which is a decrease from the rate of 8.5% percent a year earlier. This compares favorably to the state’s average rate of 10.0% percent for June 2010, and 11.1% for June 2009. The national unemployment averages were 9.5% for June 2010 and 9.5% for June 2009. The Knoxville Metropolitan Statistical Area (MSA), which includes

Knox County, has the lowest unemployment rate of any MSA in Tennessee. This data was taken from the Tennessee Department of Labor and Workforce Development.

- Knox County has been leading the State in economic development and employment for the past several years. While Knox County is currently experiencing the effects of the current global recession, it is well-positioned to weather this economic storm. The current administration is committed to inspire economic activity with investments and jobs.
- The Knoxville leading index has traditionally sustained a positive year-over-year percent change indicating economic activity is at a higher level relative to last year. This year is a time when most areas and jurisdictions are experiencing a contraction in economic activity, and Knox County is not immune to the global recession. Knox County is expected to continue to hold its own in the near term, while the longer term has a much more positive outlook.

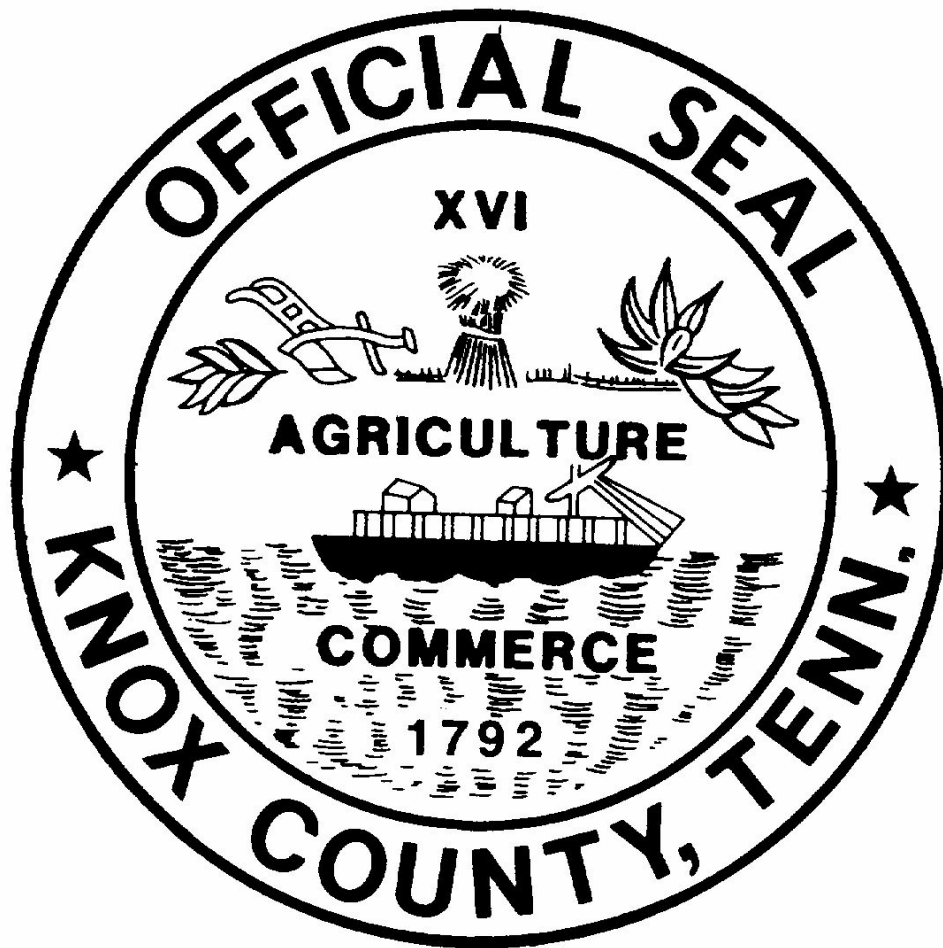
### **Requests for Information**

This financial report is designed to provide a general overview of the Knox County Government's finances for all those with an interest in the government's finances. The County's CAFR and additional information regarding the County may be located online at: <http://www.knoxcounty.org/index.php>. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Knox County Government  
Department of Finance  
Suite 630  
City/County Building  
400 Main Street  
Knoxville, TN 37902

Note (A): Effective in fiscal 2010, the County adopted the provisions of GASB Statement No. 53 *Accounting and Reporting for Derivative Instruments*, the provisions of which have been applied to the County's interest rate swap arrangements. In accordance with the requirements of the Statement, the County evaluated its derivatives to determine whether they constituted hedging derivatives or investment derivatives, as defined by the Statement. One of the County's interest rate swaps was determined to be an investment derivative at the beginning and at the end of fiscal year 2010. The provisions of the Statement require that the change in fair value of an investment derivative be reflected in the annual Statement of Activities, and that the financial statements be retroactively restated to reflect the change in fair value for the earliest period reported, if practicable. As a result, the total of the net assets of the Primary Government-Governmental Activities (\$116,510,195) has been restated to reflect the reduction of \$3,944,017 from the total as previously reported (\$120,454,212).

# Basic Financial Statements



**KNOX COUNTY, TENNESSEE**

**Statement of Net Assets**  
June 30, 2010

	Primary Government			Component Units			Total Reporting Unit
	Governmental Activities	Business-type Activities	Total	Knox County Board of Education	Knox County Railroad Authority	Knox County Emergency Communications District	
<b>Assets</b>							
Cash and Cash Equivalents	\$ 51,915,787	\$ 303,069	\$ 52,218,856	\$ 67,115,604	\$ 32,260	\$ 12,007,953	\$ 131,374,673
Accounts Receivable	18,696,797	3,847	18,700,644	34,608,551	5,604	642,924	53,957,723
Property Taxes Receivable, net	139,062,611	-	139,062,611	117,330,656	-	-	256,393,267
Notes Receivable	14,562,527	-	14,562,527	-	-	-	14,562,527
Investments	36,616,725	-	36,616,725	-	-	-	36,616,725
Due from Component Units	705,545	-	705,545	-	-	-	705,545
Due from Primary Government	-	-	-	326,385	-	4,400	330,785
Internal Balances	11,577	(11,577)	-	-	-	-	-
Due from Other Governments	49,953	-	49,953	1,233	-	-	51,186
Advances to Other Governments	6,000,000	-	6,000,000	-	-	-	6,000,000
Inventories	261,039	49,952	310,991	1,127,048	-	-	1,438,039
Prepaid Items	487,072	7,229	494,301	796,457	-	5,462	1,296,220
Pension Asset	4,569,675	-	4,569,675	-	-	-	4,569,675
Equity Interest in Joint Venture	5,317,007	-	5,317,007	-	-	-	5,317,007
Advances to Component Unit	3,580,250	-	3,580,250	-	-	-	3,580,250
Capital Assets:							
Land and Construction in Process	169,085,577	880	169,086,457	39,551,984	-	56,089	208,694,530
Other Capital Assets, Net of Accumulated Depreciation	475,788,838	831,710	476,620,548	289,963,091	-	4,793,073	771,376,712
Deferred Debt Issuance Costs, Net of Accumulated Amortization	3,644,141	-	3,644,141	-	-	-	3,644,141
Deferred Outflows of Hedging Derivatives	20,296,610	-	20,296,610	-	-	-	20,296,610
<b>Total Assets</b>	<b>950,651,731</b>	<b>1,185,110</b>	<b>951,836,841</b>	<b>550,821,009</b>	<b>37,864</b>	<b>17,509,901</b>	<b>1,520,205,615</b>
<b>Liabilities</b>							
Accounts Payable	13,625,859	33,328	13,659,187	49,556,313	24,686	267,228	63,507,414
Due to Component Units	330,785	-	330,785	-	-	-	330,785
Due to Primary Government	-	-	-	704,075	-	1,470	705,545
Unearned Revenue	146,402,132	-	146,402,132	111,769,464	-	-	258,171,596
Accrued Interest	4,258,149	-	4,258,149	-	-	-	4,258,149
Advances from Primary Government	-	-	-	-	-	3,580,250	3,580,250
Self-insurance Liability	6,400,232	-	6,400,232	-	-	-	6,400,232
Long-term Obligations:							
Accrued Pension Obligation	-	-	-	3,193,028	-	-	3,193,028
Other Post-Employment Benefits Obligation	367,156	-	367,156	-	-	-	367,156
Fair Value of Interest Rate Swap Derivatives	27,272,069	-	27,272,069	-	-	-	27,272,069
Other Long-term Obligations:							
Due in Less than One Year	68,669,616	13,423	68,683,039	3,280,211	-	874,422	72,837,672
Due in More than One Year	598,211,478	1,491	598,212,969	21,615,684	-	23,824	619,852,477
<b>Total Liabilities</b>	<b>865,537,476</b>	<b>48,242</b>	<b>865,585,718</b>	<b>190,118,775</b>	<b>24,686</b>	<b>4,747,194</b>	<b>1,060,476,373</b>
<b>Net Assets</b>							
Invested in Capital Assets	-	832,590	832,590	312,139,990	-	-	312,972,580
Invested in Capital Assets, Net of Related Debt (see note below)	292,183,224	-	292,183,224	-	-	4,189,162	46,355,171
Restricted for:							
Debt Service	24,978,733	-	24,978,733	-	-	-	24,978,733
Capital Projects	-	-	-	11,810,950	-	-	11,810,950
Other Purposes	2,223,327	-	2,223,327	1,310,395	-	-	3,533,722
Net Assets - Unrestricted (see note below)	(234,271,029)	304,278	(233,966,751)	35,440,899	13,178	8,573,545	60,078,086
<b>Total Net Assets</b>	<b>\$ 85,114,255</b>	<b>\$ 1,136,868</b>	<b>\$ 86,251,123</b>	<b>\$ 360,702,234</b>	<b>\$ 13,178</b>	<b>\$ 12,762,707</b>	<b>\$ 459,729,242</b>

The sum of the rows that report the net asset categories for Invested in Capital Assets, Net of Related Debt, and Net Assets-Unrestricted applicable to the primary government and the component units do not equal the related amounts shown in the Total Reporting Entity column. The difference of \$250,017,215 results because the debt incurred by the Primary Government on behalf of the Board of Education Component Unit reduces the unrestricted net assets of the Primary Government, whereas the related assets are reported in the Board Component Unit totals. For the Total Reporting Unit, the \$250,017,215 is deducted from amount shown for Invested in Capital Assets, Net of Related Debt to show the matching of the total assets with the total debt.

*The Notes to the Financial Statements are an integral part of this statement.*

KNOX COUNTY, TENNESSEE

Statement of Activities  
For the Year Ended June 30, 2010

Functions/Program:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			Total Reporting Unit	
					Governmental Activities	Business-type Activities	Total	The Board	KCRA	The District		
<b>Primary government:</b>												
Governmental activities:												
Finance and Administration	\$ 42,195,745	\$ 19,541,913	\$ (7,913)	\$ -	\$ (22,661,745)		\$ (22,661,745)					\$ (22,661,745)
Finance and Administration-Payment to Component Unit	3,823,874	-	-	-	(3,823,874)		(3,823,874)					(3,823,874)
Administration of Justice	15,691,782	9,990,310	232,762	-	(5,468,710)		(5,468,710)					(5,468,710)
Public Safety	74,109,826	1,330,976	5,628,536	-	(67,150,314)		(67,150,314)					(67,150,314)
Public Safety-Payment to Component Unit	326,200	-	-	-	(326,200)		(326,200)					(326,200)
Public Health and Welfare	38,366,594	4,050,480	7,613,706	-	(26,702,408)		(26,702,408)					(26,702,408)
Public Health and Welfare-Payment to Component Unit	256,628	-	-	-	(256,628)		(256,628)					(256,628)
Social and Cultural Services	21,594,069	1,117,171	400,314	-	(20,076,584)		(20,076,584)					(20,076,584)
Agricultural and Natural Resources	413,675	-	18,376	-	(395,299)		(395,299)					(395,299)
Other General Government	16,893,864	85,295	2,043,145	-	(14,765,424)		(14,765,424)					(14,765,424)
Engineering and Public Works	24,009,373	652,250	617,552	-	(22,739,571)		(22,739,571)					(22,739,571)
Education - Payment to Component Unit	29,586,094	-	-	-	(29,586,094)		(29,586,094)					(29,586,094)
Debt Service - Interest and Fees	25,524,229	-	-	-	(25,524,229)		(25,524,229)					(25,524,229)
Total governmental activities	292,791,953	36,768,395	16,546,478	-	(239,477,080)		(239,477,080)					(239,477,080)
Business-type activities:												
Three Ridges Golf Course	961,678	918,056	-	-	-	\$ (43,622)	(43,622)					(43,622)
<b>Total primary government</b>	<b>\$ 293,753,631</b>	<b>\$ 37,686,451</b>	<b>\$ 16,546,478</b>	<b>\$ -</b>	<b>(239,477,080)</b>	<b>(43,622)</b>	<b>(239,520,702)</b>					
<b>Component units:</b>												
Board of Education	\$ 480,162,339	\$ 14,558,045	\$ 74,994,650	\$ -			\$ (390,609,644)	\$ -	\$ -			(390,609,644)
Knox County Railroad Authority	55,017	-	39,336	-			-	(15,681)	-			(15,681)
Knox County Emergency Communications District	6,653,464	6,209,957	132,762	-			-	-	(310,745)			(310,745)
<b>Total component units</b>	<b>\$ 486,870,820</b>	<b>\$ 20,768,002</b>	<b>\$ 75,166,748</b>	<b>\$ -</b>			<b>(390,609,644)</b>	<b>(15,681)</b>	<b>(310,745)</b>			<b>(390,936,070)</b>
<b>General Revenues:</b>												
Property Taxes					134,655,757	-	134,655,757	106,737,074	-	-		241,392,831
Sales Taxes					9,708,315	-	9,708,315	114,769,928	-	-		124,478,243
Lodging Taxes					4,830,079	-	4,830,079	-	-	-		4,830,079
Business Taxes					6,332,408	-	6,332,408	-	-	-		6,332,408
Wheel Taxes					10,471,856	-	10,471,856	1,494,272	-	-		11,966,128
Other Local Taxes					4,669,629	-	4,669,629	1,065,154	-	-		5,734,783
Investment Revenue					(1,678,577)	-	(1,678,577)	82,275	-	38,237		(1,558,065)
Payments from Component Units					26,432,876	-	26,432,876	-	-	-		26,432,876
Payments from Primary Government					-	-	-	33,409,968	-	582,828		33,992,796
Shared Revenues					7,441,094	-	7,441,094	-	-	-		7,441,094
Other Revenues					4,406,489	-	4,406,489	1,358,830	-	61,811		5,827,130
Other Governments and Citizens Groups					294,120	-	294,120	-	-	1,719,140		2,013,260
Miscellaneous					517,094	-	517,094	109,577	-	-		626,671
Grants and Contributions Not Restricted for Specific Programs					-	-	-	139,899,700	-	-		139,899,700
<b>Total General Revenues</b>					<b>208,081,140</b>	<b>-</b>	<b>208,081,140</b>	<b>398,926,778</b>	<b>-</b>	<b>2,402,016</b>		<b>609,409,934</b>
Change in Net Assets					(31,395,940)	(43,622)	(31,439,562)	8,317,134	(15,681)	2,091,271		(21,046,838)
Net Assets, July 1, as restated					116,510,195	1,180,490	117,690,685	352,385,100	28,859	10,671,436		480,776,080
Net Assets, June 30					<b>\$ 85,114,255</b>	<b>\$ 1,136,868</b>	<b>\$ 86,251,123</b>	<b>\$ 360,702,234</b>	<b>\$ 13,178</b>	<b>\$ 12,762,707</b>		<b>\$ 459,729,242</b>

**KNOX COUNTY, TENNESSEE**

**Balance Sheet  
Governmental Funds  
June 30, 2010**

	<b>General</b>	<b>Special Revenue Constitutional Officers</b>	<b>Capital Projects Public Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 11,156,371	\$ 2,866,063	\$ 6,153,442	\$ 7,995,344	\$ 9,236,313	\$ 37,407,533
Receivables:						
Accounts, Net	9,324,835	-	150,462	-	8,484,709	17,960,006
Property Taxes	105,394,199	-	-	33,668,412	-	139,062,611
Notes	1,619,000	-	-	9,245,000	3,665,472	14,529,472
Investments	28,910,170	-	-	7,706,555	-	36,616,725
Due from Other Funds	3,087,805	-	224,400	-	215,451	3,527,656
Due from Component Units	353,023	-	-	-	-	353,023
Due from Other Governments	49,953	-	-	-	-	49,953
Advances to Other Governments	-	-	-	6,000,000	-	6,000,000
Inventories	95,139	-	-	-	5,773	100,912
Prepaid Items	237,209	-	-	-	183,571	420,780
Investment in Joint Venture	5,317,007	-	-	-	-	5,317,007
Advances to Component Units	3,580,250	-	-	-	-	3,580,250
<b>TOTAL ASSETS</b>	<b>\$ 169,124,961</b>	<b>\$ 2,866,063</b>	<b>\$ 6,528,304</b>	<b>\$ 64,615,311</b>	<b>\$ 21,791,289</b>	<b>\$ 264,925,928</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable and Accrued Liabilities	\$ 7,139,670	\$ -	\$ 921,575	\$ 48,553	\$ 3,790,500	\$ 11,900,298
Due to Other Funds	487,159	479,025	-	224,400	2,982,281	4,172,865
Due to Component Units	162,351	-	11,478	-	106	173,935
Deferred Revenue	109,537,868	-	-	39,363,625	4,715,971	153,617,464
<b>TOTAL LIABILITIES</b>	<b>117,327,048</b>	<b>479,025</b>	<b>933,053</b>	<b>39,636,578</b>	<b>11,488,858</b>	<b>169,864,562</b>
<b>Fund Balances:</b>						
Reserved	8,382,154	-	9,645,621	9,225,000	3,643,675	30,896,450
Unreserved:						
Designated	1,374,544	-	-	-	2,977	1,377,521
Undesignated	42,041,215	2,387,038	(4,050,370)	15,753,733	-	56,131,616
Unreserved, reported in nonmajor:						
Special Revenue	-	-	-	-	5,064,906	5,064,906
Capital Projects	-	-	-	-	1,590,873	1,590,873
<b>TOTAL FUND BALANCES</b>	<b>51,797,913</b>	<b>2,387,038</b>	<b>5,595,251</b>	<b>24,978,733</b>	<b>10,302,431</b>	<b>95,061,366</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 169,124,961</b>	<b>\$ 2,866,063</b>	<b>\$ 6,528,304</b>	<b>\$ 64,615,311</b>	<b>\$ 21,791,289</b>	<b>\$ 264,925,928</b>

*The Notes to the Financial Statements are an integral part of this statement.*

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**KNOX COUNTY, TENNESSEE**

**Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets**

June 30, 2010

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Amounts reported for governmental activities in the statement of net assets are different because:

Ending Fund Balance - Governmental Funds	\$	95,061,366	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			644,611,583
Other long-term assets, consisting of deferred debt issuance costs (\$3,644,141) and pension asset (\$4,569,675), are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			8,213,816
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			8,346,659
Long-term liabilities, including bonds payable and related unamortized premium and unamortized amount on refunding, note payable, other post-employment benefit obligation, compensated absences, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.			
Bonds Payable	\$	613,970,935	
Unamortized Bond Premium		9,536,360	
Unamortized Amount on Refunding		(6,312,981)	
Fair Value of Interest Rate Swaps, net		6,975,459	
Accrued Interest		4,258,149	
Notes Payable		33,000,000	
Capital Lease Obligation		11,651,171	
Other Post-employment Benefit Obligation		367,156	
Compensated Absences		4,920,740	
		<u>4,920,740</u>	(678,366,989)
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were deferred in the fund financial statements but have been recognized as revenues under the accrual basis.			<u>7,247,820</u>
Net Assets of Governmental Activities	\$		<u><u>85,114,255</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*



**KNOX COUNTY, TENNESSEE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the year ended June 30, 2010

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Local Taxes	\$ 128,845,482	\$ -	\$ -	\$ 30,800,583	\$ 11,876,438	\$ 171,522,503
Licenses and Permits	3,252,786	-	-	-	-	3,252,786
Fines, Forfeitures and Penalties	2,923,102	-	-	-	505,103	3,428,205
Charges for Current Services	4,770,392	21,316,960	-	-	751,589	26,838,941
Other Local Revenues	3,227,966	-	771	-	1,558,858	4,787,595
State of Tennessee	9,186,252	-	140,000	-	9,586,783	18,913,035
Federal Government	983,063	-	7,914	-	8,299,934	9,290,911
Other Governments and Citizen Groups	118,373	-	-	129,126	392,611	640,110
Payments from Component Unit:	268,656	-	-	26,164,220	-	26,432,876
Interest Earned	-	6,720	2,167	166,065	-	174,952
<b>Total Revenues</b>	<b>153,576,072</b>	<b>21,323,680</b>	<b>150,852</b>	<b>57,259,994</b>	<b>32,971,316</b>	<b>265,281,914</b>
<b>Expenditures</b>						
<b>Current:</b>						
Finance and Administration	24,714,594	15,914,322	-	-	-	40,628,916
Finance and Administration - Payments to Component Unit	3,823,874	-	-	-	-	3,823,874
Administration of Justice	12,870,114	-	-	-	190,669	13,060,783
Public Safety	68,948,990	-	-	-	3,570,193	72,519,183
Public Safety - Payments to Component Unit	326,200	-	-	-	-	326,200
Public Health and Welfare	25,145,784	-	-	-	11,968,118	37,113,902
Public Health and Welfare - Payments to Component Unit	256,628	-	-	-	-	256,628
Social and Cultural Services	4,652,601	-	-	-	13,838,313	18,490,914
Agricultural and Natural Resources	413,675	-	-	-	-	413,675
Other General Government	7,856,211	-	-	-	7,015,538	14,871,749
Engineering and Public Works	-	-	-	-	11,875,623	11,875,623
Engineering and Public Works-Payments to Component Unit	-	-	-	-	-	-
Decrease in Equity Interest in Joint Venture	528,848	-	-	-	-	528,848
Debt Proceeds Paid to Component Unit	-	-	14,822,428	-	-	14,822,428
Debt Issuance Costs	-	-	247,856	-	-	247,856
Capital Projects	-	-	22,624,556	-	189,853	22,814,409
<b>Debt Service:</b>						
Other Debt Service	-	-	-	2,990,434	-	2,990,434
Trustee's Commission	-	-	-	622,401	-	622,401
Principal	-	-	-	31,080,467	-	31,080,467
Interest	-	-	-	22,292,340	-	22,292,340
Refunding Bonds Issuance Costs	-	-	-	78,957	-	78,957
<b>Total Expenditures</b>	<b>149,537,519</b>	<b>15,914,322</b>	<b>37,694,840</b>	<b>57,064,599</b>	<b>48,648,307</b>	<b>308,859,587</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>4,038,553</b>	<b>5,409,358</b>	<b>(37,543,988)</b>	<b>195,395</b>	<b>(15,676,991)</b>	<b>(43,577,673)</b>
<b>Other financing sources (uses)</b>						
Transfers from Other Funds	10,341,158	-	-	194,107	15,260,425	25,795,690
Transfers to Other Funds	(15,859,571)	(6,854,002)	-	(2,472,000)	(824,906)	(26,010,479)
Capital Lease Proceeds	-	-	11,651,171	-	-	11,651,171
Long-term Bonds Issued	-	-	16,000,000	-	-	16,000,000
Long-term Note Issued	-	-	-	-	-	-
Premium on Long-term Note Issued	-	-	58,806	-	-	58,806
Refunding Bonds Issued	-	-	-	4,550,000	-	4,550,000
Premium on Refunding Bonds	-	-	-	148,957	-	148,957
Payment to Refunded Bond Escrow Agent	-	-	-	(4,620,000)	-	(4,620,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,518,413)</b>	<b>(6,854,002)</b>	<b>27,709,977</b>	<b>(2,198,936)</b>	<b>14,435,519</b>	<b>27,574,145</b>
<b>Net Change in Fund Balances</b>	<b>(1,479,860)</b>	<b>(1,444,644)</b>	<b>(9,834,011)</b>	<b>(2,003,541)</b>	<b>(1,241,472)</b>	<b>(16,003,528)</b>
<b>Fund Balances, July 1</b>	<b>53,277,773</b>	<b>3,831,682</b>	<b>15,429,262</b>	<b>26,982,274</b>	<b>11,543,903</b>	<b>111,064,894</b>
<b>Fund Balances, June 30</b>	<b>\$ 51,797,913</b>	<b>\$ 2,387,038</b>	<b>\$ 5,595,251</b>	<b>\$ 24,978,733</b>	<b>\$ 10,302,431</b>	<b>\$ 95,061,366</b>

The Notes to the Financial Statements are an integral part of this statement.

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## KNOX COUNTY, TENNESSEE

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2010

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Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (16,003,528)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$24,093,593) exceeded capital outlays (\$23,662,722) in the current period.	(430,871)
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements.	7,247,820
Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities.	(8,102,279)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is reflected as an expenditure in the governmental funds, whereas the repayment reduces long-term liabilities in the statement of net assets. Debt principal payments (\$35,700,467) exceeded bond proceeds (\$20,550,000) and capital lease proceeds (\$11,651,171) by this amount.	3,499,296
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$1,027,749) and amortization of deferred debt issuance costs (\$324,241). In addition, the amortization of bond premium results in reduction of expenses of \$1,994,254. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	642,264
Debt issued at a premium provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net assets.	(207,763)
Debt issuance costs are expenditures of governmental funds, but are deferred assets in the statement of net assets.	326,813
Expenses reported in the statement of activities include the increase in the liability for accrued interest of \$261,318. In addition, the increase in the balance of the net pension asset decreased expenses by \$776,482. Furthermore, the increase in the balance of the liability for other post-employment benefits increased expenses by \$237,412, and the decrease in the compensated absences liability balance of \$195,358 decreased expenses by that amount. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	473,110
The Primary Government provided a capital asset to the Board. This transaction did not use current resources to governmental funds, but resulted in the recognition of expense in the statement of activities.	(14,763,666)
The decrease in the fair value of an interest rate swap accounted for as an investment derivative instrument in the statement of activities did not use current resources in governmental funds.	(3,031,442)
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The net revenue (expense) amounts of the internal service funds are reported with governmental activities.	<u>(1,045,694)</u>
Change in Net Assets of Governmental Activities	<u>\$ (31,395,940)</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**KNOX COUNTY, TENNESSEE**

**Statement of Net Assets  
Proprietary Funds  
June 30, 2010**

	<b>(Nonmajor) Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 303,069	\$ 14,508,254
Receivables:		
Accounts	3,847	736,791
Due from Other Funds	-	1,201,060
Due from Component Units	-	352,522
Notes	-	33,055
Inventories	49,952	160,127
Prepaid Items	7,229	66,292
<b>TOTAL CURRENT ASSETS</b>	<b>364,097</b>	<b>17,058,101</b>
<b>Capital Assets:</b>		
Land	880	-
Buildings	747,515	-
Machinery and Equipment	438,599	8,446,461
Computer Software	25,448	-
Land Improvements	66,463	-
Accumulated Depreciation	(446,315)	(8,183,629)
Capital Assets (Net of Accumulated Depreciation)	832,590	262,832
<b>TOTAL ASSETS</b>	<b>1,196,687</b>	<b>17,320,933</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	25,604	1,725,561
Due to State of Tennessee	7,724	-
Due to Other Funds	11,577	544,274
Due to Component Units	-	156,850
Deferred Revenue	-	32,488
Claims Liability	-	6,400,232
Compensated Absences Payable	13,423	103,382
<b>TOTAL CURRENT LIABILITIES</b>	<b>58,328</b>	<b>8,962,787</b>
<b>Noncurrent Liabilities:</b>		
Compensated Absences Payable	1,491	11,487
<b>TOTAL LIABILITIES</b>	<b>59,819</b>	<b>8,974,274</b>
<b>NET ASSETS</b>		
Invested in Capital Assets	832,590	262,832
Unrestricted	304,278	8,083,827
<b>TOTAL NET ASSETS</b>	<b>\$ 1,136,868</b>	<b>\$ 8,346,659</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**KNOX COUNTY, TENNESSEE**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2010**

	<b>(Nonmajor) Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>		
Charges for Services	\$ 918,056	\$ 64,670,966
<b>Operating Expenses</b>		
Cost of Sales and Services	309,883	2,171,600
General and Administration	448,552	9,948,416
Depreciation and Amortization	120,703	332,880
Medical Claims	-	23,282,021
Retirement Contributions	-	27,526,147
Other Employee Benefits	-	913,122
Worker's Compensation Claims	-	1,852,732
Other Expenses	82,540	838,561
Total Operating Expenses	<u>961,678</u>	<u>66,865,479</u>
<b>Operating Loss</b>	<u>(43,622)</u>	<u>(2,194,513)</u>
<b>Nonoperating Revenues</b>		
Subrogation Payments	-	442
Gain on Disposal of Capital Assets	-	5,381
Payments Received for Administrative Expenses	-	441,564
Payments from Component Units	-	486,643
Total Nonoperating Revenues	<u>-</u>	<u>934,030</u>
<b>Loss before Transfers</b>	(43,622)	(1,260,483)
<b>Transfers</b>		
Transfers to Other Funds	-	(1,627,463)
Transfers from Other Funds	-	1,842,252
Total Transfers	<u>-</u>	<u>214,789</u>
<b>Change in Net Assets</b>	(43,622)	(1,045,694)
<b>Total Net Assets, July 1</b>	<u>1,180,490</u>	<u>9,392,353</u>
<b>Total Net Assets, June 30</b>	<u>\$ 1,136,868</u>	<u>\$ 8,346,659</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**KNOX COUNTY, TENNESSEE**

**Statement of Cash Flows  
Proprietary Funds**

For the Year Ended June 30, 2010

	<b>(Nonmajor) Enterprise Fund</b>	<b>Internal Service Funds</b>
	<u>          </u>	<u>          </u>
<b>Operating Activities</b>		
Cash Received from Customers	\$ 921,417	\$ -
Cash Received from Interfund Services Provided	-	64,782,822
Cash Received from Other Governments	-	390,628
Cash Paid to Employees	(436,969)	(1,130,116)
Cash Paid for Goods and Services	(432,230)	(14,970,854)
Cash Paid on Behalf of Employees	-	(54,075,762)
<b>Net Cash Provided by (Used) in Operating Activities</b>	<u>52,218</u>	<u>(5,003,282)</u>
<b>Noncapital Financing Activities</b>		
Receipts of Subrogation Payments	-	(626)
Payments Received for Administrative Expenses	-	441,564
Payments from Component Units	-	486,643
Transfers from Other Funds	-	1,842,252
Transfers to Other Funds	-	(1,627,463)
Advances from Other Funds	-	(175,000)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>-</u>	<u>967,370</u>
<b>Capital and Related Financing Activities</b>		
Insurance Recovery on Capital Assets	-	6,955
Acquisition and Construction of Capital Assets	(59,584)	(118,930)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(59,584)</u>	<u>(111,975)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(7,366)	(4,147,887)
<b>Cash and Cash Equivalents</b>		
<b>Beginning of Year</b>	<u>310,435</u>	<u>18,656,141</u>
<b>End of Year</b>	<u>\$ 303,069</u>	<u>\$ 14,508,254</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used) in Operating Activities</b>		
Operating Loss	\$ (43,622)	\$ (2,194,513)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used) in Operating Activities:		
Depreciation and Amortization	120,703	332,880
Change in Assets and Liabilities:		
Decrease in Accounts Receivable	3,360	339,521
Decrease in Due from Other Funds	-	116,296
Decrease in Due from Component Units	-	35,085
Increase in Inventories	(15,631)	(1,108)
(Increase) Decrease in Prepaid Items	1,851	(15,663)
Decrease in Accounts Payable and Accrued Liabilities	(21,859)	(2,592,683)
Decrease in Due to State of Tennessee	(1,058)	-
Decrease in Due to Other Funds	(1,128)	(351,681)
Decrease in Due to Component Units	-	(45,839)
Increase (Decrease) in Compensated Absences	9,602	(4,723)
Decrease in Claims Liabilities	-	(632,436)
Increase in Deferred Revenue	-	11,582
Total Adjustments	<u>95,840</u>	<u>(2,808,769)</u>
<b>Net Cash Provided by (Used) in Operating Activities</b>	<u>\$ 52,218</u>	<u>\$ (5,003,282)</u>

The Notes to the Financial Statements are an integral part of this statement.

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**KNOX COUNTY, TENNESSEE**

**Statement of Fiduciary Net Assets**

**Fiduciary Funds**

June 30, 2010

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	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 24,657,690
Receivables:		
Accounts	-	6,779,181
Contributions	292,099	-
Investments	<u>327,902,799</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>328,194,898</u>	<u>\$ 31,436,871</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	108,331	\$ 8,223,554
Due to Other Governments	-	5,125,470
Due to Litigants, Heirs and Others	<u>-</u>	<u>18,087,847</u>
<b>TOTAL LIABILITIES</b>	<u>108,331</u>	<u>\$ 31,436,871</u>
<b>NET ASSETS</b>		
Held in Trust for:		
Pension Benefits	<u>\$ 328,086,567</u>	

*The Notes to the Financial Statements are an integral part of this statement.*

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**KNOX COUNTY, TENNESSEE**

**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
For the year ended June 30, 2010

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	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 16,332,310
Employees	12,101,603
Transfers from Other Plans	<u>242,795</u>
Total Contributions	<u>28,676,708</u>
Investment Earnings:	
Interest and Dividend Income	1,346,205
Net Appreciation (Depreciation) in Fair Value of Investments	<u>31,407,168</u>
Total Investment Earnings (Losses)	32,753,373
Less Investment Expenses	<u>(429,462)</u>
Net Investment Earnings (Losses)	<u>32,323,911</u>
Total Additions	<u>61,000,619</u>
<b>Deductions</b>	
Benefits and Refunds	19,210,656
Administrative Expenses	903,767
Transfers to Other Plans	<u>273,672</u>
Total Deductions	<u>20,388,095</u>
<b>Change in Net Assets</b>	40,612,524
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>287,474,043</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u>\$ 328,086,567</u>

*The Notes to Financial Statements are an integral part of this statement.*

# Notes to Financial Statements





KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

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KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Knox County (the County), founded in 1792, is a political subdivision of the State of Tennessee. The County operates under a County Mayor – County Commission form of government pursuant to the Knox County Home Rule Charter (the Charter) established under Tennessee Code Annotated, Section 5-1-208, effective September 1, 1990. The County Mayor serves an elected term of four years. The nineteen County Commissioners serve four-year terms and are elected by district votes within the County. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its Component Units. The County is considered to be the primary government. Component Units are legally separate entities for which the County is considered to be financially accountable. These Component Units are discretely presented in separate columns in the government-wide financial statements to emphasize they are legally separate from the County.

***Discretely Presented Major Component Units - the County***

The **Knox County Board of Education** (the Board) consists of nine members elected by voters of the County and one superintendent appointed by members of the Board. The Board is fiscally dependent on the County because the County levies taxes for the Board, issues debt on behalf of the Board and approves the Board's Budget. The Board is responsible for elementary and secondary education within the County's jurisdiction. The Board operates a total of 86 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2009 - 2010 school year was 55,459 with a full time equivalent average daily attendance of 51,809. During the previous year, the full time equivalent average daily membership was 55,120 with a full time equivalent average daily attendance of 51,549.

The **Knox County Railroad Authority** (KCRA) was established by Knox County in April 1999, to provide for the continuation of rail service within the County. KCRA is governed by a two-member Board consisting of the County Mayor and a member selected by the County Commission. KCRA is fiscally dependent on the County for approval of all debt issuances.

The **Knox County Emergency Communications District** (the District) is an emergency response agency operating a consolidated public safety answering point service and emergency radio dispatch service for the residents of the County. The District is governed by an eleven-member Board of Directors, of whom the majority are appointed by the County. Debt issuances or lease agreements exceeding five years require County approval. The District has the authority to levy an emergency telephone service charge to be used to fund the emergency telephone service. The County, however, may reduce the levy provided the reduction does not preclude the District from the authorized activities established in the Tennessee Code Annotated.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

Complete financial statements for the District may be obtained at the entity's administrative offices:

Knox County Emergency Communications District  
605 Bernard Avenue  
Knoxville, TN 37921

The Board and KCRA do not issue separate financial statements from those of the County. Fund financial statements for the Board are, therefore, included in these financial statements. The activities of KCRA are accounted for in a single fund, and the information presented in the government-wide financial statements also constitutes the fund financial statements.

***Discretely Presented Major Component Unit - the Board***

The Great Schools Partnership Charitable Trust (the Partnership) was established during the fiscal year ended June 30, 2005. Its purpose is to support the Knox County Schools by expending funds in furtherance of the exempt purposes of the Board or by distributions of funds directly to the Board. The Partnership is a legally separate, tax-exempt organization governed by a thirteen-member board consisting of representatives of the Board, Knox County, the City of Knoxville, and various other governmental, educational, and not-for-profit organizations. Although the Board does not control the timing or amount of expenditures made by the Partnership, the majority of the resources, or income therefrom, that the Partnership holds are restricted to the exempt purposes of the Board by the donors. Therefore, the Partnership is considered a component unit of the Board and is discretely presented in the Board's financial statements.

The Partnership does not issue separate financial statements. Its activities are accounted for in a single fund, and the information presented in the Board's financial statements also constitutes the fund financial statements.

**B. Government-wide and Fund Financial Statements**

The accompanying financial statements of the County have been prepared in conformity with accounting principles as generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2010

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Continued)**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*The government-wide financial statements* are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and pension trust fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Governmental fund financial statements* are reported using the flow of current financial resources measurement focus and employ the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are "measurable and available". "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers property tax revenues available if they are collected within 60 days after the fiscal year end. All other revenues are considered available if collected within one year after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting, except for debt and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2010

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are considered susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the County are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**Fund Accounting:** The accounts of the County are organized, operated and presented on the basis of funds. Funds are independent fiscal and accounting entities with self-balancing sets of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

**Governmental Funds** are used to account for the County's general government activities. The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Constitutional Officers Fund* accounts for activities associated with the administrative functions of the County's Constitutional Officers.

The *Public Improvement Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds, exclusive of construction activity related to the Americans with Disabilities Act.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

**Proprietary funds** are used to account for governmental activities that are similar to activities that may be performed by a commercial enterprise.

*Enterprise funds* account for operations that provide services primarily to the general public on a user charge basis. During the fiscal year ended June 30, 2009, the County commenced the management and operation of the Three Ridges Golf Course. These operations are accounted for as an enterprise fund.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

*Internal service funds* account for operations of the County that provide services to other departments, agencies, other governments, component units, and joint ventures on a cost reimbursement basis.

Activities accounted for in the internal service funds include: (1) provision of gasoline and maintenance services for County vehicles, (2) operation of a central mailroom, (3) payment of retiree medical premiums, employee retirement, life insurance and other payroll related expenses, and unemployment claims, (4) accounting for the payment of workers' compensation and general liability claims, (5) provision of central maintenance for County buildings, (6) providing technical support for electronic data processing functions, (7) providing leased vehicles and equipment to County departments, and (8) accounting for the payment of employee health insurance claims.

*Fiduciary funds* account for assets held by the County in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Fiduciary funds include the following:

The *pension trust funds* are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The pension trust fund accounts for the assets of the County's defined benefit pension plan, defined contribution pension plan, its defined contribution medical retirement plan, and the Uniformed Officers Pension Plan. Plan member contributions are recognized in the period when contributions are due and payable in accordance with the terms of the plan. Employer contributions are recognized when due and the County makes a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Fiduciary funds also include agency funds used to account for the receipt and disbursement of funds held for various third parties. Agency funds include transactions related to (1) local sales taxes collected by the State of Tennessee and remitted to the County for distribution to other municipalities, (2) funds held on behalf of juvenile defendants, (3) funds held on behalf of subdivision developers pending completion of road and hydrology requirements, (4) cash held by the County on behalf of several external agencies and County joint ventures, and (5) funds held by various elected officials on behalf of state agencies and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Governments also have the option of following subsequent private-sector guidance for their business-type activities subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

*Proprietary funds* distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

***Component Units***

The Board of Education uses two major governmental funds (general fund and school construction capital projects), three nonmajor governmental (special revenue) funds, and fiduciary funds (pension trust fund, agency). These fund types use the same measurement focus and basis of accounting as those of the County. KCRA and the Partnership follow the County's governmental funds measurement focus and basis of accounting. The District follows the County's proprietary funds measurement focus and basis of accounting.

**D. Assets, Liabilities and Equity**

***Deposits and Investments***

The cash and cash equivalents of the County and its component units are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

***Deposits and Investments (Continued)***

The County maintains a pooled cash system through the Knox County Trustee. The fair value of purchased investments and investment income at fiscal year end is allocated to major funds based on the total cash position of that fund at fiscal year end. In accordance with County directive, the majority of interest earned during the year is allocated to the General Fund.

State statutes and local ordinances authorize the County and the Board to invest in certificates of deposit, the State Local Government Investment Pool, U.S. Treasury obligations, U.S. agency issues, corporate bonds, equity funds, short-term bond funds, and guaranteed investment contracts.

The County's and its component units' investments are carried at fair value. Short-term investments, however, are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

***Receivables, Payables, and Deferred Revenue***

In the County's fund financial reporting, transactions between County funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Transactions between the County and its component units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from Component Units." All other outstanding balances between the County and its component units are reported as "due to/from Component Units/Primary Government."

In the fund financial statements governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current accounting period. Governmental funds also defer recognition of revenues in connection with resources that have been received, but not yet earned. The County accrues additional assets (receivables) for certain nonexchange revenues in governmental funds. As governmental funds are subject to the modified accrual basis of accounting, any additional revenues recognized as receivable before the resources are available have been reported as deferred revenues with no resulting effect on fund equity. Unearned revenue in the government-wide financial statements consists of resources received that have not yet been earned.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

All trade receivables are shown net of an allowance for doubtful accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1<sup>st</sup>, and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1<sup>st</sup> of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30<sup>th</sup>.

Property taxes receivable are also reported as of June 30<sup>th</sup> for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property taxes receivable are presented on the fund balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30<sup>th</sup>. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the court for collection. Delinquent taxes filed with the court for collection are considered uncollectible and are written off.

In the fund financial statements, the balance of notes receivable and advances between funds are offset by a fund balance reserve to indicate that they are not available for appropriation and are not expendable available financial resources.

***Inventories and Prepaid Assets***

The County maintains material inventory balances in its proprietary and governmental funds. Inventories in the proprietary funds are stated at the lower of cost or market. Inventories in the governmental funds are stated at cost. Inventories are accounted for under the consumption method. Supplies for resale and the cost of oil and gasoline in the internal service funds use the first-in, first-out (FIFO) flow assumption in determining cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

***Inventories and Prepaid Assets (Continued)***

The Board values school supplies inventories using the specific identification method. The Board's Central Cafeteria Fund inventories are composed of food supplies. These inventories are stated at cost.

The County's general fund inventory consists of land held for resale. The land is recorded at cost excluding the cost of infrastructure (roads, utilities, etc.). In the governmental funds the balance of prepaid assets and inventories are offset by a fund balance reserve to indicate that they are not available for appropriation and are not expendable, available financial resources.

***Derivative Instruments***

Effective July 1, 2009, the County adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (Statement No. 53). Statement No. 53 requires the County to recognize all its derivative instruments on the Statement of Net Assets at fair value. The provisions of Statement No. 53 have been applied retroactively by restating financial statements for all prior periods presented. See Note IV. (I) for impact of this restatement.

The County analyzes its derivative instruments into hedging derivative instruments and investment derivative instruments, as defined by Statement No. 53. If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the Statement of Net Assets as either deferred inflows or deferred outflows. If the derivative is classified as an investment derivative instrument, changes in its fair value are reported on the Statement of Activities in the period in which they occur. Such changes are included in the County's investment Income (loss). See Note III. (H) for more detailed analysis. The County formally assesses the effectiveness of its hedging derivative instruments at each year-end.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

*Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Public domain infrastructure includes long-lived assets, primarily roads; system infrastructure includes street lighting and other assets with shorter expected useful lives. Depreciation is computed using the straight-line method generally over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Land Improvements	10 - 20
Public Domain Infrastructure	40
System Infrastructure	25
Vehicles	5
Machinery and Equipment	5 - 20
Intangibles	5

It is the County's and the District's policy to capitalize the cost of the rights to externally acquired software as an intangible asset.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

***Compensated Absences***

It is the policy of the County and its component units to permit employees to accumulate, in varying amounts, earned but unused vacation, compensatory time and sick pay benefits. There is no liability recorded for unpaid accumulated sick leave since the County does not have a policy to pay any such amounts upon separation from employment. Vacation and compensatory pay from the County's and the Board's governmental funds are not reported in their respective fund financial statements because it is not expected that such amounts would be liquidated with expendable available financial resources. No expenditure is reported for these amounts. For the County and Component Unit governmental activities, compensated absences liabilities are generally liquidated by the respective general fund. The compensated absences liability and the related change in liability are reported in the government-wide and proprietary fund financial statements of the County and its component units.

***Long-Term Obligations***

The County and the Board record long-term debt in the government-wide financial statements. Similarly, long-term debt and other obligations financed by the County's proprietary funds and the District are recorded as liabilities in the appropriate funds.

Bond premiums and discounts, as well as deferred amounts on refundings, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount and deferred amounts on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt on the straight-line basis.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Fund Equity***

In the fund financial statements of the governmental funds, reservations of fund balances represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change and are available for appropriation at the discretion of management.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

***Fund Equity (Continued)***

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted, and unrestricted. Restricted net assets represent constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by County law.

**E. Additional Information**

***Comparative Data/Reclassifications***

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements to provide an understanding of the changes in the financial position and operations of the County and the Board. Comparative totals have not been included on statements where their inclusion would not provide enhanced understanding of the reporting entity's financial position and operations or would cause the statements to be unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

***Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Data**

***Budget Basis/Authority***

Annual budgets, as required by the County Charter and applicable County ordinances, are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Constitutional Officers Fund and the Public Improvement Capital Projects Fund.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Data (Continued)**

The Constitutional Officers Special Revenue Fund is used to account for the transactions of the fee and commission accounts of the County Trustee, Register of Deeds, County Clerk, Criminal and Fourth Circuit Court Clerk, Circuit and General Sessions Court Clerk, and Clerk and Master. These separately elected officials pay salaries and related expenditures from fees and commissions earned by their offices.

Excess fees and commissions are transferred to other funds. In some instances, all fees and commissions earned are transferred to other funds. Transactions related to the Constitutional Officers Special Revenue Fund are not subject to the budgetary control of the County Commission. Therefore, this fund is presented as an unbudgeted special revenue fund.

The Drug Control Special Revenue Fund was established in the 1998 fiscal year pursuant to an amendment of Tennessee Code Annotated Section 39-17-420, stipulating drug control activities to be reported in a special revenue fund. The budget for this fund is a separately adopted budget proposed by the Sheriff and approved by the County Commission.

The County's Public Improvement Capital Projects Fund and the Board's School Construction Capital Projects Fund each adopt project-length budgets for major construction projects rather than annual budgets for these projects. The Board adopts annual budget amounts for certain expenditures within these funds. In fiscal years prior to 2008, the County also adopted an annual budget for certain expenditures included in the Public Improvement Capital Projects Fund. Beginning in 2008, all activities included in that fund are accounted for by use of project-length budgets. The County's Americans with Disabilities Act (ADA) Construction Capital Projects Fund's budget is adopted on an annual basis.

Budgets for portions of the County's State and Federal Grants Fund and all of the Board's School Projects and School Federal Projects Funds are generally adopted at the time the grant or program has been approved by the grantor, so the Commission can fulfill any requirement to appropriate local matching funds at the time of adoption.

With the exception of project length budgets and grants, all appropriations lapse at fiscal year end.

***Budgetary Process***

On or before April 15, heads of all County departments and agencies submit requests for appropriations to the County Department of Finance. The Board prepares a comprehensive budgetary request that is also sent to the Department of Finance. This budget has been approved by the members of the Board of Education and is sent to the County for adoption.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Data (Continued)**

The Department of Finance in conjunction with the Office of the County Mayor compiles the requests, negotiates with the various departments and submits a comprehensive budget to the County Commission. By July 1, the final County and Board budget is adopted by County Commissioners.

The appropriated County budget is prepared at the fund, department, and major category level. For the County, the legal level of budgetary control, that is, the level at which management cannot overspend funds without a budget amendment approved by the Finance Committee of the County Commission, is the major category level within departments. The major categories are Personal Services, Employee Benefits, Contracted Services, Supplies and Materials, Other Charges, Debt Service and Capital Outlay.

The budget adopted by the County for the Board is recommended by the County Mayor and adopted in total. The County does not exercise control over the Board at the department or major category level. After the budget for the Board is approved, the Board of Education may modify it within the total appropriation granted by the County Commission.

The budget and actual schedules included herein are not intended to demonstrate compliance at the legal level of budgetary control. Such statements and schedules are included in the County's separately issued *Budget Report to Citizenry*. Copies of the report may be obtained from the Knox County Department of Finance or online at: <http://www.knoxcounty.org/finance/budget.php>.

Knox County Department of Finance  
Room 630  
City County Building  
400 Main Avenue  
Knoxville, TN 37902

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances are reappropriated in the subsequent year.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Data (Continued)**

***Supplemental Appropriations***

The following schedule shows the annual budget originally adopted for the County and the Board, and the revisions to that budget as authorized by the County Commission, for the year ended June 30, 2010:

Fund	Original Budget	Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 166,544,606	\$ 4,381,079	\$ 170,925,685
Special Revenue Funds:			
State and Federal Grants	199,932	1,575,931	1,775,863
Governmental Library	195,000	-	195,000
Public Library	12,837,000	116,663	12,953,663
Solid Waste	4,477,550	67,386	4,544,936
Hotel/Motel Tax	5,558,192	-	5,558,192
Fire District	200,000	-	200,000
Drug Control	-	698,607	698,607
Engineering & Public Works	12,413,634	1,378,688	13,792,322
Total Special Revenue Funds	35,881,308	3,837,275	39,718,583
Debt Service Fund	68,472,000	-	68,472,000
Capital Projects Funds:			
ADA Construction	400,000	1,157,200	1,557,200
Total - Governmental Funds	\$ 271,297,914	\$ 9,375,554	\$ 280,673,468



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Data (Continued)**

Fund	Original Budget	Revisions	Revised Budget
Component Unit - the Board:			
General Fund:			
General Purpose School	\$ 375,250,000	\$ 5,481,871	\$ 380,731,871
Special Revenue Funds:			
Central Cafeteria	23,742,500	237,098	23,979,598
Capital Projects Fund:			
School Construction	19,802,665	-	19,802,665
Total - the Board	<u>\$ 418,795,165</u>	<u>\$ 5,718,969</u>	<u>\$ 424,514,134</u>

Designated funds, as of June 30, 2010, in the General Fund and Public Library Fund reappropriated in the subsequent fiscal year totaled \$1,374,544 and \$2,977, respectively.

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2010, and grant awards appropriated at the time the award is received.

A local ordinance requires a two-thirds approval of the County Commission before reducing any County fund balance below an amount equal to five percent of the total amount budgeted in the fund. State law stipulates that the Board's General Purpose School Fund balance in excess of three percent of the budgeted annual operating expenses for the current fiscal year may be budgeted and expended for nonrecurring purposes but shall not be used for recurring annual operating expenses.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The County, the Board and the District maintain a cash and investment pool through the County Trustee's office. The County Trustee is the treasurer of the County and in this capacity is responsible for receiving, disbursing, depositing and investing most funds. The carrying amount of balances approximates bank balances.

The Trustee of Knox County utilizes a negotiated sweep agreement for a portion of funds held by the Trustee. These funds are invested each night in various instruments, but under the County's policy these funds are classified as Cash and Cash Equivalents.

Other investments are held in the State of Tennessee's Local Government Investment Pool ("LGIP") and are not subject to categorization. Fair value of investments held in the LGIP approximates carrying value.

Cash and investments for the County and its Component Units as shown in the financial statements follows:

	Primary Government	Component Units		
		The Board	KCRA	The District
Cash on Hand	\$ 8,647	\$ -	\$ -	\$ -
Carrying Amount of Deposits	50,137,307	67,115,604	32,260	12,007,953
Investments (Governmental Funds)	36,616,725	-	-	-
Investments (Pension Trust Funds)	327,902,799	58,925,205	-	-
Investment in State Treasurer's Investment Pool	2,072,902	-	-	-
<b>Total</b>	<b>\$ 416,738,380</b>	<b>\$ 126,040,809</b>	<b>\$ 32,260</b>	<b>\$ 12,007,953</b>
Cash and Cash Equivalents	\$ 52,218,856	\$ 67,115,604	\$ 32,260	\$ 12,007,953
Investments	364,519,524	58,925,205	-	-
<b>Total</b>	<b>\$ 416,738,380</b>	<b>\$ 126,040,809</b>	<b>\$ 32,260</b>	<b>\$ 12,007,953</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

***Interest Rate Risk***

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's governmental activities investments are managed by an investment board, whose objectives are to maximize earnings while reducing the exposure to interest rate risks to a low level by utilizing a mixture of short and long-term maturity investments, primarily in investments in U.S. Government Securities and securities issued by agencies of the U.S. Government. The County's and Board's Pension Trust fund activities are managed by the Knox County Retirement Board, whose objectives are to maximize earnings while reducing the exposure to interest rate risks to an appropriate level by using a mixture of long-term and short-term investments in various debt and equity securities. The investments of the County's defined benefit plan and the Board's defined benefit plan are included in a single trust account. The following represents the County's governmental activities investments and the activities of the County's and the Board's Pension Trust funds:

	Primary Government, Governmental Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value or Carrying Amount	Weighted Average Maturity (Years)	Fair Value or Carrying Amount	Weighted Average Maturity (Years)
Cash Equivalents Classified as Investments	\$ 6,976,126		\$ 4,624,786	
Equity Mutual Funds	\$ -		\$ 366,489,388	
Fixed Income Securities:				
U.S. Government Securities	\$ 29,640,599	1.212	\$ 10,061,325	3.940
U.S. Government Agency Securities	-		1,316,229	5.327
Corporate Bonds	-		3,865,654	4.466
Municipal Bonds	-		260,117	0.882
State Agency Bonds	-		210,505	1.833
Total Fixed Income Securities	\$ 29,640,599	1.212	\$ 15,713,830	4.106

***Custodial credit risk***

The County's policies limit deposits and investments to those instruments allowed by applicable state laws. Tennessee State Law requires financial institutions to secure a local government's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal at least 105% of the average daily balance of deposits. Alternatively, financial institutions that hold public deposits may participate in the State's collateral pool.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

***Custodial Credit Risk (Continued)***

A portion of the County's, the Board's and the District's deposits at June 30, 2010 were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee (the State). Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must equal between 90 – 115 percent of the average daily balance of public deposits held and must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. The members of the pool may be required to pay an assessment to cover any deficiency.

***Credit risk***

The County's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable laws. The County's and Board's Pension Trust funds are managed with long-term objectives that include maximizing total investment earnings. State statutes and County policies allow the Pension Trust funds a broader range of investments than those available to the governmental activities. The credit risk of the investments of the County's governmental activities and the County's and Board's Pension Trust funds investments in fixed-income securities (excluding U.S. Government securities) is as follows:

	Primary Government, Governmental Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value	S&P Rating	Fair Value	S&P Rating
U.S. Government Agency Securities:	\$ 20,122,869	AAA	\$ 10,140,745	AAA
U.S. Government Agency Securities:	5,039,063	AAA	1,236,809	Unrated
U.S. Government Agency Securities:	4,478,667	AAA	-	
Corporate Bonds:				
Corporate Bonds	-	-	940,651	AAA
Corporate Bonds	-	-	81,404	AA+
Corporate Bonds	-	-	54,106	AA
Corporate Bonds	-	-	350,183	A+
Corporate Bonds	-	-	905,595	A
Corporate Bonds	-	-	224,874	A-
Corporate Bonds	-	-	358,947	BBB+
Corporate Bonds	-	-	380,244	BBB
Corporate Bonds	-	-	310,630	BBB-
Corporate Bonds	-	-	259,020	Unrated
Municipal Bonds	-	-	128,289	AA+
Municipal Bonds	-	-	131,828	AA
State Agency Bonds	-	-	210,505	AA
Total Fixed Income Securities	\$ 29,640,599		\$ 15,713,830	

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

The County's governmental activities investments and the County's and the Board's pension trust investments have no investments in any single issuer of fixed income securities that represent 5 percent or more of plan net assets.

**B. Receivables**

Receivables for the County's individual major funds and nonmajor governmental, internal service, and fiduciary funds in the aggregate, as of year-end, including allowances for uncollectible accounts are:

**Primary Government**

	Major Governmental Funds							Trust and Agency
	General	Debt Service	Capital Projects Public Improvement	Nonmajor Governmental Funds	Internal Service	Enterprise Fund	Total Primary Government	
Receivables:								
Taxes	\$ 108,131,678	\$ 34,383,603	\$ -	\$ -	\$ -	\$ -	\$ 142,515,281	\$ -
Accounts	9,324,835	-	150,462	8,484,709	736,791	3,847	18,700,644	6,779,181
Contributions	-	-	-	-	-	-	-	292,099
Gross Receivables	117,456,513	34,383,603	150,462	8,484,709	736,791	3,847	161,215,925	7,071,280
Less: Allowances for Uncollectibles	(2,737,479)	(715,191)	-	-	-	-	(3,452,670)	-
Net Total Receivables	\$ 114,719,034	\$ 33,668,412	\$ 150,462	\$ 8,484,709	\$ 736,791	\$ 3,847	\$ 157,763,255	\$ 7,071,280

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Receivables (Continued)**

Receivables for the County's component units as of year-end, including the allowances for uncollectible accounts are:

<u>Component Units:</u>	Government-wide Totals		
	The Board	The District	The Authority
Receivables:			
Taxes	\$ 120,270,064	\$ -	\$ -
Accounts	34,608,551	642,924	5,604
Gross Receivables	154,878,615	642,924	5,604
Less: Allowances for Uncollectibles	(2,939,408)	-	-
Net Total Receivables	\$ 151,939,207	\$ 642,924	\$ 5,604

The General Fund has the following note receivable at June 30, 2010:

- (1) A note receivable from the Knoxville-Knox County Community Action Committee (CAC) with an initial balance of \$2,300,000 was originated during the fiscal year ended June 30, 2004. The note resulted from an arrangement between the County and CAC whereby certain proceeds from debt issued by the County were used to construct a facility on CAC's behalf. CAC agreed to reimburse the County by repaying the annual amounts of the County's related debt service requirements. The resulting note receivable is due in varying principal installments, plus interest, through 2022. As of June 30, 2010, \$1,619,000 remained outstanding.

The County's Debt Service Fund has the following notes receivable at June 30, 2010:

- (1) Notes receivable from the Knox-Chapman Utility District (KCUD) and the West Knox Utility District of Knox County (WKUD) have current balances of \$1,455,000 and \$1,770,000, respectively. The basis of these notes is an agreement made by the County to participate with the utility districts to expedite utility relocation and upgrading necessary for construction of improved roadways within the northwest portion of the County. Each district was advanced up to \$2,000,000, which was disbursed by the County in installments upon receipt of draw notices. The advances are non-interest bearing and are individually payable in four varying installments every five years based on the completion dates of the respective projects. The amount to be repaid also includes \$140,000, recognized as revenue when received, that each district must pay to cover the County's administrative, accounting and financial costs associated with the agreements.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Receivables (Continued)**

- (1) A loan receivable from the Industrial Development Board of Blount County was made for the purpose of providing financial assistance to the Board for the acquisition and development of property as a business and industrial park. The loan bears interest at 5% annually and is to be repaid from amounts to be received by the Board from land sales and other revenues related to the park. At June 30, 2010, the loan balance was \$6,020,000.

The State and Federal Grants Special Revenue Fund had \$3,665,472 of notes receivable at June 30, 2010. These note agreements are from eligible County citizens participating in various state and federal low-income housing projects. These notes are executed with a range of below market interest rates and varying repayment terms.

***Advances to Other Government***

During the fiscal year ended June 30, 2006, the County advanced \$2,500,000 to the Knoxville-Knox County Community Action Committee (CAC). An additional advance during the fiscal year ended June 30, 2009 for \$3,500,000 was made to CAC from Knox County. These advances were made to provide funding for operations and are to be repaid from grant monies and other funding received by CAC.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets**

Activity in the County's and the Component Unit's capital assets for the fiscal year ended June 30, 2010, was the following:

**Primary Government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 96,672,048	\$ 1,127,477	\$ -	\$ 97,799,525
Construction in Progress	67,263,339	19,100,499	15,077,786	71,286,052
Total Capital Assets, not being depreciated	<u>163,935,387</u>	<u>20,227,976</u>	<u>15,077,786</u>	<u>169,085,577</u>
Capital Assets being depreciated:				
Buildings	197,754,905	81,302	-	197,836,207
Land Improvements	20,088,094	319,619	-	20,407,713
Machinery and Equipment	36,034,756	1,452,663	753,096	36,734,323
Intangible Assets	19,816,467	93,878	-	19,910,345
Infrastructure	499,505,110	1,920,334	-	501,425,444
Total Capital Assets being depreciated	<u>773,199,332</u>	<u>3,867,796</u>	<u>753,096</u>	<u>776,314,032</u>
Less Accumulated Depreciation for:				
Buildings	68,362,780	5,069,901	-	73,432,681
Land Improvements	10,305,487	879,062	-	11,184,549
Machinery and Equipment	29,258,413	2,196,464	751,522	30,703,355
Intangible Assets	13,939,975	3,799,604	-	17,739,579
Infrastructure	154,983,588	12,481,442	-	167,465,030
Total Accumulated Depreciation	<u>276,850,243</u>	<u>24,426,473</u>	<u>751,522</u>	<u>300,525,194</u>
Total Capital Assets being depreciated, net	<u>496,349,089</u>	<u>(20,558,677)</u>	<u>1,574</u>	<u>475,788,838</u>
Governmental Activities Capital Assets, net	<u>\$ 660,284,476</u>	<u>\$ (330,701)</u>	<u>\$ 15,079,360</u>	<u>\$ 644,874,415</u>



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

**Primary Government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type Activities:</b>				
<b>Three Ridges Golf Course:</b>				
Land and Construction in Progress	\$ 880	\$ -	\$ -	\$ 880
Buildings	747,515	-	-	747,515
Machinery and Equipment	379,015	59,584	-	438,599
Computer Software	25,448	-	-	25,448
Land Improvements	66,463	-	-	66,463
Less: Accumulated Depreciation	(325,612)	(120,703)	-	(446,315)
<b>Total</b>	<b>\$ 893,709</b>	<b>\$ (61,119)</b>	<b>\$ -</b>	<b>\$ 832,590</b>

Depreciation expense was charged to primary government governmental activities functions as follows:

Finance and Administration	\$ 1,624,009
Administration of Justice	2,727,015
Public Safety	1,648,692
Public Health and Welfare	1,298,408
Social and Cultural Services	3,216,402
Other General Government	1,335,389
Engineering & Public Works	12,576,558
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 24,426,473</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

**Component Units**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Component Unit - The Board:</b>				
Capital Assets, not being depreciated:				
Land	\$ 20,222,997	\$ -	\$ -	\$ 20,222,997
Construction in Progress	17,573,899	1,755,088	-	19,328,987
<b>Total Capital Assets, not being depreciated</b>	<b>37,796,896</b>	<b>1,755,088</b>	<b>-</b>	<b>39,551,984</b>
Capital Assets being depreciated:				
Buildings	411,719,457	16,926,328	-	428,645,785
Land Improvements	1,896,917	104,372	-	2,001,289
Machinery and Equipment	30,670,724	9,662,047	-	40,332,771
Intangible Assets	515,514	-	-	515,514
<b>Total Capital Assets being depreciated</b>	<b>444,802,612</b>	<b>26,692,747</b>	<b>-</b>	<b>471,495,359</b>
Less Accumulated Depreciation for:				
Buildings	152,246,504	8,595,168	-	160,841,672
Land Improvements	636,669	116,072	-	752,741
Machinery and Equipment	16,614,412	2,920,521	-	19,534,933
Intangible Assets	336,198	66,724	-	402,922
<b>Total Accumulated Depreciation</b>	<b>169,833,783</b>	<b>11,698,485</b>	<b>-</b>	<b>181,532,268</b>
<b>Total Capital Assets being depreciated, net</b>	<b>274,968,829</b>	<b>14,994,262</b>	<b>-</b>	<b>289,963,091</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 312,765,725</b>	<b>\$ 16,749,350</b>	<b>\$ -</b>	<b>\$ 329,515,075</b>

**Component Unit – The District:**

Capital Assets, not being depreciated:				
Land and Construction in Progress	\$ 163,614	\$ -	\$ 107,525	\$ 56,089
Capital Assets being depreciated:				
Buildings	5,099,736	-	-	5,099,736
Machinery and Equipment	12,335,887	30,257	-	12,366,144
Intangible Assets	29,345	-	-	29,345
Leasehold Improvements	207,735	-	-	207,735
Less: Accumulated Depreciation	(12,105,795)	(804,092)	-	(12,909,887)
<b>Total Capital Assets being depreciated</b>	<b>5,566,908</b>	<b>(773,835)</b>	<b>-</b>	<b>4,793,073</b>
<b>Business-type Activities Capital Assets, net</b>	<b>\$ 5,730,522</b>	<b>\$ (773,835)</b>	<b>\$ 107,525</b>	<b>\$ 4,849,162</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund and Component Unit Receivables and Payables**

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The composition of the County and component unit interfund receivables and payables as of June 30, 2010, is as follows:

***Due to/from Other Funds - Primary Government:***

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General	Constitutional Officers' Special Revenue Fund	\$ 479,025
	State and Federal Grants	2,077,837
	Public Library	178,235
	Solid Waste	142,688
	Hotel/Motel Tax	50,000
	Drug Control	557
	Engineering & Public Works	32,029
	Vehicle Service Center	68,199
	Self Insurance	581
	Central Maintenance	40,266
	Technical Support	6,811
	Three Ridges Golf Course	11,577
		3,087,805
Public Improvement	Debt Service	224,400
Total Major Governmental Funds		3,312,205
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants	General	185,276
	Drug Control	157
		185,433
Solid Waste	General	27,558
Engineering & Public Works	General	2,460
Total Nonmajor Governmental Funds		215,451
Total Governmental Funds		\$ 3,527,656

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund and Component Unit Receivables and Payables (Continued):**

Receivable Fund	Payable Fund	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 81,924
	State and Federal Grants	1,354
	Public Library	1,494
	Solid Waste	11,760
	Engineering & Public Works	82,238
	Self Insurance	48
	Central Maintenance	84
		<u>178,902</u>
Mailroom Services	General	23,224
	State and Federal Grants	26
	Engineering & Public Works	259
	Employee Benefits	270
	Self Insurance	15
		<u>23,794</u>
Employee Benefits	General	10,743
	Public Improvement	550
	Public Library	1,399
	Solid Waste	960
	Hotel/Motel Tax	738
		<u>14,390</u>
Technical Support	General	<u>935</u>
Self Insurance Healthcare	General	155,039
	Public Library	200,000
	Solid Waste	100,000
	Engineering & Public Works	100,000
	Employee Benefits	428,000
		<u>983,039</u>
Total Internal Service Funds		<u>\$ 1,201,060</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund and Component Unit Receivables and Payables (Continued)**

***Due to/from Primary Government and Component Units:***

Receivable Fund	Payable Fund	Amount
<u>Primary Government - Major Funds:</u>		
General	Component Unit - the Board, General Purpose School	\$ 266,034
	Component Unit - the Board, School Federal Projects	9,364
	Component Unit - the Board, School General Projects	76,126
	Component Unit - the Board, Great Schools Partnership	544
	Component Unit - the District	955
Total Primary Government - Major Funds		\$ 353,023
<u>Primary Government - Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the Board, General Purpose School	\$ 540
	Component Unit - the Board, School Federal Projects	3,083
	Component Unit - the Board, School General Projects	43
	Component Unit - the District	515
		4,181
Employee Benefits	Component Unit - the Board, General Purpose School	224,067
	Component Unit - the Board, School Federal Projects	39,573
	Component Unit - the Board, School General Projects	2,345
	Component Unit - the Board, Great Schools Partnership	2,356
		268,341
Self Insurance	Component Unit - the Board, General Purpose School	80,000
Total Primary Government - Internal Service Funds		\$ 352,522

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund and Component Unit Receivables and Payables (Continued)**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit - the Board, General Purpose School	Primary Government - General Primary Government - Public Library Primary Government - Employee Benefits	\$ 96,409 106 152,450 <u>248,965</u>
Component Unit - the Board, School Construction	Primary Government - General Primary Government - Public Improvement	65,942 11,478 <u>77,420</u>
Total Component Unit - the Board		<u>\$ 326,385</u>
Component Unit Great Schools Partnership	The Board, General Purpose School	\$ 347,421
	The Board, School Federal Projects	<u>71</u>
Total Component Unit - Great Schools Partnership		<u>\$ 347,492</u>
Component Unit - the District	Primary Government - Employee Benefits	<u>\$ 4,400</u>
The Board, General Purpose School	Component Unit - the Board, Great Schools Partnership	\$ 36,336
The Board, School General Projects	Component Unit - the Board, Great Schools Partnership	<u>3,402</u>
Total The Board		<u>\$ 39,738</u>

***Advances from/to Primary Government and Component Units:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government -Major Fund: General	Component Unit - the District	<u>\$ 3,580,250</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund and Component Unit Receivables and Payables (Continued)**

***Due to/from Other Funds - The Board:***

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose School	School Federal Projects	\$ 5,371,724
	School General Projects	21,789
	School Construction	1,425,673
	Central Cafeteria	22,582
		6,841,768
 <u>Nonmajor Special Revenue Funds:</u>		
School Federal Projects	General Purpose School	201,234
	School General Projects	1,362,207
		1,563,441
 School General Projects	General Purpose School	931,028
	School Federal Projects	1,950,748
		2,881,776
 Central Cafeteria	General Purpose School	2,756
		2,756
 Total Board of Education		\$ 11,289,741

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Transfers and Similar Transactions**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The composition of primary government transfers for the year ended June 30, 2010, is as follows:

***Primary Government:***

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 6,854,002
	Debt Service	2,472,000
	Fire District	14,906
	Employee Retirement	250
	Capital Leasing	1,000,000
		<u>10,341,158</u>
Debt Service	General	<u>194,107</u>
Total Major Governmental Funds		<u>10,535,265</u>
<u>Nonmajor Governmental Funds:</u>		
<u>Special Revenue Funds:</u>		
State and Federal Grants	General	703,179
Governmental Library	General	86,334
Public Library	General	11,170,000
	Hotel/Motel Tax	250,000
		<u>11,420,000</u>
Solid Waste	General	<u>3,050,912</u>
Total Nonmajor Governmental Funds		<u>15,260,425</u>
Total Governmental Funds		<u>\$ 25,795,690</u>



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Transfers and Similar Transactions (Continued)**

Transfers - In	Transfers - Out	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	Engineering & Public Works	\$ 160,000
Employee Benefits	Employee Retirement	199,213
Self Insurance Healthcare	General	655,039
	Public Library	200,000
	Solid Waste	100,000
	Engineering & Public Works	100,000
	Employee Benefits	428,000
		<u>1,483,039</u>
Total Internal Service Funds		<u>\$ 1,842,252</u>

In addition, payments of \$903,767 were made from the Pension Trust – Defined Benefit Funds for the County Retirement Board administrative expenses.

***Transfers Within Component Unit – the Board:***

Transfers - In	Transfers - Out	Amount
<u>Special Revenue Funds (Nonmajor):</u>		
General Purpose School	Central Cafeteria	\$ 400,000
School General Projects	General Purpose School	3,987,846
School Federal Projects	General Purpose School	<u>62,712</u>
Total Board of Education		<u>\$ 4,450,558</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Transfers and Similar Transactions (Continued)**

***Transactions between Primary Government and Component Units:***

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Primary Government - General	Component Unit - the District	\$ 268,656
Primary Government - Debt Service (Major Fund)	Component Unit - the Board, General Purpose School Component Unit - the Board, School Construction	\$ 6,361,555 19,802,665
Total Primary Government - Debt Service		\$ 26,164,220
Primary Government - Employee Benefits (Proprietary Fund)	Component Unit - the Board, Pension Trust - Defined Benefit	\$ 486,643
Component Unit - School General Projects	Primary Government - General	\$ 3,823,874
Component Unit - School Construction	Primary Government - Public Improvement	\$ 14,822,428
Component Unit - The District	Primary Government - General	\$ 582,828

In addition to the above transactions, the Primary Government constructed a major renovation/addition to the Powell Middle school, operated and maintained by the Board. The asset was completed and placed in service during the current year, and the \$14,763,666 has been reported as a payment from the Primary Government to the Board in the government-wide financial statements.

***Transactions between the Board and its Component Unit:***

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Component Unit - Great Schools Partnership	The Board, General Purpose School The Board, School General Projects	\$ 1,723,181 3,823,874
Total Component Unit - Great Schools Partnership		\$ 5,547,055
The Board, General Purpose School	Component Unit - Great Schools Partnership	\$ 1,183,168

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Deferred/Unearned Revenues**

Amounts reported as deferred revenue in the fund financial statements and as unearned revenue in the government-wide financial statements consist of the following:

	Deferred Revenue	Unearned Revenue
Primary Government - Major Funds:		
<u>General Fund:</u>		
Taxes receivable, earned in current fiscal year	\$ 5,493,733	\$ -
Taxes receivable, applicable to subsequent fiscal year	98,844,685	98,844,685
Notes receivable, applicable to subsequent fiscal year	5,199,450	5,199,450
	109,537,868	104,044,135
 <u>Debt Service Fund:</u>		
Taxes receivable, earned in current fiscal year	1,754,087	-
Taxes receivable, applicable to subsequent fiscal year	31,589,538	31,589,538
Notes receivable, applicable to subsequent fiscal year	6,020,000	6,020,000
	39,363,625	37,609,538
 Primary Government - Nonmajor Funds:		
<u>General Grants Fund:</u>		
Unexpended grant funds	4,715,971	4,715,971
 <u>Internal Service - Employee Benefits Fund:</u>		
Unearned revenue	26,503	26,503
 <u>Internal Service - Self Insurance Healthcare Fund:</u>		
Unearned revenue	5,985	5,985
 Total Internal Service Funds	 32,488	 32,488
Total - Primary Government	\$ 153,649,952	\$ 146,402,132

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Deferred/Unearned Revenues (Continued)**

	Deferred Revenue	Unearned Revenue
Component Unit - the Board - Major Fund		
<u>General Purpose School:</u>		
Unearned revenue	\$ 17,700	\$ 17,700
Taxes receivable, earned in current fiscal year	6,112,685	-
Taxes receivable, applicable to subsequent fiscal year	110,053,876	110,053,876
	116,184,261	110,071,576
Component Unit - the Board - Nonmajor Funds		
<u>School Federal Projects:</u>		
Unexpended grant funds	3,760	3,760
<u>School General Projects:</u>		
Unexpended grant funds	1,473,042	1,473,042
<u>Central Cafeteria:</u>		
Unearned revenue	221,086	221,086
Total Component Unit - the Board	\$ 117,882,149	\$ 111,769,464

**G. Leases**

***Operating Leases***

The County leases various facilities under noncancelable operating leases. Total costs for such leases for the County were \$2,400 for the year ended June 30, 2010. The future minimum lease payments as of June 30, 2010, were as follows:

Year Ending June 30	Primary Government
2011	\$ 2,400
2012	2,400
2013	2,400
2014	2,400
2015	2,400
2016-2020	12,000
2021-2023	7,200
Total	\$ 31,200

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Leases (Continued)**

*Capital Leases*

The Primary Government and the District and Board, component units of the County, lease various equipment through capital leasing arrangements. The District's capital lease obligations are reflected as fund liabilities. The Primary Government's and the Board's capital lease obligations are reflected as liabilities in the Statement of Net Assets.

The future minimum lease obligations are as follows:

Year Ending June 30,	Primary Government	Component Unit	
		The District	The Board
2011	\$ 1,127,699	\$ 670,923	\$ 2,047,910
2012	1,127,962	-	2,072,381
2013	1,130,903	-	2,100,874
2014	1,132,365	-	2,123,268
2015	1,132,349	-	2,149,727
2016 - 2020	5,692,694	-	11,188,926
2021 - 2024	4,608,875	-	8,498,155
Total Minimum Lease Payments	15,952,847	670,923	30,181,241
Less: Amounts Representing Interest	(4,301,676)	(10,923)	(7,717,334)
Present Value of Minimum Lease Payments	\$ 11,651,171	\$ 660,000	\$ 22,463,907

Capital lease obligations currently outstanding for the Primary Government and Component Units are as follows:

Lessor	Purpose	Interest Rate	Last Maturity Date	Principal Balance
<u>Primary Government:</u>				
Bank of America	Energy Management Equipment	4.60%	4/9/2024	\$ 11,651,171
<u>Component Unit:</u>				
The District				
Sun Trust Leasing	CAD/CTI Equipment	3.31%	10/1/2010	\$ 660,000
The Board				
Bank of America	Energy Management Equipment	3.85%	4/30/2023	\$ 8,675,578
Bank of America	Energy Management Equipment	4.60%	4/9/2024	13,788,329
				\$ 22,463,907

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities**

***Capital Outlay Note***

In June 2008, the County issued a general obligation note payable in the amount of \$3,263,507 to purchase capital equipment. The note bears interest of 3.5% and matures as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	<u>\$ 1,000,000</u>	<u>\$ 35,306</u>	<u>\$ 1,035,306</u>

In December 2008, the County issued a general obligation note payable in the amount of \$ 3,538,969 to purchase capital equipment. The note bears interest of 3.5% and matures as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,000,000	\$ 70,613	\$ 1,070,613
2012	<u>1,000,000</u>	<u>35,306</u>	<u>1,035,306</u>
Total	<u>\$ 2,000,000</u>	<u>\$ 105,919</u>	<u>\$ 2,105,919</u>

***Bond Anticipation Note***

In June 2009, the County issued a bond anticipation note totaling \$30,000,000, plus an issuance premium of \$332,400. The proceeds will be used for capital purposes. The note bears interest at 2.5%, payable semiannually, with a single payment of principal due on June 1, 2011.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

***General Obligation and Public Improvement Bonds***

The County issues general obligation and public improvement bonds to provide funds for the acquisition and construction of major capital facilities. Except for the County's General Obligation Series 2007 (Taxable) pension obligation bonds issued pursuant to the establishment of the Uniformed Officers Pension Plan, all County bonded debt was issued for capital purposes.

For financial reporting purposes, the portion of those bond issues related to the Board are recorded directly as bond proceeds in the Board's Capital Projects Fund. The County issues all the debt on behalf of the Board, in the County's name and with a full faith and credit pledge from the County. Therefore, from a legal perspective, the debt is County debt. In practice, the County's Five-Year Capital Plan, its Debt Service Fund and its Operating Budget are all developed with the Board providing funds from its operations to make the debt payments related to County debt issued on behalf of the Board. However, as all bonded indebtedness is County debt, the entire balance is recorded as a liability of the primary government in the government-wide financial statements.

As all bonded indebtedness is County debt, the portion issued on behalf of the Board is not considered capital-related debt in the primary government's statement of net assets. However, the total amount of the County's bonded indebtedness is considered capital-related in the total reporting entity column of the statement of net assets.

Bond indebtedness for the County is backed by the full faith and credit of the County.

Bonds payable to be repaid from resources of the County and the Board currently outstanding are as follows:

**KNOX COUNTY, TENNESSEE**  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

	Interest Rate	Last Maturity Date	Principal Balance
<b>Governmental Activities:</b>			
General Obligation - Refunding Series 2001	4.50-5.50%	4/1/2012	\$ 5,687,625
General Obligation Public Improvement, Series 2001	5.00-5.50%	5/1/2012	4,931,250
Andrew Johnson - Refunding Series 2002	4.00-4.50%	5/1/2011	333,840
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	27,051,163
General Obligation - Refunding Bonds, Series 2003	4.00-5.00%	4/1/2014	19,169,135
General Obligation - Refunding Bonds, Series 2003A	5.00%	2/1/2017	4,978,776
General Obligation - Series 2003	Variable Rate Swap to 4.50%	6/1/2029	34,699,783
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	10,401,589
General Obligation - Series 2004	Variable Rate Swap to 4.00%	6/1/2029	44,620,000
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	27,986,863
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	47,305,196
General Obligation - Series 2007	Variable Rate (3.15% at 6/30/09)	6/1/2034	50,450,000
General Obligation - Series 2007 (Taxable)	4.75-5.75%	6/1/2027	55,575,000
General Obligation - Series 2008	Variable Rate (2.9% at 6/30/09)	6/1/2029	25,213,500
General Obligation - Series 2009	3.00-4.00%	6/1/2018	4,550,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	1,000,000
Total Bonded Debt to be repaid by Governmental Activities			<u>363,953,720</u>
<b>The Board:</b>			
Qualified Zone Academy Bonds	0.00%	11/1/2011	430,934
General Obligation - Refunding Series 2001	4.50-5.50%	4/1/2012	4,062,376
General Obligation Public Improvement, Series 2001	5.00-5.50%	5/1/2012	2,958,750
Andrew Johnson - Refunding Series 2002	4.00-4.50%	5/1/2011	641,160
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	45,103,837
General Obligation - Refunding Series 2003	4.00-5.00%	4/1/2014	17,715,865
General Obligation - Refunding Series 2003A	5.00%	2/1/2017	11,341,224
General Obligation - Series 2003	Variable Rate Swap to 4.50%	6/1/2029	31,375,217
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	14,663,411
General Obligation - Series 2004	Variable Rate Swap to 4.00%	6/1/2029	23,280,000
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	16,723,137
General Obligation - Refunding Series 2005B	3.65-5.00%	5/1/2018	9,050,000
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	25,544,804
General Obligation - Series 2007	Variable Rate (3.15% at 6/30/09)	6/1/2034	18,550,000
General Obligation - Series 2008	Variable Rate (2.9% at 6/30/09)	6/1/2029	13,576,500
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	15,000,000
Total Bonded Debt to be repaid by the Board			<u>250,017,215</u>
Total Bonded Debt			<u>\$ 613,970,935</u>

(1) Stated interest rates on the Build America Bonds do not include the effects of the 35% interest subsidy expected to be received from the federal government pursuant to the federal Build America Bonds program.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

Annual debt service requirements to maturity for bonds to be repaid by the County and the Board are as follows:

Fiscal Year Ending June 30,	Primary Government Debt			To be Repaid By:		
	Principal	Interest	Total	County	Board	Total
2011	\$ 30,900,467	\$ 29,478,882	\$ 60,379,349	\$ 34,956,802	\$ 25,422,547	\$ 60,379,349
2012	32,185,468	28,009,824	60,195,292	33,515,774	26,679,518	60,195,292
2013	33,860,000	26,398,834	60,258,834	33,628,428	26,630,406	60,258,834
2014	34,930,000	24,713,600	59,643,600	33,667,492	25,976,108	59,643,600
2015	36,675,000	22,959,693	59,634,693	31,403,280	28,231,413	59,634,693
2016 - 2020	154,895,000	89,099,762	243,994,762	143,174,325	100,820,437	243,994,762
2021 - 2025	100,325,000	58,370,263	158,695,263	111,007,873	47,687,390	158,695,263
2026 - 2030	108,950,000	33,725,425	142,675,425	93,023,211	49,652,214	142,675,425
2031 - 2035	81,250,000	10,014,825	91,264,825	56,984,965	34,279,860	91,264,825
<b>Total</b>	<b>\$ 613,970,935</b>	<b>\$ 322,771,108</b>	<b>\$ 936,742,043</b>	<b>\$ 571,362,150</b>	<b>\$ 365,379,893</b>	<b>\$ 936,742,043</b>

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$207,408,430 and \$115,362,678 respectively, for a total of \$322,771,108.

***Changes in General Long-Term Liabilities***

The following represents the changes in long-term liabilities for the County, the Board, and the District for the year ended June 30, 2010:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<b><u>Primary Government</u></b>					
Bonded Debt	\$ 627,121,402	\$ 20,550,000	\$ (33,700,467)	\$ 613,970,935	\$ 30,900,467
Unamortized Bond Premium	11,322,851	207,763	(1,994,254)	9,536,360	1,635,826
Unamortized Amount on Refunding	(7,340,730)	-	1,027,749	(6,312,981)	(997,354)
Notes Payable	35,000,000	-	(2,000,000)	33,000,000	32,000,000
Capital Lease	-	11,651,171	-	11,651,171	598,629
Compensated Absences	5,241,002	5,599,291	(5,789,770)	5,050,523	4,545,471
<b>Total - Primary Government</b>	<b>\$ 671,344,525</b>	<b>\$ 38,008,225</b>	<b>\$ (42,456,742)</b>	<b>\$ 666,896,008</b>	<b>\$ 68,683,039</b>
<b><u>Component Unit - the Board</u></b>					
Capital Leases	\$ 10,462,323	\$ 13,788,329	\$ (1,786,745)	\$ 22,463,907	\$ 1,091,422
Compensated Absences	2,110,183	2,320,569	(1,998,764)	2,431,988	2,188,789
<b>Total Component Unit - the Board</b>	<b>\$ 12,572,506</b>	<b>\$ 16,108,898</b>	<b>\$ (3,785,509)</b>	<b>\$ 24,895,895</b>	<b>\$ 3,280,211</b>
<b><u>Component Unit - the District</u></b>					
Capital Lease	\$ 1,305,000	\$ -	\$ (645,000)	\$ 660,000	\$ 660,000
Compensated Absences	226,708	276,982	(265,444)	238,246	214,422
<b>Total - the District</b>	<b>\$ 1,531,708</b>	<b>\$ 276,982</b>	<b>\$ (910,444)</b>	<b>\$ 898,246</b>	<b>\$ 874,422</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

***Current Refunding Issue***

The County issued \$4,550,000 fixed-rate general obligation bonds to provide funds for the current refunding of the County's variable-rate Series III-B-3 (Women's Basketball Hall of Fame) bonds.

***Prior Year Defeasance of Debt***

In prior years, the County defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2010, \$45,625,000 of bonds outstanding is considered defeased.

***Interest Rate Swaps***

Under its loan agreement, the Public Building Authority of Blount County, TN (the "Authority"), at the request of the County, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series C-1-A.

*Objective of the interest rate swap.* In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$72 million Series C-1-A variable-rate bonds. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

***Interest Rate Swaps (Continued)***

*Terms.* Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$72 million and the associated variable-rate bond has a \$72 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series C-1-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2010, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-1.70%
Net interest rate swap payments		2.25%
Variable-rate bond coupon payments		0.27%
Synthetic interest rate on bonds		2.52%

*Fair value.* As of June 30, 2010, the swap had a negative fair value of (\$8,959,706). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

*Credit risk.* As of June 30, 2010, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2010, with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch, respectively.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

***Interest Rate Swaps (Continued)***

*Basis risk.* As noted above, the swap exposes the County to basis risk should the rate on the bonds increase to above 63.2% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 63.2% of LIBOR, then the synthetic rate on the bonds will decrease.

*Termination risk.* The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap’s fair value.

*Swap payments and associated debt.* As of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2011	\$ 1,300,000	\$ 178,403	\$ 1,482,321	\$	2,960,724
2012	2,075,000	174,893	1,453,157		3,703,050
2013	2,200,000	169,290	1,406,607		3,775,897
2014	2,325,000	163,350	1,357,252		3,845,602
2015	2,475,000	157,073	1,305,093		3,937,166
2016-2020	14,775,000	676,755	5,623,062		21,074,817
2021-2025	19,975,000	451,170	3,748,708		24,174,878
2026-2029	20,950,000	145,665	1,210,310		22,305,975
	<u>\$ 66,075,000</u>	<u>\$ 2,116,599</u>	<u>\$ 17,586,510</u>	<u>\$</u>	<u>85,778,109</u>

Under its loan agreement, the Public Building Authority of Sevier County, TN (the “Authority”), at the request of the County, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-A-1.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

***Interest Rate Swaps (Continued)***

*Objective of the interest rate swap.* In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$70 million Series VI-A-1 variable-rate bonds. The intention of the swap was to effectively change the County’s variable interest rate on the bonds to a synthetic fixed rate.

*Terms.* Under the swap, the Authority pays a fixed payment of 3.745 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$70 million and the associated variable-rate bond has a \$70 million original principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-A-1 Bonds. The bonds’ variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the “SIFMA”). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2010, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.40%
Variable payment to Authority	% of LIBOR	-1.59%
Net interest rate swap payments		1.81%
Variable-rate bond coupon payments		0.26%
Synthetic interest rate on bonds		2.07%

*Fair value.* As of June 30, 2010, the swap had a negative fair value of (\$6,975,460). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

*Credit risk.* As of June 30, 2010, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative’s fair value. The swap counterparty, Morgan Keegan Financial Products (“MKFP”) was rated “A+” by Standard and Poor’s as of June 30, 2010, with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody’s, Standard & Poor’s and Fitch, respectively.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

***Interest Rate Swaps (Continued)***

*Basis risk.* As noted above, the swap exposes the County to basis risk should the rate on the bonds increase to above 59% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 59% of LIBOR, then the synthetic rate on the bonds will decrease.

*Termination risk.* The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap’s fair value.

*Swap payments and associated debt.* As of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2011	\$ 700,000	\$ 176,540	\$ 1,225,962	\$ 2,102,502
2012	800,000	174,720	1,213,323	2,188,043
2013	900,000	172,640	1,198,879	2,271,519
2014	1,000,000	170,300	1,182,629	2,352,929
2015	2,000,000	167,700	1,164,573	3,332,273
2016-2020	17,010,000	729,300	5,064,540	22,803,840
2021-2025	22,570,000	480,454	3,336,457	26,386,911
2026-2029	22,920,000	152,750	1,060,755	24,133,505
	\$ 67,900,000	\$ 2,224,404	\$ 15,447,118	\$ 85,571,522

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

*Interest Rate Swaps (Continued)*

Under its loan agreement, the Public Building Authority of Blount County, TN (the “Authority”), at the request of the County, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series D-3-A.

*Objective of the interest rate swap.* In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$77 million Series D-3-A variable-rate bonds. The intention of the swap was to effectively change the County’s variable interest rate on the bonds to a synthetic fixed rate.

*Terms.* Under the swap, the Authority pays the counterparty a fixed payment of 3.89 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$77 million and the associated variable-rate bond has a \$77 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series D-3-A Bonds. The bonds’ variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the “SIFMA”). The bonds and the related swap agreement mature on June 1, 2034. As of June 30, 2010, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.89%
Variable payment to Authority	% of LIBOR	-1.70%
Net interest rate swap payments		2.19%
Variable-rate bond coupon payments		1.31%
Synthetic interest rate on bonds		3.50%

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2010

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

***Interest Rate Swaps (Continued)***

*Fair value.* As of June 30, 2010, the swap had a negative fair value of (\$11,336,904). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

*Credit risk.* As of June 30, 2010, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2010, with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch, respectively.

*Basis risk.* As noted above, the swap exposes the County to basis risk should the rate on the bonds increase to above 63.2 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 63.2 percent of LIBOR, then the synthetic rate on the bonds will decrease.

*Termination risk.* The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

***Interest Rate Swaps (Continued)***

*Swap payments and associated debt.* As of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	Total
	Principal	Interest	Swap Payment	
2011	\$ 1,350,000	\$ 954,335	\$ 1,593,515	\$ 3,897,850
2012	1,475,000	936,650	1,563,985	3,975,635
2013	1,600,000	917,328	1,531,721	4,049,049
2014	1,725,000	896,368	1,496,723	4,118,091
2015	1,850,000	873,770	1,458,990	4,182,760
2016-2020	11,225,000	3,970,283	6,629,438	21,824,721
2021-2025	6,850,000	3,292,685	5,498,010	15,640,695
2026-2030	12,575,000	2,908,528	4,856,557	20,340,085
2031-2034	34,200,000	1,142,320	1,907,406	37,249,726
	<u>\$ 72,850,000</u>	<u>\$ 15,892,267</u>	<u>\$ 26,536,345</u>	<u>\$ 115,278,612</u>

***Subsequent Event – Debt Issuance***

Subsequent to June 30, 2010, the County issued \$30,115,000 in general obligation bonds. The bond proceeds provided funds for the refunding of the County's \$30,000,000 bond anticipation note. In an additional transaction subsequent to June 30, 2010, the County entered into a loan agreement totaling \$29,236,000 with the Tennessee State School Board Authority. The loan proceeds will be used for various school improvement projects. In addition, subsequent to June, 30, 2010, the County issued \$32,560,000 in general obligation bonds. The bond proceeds provided funds for the refunding of the County's \$11,651,171 capital lease obligation and the Board's capital lease obligations of \$8,675,578 and \$13,788,329.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity**

***Reserves and Designations***

The amounts reported on the balance sheets as reserved fund balance and designated fund balance for the County are comprised of the following:

<u>Primary Government</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
<u>Major Funds:</u>		
General Fund:		
Inventories	\$ 95,139	\$ -
Prepaid Items	237,209	-
Investment in Joint Venture	5,317,007	-
School Health Program	750,953	-
Circuit Court Clerk - Data Processing	173,333	-
Criminal Court Clerk - Data Processing	78,877	-
Register of Deeds - Copy Fees	531,716	-
Park Improvements - Amusement Tax	232,936	-
Reserved - various	326,977	-
Encumbrances	347,123	-
Negative Allocation	-	1,374,544

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity (Continued)**

Primary Government	Reserved Fund Balance	Designated Fund Balance
<u>Major Funds:</u>		
General Fund (Continued):		
Donations - DARE	20,123	-
Juvenile Court	5,275	-
Attorney General	265,486	-
Total General Fund	8,382,154	1,374,544
<u>Major Capital Projects Fund:</u>		
Public Improvement Fund:		
Encumbrances	9,645,621	-
Debt Service Fund:		
Notes Receivable	9,225,000	-
<u>Nonmajor Governmental Funds:</u>		
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants Fund:		
Encumbrances	993,862	-
Inventories	5,773	-
Prepaid Items	4,866	-
Appropriations	366,204	-

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity (Continued)**

Primary Government	Reserved Fund Balance	Designated Fund Balance
<u>Nonmajor Governmental Funds:</u>		
<u>Nonmajor Special Revenue Funds (Continued):</u>		
Public Library Fund:		
Encumbrances	3,898	-
Appropriations	36,034	2,977
Prepaid Items	177,019	-
Solid Waste Fund:		
Encumbrances	42,454	-
Drug Control Fund:		
Drug Seizures	130,939	-
Encumbrances	3,838	-
Prepaid Items	1,686	-
Engineering & Public Works Fund:		
Encumbrances	885,047	-
Appropriations	700,055	-
Total - Nonmajor Special Revenue Funds	<u>3,351,675</u>	<u>2,977</u>
<u>Nonmajor Capital Projects Fund:</u>		
ADA Construction:		
Encumbrances	292,000	-
Total Nonmajor Governmental Funds	<u>3,643,675</u>	<u>2,977</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity (Continued)**

Primary Government	Reserved Fund Balance	Designated Fund Balance
<u>Fiduciary Funds:</u>		
Pension Trust - DB Plan		
Employee's Pension Benefits	50,568,008	-
Pension Trust - DC Plan	179,859,720	-
Pension Trust - Voluntary 457 Plan	4,846,240	-
Pension Trust - Medical DC Plan	5,625,847	-
Pension Trust - Uniformed Officers Pension Plan	87,082,334	-
Total Fiduciary Funds	327,982,149	-
Total - Primary Government	\$ 358,878,599	\$ 1,377,521

The amounts reported on the balance sheets as reserved fund balance and designated fund balance for the Board are comprised of the following:

Component Unit - the Board	Reserved Fund Balance	Designated Fund Balance
<u>Major Funds:</u>		
General Fund:		
General Purpose School Fund:		
Encumbrances	\$ 2,060,686	\$ -
Inventories	934,440	-
Prepaid Items	605,443	-
Total General Purpose School Fund	3,600,569	-
Capital Projects Fund:		
School Construction Fund:		
Encumbrances	14,831,504	-

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity (Continued)**

Component Unit - the Board	Reserved Fund Balance	Designated Fund Balance
<u>Nonmajor Special Revenue Funds:</u>		
School General Projects Fund:		
Encumbrances	140,025	-
Appropriations	1,295,649	-
Prepaid Items	136,472	-
School Federal Projects Fund:		
Encumbrances	131,836	-
Prepaid Items	50,942	-
Central Cafeteria Fund:		
Inventories	192,608	-
Total Nonmajor Special Revenue Funds	<u>1,947,532</u>	<u>-</u>
<u>Fiduciary Fund:</u>		
Pension Trust Fund:		
Employee's Pension Benefits	58,875,023	-
Total - the Board	<u>\$ 79,254,628</u>	<u>\$ -</u>

**J. Property Taxes**

Property taxes levied by the County Commission are the primary source of revenue for the County and the Board. Assessed values are established by the State of Tennessee at the following rates of assumed market value:

Personal Property	30 %
Railroads, Industrial and Commercial Property	40 %
Public Utility	55 %
Residential and Farm Real Property	25 %

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**J. Property Taxes (Continued)**

Taxes were levied at a rate of \$2.36 per \$100 of assessed values. Tax collections of \$227,063,669 for fiscal year 2010 were approximately 96 percent of the total tax levy.

The 2010 fiscal year property tax rate of \$2.36 was divided between the County and the Board as follows:

	Amount	Total
<u>Primary Government:</u>		
General Fund	\$ 0.97	41.10%
Debt Service Fund	0.31	13.14%
Total - Primary Government	1.28	54.24%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	1.08	45.76%
Total Tax Levy	\$ 2.36	100.00%

The 2011 fiscal year property tax rate of \$2.36 is divided as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 0.97	41.10%
Debt Service Fund	0.31	13.14%
Total - Primary Government	1.28	54.24%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	1.08	45.76%
Total Tax Levy	\$ 2.36	100.00%

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION**

**A. Joint Ventures**

The County is a participant in a joint venture with the City of Knoxville and the Knoxville Utilities Board in the operation of the Geographic Information Systems. The Geographic Information Systems was established to create and maintain a digitized mapping system of Knox County. Each of the participants appoints one of the three board members who oversee the operations. In March 1987, the County issued public improvement bonds, which included \$5,500,000 used to install the geographic information system. In accordance with the terms of the joint venture agreement, payments are shared between the County, the City of Knoxville and the Knoxville Utilities Board. In the 2010 fiscal year, the joint venture received 91 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$346,754 for the year ended June 30, 2010. The County does not retain an equity interest in the joint venture. Complete separate financial statements for the Geographic Information Systems may be obtained at 606 Main Street, Suite 150, Main Place, Knoxville, TN 37902.

The County is a participant in a joint venture with the City of Knoxville in the operation of the Animal Center, which was established to administer the service delivery system for the care of animals. The Animal Center Board consists of eleven members appointed by the Mayor of the City of Knoxville, the Knox County Mayor, the Knox County Commission, and the Knoxville Academy of Veterinary Medicine. The Center's operations are primarily funded by the City of Knoxville and Knox County. In the 2010 fiscal year, the joint venture received 61 percent of its revenues from the City of Knoxville and Knox County. Complete separate financial statements may be obtained at 3201 Division Street, Knoxville, TN 37919.

The County is a participant in a joint venture with the City of Knoxville in the operation of the Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA). The Authority was created to purchase, construct, refurbish, maintain and operate certain public building complexes to house the governments of the County and the City of Knoxville. The County appoints six of an eleven-member board of directors, which oversee the operations of PBA. The fact that the County appoints a majority of the board is negated by the participants' agreements calling for joint control of PBA. The County retains an equity interest in the joint venture. Complete separate financial statements for PBA may be obtained at Room M-22, City County Building, 400 Main Avenue, Knoxville, TN 37902.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION (Continued)**

**B. Related Organizations**

The County is responsible for all of the board appointments of the Knox County Industrial Development Board. However, the County has no further accountability for the organization.

The County is responsible for a minority of the board appointments for the Knoxville-Knox County Community Action Committee. During the year ended June 30, 2010, the County appropriated operating subsidies of \$1,363,702 to the Community Action Committee.

The County and the Tourism & Sports Development Corporation of Knoxville/Knox County (TSDC) have entered into a contract for the operations management of the Women’s Basketball Hall of Fame (the Hall). The County will pay TSDC a management fee. Pursuant to that contract, TSDC will manage the day-to-day operations and events at the facility and will collect revenues for the County and pay the operating expenses from these revenues. All revenues collected by TSDC are the property of the County and held by TSDC in trust as public funds and applied to pay operating expenses in accordance with the budget. To the extent revenues are insufficient, TSDC will pay operating expenses out of its management fee. The revenues and expenses for the operation of the Hall are as follows:

Revenues from Operations	\$	427,500
Management Fee		150,000
Total Revenues		<u>577,500</u>
Total Expenses		<u>(575,600)</u>
Net Income	\$	<u><u>1,900</u></u>

Pursuant to the contract, which commenced on September 1, 1999 and expires on June 30, 2013, to the extent revenues and the management fee payable to TSDC are insufficient to cover operating expenses, such deficiency shall be paid by TSDC from such funds as are available to TSDC for such purpose.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION (Continued)**

**C. Risk Financing**

The County has established risk-financing funds (the Employee Benefits Fund, the Self Insurance Healthcare Fund, and the Self Insurance Fund) associated with the employee's health insurance plan and payments to cover worker's compensation and general liability claims and settlements, respectively. The Board and the District (component units), the Geographic Information Systems and the Animal Center (joint ventures between the County and the City of Knoxville), and the Knox County-City of Knoxville Metropolitan Planning Commission (a separate governmental organization) also participate in the plan.

The risk financing funds are accounted for as internal service funds where assets are set aside for claim settlements. On January 1, 2008, Knox County became self-insured offering County employees and their families healthcare coverage using Cigna Healthcare of Tennessee as a third-party administrator. In the Self Insurance Healthcare Fund a premium is charged to each fund, participating Component Unit, joint venture, or outside entity that accounts for eligible employees. The total charges for the funds are calculated using trends in actual claims experience. In instances where medical claims materially exceed premiums received, each participating entity is charged a pro-rata basis for any fund deficits incurred.

In the Self Insurance Fund, each fund, participating Component Unit, and participating outside entity is charged for claims incurred during the year and estimated claims at year-end. The total charges for the funds are calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Liabilities of the funds are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation and recent claim settlements. Changes in the balances of claims during the past two fiscal years are as follows:

	Self Insurance Healthcare Fund - Medical Claims		Self Insurance Fund - General Liability, and Workers' Compensation	
	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2009
Unpaid Claims - Beginning Balance	\$ 1,587,442	\$ 1,729,348	\$ 5,445,226	\$ 5,127,889
Incurring Claims (Including IBNR's)	22,099,432	20,402,392	799,480	4,160,130
Claim Payments	(21,858,049)	(20,544,298)	(1,673,299)	(3,842,793)
Unpaid Claims - Ending Balance	<u>\$ 1,828,825</u>	<u>\$ 1,587,442</u>	<u>\$ 4,571,407</u>	<u>\$ 5,445,226</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION (Continued)**

**C. Risk Financing (Continued)**

The County and the Board purchase insurance coverage for personal and real property. The District purchases insurance coverage for personal and real property, general liability and workers' compensation coverage. The County and its component units have had no significant reduction in insurance coverage over the last three years. Settlements have not exceeded insurance coverage in the past three fiscal years.

**D. Other Post Employment Benefits**

***Plan Description***

As authorized by County Resolution, the County provides post-retirement health care benefits for County and classified school retirees and their dependents. The retiree is responsible for paying 100 percent of the related premium. The retirees who have chosen to participate in the County's medical insurance plan have not been evaluated on a separate experience rating from those of existing County and Board employees. Therefore, participating retirees contribute the same premium as existing employees, plus the amount the employer contributes for existing employees. Under this arrangement the retiree contributions are expected to be less than their expected health care cost, and a portion of the premiums the County pays on behalf of its active employees is deemed to subsidize the retirees' costs. This implicit subsidy is an Other Post-employment Benefit (OPEB) as defined by GASB Statement No. 45. The County's medical insurance plan, a single-employer defined benefit plan, does not issue a separate financial report.

***Funding Policies***

The contribution requirements of the County healthcare plan members and the County are established in the annual budget approved by County Commission. The required contribution is based on the annual premiums for the healthcare plan. The participant pays a portion of the premium cost and the County pays the remaining premiums. For health insurance, the retiree contributes 100% of all premium payments. For the fiscal year ended June 30, 2010, the retirees contributed \$311,771 to the plan.

***Annual OPEB Cost and Net OPEB Obligation***

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION (Continued)**

**D. Other Post Employment Benefits (Continued)**

The plan contains both active employees and retirees. Although the County's annual contribution is 41.8% of premium payments for the combined participants, the share of claims related to retirees represents a higher percentage of the total claims. Accordingly, contributions reflected in the OPEB calculations have been adjusted to reflect that a portion of contributions for active employees are subsidizing the retiree claims.

As the OPEB consists solely of the implicit subsidy of retiree healthcare contributions, the County has elected to have actuarial valuations performed biennially.

The following table shows the components of the County's annual OPEB cost, the amounts contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution	\$	253,109
Interest on net OPEB Obligation		8,808
Adjustment to annual required contribution		<u>(9,536)</u>
Annual OPEB Cost		252,381
Contribution made		<u>(105,436)</u>
Increase (decrease) in net OPEB obligation		146,945
Net OPEB obligation July 1, 2009		<u>220,211</u>
Net OPEB obligation June 30, 2010	\$	<u><u>367,156</u></u>

Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 281,467	53.90%	\$ 129,744
June 30, 2010	252,381	41.80%	367,156

***Funded Status and Funding Progress***

As of July 1, 2009, the most recent actuarial valuation date, the County healthcare plan was 0% funded. The actuarial accrued liability for benefits was \$2,434,379, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,434,379.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION (Continued)**

**D. Other Post Employment Benefits (Continued)**

*Actuarial Valuations*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the County Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following these notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

*Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 valuation, the projected unit credit cost method was used. The actuarial assumptions included a funded interest rate of 4.0% and a participation rate of 12%. Annual health care costs are assumed to increase 9% in the first year of valuation. Future annual increases are assumed to grade uniformly to 5% by the year 2017. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2010 was 26 years.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION (Continued)**

**E. Commitments and Contingencies**

The County and its component units are parties to various legal proceedings, a number of which normally occur in governmental operations. As discussed in Note IV.C., amounts have been accrued in the County's Self Insurance Fund for the estimated amounts of claims liabilities.

The County receives significant financial assistance from the Federal and State governments in the form of grants and entitlements. These programs are subject to various terms and conditions, compliance with which is the responsibility of the County. These programs are subject to financial and compliance audits by the grantor agencies. Any costs disallowed as a result of such audits could become a liability of the County. As of June 30, 2010, the amount of any liabilities that could result from such audits cannot be determined. However, the County believes that any such amounts would not have a material adverse effect on the County's financial position.

The County and the Board have several outstanding construction projects as of June 30, 2010. The County also has a five-year Capital Improvement Plan which addresses major capital needs for the County and the Board. Although the Capital Improvement Plan does not represent legal appropriations or contractual commitments, it does represent priorities as determined by the County and the Board.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION (Continued)**

**E. Commitments and Contingencies (Continued)**

The following represents capital projects funds spent to date, current contractual obligations, and future plans as presented in the Capital Improvement Plan for the five fiscal years beginning July 1, 2010 and ending June 30, 2014:

	Spent to Date	Contractual Commitment Remaining at June 30, 2010	Capital Improvement Plan July 1, 2011 - June 30, 2015
<u>Primary Government:</u>			
Ballcamp Road Improvements	\$ 16,683,930	\$ 859,619	\$ -
Energy Management Project - County	12,622,104	3,563,317	-
Dry Gap Pike	5,173,262	932,501	-
Stormwater Management Plan	6,259,846	2,249	-
Middlebrook Pike	6,988,302	-	-
Parkside Drive Extension	8,720,362	-	-
Dutchtown Road Functional Planning	8,912,562	-	-
Other Projects	139,989,499	4,287,935	5,753,257
<b>Total - Primary Government</b>	<b>\$ 205,349,867</b>	<b>\$ 9,645,621</b>	<b>\$ 5,753,257</b>
<u>Component Unit - the Board:</u>			
Physical Plant Upgrades	\$ 8,006,511	\$ 3,909,653	\$ 5,000,000
Gibbs Elementary School	15,380,600	24,119	-
Cedar Bluff - K-3	19,983,109	16,090	-
Elementary Growth	1,195,168	4,832	-
Other Projects	123,439,004	10,876,810	5,000,000
<b>Total - the Board</b>	<b>\$ 168,004,392</b>	<b>\$ 14,831,504</b>	<b>\$ 10,000,000</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION (Continued)**

**E. Commitments and Contingencies (Continued)**

Construction projects for both the County and the Board are primarily funded by general obligation bonds.

**F. Deferred Compensation**

The County and the Board jointly offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The District also offers its employees a separate deferred compensation plan. The plans, available to all full-time County, Board and District employees at their option, permit participants to defer a portion of their salary, at least \$20 per month, until future years. The deferred compensation is not available to participants until termination, retirement, death or an unforeseeable emergency. (See also Employee Retirement Plans).

**G. Constitutional Officers**

The Constitutional Officers Special Revenue Fund includes the operations of the following elected officials:

*Trustee* - serves as the treasurer and primary investment manager of the County's funds and manages property tax collection efforts.

*Knox County Clerk* - serves as the Clerk of the County Commission. Principally engaged in the sale of motor vehicle licenses and acceptance of applications of motor vehicle registrations of the State of Tennessee.

*Circuit and General Sessions, Criminal and Fourth Circuit Courts Clerks and Clerk and Master* - serve as the clerical and support staff for the various courts for both civil and criminal proceedings.

*Register of Deeds* - collects various fees for the recording of conveyances, trust deeds, chattels, charters, plats and other legal instruments.

These officials, responsible for the collection and remittance of State, County and other funds, earn fees and commissions for their services.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION (Continued)**

**G. Constitutional Officers (Continued)**

The operations of the Constitutional Officers are operated under the provisions of Section 8-22-104, Tennessee Code Annotated (TCA). Salaries and related benefits of the officials and staff are paid from fees and commissions earned. Fees earned in excess of these costs are remitted to the County's General Fund, less an allowance of three months of anticipated operating expenses retained in the respective fee account. Salaries for clerical assistance were supported by chancery court decrees that were obtained under provisions of Section 8-20-101, et seq., TCA. These activities are accounted for in the County's Constitutional Officers' Special Revenue Fund.

Collections and payments for litigants, heirs and others are accounted for in the County's Constitutional Officers' Agency Fund.

Other operating costs of these offices (excluding salaries and benefits) are accounted for in the County's General Fund. These budgeted amounts are approved by the County Commission in accordance with the County Charter. Fees remitted by the officials in excess of salaries and benefits are used to offset the cost to the General Fund.

Included in the Supplementary Schedules of the County's Comprehensive Annual Financial Report are schedules (reported on the cash basis of accounting) of detailed operations of the respective offices for the fiscal year ended June 30, 2010. These schedules only include the cash operations of the offices. They do not include the expenditures reported in the County's General Fund.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION (Continued)**

**G. Constitutional Officers (Continued)**

The following schedule presents the activity reported in the Constitutional Officers' Special Revenue Fund and expenditures reported in the County's General Fund.

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds
<b>Constitutional Officers Special Revenue Fund:</b>						
Revenues	\$ 7,642,414	\$ 4,936,334	\$ 1,622,047	\$ 3,319,725	\$ 1,335,169	\$ 2,467,991
Expenditures	(2,837,224)	(4,393,947)	(1,632,824)	(3,884,003)	(1,174,777)	(1,991,547)
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,805,190	542,387	(10,777)	(564,278)	160,392	476,444
Fees Remitted to County General Fund	(5,148,860)	(1,000,000)	-	-	(217,142)	(488,000)
Deficiency of Revenues Under Expenditures and Fees Remitted	<u>\$ (343,670)</u>	<u>\$ (457,613)</u>	<u>\$ (10,777)</u>	<u>\$ (564,278)</u>	<u>\$ (56,750)</u>	<u>\$ (11,556)</u>
Fees Remitted to County General Fund	<u>\$ 5,148,860</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,142</u>	<u>\$ 488,000</u>
Expenditures:						
Contracted Services	(166,564)	(504,758)	(98,202)	(202,880)	(90,262)	(107,071)
Supplies and Materials	(16,927)	(126,866)	(22,657)	(90,347)	(19,393)	(26,000)
Capital Outlay	-	(15,137)	-	-	-	-
Other Charges	(97,281)	(187,253)	(90,193)	(239,113)	(196,213)	(134,131)
Total General Fund Expenditures	<u>(280,772)</u>	<u>(834,014)</u>	<u>(211,052)</u>	<u>(532,340)</u>	<u>(305,868)</u>	<u>(267,202)</u>
Excess (Deficiency) of Fees Remitted Over (Under) General Fund Expenditures	<u>\$ 4,868,088</u>	<u>\$ 165,986</u>	<u>\$ (211,052)</u>	<u>\$ (532,340)</u>	<u>\$ (88,726)</u>	<u>\$ 220,798</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE IV. OTHER INFORMATION (Continued)**

**H. Accounting Pronouncements**

The County adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, required for fiscal periods beginning after June 15, 2009, in fiscal 2010. This Statement establishes accounting and financial reporting requirements for intangible assets. The adoption of this Statement did not have a material effect on the County's financial condition and results of operations.

The County adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, required for fiscal periods beginning after June 15, 2009, in fiscal 2010. This Statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. See Note III. (H) for impact to the County during fiscal 2010.

The County plans to adopt GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*, required for fiscal periods beginning after June 15, 2010, in fiscal 2011. This Statement revises fund balance categories and classifications, and clarifies governmental fund type definitions.

The County plans to adopt GASB Statement No. 59, *Financial Instruments Omnibus*, required for periods beginning after June 15, 2010, in fiscal 2011. This Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools.

**I. Restatement**

During the fiscal year ended June 30, 2010, the County adopted GASB Statement No. 53, *Accounting and Reporting for Derivative Instruments*. The provisions of this Statement apply to the three interest rate swap arrangements, which are accounted for as derivative instruments, applicable to certain of the County's long-term debt issues. The swap agreements, as more fully described in Note III (H), exist for the purpose of protecting against the potential of rising interest rates and balancing the mixture of variable and fixed rate debt. The Statement requires that the fair value of the derivative instruments be disclosed in the County's Statement of Net Assets. The Statement also requires that the derivative instruments be evaluated and a determination made as to whether the instruments are effective in hedging the associated exposure to identified financial risk. The Statement specifies the methods to be used to evaluate effectiveness. As a result of the evaluation, it was determined that one of three interest rate swaps was not an effective hedge based on the criteria specified in the Statement. Accordingly, the net assets total of the Primary Government – Governmental Activities as of July 1, 2009 has been restated to \$116,510,195, a reduction of \$3,944,017 from the previously reported total of \$120,454,212, as of June 30, 2009.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE V: EMPLOYEE RETIREMENT PLANS**

**A. General Information**

County and Board employees are covered by a variety of retirement plans. These plans fall into two categories - defined contribution and defined benefit plans. The majority of County and Board employees participate in *defined contribution plans*. Those not included in the defined contribution plan are certificated teachers covered under the Board's Article IX Defined Benefit Plan for former Knoxville City School teachers, all certificated County school teachers, certain non-certificated employees who elected not to transfer to the primary defined contribution plan or sworn officers in the Sheriff's Department who elected to transfer to the Uniformed Officers Pension Plan (UOPP) effective July 1, 2007, or were hired as a sworn officer on or after June 1, 2007. Required disclosures for the Defined Contribution Plans are presented in Note V-A. County certificated school teachers participate in the State Retirement Plan for Teachers as administered by the Tennessee Consolidated Retirement System (TCRS). Certain County Officials also participate in this plan.

The State of Tennessee provides benefits for participants in the TCRS, a cost-sharing multiple-employer Public Employee Retirement System (PERS). In a multiple-employer PERS, all risks and costs are shared proportionately among the participating employers. A single actuarial valuation is computed for the TCRS as a whole and all participating employer groups make payments to the TCRS based on a pre-determined contribution rate. However, as the TCRS prepares a separate financial report on its multiple-employer defined benefit plan, the operations and activities of this plan are not included in the County's reporting entity and are not included in the accompanying financial statements.

The three defined contribution plans and the three single employer defined benefit plans are part of the County's financial reporting entity and are included in the accompanying financial statements. The operations of the Knox County Employee Benefit System (County DB Plan), the County's Defined Contribution Plan (County DC Plan), the County's Uniformed Officers Pension Plan (UOPP DB Plan), and the County's Medical Retirement Defined Contribution Plan (Medical Retirement DC Plan) are recorded as County pension trust funds. The operations of the Board's Certificated Teacher's Defined Benefit Plan (Teacher's DB Plan) are recorded in the Board's pension trust fund. Separate financial reports for the three defined contribution plans and the three single employee defined benefit plans are not separately prepared.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Contribution Plans**

The *County DC Plan* is a defined contribution plan (an asset accumulation plan) established by Knox County under Section 401(a)(9) of the Internal Revenue Code. The plan covers substantially all full time employees of the County. 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 another County, Board or state retirement plan are required to participate.

Prior to July 1, 1999, plan members were required to contribute a minimum of four percent and could contribute up to a maximum of fifteen percent of compensation. The County and the Board matched member contributions up to 6% of compensation.

Effective, July 1, 1999, the Knox County Retirement Board amended plan provisions to require all participants to contribute a minimum of 6% of compensation.

At June 30, 2010, there were 4,378 active plan members. During the year, the employer and member contributions (prior to forfeitures) amounted to \$7,804,490 and \$7,802,582 respectively.

Effective July 1, 2007, the Asset Accumulation Program incorporated both a 401(a) Plan and a 457(b) Plan in the Defined Contribution Plan for Knox County participants and classified Board participants. 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%

In January 2008, the Pension Board added two additional outside 457 Vendors as investment alternatives. Knoxville Teachers Credit Union (Board employees only) and Security Benefit were added January 1, 2008 and contributions made by participants in the Asset Plan would also be eligible for the match offered by the employer. In September 2008, Nationwide, a third 457 Vendor was added to the Program. Each vendor prepares separate financial reports for the three outside 457 plans.

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2010

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Contribution Plans (Continued)**

Effective July 1, 2008 the option of contributing to a 457(b) Plan was expanded to those active participants in the closed Defined Benefit (DB) Plan. The employer match for the closed DB Plan participants is a maximum of 3% of pay. Closed DB participants are eligible for the same 457 Plans/Vendors that are offered under the Asset Accumulation Plan.

As of June 30, 2010, there were 957 Plan members. During the year, member contributions (prior to forfeitures) amounted to \$2,499,997 and the employer contributed \$1,521,264.

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

Prior to July 1, 1999:

- (1) A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum distribution of \$100 for each year of eligible service from the Knox County Retirement & Pension Board, and
- (2) A participant reaching age 40 and completing at least five years of credited service could make contributions to the plan in which the Pension Board would contribute a matching contribution of 50 percent up to a maximum of \$104 per year.

Effective July 1, 1999:

- (1) A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum distribution of \$100 for each year of eligible service from the Knox County Retirement & Pension Board, and
- (2) A participant making contributions through payroll deductions to the Medical Retirement Plan would be eligible for a percent match contribution from the Knox County Retirement & Pension Board based on the percent approved by the Board for the year in question.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Contribution Plans (Continued)**

(3) 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 1999	\$600
Calendar Year 2000	\$600
Calendar Year 2001	\$840
Calendar Year 2002	\$420
Calendar Year 2003	\$120
Calendar Year 2004	\$0
Calendar Year 2005	\$120
Calendar Year 2006	\$120
Calendar Year 2007	\$120
Calendar Year 2008	\$120
Calendar Year 2009	\$120
Calendar Year 2010	\$120

Prior to calendar year 2010, the contributions were funded using excess funds as actuarially determined from the *County DB Plan* and recorded as a transfer from the *County DB Plan* to the *Medical Retirement DC Plan*. MERP funding for calendar years 2010 – 2014 is funded through additional contributions to the DB Plan from Knox County. This bonus will be paid to all retirees as of January 1 of each year and payment will occur during the first quarter of the same year.

Effective January 1, 2010, the Knox County Commission approved the funding for the retiree bonus in the amount of \$120 annually for each of the next five years. Active employees contributing to the Medical Expense Retirement Plan will receive a 25% match for the Retirement & Pension Board up to a maximum annual match of \$104. The Knox County Commission also committed to funding this for five years.

At June 30, 2010, the Medical Retirement Plan had 2,236 members and 817 of them contributed funds to the plan. During the year employer and member contributions amounted to \$64,045 and \$268,561, respectively.

Plan provisions and contribution requirements for the defined contribution plans are established and may be amended by the Knox County Retirement Board. The Knox County Retirement Board administers the plans. Administrative costs of the plans are paid with plan assets.

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2010

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**C. Defined Benefit Plans**

*Plan Descriptions*

*Primary Government.* The *County DB Plan* is a single-employer public employee retirement pension plan established by the County Commission pursuant to House Bill Number 886 of Chapter 246 of the 1967 Private Acts of the State of Tennessee as amended and continued by the County's charter.

On October 1, 1991 through January 31, 1992, approximately one-half of the participants in the *County DB Plan* transferred from the *County DB Plan* to the *County DC Plan*. The transferred participants plus "new" enrollees in the defined contribution plan are non-contributing participants and continue to be covered under the *County Plan* disability and death benefit provisions. Effective September 30, 1991, the *County DB Plan* was closed to new participants.

The *County DB Plan* covered virtually all full-time County employees prior to October 1, 1991. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

*The Board.* The *Teachers' DB Plan*, established under Article IX of the Knox County Employee Benefit System, is a single-employer public employee retirement pension plan. Retirement benefits are provided to certain "covered certificated members" who are participants in Divisions A and B of the City of Knoxville Pension Plan. Pursuant to the abolition of the Knoxville City Schools on June 30, 1987, and the execution of the "Certificated Employees Participation Agreement" in November, 1994, both the City of Knoxville and the Board are each jointly and severally responsible for providing a portion of benefits. The County has established a trust for the purpose of funding its portion of total benefits attributable to the "covered certificated members." A "covered certificated member," is defined as that certificated teacher who (1) became an employee of the Knox County Board of Education as a result of the abolition of the Knoxville City Schools and (2) is entitled to maintain at his/her option a local pension plan membership as provided by decree of the Court of Appeals of Tennessee, Docket Number 736 dated December 30, 1987.

The *Teachers DB Plan* consists of Divisions A and B. There were no remaining Division B participants active as of June 30, 1995. Both Divisions A and B are closed to new Plan members. The Plan provides retirement, and disability benefits to the Plan members and their beneficiaries.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**C. Defined Benefit Plans (Continued)**

The *Uniformed Officers Pension Plan (UOPP)* was approved by the voters of Knox County at the November 2006 elections. The Plan was established July 1, 2007 with approximately 600 sworn Sheriff's Office employees electing to transfer their retirement balance from the Asset Accumulation Plan or the closed Defined Benefit Plan to the UOPP. The amount transferred from the participant's accounts totaled \$39,429,351. In addition, Knox County issued \$57 million of pension obligation bonds, and transferred the proceeds (net of issuance costs) totaling \$56,510,846 to the Plan.

All new employees hired on or after June 1, 2007, who are sworn officers of the Sheriff's Department, are required to join the UOPP. Each participant contributes 6% of pay until the participant has reached 30 years of credited service with the UOPP. All remaining funding needed for the Plan is the responsibility of Knox County.

In the *County DB Plan*, the *Teachers' DB Plan*, and the *Uniformed Officers Pension Plan (UOPP)* provisions and contribution requirements are established and may be amended by the Knox County Retirement Board. The Knox County Retirement Board administers the Plans. Administrative costs of the plans are financed through assets of the *County DB Plan*, the *Teachers' DB Plan*, and the *UOPP Plan*. Financial reports for the *County DB Plan* and the *Teachers' DB Plan* are not separately prepared. Financial reports for the *UOPP Plan* are not separately prepared.

Participant data at January 1, 2010 was as follows:

Description	County DB Plan	Uniformed Officers' DB Plan	Teachers' DB Plan
Actives Contributing	174	690	36
Actives Not Contributing, DC Plan	4,506	-	-
Retirees, Beneficiaries, and Disableds	195	38	434
Retirees, DC Plan	1,495	-	-
Inactives with Contribution Accounts	268	5	15
Inactives, DC Plan	313	-	-
<b>Total Participants</b>	<b>6,951</b>	<b>733</b>	<b>485</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**C. Defined Benefit Plans (Continued)**

The Knox County Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34 - 37 of the Tennessee Code Annotated (TCA). The Tennessee General Assembly amends state statutes. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

Some employees of Knox County Mayor and Officials are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with ten years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after ten years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34 - 37 of the Tennessee Code Annotated (TCA). The Tennessee General Assembly amends state statutes. Political Subdivisions such as Knox County Mayor and Officials participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**C. Defined Benefit Plans (Continued)**

The TCRS issues publicly available financial reports that include financial statements and required supplementary information for the SETHEEPP and PSPP. These reports may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs](http://www.tn.gov/treasury/tcrs).

**Funding Policy**

In the *County DB Plan*, plan members are required to make contributions at the rate of 5.0% of earnable compensation. The County, however, is required to make contributions only to the extent necessary to maintain the funded status of the plan as actuarially determined. The employer contribution rate for the year ending June 30, 2010 was 26.3%.

In the *Teachers' DB Plan*, most plan members are required to contribute 3.0% of the first \$4,800 then 5.0% thereafter of salary to the plan. The employer contribution rate for the Board is established at an actuarially determined rate and was 112.51% of annual covered payroll for the year ending June 30, 2010.

In the *Uniform Officers Pension Plan*, participants contribute 6% of earnable compensation until they have 30 years of credited service with the UOPP Plan. The participant makes no contribution if he or she has 30 plus years of service. The County is required to make contributions to the extent necessary to achieve the funding status of the plan as actuarially determined. The employer contribution rate was 15.05% of annual covered payroll for the year ending June 30, 2010.

Under the *TCRS plan*, most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Knox County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2010 was 6.42% of annual covered payroll.

The employer contribution requirement for Knox County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2010, 2009 and 2008 were \$14,055,635, \$13,901,667, \$12,751,467, respectively, equal to the required contributions for each year.

The TCRS plan for Knox County Mayor and Officials requires employees to contribute 5.0% of earnable compensation.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**C. Defined Benefit Plans (Continued)**

Knox County Mayor and Officials are required to contribute at an actuarially determined rate; the rate for the County for the fiscal year ending June 30, 2010 was 12.48% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Knox County Mayor and Officials is established and may be amended by the TCRS Board of Trustees. The annual required contributions for the current year were determined as part of actuarial valuations using the following significant assumptions:

	Primary Government		TCRS	Component Unit - The Board
	County DB Plan	Uniformed Officers DB Plan		Teachers' DB Plan
Actuarial Valuation Date	January 1, 2010	January 1, 2010	July 1, 2007	January 1, 2010
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Frozen Entry Age	Entry Age Normal
Actuarial Valuation of Assets	Smoothed Market	Smoothed Market	Smoothed Market	Smoothed Market
	Value Over 5 Years	Value Over 5 Years	Value Over 5 Years	Value Over 5 Years
Inflation Rate	3.00%	3.00%	3.50%	3.00%
Investment Return	7.50%	7.50%	7.50%	7.50%
Projected Salary Increases	3.50%	3.50%	4.75%	3.00%
Post Retirement Increases (Cost of Living Adjustments)	3.00%	3.00%	3.00%	3.00%

Under the Entry Age Normal cost method, the annual cost is equal to the normal cost, plus amortization of unfunded accrued liabilities over a fixed period of years selected within the minimum (10 years) and the Maximum (5 to 30 years) periods permitted by law.

In the TCRS, the unfunded actuarial liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 14 years.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**C. Defined Benefit Plans (Continued)**

The changes in the Net Pension Obligation (Asset), components of the Annual Required Contribution, and adjustments to the Annual Required Contribution are as follows:

Description	2010	Primary Government County DB Plan		2010	Primary Government Uniformed Officers Pension Plan		Component Unit - The Board Teachers' DB Plan		
		2009	2008		2009	2008	2010	2009	2008
NPO: Net Pension									
Obligation (Asset), Beginning of Year*	\$ (3,748,306)	\$ (3,879,482)	\$ (3,811,698)	\$ (299,792)	\$ -	\$ -	\$ 3,220,628	\$ 3,299,910	\$ 3,328,038
Annual Pension Cost:									
Annual Required Contribution (ARC)	1,877,420	98,387	-	4,263,867	2,525,395	-	1,898,484	198,608	135,786
Interest on NPO (Asset)	(281,123)	(290,961)	(285,877)	(22,484)	-	-	241,547	247,493	249,603
Adjustments to ARC**	312,803	323,750	318,093	25,018	-	-	(268,767)	(275,383)	(277,731)
Total Annual Pension Cost	1,909,100	131,176	32,216	4,266,401	2,525,395	-	1,871,264	170,718	107,658
Contributions Made	2,127,420	-	100,000	4,569,658	2,825,187	-	1,898,864	250,000	135,786
Increase (Decrease) in NPO (Asset)	(218,320)	131,176	(67,784)	(303,257)	(299,792)	-	(27,600)	(79,282)	(28,128)
NPO (Asset), End of Year	\$ (3,966,626)	\$ (3,748,306)	\$ (3,879,482)	\$ (603,049)	\$ (299,792)	\$ -	\$ 3,193,028	\$ 3,220,628	\$ 3,299,910
Amortization Period (in years)	25	25	25	25	25	25	25	25	25
Interest Rate (per annum)	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

\* A positive balance reflects a liability while a negative amount is an asset.

\*\*The adjustment to the Annual Required Contribution is a level dollar amortization of the Net Pension Obligation (Asset) at the beginning of the period

**Trend Information (TCRS)**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 78,009	100.00%	\$ -
June 30, 2009	\$ 49,523	100.00%	\$ -
June 30, 2008	\$ -	100.00%	\$ -

# Required Supplemental Information Section



**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2010*

**Schedules of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - EAN (prior to 1/1/09 Aggregate) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
County DB Plan:						
1/1/1997	\$ 80,067,931	\$ 80,067,931	\$ -	100.00%	\$ 18,757,024	0.00%
1/1/1998	89,622,330	89,622,330	-	100.00%	16,839,606	0.00%
1/1/1999	89,289,817	89,289,817	-	100.00%	11,894,535	0.00%
1/1/2000	90,400,104	90,400,104	-	100.00%	10,582,373	0.00%
1/1/2001	90,876,819	90,876,819	-	100.00%	10,292,951	0.00%
1/1/2002	90,458,876	90,458,876	-	100.00%	9,245,646	0.00%
1/1/2003	84,553,434	84,553,434	-	100.00%	8,081,941	0.00%
1/1/2004	81,996,895	81,996,895	-	100.00%	7,552,549	0.00%
1/1/2005	79,398,895	79,398,895	-	100.00%	6,799,378	0.00%
1/1/2006	78,756,498	78,756,498	-	100.00%	6,141,456	0.00%
1/1/2007	82,094,299	82,094,299	-	100.00%	5,510,340	0.00%
1/1/2008	79,179,398	79,179,398	-	100.00%	5,112,493	0.00%
1/1/2009	56,512,743	75,435,555	18,922,812	74.92%	5,310,881	356.30%
1/1/2010	61,231,126	75,999,563	14,768,437	80.57%	4,637,314	318.47%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - EAN (prior to 1/1/05 Aggregate) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Teachers' DB Plan:						
1/1/1997	\$ 31,532,498	\$ 31,532,498	\$ -	100.00%	\$ 16,518,534	0.00%
1/1/1998	55,425,760	55,425,760	-	100.00%	16,280,062	0.00%
1/1/1999	62,622,721	62,622,721	-	100.00%	15,714,131	0.00%
1/1/2000	70,243,735	70,243,735	-	100.00%	14,392,249	0.00%
1/1/2001	69,634,862	69,634,862	-	100.00%	14,009,264	0.00%
1/1/2002	72,917,044	72,917,044	-	100.00%	13,254,219	0.00%
1/1/2003	71,458,839	71,458,839	-	100.00%	12,286,006	0.00%
1/1/2004	73,472,465	73,472,465	-	100.00%	11,014,729	0.00%
1/1/2005	74,889,828	82,120,286	7,230,458	91.20%	7,595,733	95.19%
1/1/2006	75,174,360	83,066,476	7,892,116	90.50%	6,274,664	125.78%
1/1/2007	84,154,462	84,362,290	207,828	99.75%	5,236,764	3.97%
1/1/2008	83,327,598	84,657,462	1,329,864	98.43%	4,102,017	32.42%
1/1/2009	61,496,011	83,991,358	22,495,347	73.22%	2,018,191	1114.63%
1/1/2010	69,493,440	79,131,091	9,637,651	87.82%	1,050,650	917.30%

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2010*

**Schedules of Funding Progress (Continued)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
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Uniformed Officers Pension Plan:

1/1/2008	\$ 97,974,663	\$ 104,812,621	\$ 6,837,958	93.48%	\$ 24,238,059	28.21%
1/1/2009	85,035,207	115,217,224	30,182,017	73.80%	25,671,228	117.57%
1/1/2010	103,280,780	128,135,474	24,854,694	80.60%	27,198,799	91.38%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
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Knox Co Executive and Officials

TCRS (Amounts Expressed in Thousands):

6/30/1991	\$ 296	\$ 296	\$ -	100.00%	\$ 141	0.00%
6/30/1993	371	371	-	100.00%	157	0.00%
6/30/1995	441	441	-	100.00%	74	0.00%
6/30/1997	600	600	-	100.00%	77	0.00%
6/30/1999	704	704	-	100.00%	81	0.00%
6/30/2001	792	792	-	100.00%	81	0.00%
7/1/2003	842	842	-	100.00%	83	0.00%
7/1/2005	901	901	-	100.00%	86	0.00%
7/1/2007	828	935	107	88.56%	130	82.31%
7/1/2009	722	1,126	404	64.15%	357	113.11%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
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Other Post-employment Benefits - Healthcare Plan:

7/1/2007	\$ -	\$ 2,644,971	\$ 2,644,971	0%	N/A	N/A
7/1/2009	-	2,434,379	2,434,379	0%	N/A	N/A



**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2010*

**Schedules of Employer Contributions**  
**(Last Ten Fiscal Years)**

Year Ended June 30,	County DB Plan			Uniformed Officers' DB Plan			Teachers' DB Plan		
	Annual Required Contribution	Actual Contribution	Percentage Contributed	Annual Required Contribution	Actual Contribution	Percentage Contributed	Annual Required Contribution	Actual Contribution	Percentage Contributed
1999	\$ -	\$ -	N/A	\$ -	\$ -	N/A	\$ 773,683	\$ 778,642	100.64%
2000	-	-	N/A	-	-	N/A	357,275	343,534	96.15%
2001	-	-	N/A	-	-	N/A	-	400,000	N/A
2002	-	-	N/A	-	-	N/A	344,411	600,000	174.21%
2003	-	-	N/A	-	-	N/A	412,445	600,000	145.47%
2004	-	-	N/A	-	-	N/A	784,838	784,838	100.00%
2005	-	-	N/A	-	-	N/A	881,447	881,447	100.00%
2006	-	-	N/A	-	-	N/A	739,370	739,370	100.00%
2007	-	-	N/A	-	-	N/A	771,772	771,772	100.00%
2008	-	100,000	100.00%	-	1,823,530	7.50%	135,786	135,786	100.00%
2009	98,387	-	N/A	2,525,395	2,825,187	111.87%	198,608	250,000	125.88%
2010	1,877,420	2,127,420	113.32%	4,263,867	4,569,658	107.17%	1,898,484	1,898,864	100.02%

KNOX COUNTY, TENNESSEE

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (GAAP Basis) - General Fund  
 For the year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Local Taxes	\$ 125,537,804	\$ 125,548,419	\$ 128,845,482	\$ 3,297,063
Licenses and Permits	3,367,696	3,436,336	3,252,786	(183,550)
Fines, Forfeitures and Penalties	3,576,250	3,647,762	2,923,102	(724,660)
Charges for Current Services	4,166,978	4,166,978	4,770,392	603,414
Other Local Revenues	5,684,503	5,697,553	3,227,966	(2,469,587)
State of Tennessee	6,559,880	6,743,368	9,186,252	2,442,884
Federal Government	1,000,000	1,000,000	983,063	(16,937)
Other Governments and Citizen Groups	552,488	616,569	118,373	(498,196)
Payments from Component Units	283,579	283,579	268,656	(14,923)
Total Revenues	150,729,178	151,140,564	153,576,072	2,435,508
<b>Expenditures</b>				
Current:				
Finance and Administration	25,467,844	25,643,780	24,714,594	929,186
Finance and Administration - Payments to Component Unit	3,823,874	3,823,874	3,823,874	-
Administration of Justice	13,485,012	13,364,501	12,870,114	494,387
Public Safety	68,281,891	69,237,972	68,948,990	288,982
Public Safety - Payments to Component Unit	326,200	326,200	326,200	-
Public Health and Welfare	26,244,220	26,825,332	25,145,784	1,679,548
Public Health and Welfare - Payments to Component Unit	154,341	256,628	256,628	-
Social and Cultural Services	4,787,132	4,963,621	4,652,601	311,020
Agricultural and Natural Resources	479,457	442,318	413,675	28,643
Other General Government	6,248,610	9,942,772	7,856,211	2,086,561
Decrease in Equity Interest in Joint Venture	-	-	528,848	(528,848)
Total Expenditures	149,298,581	154,826,998	149,537,519	5,289,479
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	1,430,597	(3,686,434)	4,038,553	7,724,987
<b>Other Financing Sources (Uses)</b>				
Note Proceeds	576,000	576,000	-	(576,000)
Transfers from Other Funds	11,701,416	11,738,416	10,341,158	(1,397,258)
Transfers to Other Funds	(17,246,025)	(16,098,687)	(15,859,571)	239,116
Total Other Financing Uses	(4,968,609)	(3,784,271)	(5,518,413)	(1,734,142)
<b>Net Change in Fund Balances</b>	\$ (3,538,012)	\$ (7,470,705)	(1,479,860)	\$ 5,990,845
Fund Balances, July 1			53,277,773	
Fund Balances, June 30			\$ 51,797,913	

See accompanying notes to Required Supplementary Information.

KNOX COUNTY, TENNESSEE  
**Note to Required Supplementary Information**  
*June 30, 2010*

**Budgetary Reporting**

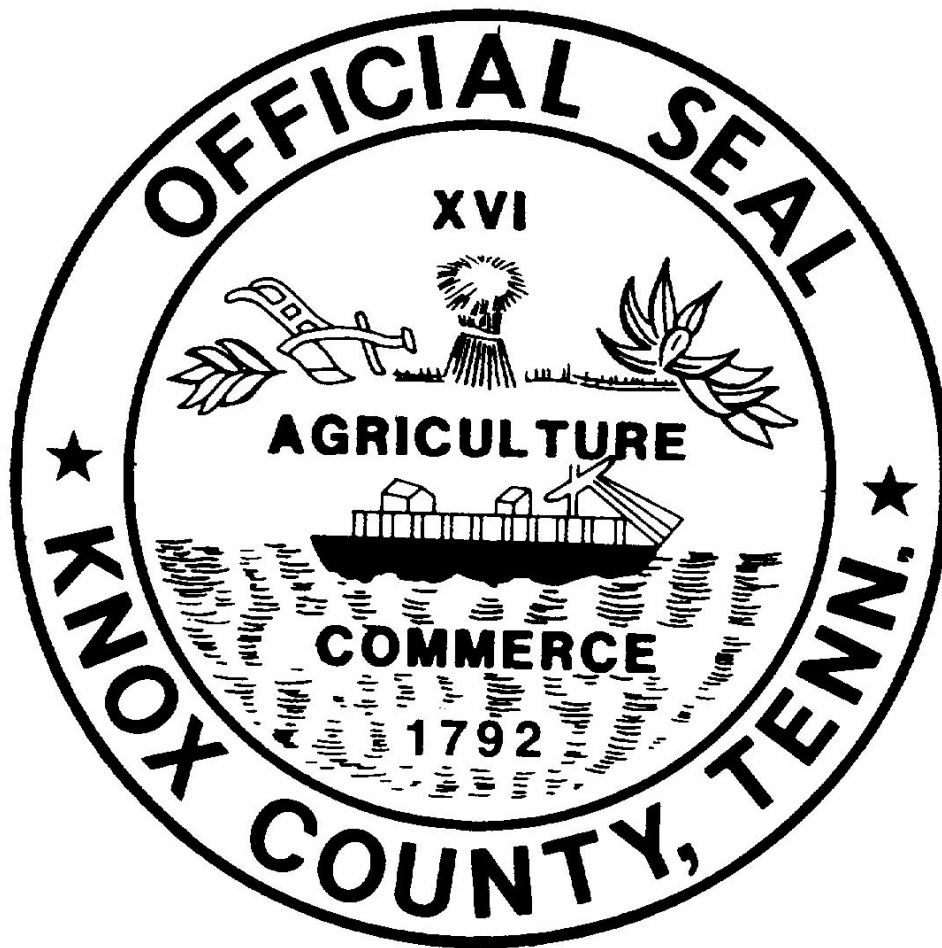
The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) – General Fund presents comparisons of the original and final legally adopted budget with actual data.

The General Fund budget is prepared at the department and major category level. The legal level of budgetary control, that is, the level at which management cannot overspend funds without a budget amendment approved by the Finance Committee of the County Commission, is the major category level within departments. The major categories are Personal Services, Employee Benefits, Contracted Services, Supplies and Materials, Other Charges, Debt Service and Capital Outlay. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) – General Fund does not present the detail necessary to demonstrate compliance at the legal level of budgetary control. Such detailed schedules are included in the County’s separately issued *Budget Report to Citizenry*. Copies of the report may be obtained from the Knox County Department of Finance or online at: <http://www.knoxcounty.org/finance/budget.php>.

Knox County Department of Finance  
Room 630  
City County Building  
400 Main Avenue  
Knoxville, Tennessee 37902

The County’s Constitutional Officers Special Revenue Fund is the County’s only major special revenue fund. The fund is used to account for the activities of the fee and commission accounts of the County Trustee, Register of Deeds, County Clerk, Criminal and Fourth Circuit Court Clerk, Circuit and General Sessions Court Clerk, and Clerk and Master. These officers earn various fees and commissions, pay certain expenses of their office operations, and transfer all or portions of the fees and commissions generated to other funds. The transactions related to the activities of these offices are not subject to the budgetary control of the County Commission. As there is no legally adopted budget for this fund, there is no budgetary comparison schedule presented in this report.

# Supplemental Section



## **GENERAL FUND**

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the County (i.e. public safety, recreation, health and welfare, general government, etc.). These activities are funded principally by property taxes on individuals and businesses.

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**KNOX COUNTY, TENNESSEE**

**General Fund  
Comparative Balance Sheets  
June 30, 2010 and June 30, 2009**

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 11,156,371	\$ 5,782,513
Receivables (Net of Allowances for Uncollectibles):		
Accounts	9,324,835	9,567,739
Property Taxes	105,394,199	108,321,680
Notes	1,619,000	1,726,000
Investments	28,910,170	37,488,780
Due from Other Funds	3,087,805	2,378,291
Due from Component Units	353,023	91,051
Due from Other Governments	49,953	54,521
Inventories	95,139	204,510
Prepaid Items	237,209	229,740
Investment in Joint Venture	5,317,007	5,845,855
Advances to Component Units	3,580,250	3,736,250
Advances to Other Funds	-	175,000
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 169,124,961</u>	<u>\$ 175,601,930</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 7,139,670	\$ 7,175,593
Due to Other Funds	487,159	1,922,815
Due to Component Units	162,351	554,495
Deferred Revenue	109,537,868	112,671,254
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>117,327,048</u>	<u>122,324,157</u>
<b>Fund Balances:</b>		
Reserved	8,382,154	9,080,512
Unreserved:		
Designated	1,374,544	2,852,417
Undesignated	42,041,215	41,344,844
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>51,797,913</u>	<u>53,277,773</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 169,124,961</u>	<u>\$ 175,601,930</u>

**KNOX COUNTY, TENNESSEE**

**General Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances  
For the years ended June 30, 2010 and June 30, 2009**

	2010	2009
<b>Revenues</b>		
Local Taxes	\$ 128,845,482	\$ 127,386,538
Licenses and Permits	3,252,786	3,415,502
Fines, Forfeitures and Penalties	2,923,102	3,539,515
Charges for Current Services	4,770,392	4,260,607
Other Local Revenues	3,227,966	3,579,435
State of Tennessee	9,186,252	8,735,977
Federal Government	983,063	1,242,258
Other Governments and Citizen Groups	118,373	954,299
Payments from Component Units	268,656	282,619
Total Revenues	<u>153,576,072</u>	<u>153,396,750</u>
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	24,714,594	24,268,429
Finance and Administration - Payments to Component Unit	3,823,874	4,018,649
Administration of Justice	12,870,114	13,104,960
Public Safety	68,948,990	66,582,039
Public Safety - Payments to Component Unit	326,200	326,200
Public Health and Welfare	25,145,784	26,195,094
Public Health and Welfare - Payments to Component Unit	256,628	166,628
Social and Cultural Services	4,652,601	4,449,464
Agricultural and Natural Resources	413,675	433,295
Other General Government	7,856,211	8,824,136
Decrease in Equity Interest in Joint Venture	528,848	20,682
Total Expenditures	<u>149,537,519</u>	<u>148,389,576</u>
Excess of Revenues Over Expenditures	<u>4,038,553</u>	<u>5,007,174</u>
<b>Other Financing Sources (Uses)</b>		
Note Proceeds	-	3,538,969
Transfers from Other Funds	10,341,158	6,788,913
Transfers to Other Funds	<u>(15,859,571)</u>	<u>(21,430,407)</u>
Total Other Financing Uses	<u>(5,518,413)</u>	<u>(11,102,525)</u>
Net Change in Fund Balances	(1,479,860)	(6,095,351)
Fund Balances, July 1	<u>53,277,773</u>	<u>59,373,124</u>
Fund Balances, June 30	<u>\$ 51,797,913</u>	<u>\$ 53,277,773</u>

## **SPECIAL REVENUE FUNDS - MAJOR**

**Constitutional Officers Fund:** This fund is used to account for revenues and expenditures associated with the administrative functions of the Constitutional Officers.



**KNOX COUNTY, TENNESSEE**

**Constitutional Officers' Special Revenue Fund  
Combining Balance Sheets**

June 30, 2010

(With Comparative Totals for June 30, 2009)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2010	2009
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 519,392	\$ 288,989	\$ 415,510	\$ 812,097	\$ 441,688	\$ 388,387	\$ 2,866,063	\$ 4,467,103
Due from Other Funds	-	-	-	-	-	-	-	64,800
<b>TOTAL ASSETS</b>	<b>\$ 519,392</b>	<b>\$ 288,989</b>	<b>\$ 415,510</b>	<b>\$ 812,097</b>	<b>\$ 441,688</b>	<b>\$ 388,387</b>	<b>\$ 2,866,063</b>	<b>\$ 4,531,903</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Due to Other Funds	\$ 93,325	\$ 250,000	\$ -	\$ -	\$ 37,700	\$ 98,000	\$ 479,025	\$ 700,221
<b>TOTAL LIABILITIES</b>	<b>93,325</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>37,700</b>	<b>98,000</b>	<b>479,025</b>	<b>700,221</b>
<b>Fund Balances:</b>								
Unreserved, Undesignated	426,067	38,989	415,510	812,097	403,988	290,387	2,387,038	3,831,682
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 519,392</b>	<b>\$ 288,989</b>	<b>\$ 415,510</b>	<b>\$ 812,097</b>	<b>\$ 441,688</b>	<b>\$ 388,387</b>	<b>\$ 2,866,063</b>	<b>\$ 4,531,903</b>

**KNOX COUNTY, TENNESSEE**

**Constitutional Officers' Special Revenue Fund  
Combining Schedule of Revenues, Expenditures  
And Changes in Fund Balances  
For the year ended June 30, 2010  
(With comparative totals for the year ended June 30, 2009)**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2010	2009
<b>Revenues</b>								
Charges for Services	\$ 7,640,869	\$ 4,936,334	\$ 1,622,047	\$ 3,319,725	\$ 1,335,169	\$ 2,462,816	\$ 21,316,960	\$ 20,943,536
Interest Income	1,545	-	-	-	-	5,175	6,720	11,409
Total Revenues	7,642,414	4,936,334	1,622,047	3,319,725	1,335,169	2,467,991	21,323,680	20,954,945
<b>Expenditures</b>								
Current:								
General Government:								
Finance and Administration:								
Salaries - County Officials	102,748	99,748	117,596	106,206	101,282	99,736	627,316	622,233
Salaries - Staff	1,726,938	3,095,708	1,082,019	2,959,193	745,793	1,290,617	10,900,268	11,312,879
Employee Benefits and Payroll Taxes	509,752	1,057,519	426,873	810,474	286,942	445,379	3,536,939	3,469,563
Travel	57,530	19,431	6,336	8,130	-	9,100	100,527	188,877
Other	440,256	121,541	-	-	40,760	146,715	749,272	396,642
Total Expenditures	2,837,224	4,393,947	1,632,824	3,884,003	1,174,777	1,991,547	15,914,322	15,990,194
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,805,190	542,387	(10,777)	(564,278)	160,392	476,444	5,409,358	4,964,751
<b>Other Financing Uses</b>								
Transfers to Other Funds	(5,148,860)	(1,000,000)	-	-	(217,142)	(488,000)	(6,854,002)	(6,538,913)
Net Change in Fund Balances	(343,670)	(457,613)	(10,777)	(564,278)	(56,750)	(11,556)	(1,444,644)	(1,574,162)
Fund Balances, July 1	769,737	496,602	426,287	1,376,375	460,738	301,943	3,831,682	5,405,844
Fund Balances, June 30	\$ 426,067	\$ 38,989	\$ 415,510	\$ 812,097	\$ 403,988	\$ 290,387	\$ 2,387,038	\$ 3,831,682

## **CAPITAL PROJECTS FUNDS - MAJOR**

Capital Projects Funds are used to account for the acquisition and construction of major facilities other than those financed by proprietary or trust funds.

**Public Improvement Fund:** This fund is used to account for the County construction projects in process. These public improvement construction projects include, but are not limited to, the Penal Farm, roads, the Farmers' Market, sewer lines, Hillcrest Nursing Home, recreation facilities, public library facilities, Juvenile Court renovations, City-County Building renovations, John Tarleton Home renovations, Knox Central facilities, and golf course improvements.

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**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)**  
**Comparative Balance Sheets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,153,442	\$ 8,363,612
Accounts Receivable (Net of Allowances for Uncollectibles):	150,462	122,273
Investments	-	8,090,296
Due from Other Funds	224,400	-
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 6,528,304</u>	<u>\$ 16,576,181</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 921,575	\$ 1,144,377
Due to Other Funds	-	2,542
Due to Component Units	11,478	-
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>933,053</u>	<u>1,146,919</u>
 <b>Fund Balances (Deficits):</b>		
Reserved	9,645,621	3,061,307
Unreserved:		
Undesignated	(4,050,370)	12,367,955
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>5,595,251</u>	<u>15,429,262</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,528,304</u>	<u>\$ 16,576,181</u>

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**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Interest Earned	\$ 2,167	\$ 17,508
Other Local Revenues	771	186,700
State of Tennessee	140,000	32,477
Federal Government	7,914	47,537
Other Governments and Citizen Groups	<u>-</u>	<u>100,000</u>
Total Revenues	<u>150,852</u>	<u>384,222</u>
<b>Expenditures</b>		
Capital Projects	22,624,556	18,026,909
Debt Proceeds Paid to Component Unit	14,822,428	14,000,000
Debt Issuance Costs	<u>247,856</u>	<u>368,000</u>
Total Expenditures	<u>37,694,840</u>	<u>32,394,909</u>
Deficiency of Revenues Under Expenditures	<u>(37,543,988)</u>	<u>(32,010,687)</u>
<b>Other Financing Sources (Uses)</b>		
Long-term Bonds Issued	16,000,000	40,000,000
Long-term Note Issued	-	30,000,000
Premium on Long-term Debt Issued	58,806	332,400
Capital Lease Proceeds	11,651,171	-
Transfers from Other Funds	-	4,000,000
Transfers to Other Funds	<u>-</u>	<u>(679,289)</u>
Total Other Financing Sources	<u>27,709,977</u>	<u>73,653,111</u>
Net Change in Fund Balances	(9,834,011)	41,642,424
Fund Balance (Deficit), July 1	<u>15,429,262</u>	<u>(26,213,162)</u>
Fund Balance, June 30	<u>\$ 5,595,251</u>	<u>\$ 15,429,262</u>

**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)**

**Schedule of Construction Project Expenditures-**

**Budget And Actual**

For the year ended June 30, 2010

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Knob Creek Bridge	\$ 496,973	\$ 232,369	\$ -	\$ 232,369	\$ 264,604
Bridge Replacement	3,821,631	3,194,773	421,940	3,616,713	204,918
Middlebrook Pike	8,720,287	6,988,302	-	6,988,302	1,731,985
Ballcamp Improvements	24,452,722	15,917,740	766,190	16,683,930	7,768,792
Lovell Road	2,830,661	2,609,258	-	2,609,258	221,403
Dry Gap Pike	6,219,860	5,162,441	10,821	5,173,262	1,046,598
Maynardville/Norris/Emory	959,596	371,770	192,382	564,152	395,444
Parkside Drive Extension	13,921,782	8,620,344	100,018	8,720,362	5,201,420
Walker Springs Connector	2,652,953	1,742,568	-	1,742,568	910,385
Dutchtown Road Functional Plan	9,412,555	8,737,368	175,194	8,912,562	499,993
Gallaher View Road	3,841,382	1,094,415	1,366,762	2,461,177	1,380,205
Campbell Station Extension	1,000,000	-	-	-	1,000,000
Tazewell Pike / Emory Road	415,074	37,286	16,808	54,094	360,980
Doughtown Innovation	2,210,945	82,033	21,544	103,577	2,107,368
Nubbin Ridge Road	851,632	208,114	393,215	601,329	250,303
Outlet Mall Drive/Synder Road Connect	478,300	47,583	81,731	129,314	348,986
National Drive - John Sevier Highway	206,500	-	6,500	6,500	200,000
<b>Total Road Construction</b>	<b>82,492,853</b>	<b>55,046,364</b>	<b>3,553,105</b>	<b>58,599,469</b>	<b>23,893,384</b>
<i>Building Renovations:</i>					
Juvenile Court/ Detention	13,961,340	13,953,683	7,657	13,961,340	-
Juvenile Justice CIP '11	9,797	-	-	-	9,797
Sports Complex	4,296,656	4,277,396	9,289	4,286,685	9,971
County Wide Renovations	2,945,384	2,943,492	1,892	2,945,384	-
Knox Central	1,004,728	1,000,875	-	1,000,875	3,853
Knox Central CIP '11	78,632	-	-	-	78,632
Fairview Technical Center	393,914	393,914	-	393,914	-
John Tarleton	277,133	225,851	51,282	277,133	-
AJ/ Dwight Kessel Garage	1,652,852	1,106,413	94,764	1,201,177	451,675
City/County Improvement	14,903,961	8,136,655	1,233,186	9,369,841	5,534,120
Knox County Health Renovations	10,785,402	10,539,784	245,618	10,785,402	-
Knox County Health Department CIP '11	16,041	-	-	-	16,041
Old Courthouse Renovation	2,231,300	1,194,789	9,542	1,204,331	1,026,969
Detention Facility	1,490,881	1,414,242	50,389	1,464,631	26,250
Detention Facility Expansion 2006	13,996,761	13,993,258	3,066	13,996,324	437
<b>Total Building Renovations</b>	<b>68,044,782</b>	<b>59,180,352</b>	<b>1,706,685</b>	<b>60,887,037</b>	<b>7,157,745</b>

**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)  
Schedule of Construction Project Expenditures-  
Budget And Actual (Continued)  
For the year ended June 30, 2010**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures (Continued)</b>					
<i>Capital Projects (Continued):</i>					
<i>Building Construction:</i>					
South Sportsplex	500,000	-	-	-	500,000
Burlington Branch Library	3,490,280	3,478,163	1,746	3,479,909	10,371
Lawson McGhee Library	498,784	414,553	84,231	498,784	-
Various Library Branches	226,261	226,261	-	226,261	-
Carter Senior Center	1,300,000	1,193,241	66,308	1,259,549	40,451
Veteran's Nursing Home	4,962,492	4,962,492	-	4,962,492	-
Beck Cultural Center	1,895,000	922,728	882,692	1,805,420	89,580
<i>Total Building Construction:</i>	<u>12,872,817</u>	<u>11,197,438</u>	<u>1,034,977</u>	<u>12,232,415</u>	<u>640,402</u>
<i>Other:</i>					
Seven Island Foot Bridge	1,746,757	235,258	14,572	249,830	1,496,927
Seven Islands	100,000	99,162	838	100,000	-
Concord Park	754,468	749,858	4,610	754,468	-
Halls Greenway	210,220	154,155	748	154,903	55,317
Knox-Blount Greenway-Phase I	360,198	-	-	-	360,198
Knox-Blount Greenway-Phase II	145,198	-	-	-	145,198
Park Facility Improvement	454,106	128,535	38,977	167,512	286,594
Rifle Range Road Park	3,812,500	3,592,524	176,518	3,769,042	43,458
Ten Mile Creek Greenway	289,909	267,886	-	267,886	22,023
East TN Historical Renovations	3,757,965	3,750,678	7,287	3,757,965	-
Technology Upgrade - Libraries	1,250,000	241,100	-	241,100	1,008,900
Long Term Economic Development	22,140,000	21,142,365	-	21,142,365	997,635
Finance Software Upgrade	1,569,308	-	1,125,207	1,125,207	444,101
KC Landmarks	447,345	439,409	7,936	447,345	-
Telecom Knox Co. Schools	586,135	569,588	-	569,588	16,547
PBA Project Management	2,566,303	1,989,354	576,949	2,566,303	-
Energy Management Project - County	13,776,571	-	12,622,104	12,622,104	1,154,467
Solway Yard Waste Facility	1,386,400	1,242,636	119,454	1,362,090	24,310
Stormwater Management	10,655,670	5,789,361	470,485	6,259,846	4,395,824
Dutchtown Convenience Center	571,891	55,751	454,804	510,555	61,336
Geometric Improvements	2,086,342	1,112,232	72,768	1,185,000	901,342
Gulf Park Drive Sidewalk	355,143	226,168	21,144	247,312	107,831
Knoxville Zoo Capital	772,500	750,000	22,500	772,500	-
Powell Middle School	15,650,000	14,765,137	592,888	15,358,025	291,975
<i>Total Other</i>	<u>85,444,929</u>	<u>57,301,157</u>	<u>16,329,789</u>	<u>73,630,946</u>	<u>11,813,983</u>
<i>Total Capital Projects</i>	<u>\$ 248,855,381</u>	<u>\$ 182,725,311</u>	<u>\$ 22,624,556</u>	<u>\$ 205,349,867</u>	<u>\$ 43,505,514</u>

## **DEBT SERVICE FUND - MAJOR**

The Debt Service Fund is used to account for the accumulation of resources for, and related payments of, principal and interest on general long-term debt for the County and for the Knox County Board of Education, a discretely presented component unit.



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## KNOX COUNTY, TENNESSEE

### Debt Service Fund (Major) Comparative Balance Sheets June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 7,995,344	\$ 1,032,843
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	33,668,412	34,481,037
Notes	9,245,000	8,995,000
Investments	7,706,555	16,422,682
Advance to Other Governments	<u>6,000,000</u>	<u>6,000,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 64,615,311</u></u>	<u><u>\$ 66,931,562</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 48,553	\$ 26,419
Due to Other Funds	224,400	-
Deferred Revenue	<u>39,363,625</u>	<u>39,922,869</u>
<b>TOTAL LIABILITIES</b>	<u>39,636,578</u>	<u>39,949,288</u>
 <b>Fund Balances:</b>		
Reserved	9,225,000	9,225,000
Unreserved:		
Undesignated	<u>15,753,733</u>	<u>17,757,274</u>
<b>TOTAL FUND BALANCES</b>	<u>24,978,733</u>	<u>26,982,274</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 64,615,311</u></u>	<u><u>\$ 66,931,562</u></u>

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## KNOX COUNTY, TENNESSEE

### Debt Service Fund (Major) Comparative Statements of Revenues, Expenditures And Changes in Fund Balances

For the years ended June 30, 2010 and June 30, 2009

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	2010	2009
<b>Revenues</b>		
Local Taxes	\$ 30,800,583	\$ 30,663,434
Other Governments/Citizen Groups	129,126	957
Interest Earned	166,065	765,929
Other Local Revenues	-	36,542
Payments from Component Units	26,164,220	24,631,555
Total Revenues	<u>57,259,994</u>	<u>56,098,417</u>
<b>Expenditures</b>		
Debt Service:		
Trustee's Commission	622,401	614,560
Principal	31,080,467	28,550,620
Interest	22,292,340	29,218,581
Other Debt Service	2,990,434	1,350,476
Refunding Bonds Issuance Costs	78,957	-
Total Expenditures	<u>57,064,599</u>	<u>59,734,237</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>195,395</u>	<u>(3,635,820)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	194,107	194,207
Transfers to Other Funds	(2,472,000)	-
Refunding Bonds Issued	4,550,000	-
Premium on Refunding Bonds	148,957	-
Payment to Refunded Bond Escrow Agent	(4,620,000)	-
Total Other Financing Sources (Uses)	<u>(2,198,936)</u>	<u>194,207</u>
Net Change in Fund Balances	(2,003,541)	(3,441,613)
Fund Balance, July 1	<u>26,982,274</u>	<u>30,423,887</u>
Fund Balance, June 30	<u>\$ 24,978,733</u>	<u>\$ 26,982,274</u>

KNOX COUNTY, TENNESSEE

**Debt Service Fund (Major)**  
**Comparative Schedules of Revenues, Expenditures**  
**And Changes in Fund Balances - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2010 and June 30, 2009

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 27,779,000	\$ 30,251,000	\$ 30,800,583	\$ 549,583	\$ 30,011,000	\$ 30,663,434	\$ 652,434
Other Governments/Citizen Groups	840,350	840,350	129,126	(711,224)	716,000	957	(715,043)
Interest Earned	1,800,000	1,800,000	166,065	(1,633,935)	-	765,929	765,929
Other Local Revenues	-	-	-	-	-	36,542	36,542
Payments from Component Units	26,164,220	26,164,220	26,164,220	-	24,671,720	24,631,555	(40,165)
<b>Total Revenues</b>	<b>56,583,570</b>	<b>59,055,570</b>	<b>57,259,994</b>	<b>(1,795,576)</b>	<b>55,398,720</b>	<b>56,098,417</b>	<b>699,697</b>
<b>Expenditures</b>							
Debt Service:							
Trustee's Commission	700,000	700,000	622,401	77,599	650,000	614,560	35,440
Principal	31,490,638	31,490,638	31,080,467	410,171	26,973,467	28,550,620	(1,577,153)
Interest	32,009,362	32,009,362	22,292,340	9,717,022	32,876,533	29,218,581	3,657,952
Other Debt Service	1,800,000	1,800,000	2,990,434	(1,190,434)	1,500,000	1,350,476	149,524
<b>Total Expenditures</b>	<b>66,000,000</b>	<b>66,000,000</b>	<b>56,985,642</b>	<b>9,014,358</b>	<b>62,000,000</b>	<b>59,734,237</b>	<b>2,265,763</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,416,430)	(6,944,430)	274,352	7,218,782	(6,601,280)	(3,635,820)	2,965,460
<b>Other Financing Sources</b>							
Transfers from Other Funds	194,107	194,107	194,107	-	45,051	194,207	149,156
Transfers to Other Funds	-	(2,472,000)	(2,472,000)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>194,107</b>	<b>(2,277,893)</b>	<b>(2,277,893)</b>	<b>-</b>	<b>45,051</b>	<b>194,207</b>	<b>149,156</b>
<b>Net Change in Fund Balances</b>	<b>(9,222,323)</b>	<b>(9,222,323)</b>	<b>(2,003,541)</b>	<b>7,218,782</b>	<b>(6,556,229)</b>	<b>(3,441,613)</b>	<b>3,114,616</b>
Fund Balance, July 1	26,982,274	26,982,274	26,982,274	-	30,423,887	30,423,887	-
<b>Fund Balance, June 30</b>	<b>\$ 17,759,951</b>	<b>\$ 17,759,951</b>	<b>\$ 24,978,733</b>	<b>\$ 7,218,782</b>	<b>\$ 23,867,658</b>	<b>\$ 26,982,274</b>	<b>\$ 3,114,616</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

**State and Federal Grants Fund:** This fund is used to account for most State and Federal grant revenues.

**Governmental Library Fund:** This fund accounts for the operation of the law library that is available to the public but is used primarily by attorneys practicing in the courts. User fees are charged by the Governmental Library.

**Public Library Fund:** This fund is used to account for the operation of the County-wide public library system.

**Solid Waste Fund:** This fund is used to account for all solid waste and recycling activities.

**Hotel/Motel Tax Fund:** This fund accounts for the collection and use of the amusement tax to promote tourism and related economic activity in the County.

**Fire District Fund:** This fund is used to account for a separate tax for fire protection for businesses in an area commonly known as the Forks of the River Industrial Park.

**Drug Control Fund:** This fund was established pursuant to an amendment of Tennessee Code Annotated Section 39-17-420. This fund is used to account for drug control activities restricted for drug enforcement, drug education and non-recurring general law enforcement expenditures. This fund is primarily funded from the receipt of fines and costs related to drug enforcement cases.

**Highway Fund:** This fund is used to account for the County's share of the State gasoline and motor fuel taxes that are utilized to maintain non-state roads within the county.

### **CAPITAL PROJECTS FUND**

**ADA Construction Fund:** This fund is used to account for construction activity related to the Americans with Disabilities Act.

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**KNOX COUNTY, TENNESSEE****Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010**

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	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,309,873	\$ 1,926,440	\$ 9,236,313
Receivables (Net of Allowance for Uncollectibles):			
Accounts	8,484,709	-	8,484,709
Notes	3,665,472	-	3,665,472
Due from Other Funds	215,451	-	215,451
Inventories	5,773	-	5,773
Prepaid Items	183,571	-	183,571
<b>TOTAL ASSETS</b>	<b>\$ 19,864,849</b>	<b>\$ 1,926,440</b>	<b>\$ 21,791,289</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ 3,746,933	\$ 43,567	\$ 3,790,500
Due to Other Funds	2,982,281	-	2,982,281
Due to Component Units	106	-	106
Deferred Revenue	4,715,971	-	4,715,971
<b>TOTAL LIABILITIES</b>	<b>11,445,291</b>	<b>43,567</b>	<b>11,488,858</b>
<b>Fund Balances:</b>			
Reserved	3,351,675	292,000	3,643,675
Unreserved:			
Designated	2,977	-	2,977
Undesignated	5,064,906	1,590,873	6,655,779
<b>TOTAL FUND BALANCES</b>	<b>8,419,558</b>	<b>1,882,873</b>	<b>10,302,431</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 19,864,849</b>	<b>\$ 1,926,440</b>	<b>\$ 21,791,289</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the year ended June 30, 2010**

	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Local Taxes	\$ 11,876,438	\$ -	\$ 11,876,438
Fines, Forfeitures and Penalties	505,103	-	505,103
Charges for Current Services	751,589	-	751,589
Other Local Revenues	1,558,858	-	1,558,858
State of Tennessee	9,586,783	-	9,586,783
Federal Government	8,299,934	-	8,299,934
Other Governments and Citizen Groups	392,611	-	392,611
<b>Total Revenues</b>	<b>32,971,316</b>	<b>-</b>	<b>32,971,316</b>
<b>Expenditures</b>			
Current:			
Administration of Justice	190,669	-	190,669
Public Safety	3,570,193	-	3,570,193
Public Health and Welfare	11,968,118	-	11,968,118
Social and Cultural Services	13,838,313	-	13,838,313
Other General Government	7,015,538	-	7,015,538
Highways	11,875,623	-	11,875,623
Capital Projects	-	189,853	189,853
<b>Total Expenditures</b>	<b>48,458,454</b>	<b>189,853</b>	<b>48,648,307</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(15,487,138)</b>	<b>(189,853)</b>	<b>(15,676,991)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	15,260,425	-	15,260,425
Transfers to Other Funds	(824,906)	-	(824,906)
<b>Total Other Financing Sources</b>	<b>14,435,519</b>	<b>-</b>	<b>14,435,519</b>
<b>Net Change in Fund Balances</b>	<b>(1,051,619)</b>	<b>(189,853)</b>	<b>(1,241,472)</b>
<b>Fund Balances, July 1</b>	<b>9,471,177</b>	<b>2,072,726</b>	<b>11,543,903</b>
<b>Fund Balances, June 30</b>	<b>\$ 8,419,558</b>	<b>\$ 1,882,873</b>	<b>\$ 10,302,431</b>

**KNOX COUNTY, TENNESSEE**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds**

June 30, 2010

	<b>State and Federal Grants</b>	<b>Governmental Library</b>	<b>Public Library</b>	<b>Solid Waste</b>	<b>Hotel/Motel Tax</b>	<b>Fire District</b>	<b>Drug Control</b>	<b>Engineering &amp; Public Works</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>ASSETS</b>									
Cash and Cash Equivalents	\$ 663,565	\$ 68,537	\$ 563,324	\$ 1,065,032	\$ 1,144,243	\$ -	\$ 1,418,277	\$ 2,386,895	\$ 7,309,873
Receivables (Net of Allowance for Uncollectibles):									
Accounts	5,320,232	-	233,779	70,789	955,024	-	15,921	1,888,964	8,484,709
Property Taxes	-	-	-	-	-	-	-	-	-
Notes	3,665,472	-	-	-	-	-	-	-	3,665,472
Due from Other Funds	185,433	-	-	27,558	-	-	-	2,460	215,451
Due from Component Units	-	-	-	-	-	-	-	-	-
Inventories	5,773	-	-	-	-	-	-	-	5,773
Prepaid Items	4,866	-	177,019	-	-	-	1,686	-	183,571
<b>TOTAL ASSETS</b>	<b>\$ 9,845,341</b>	<b>\$ 68,537</b>	<b>\$ 974,122</b>	<b>\$ 1,163,379</b>	<b>\$ 2,099,267</b>	<b>\$ -</b>	<b>\$ 1,435,884</b>	<b>\$ 4,278,319</b>	<b>\$ 19,864,849</b>
<b>LIABILITIES AND FUND BALANCE</b>									
Liabilities:									
Accounts Payable and Accrued Liabilities	\$ 826,276	\$ 17,088	\$ 270,149	\$ 140,024	\$ 1,788,428	\$ -	\$ 92,428	\$ 612,540	\$ 3,746,933
Due to Other Funds	2,079,767	-	381,128	255,408	50,738	-	714	214,526	2,982,281
Due to Component Units	-	-	106	-	-	-	-	-	106
Deferred Revenue	4,715,971	-	-	-	-	-	-	-	4,715,971
<b>TOTAL LIABILITIES</b>	<b>7,622,014</b>	<b>17,088</b>	<b>651,383</b>	<b>395,432</b>	<b>1,839,166</b>	<b>-</b>	<b>93,142</b>	<b>827,066</b>	<b>11,445,291</b>
Fund Balances:									
Reserved	1,370,705	-	216,951	42,454	-	-	136,463	1,585,102	3,351,675
Unreserved:									
Designated	-	-	2,977	-	-	-	-	-	2,977
Undesignated	852,622	51,449	102,811	725,493	260,101	-	1,206,279	1,866,151	5,064,906
<b>TOTAL FUND BALANCES</b>	<b>2,223,327</b>	<b>51,449</b>	<b>322,739</b>	<b>767,947</b>	<b>260,101</b>	<b>-</b>	<b>1,342,742</b>	<b>3,451,253</b>	<b>8,419,558</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,845,341</b>	<b>\$ 68,537</b>	<b>\$ 974,122</b>	<b>\$ 1,163,379</b>	<b>\$ 2,099,267</b>	<b>\$ -</b>	<b>\$ 1,435,884</b>	<b>\$ 4,278,319</b>	<b>\$ 19,864,849</b>

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the year ended June 30, 2010

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Fire District	Drug Control	Engineering & Public Works	Total Nonmajor Special Revenue Funds
<b>Revenues</b>									
Local Taxes	\$ -	\$ 58,091	\$ 1,100,012	\$ -	\$ 4,830,079	\$ 474	\$ -	\$ 5,887,782	\$ 11,876,438
Fines, Forfeitures and Penalties	57,047	-	-	-	-	-	425,306	22,750	505,103
Charges for Current Services	413,981	7,080	330,528	-	-	-	-	-	751,589
Other Local Revenues	291,611	2,345	9,595	518,208	9,818	-	97,781	629,500	1,558,858
State of Tennessee	3,640,976	-	93,500	493,047	-	-	-	5,359,260	9,586,783
Federal Government	8,289,846	-	-	-	-	-	10,088	-	8,299,934
Other Governments and Citizen Groups	346,763	30,000	15,848	-	-	-	-	-	392,611
<b>Total Revenues</b>	<b>13,040,224</b>	<b>97,516</b>	<b>1,549,483</b>	<b>1,011,255</b>	<b>4,839,897</b>	<b>474</b>	<b>533,175</b>	<b>11,899,292</b>	<b>32,971,316</b>
<b>Expenditures</b>									
Current:									
Administration of Justice	173,379	-	-	-	-	-	17,290	-	190,669
Public Safety	2,893,540	-	-	-	-	112,289	564,364	-	3,570,193
Public Health and Welfare	7,893,630	-	-	4,074,488	-	-	-	-	11,968,118
Social and Cultural Services	948,238	189,492	12,700,583	-	-	-	-	-	13,838,313
Other General Government	2,553,786	-	-	-	4,461,752	-	-	-	7,015,538
Highways	-	-	-	-	-	-	-	11,875,623	11,875,623
<b>Total Expenditures</b>	<b>14,462,573</b>	<b>189,492</b>	<b>12,700,583</b>	<b>4,074,488</b>	<b>4,461,752</b>	<b>112,289</b>	<b>581,654</b>	<b>11,875,623</b>	<b>48,458,454</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,422,349)</b>	<b>(91,976)</b>	<b>(11,151,100)</b>	<b>(3,063,233)</b>	<b>378,145</b>	<b>(111,815)</b>	<b>(48,479)</b>	<b>23,669</b>	<b>(15,487,138)</b>
<b>Other Financing Sources (Uses)</b>									
Transfers from Other Funds	703,179	86,334	11,420,000	3,050,912	-	-	-	-	15,260,425
Transfers to Other Funds	-	-	(200,000)	(100,000)	(250,000)	(14,906)	-	(260,000)	(824,906)
<b>Total Other Financing Sources (Uses)</b>	<b>703,179</b>	<b>86,334</b>	<b>11,220,000</b>	<b>2,950,912</b>	<b>(250,000)</b>	<b>(14,906)</b>	<b>-</b>	<b>(260,000)</b>	<b>14,435,519</b>
<b>Net Change in Fund Balances</b>	<b>(719,170)</b>	<b>(5,642)</b>	<b>68,900</b>	<b>(112,321)</b>	<b>128,145</b>	<b>(126,721)</b>	<b>(48,479)</b>	<b>(236,331)</b>	<b>(1,051,619)</b>
<b>Fund Balance, July 1</b>	<b>2,942,497</b>	<b>57,091</b>	<b>253,839</b>	<b>880,268</b>	<b>131,956</b>	<b>126,721</b>	<b>1,391,221</b>	<b>3,687,584</b>	<b>9,471,177</b>
<b>Fund Balance, June 30</b>	<b>\$ 2,223,327</b>	<b>\$ 51,449</b>	<b>\$ 322,739</b>	<b>\$ 767,947</b>	<b>\$ 260,101</b>	<b>\$ -</b>	<b>\$ 1,342,742</b>	<b>\$ 3,451,253</b>	<b>\$ 8,419,558</b>



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**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 663,565	\$ 844,320
Receivables (Net of Allowances for Uncollectibles):		
Accounts	5,320,232	3,964,371
Notes	3,665,472	3,420,722
Due from Other Funds	185,433	711,948
Due from Component Units	-	5,000
Inventories	5,773	4,588
Prepaid Items	4,866	1,900
<b>TOTAL ASSETS</b>	<u><u>\$ 9,845,341</u></u>	<u><u>\$ 8,952,849</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 826,276	\$ 464,985
Due to Other Funds	2,079,767	665,786
Deferred Revenue	4,715,971	4,879,581
<b>TOTAL LIABILITIES</b>	<u>7,622,014</u>	<u>6,010,352</u>
 <b>Fund Balances:</b>		
Reserved	1,370,705	1,278,400
Unreserved:		
Undesignated	852,622	1,664,097
<b>TOTAL FUND BALANCES</b>	<u>2,223,327</u>	<u>2,942,497</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 9,845,341</u></u>	<u><u>\$ 8,952,849</u></u>

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**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 57,047	\$ 111,655
Charges for Current Services	413,981	478,237
Other Local Revenues	291,611	574,782
State of Tennessee	3,640,976	3,913,807
Federal Government	8,289,846	5,047,969
Other Governmental and Citizen Groups	<u>346,763</u>	<u>243,642</u>
Total Revenues	<u>13,040,224</u>	<u>10,370,092</u>
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	-	4,800
Administration of Justice	173,379	33,792
Public Safety	2,893,540	2,236,079
Public Health and Welfare	7,893,630	7,194,518
Social and Cultural Services	948,238	503,449
Other General Government	<u>2,553,786</u>	<u>1,549,737</u>
Total Expenditures	<u>14,462,573</u>	<u>11,522,375</u>
Deficiency of Revenues		
Under Expenditures	<u>(1,422,349)</u>	<u>(1,152,283)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>703,179</u>	<u>830,995</u>
Net Change in Fund Balances	(719,170)	(321,288)
Fund Balances, July 1	<u>2,942,497</u>	<u>3,263,785</u>
Fund Balances, June 30	<u>\$ 2,223,327</u>	<u>\$ 2,942,497</u>

**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 140,000	\$ 285,304	\$ 301,312	\$ 16,008	\$ 160,850	\$ 412,803	\$ 251,953
Other Local Revenues	-	-	-	-	5,127	98,660	93,533
Federal Government	-	808,459	506,915	(301,544)	666,636	374,497	(292,139)
<b>Total Revenues</b>	<b>140,000</b>	<b>1,093,763</b>	<b>808,227</b>	<b>(285,536)</b>	<b>832,613</b>	<b>885,960</b>	<b>53,347</b>
<b>Expenditures</b>							
Current:							
General Government:							
Personal Services	91,389	755,131	572,801	182,330	678,506	594,015	84,491
Employee Benefits	45,605	193,672	138,216	55,456	179,546	147,539	32,007
Contracted Services	47,294	256,414	210,727	45,687	218,243	164,435	53,808
Supplies and Materials	4,000	115,317	91,910	23,407	105,268	59,364	45,904
Other Charges	11,644	157,036	11,914	145,122	208,444	108,728	99,716
Capital Outlay	-	298,293	158,133	140,160	234,840	51,140	183,700
<b>Total Expenditures</b>	<b>199,932</b>	<b>1,775,863</b>	<b>1,183,701</b>	<b>592,162</b>	<b>1,624,847</b>	<b>1,125,221</b>	<b>499,626</b>
Deficiency of Revenues Under Expenditures	(59,932)	(682,100)	(375,474)	306,626	(792,234)	(239,261)	552,973
<b>Other Financing Sources</b>							
Transfers from Other Funds	-	199,932	199,932	-	199,000	199,000	-
<b>Net Change in Fund Balances</b>	<b>(59,932)</b>	<b>(482,168)</b>	<b>(175,542)</b>	<b>306,626</b>	<b>(593,234)</b>	<b>(40,261)</b>	<b>552,973</b>
Fund Balances, July 1	942,783	942,783	942,783	-	983,044	983,044	-
<b>Fund Balances, June 30</b>	<b>\$ 882,851</b>	<b>\$ 460,615</b>	<b>\$ 767,241</b>	<b>\$ 306,626</b>	<b>\$ 389,810</b>	<b>\$ 942,783</b>	<b>\$ 552,973</b>

**Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):**

Fund Balance (Budget Basis)	\$ 767,241	\$ 942,783
Entity Difference:		
Unbudgeted Funds	1,456,086	1,999,714
Fund Balance (GAAP Basis)	<u>\$ 2,223,327</u>	<u>\$ 2,942,497</u>

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**KNOX COUNTY, TENNESSEE**

**Governmental Library Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 68,537	\$ 77,629
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>-</u>	<u>2,613</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 68,537</u></u>	<u><u>\$ 80,242</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 17,088	\$ 22,151
Deferred Revenue	<u>-</u>	<u>1,000</u>
<b>TOTAL LIABILITIES</b>	<u>17,088</u>	<u>23,151</u>
 <b>Fund Balances:</b>		
Unreserved:		
Undesignated	<u>51,449</u>	<u>57,091</u>
<b>TOTAL FUND BALANCES</b>	<u>51,449</u>	<u>57,091</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 68,537</u></u>	<u><u>\$ 80,242</u></u>

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**KNOX COUNTY, TENNESSEE**

**Governmental Library Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Local Taxes	\$ 58,091	\$ 64,760
Charges for Current Services	7,080	6,805
Other Local Revenues	2,345	956
Other Governments and Citizens Groups	<u>30,000</u>	<u>30,000</u>
Total Revenues	<u>97,516</u>	<u>102,521</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>189,492</u>	<u>183,009</u>
Deficiency of Revenues Under Expenditures	<u>(91,976)</u>	<u>(80,488)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>86,334</u>	<u>86,334</u>
Net Change in Fund Balances	(5,642)	5,846
Fund Balances, July 1	<u>57,091</u>	<u>51,245</u>
Fund Balances, June 30	<u>\$ 51,449</u>	<u>\$ 57,091</u>

**KNOX COUNTY, TENNESSEE**

**Governmental Library Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Local Taxes	\$ 67,030	\$ 67,030	\$ 58,091	\$ (8,939)	\$ 67,030	\$ 64,760	\$ (2,270)	
Charges for Current Services	9,039	9,039	7,080	(1,959)	9,039	6,805	(2,234)	
Other Local Revenues	2,597	2,597	2,345	(252)	2,597	956	(1,641)	
Other Governments and Citizens Groups	30,000	30,000	30,000	-	30,000	30,000	-	
<b>Total Revenues</b>	<b>108,666</b>	<b>108,666</b>	<b>97,516</b>	<b>(11,150)</b>	<b>108,666</b>	<b>102,521</b>	<b>(6,145)</b>	
<b>Expenditures</b>								
Current:								
General Government:								
Social and Cultural Services:								
Personal Services	50,134	49,715	49,703	12	49,570	49,570	-	
Employee Benefits	14,082	14,382	14,355	27	14,727	14,622	105	
Contracted Services	9,115	9,115	8,376	739	9,235	8,074	1,161	
Supplies and Materials	109,725	109,125	104,481	4,644	109,305	98,626	10,679	
Other Charges	11,944	12,663	12,577	86	12,163	12,117	46	
<b>Total Expenditures</b>	<b>195,000</b>	<b>195,000</b>	<b>189,492</b>	<b>5,508</b>	<b>195,000</b>	<b>183,009</b>	<b>11,991</b>	
Deficiency of Revenues Under Expenditures	(86,334)	(86,334)	(91,976)	(5,642)	(86,334)	(80,488)	5,846	
<b>Other Financing Sources</b>								
Transfers from Other Funds	86,334	86,334	86,334	-	86,334	86,334	-	
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(5,642)</b>	<b>(5,642)</b>	<b>-</b>	<b>5,846</b>	<b>5,846</b>	
Fund Balances, July 1	57,091	57,091	57,091	-	51,245	51,245	-	
<b>Fund Balances, June 30</b>	<b>\$ 57,091</b>	<b>\$ 57,091</b>	<b>\$ 51,449</b>	<b>\$ (5,642)</b>	<b>\$ 51,245</b>	<b>\$ 57,091</b>	<b>\$ 5,846</b>	

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**KNOX COUNTY, TENNESSEE**

**Public Library Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2010 and June 30, 2009**

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 563,324	\$ 384,130
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	233,779	169,061
Due from Other Funds	-	41,252
Prepaid Items	<u>177,019</u>	<u>1,446</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 974,122</u></u>	<u><u>\$ 595,889</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 270,149	\$ 241,373
Due to Other Funds	381,128	100,677
Due to Component Units	<u>106</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>651,383</u>	<u>342,050</u>
 <b>Fund Balances:</b>		
Reserved	216,951	43,662
Unreserved:		
Designated	2,977	2,977
Undesignated	<u>102,811</u>	<u>207,200</u>
<b>TOTAL FUND BALANCES</b>	<u>322,739</u>	<u>253,839</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 974,122</u></u>	<u><u>\$ 595,889</u></u>

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**KNOX COUNTY, TENNESSEE**

**Public Library Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Local Taxes	\$ 1,100,012	\$ 1,220,560
Charges for Current Services	330,528	328,068
Other Local Revenues	9,595	8,085
State of Tennessee	93,500	5,000
Other Governments and Citizens Groups	15,848	19,008
Total Revenues	<u>1,549,483</u>	<u>1,580,721</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>12,700,583</u>	<u>12,990,137</u>
Deficiency of Revenues Under Expenditures	(11,151,100)	(11,409,416)
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	11,420,000	11,065,000
Transfers to Other Funds	<u>(200,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>11,220,000</u>	<u>11,065,000</u>
Net Change in Fund Balances	68,900	(344,416)
Fund Balances, July 1	<u>253,839</u>	<u>598,255</u>
Fund Balances, June 30	<u>\$ 322,739</u>	<u>\$ 253,839</u>



**KNOX COUNTY, TENNESSEE**

**Public Library Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 1,230,000	\$ 1,230,000	\$ 1,100,012	\$ (129,988)	\$ 1,230,000	\$ 1,220,560	\$ (9,440)
Charges for Current Services	303,000	303,000	330,528	27,528	307,000	328,068	21,068
Other Local Revenues	14,000	14,000	9,595	(4,405)	80,000	8,085	(71,915)
State of Tennessee	5,000	98,500	93,500	(5,000)	95,000	5,000	(90,000)
Other Governments and Citizens Groups	20,000	20,000	15,848	(4,152)	65,000	19,008	(45,992)
<b>Total Revenues</b>	<b>1,572,000</b>	<b>1,665,500</b>	<b>1,549,483</b>	<b>(116,017)</b>	<b>1,777,000</b>	<b>1,580,721</b>	<b>(196,279)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	6,401,009	6,318,581	6,318,580	1	6,425,033	6,425,030	3
Employee Benefits	1,799,204	1,826,811	1,826,788	23	1,849,591	1,849,591	-
Contracted Services	2,067,114	1,409,453	1,402,174	7,279	2,119,098	2,112,720	6,378
Supplies and Materials	2,329,224	2,875,602	2,830,440	45,162	2,373,918	2,356,936	16,982
Other Charges	102,449	282,392	281,844	548	75,960	75,820	140
Capital Outlay	138,000	240,824	240,757	67	170,070	170,040	30
<b>Total Expenditures</b>	<b>12,837,000</b>	<b>12,953,663</b>	<b>12,900,583</b>	<b>53,080</b>	<b>13,013,670</b>	<b>12,990,137</b>	<b>23,533</b>
Deficiency of Revenues Under Expenditures	(11,265,000)	(11,288,163)	(11,351,100)	(62,937)	(11,236,670)	(11,409,416)	(172,746)
<b>Other Financing Sources</b>							
Transfers from Other Funds	11,220,000	11,220,000	11,420,000	200,000	11,065,000	11,065,000	-
<b>Net Change in Fund Balances</b>	<b>(45,000)</b>	<b>(68,163)</b>	<b>68,900</b>	<b>137,063</b>	<b>(171,670)</b>	<b>(344,416)</b>	<b>(172,746)</b>
Fund Balances, July 1	253,839	253,839	253,839	-	598,255	598,255	-
<b>Fund Balances, June 30</b>	<b>\$ 208,839</b>	<b>\$ 185,676</b>	<b>\$ 322,739</b>	<b>\$ 137,063</b>	<b>\$ 426,585</b>	<b>\$ 253,839</b>	<b>\$ (172,746)</b>

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**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,065,032	\$ 1,002,877
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	70,789	94,963
Due from Other Funds	<u>27,558</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,163,379</u></u>	<u><u>\$ 1,097,840</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 140,024	\$ 67,234
Due to Other Funds	<u>255,408</u>	<u>150,338</u>
<b>TOTAL LIABILITIES</b>	<u>395,432</u>	<u>217,572</u>
 <b>Fund Balances:</b>		
Reserved	42,454	16,475
Unreserved:		
Undesignated	<u>725,493</u>	<u>863,793</u>
<b>TOTAL FUND BALANCES</b>	<u>767,947</u>	<u>880,268</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,163,379</u></u>	<u><u>\$ 1,097,840</u></u>

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**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Other Local Revenues	\$ 518,208	\$ 441,326
State of Tennessee	493,047	293,739
Total Revenues	<u>1,011,255</u>	<u>735,065</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Health and Welfare	<u>4,074,488</u>	<u>4,054,137</u>
Deficiency of Revenues		
Under Expenditures	<u>(3,063,233)</u>	<u>(3,319,072)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	3,050,912	2,746,071
Transfers to Other Funds	<u>(100,000)</u>	<u>-</u>
Total Other Financing Sources	<u>2,950,912</u>	<u>2,746,071</u>
Net Change in Fund Balances	(112,321)	(573,001)
Fund Balances, July 1	<u>880,268</u>	<u>1,453,269</u>
Fund Balances, June 30	<u>\$ 767,947</u>	<u>\$ 880,268</u>

**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Other Local Revenues	\$ 378,000	\$ 378,000	\$ 518,208	\$ 140,208	\$ 508,450	\$ 441,326	\$ (67,124)
State of Tennessee	428,500	428,500	493,047	64,547	543,813	293,739	(250,074)
<b>Total Revenues</b>	<b>806,500</b>	<b>806,500</b>	<b>1,011,255</b>	<b>204,755</b>	<b>1,052,263</b>	<b>735,065</b>	<b>(317,198)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Public Health and Welfare:							
Personal Services	697,715	713,166	713,165	1	731,531	724,598	6,933
Employee Benefits	248,449	250,576	250,573	3	267,028	264,424	2,604
Contracted Services	3,188,785	3,039,445	2,723,366	316,079	2,911,204	2,549,126	362,078
Supplies and Materials	155,675	203,200	190,025	13,175	218,227	154,561	63,666
Other Charges	171,976	272,687	265,432	7,255	139,426	133,128	6,298
Capital Outlay	-	-	-	-	196,345	196,345	-
Litter and Trash Collection:							
Contracted Services	1,700	25,114	8,378	16,736	21,510	9,677	11,833
Supplies and Materials	13,250	40,748	23,549	17,199	39,511	22,278	17,233
<b>Total Expenditures</b>	<b>4,477,550</b>	<b>4,544,936</b>	<b>4,174,488</b>	<b>370,448</b>	<b>4,524,782</b>	<b>4,054,137</b>	<b>470,645</b>
Deficiency of Revenues							
Under Expenditures	(3,671,050)	(3,738,436)	(3,163,233)	575,203	(3,472,519)	(3,319,072)	153,447
<b>Other Financing Sources</b>							
Transfers from Other Funds	3,043,000	3,093,912	3,050,912	(43,000)	2,746,071	2,746,071	-
<b>Net Change in Fund Balances</b>	<b>(628,050)</b>	<b>(644,524)</b>	<b>(112,321)</b>	<b>532,203</b>	<b>(726,448)</b>	<b>(573,001)</b>	<b>153,447</b>
Fund Balances, July 1	880,268	880,268	880,268	-	1,453,269	1,453,269	-
Fund Balances, June 30	\$ 252,218	\$ 235,744	\$ 767,947	\$ 532,203	\$ 726,821	\$ 880,268	\$ 153,447

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**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,144,243	\$ 657,003
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	955,024	1,097,398
Due from Other Funds	-	30,578
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 2,099,267</u>	<u>\$ 1,784,979</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 1,788,428	\$ 1,651,821
Due to Other Funds	50,738	1,202
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>1,839,166</u>	<u>1,653,023</u>
 <b>Fund Balances:</b>		
Unreserved:		
Undesignated	260,101	131,956
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,099,267</u>	<u>\$ 1,784,979</u>

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**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Local Taxes	\$ 4,830,079	\$ 4,815,765
Other Local Revenues	<u>9,818</u>	<u>-</u>
Total Revenues	<u>4,839,897</u>	<u>4,815,765</u>
<b>Expenditures</b>		
Current:		
General Government:		
Other General Government	<u>4,461,752</u>	<u>5,313,452</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	378,145	(497,687)
<b>Other Financing Uses</b>		
Transfers to Other Funds	<u>(250,000)</u>	<u>(250,000)</u>
Net Change in Fund Balances	128,145	(747,687)
Fund Balances, July 1	<u>131,956</u>	<u>879,643</u>
Fund Balances, June 30	<u><u>\$ 260,101</u></u>	<u><u>\$ 131,956</u></u>

**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 5,073,750	\$ 5,073,750	\$ 4,830,079	\$ (243,671)	\$ 5,500,000	\$ 4,815,765	\$ (684,235)
Other Local Revenues	-	-	9,818	9,818	-	-	-
Total Revenues	<u>5,073,750</u>	<u>5,073,750</u>	<u>4,839,897</u>	<u>(233,853)</u>	<u>5,500,000</u>	<u>4,815,765</u>	<u>(684,235)</u>
<b>Expenditures</b>							
Current:							
General Government:							
Other General Government:	4,853,000	4,853,000	4,461,752	391,248	5,560,000	5,313,452	246,548
Total Expenditures	<u>4,853,000</u>	<u>4,853,000</u>	<u>4,461,752</u>	<u>391,248</u>	<u>5,560,000</u>	<u>5,313,452</u>	<u>246,548</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	220,750	220,750	378,145	157,395	(60,000)	(497,687)	(437,687)
<b>Other Financing Uses</b>							
Transfers to Other Funds	(705,192)	(705,192)	(250,000)	455,192	(250,000)	(250,000)	-
Net Change in Fund Balances	(484,442)	(484,442)	128,145	612,587	(310,000)	(747,687)	(437,687)
Fund Balances, July 1	131,956	131,956	131,956	-	879,643	879,643	-
Fund Balances, June 30	<u>\$ (352,486)</u>	<u>\$ (352,486)</u>	<u>\$ 260,101</u>	<u>\$ 612,587</u>	<u>\$ 569,643</u>	<u>\$ 131,956</u>	<u>\$ (437,687)</u>

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**KNOX COUNTY, TENNESSEE**

**Fire District Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 126,721
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>-</u>	<u>185,810</u>
<b>TOTAL ASSETS</b>	<u><u>\$ -</u></u>	<u><u>\$ 312,531</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Deferred Revenue	<u>\$ -</u>	<u>\$ 185,810</u>
 <b>Fund Balances:</b>		
Unreserved, undesignated	<u>-</u>	<u>126,721</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ -</u></u>	<u><u>\$ 312,531</u></u>



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**KNOX COUNTY, TENNESSEE**

**Fire District Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Local Taxes	<u>\$ 474</u>	<u>\$ 175,506</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Safety	<u>112,289</u>	<u>166,257</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(111,815)	9,249
<b>Other Financing Uses</b>		
Transfers to Other Funds	<u>(14,906)</u>	<u>-</u>
Net Change in Fund Balances	(126,721)	9,249
Fund Balances, July 1	<u>126,721</u>	<u>117,472</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ 126,721</u></u>

KNOX COUNTY, TENNESSEE

**Fire District Special Revenue Fund**  
**Comparative Schedules of Revenues, Expenditures**  
**And Changes in Fund Balances - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2010 and June 30, 2009

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes:							
County Property Taxes	\$ 190,000	\$ 190,000	\$ 474	\$ (189,526)	\$ 190,000	\$ 175,506	\$ (14,494)
Clerk and Master Delinquent	10,000	10,000	-	(10,000)	10,000	-	(10,000)
<b>Total Revenues</b>	<b>200,000</b>	<b>200,000</b>	<b>474</b>	<b>(199,526)</b>	<b>200,000</b>	<b>175,506</b>	<b>(24,494)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Public Safety:							
Contracted Services	192,000	192,000	108,463	83,537	192,000	162,747	29,253
Other Charges	8,000	8,000	3,826	4,174	8,000	3,510	4,490
<b>Total Expenditures</b>	<b>200,000</b>	<b>200,000</b>	<b>112,289</b>	<b>87,711</b>	<b>200,000</b>	<b>166,257</b>	<b>33,743</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(111,815)	(111,815)	-	9,249	9,249
<b>Other Financing Uses</b>							
Transfers to Other Funds	-	-	(14,906)	(14,906)	-	-	-
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(126,721)</b>	<b>(126,721)</b>	<b>-</b>	<b>9,249</b>	<b>9,249</b>
Fund Balances, July 1	126,721	126,721	126,721	-	117,472	117,472	-
Fund Balances, June 30	\$ 126,721	\$ 126,721	\$ -	\$ (126,721)	\$ 117,472	\$ 126,721	\$ 9,249

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**KNOX COUNTY, TENNESSEE**

**Drug Control Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,418,277	\$ 1,383,264
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	15,921	12,499
Prepaid Expenses	<u>1,686</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,435,884</u>	<u>\$ 1,395,763</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 92,428	\$ 4,523
Due to Other Funds	<u>714</u>	<u>19</u>
TOTAL LIABILITIES	<u>93,142</u>	<u>4,542</u>
 <b>Fund Balances:</b>		
Reserved	136,463	83,663
Unreserved:		
Undesignated	<u>1,206,279</u>	<u>1,307,558</u>
TOTAL FUND BALANCES	<u>1,342,742</u>	<u>1,391,221</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,435,884</u>	<u>\$ 1,395,763</u>

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**KNOX COUNTY, TENNESSEE**

**Drug Control Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 425,306	\$ 427,601
Other Local Revenues	97,781	42,295
Federal Government	10,088	197,232
	<hr/>	<hr/>
Total Revenues	533,175	667,128
	<hr/>	<hr/>
<b>Expenditures</b>		
Current:		
General Government:		
Public Safety	564,364	572,350
Administration of Justice	17,290	2,500
	<hr/>	<hr/>
Total Expenditures	581,654	574,850
	<hr/>	<hr/>
Net Change in Fund Balances	(48,479)	92,278
Fund Balances, July 1	1,391,221	1,298,943
	<hr/>	<hr/>
Fund Balances, June 30	<u>\$ 1,342,742</u>	<u>\$ 1,391,221</u>

**KNOX COUNTY, TENNESSEE**

**Drug Control Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Fines, Forfeitures, and Penalties	\$ -	\$ 470,000	\$ 425,306	\$ (44,694)	\$ 570,000	\$ 427,601	\$ (142,399)
Other Local Revenues	-	-	97,781	97,781	-	42,295	42,295
Federal Government	-	-	10,088	10,088	-	197,232	197,232
<b>Total Revenues</b>	-	470,000	533,175	63,175	570,000	667,128	97,128
<b>Expenditures</b>							
Current:							
General Government:							
Public Safety:							
Contracted Services	-	410,517	319,826	90,691	399,143	347,705	51,438
Supplies and Materials	-	112,000	108,225	3,775	144,588	125,462	19,126
Other Charges	-	43,000	20,530	22,470	43,000	36,883	6,117
Capital Outlay	-	115,800	115,783	17	100,000	62,300	37,700
Administration of Justice:							
Contracted Services	-	17,290	17,290	-	25,000	2,500	22,500
Supplies and Materials	-	-	-	-	25,000	-	25,000
Capital Outlay	-	-	-	-	50,000	-	50,000
<b>Total Expenditures</b>	-	698,607	581,654	116,953	786,731	574,850	211,881
<b>Net Change in Fund Balances</b>	-	(228,607)	(48,479)	180,128	(216,731)	92,278	309,009
<b>Fund Balances, July 1</b>	1,391,221	1,391,221	1,391,221	-	1,298,943	1,298,943	-
<b>Fund Balances, June 30</b>	\$ 1,391,221	\$ 1,162,614	\$ 1,342,742	\$ 180,128	\$ 1,082,212	\$ 1,391,221	\$ 309,009

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**KNOX COUNTY, TENNESSEE**

**Engineering & Public Works Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,386,895	\$ 2,333,024
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	1,888,964	1,835,261
Due from Other Funds	<u>2,460</u>	<u>120</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,278,319</u>	<u>\$ 4,168,405</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 612,540	\$ 388,736
Due to Other Funds	<u>214,526</u>	<u>92,085</u>
<b>TOTAL LIABILITIES</b>	<u>827,066</u>	<u>480,821</u>
 <b>Fund Balances:</b>		
Reserved	1,585,102	146,007
Unreserved:		
Designated	-	638,180
Undesignated	<u>1,866,151</u>	<u>2,903,397</u>
<b>TOTAL FUND BALANCES</b>	<u>3,451,253</u>	<u>3,687,584</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,278,319</u>	<u>\$ 4,168,405</u>

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**KNOX COUNTY, TENNESSEE**

**Engineering & Public Works Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Local Taxes	\$ 5,887,782	\$ 5,566,068
Fines, Forfeitures, and Penalties	22,750	35,850
Other Local Revenues	629,500	179,000
State of Tennessee	<u>5,359,260</u>	<u>4,818,336</u>
Total Revenues	<u>11,899,292</u>	<u>10,599,254</u>
<b>Expenditures</b>		
Current:		
Engineering & Public Works	11,875,623	12,130,049
Payments to Component Unit	<u>-</u>	<u>25,872</u>
Total Expenditures	<u>11,875,623</u>	<u>12,155,921</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,669	(1,556,667)
<b>Other Financing Uses:</b>		
Transfers to Other Funds	<u>(260,000)</u>	<u>-</u>
Net Change in Fund Balances	(236,331)	(1,556,667)
Fund Balances, July 1	<u>3,687,584</u>	<u>5,244,251</u>
Fund Balances, June 30	<u><u>\$ 3,451,253</u></u>	<u><u>\$ 3,687,584</u></u>

**KNOX COUNTY, TENNESSEE**

**Engineering & Public Works Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balance - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 5,879,434	\$ 5,879,434	\$ 5,887,782	\$ 8,348	\$ 6,009,163	\$ 5,566,068	\$ (443,095)
Other Local Revenues	25,000	619,500	652,250	32,750	91,523	214,850	123,327
State of Tennessee	5,917,170	5,917,170	5,359,260	(557,910)	6,092,170	4,818,336	(1,273,834)
Other Governments and Citizens Groups	24,000	24,000	-	(24,000)	48,000	-	(48,000)
<b>Total Revenues</b>	<b>11,845,604</b>	<b>12,440,104</b>	<b>11,899,292</b>	<b>(540,812)</b>	<b>12,240,856</b>	<b>10,599,254</b>	<b>(1,641,602)</b>
<b>Expenditures</b>							
Current:							
Engineering & Public Works:							
Administration:							
Personal Services	1,052,935	1,136,559	1,136,559	-	1,257,198	1,121,085	136,113
Employee Benefits	324,145	367,083	367,083	-	427,280	425,715	1,565
Contracted Services	101,240	119,347	100,187	19,160	130,628	96,182	34,446
Supplies and Materials	147,350	142,471	128,489	13,982	214,554	134,384	80,170
Capital Outlay	-	-	-	-	83,972	38,972	45,000
Other Charges	87,411	87,048	87,048	-	69,992	69,674	318
Highways and Bridge Maintenance:							
Personal Services	2,738,328	2,666,676	2,666,675	1	2,609,359	2,595,923	13,436
Employee Benefits	1,000,133	923,530	923,530	-	875,022	859,240	15,782
Contracted Services	704,000	873,441	870,995	2,446	897,271	827,358	69,913
Supplies and Materials	4,162,571	3,631,694	3,630,757	937	4,254,639	3,898,173	356,466
Other Charges	351,711	351,713	351,711	2	280,900	280,900	-
Various Highway:							
Personal Services	522,962	530,295	530,295	-	537,969	529,330	8,639
Employee Benefits	172,167	180,081	180,081	-	172,023	168,977	3,046
Contracted Services	217,485	253,929	186,782	67,147	373,112	273,802	99,310
Supplies and Materials	217,565	906,824	333,371	573,453	354,682	324,060	30,622
Other Charges	103,631	107,924	107,924	-	122,900	97,993	24,907
Capital Outlay	210,000	1,113,707	274,136	839,571	915,500	388,281	527,219
Payments to Component Unit	-	-	-	-	25,872	25,872	-
<b>Total Expenditures</b>	<b>12,113,634</b>	<b>13,392,322</b>	<b>11,875,623</b>	<b>1,516,699</b>	<b>13,602,873</b>	<b>12,155,921</b>	<b>1,446,952</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(268,030)	(952,218)	23,669	975,887	(1,362,017)	(1,556,667)	2,721,780
Other Financing Uses							
Transfer To Other Funds	(300,000)	(400,000)	(260,000)	140,000	-	-	-
<b>Net Change in Fund Balances</b>	<b>(568,030)</b>	<b>(1,352,218)</b>	<b>(236,331)</b>	<b>1,115,887</b>	<b>(1,362,017)</b>	<b>(1,556,667)</b>	<b>(194,650)</b>
Fund Balances, July 1	3,687,584	3,687,584	3,687,584	-	5,244,251	5,244,251	-
<b>Fund Balances, June 30</b>	<b>\$ 3,119,554</b>	<b>\$ 2,335,366</b>	<b>\$ 3,451,253</b>	<b>\$ 1,115,887</b>	<b>\$ 3,882,234</b>	<b>\$ 3,687,584</b>	<b>\$ (194,650)</b>



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**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund (Nonmajor)**

**Comparative Balance Sheets**

June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,926,440	\$ 2,085,075
	<u>1,926,440</u>	<u>2,085,075</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 43,567	\$ 12,349
	<u>43,567</u>	<u>12,349</u>
<b>Fund Balances</b>		
Reserved	292,000	96,412
Unreserved, Undesignated	1,590,873	1,976,314
	<u>1,882,873</u>	<u>1,976,314</u>
<b>TOTAL FUND BALANCES</b>	<u>1,882,873</u>	<u>2,072,726</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,926,440</u>	<u>\$ 2,085,075</u>

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**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund (Nonmajor)  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Local Taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures</b>		
Capital Projects:		
Capital Projects	<u>189,853</u>	<u>400,100</u>
Net Change in Fund Balances	(189,853)	(400,100)
Fund Balances, July 1	<u>2,072,726</u>	<u>2,472,826</u>
Fund Balances, June 30	<u><u>\$ 1,882,873</u></u>	<u><u>\$ 2,072,726</u></u>

**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund (Nonmajor)  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>							
Capital Projects:							
Contracted Services	45,000	151,536	49,315	102,221	158,105	51,569	106,536
Supplies & Materials	55,000	220,000	-	220,000	165,000	-	165,000
Other Charges	10,000	40,000	-	40,000	30,000	-	30,000
Capital Outlay	290,000	1,145,664	140,538	1,005,126	1,204,196	348,531	855,665
Total Expenditures	400,000	1,557,200	189,853	1,367,347	1,557,301	400,100	1,157,201
Net Change in Fund Balances	(400,000)	(1,557,200)	(189,853)	1,367,347	(1,557,301)	(400,100)	1,157,201
Fund Balances, July 1	2,072,726	2,072,726	2,072,726	-	2,472,826	2,472,826	-
Fund Balances, June 30	\$ 1,672,726	\$ 515,526	\$ 1,882,873	\$ 1,367,347	\$ 915,525	\$ 2,072,726	\$ 1,157,201

## ENTERPRISE FUND

Enterprise Funds account for operations that provide services primarily to the general public on a user charge basis.

**Three Ridges Golf Course Fund:** This fund accounts for the operations of the Three Ridges Golf Course.

KNOX COUNTY, TENNESSEE

**Three Ridges Golf Course Fund**  
**Comparative Statements of Net Assets**

June 30, 2010 and June 30, 2009

	2010	2009
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 303,069	\$ 310,435
Accounts Receivable	3,847	7,207
Inventories	49,952	34,321
Prepaid Items	7,229	9,080
TOTAL CURRENT ASSETS	364,097	361,043
<b>Capital Assets:</b>		
Land	880	880
Buildings	747,515	747,515
Machinery and Equipment	438,599	379,015
Computer Software	25,448	25,448
Land Improvements	66,463	66,463
Accumulated Depreciation	(446,315)	(325,612)
Capital Assets (Net of Accumulated Depreciation)	832,590	893,709
TOTAL ASSETS	1,196,687	1,254,752
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	25,604	47,463
Due to State of Tennessee	7,724	8,782
Due to Other Funds	11,577	12,705
Compensated Absences	13,423	4,781
TOTAL CURRENT LIABILITIES	58,328	73,731
<b>Noncurrent Liabilities:</b>		
Compensated Absences	1,491	531
TOTAL LIABILITIES	59,819	74,262
<b>NET ASSETS</b>		
Invested in Capital Assets	832,590	893,709
Unrestricted	304,278	286,781
TOTAL NET ASSETS	\$ 1,136,868	\$ 1,180,490

KNOX COUNTY, TENNESSEE

Three Ridges Golf Course Fund  
 Comparative Schedules of Revenues, Expenses  
 and Changes in Net Assets - Budget And Actual (GAAP Basis)  
 For the Years Ended June 30, 2010 and June 30, 2009

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Golf Fees	\$ 515,002	\$ 515,002	\$ 474,228	\$ (40,774)	\$ 515,002	\$ 515,002	\$ 282,758	\$ (232,244)
Cart and Range Fees	392,766	392,766	280,302	(112,464)	392,766	392,766	114,051	(278,715)
Pro Shop	111,198	111,198	70,557	(40,641)	111,198	111,198	23,519	(87,679)
Snack Bar	143,731	143,731	92,969	(50,762)	143,731	143,731	41,727	(102,004)
<b>Total Operating Revenues</b>	<b>1,162,697</b>	<b>1,162,697</b>	<b>918,056</b>	<b>(244,641)</b>	<b>1,162,697</b>	<b>1,162,697</b>	<b>462,055</b>	<b>(700,642)</b>
<b>Operating Expenses</b>								
Personal Services	349,070	376,970	371,229	5,741	349,070	349,070	175,581	173,489
Employee Benefits	89,106	89,606	77,323	12,283	89,106	89,106	39,902	49,204
Contracted Services	118,300	84,000	64,814	19,186	149,100	92,700	37,777	54,923
Supplies and Materials	315,600	327,500	245,069	82,431	366,800	290,200	158,214	131,986
Other Charges	290,621	163,918	82,540	81,378	208,621	327,584	38,626	288,958
Depreciation	-	120,703	120,703	-	-	14,037	14,037	-
<b>Total Operating Expenses</b>	<b>1,162,697</b>	<b>1,162,697</b>	<b>961,678</b>	<b>201,019</b>	<b>1,162,697</b>	<b>1,162,697</b>	<b>464,137</b>	<b>698,560</b>
<b>Total Operating Loss</b>	<b>-</b>	<b>-</b>	<b>(43,622)</b>	<b>(43,622)</b>	<b>-</b>	<b>-</b>	<b>(2,082)</b>	<b>(2,082)</b>
<b>Capital Contributions and Transfers</b>								
Capital Contributions	-	-	-	-	-	-	503,283	503,283
Transfers from Other Funds	-	-	-	-	-	-	679,289	679,289
<b>Total Capital Contributions and Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,182,572</b>	<b>1,182,572</b>
<b>Change in Net Assets</b>	<b>-</b>	<b>-</b>	<b>(43,622)</b>	<b>(43,622)</b>	<b>-</b>	<b>-</b>	<b>1,180,490</b>	<b>1,180,490</b>
Net Assets, July 1	1,180,490	1,180,490	1,180,490	-	-	-	-	-
<b>Net Assets, June 30</b>	<b>\$ 1,180,490</b>	<b>\$ 1,180,490</b>	<b>\$ 1,136,868</b>	<b>\$ (43,622)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,180,490</b>	<b>\$ 1,180,490</b>

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KNOX COUNTY, TENNESSEE

**Three Ridges Golf Course Fund**  
**Comparative Statements of Cash Flows**  
For the Years Ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers and Users	\$ 921,417	\$ 454,848
Payments to Vendors	(432,230)	(221,505)
Payments to Employees	<u>(436,969)</u>	<u>(197,735)</u>
Net Cash Provided by Operating Activities	<u>52,218</u>	<u>35,608</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers from Other Funds	<u>-</u>	<u>679,289</u>
<b>Cash Flows Used in Capital and Related Financing Activities</b>		
Capital Contributions	-	503,283
Purchase of Equipment	<u>(59,584)</u>	<u>(907,745)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(59,584)</u>	<u>(404,462)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,366)	310,435
Cash and Cash Equivalents - Beginning of Year	<u>310,435</u>	<u>-</u>
Cash and Cash Equivalents - End of Year	<u>\$ 303,069</u>	<u>\$ 310,435</u>

continued . . .

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**KNOX COUNTY, TENNESSEE**

**Three Ridges Golf Course Fund**  
**Comparative Statements of Cash Flows - (Continued)**  
For the Years Ended June 30, 2010 and June 30, 2009

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**Reconciliation of Operating Loss to  
Net Cash Provided by Operating Activities**

	<u>2010</u>	<u>2009</u>
Operating Loss	\$ (43,622)	\$ (2,082)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	120,703	14,037
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	3,360	(7,207)
(Increase) Decrease in Inventory	(15,631)	(34,321)
(Increase) Decrease in Prepaid Items	1,851	(9,080)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(21,859)	47,462
Increase (Decrease) in Due to State of Tennessee	(1,058)	8,782
Increase (Decrease) in Due to Other Funds	(1,128)	12,705
Increase in Compensated Absences Payable	<u>9,602</u>	<u>5,312</u>
Net Cash Provided by Operating Activities	<u>\$ 52,218</u>	<u>\$ 35,608</u>



## INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one of the County's departments or agencies to other departments or agencies and to the County's various discretely presented component units and joint ventures.

**Vehicle Service Center Fund:** This fund is used to account for all gasoline and maintenance services for County vehicles.

**Mailroom Fund:** This fund is used to account for central mailroom services for the County.

**Employee Benefits Fund:** This fund is used to account for the payment of retiree medical premiums, employee retirement, life insurance, other payroll related expenses, and unemployment claims.

**Employee Retirement Fund:** This fund is used to account for the County's retirement plan operations.

**Self Insurance Fund:** This fund is used to account for the payment of workers compensation and general liability claims against the County.

**Central Maintenance Fund:** This fund is used to account for all maintenance services for Knox Central buildings.

**Technical Support Service Fund:** This fund accounts for technical support and technical repairs associated with electronic data processing.

**Capital Leasing Fund:** This fund is used for lease/purchase transactions to other departments. The fund also serves as a leasing entity for a fleet of vehicles or other equipment.

**Self Insurance Healthcare:** This fund is used to account for the payment of health insurance claims.

KNOX COUNTY, TENNESSEE

Combining Statement of Net Assets  
Internal Service Funds

June 30, 2010

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>ASSETS</b>										
<b>Current Assets:</b>										
Cash and Cash Equivalents	\$ 25,405	\$ 194,548	\$ 779,363	\$ -	\$ 9,105,428	\$ 1,839,906	\$ 470,391	\$ 1,159,545	\$ 933,668	\$ 14,508,254
Receivables:										
Accounts	95,771	734	282,553	-	1,691	337,259	-	-	18,783	736,791
Due from Other Funds	178,902	23,794	14,390	-	-	-	935	-	983,039	1,201,060
Due from Component Units	4,181	-	268,341	-	80,000	-	-	-	-	352,522
Notes Receivable	-	-	-	-	33,055	-	-	-	-	33,055
Inventories	128,841	31,286	-	-	-	-	-	-	-	160,127
Prepaid Items	2,995	-	63,297	-	-	-	-	-	-	66,292
<b>TOTAL CURRENT ASSETS</b>	<b>436,095</b>	<b>250,362</b>	<b>1,407,944</b>	<b>-</b>	<b>9,220,174</b>	<b>2,177,165</b>	<b>471,326</b>	<b>1,159,545</b>	<b>1,935,490</b>	<b>17,058,101</b>
<b>Capital Assets:</b>										
Machinery and Equipment	135,423	-	-	-	33,352	72,217	196,746	8,008,723	-	8,446,461
Accumulated Depreciation	(113,309)	-	-	-	(33,352)	(68,153)	(111,182)	(7,857,633)	-	(8,183,629)
Capital Assets (Net of Accumulated Depreciation)	22,114	-	-	-	-	4,064	85,564	151,090	-	262,832
<b>TOTAL ASSETS</b>	<b>458,209</b>	<b>250,362</b>	<b>1,407,944</b>	<b>-</b>	<b>9,220,174</b>	<b>2,181,229</b>	<b>556,890</b>	<b>1,310,635</b>	<b>1,935,490</b>	<b>17,320,933</b>
<b>LIABILITIES</b>										
<b>Current liabilities:</b>										
Accounts Payable and Accrued Liabilities	31,265	1,925	785,176	-	780,248	86,230	22,592	18,125	-	1,725,561
Due to Other Funds	68,199	-	428,270	-	644	40,350	6,811	-	-	544,274
Due to Component Units	-	-	156,850	-	-	-	-	-	-	156,850
Deferred Revenue	-	-	26,503	-	-	-	-	-	5,985	32,488
Claims Liabilities	-	-	-	-	4,571,407	-	-	-	1,828,825	6,400,232
Compensated Absences Payable	76,072	-	-	-	27,310	-	-	-	-	103,382
<b>TOTAL CURRENT LIABILITIES</b>	<b>175,536</b>	<b>1,925</b>	<b>1,396,799</b>	<b>-</b>	<b>5,379,609</b>	<b>126,580</b>	<b>29,403</b>	<b>18,125</b>	<b>1,834,810</b>	<b>8,962,787</b>
<b>Noncurrent Liabilities:</b>										
Compensated Absences Payable	8,453	-	-	-	3,034	-	-	-	-	11,487
<b>TOTAL LIABILITIES</b>	<b>183,989</b>	<b>1,925</b>	<b>1,396,799</b>	<b>-</b>	<b>5,382,643</b>	<b>126,580</b>	<b>29,403</b>	<b>18,125</b>	<b>1,834,810</b>	<b>8,974,274</b>
<b>NET ASSETS</b>										
Invested in Capital Assets	22,114	-	-	-	-	4,064	85,564	151,090	-	262,832
Unrestricted	252,106	248,437	11,145	-	3,837,531	2,050,585	441,923	1,141,420	100,680	8,083,827
<b>TOTAL NET ASSETS</b>	<b>\$ 274,220</b>	<b>\$ 248,437</b>	<b>\$ 11,145</b>	<b>\$ -</b>	<b>\$ 3,837,531</b>	<b>\$ 2,054,649</b>	<b>\$ 527,487</b>	<b>\$ 1,292,510</b>	<b>\$ 100,680</b>	<b>\$ 8,346,659</b>

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2010

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>Operating Revenues</b>										
Charges for Services	\$ 3,042,371	\$ 299,582	\$ 28,110,732	\$ -	\$ 3,366,909	\$ 7,368,461	\$ 403,713	\$ -	\$ 22,079,198	\$ 64,670,966
<b>Operating Expenses</b>										
Cost of Sales and Services	1,894,294	277,306	-	-	-	-	-	-	-	2,171,600
General and Administration	1,181,460	-	189,196	-	458,685	6,770,657	249,109	-	1,099,309	9,948,416
Depreciation and Amortization	6,077	-	-	-	592	2,016	9,905	314,290	-	332,880
Medical Claims	-	-	668,029	-	-	-	-	-	22,613,992	23,282,021
Retirement Contributions	-	-	27,526,147	-	-	-	-	-	-	27,526,147
Other Employee Benefits	-	-	913,122	-	-	-	-	-	-	913,122
Worker's Compensation Claims	-	-	-	-	1,852,732	-	-	-	-	1,852,732
Other Expenses	136,106	-	-	-	702,080	-	375	-	-	838,561
Total Operating Expenses	3,217,937	277,306	29,296,494	-	3,014,089	6,772,673	259,389	314,290	23,713,301	66,865,479
<b>Operating Income (Loss)</b>	(175,566)	22,276	(1,185,762)	-	352,820	595,788	144,324	(314,290)	(1,634,103)	(2,194,513)
<b>Nonoperating Revenues</b>										
Subrogation Payments	-	-	-	-	442	-	-	-	-	442
Gain on Disposal of Capital Assets	-	-	-	-	-	-	-	5,381	-	5,381
Payments Received for Administrative Expenses	-	-	441,564	-	-	-	-	-	-	441,564
Payments from Component Units	-	-	486,643	-	-	-	-	-	-	486,643
Total Nonoperating Revenues	-	-	928,207	-	442	-	-	5,381	-	934,030
<b>Income (Loss) before Transfers</b>	(175,566)	22,276	(257,555)	-	353,262	595,788	144,324	(308,909)	(1,634,103)	(1,260,483)
<b>Transfers</b>										
Transfers to Other Funds	-	-	(428,000)	(199,463)	-	-	-	(1,000,000)	-	(1,627,463)
Transfers from Other Funds	160,000	-	199,213	-	-	-	-	-	1,483,039	1,842,252
Total transfers	160,000	-	(228,787)	(199,463)	-	-	-	(1,000,000)	1,483,039	214,789
<b>Change in Net Assets</b>	(15,566)	22,276	(486,342)	(199,463)	353,262	595,788	144,324	(1,308,909)	(151,064)	(1,045,694)
<b>Total Net Assets, July 1</b>	289,786	226,161	497,487	199,463	3,484,269	1,458,861	383,163	2,601,419	251,744	9,392,353
<b>Total Net Assets, June 30</b>	\$ 274,220	\$ 248,437	\$ 11,145	\$ -	\$ 3,837,531	\$ 2,054,649	\$ 527,487	\$ 1,292,510	\$ 100,680	\$ 8,346,659

KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2010

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>Operating Activities</b>										
Cash Received from Interfund Services Provided	\$ 3,037,697	\$ 299,395	\$ 28,909,214	\$ -	\$ 3,662,981	\$ 6,946,464	\$ 406,603	\$ -	\$ 21,520,468	\$ 64,782,822
Cash Received from Other Governments	-	-	-	-	-	390,628	-	-	-	390,628
Cash Paid to Employees	(813,350)	-	-	(41,197)	(275,569)	-	-	-	-	(1,130,116)
Cash Paid for Goods and Services	(2,115,138)	(281,862)	(189,196)	(40,861)	(4,073,468)	(6,881,324)	(290,023)	327	(1,099,309)	(14,970,854)
Cash Paid on Behalf of Employees	(267,441)	-	(30,549,844)	(2,167)	(85,511)	-	-	-	(23,170,799)	(54,075,762)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(158,232)</b>	<b>17,533</b>	<b>(1,829,826)</b>	<b>(84,225)</b>	<b>(771,567)</b>	<b>455,768</b>	<b>116,580</b>	<b>327</b>	<b>(2,749,640)</b>	<b>(5,003,282)</b>
<b>Noncapital Financing Activities</b>										
Subrogation Payments	-	-	-	-	(626)	-	-	-	-	(626)
Payments Received for Administrative Expense	-	-	441,564	-	-	-	-	-	-	441,564
Payments from Component Units	-	-	486,643	-	-	-	-	-	-	486,643
Transfers from Other Funds	160,000	-	199,213	-	-	-	-	-	1,483,039	1,842,252
Transfers to Other Funds	-	-	(428,000)	(199,463)	-	-	-	(1,000,000)	-	(1,627,463)
Advances from Other Funds	-	-	(175,000)	-	-	-	-	-	-	(175,000)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>160,000</b>	<b>-</b>	<b>524,420</b>	<b>(199,463)</b>	<b>(626)</b>	<b>-</b>	<b>-</b>	<b>(1,000,000)</b>	<b>1,483,039</b>	<b>967,370</b>
<b>Capital and Related Financing Activities</b>										
Proceeds from Insurance Recovery on Capital Assets	-	-	-	-	-	-	-	6,955	-	6,955
Acquisition and Construction of Capital Assets	(5,336)	-	-	-	-	-	(95,469)	(18,125)	-	(118,930)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(5,336)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(95,469)</b>	<b>(11,170)</b>	<b>-</b>	<b>(111,975)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(3,568)</b>	<b>17,533</b>	<b>(1,305,406)</b>	<b>(283,688)</b>	<b>(772,193)</b>	<b>455,768</b>	<b>21,111</b>	<b>(1,010,843)</b>	<b>(1,266,601)</b>	<b>(4,147,887)</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>28,973</b>	<b>177,015</b>	<b>2,084,769</b>	<b>283,688</b>	<b>9,877,621</b>	<b>1,384,138</b>	<b>449,280</b>	<b>2,170,388</b>	<b>2,200,269</b>	<b>18,656,141</b>
<b>End of Year</b>	<b>\$ 25,405</b>	<b>\$ 194,548</b>	<b>\$ 779,363</b>	<b>\$ -</b>	<b>\$ 9,105,428</b>	<b>\$ 1,839,906</b>	<b>\$ 470,391</b>	<b>\$ 1,159,545</b>	<b>\$ 933,668</b>	<b>\$ 14,508,254</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>										
Operating Income (Loss)	\$ (175,566)	\$ 22,276	\$ (1,185,762)	\$ -	\$ 352,820	\$ 595,788	\$ 144,324	\$ (314,290)	\$ (1,634,103)	\$ (2,194,513)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:										
Depreciation and Amortization	6,077	-	-	-	592	2,016	9,905	314,290	-	332,880
Change in Assets and Liabilities										
(Increase) Decrease in Accounts Receivable	(11,324)	237	46,735	-	-	(31,369)	1,530	-	333,712	339,521
(Increase) Decrease in Due from Other Funds	2,571	(424)	1,010,328	-	-	-	1,360	-	(897,539)	116,296
(Increase) Decrease in Due from Component Units	4,079	-	(265,066)	-	296,072	-	-	-	-	35,085
(Increase) Decrease in Inventories	1,807	(2,915)	-	-	-	-	-	-	-	(1,108)
Increase in Prepaid Items	-	-	(15,663)	-	-	-	-	-	-	(15,663)
Increase (Decrease) in Accounts Payable and Accrued Liability	(45,606)	(181)	(1,809,057)	(53,035)	(561,277)	(79,090)	(44,720)	327	(44)	(2,592,683)
Increase (Decrease) in Due to Other Funds	48,787	(1,460)	428,013	(693)	(786)	(31,577)	4,181	-	(798,146)	(351,681)
Decrease in Due to Component Units	-	-	(45,839)	-	-	-	-	-	-	(45,839)
Increase (Decrease) in Compensated Absences	10,943	-	-	(30,497)	14,831	-	-	-	-	(4,723)
Increase (Decrease) in Claims Liability	-	-	-	-	(873,819)	-	-	-	241,383	(632,436)
Increase in Deferred Revenues	-	-	6,485	-	-	-	-	-	5,097	11,582
Total Adjustments	17,334	(4,743)	(644,064)	(84,225)	(1,124,387)	(140,020)	(27,744)	314,617	(1,115,537)	(2,808,769)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(158,232)</b>	<b>17,533</b>	<b>(1,829,826)</b>	<b>(84,225)</b>	<b>(771,567)</b>	<b>455,768</b>	<b>116,580</b>	<b>327</b>	<b>(2,749,640)</b>	<b>(5,003,282)</b>

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KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund  
Comparative Statements of Net Assets  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 25,405	\$ 28,973
Accounts Receivable	95,771	84,447
Due from Other Funds	178,902	181,473
Due from Component Units	4,181	8,260
Inventories	128,841	130,648
Prepaid Items	<u>2,995</u>	<u>2,995</u>
TOTAL CURRENT ASSETS	<u>436,095</u>	<u>436,796</u>
<b>Capital Assets:</b>		
Machinery and Equipment	135,423	130,087
Accumulated Depreciation	<u>(113,309)</u>	<u>(107,232)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>22,114</u>	<u>22,855</u>
TOTAL ASSETS	<u>458,209</u>	<u>459,651</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	31,265	76,871
Due to Other Funds	68,199	19,412
Compensated Absences	<u>76,072</u>	<u>66,224</u>
TOTAL CURRENT LIABILITIES	<u>175,536</u>	<u>162,507</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>8,453</u>	<u>7,358</u>
TOTAL LIABILITIES	<u>183,989</u>	<u>169,865</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	22,114	22,855
Unrestricted	<u>252,106</u>	<u>266,931</u>
TOTAL NET ASSETS	<u>\$ 274,220</u>	<u>\$ 289,786</u>

**KNOX COUNTY, TENNESSEE**

**Vehicle Service Center Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 3,831,065	\$ 3,831,065	\$ 3,042,371	\$ (788,694)	\$ 3,831,065	\$ 3,831,065	\$ 3,235,053	\$ (596,012)
<b>Operating Expenses</b>								
Costs of Sales and Services	2,785,000	2,785,000	1,894,294	890,706	2,785,000	2,728,590	1,992,220	736,370
General and Administrative	1,200,106	1,200,106	1,181,460	18,646	1,187,490	1,243,014	1,172,144	70,870
Depreciation and Amortization	9,775	9,775	6,077	3,698	9,775	10,661	10,660	1
Other Expenses	136,184	136,184	136,106	78	148,800	148,800	148,721	79
Total Operating Expenses	4,131,065	4,131,065	3,217,937	913,128	4,131,065	4,131,065	3,323,745	807,320
Loss before Transfers	(300,000)	(300,000)	(175,566)	124,434	(300,000)	(300,000)	(88,692)	211,308
<b>Transfers</b>								
Transfers from Other Funds	300,000	300,000	160,000	(140,000)	300,000	300,000	300,000	-
Change in Net Assets	-	-	(15,566)	(15,566)	-	-	211,308	211,308
Net Assets, July 1	289,786	289,786	289,786	-	78,478	78,478	78,478	-
Net Assets, June 30	\$ 289,786	\$ 289,786	\$ 274,220	\$ (15,566)	\$ 78,478	\$ 78,478	\$ 289,786	\$ 211,308

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**KNOX COUNTY, TENNESSEE**

**Mailroom Fund**  
**Comparative Statements of Net Assets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 194,548	\$ 177,015
Accounts Receivable	734	971
Due from Other Funds	23,794	23,370
Inventories	<u>31,286</u>	<u>28,371</u>
<b>TOTAL ASSETS</b>	<u>250,362</u>	<u>229,727</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	1,925	2,106
Due to Other Funds	<u>-</u>	<u>1,460</u>
<b>TOTAL LIABILITIES</b>	<u>1,925</u>	<u>3,566</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 248,437</u>	<u>\$ 226,161</u>

KNOX COUNTY, TENNESSEE

**Mailroom Fund**  
**Comparative Schedules of Revenues, Expenses**  
**and Changes in Net Assets - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2010 and June 30, 2009

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 325,000	\$ 325,000	\$ 299,582	\$ (25,418)	\$ 325,000	\$ 325,000	\$ 341,483	\$ 16,483
<b>Operating Expenses</b>								
Costs of Sales and Services	325,000	325,000	277,306	47,694	325,000	325,000	300,310	24,690
Change in Net Assets	-	-	22,276	22,276	-	-	41,173	41,173
Net Assets, July 1	226,161	226,161	226,161	-	184,988	184,988	184,988	-
Net Assets, June 30	\$ 226,161	\$ 226,161	\$ 248,437	\$ 22,276	\$ 184,988	\$ 184,988	\$ 226,161	\$ 41,173



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**KNOX COUNTY, TENNESSEE**

**Employee Benefits Fund**  
**Comparative Statements of Net Assets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 779,363	\$ 2,084,769
Accounts Receivable	282,553	329,288
Due from Other Funds	14,390	1,024,718
Due from Component Units	268,341	3,275
Prepaid Items	63,297	47,634
	<u>1,407,944</u>	<u>3,489,684</u>
<b>TOTAL ASSETS</b>		
	<u>1,407,944</u>	<u>3,489,684</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and		
Accrued Liabilities	785,176	2,594,233
Due to Other Funds	428,270	257
Due to Component Units	156,850	202,689
Deferred Revenue	26,503	20,018
Advances from Other Funds	-	175,000
	<u>1,396,799</u>	<u>2,992,197</u>
<b>TOTAL LIABILITIES</b>		
	<u>1,396,799</u>	<u>2,992,197</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 11,145</u>	<u>\$ 497,487</u>

**KNOX COUNTY, TENNESSEE**

**Employee Benefits Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 28,000,000	\$ 31,012,000	\$ 28,110,732	\$ (2,901,268)	\$ 28,000,000	\$ 28,007,930	\$ 26,094,436	\$ (1,913,494)
<b>Operating Expenses</b>								
Finance and Administration:								
General and Administrative	202,485	214,485	189,196	25,289	202,485	240,415	192,533	47,882
Medical Claims	650,000	1,150,000	668,029	481,971	650,000	650,000	628,957	21,043
Retirement Contributions	26,552,515	28,622,515	27,526,147	1,096,368	26,552,515	26,552,515	25,491,824	1,060,691
Other Employee Benefits	595,000	595,000	913,122	(318,122)	595,000	595,000	802,051	(207,051)
Total Operating Expenses	28,000,000	30,582,000	29,296,494	1,285,506	28,000,000	28,037,930	27,115,365	922,565
Operating Loss	-	430,000	(1,185,762)	(1,615,762)	-	(30,000)	(1,020,929)	(990,929)
<b>Nonoperating Revenues</b>								
Grant Income - Other Sources	-	-	-	-	-	30,000	-	(30,000)
Payments Received for Administrative Expenses	-	-	441,564	441,564	-	-	-	-
Payments from Component Units	-	-	486,643	486,643	-	-	-	-
Total Nonoperating Revenues	-	-	928,207	928,207	-	30,000	-	(30,000)
Loss before Transfers	-	430,000	(257,555)	(687,555)	-	-	(1,020,929)	(1,020,929)
<b>Transfers</b>								
Transfers from Other Funds	-	-	199,213	199,213	-	1,000,000	1,000,000	-
Transfers to Other Funds	-	(430,000)	(428,000)	2,000	-	(1,000,000)	-	1,000,000
Total Transfers	-	(430,000)	(228,787)	201,213	-	-	1,000,000	1,000,000
Change in Net Assets	-	-	(486,342)	(486,342)	-	-	(20,929)	(20,929)
Net Assets, July 1	497,487	497,487	497,487	-	518,416	518,416	518,416	-
Net Assets, June 30	\$ 497,487	\$ 497,487	\$ 11,145	\$ (486,342)	\$ 518,416	\$ 518,416	\$ 497,487	\$ (20,929)

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**KNOX COUNTY, TENNESSEE**

**Employee Retirement Fund**  
**Comparative Statements of Net Assets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ -	\$ 283,688
Accounts Receivable	-	-
	<u>-</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>-</u>	<u>283,688</u>
<b>Capital Assets:</b>		
Machinery and Equipment	-	51,815
Accumulated Depreciation	-	(51,815)
	<u>-</u>	<u>(51,815)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>-</u>	<u>283,688</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	-	53,035
Due to Other Funds	-	693
Compensated Absences	-	27,447
	<u>-</u>	<u>27,447</u>
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>81,175</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	-	3,050
	<u>-</u>	<u>3,050</u>
TOTAL LIABILITIES	<u>-</u>	<u>84,225</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$ -</u>	<u>\$ 199,463</u>

**KNOX COUNTY, TENNESSEE**

**Employee Retirement Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ -	\$ -	\$ -	\$ -	\$ 12,000	\$ 9,000	\$ 9,155	\$ 155
<b>Operating Expenses</b>								
General and Administrative	-	-	-	-	1,537,124	1,516,661	1,466,482	50,179
Other Expenses	-	-	-	-	152,818	211,700	96,590	115,110
Total Operating Expenses	-	-	-	-	1,689,942	1,728,361	1,563,072	165,289
Operating Loss	-	-	-	-	(1,677,942)	(1,719,361)	(1,553,917)	165,444
<b>Nonoperating Revenues</b>								
Payments Received for Administrative Expenses	-	-	-	-	1,672,942	1,714,361	1,083,620	(630,741)
Payments from Component Units	-	-	-	-	-	-	592,000	592,000
Donations	-	-	-	-	5,000	5,000	1,000	(4,000)
Income before Transfers	-	-	-	-	1,677,942	1,719,361	1,676,620	(42,741)
<b>Transfers</b>								
Transfers to Other Funds	-	(199,463)	(199,463)	-	-	-	-	-
Change in Net Assets	-	(199,463)	(199,463)	-	-	-	122,703	122,703
Net Assets, July 1	199,463	199,463	199,463	-	76,760	76,760	76,760	-
Net Assets, June 30	\$ 199,463	\$ -	\$ -	\$ -	\$ 76,760	\$ 76,760	\$ 199,463	\$ 122,703

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**KNOX COUNTY, TENNESSEE**

**Self Insurance Fund**  
**Comparative Statements of Net Assets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 9,105,428	\$ 9,877,621
Accounts Receivable	1,691	-
Notes Receivable	33,055	33,678
Due from Component Units	<u>80,000</u>	<u>376,072</u>
<b>TOTAL CURRENT ASSETS</b>	<u>9,220,174</u>	<u>10,287,371</u>
<b>Capital Assets:</b>		
Machinery and Equipment	33,352	33,352
Accumulated Depreciation	<u>(33,352)</u>	<u>(32,760)</u>
<b>Capital Assets (Net of Accumulated Depreciation)</b>	<u>-</u>	<u>592</u>
<b>TOTAL ASSETS</b>	<u>9,220,174</u>	<u>10,287,963</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	780,248	1,341,525
Due to Other Funds	644	1,430
Claims Liability	4,571,407	5,445,226
Compensated Absences	<u>27,310</u>	<u>13,962</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>5,379,609</u>	<u>6,802,143</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>3,034</u>	<u>1,551</u>
<b>TOTAL LIABILITIES</b>	<u>5,382,643</u>	<u>6,803,694</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	-	592
Unrestricted	<u>3,837,531</u>	<u>3,483,677</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,837,531</u>	<u>\$ 3,484,269</u>

**KNOX COUNTY, TENNESSEE**

**Self Insurance Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 3,240,621	\$ 3,240,621	\$ 3,366,909	\$ 126,288	\$ 2,578,500	\$ 2,578,500	\$ 2,735,772	\$ 157,272
<b>Operating Expenses</b>								
General and Administrative	489,680	479,680	458,685	20,995	533,360	533,360	432,676	100,684
Depreciation and Amortization	3,556	3,556	592	2,964	3,556	3,556	3,556	-
Workers' Compensation Costs	2,356,764	2,356,764	1,852,732	504,032	3,086,646	1,386,646	1,162,078	224,568
Other Liability Costs	2,150,000	2,160,000	702,080	1,457,920	1,300,000	3,000,000	2,999,018	982
Total Operating Expenses	5,000,000	5,000,000	3,014,089	1,985,911	4,923,562	4,923,562	4,597,328	326,234
Operating Income (Loss)	(1,759,379)	(1,759,379)	352,820	2,112,199	(2,345,062)	(2,345,062)	(1,861,556)	483,506
<b>Nonoperating Revenues</b>								
Subrogations	15,000	15,000	442	(14,558)	15,000	15,000	-	(15,000)
Change in Net Assets	(1,744,379)	(1,744,379)	353,262	2,097,641	(2,330,062)	(2,330,062)	(1,861,556)	468,506
Net Assets, July 1	3,484,269	3,484,269	3,484,269	-	5,345,825	5,345,825	5,345,825	-
Net Assets, June 30	\$ 1,739,890	\$ 1,739,890	\$ 3,837,531	\$ 2,097,641	\$ 3,015,763	\$ 3,015,763	\$ 3,484,269	\$ 468,506

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**KNOX COUNTY, TENNESSEE**

**Central Maintenance Fund**  
**Comparative Statements of Net Assets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,839,906	\$ 1,384,138
Accounts Receivable	<u>337,259</u>	<u>305,890</u>
<b>TOTAL CURRENT ASSETS</b>	<u>2,177,165</u>	<u>1,690,028</u>
<b>Capital Assets:</b>		
Machinery and Equipment	72,217	72,217
Accumulated Depreciation	<u>(68,153)</u>	<u>(66,137)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>4,064</u>	<u>6,080</u>
<b>TOTAL ASSETS</b>	<u>2,181,229</u>	<u>1,696,108</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	86,230	165,320
Due to Other Funds	<u>40,350</u>	<u>71,927</u>
<b>TOTAL LIABILITIES</b>	<u>126,580</u>	<u>237,247</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	4,064	6,080
Unrestricted	<u>2,050,585</u>	<u>1,452,781</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,054,649</u>	<u>\$ 1,458,861</u>

KNOX COUNTY, TENNESSEE

Central Maintenance Fund  
 Comparative Schedules of Revenues, Expenses  
 and Changes in Net Assets - Budget And Actual (GAAP Basis)  
 For the years ended June 30, 2010 and June 30, 2009

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 6,672,032	\$ 6,672,032	\$ 7,368,461	\$ 696,429	\$ 9,317,618	\$ 9,317,618	\$ 8,375,296	\$ (942,322)
<b>Operating Expenses</b>								
General and Administrative	6,722,304	6,781,764	6,770,657	11,107	9,810,828	9,810,828	8,649,474	1,161,354
Depreciation and Amortization	-	2,020	2,016	4	6,790	6,790	4,644	2,146
Total Operating Expenses	6,722,304	6,783,784	6,772,673	11,111	9,817,618	9,817,618	8,654,118	1,163,500
Change in Net Assets	(50,272)	(111,752)	595,788	707,540	(500,000)	(500,000)	(278,822)	221,178
Net Assets, July 1	1,458,861	1,458,861	1,458,861	-	1,737,683	1,737,683	1,737,683	-
Net Assets, June 30	\$ 1,408,589	\$ 1,347,109	\$ 2,054,649	\$ 707,540	\$ 1,237,683	\$ 1,237,683	\$ 1,458,861	\$ 221,178



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**KNOX COUNTY, TENNESSEE**

**Technical Support Service Fund  
Comparative Statements of Net Assets  
June 30, 2010 and June 30, 2009**

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 470,391	\$ 449,280
Accounts Receivable	-	1,530
Due from Other Funds	<u>935</u>	<u>2,295</u>
<b>TOTAL CURRENT ASSETS</b>	<u>471,326</u>	<u>453,105</u>
<b>Capital Assets:</b>		
Machinery and Equipment	196,746	101,277
Accumulated Depreciation	<u>(111,182)</u>	<u>(101,277)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>85,564</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>556,890</u>	<u>453,105</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	22,592	67,312
Due to Other Funds	<u>6,811</u>	<u>2,630</u>
<b>TOTAL LIABILITIES</b>	<u>29,403</u>	<u>69,942</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	85,564	-
Unrestricted	<u>441,923</u>	<u>383,163</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 527,487</u>	<u>\$ 383,163</u>

KNOX COUNTY, TENNESSEE

**Technical Support Service Fund**  
**Comparative Schedules of Revenues, Expenses**  
**and Changes in Net Assets - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2010 and June 30, 2009

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 411,000	\$ 411,000	\$ 403,713	\$ (7,287)	\$ 411,000	\$ 411,000	\$ 404,352	\$ (6,648)
<b>Operating Expenses</b>								
General and Administrative	344,924	444,924	249,109	195,815	345,000	345,000	265,788	79,212
Depreciation and Amortization	15,300	15,300	9,905	5,395	15,300	15,300	200	15,100
Other Expense	114,776	14,776	375	14,401	114,700	114,700	300	114,400
Total Operating Expenses	475,000	475,000	259,389	215,611	475,000	475,000	266,288	208,712
Change in Net Assets	(64,000)	(64,000)	144,324	208,324	(64,000)	(64,000)	138,064	202,064
Net Assets, July 1	383,163	383,163	383,163	-	245,099	245,099	245,099	-
Net Assets, June 30	\$ 319,163	\$ 319,163	\$ 527,487	\$ 208,324	\$ 181,099	\$ 181,099	\$ 383,163	\$ 202,064

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**KNOX COUNTY, TENNESSEE**

**Capital Leasing Fund**  
**Comparative Statements of Net Assets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,159,545	\$ 2,170,388
<b>Capital Assets:</b>		
Machinery and Equipment	8,008,723	8,468,234
Accumulated Depreciation	<u>(7,857,633)</u>	<u>(8,019,405)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>151,090</u>	<u>448,829</u>
<b>TOTAL ASSETS</b>	<u>1,310,635</u>	<u>2,619,217</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>18,125</u>	<u>17,798</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	151,090	448,829
Unrestricted	<u>1,141,420</u>	<u>2,152,590</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,292,510</u>	<u>\$ 2,601,419</u>

**KNOX COUNTY, TENNESSEE**

**Capital Leasing Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Operating Expenses</b>								
Costs of Sales and Services	-	18,125	-	18,125	1,000,000	1,000,000	-	1,000,000
Depreciation and Amortization	775,000	756,875	314,290	442,585	1,400,000	1,400,000	519,776	880,224
Total Operating Expenses	775,000	775,000	314,290	460,710	2,400,000	2,400,000	519,776	1,880,224
Operating Loss	(775,000)	(775,000)	(314,290)	460,710	(2,400,000)	(2,400,000)	(519,776)	1,880,224
<b>Nonoperating Expenses</b>								
Gain (Loss) on Disposal of Capital Asset	-	-	5,381	5,381	-	-	(19,715)	(19,715)
<b>Transfers</b>								
Transfers to Other Funds	(2,165,000)	(2,165,000)	(1,000,000)	1,165,000	-	-	-	-
Change in Net Assets	(2,940,000)	(2,940,000)	(1,308,909)	1,631,091	(2,400,000)	(2,400,000)	(539,491)	1,860,509
Net Assets, July 1	2,601,419	2,601,419	2,601,419	-	3,140,910	3,140,910	3,140,910	-
Net Assets, June 30	\$ (338,581)	\$ (338,581)	\$ 1,292,510	\$ 1,631,091	\$ 740,910	\$ 740,910	\$ 2,601,419	\$ 1,860,509

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**KNOX COUNTY, TENNESSEE**

**Self Insurance Healthcare Fund**  
**Comparative Statements of Net Assets**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 933,668	\$ 2,200,269
Accounts Receivable	18,783	352,495
Due from Other Funds	<u>983,039</u>	<u>85,500</u>
 TOTAL ASSETS	 <u>1,935,490</u>	 <u>2,638,264</u>
 <b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	-	44
Due to Other Funds	-	798,146
Claims Liability	1,828,825	1,587,442
Deferred Revenue	<u>5,985</u>	<u>888</u>
 TOTAL LIABILITIES	 <u>1,834,810</u>	 <u>2,386,520</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>100,680</u>	<u>251,744</u>
 TOTAL NET ASSETS	 <u><u>\$ 100,680</u></u>	 <u><u>\$ 251,744</u></u>

**KNOX COUNTY, TENNESSEE**  
**Self Insurance Healthcare Fund**  
**Comparative Schedules of Revenues, Expenses**  
**and Changes in Net Assets - Budget And Actual (GAAP Basis)**  
For the years ended June 30, 2010 and June 30, 2009

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 21,925,638	\$ 24,000,000	\$ 22,079,198	\$ (1,920,802)	\$ 22,000,000	\$ 22,945,134	\$ 21,204,118	\$ (1,741,016)
<b>Operating Expenses</b>								
General and Administrative	1,562,071	1,371,424	1,099,309	272,115	1,526,949	1,549,749	1,323,493	226,256
Medical Claims	20,363,567	22,628,576	22,613,992	14,584	20,473,051	21,395,385	21,338,725	56,660
Total Operating Expenses	21,925,638	24,000,000	23,713,301	286,699	22,000,000	22,945,134	22,662,218	282,916
Loss before Transfers	-	-	(1,634,103)	(1,634,103)	-	-	(1,458,100)	(1,458,100)
<b>Transfers</b>								
Transfers from Other Funds	-	-	1,483,039	1,483,039	-	-	1,207,800	1,207,800
Change in Net Assets	-	-	(151,064)	(151,064)	-	-	(250,300)	(250,300)
Net Assets, July 1	251,744	251,744	251,744	-	502,044	502,044	502,044	-
Net Assets, June 30	\$ 251,744	\$ 251,744	\$ 100,680	\$ (151,064)	\$ 502,044	\$ 502,044	\$ 251,744	\$ (250,300)

## FIDUCIARY FUNDS

Trust funds are used to account for assets held by the County in a trustee capacity. Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

### PENSION TRUST FUNDS

**Pension Trust Fund Defined Benefit:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined benefit plan.

**Pension Trust Fund Defined Contribution:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined contribution (asset accumulation) plan.

**Pension Trust Fund Defined Contribution Voluntary 457 Plan:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees who have chosen to participate in the County's defined contribution plan.

**Pension Trust Fund Medical Retirement Defined Contribution:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined contribution (asset accumulation) plan. This plan assists employees in planning and investing for anticipated medical expenses upon retirement.

**Pension Trust Fund Uniformed Officers:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's Uniformed Officers Pension Plan.

### AGENCY FUNDS

**Municipal Sales Tax Fund:** This fund accounts for the local sales tax levied by local municipalities. These funds are collected by the State of Tennessee and remitted to the County for distribution to the municipalities.

**Juvenile Court Fund:** This fund accounts for the receipt and disposition of funds held on behalf of juvenile defendants.

**Subdivision Bonds:** This fund accounts for the receipt and distribution of funds held by the County from subdivision developers pending completion of road and hydrology requirements.

**External Agencies Fund:** This fund accounts for the cash of several external agencies and County joint ventures held by the County Trustee on their behalf.

**Constitutional Officers:** The various elected officials use this fund to account for the receipt and disbursement of funds on behalf of state agencies and/or other funds.

**KNOX COUNTY, TENNESSEE**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
June 30, 2010

	Defined Benefit Plan	Defined Contribution Plan	Voluntary 457 Plan	Medical Retirement Plan	Uniformed Officers Plan	Total
<b>ASSETS</b>						
Receivables:						
Contributions	\$ 4,538	\$ -	\$ -	\$ -	\$ 287,561	\$ 292,099
Investments	50,609,478	179,859,720	4,846,240	5,625,847	86,961,514	327,902,799
<b>TOTAL ASSETS</b>	50,614,016	179,859,720	4,846,240	5,625,847	87,249,075	328,194,898
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	46,008	-	-	-	62,323	108,331
<b>NET ASSETS</b>						
Held in Trust for:						
Pension Benefits	\$ 50,568,008	\$ 179,859,720	\$ 4,846,240	\$ 5,625,847	\$ 87,186,752	\$ 328,086,567



**KNOX COUNTY, TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
For the year ended June 30, 2010

	Defined Benefit Plan	Defined Contribution Plan	Voluntary 457 Plan	Medical Retirement Plan	Uniformed Officers Plan	Total
<b>Additions</b>						
Contributions:						
Employer	\$ 2,127,420	\$ 9,569,282	\$ -	\$ 65,950	\$ 4,569,658	\$ 16,332,310
Employees	249,503	8,007,986	1,790,833	276,486	1,776,795	12,101,603
Transfers from Other Plans	-	79,992	-	-	162,803	242,795
<b>Total Contributions</b>	<b>2,376,923</b>	<b>17,657,260</b>	<b>1,790,833</b>	<b>342,436</b>	<b>6,509,256</b>	<b>28,676,708</b>
Investment Earnings:						
Interest and Dividend Income	608,176	-	-	-	738,029	1,346,205
Net Appreciation in Fair Value of Investments	6,594,675	16,117,783	361,666	297,984	8,035,060	31,407,168
<b>Total Investment Earnings</b>	<b>7,202,851</b>	<b>16,117,783</b>	<b>361,666</b>	<b>297,984</b>	<b>8,773,089</b>	<b>32,753,373</b>
Less Investment Expenses	(200,067)	-	-	-	(229,395)	(429,462)
<b>Net Investment Earnings</b>	<b>7,002,784</b>	<b>16,117,783</b>	<b>361,666</b>	<b>297,984</b>	<b>8,543,694</b>	<b>32,323,911</b>
<b>Total Additions</b>	<b>9,379,707</b>	<b>33,775,043</b>	<b>2,152,499</b>	<b>640,420</b>	<b>15,052,950</b>	<b>61,000,619</b>
<b>Deductions</b>						
Benefits and Refunds	7,143,695	9,190,176	395,619	441,746	2,039,420	19,210,656
Administrative Expenses	506,110	-	-	-	397,657	903,767
Transfers to Other Plans	273,672	-	-	-	-	273,672
<b>Total Deductions</b>	<b>7,923,477</b>	<b>9,190,176</b>	<b>395,619</b>	<b>441,746</b>	<b>2,437,077</b>	<b>20,388,095</b>
<b>Change in Net Assets</b>	<b>1,456,230</b>	<b>24,584,867</b>	<b>1,756,880</b>	<b>198,674</b>	<b>12,615,873</b>	<b>40,612,524</b>
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<b>49,111,778</b>	<b>155,274,853</b>	<b>3,089,360</b>	<b>5,427,173</b>	<b>74,570,879</b>	<b>287,474,043</b>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<b>\$ 50,568,008</b>	<b>\$ 179,859,720</b>	<b>\$ 4,846,240</b>	<b>\$ 5,625,847</b>	<b>\$ 87,186,752</b>	<b>\$ 328,086,567</b>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets**  
**Pension Trust Fund - Defined Benefit Plan**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Receivables:		
Contributions	\$ 4,538	\$ 16,514
Prepaid expense	-	-
Investments	<u>50,609,478</u>	<u>49,124,649</u>
<b>TOTAL ASSETS</b>	<u>50,614,016</u>	<u>49,141,163</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	<u>46,008</u>	<u>29,385</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u><u>\$ 50,568,008</u></u>	<u><u>\$ 49,111,778</u></u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Assets**

**Pension Trust Fund - Defined Benefit Plan**

For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Additions</b>		
Contributions:		
Employees	\$ 249,503	\$ -
Employer	<u>2,127,420</u>	<u>363,647</u>
Total Contributions	<u>2,376,923</u>	<u>363,647</u>
Investment Earnings:		
Interest and Dividend Income	608,176	816,211
Net Appreciation (Depreciation) in Fair Value of Investments	<u>6,594,675</u>	<u>(14,822,054)</u>
Total Investment Earnings (Losses)	7,202,851	(14,005,843)
Less Investment Expenses	<u>(200,067)</u>	<u>(180,623)</u>
Net Investment Earnings (Losses)	<u>7,002,784</u>	<u>(14,186,466)</u>
Total Additions	<u>9,379,707</u>	<u>(13,822,819)</u>
<b>Deductions</b>		
Benefits and Refunds	7,143,695	6,848,325
Administrative Expenses	506,110	592,693
Transfers to Other Plans	<u>273,672</u>	<u>265,667</u>
Total Deductions	<u>7,923,477</u>	<u>7,706,685</u>
<b>Change in Net Assets</b>	1,456,230	(21,529,504)
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>49,111,778</u>	<u>70,641,282</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u>\$ 50,568,008</u>	<u>\$ 49,111,778</u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets  
Pension Trust Fund - Defined Contribution Plan**

June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 179,859,720</u>	<u>\$ 155,274,853</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 179,859,720</u>	<u>\$ 155,274,853</u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Assets**  
**Pension Trust Fund - Defined Contribution Plan**  
For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 9,569,282	\$ 9,324,134
Employees	8,007,986	7,779,685
Transfers from Other Plans	<u>79,992</u>	<u>75,667</u>
Total Contributions	17,657,260	17,179,486
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>16,117,783</u>	<u>(27,046,627)</u>
Total Additions	<u>33,775,043</u>	<u>(9,867,141)</u>
<b>Deductions</b>		
Benefits and Refunds	<u>9,190,176</u>	<u>10,425,621</u>
Total Deductions	<u>9,190,176</u>	<u>10,425,621</u>
<b>Change in Net Assets</b>	24,584,867	(20,292,762)
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>155,274,853</u>	<u>175,567,615</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u><u>\$ 179,859,720</u></u>	<u><u>\$ 155,274,853</u></u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets  
Pension Trust Fund - Voluntary 457 Plan**

June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 4,846,240</u>	<u>\$ 3,089,360</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 4,846,240</u>	<u>\$ 3,089,360</u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Assets  
Pension Trust Fund - Voluntary 457 Plan**

For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Additions</b>		
Contributions:		
Employee	\$ 1,790,833	\$ 1,875,274
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>361,666</u>	<u>(298,466)</u>
Total Additions	<u>2,152,499</u>	<u>1,576,808</u>
<b>Deductions</b>		
Benefits and Refunds	<u>395,619</u>	<u>236,707</u>
<b>Change in Net Assets</b>	1,756,880	1,340,101
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>3,089,360</u>	<u>1,749,259</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u><u>\$ 4,846,240</u></u>	<u><u>\$ 3,089,360</u></u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets**  
**Pension Trust Fund - Medical Retirement Defined Contribution Plan**  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 5,625,847</u>	<u>\$ 5,427,173</u>
<b>TOTAL ASSETS</b>	<u>5,625,847</u>	<u>5,427,173</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 5,625,847</u>	<u>\$ 5,427,173</u>



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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Assets**  
**Pension Trust Fund - Medical Retirement Defined Contribution Plan**  
For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Additions</b>		
Contributions:		
Employees	\$ 276,486	\$ 292,437
Employer	65,950	71,033
Transfers from Other Plans	-	190,000
	<u>342,436</u>	<u>553,470</u>
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>297,984</u>	<u>(371,299)</u>
	<u>640,420</u>	<u>182,171</u>
<b>Deductions</b>		
Benefits and Refunds	<u>441,746</u>	<u>480,616</u>
<b>Change in Net Assets</b>	198,674	(298,445)
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>5,427,173</u>	<u>5,725,618</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u>\$ 5,625,847</u>	<u>\$ 5,427,173</u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets**  
**Pension Trust Fund - Uniformed Officers Pension Plan**  
For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Receivables:		
Contributions	\$ 287,561	\$ 167,022
Investments	<u>86,961,514</u>	<u>74,435,081</u>
<b>TOTAL ASSETS</b>	<u>87,249,075</u>	<u>74,602,103</u>
 <b>LIABILITIES</b>		
Accounts Payable	<u>62,323</u>	<u>31,224</u>
 <b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u><u>\$ 87,186,752</u></u>	<u><u>\$ 74,570,879</u></u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Assets**  
**Pension Trust Fund - Uniformed Officers Pension Plan**  
For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Additions</b>		
Contributions:		
Employees	\$ 1,776,795	\$ 1,587,882
Employer	4,569,658	2,825,187
Transfers From Other Plans	<u>162,803</u>	<u>-</u>
Total Contributions	<u>6,509,256</u>	<u>4,413,069</u>
Investment Earnings:		
Interest and Dividend Income	738,029	884,472
Net Appreciation (Depreciation) in Fair Value of Investments	<u>8,035,060</u>	<u>(21,661,818)</u>
Total Investment Earnings (Losses)	8,773,089	(20,777,346)
Less Investment Expenses	<u>(229,395)</u>	<u>(211,638)</u>
Net Investment Earnings (Losses)	<u>8,543,694</u>	<u>(20,988,984)</u>
Total Additions	<u>15,052,950</u>	<u>(16,575,915)</u>
<b>Deductions</b>		
Benefits and Refunds	2,039,420	1,490,978
Administrative Expenses	<u>397,657</u>	<u>490,927</u>
Total Deductions	<u>2,437,077</u>	<u>1,981,905</u>
<b>Change in Net Assets</b>	12,615,873	(18,557,820)
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>74,570,879</u>	<u>93,128,699</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u><u>\$ 87,186,752</u></u>	<u><u>\$ 74,570,879</u></u>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Fiduciary Assets and Liabilities**

**Agency Funds**

June 30, 2010

(With comparative totals for June 30, 2009)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2010	2009
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ -	\$ 130,210	\$ 290,446	\$ 1,629,150	\$ 22,607,884	\$ 24,657,690	\$ 24,671,208
Receivables:							
Accounts	6,303,958	-	-	-	475,223	6,779,181	6,741,963
<b>TOTAL ASSETS</b>	<u>\$ 6,303,958</u>	<u>\$ 130,210</u>	<u>\$ 290,446</u>	<u>\$ 1,629,150</u>	<u>\$ 23,083,107</u>	<u>\$ 31,436,871</u>	<u>\$ 31,413,171</u>
<b>LIABILITIES</b>							
Accounts Payable and Accrued Liabilities	\$ 6,303,958	\$ -	\$ 290,446	\$ 1,629,150	\$ -	\$ 8,223,554	\$ 8,178,592
Due to Other Governments	-	-	-	-	5,125,470	5,125,470	2,800,138
Due to Litigants, Heirs and Others	-	130,210	-	-	17,957,637	18,087,847	20,434,441
<b>TOTAL LIABILITIES</b>	<u>\$ 6,303,958</u>	<u>\$ 130,210</u>	<u>\$ 290,446</u>	<u>\$ 1,629,150</u>	<u>\$ 23,083,107</u>	<u>\$ 31,436,871</u>	<u>\$ 31,413,171</u>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds**

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2010	2009
Assets and Liabilities, July 1	\$ 6,197,755	\$ 108,238	\$ 141,446	\$ 1,839,391	\$ 23,126,341	\$ 31,413,171	\$ 30,621,239
Additions	37,079,820	130,210	179,000	8,387,504	70,529,534	116,306,068	136,353,624
Deductions	(36,973,617)	(108,238)	(30,000)	(8,597,745)	(70,572,768)	(116,282,368)	(135,561,692)
Assets and Liabilities, June 30	\$ 6,303,958	\$ 130,210	\$ 290,446	\$ 1,629,150	\$ 23,083,107	\$ 31,436,871	\$ 31,413,171

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, Register and Sheriff  
Combined Schedule of Assets and Liabilities  
June 30, 2010**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 93,685,151	\$ 3,496,408	\$ 4,560,938	\$ 4,183,801	\$ 6,588,484	\$ 1,386,246	\$ 194,416	\$ 114,095,444
Investments	36,616,725	-	286,436	-	493,842	-	-	37,397,003
Accounts Receivable	-	278,068	180,957	-	-	16,198	-	475,223
<b>Total Assets</b>	<b>\$ 130,301,876</b>	<b>\$ 3,774,476</b>	<b>\$ 5,028,331</b>	<b>\$ 4,183,801</b>	<b>\$ 7,082,326</b>	<b>\$ 1,402,444</b>	<b>\$ 194,416</b>	<b>\$ 151,967,670</b>
<b>LIABILITIES</b>								
Due to Other Governments	\$ -	\$ 3,481,987	\$ -	\$ 660,441	\$ -	\$ 983,042	\$ -	\$ 5,125,470
Due to Litigants, Heirs and Others	3,763,984	3,500	4,612,821	2,711,263	6,640,638	31,015	194,416	17,957,637
Fee and Commission Account	519,392	288,989	415,510	812,097	441,688	388,387	-	2,866,063
Amounts Held in Custody for								
Other County Funds:								
General Fund	38,661,098	-	-	-	-	-	-	38,661,098
Special Revenue Funds	8,531,470	-	-	-	-	-	-	8,531,470
Debt Service Fund	15,492,485	-	-	-	-	-	-	15,492,485
Capital Projects Fund - Component Units	44,582,961	-	-	-	-	-	-	44,582,961
Capital Projects Fund - Public Improvement	976,014	-	-	-	-	-	-	976,014
Capital Projects Fund - ADA Construction	1,926,440	-	-	-	-	-	-	1,926,440
Internal Service Funds	13,596,253	-	-	-	-	-	-	13,596,253
Fiduciary Funds/Other	1,949,460	-	-	-	-	-	-	1,949,460
Enterprise Funds	302,319	-	-	-	-	-	-	302,319
<b>Total Liabilities</b>	<b>\$ 130,301,876</b>	<b>\$ 3,774,476</b>	<b>\$ 5,028,331</b>	<b>\$ 4,183,801</b>	<b>\$ 7,082,326</b>	<b>\$ 1,402,444</b>	<b>\$ 194,416</b>	<b>\$ 151,967,670</b>

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, Register and Sheriff  
Combined Schedule of Cash Receipts, Disbursements and Balances  
For the Year Ended June 30, 2010**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total
Receipts								
Fund Accounts	\$ 748,795,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 748,795,078
Litigants, Heirs and Others	76,988,315	-	6,921,536	1,375,208	3,136,896	185,732	2,596,897	91,204,584
State of Tennessee	-	12,589,306	388,198	1,311,066	88,676	9,716,619	-	24,093,865
Knox County	-	21,052,644	2,720,923	3,978,530	345,424	-	-	28,097,521
Fees and Commissions	7,642,414	4,936,334	1,622,047	3,319,725	1,335,169	2,467,991	-	21,323,680
Cities - Clerk Collections	-	-	-	357,895	-	-	-	357,895
Total Receipts	833,425,807	38,578,284	11,652,704	10,342,424	4,906,165	12,370,342	2,596,897	913,872,623
Disbursements	(852,306,604)	(36,650,513)	(13,832,255)	(10,775,663)	(5,173,899)	(12,751,939)	(2,585,263)	(934,076,136)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(18,880,797)	1,927,771	(2,179,551)	(433,239)	(267,734)	(381,597)	11,634	(20,203,513)
Balances, July 1, 2009	149,182,673	1,846,705	7,207,882	4,617,040	7,350,060	1,784,041	182,782	172,171,183
Balances, June 30, 2010	\$ 130,301,876	\$ 3,774,476	\$ 5,028,331	\$ 4,183,801	\$ 7,082,326	\$ 1,402,444	\$ 194,416	\$ 151,967,670

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, and Register  
Combined Analysis of Fee and Commission Accounts  
For the Year Ended June 30, 2010**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total
<b>Revenues</b>							
Fees and Commissions	\$ 7,640,869	\$ 4,936,334	\$ 1,622,047	\$ 3,319,725	\$ 1,335,169	\$ 2,462,816	\$ 21,316,960
Interest Earned	1,545	-	-	-	-	5,175	6,720
<b>Total Revenues</b>	<b>7,642,414</b>	<b>4,936,334</b>	<b>1,622,047</b>	<b>3,319,725</b>	<b>1,335,169</b>	<b>2,467,991</b>	<b>21,323,680</b>
<b>Expenditures</b>							
Salaries-Staff	1,726,938	3,095,708	1,082,019	2,959,193	745,793	1,290,617	10,900,268
Payroll Taxes/Benefits	509,752	1,057,519	426,873	745,674	286,942	445,379	3,472,139
County Official/Administrative Officer	102,748	99,748	117,596	106,206	101,282	99,736	627,316
Travel	57,530	19,431	6,336	8,130	-	9,100	100,527
Other Expenditures	440,256	121,541	-	-	40,760	146,715	749,272
<b>Total Expenditures</b>	<b>2,837,224</b>	<b>4,393,947</b>	<b>1,632,824</b>	<b>3,819,203</b>	<b>1,174,777</b>	<b>1,991,547</b>	<b>15,849,522</b>
<b>Other (Sources) Uses</b>							
Fees and Commissions to County (General Fund)	5,146,634	974,400	33,000	-	191,192	729,972	7,075,198
<b>Total Expenditures and Other Uses</b>	<b>7,983,858</b>	<b>5,368,347</b>	<b>1,665,824</b>	<b>3,819,203</b>	<b>1,365,969</b>	<b>2,721,519</b>	<b>22,924,720</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(341,444)</b>	<b>(432,013)</b>	<b>(43,777)</b>	<b>(499,478)</b>	<b>(30,800)</b>	<b>(253,528)</b>	<b>(1,601,040)</b>
Balances, July 1, 2009	860,836	721,002	459,287	1,311,575	472,488	641,915	4,467,103
<b>Balances, June 30, 2010</b>	<b>\$ 519,392</b>	<b>\$ 288,989</b>	<b>\$ 415,510</b>	<b>\$ 812,097</b>	<b>\$ 441,688</b>	<b>\$ 388,387</b>	<b>\$ 2,866,063</b>



**Schedule of Debt Service Requirements**  
**General Bonded Debt**  
June 30, 2010

Fiscal Year Ending June 30,	\$39,467,607 General Obligation Refunding Series 2001		\$50,000,000 General Obligation Public Improvement Series 2001		\$2,597,104 Andrew Johnson GO Refunding Series 2002		\$31,200,221 General Obligation Refunding Series 2002A		\$31,361,297 General Obligation Refunding Bonds Series 2003		\$5,321,983 General Obligation Refunding Bonds Series 2003A		\$40,000,000 General Obligation Series 2003		\$14,337,717 General Obligation Refunding Series 2004	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 5,092,738	\$ 309,720	\$ 2,415,625	\$ 271,219	\$ 333,840	\$ 15,023	\$ 2,753,367	\$ 1,498,340	\$ 2,063,209	\$ 953,299	\$ -	\$ 248,939	\$ 815,150	\$ 1,648,455	\$ -	\$ 520,940
2012	594,887	29,744	2,515,625	138,359	-	-	2,867,488	1,374,268	5,433,464	855,296	-	248,939	1,214,400	1,616,022	-	520,940
2013	-	-	-	-	-	-	3,748,390	1,168,784	5,695,912	583,623	-	248,939	1,278,367	1,564,255	-	520,940
2014	-	-	-	-	-	-	3,626,100	977,704	5,976,550	298,827	-	248,939	1,345,117	1,509,368	-	520,940
2015	-	-	-	-	-	-	7,280,815	700,601	-	-	-	248,939	1,420,750	1,451,364	-	520,940
2016	-	-	-	-	-	-	1,573,077	332,976	-	-	3,163,596	248,939	1,499,183	1,389,617	1,888,180	520,940
2017	-	-	-	-	-	-	1,648,077	258,255	-	-	1,815,180	90,759	1,577,600	1,324,128	2,074,923	422,540
2018	-	-	-	-	-	-	1,730,770	179,970	-	-	-	-	1,665,617	1,254,896	2,122,646	319,557
2019	-	-	-	-	-	-	1,823,079	93,432	-	-	-	-	1,752,933	1,181,299	2,240,917	214,205
2020	-	-	-	-	-	-	-	-	-	-	-	-	1,843,733	1,103,336	2,074,923	102,983
2021	-	-	-	-	-	-	-	-	-	-	-	-	1,953,000	1,021,007	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	2,064,367	933,064	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	1,978,567	839,508	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	2,097,367	740,339	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	2,225,050	634,933	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	2,353,433	522,666	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	2,489,317	403,538	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-	2,487,500	276,925	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	2,638,332	142,829	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 5,687,625</b>	<b>\$ 339,464</b>	<b>\$ 4,931,250</b>	<b>\$ 409,578</b>	<b>\$ 333,840</b>	<b>\$ 15,023</b>	<b>\$ 27,051,163</b>	<b>\$ 6,584,330</b>	<b>\$ 19,169,135</b>	<b>\$ 2,691,045</b>	<b>\$ 4,978,776</b>	<b>\$ 1,584,393</b>	<b>\$ 34,699,783</b>	<b>\$ 19,557,549</b>	<b>\$ 10,401,589</b>	<b>\$ 4,184,925</b>

continued

KNOX COUNTY, TENNESSEE

Schedule of Debt Service Requirements  
General Bonded Debt (Continued)  
June 30, 2010

Fiscal Year Ending June 30,	\$46,000,000 General Obligation Series 2004		\$29,083,377 General Obligation Refunding Series 2005A		\$50,000,000 General Obligation Series 2005		\$50,450,000 General Obligation Series 2007		\$57,000,000 General Obligation (Taxable) Series 2007		\$26,000,000 General Obligation Series 2008		\$4,550,000 Women's Basketball Hall of Fame		\$1,000,000 Build America Bonds Series 2010		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 460,000	\$ 1,784,800	\$ -	\$ 1,376,231	\$ 876,623	\$ 2,128,734	\$ -	\$ 2,522,500	\$ 1,000,000	\$ 3,082,737	\$ 825,500	\$ 1,260,675	\$ 510,000	\$ 155,263	\$ 1,563	\$ 32,312	\$ 17,147,615	\$ 17,809,187
2012	525,714	1,766,400	-	1,376,231	957,792	2,089,286	-	2,522,500	1,050,000	3,035,237	867,750	1,219,400	520,000	139,963	1,563	34,506	16,548,683	16,967,091
2013	591,429	1,745,371	2,626,750	1,376,231	1,038,961	2,046,185	-	2,522,500	1,100,000	2,985,362	910,000	1,176,012	540,000	124,363	1,563	34,491	17,531,372	16,097,056
2014	657,143	1,721,714	2,724,489	1,255,719	1,120,130	1,999,432	-	2,522,500	1,450,000	2,927,612	955,500	1,130,512	555,000	108,163	1,563	34,470	18,411,592	15,255,900
2015	1,314,286	1,695,429	2,837,499	1,120,226	1,201,299	1,949,026	-	2,522,500	1,500,000	2,851,488	1,004,250	1,082,737	575,000	90,125	1,563	34,443	17,135,462	14,267,818
2016	1,971,429	1,642,857	2,931,640	978,996	1,298,701	1,894,968	-	2,522,500	2,000,000	2,772,738	1,053,000	1,032,525	590,000	70,000	1,563	34,412	17,970,369	13,441,468
2017	2,102,857	1,564,000	3,069,085	834,511	1,363,636	1,836,526	-	2,522,500	2,250,000	2,667,738	1,105,000	979,875	620,000	46,400	1,563	34,377	17,627,921	12,581,609
2018	2,234,286	1,479,886	3,209,585	683,049	1,461,039	1,775,162	-	2,522,500	2,300,000	2,550,738	1,163,500	924,625	640,000	21,600	17,188	34,338	16,544,631	11,746,321
2019	2,365,714	1,390,514	3,362,301	524,457	1,542,208	1,709,416	-	2,522,500	2,400,000	2,429,988	1,218,750	866,450	-	-	17,188	33,891	16,723,090	10,966,152
2020	2,503,714	1,295,886	3,524,181	358,113	1,623,377	1,640,016	-	2,522,500	2,525,000	2,302,788	1,280,500	805,512	-	-	32,813	33,389	15,408,241	10,164,523
2021	2,648,286	1,195,737	3,701,333	183,552	1,704,545	1,566,964	-	2,522,500	5,450,000	2,162,650	1,345,500	741,487	-	-	39,062	32,419	16,841,726	9,426,316
2022	2,799,429	1,089,806	-	-	698,052	1,490,260	-	2,522,500	5,725,000	1,860,175	1,413,750	674,212	-	-	45,312	31,264	12,745,910	8,601,281
2023	2,957,143	977,829	-	-	649,351	1,458,847	-	2,522,500	6,025,000	1,542,437	1,482,000	603,525	-	-	45,312	29,924	13,137,373	7,974,570
2024	3,128,000	859,543	-	-	681,818	1,429,627	-	2,522,500	6,300,000	1,196,000	1,556,750	529,425	-	-	43,750	28,583	13,807,685	7,306,017
2025	3,298,857	734,423	-	-	714,286	1,398,945	-	2,522,500	6,650,000	833,750	1,634,750	451,587	-	-	40,625	27,289	14,563,568	6,603,427
2026	3,482,857	602,469	-	-	746,753	1,366,802	-	2,522,500	7,000,000	451,375	1,716,000	369,850	-	-	76,562	26,088	15,375,605	5,861,750
2027	3,666,857	463,154	-	-	762,987	1,333,198	4,734,257	2,522,500	850,000	48,875	1,803,750	284,050	-	-	6,250	23,376	14,313,418	5,078,691
2028	3,857,429	316,480	-	-	795,455	1,298,864	5,611,649	2,285,787	-	-	1,891,500	193,862	-	-	6,250	23,150	14,649,783	4,395,068
2029	4,054,570	162,183	-	-	827,922	1,263,068	5,904,112	2,005,205	-	-	1,985,750	99,287	-	-	6,250	22,925	15,416,936	3,695,497
2030	-	-	-	-	5,032,468	1,225,812	6,178,297	1,709,999	-	-	-	-	-	-	67,187	22,700	11,277,952	2,958,511
2031	-	-	-	-	5,227,273	999,351	6,507,319	1,401,084	-	-	-	-	-	-	67,187	20,276	11,801,779	2,420,711
2032	-	-	-	-	5,438,312	764,123	6,818,062	1,075,718	-	-	-	-	-	-	73,437	17,765	12,329,811	1,857,606
2033	-	-	-	-	5,649,351	519,399	7,165,362	734,815	-	-	-	-	-	-	79,687	15,020	12,894,400	1,269,234
2034	-	-	-	-	5,892,857	265,179	7,530,942	376,547	-	-	-	-	-	-	85,937	12,042	13,509,736	653,768
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	239,062	8,858	239,062	8,858
Totals	\$ 44,620,000	\$ 22,488,481	\$ 27,986,863	\$ 10,067,316	\$ 47,305,196	\$ 35,449,190	\$ 50,450,000	\$ 52,471,655	\$ 55,575,000	\$ 35,701,688	\$ 25,213,500	\$ 14,425,608	\$ 4,550,000	\$ 755,877	\$ 1,000,000	\$ 682,308	\$ 363,953,720	\$ 207,408,430

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt  
June 30, 2010**

Fiscal Year Ending June 30,	\$2,585,603 Qualified Zone Academy		\$17,277,393 General Obligation Refunding Series 2001		\$30,000,000 General Obligation Public Improvement Series 2001		\$4,987,896 Andrew Johnson GO Refunding Series 2002		\$51,799,779 General Obligation Refunding Series 2002A		\$28,983,703 General Obligation Refunding Bonds Series 2003		\$12,123,017 General Obligation Refunding Bonds Series 2003A		\$32,000,000 General Obligation Series 2003	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 215,467	\$ -	\$ 2,707,262	\$ 216,780	\$ 1,449,375	\$ 162,731	\$ 641,160	\$ 28,852	\$ 4,221,633	\$ 2,297,348	\$ 1,906,791	\$ 881,026	\$ -	\$ 567,061	\$ 484,850	\$ 1,324,920
2012	215,467	-	1,355,114	67,756	1,509,375	83,017	-	-	4,397,512	2,107,544	5,021,536	790,454	-	567,061	860,600	1,298,853
2013	-	-	-	-	-	-	-	-	6,136,610	1,913,454	5,264,088	539,377	-	567,061	921,633	1,257,245
2014	-	-	-	-	-	-	-	-	5,788,900	1,560,859	5,523,450	276,173	-	567,061	979,883	1,213,132
2015	-	-	-	-	-	-	-	-	13,719,185	1,320,137	-	-	-	567,061	1,054,250	1,166,511
2016	-	-	-	-	-	-	-	-	2,516,923	532,760	-	-	7,206,404	567,061	1,125,817	1,116,883
2017	-	-	-	-	-	-	-	-	2,636,923	413,208	-	-	4,134,820	206,741	1,197,400	1,064,247
2018	-	-	-	-	-	-	-	-	2,769,230	287,954	-	-	-	-	1,284,383	1,008,604
2019	-	-	-	-	-	-	-	-	2,916,921	149,492	-	-	-	-	1,372,067	949,451
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,456,267	886,789
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,572,000	820,618
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,685,633	749,936
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,996,433	674,742
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,127,633	595,036
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,274,950	510,317
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,421,567	420,084
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,585,683	324,337
2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,887,500	222,575
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,086,668	114,796
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 430,934</b>	<b>\$ -</b>	<b>\$ 4,062,376</b>	<b>\$ 284,536</b>	<b>\$ 2,958,750</b>	<b>\$ 245,748</b>	<b>\$ 641,160</b>	<b>\$ 28,852</b>	<b>\$ 45,103,837</b>	<b>\$ 10,582,756</b>	<b>\$ 17,715,865</b>	<b>\$ 2,487,030</b>	<b>\$ 11,341,224</b>	<b>\$ 3,609,107</b>	<b>\$ 31,375,217</b>	<b>\$ 15,719,076</b>

*continued*

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt (Continued)  
June 30, 2010

Fiscal Year Ending June 30,	\$20,212,283 General Obligation Refunding Series 2004		\$24,000,000 General Obligation Series 2004		\$18,526,623 General Obligation Refunding Series 2005A		\$11,150,000 Refunding Bonds Series 2005B		\$27,000,000 General Obligation Series 2005		\$18,550,000 General Obligation Series 2007		\$14,000,000 General Obligation Series 2008		\$15,000,000 Build America Bonds Series 2010		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ -	\$ 743,685	\$ 240,000	\$ 931,200	\$ -	\$ 843,109	\$ 945,000	\$ 432,458	\$ 473,377	\$ 1,149,516	\$ -	\$ 927,500	\$ 444,500	\$ 678,825	\$ 23,437	\$ 484,684	\$ 13,752,852	\$ 11,669,695
2012	-	743,685	274,286	921,600	-	843,109	995,000	389,744	517,208	1,128,214	-	927,500	467,250	656,600	23,437	517,596	15,636,785	11,042,733
2013	-	743,685	308,571	910,629	1,583,250	843,109	1,040,000	344,173	561,039	1,104,940	-	927,500	490,000	633,238	23,437	517,367	16,328,628	10,301,778
2014	-	743,685	342,857	898,286	1,645,511	769,281	1,095,000	296,229	604,870	1,079,693	-	927,500	514,500	608,738	23,437	517,063	16,518,408	9,457,700
2015	-	743,685	685,714	884,571	1,717,501	686,274	1,150,000	243,998	648,701	1,052,474	-	927,500	540,750	583,013	23,437	516,651	19,539,538	8,691,875
2016	2,661,820	743,685	1,028,571	857,143	1,728,360	599,754	1,210,000	188,798	701,299	1,023,282	-	927,500	567,000	555,975	23,437	516,195	18,769,631	7,629,036
2017	2,925,077	603,210	1,097,143	816,000	1,815,915	511,239	1,275,000	130,113	736,364	991,724	-	927,500	595,000	527,625	23,437	515,661	16,437,079	6,707,268
2018	2,992,354	456,193	1,165,714	772,114	1,905,415	418,451	1,340,000	67,000	788,961	958,588	-	927,500	626,500	497,875	257,812	515,083	13,130,369	5,909,362
2019	3,159,083	305,795	1,234,286	725,486	2,002,699	321,293	-	-	832,792	923,084	-	927,500	656,250	466,550	257,812	508,380	12,431,910	5,277,031
2020	2,925,077	147,017	1,306,286	676,114	2,105,819	219,387	-	-	876,623	885,609	-	927,500	689,500	433,738	492,187	500,838	9,851,759	4,676,992
2021	-	-	1,381,714	623,863	2,218,667	112,448	-	-	920,455	846,161	-	927,500	724,500	399,263	585,938	486,281	7,403,274	4,216,134
2022	-	-	1,460,571	568,594	-	-	-	-	376,948	804,740	-	927,500	761,250	363,038	679,688	468,952	4,964,090	3,882,760
2023	-	-	1,542,857	510,171	-	-	-	-	350,649	787,778	-	927,500	798,000	324,975	679,688	448,850	5,367,627	3,674,016
2024	-	-	1,632,000	448,457	-	-	-	-	368,182	771,998	-	927,500	838,250	285,075	656,250	428,749	5,622,315	3,456,815
2025	-	-	1,721,143	383,177	-	-	-	-	385,714	755,430	-	927,500	880,250	243,163	609,375	409,340	5,871,432	3,228,927
2026	-	-	1,817,143	314,331	-	-	-	-	403,247	738,073	-	927,500	924,000	199,150	1,148,438	391,318	6,714,395	2,990,456
2027	-	-	1,913,143	241,646	-	-	-	-	412,013	719,927	1,740,743	927,500	971,250	152,950	93,750	350,634	7,716,582	2,716,994
2028	-	-	2,012,571	165,120	-	-	-	-	429,545	701,386	2,063,351	840,463	1,018,500	104,388	93,750	347,253	8,505,217	2,381,185
2029	-	-	2,115,430	84,617	-	-	-	-	447,078	682,057	2,170,888	737,295	1,069,250	53,463	93,750	343,869	8,983,064	2,016,097
2030	-	-	-	-	-	-	-	-	2,717,532	661,938	2,271,703	628,751	-	-	1,007,813	340,487	5,997,048	1,631,176
2031	-	-	-	-	-	-	-	-	2,822,727	539,649	2,392,681	515,166	-	-	1,007,813	304,131	6,223,221	1,358,946
2032	-	-	-	-	-	-	-	-	2,936,688	412,627	2,506,938	395,532	-	-	1,101,563	266,464	6,545,189	1,074,623
2033	-	-	-	-	-	-	-	-	3,050,649	280,476	2,634,638	270,185	-	-	1,195,313	225,293	6,880,600	775,954
2034	-	-	-	-	-	-	-	-	3,182,143	143,196	2,769,058	138,453	-	-	1,289,063	180,618	7,240,264	462,267
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,585,938	132,858	3,585,938	132,858
Totals	\$ 14,663,411	\$ 5,974,325	\$ 23,280,000	\$ 11,733,119	\$ 16,723,137	\$ 6,167,454	\$ 9,050,000	\$ 2,092,513	\$ 25,544,804	\$ 19,142,560	\$ 18,550,000	\$ 19,293,345	\$ 13,576,500	\$ 7,767,642	\$ 15,000,000	\$ 10,234,615	\$ 250,017,215	\$ 115,362,678

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***KNOX COUNTY, TENNESSEE***

***Schedule of Salaries and Bonds of Principal Elected Officials***  
***For the year ended June 30, 2010***

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<b>OFFICIAL</b>	<b>AUTHORIZATION FOR SALARY</b>	<b>SALARY PAID DURING YEAR</b>	<b>BOND AMOUNT</b>	<b>SURETY</b>
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 130,642	\$ 10,000	Hartford Fire Insurance
Attorney General	Section 8-6-104, T.C.A.	\$ 5,500	\$ -	
Circuit and Civil Sessions Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 127,696	\$ 300,000	Hartford Fire Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 106,386	\$ 60,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 156,075	\$ 50,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 116,837	\$ 250,000	Hartford Fire Insurance
Law Director*	Section 3.08, Knox County Charter	\$ 154,320	\$ -	
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 110,336	\$ 100,000	Hartford Fire Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 136,336	\$ 25,000	Hartford Fire Insurance
Trustee	Section 8-24-102 (k), T.C.A.	\$ 109,048	\$ 15,301,673	Hartford Fire Insurance

\*Official's annual salary although for a full twelve months was not earned in this position only.

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**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds  
Comparative Schedules by Source<sup>1</sup>  
June 30, 2010 and 2009  
(In Thousands of Dollars)**

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	<u>2010</u>	<u>2009</u>
Governmental Funds Capital Assets:		
Land	\$ 97,800	\$ 96,672
Buildings	197,836	197,755
Improvements Other than Buildings	20,408	20,088
Machinery and Equipment	28,288	27,178
Intangibles	19,781	19,687
Infrastructure	501,425	499,505
Construction in Progress	71,286	67,263
Total Governmental Funds Capital Assets	<u>\$ 936,824</u>	<u>\$ 928,148</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 2,087	\$ 1,461
Special Revenue Funds	1,316	923
Capital Projects Funds	933,421	925,764
Total Governmental Funds Capital Assets	<u>\$ 936,824</u>	<u>\$ 928,148</u>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds**

**Schedule by Function and Activity<sup>1</sup>**

**June 30, 2010**

(In Thousands of Dollars)

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery And Equipment	Intangibles	Infrastructure	Construction In Progress	Total
<b>General Government:</b>								
Finance and Administration	\$ -	\$ 264	\$ 16	\$ 2,412	\$ 7,993	\$ -	\$ 1,125	\$ 11,810
Administration of Justice	1,150	22,046	70	380	10,949	-	-	34,595
Public Safety	366	40,879	29	12,871	722	-	14,530	69,397
Public Health and Welfare	4,256	36,483	881	3,234	-	-	62	44,916
Social and Cultural Services	19,593	67,153	19,412	2,636	117	-	5,470	114,381
Other General Government	3,917	28,793	-	2,374	-	-	12,621	47,705
<b>Total General Government</b>	<b>29,282</b>	<b>195,618</b>	<b>20,408</b>	<b>23,907</b>	<b>19,781</b>	<b>-</b>	<b>33,808</b>	<b>322,804</b>
Engineering & Public Works	68,518	2,218	-	4,381	-	501,425	37,478	614,020
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 97,800</b>	<b>\$ 197,836</b>	<b>\$ 20,408</b>	<b>\$ 28,288</b>	<b>\$ 19,781</b>	<b>\$ 501,425</b>	<b>\$ 71,286</b>	<b>\$ 936,824</b>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity<sup>1</sup>  
For the Fiscal Year Ended June 30, 2010  
(In Thousands of Dollars)**

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<b>Function and Activity</b>	<b>Governmental Funds Capital Assets July 1, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2010</b>
General Government:				
Finance and Administration	\$ 19,428	\$ 1,407	\$ 9,025	\$ 11,810
Administration of Justice	34,505	142	52	34,595
Public Safety	68,014	1,383	-	69,397
Public Health and Welfare	44,101	1,061	246	44,916
Social and Cultural Services	114,321	76	16	114,381
Other General Government	39,740	13,704	5,739	47,705
Total General Government	<u>320,109</u>	<u>17,773</u>	<u>15,078</u>	<u>322,804</u>
Engineering & Public Works	<u>608,039</u>	<u>6,204</u>	<u>223</u>	<u>614,020</u>
Total Governmental Funds Capital Assets	<u>\$ 928,148</u>	<u>\$ 23,977</u>	<u>\$ 15,301</u>	<u>\$ 936,824</u>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.



# Component Unit – Board of Education



## **DISCRETELY PRESENTED COMPONENT UNIT KNOX COUNTY BOARD OF EDUCATION**

This section presents combining and individual fund financial statements for the Knox County Board of Education (the Board), a discretely presented component unit. The Board uses a general fund, a capital projects fund, three special revenue funds, a pension trust fund, and an agency fund. This section also includes the Statement of Net Assets and Statement of Activities for the Board and its discretely presented component unit, the Great Schools Partnership.

### **MAJOR FUNDS**

#### **GENERAL FUND**

**General Purpose School Fund:** This fund is used to account for general operations of the Board. Major funding is provided through local tax levies and state education funds.

### **NONMAJOR GOVERNMENTAL FUNDS**

#### **CAPITAL PROJECTS FUND**

**School Construction Fund:** This fund is used to account for the Schools' building construction and renovations of the Board.

#### **SPECIAL REVENUE FUNDS**

**School Federal Projects Fund:** This fund is used to account for restricted federal revenues that must be expended on specific education programs.

**School General Projects Fund:** This fund is used to account for state, local and federal pass-through revenues which must be expended on specific education programs.

**Central Cafeteria Fund:** This fund is used to account for the cafeteria operations in each of the individual schools. The primary sources of funding are federal and state revenues for the school lunch program and sales to students and adults.

#### **FIDUCIARY FUND**

**Pension Trust Fund:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the Board's defined benefit plan for certificated teachers.

#### **AGENCY FUND**

**School Activity Fund:** This fund accounts for the activity related to individual public school funds held in an agency capacity since these funds legally belong to students.

**Knox County Board of Education**

**Statement of Net Assets**

June 30, 2010

	<b>Board of Education</b>	<b>Component Unit</b>	
	<b>Total -- Governmental Activities</b>	<b>Great Schools Partnership</b>	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 66,155,461	\$ 960,143	\$ 67,115,604
Accounts Receivable	34,596,381	12,170	34,608,551
Property Taxes Receivable, net	117,330,656	-	117,330,656
Due from Component Units	39,738	-	39,738
Due from Primary Government	326,385	-	326,385
Due from Knox County Board of Education	-	347,492	347,492
Due from Other Governments	1,233	-	1,233
Inventories	1,127,048	-	1,127,048
Prepaid Items	792,857	3,600	796,457
Capital Assets:			
Land and Construction in Process	39,551,984	-	39,551,984
Other Capital Assets, Net of Accumulated Depreciation	289,963,091	-	289,963,091
<b>Total Assets</b>	<b>549,884,834</b>	<b>1,323,405</b>	<b>551,208,239</b>
<b>Liabilities</b>			
Accounts Payable	48,972,104	584,209	49,556,313
Due to Component Units	347,492	-	347,492
Due to Knox County Primary Government	701,175	2,900	704,075
Due to Knox County Board of Education	-	39,738	39,738
Unearned Revenue	111,769,464	-	111,769,464
Long-term Liability--Accrued Pension Obligation	3,193,028	-	3,193,028
Other Long-term Obligations:			
Due in Less than One Year	3,280,211	-	3,280,211
Due in More than One Year	21,615,684	-	21,615,684
<b>Total Liabilities</b>	<b>189,879,158</b>	<b>626,847</b>	<b>190,506,005</b>
<b>Net Assets</b>			
Invested in Capital Assets	312,139,990	-	312,139,990
Restricted for:			
Capital Projects	11,810,950	-	11,810,950
Other Purposes	1,310,395	-	1,310,395
Net Assets - Unrestricted	34,744,341	696,558	35,440,899
	<b>\$ 360,005,676</b>	<b>\$ 696,558</b>	<b>\$ 360,702,234</b>

**Knox County Board of Education**

**Statement of Activities**

For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education Governmental Activities	Component Unit The Partnership	Total Component Unit
<b>Knox County Board of Education:</b>							
Governmental activities:							
Education	\$ 449,203,732	\$ 14,558,045	\$ 74,994,650	\$ -	\$ (359,651,037)		\$ (359,651,037)
Education - Payment to Primary Government	26,164,220	-	-	-	(26,164,220)		(26,164,220)
Education - Payment to Component Unit	5,547,055	-	-	-	(5,547,055)		(5,547,055)
<b>Total primary government</b>	<u>\$ 480,915,007</u>	<u>\$ 14,558,045</u>	<u>\$ 74,994,650</u>	<u>\$ -</u>	<u>(391,362,312)</u>		<u>(391,362,312)</u>
<b>Component unit:</b>							
Great Schools Partnership	\$ 4,794,387	\$ -	\$ -	\$ -		\$ (4,794,387)	(4,794,387)
Great Schools Partnership - Payment to Knox County Board of Education	1,183,168	-	-	-		(1,183,168)	(1,183,168)
<b>Total component units</b>	<u>\$ 5,977,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(5,977,555)</u>	<u>(5,977,555)</u>
<b>General Revenues:</b>							
Property Taxes					106,737,074	-	106,737,074
Sales Taxes					114,769,928	-	114,769,928
Wheel Taxes					1,494,272	-	1,494,272
Other Local Taxes					1,065,154	-	1,065,154
Interest Income					82,275	-	82,275
Other Revenues					1,358,830	-	1,358,830
Miscellaneous					109,577	-	109,577
Grants and Contributions Not Restricted for Specific Programs					139,899,700	-	139,899,700
Payments from Knox County Primary Government					33,409,968	-	33,409,968
Payments from Knox County Board of Education					-	5,547,055	5,547,055
Payments from Component Unit					1,183,168	-	1,183,168
<b>Total General Revenues</b>					<u>400,109,946</u>	<u>5,547,055</u>	<u>405,657,001</u>
Change in Net Assets					8,747,634	(430,500)	8,317,134
Net Assets, July 1					351,258,042	1,127,058	352,385,100
Net Assets, June 30					<u>\$ 360,005,676</u>	<u>\$ 696,558</u>	<u>\$ 360,702,234</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

**Balance Sheet**

**Governmental Funds**

June 30, 2010

	<b>General Purpose School</b>	<b>School Construction Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 38,711,872	\$ 22,149,476	\$ 5,294,113	\$ 66,155,461
Receivables (Net of Allowance for Uncollectibles):				
Accounts	20,716,197	2,985,683	10,894,501	34,596,381
Property Taxes	117,330,656	-	-	117,330,656
Due from Other Funds	6,841,768	-	4,447,973	11,289,741
Due from Component Units	36,336	-	3,402	39,738
Due from Primary Government	248,965	77,420	-	326,385
Due from Other Governments	1,233	-	-	1,233
Inventories	934,440	-	192,608	1,127,048
Prepaid Items	605,443	-	187,414	792,857
<b>TOTAL ASSETS</b>	<b>\$ 185,426,910</b>	<b>\$ 25,212,579</b>	<b>\$ 21,020,011</b>	<b>\$ 231,659,500</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 43,494,379	\$ 1,050,984	\$ 4,426,741	\$ 48,972,104
Due to Other Funds	1,135,018	1,425,673	8,729,050	11,289,741
Due to Component Units	347,421	-	71	347,492
Due to Primary Government	570,641	-	130,534	701,175
Deferred Revenue	116,184,261	-	1,697,888	117,882,149
<b>TOTAL LIABILITIES</b>	<b>161,731,720</b>	<b>2,476,657</b>	<b>14,984,284</b>	<b>179,192,661</b>
<b>Fund Balances (Deficits):</b>				
Reserved	3,600,569	14,831,504	1,947,532	20,379,605
Unreserved:				
Undesignated	20,094,621	7,904,418	-	27,999,039
Unreserved, Reported in Nonmajor:				
School Federal Projects	-	-	(170,400)	(170,400)
School General Projects	-	-	(274,129)	(274,129)
Central Cafeteria	-	-	4,532,724	4,532,724
<b>TOTAL FUND BALANCES</b>	<b>23,695,190</b>	<b>22,735,922</b>	<b>6,035,727</b>	<b>52,466,839</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 185,426,910</b>	<b>\$ 25,212,579</b>	<b>\$ 21,020,011</b>	<b>\$ 231,659,500</b>

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**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Assets**  
June 30, 2010

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Amounts reported for governmental activities in the statement of net assets are different because:

Ending Fund Balance - Governmental Funds	\$ 52,466,839
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	329,515,075
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were deferred in the fund financial statements but have been recognized under the accrual basis.	6,112,685
Long-term liabilities, consisting of compensated absences (\$2,431,988), capital lease obligations (\$22,463,907), and pension obligation (\$3,193,028), are not due and payable in the current period and therefore are not reported in the funds.	<u>(28,088,923)</u>
Net Assets of Governmental Activities	<u><u>\$ 360,005,676</u></u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2010

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local Taxes	\$ 207,285,597	\$ 17,493,716	\$ -	\$ 224,779,313
Licenses and Permits	28,110	-	-	28,110
Charges for Current Services	619,304	-	9,983,291	10,602,595
Other Local Revenues	3,072,315	-	889,972	3,962,287
State of Tennessee	155,837,369	-	1,075,343	156,912,712
Federal Government	636,405	-	58,029,706	58,666,111
Other Governments and Citizen Groups	90,963	-	674,357	765,320
Interest Earned	-	65,942	-	65,942
Payments from Primary Government	-	-	3,823,874	3,823,874
Payment from Component Unit	1,183,168	-	-	1,183,168
Debt Proceeds Received from Primary Government	-	14,822,428	-	14,822,428
<b>Total Revenues</b>	<b>368,753,231</b>	<b>32,382,086</b>	<b>74,476,543</b>	<b>475,611,860</b>
<b>Expenditures</b>				
Current:				
Education	359,106,054	-	73,704,991	432,811,045
Capital Outlay	-	18,979,670	-	18,979,670
Payments to Primary Government	6,361,555	19,802,665	-	26,164,220
Payments to Component Unit	1,723,181	-	3,823,874	5,547,055
Other Charges	-	145,080	-	145,080
<b>Total Expenditures</b>	<b>367,190,790</b>	<b>38,927,415</b>	<b>77,528,865</b>	<b>483,647,070</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,562,441</b>	<b>(6,545,329)</b>	<b>(3,052,322)</b>	<b>(8,035,210)</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Proceeds	-	13,042,168	-	13,042,168
Transfers from Other Funds	400,000	-	4,050,558	4,450,558
Transfers to Other Funds	(4,050,558)	-	(400,000)	(4,450,558)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,650,558)</b>	<b>13,042,168</b>	<b>3,650,558</b>	<b>13,042,168</b>
<b>Net Change in Fund Balances</b>	<b>(2,088,117)</b>	<b>6,496,839</b>	<b>598,236</b>	<b>5,006,958</b>
<b>Fund Balance, July 1</b>	<b>25,783,307</b>	<b>16,239,083</b>	<b>5,437,491</b>	<b>47,459,881</b>
<b>Fund Balance, June 30</b>	<b>\$ 23,695,190</b>	<b>\$ 22,735,922</b>	<b>\$ 6,035,727</b>	<b>\$ 52,466,839</b>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit  
Knox County Board of Education  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities**

For the Year Ended June 30, 2010

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Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 5,006,958
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$13,684,169) exceeded depreciation (\$11,698,485) in the current period.	 1,985,684
 The Primary Government provided a capital asset to the Board. This transaction did not provide current resources to governmental funds, but resulted in the recognition of revenue in the statement of activities.	 14,763,666
 Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements.	 6,112,685
 Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities.	 (6,825,570)
 Capital lease proceeds provide current resources to governmental funds, but increase long-term liabilities in the statement of net assets.	 (13,042,168)
 The repayment of the capital lease reduces long-term liabilities in the statement of net assets.	 1,040,584
 Expenses reported in the statement of activities include the increase in the liability for compensated absences of \$321,805. In addition, the reduction of the net pension obligation of \$27,600 resulted in the reduction of expenses. These amounts do not require the use of current financial resources and, therefore, are not reflected in the expenditures of governmental funds.	 <u>(294,205)</u>
 Change in Net Assets of Governmental Activities	 <u>\$ 8,747,634</u>



KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Balance Sheets  
June 30, 2010 and June 30, 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 38,711,872	\$ 43,974,593
Receivables (Net of Allowance for Uncollectibles):		
Accounts	20,716,197	19,869,004
Property Taxes	117,330,656	120,474,157
Due from Other Governments	1,233	-
Due from Primary Government	248,965	749,746
Due from Component Unit	36,336	5,598
Due from Other Funds	6,841,768	5,517,074
Prepaid Items	605,443	1,182,968
Inventories	934,440	1,019,316
<b>TOTAL ASSETS</b>	<u>\$ 185,426,910</u>	<u>\$ 192,792,456</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 43,494,379	\$ 46,262,128
Due to Other Funds	1,135,018	1,030,098
Due to Primary Government	570,641	461,988
Due to Component Unit	347,421	-
Deferred Revenue	116,184,261	119,254,935
<b>TOTAL LIABILITIES</b>	<u>161,731,720</u>	<u>167,009,149</u>
<b>Fund Balances:</b>		
Reserved	3,600,569	3,782,030
Unreserved:		
Undesignated	20,094,621	22,001,277
<b>TOTAL FUND BALANCES</b>	<u>23,695,190</u>	<u>25,783,307</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 185,426,910</u>	<u>\$ 192,792,456</u>

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KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances**  
For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Local Taxes	\$ 207,285,597	\$ 206,214,311
Licenses and Permits	28,110	29,222
Charges for Current Services	619,304	868,925
Other Local Revenues	3,072,315	2,248,522
State of Tennessee	155,837,369	155,292,459
Federal Government	636,405	673,265
Other Governments and Citizen Groups	90,963	68,288
Payment from Primary Government	-	82,500
Payment from Component Units	<u>1,183,168</u>	<u>1,645</u>
Total Revenues	<u>368,753,231</u>	<u>365,479,137</u>
<b>Expenditures</b>		
Current:		
Education	359,106,054	362,301,509
Payments to Primary Government	6,361,555	5,131,555
Payments to Component Unit	<u>1,723,181</u>	<u>1,504,848</u>
Total Expenditures	<u>367,190,790</u>	<u>368,937,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,562,441</u>	<u>(3,458,775)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	400,000	20,833
Transfers to Other Funds	<u>(4,050,558)</u>	<u>(2,395,543)</u>
Total Other Financing Uses	<u>(3,650,558)</u>	<u>(2,374,710)</u>
Net Change in Fund Balances	(2,088,117)	(5,833,485)
Fund Balances, July 1	<u>25,783,307</u>	<u>31,616,792</u>
Fund Balances, June 30	<u><u>\$ 23,695,190</u></u>	<u><u>\$ 25,783,307</u></u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Local Taxes	\$ 212,389,500	\$ 212,389,500	\$ 207,285,597	\$ (5,103,903)	\$ 212,991,510	\$ 206,214,311	\$ (6,777,199)	
Licenses and Permits	36,000	36,000	28,110	(7,890)	36,000	29,222	(6,778)	
Charges for Current Services	1,191,800	1,191,800	619,304	(572,496)	745,000	868,925	123,925	
Other Local Revenues	2,560,000	3,110,799	3,072,315	(38,484)	2,265,793	2,248,522	(17,271)	
State of Tennessee	155,185,700	155,185,700	155,837,369	651,669	152,383,761	155,292,459	2,908,698	
Federal Government	537,000	598,499	636,405	37,906	574,458	673,265	98,807	
Other Governments and Citizen Groups	-	-	90,963	90,963	-	68,288	68,288	
Payments from Primary Government	-	-	-	-	82,500	82,500	-	
Payments from Component Unit	-	1,183,168	1,183,168	-	1,645	1,645	-	
<b>Total Revenues</b>	<b>371,900,000</b>	<b>373,695,466</b>	<b>368,753,231</b>	<b>(4,942,235)</b>	<b>369,080,667</b>	<b>365,479,137</b>	<b>(3,601,530)</b>	
<b>Expenditures</b>								
Current:								
Education:								
Personal Services	254,664,727	254,227,724	245,753,669	8,474,055	254,412,201	248,201,753	6,210,448	
Employee Benefits	58,639,084	60,292,180	59,906,396	385,784	58,083,337	58,068,867	14,470	
Contracted Services	21,248,544	20,996,406	20,822,862	173,544	24,494,855	22,428,058	2,066,797	
Supplies and Materials	23,660,212	24,682,441	24,485,891	196,550	27,335,882	25,374,719	1,961,163	
Other Charges	8,136,409	7,456,230	7,232,627	223,603	8,027,302	7,482,643	544,659	
Capital Outlay	816,288	941,596	904,609	36,987	1,036,320	745,469	290,851	
Payments to Primary Government	6,361,555	6,361,555	6,361,555	-	5,132,099	5,131,555	544	
Payments to Component Unit	1,723,181	1,723,181	1,723,181	-	1,504,848	1,504,848	-	
<b>Total Expenditures</b>	<b>375,250,000</b>	<b>376,681,313</b>	<b>367,190,790</b>	<b>9,490,523</b>	<b>380,026,844</b>	<b>368,937,912</b>	<b>11,088,932</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,350,000)	(2,985,847)	1,562,441	4,548,288	(10,946,177)	(3,458,775)	7,487,402	

continued

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 General Fund - General Purpose School  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis) (Continued)  
 For the years ended June 30, 2010 and June 30, 2009

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	400,000	400,000	400,000	-	248,355	20,833	(227,522)
Transfers to Other Funds	-	(4,050,558)	(4,050,558)	-	(2,395,543)	(2,395,543)	-
Total Other Financing Sources (Uses)	400,000	(3,650,558)	(3,650,558)	-	(2,147,188)	(2,374,710)	(227,522)
Net Change in Fund Balances	(2,950,000)	(6,636,405)	(2,088,117)	4,548,288	(13,093,365)	(5,833,485)	7,259,880
Fund Balances, July 1	25,783,307	25,783,307	25,783,307	-	31,616,792	31,616,792	-
Fund Balances, June 30	\$ 22,833,307	\$ 19,146,902	\$ 23,695,190	\$ 4,548,288	\$ 18,523,427	\$ 25,783,307	\$ 7,259,880

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Balance Sheets  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 22,149,476	\$ 14,560,000
Receivables (Net of Allowance for Uncollectibles):		
Accounts	2,985,683	2,912,462
Due from Primary Government	<u>77,420</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 25,212,579</u></u>	<u><u>\$ 17,472,462</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 1,050,984	\$ 1,075,971
Due to Other Funds	<u>1,425,673</u>	<u>157,408</u>
<b>TOTAL LIABILITIES</b>	<u>2,476,657</u>	<u>1,233,379</u>
<b>Fund Balances:</b>		
Reserved	14,831,504	5,148,442
Unreserved, Undesignated	<u>7,904,418</u>	<u>11,090,641</u>
<b>TOTAL FUND BALANCES</b>	<u>22,735,922</u>	<u>16,239,083</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 25,212,579</u></u>	<u><u>\$ 17,472,462</u></u>

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KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances**  
For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Local Taxes	\$ 17,493,716	\$ 17,755,090
Interest Earned	65,942	288,290
Debt Proceeds Received from Primary Government	<u>14,822,428</u>	<u>14,000,000</u>
Total Revenues	<u>32,382,086</u>	<u>32,043,380</u>
<b>Expenditures</b>		
Capital Projects	18,979,670	20,593,278
Payments to Primary Government	19,802,665	19,500,000
Other Charges	<u>145,080</u>	<u>288,435</u>
Total Expenditures	<u>38,927,415</u>	<u>40,381,713</u>
Deficiency of Revenues Under Expenditures	<u>(6,545,329)</u>	<u>(8,338,333)</u>
<b>Other Financing Sources</b>		
Capital Lease Proceeds	<u>13,042,168</u>	<u>-</u>
Net Change in Fund Balances	6,496,839	(8,338,333)
Fund Balances, July 1	<u>16,239,083</u>	<u>24,577,416</u>
Fund Balances, June 30	<u><u>\$ 22,735,922</u></u>	<u><u>\$ 16,239,083</u></u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School Construction Capital Projects Fund  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (Budget Basis)  
 For the years ended June 30, 2010 and June 30, 2009

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 18,600,000	\$ 18,600,000	\$ 17,493,716	\$ (1,106,284)	\$ 19,600,000	\$ 17,755,090	\$ (1,844,910)
Other Local Revenue	600,000	600,000	65,942	(534,058)	702,665	288,290	(414,375)
<b>Total Revenues</b>	<b>19,200,000</b>	<b>19,200,000</b>	<b>17,559,658</b>	<b>(1,640,342)</b>	<b>20,302,665</b>	<b>18,043,380</b>	<b>(2,259,285)</b>
<b>Expenditures</b>							
Other Charges:							
Payments to Primary Government	19,802,665	19,802,665	19,802,665	-	19,802,665	19,500,000	302,665
Issuance Costs	-	-	-	-	300,000	140,000	160,000
Other Charges	-	-	-	-	200,000	148,435	51,565
<b>Total Expenditures</b>	<b>19,802,665</b>	<b>19,802,665</b>	<b>19,802,665</b>	<b>-</b>	<b>20,302,665</b>	<b>19,788,435</b>	<b>514,230</b>
<b>Net Change in Fund Balances</b>	<b>(602,665)</b>	<b>(602,665)</b>	<b>(2,243,007)</b>	<b>(1,640,342)</b>	<b>-</b>	<b>(1,745,055)</b>	<b>(1,745,055)</b>
<b>Fund Balances, July 1 (Budget Basis)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances, June 30 (Budget Basis)</b>	<b>\$ (602,665)</b>	<b>\$ (602,665)</b>	<b>\$ (2,243,007)</b>	<b>\$ (1,640,342)</b>	<b>\$ -</b>	<b>\$ (1,745,055)</b>	<b>\$ (1,745,055)</b>
<b>Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):</b>							
Fund Balance (Budget Basis)			\$ (2,243,007)			\$ (1,745,055)	
Timing Differences:							
Project Length Budgets			24,978,929			17,984,138	
Fund Balance (GAAP Basis)			<u>\$ 22,735,922</u>			<u>\$ 16,239,083</u>	

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School Construction Capital Projects Fund  
 Schedule of Construction Project Expenditures -  
 Budget and Actual  
 For the year ended June 30, 2010

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Physical Plant Upgrades	\$ 21,856,398	\$ -	\$ 8,006,511	\$ 8,006,511	\$ 13,849,887
Roofing and HVAC	3,802,777	3,777,745	25,032	3,802,777	-
Foundation Stabilization	750,000	743,375	1,243	744,618	5,382
Elementary Growth	1,200,000	643,395	551,773	1,195,168	4,832
School Energy Savings Project	25,252,988	10,253,839	8,699,507	18,953,346	6,299,642
School Maintenance & Consolidation	1,022,993	1,015,141	7,852	1,022,993	-
Amherst Elementary	16,077,296	16,004,341	51,911	16,056,252	21,044
Cedar Bluff K-3	20,037,113	19,756,645	226,464	19,983,109	54,004
Brickey Elementary	14,410,823	14,402,698	-	14,402,698	8,125
New Holston Middle	11,944,500	11,860,746	-	11,860,746	83,754
West High Library / Cafeteria	2,200,000	2,198,138	110	2,198,248	1,752
Gibbs Elementary School	15,404,720	15,348,708	31,892	15,380,600	24,120
Powell Middle	1,128,543	1,121,610	-	1,121,610	6,933
Karns High Addition and Renovations	3,000,000	2,973,679	-	2,973,679	26,321
Hardin Valley High School	50,000,000	48,860,562	1,024,113	49,884,675	115,325
Ball Camp ES Addition/Renovation	5,425,000	64,102	353,262	417,364	5,007,636
<i>Total Capital Projects:</i>	<u>\$ 193,513,151</u>	<u>\$ 149,024,724</u>	<u>\$ 18,979,670</u>	<u>\$ 168,004,394</u>	<u>\$ 25,508,757</u>
Project Expenditures			\$ 18,979,670		
Adjustment for expenditures budgeted on an annual basis and other non-project expenditures				19,947,745	
Total School Construction Fund Expenditures				<u>\$ 38,927,415</u>	



**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

June 30, 2010

	<b>School Federal Projects</b>	<b>School General Projects</b>	<b>Central Cafeteria</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 1,463,504	\$ 3,830,609	\$ 5,294,113
Receivables (Net of Allowance for Uncollectibles):				
Accounts	9,430,836	310,253	1,153,412	10,894,501
Due from Other Funds	1,563,441	2,881,776	2,756	4,447,973
Due from Component Units	-	3,402	-	3,402
Inventories	-	-	192,608	192,608
Prepaid Items	50,942	136,472	-	187,414
<b>TOTAL ASSETS</b>	<b>\$ 11,045,219</b>	<b>\$ 4,795,407</b>	<b>\$ 5,179,385</b>	<b>\$ 21,020,011</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 3,654,518	\$ 561,838	\$ 210,385	\$ 4,426,741
Due to Other Funds	7,322,472	1,383,996	22,582	8,729,050
Due to Component Units	71	-	-	71
Due to Primary Government	52,020	78,514	-	130,534
Deferred Revenue	3,760	1,473,042	221,086	1,697,888
<b>TOTAL LIABILITIES</b>	<b>11,032,841</b>	<b>3,497,390</b>	<b>454,053</b>	<b>14,984,284</b>
<b>Fund Balances (Deficits):</b>				
Reserved	182,778	1,572,146	192,608	1,947,532
Unreserved:				
Undesignated	(170,400)	(274,129)	4,532,724	4,088,195
<b>TOTAL FUND BALANCES</b>	<b>12,378</b>	<b>1,298,017</b>	<b>4,725,332</b>	<b>6,035,727</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,045,219</b>	<b>\$ 4,795,407</b>	<b>\$ 5,179,385</b>	<b>\$ 21,020,011</b>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2010

	School Federal Projects	School General Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Charges for Current Services	\$ -	\$ 743,091	\$ 9,240,200	\$ 9,983,291
Other Local Revenues	-	610,959	279,013	889,972
State of Tennessee	92,028	739,724	243,591	1,075,343
Federal Government	44,351,206	-	13,678,500	58,029,706
Other Governments and Citizen Groups	-	674,357	-	674,357
Payments from Primary Government	-	3,823,874	-	3,823,874
Total Revenues	44,443,234	6,592,005	23,441,304	74,476,543
<b>Expenditures</b>				
Current:				
Education	44,505,896	7,467,609	21,731,486	73,704,991
Payment to Component Unit	-	3,823,874	-	3,823,874
Total Expenditures	44,505,896	11,291,483	21,731,486	77,528,865
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(62,662)	(4,699,478)	1,709,818	(3,052,322)
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	62,712	3,987,846	-	4,050,558
Transfers to Other Funds	-	-	(400,000)	(400,000)
Total Other Financing Sources (Uses)	62,712	3,987,846	(400,000)	3,650,558
<b>Net Change in Fund Balances</b>	50	(711,632)	1,309,818	598,236
<b>Fund Balance, July 1</b>	12,328	2,009,649	3,415,514	5,437,491
<b>Fund Balance, June 30</b>	\$ 12,378	\$ 1,298,017	\$ 4,725,332	\$ 6,035,727

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 9,430,836	\$ 9,062,573
Due From Other Funds	1,563,441	-
Prepaid Items	<u>50,942</u>	<u>8,377</u>
TOTAL ASSETS	<u>\$ 11,045,219</u>	<u>\$ 9,070,950</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 3,654,518	\$ 3,228,356
Due to Other Funds	7,322,472	5,805,341
Due to Component Units	71	-
Due to Primary Government	52,020	15,517
Deferred Revenue	<u>3,760</u>	<u>9,408</u>
TOTAL LIABILITIES	<u>11,032,841</u>	<u>9,058,622</u>
 <b>Fund Balances (Deficits):</b>		
Reserved	182,778	37,220
Unreserved, Undesignated	<u>(170,400)</u>	<u>(24,892)</u>
TOTAL FUND BALANCES	<u>12,378</u>	<u>12,328</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,045,219</u>	<u>\$ 9,070,950</u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the years ended June 30, 2010 and June 30, 2009**

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
State of Tennessee	\$ 92,028	\$ 102,186
Federal Government	44,351,206	31,590,104
Total Revenues	<u>44,443,234</u>	<u>31,692,290</u>
<b>Expenditures</b>		
Current:		
Education	<u>44,505,896</u>	<u>30,504,932</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(62,662)</u>	<u>1,187,358</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	62,712	31,683
Transfers to Other Funds	-	(1,219,091)
Total Other Financing Sources (Uses)	<u>62,712</u>	<u>(1,187,408)</u>
Net Change in Fund Balances	50	(50)
Fund Balances, July 1	<u>12,328</u>	<u>12,378</u>
Fund Balances, June 30	<u><u>\$ 12,378</u></u>	<u><u>\$ 12,328</u></u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Other Local Revenues	\$ -	\$ -	\$ -	\$ -	\$ 31,683	\$ -	\$ (31,683)
State of Tennessee	-	98,037	92,028	(6,009)	103,297	102,186	(1,111)
Federal Government	-	61,496,052	44,351,206	(17,144,846)	36,445,377	31,590,104	(4,855,273)
<b>Total Revenues</b>	<b>-</b>	<b>61,594,089</b>	<b>44,443,234</b>	<b>(17,150,855)</b>	<b>36,580,357</b>	<b>31,692,290</b>	<b>(4,888,067)</b>
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	-	28,971,755	26,216,476	2,755,279	20,947,915	19,602,756	1,345,159
Employee Benefits	-	6,731,062	6,029,551	701,511	4,904,969	4,586,720	318,249
Contracted Services	-	6,060,230	3,657,145	2,403,085	2,162,768	1,306,087	856,681
Supplies and Materials	-	8,394,800	2,498,308	5,896,492	4,307,596	2,677,971	1,629,625
Other Charges	-	5,784,161	2,346,429	3,437,732	2,086,755	1,679,751	407,004
Capital Outlay	-	5,714,793	3,757,987	1,956,806	912,127	651,647	260,480
<b>Total Expenditures</b>	<b>-</b>	<b>61,656,801</b>	<b>44,505,896</b>	<b>17,150,905</b>	<b>35,322,130</b>	<b>30,504,932</b>	<b>4,817,198</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(62,712)	(62,662)	50	1,258,227	1,187,358	(70,869)
<b>Other Financing Sources (Uses)</b>							
Transfer from Other Funds	-	62,712	62,712	-	-	31,683	31,683
Transfer to Other Funds	-	-	-	-	(1,258,227)	(1,219,091)	39,136
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>62,712</b>	<b>62,712</b>	<b>-</b>	<b>(1,258,227)</b>	<b>(1,187,408)</b>	<b>70,819</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>50</b>	<b>-</b>	<b>(50)</b>	<b>(50)</b>
Fund Balances, July 1	-	12,328	12,328	-	12,378	12,378	-
Fund Balances, June 30	\$ -	\$ 12,328	\$ 12,378	\$ 50	\$ 12,378	\$ 12,328	\$ (50)

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School General Projects Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2010 and June 30, 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,463,504	\$ 2,093,567
Receivables (Net of Allowance for Uncollectibles):		
Accounts	310,253	564,878
Due from Component Units	3,402	-
Due from Other Funds	2,881,776	1,477,704
Prepaid Items	136,472	-
<b>TOTAL ASSETS</b>	<u>\$ 4,795,407</u>	<u>\$ 4,136,149</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 561,838	\$ 622,593
Due to Primary Government	78,514	1,860
Due to Other Funds	1,383,996	-
Deferred Revenue	1,473,042	1,502,047
<b>TOTAL LIABILITIES</b>	<u>3,497,390</u>	<u>2,126,500</u>
 <b>Fund Balances (Deficits):</b>		
Reserved	1,572,146	2,274,793
Unreserved:		
Undesignated	(274,129)	(265,144)
<b>TOTAL FUND BALANCES</b>	<u>1,298,017</u>	<u>2,009,649</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,795,407</u>	<u>\$ 4,136,149</u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School General Projects Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the years ended June 30, 2010 and June 30, 2009**

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Charges for Current Services	\$ 743,091	\$ 99,761
Other Local Revenues	610,959	633,742
State of Tennessee	739,724	711,171
Other Governments and Citizens Groups	674,357	871,373
Payments from Primary Government	<u>3,823,874</u>	<u>3,936,149</u>
Total Revenues	<u>6,592,005</u>	<u>6,252,196</u>
<b>Expenditures</b>		
Current:		
Education	7,467,609	5,719,547
Payment to Component Unit	<u>3,823,874</u>	<u>3,823,874</u>
Total Expenditures	<u>11,291,483</u>	<u>9,543,421</u>
Deficiency of Revenues Under Expenditures	<u>(4,699,478)</u>	<u>(3,291,225)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>3,987,846</u>	<u>3,582,951</u>
Net Change in Fund Balances	(711,632)	291,726
Fund Balances, July 1	<u>2,009,649</u>	<u>1,717,923</u>
Fund Balances, June 30	<u><u>\$ 1,298,017</u></u>	<u><u>\$ 2,009,649</u></u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School General Projects Special Revenue Fund  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
 For the years ended June 30, 2010 and June 30, 2009

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Licenses and Permits	\$ -	\$ 5,242	\$ -	\$ (5,242)	\$ 4,870	\$ -	\$ (4,870)
Charges for Current Services	-	1,096,387	743,091	(353,296)	274,617	99,761	(174,856)
Other Local Revenues	-	740,983	610,959	(130,024)	1,161,920	633,742	(528,178)
State of Tennessee	-	1,705,150	739,724	(965,426)	1,792,615	711,171	(1,081,444)
Payments from Primary Government	-	3,823,874	3,823,874	-	3,936,149	3,936,149	-
Other Governments and Citizens Groups	-	848,027	674,357	(173,670)	1,105,319	871,373	(233,946)
<b>Total Revenues</b>	<b>-</b>	<b>8,219,663</b>	<b>6,592,005</b>	<b>(1,627,658)</b>	<b>8,275,490</b>	<b>6,252,196</b>	<b>(2,023,294)</b>
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	-	2,797,001	1,657,391	1,139,610	2,462,922	2,248,529	214,393
Employee Benefits	-	549,778	257,343	292,435	522,019	419,612	102,407
Contracted Services	-	4,032,324	3,230,043	802,281	3,245,693	1,420,598	1,825,095
Supplies and Materials	-	3,966,827	2,158,168	1,808,659	1,602,537	1,409,567	192,970
Other Charges	-	217,261	91,753	125,508	150,416	20,078	130,338
Capital Outlay	-	245,702	72,911	172,791	1,503,282	201,163	1,302,119
Payment to Component Unit	-	3,823,874	3,823,874	-	3,823,874	3,823,874	-
<b>Total Expenditures</b>	<b>-</b>	<b>15,632,767</b>	<b>11,291,483</b>	<b>4,341,284</b>	<b>13,310,743</b>	<b>9,543,421</b>	<b>3,767,322</b>
Deficiency of Revenues Under Expenditures	-	(7,413,104)	(4,699,478)	2,713,626	(5,035,253)	(3,291,225)	1,744,028
<b>Other Financing Sources</b>							
Transfers from Other Funds	-	3,987,846	3,987,846	-	3,724,285	3,582,951	(141,334)
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(3,425,258)</b>	<b>(711,632)</b>	<b>2,713,626</b>	<b>(1,310,968)</b>	<b>291,726</b>	<b>1,602,694</b>
Fund Balances, July 1	-	2,009,649	2,009,649	-	1,717,923	1,717,923	-
Fund Balances, June 30	\$ -	\$ (1,415,609)	\$ 1,298,017	\$ 2,713,626	\$ 406,955	\$ 2,009,649	\$ 1,602,694

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.



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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2010 and June 30, 2009**

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,830,609	\$ 1,293,356
Receivables (Net of Allowance for Uncollectibles):		
Accounts	1,153,412	2,404,278
Due from Other Funds	2,756	-
Inventories	<u>192,608</u>	<u>247,372</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,179,385</u></u>	<u><u>\$ 3,945,006</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 210,385	\$ 357,906
Due to Other Funds	22,582	1,931
Deferred Revenue	<u>221,086</u>	<u>169,655</u>
<b>TOTAL LIABILITIES</b>	<u>454,053</u>	<u>529,492</u>
<b>Fund Balances:</b>		
Reserved	192,608	459,947
Unreserved, Undesignated	<u>4,532,724</u>	<u>2,955,567</u>
<b>TOTAL FUND BALANCES</b>	<u>4,725,332</u>	<u>3,415,514</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 5,179,385</u></u>	<u><u>\$ 3,945,006</u></u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the years ended June 30, 2010 and June 30, 2009**

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	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Charges for Current Services	\$ 9,240,200	\$ 9,947,899
Other Local Revenues	279,013	334,116
State of Tennessee	243,591	232,817
Federal Government	<u>13,678,500</u>	<u>12,290,682</u>
Total Revenues	<u>23,441,304</u>	<u>22,805,514</u>
<b>Expenditures</b>		
Current:		
Education:		
Food Service	<u>21,731,486</u>	<u>21,932,003</u>
Excess of Revenues Over Expenditures	<u>1,709,818</u>	<u>873,511</u>
<b>Other Financing Uses</b>		
Transfers to Other Funds	<u>(400,000)</u>	<u>(20,833)</u>
Net Change in Fund Balances	1,309,818	852,678
Fund Balances, July 1	<u>3,415,514</u>	<u>2,562,836</u>
Fund Balances, June 30	<u><u>\$ 4,725,332</u></u>	<u><u>\$ 3,415,514</u></u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2010 and June 30, 2009**

	2010				2009		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 10,242,000	\$ 10,242,000	\$ 9,240,200	\$ (1,001,800)	\$ 10,239,500	\$ 9,947,899	\$ (291,601)
Other Local Revenues	380,500	380,500	279,013	(101,487)	368,400	334,116	(34,284)
State of Tennessee	235,000	246,523	243,591	(2,932)	285,000	232,817	(52,183)
Federal Government	12,700,000	12,713,000	13,678,500	965,500	11,633,561	12,290,682	657,121
<b>Total Revenues</b>	<b>23,557,500</b>	<b>23,582,023</b>	<b>23,441,304</b>	<b>(140,719)</b>	<b>22,526,461</b>	<b>22,805,514</b>	<b>279,053</b>
<b>Expenditures</b>							
Current:							
Education:							
Food Service:							
Personal Services	7,960,000	7,743,200	7,422,038	321,162	7,471,556	7,386,650	84,906
Employee Benefits	2,080,000	2,296,800	2,296,711	89	2,479,950	2,479,882	68
Contracted Services	574,500	576,681	566,338	10,343	767,134	645,784	121,350
Supplies & Materials	12,238,000	12,446,157	11,074,475	1,371,682	11,587,418	10,912,139	675,279
Other Charges	330,500	344,260	328,347	15,913	274,517	274,478	39
Capital Outlay	159,500	172,500	43,577	128,923	249,454	233,070	16,384
<b>Total Expenditures</b>	<b>23,342,500</b>	<b>23,579,598</b>	<b>21,731,486</b>	<b>1,848,112</b>	<b>22,830,029</b>	<b>21,932,003</b>	<b>898,026</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	215,000	2,425	1,709,818	1,707,393	(303,568)	873,511	1,177,079
<b>Other Financing Uses</b>							
Transfers to Other Funds	(400,000)	(400,000)	(400,000)	-	(20,833)	(20,833)	-
<b>Net Change in Fund Balances</b>	<b>(185,000)</b>	<b>(397,575)</b>	<b>1,309,818</b>	<b>1,707,393</b>	<b>(324,401)</b>	<b>852,678</b>	<b>1,177,079</b>
Fund Balances, July 1	3,415,514	3,415,514	3,415,514	-	2,562,836	2,562,836	-
Fund Balances, June 30	\$ 3,230,514	\$ 3,017,939	\$ 4,725,332	\$ 1,707,393	\$ 2,238,435	\$ 3,415,514	\$ 1,177,079

**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
 June 30, 2010

	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Investments	\$ 58,925,205	\$ -
Other Assets	-	6,638,634
<b>TOTAL ASSETS</b>	<u>58,925,205</u>	<u>\$ 6,638,634</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	50,182	\$ -
Liability for Student Activities	-	6,638,634
<b>TOTAL LIABILITIES</b>	<u>50,182</u>	<u>\$ 6,638,634</u>
<b>NET ASSETS</b>		
Held in Trust for:		
Pension Benefits	<u>\$ 58,875,023</u>	

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Comparative Statements of Fiduciary Net Assets  
Pension Trust Fund - Defined Benefit Plan  
June 30, 2010 and June 30, 2009**

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Receivables:		
Contributions	\$ -	\$ 13,815
Investments, at Fair Value:		
Mutual Funds	<u>58,925,205</u>	<u>54,942,578</u>
<b>TOTAL ASSETS</b>	<u>58,925,205</u>	<u>54,956,393</u>
 <b>LIABILITIES</b>		
Accounts Payable	<u>50,182</u>	<u>35,118</u>
 <b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 58,875,023</u>	<u>\$ 54,921,275</u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Comparative Statements of Changes in Fiduciary Net Assets  
Pension Trust Fund - Defined Benefit Plan  
For the years ended June 30, 2010 and June 30, 2009**

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	<u>2010</u>	<u>2009</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 1,898,864	\$ 250,000
Employee	111,028	171,091
Total Contributions	<u>2,009,892</u>	<u>421,091</u>
Investment Income:		
Interest and Dividend Income	701,949	896,151
Net Appreciation (Depreciation) in Fair Value of Investments	<u>7,575,947</u>	<u>(15,966,680)</u>
Total Investment Earnings (Losses)	8,277,896	(15,070,529)
Less Investment Expense	<u>(204,635)</u>	<u>(187,434)</u>
Net Investment Earnings (Losses)	<u>8,073,261</u>	<u>(15,257,963)</u>
Total Additions	<u>10,083,153</u>	<u>(14,836,872)</u>
<b>Deductions</b>		
Benefits and Refunds	5,642,762	5,229,546
Payments to Primary Government	<u>486,643</u>	<u>592,000</u>
Total Deductions	<u>6,129,405</u>	<u>5,821,546</u>
Change in Net Assets	3,953,748	(20,658,418)
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>54,921,275</u>	<u>75,579,693</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 58,875,023</u>	<u>\$ 54,921,275</u>

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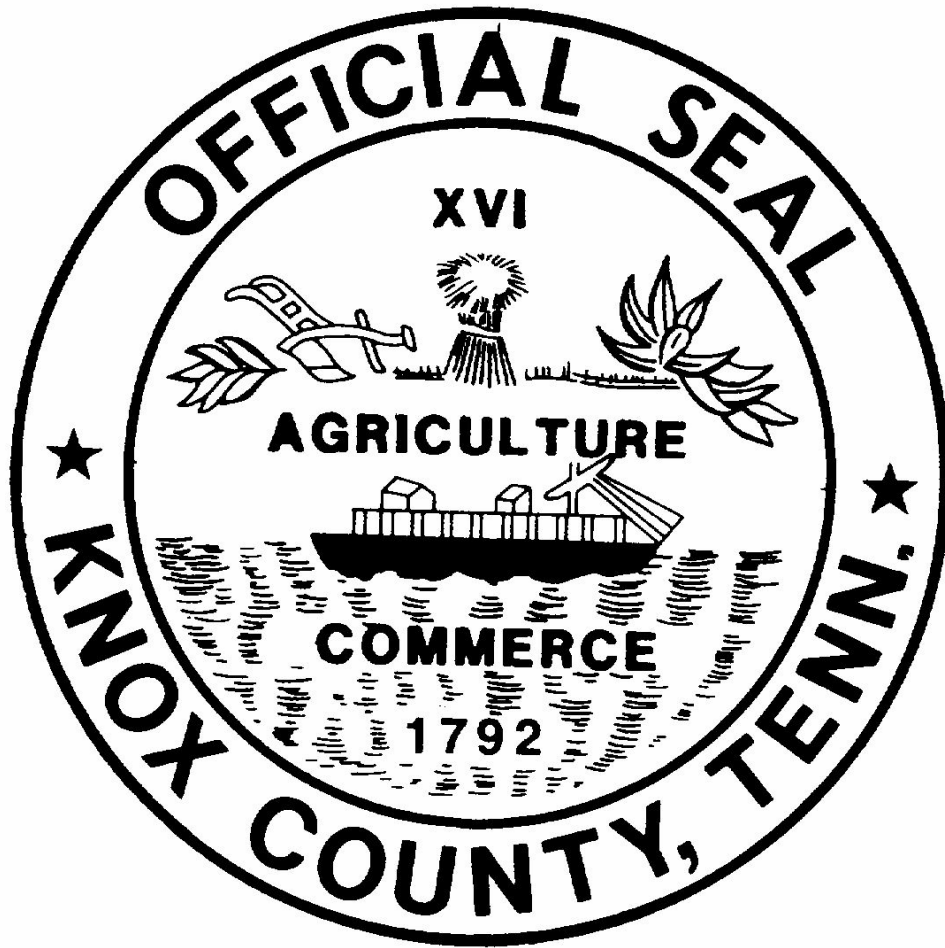
**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Agency Fund - Student Activity Fund**  
**Comparative Statements of Changes in Fiduciary Assets and Liabilities**  
For the years ended June 30, 2010 and June 30, 2009

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	<u>2010</u>	<u>2009</u>
Assets and Liabilities, July 1	\$ 6,857,172	\$ 7,142,850
Additions	17,953,959	18,241,880
Deductions	<u>(18,172,497)</u>	<u>(18,527,558)</u>
Assets and Liabilities, June 30	<u>\$ 6,638,634</u>	<u>\$ 6,857,172</u>

# Statistical Section





## STATISTICAL SECTION (Unaudited)

This part of Knox County Government's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Knox County's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	230-238
<i>These schedules contain trend information to help the reader understand how Knox County Government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	239-242
<i>These schedules contain information to help the reader assess Knox County Government's most significant local revenue source, the property tax.</i>	
Debt Capacity	243-245
<i>These schedules present information to help the reader assess the affordability of Knox County Government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	246-247
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which Knox County Government's financial activities take place.</i>	
Operating Information	248-250
<i>These schedules contain service and infrastructure data to help the reader understand how the information in Knox County Government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year ended June 30, 2002; schedules presenting government-wide information include information beginning in that year.

KNOX COUNTY, TENNESSEE

Net Assets by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Primary government									
Governmental activities									
Invested in capital assets, net of related debt	\$ 439,996,102	\$ 429,012,067	\$ 430,036,480	\$ 395,113,478	\$ 365,746,439	\$ 333,733,504	\$ 349,499,226	\$ 298,546,888	\$ 292,183,224
Restricted	33,485,986	32,646,617	34,559,910	60,297,870	68,750,828	68,165,803	33,687,672	38,289,171	27,202,060
Unrestricted	(141,993,533)	(130,655,604)	(148,747,919)	(150,361,587)	(204,425,615)	(205,476,472)	(244,843,510)	(216,381,847)	(234,271,029)
Total primary governmental activities net assets	<u>\$ 331,488,555</u>	<u>\$ 331,003,080</u>	<u>\$ 315,848,471</u>	<u>\$ 305,049,761</u>	<u>\$ 230,071,652</u>	<u>\$ 196,422,835</u>	<u>\$ 138,343,388</u>	<u>\$ 120,454,212</u>	<u>\$ 85,114,255</u>
Business-type activities									
Three Ridges Golf Course									
Invested in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 893,709	\$ 832,590
Unrestricted	-	-	-	-	-	-	-	286,781	304,278
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,180,490</u>	<u>\$ 1,136,868</u>
Component units									
Invested in capital assets, net of related debt	\$ 268,404,853	\$ 280,139,475	\$ 246,697,189	\$ 255,600,529	\$ 269,693,300	\$ 287,591,285	\$ 308,057,666	\$ 317,191,247	\$ 316,329,152
Restricted	21,543,330	4,029,664	5,045,320	9,118,222	16,479,581	16,556,546	4,118,075	16,585,893	13,121,345
Unrestricted	13,477,500	11,757,631	33,961,884	30,697,796	78,988,946	79,856,696	58,586,611	29,308,255	44,027,622
Total component units activities net assets	<u>\$ 303,425,683</u>	<u>\$ 295,926,770</u>	<u>\$ 285,704,393</u>	<u>\$ 295,416,547</u>	<u>\$ 365,161,827</u>	<u>\$ 384,004,527</u>	<u>\$ 370,762,352</u>	<u>\$ 363,085,395</u>	<u>\$ 373,478,119</u>
Total reporting unit activities net assets	<u>\$ 634,914,238</u>	<u>\$ 626,929,850</u>	<u>\$ 601,552,864</u>	<u>\$ 600,466,308</u>	<u>\$ 595,233,479</u>	<u>\$ 580,427,362</u>	<u>\$ 509,105,740</u>	<u>\$ 484,720,097</u>	<u>\$ 459,729,242</u>

Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
<b>Expenses</b>										
Primary government:										
Governmental activities:										
Finance and Administration	\$ 30,108,481	\$ 32,196,730	\$ 34,272,564	\$ 36,027,013	\$ 37,137,558	\$ 41,307,625	\$ 45,573,546	\$ 41,738,286	\$ 42,195,745	
Finance and Administration - payment to component unit	-	-	-	-	2,570,000	4,148,000	6,385,000	4,018,649	3,823,874	
Administration of Justice	11,003,409	11,828,805	12,635,947	13,701,681	16,568,869	15,277,291	16,211,461	15,651,510	15,691,782	
Public Safety	44,075,976	48,108,309	61,702,000	59,055,357	61,608,268	66,374,696	68,125,715	71,388,947	74,109,826	
Public Safety - payment to component unit	1,073,360	1,136,184	603,450	603,450	326,200	326,200	326,200	326,200	326,200	
Public Health and Welfare	36,660,927	37,804,098	37,216,721	38,368,614	43,340,309	40,902,596	40,356,191	38,463,931	38,366,594	
Public Health and Welfare - payment to component unit	-	-	562,635	562,635	646,990	256,628	166,628	166,628	256,628	
Social and Cultural Services	13,546,306	15,766,968	15,130,591	16,592,017	19,562,356	22,529,501	21,148,707	21,651,989	21,594,069	
Social and Cultural Services - payment to component unit	1,504,800	-	-	-	-	-	-	-	-	
Agricultural and Natural Resources	318,902	335,090	346,591	390,615	402,907	425,395	461,142	433,295	413,675	
Other General Government	16,313,593	20,170,170	20,354,933	16,622,981	24,327,500	29,449,900	13,151,278	21,017,395	16,893,864	
Engineering & Public Works	21,001,851	21,881,988	23,223,425	21,570,330	24,718,942	24,647,845	22,815,377	23,605,027	24,009,373	
Engineering & Public Works - payment to component unit	-	-	-	-	-	-	-	25,872	-	
Education - payment to component unit	30,635,055	8,400,000	32,000,000	24,844,700	71,812,250	29,174,787	5,000,000	14,853,832	29,586,094	
Debt Service - interest and fees	19,120,169	18,389,968	17,958,758	21,404,699	23,403,511	25,920,605	28,915,724	30,093,010	25,524,229	
Debt Service - other	368,441	374,006	-	-	-	-	-	-	-	
Total governmental activities	225,731,270	216,392,316	256,007,615	249,744,092	326,425,660	300,741,069	268,636,969	283,434,571	292,791,953	
Business-type activities:										
Three Ridges Golf Course	-	-	-	-	-	-	-	464,137	961,678	
Total primary government expenses	\$ 225,731,270	\$ 216,392,316	\$ 256,007,615	\$ 249,744,092	\$ 326,425,660	\$ 300,741,069	\$ 268,636,969	\$ 283,898,708	\$ 293,753,631	
Component units:										
Board of Education	\$ 335,660,189	\$ 360,448,491	\$ 386,742,267	\$ 395,291,970	\$ 405,567,591	\$ 429,883,031	\$ 462,569,748	\$ 470,348,600	\$ 480,162,339	
Knox County Railroad Authority	74,365	508,507	220,964	63,818	77,809	298,394	382,538	63,759	55,017	
Knox County Emergency Communications District	6,185,897	6,008,787	6,840,936	7,148,453	6,468,004	6,302,412	6,394,749	6,922,634	6,653,464	
Knox County Tourist Commission	1,916,595	-	-	-	-	-	-	-	-	
Total component units expenses	\$ 343,837,046	\$ 366,965,785	\$ 393,804,167	\$ 402,504,241	\$ 412,113,404	\$ 436,483,837	\$ 469,347,035	\$ 477,334,993	\$ 486,870,820	
Total reporting unit expenses	\$ 569,568,316	\$ 583,358,101	\$ 649,811,782	\$ 652,248,333	\$ 738,539,064	\$ 737,224,906	\$ 737,984,004	\$ 761,233,701	\$ 780,624,451	

Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
<b>Program Revenues</b>										
Primary government:										
Governmental activities:										
Charges for Services:										
Finance and Administration	\$ 23,459,317	\$ 24,360,351	\$ 26,732,880	\$ 28,316,120	\$ 20,316,983	\$ 20,508,747	\$ 23,475,489	\$ 18,291,849	\$ 19,541,913	
Administration of Justice	3,421,390	3,099,291	3,212,895	3,657,019	11,071,804	11,190,419	12,348,218	10,535,989	9,990,310	
Public Safety	662,636	789,430	903,493	1,032,281	533,509	499,320	983,881	1,333,523	1,330,976	
Public Health and Welfare	4,180,347	4,085,553	5,086,478	4,901,207	5,349,029	5,182,137	4,283,390	4,252,529	4,050,480	
Social and Cultural Services	1,591,060	805,230	2,206,814	1,873,889	1,122,961	1,193,157	1,327,729	1,324,927	1,117,171	
Other General Government	265	114	21	5,697	2,412,907	1,984,775	88,337	249,935	85,295	
Engineering & Public Works	10,664	2,492	50,692	20,570	53,041	-	20,105	214,851	652,250	
Operating grants and contributions	18,997,160	20,962,543	23,108,400	22,760,584	23,799,473	20,535,731	15,232,355	13,162,718	16,546,478	
Total governmental activities	<u>52,322,839</u>	<u>54,105,004</u>	<u>61,301,673</u>	<u>62,567,367</u>	<u>64,659,707</u>	<u>61,094,286</u>	<u>57,759,504</u>	<u>49,366,321</u>	<u>53,314,873</u>	
Business-type activities:										
Three Ridges Golf Course	-	-	-	-	-	-	-	462,055	918,056	
Total primary government program revenues	<u>\$ 52,322,839</u>	<u>\$ 54,105,004</u>	<u>\$ 61,301,673</u>	<u>\$ 62,567,367</u>	<u>\$ 64,659,707</u>	<u>\$ 61,094,286</u>	<u>\$ 57,759,504</u>	<u>\$ 49,828,376</u>	<u>\$ 54,232,929</u>	
Component units:										
Charges for Services:										
Board of Education	\$ 11,766,285	\$ 11,023,657	\$ 11,723,822	\$ 12,199,060	\$ 12,406,982	\$ 13,452,161	\$ 13,744,165	\$ 12,545,538	\$ 14,558,045	
Knox County Emergency Communications District	3,717,937	3,768,771	3,806,247	3,867,183	3,739,653	3,562,338	5,605,505	6,215,901	6,209,957	
Knox County Tourist Commission	201,709	-	-	-	-	-	-	-	-	
Operating grants and contributions	140,046,001	147,774,587	150,148,071	166,164,250	168,419,769	174,417,041	50,968,461	55,064,528	75,166,748	
Capital grants and contributions	-	-	-	-	131,471	-	-	-	-	
Total component units program revenues	<u>\$ 155,731,932</u>	<u>\$ 162,567,015</u>	<u>\$ 165,678,140</u>	<u>\$ 182,230,493</u>	<u>\$ 184,697,875</u>	<u>\$ 191,431,540</u>	<u>\$ 70,318,131</u>	<u>\$ 73,825,967</u>	<u>\$ 95,934,750</u>	
Total reporting unit program revenues	<u>\$ 208,054,771</u>	<u>\$ 216,672,019</u>	<u>\$ 226,979,813</u>	<u>\$ 244,797,860</u>	<u>\$ 249,357,582</u>	<u>\$ 252,525,826</u>	<u>\$ 128,077,635</u>	<u>\$ 123,654,343</u>	<u>\$ 150,167,679</u>	
Net (expenses)/revenues										
Primary government activities	\$ (173,408,431)	\$ (162,287,312)	\$ (194,705,942)	\$ (187,176,725)	\$ (261,765,953)	\$ (239,646,783)	\$ (210,877,465)	\$ (234,070,332)	\$ (239,520,702)	
Component units	(188,105,114)	(204,398,770)	(228,126,027)	(220,273,748)	(227,415,529)	(245,052,297)	(399,028,904)	(403,509,026)	(390,936,070)	
Total net (expenses) revenues for reporting unit	<u>\$ (361,513,545)</u>	<u>\$ (366,686,082)</u>	<u>\$ (422,831,969)</u>	<u>\$ (407,450,473)</u>	<u>\$ (489,181,482)</u>	<u>\$ (484,699,080)</u>	<u>\$ (609,906,369)</u>	<u>\$ (637,579,358)</u>	<u>\$ (630,456,772)</u>	

Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Revenues and Other Changes in Net Assets</b>									
Primary government:									
Governmental activities:									
Taxes									
Property taxes	\$ 107,481,587	\$ 112,175,848	\$ 113,293,837	\$ 116,504,303	\$ 117,697,785	\$ 124,861,193	\$ 128,874,750	\$ 140,608,170	\$ 134,655,757
Sales taxes	6,480,559	9,516,271	9,185,734	9,133,387	9,626,296	10,031,562	9,952,384	8,987,868	9,708,315
Lodging taxes	3,857,548	4,272,762	4,025,335	4,207,643	4,702,072	5,286,419	5,382,819	4,815,765	4,830,079
Business taxes	4,602,011	4,797,392	5,115,059	5,605,190	5,864,308	6,651,425	6,629,276	7,440,271	6,332,408
Wheel taxes	-	-	1,186,075	9,182,465	10,118,110	10,347,460	10,636,138	10,570,144	10,471,856
Other local taxes	3,326,165	3,229,268	3,249,019	3,671,045	3,649,170	3,667,617	3,793,818	4,317,993	4,669,629
Investment revenue	3,738,576	2,839,049	2,016,481	2,756,903	7,142,137	8,179,185	5,641,188	2,936,051	(1,678,577)
Other revenues	20,848,860	20,849,073	31,715,158	25,001,861	27,521,207	36,236,016	36,856,107	36,821,934	38,280,459
Contracts - other governments and citizens	1,017,769	1,679,555	1,797,835	307,354	466,759	584,683	419,470	851,750	294,120
Miscellaneous	-	(876)	-	7,864	-	152,406	1,122,914	11,700	517,094
Transfers	-	-	-	-	-	-	-	(1,182,572)	-
<b>Total governmental activities</b>	<b>151,353,075</b>	<b>159,358,342</b>	<b>171,584,533</b>	<b>176,378,015</b>	<b>186,787,844</b>	<b>205,997,966</b>	<b>209,308,864</b>	<b>216,179,074</b>	<b>208,081,140</b>
Business-type activities:									
Transfers	-	-	-	-	-	-	-	1,182,572	-
<b>Total primary government</b>	<b>\$ 151,353,075</b>	<b>\$ 159,358,342</b>	<b>\$ 171,584,533</b>	<b>\$ 176,378,015</b>	<b>\$ 186,787,844</b>	<b>\$ 205,997,966</b>	<b>\$ 209,308,864</b>	<b>\$ 217,361,646</b>	<b>\$ 208,081,140</b>
Component units:									
Taxes									
Property taxes	\$ 83,864,682	\$ 87,309,066	\$ 88,924,962	\$ 91,224,003	\$ 96,753,338	\$ 97,724,691	\$ 102,342,297	\$ 107,324,525	\$ 106,737,074
Sales taxes	98,456,334	99,196,928	104,990,997	109,296,323	118,690,397	125,062,455	125,522,010	116,296,501	114,769,928
Wheel taxes	-	-	1,186,075	1,500,000	1,500,000	1,459,461	1,500,030	1,490,723	1,494,272
Other local taxes	-	-	-	-	1,139,144	1,276,897	1,352,978	554,495	1,065,154
Investment revenue	365,736	215,361	222,216	361,331	2,003,350	2,746,738	1,739,023	418,377	120,512
Payments from primary government	33,213,215	9,536,184	33,166,085	26,010,785	75,355,440	33,905,615	11,877,828	19,391,181	33,992,796
Other revenues	5,573	-	-	-	-	-	-	4,525,727	1,420,641
Contracts - other governments and citizens	1,440,198	1,518,452	1,518,460	1,593,460	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140
Miscellaneous	-	1,000	-	-	-	-	-	-	109,577
Grants and Contributions Not Restricted for Specific Programs	-	-	-	-	-	-	142,038,000	144,111,400	139,899,700
Special item - distribution of net assets to successor organization	-	(877,134)	-	-	-	-	-	-	-
<b>Total component units</b>	<b>\$ 217,345,738</b>	<b>\$ 196,899,857</b>	<b>\$ 230,008,795</b>	<b>\$ 229,985,902</b>	<b>\$ 297,160,809</b>	<b>\$ 263,894,997</b>	<b>\$ 388,091,306</b>	<b>\$ 395,832,069</b>	<b>\$ 401,328,794</b>
<b>Total reporting unit</b>	<b>\$ 368,698,813</b>	<b>\$ 356,258,199</b>	<b>\$ 401,593,328</b>	<b>\$ 406,363,917</b>	<b>\$ 483,948,653</b>	<b>\$ 469,892,963</b>	<b>\$ 597,400,170</b>	<b>\$ 613,193,715</b>	<b>\$ 609,409,934</b>
<b>Change in Net Assets</b>									
Primary government activities	\$ (22,055,356)	\$ (2,928,970)	\$ (23,121,409)	\$ (10,798,710)	\$ (74,978,109)	\$ (33,648,817)	\$ (1,568,601)	\$ (16,708,686)	\$ (31,439,562)
Component units activities	29,240,624	(7,498,913)	1,882,768	9,712,154	69,745,280	18,842,700	(10,937,598)	(7,676,957)	10,392,724
<b>Total reporting unit</b>	<b>\$ 7,185,268</b>	<b>\$ (10,427,883)</b>	<b>\$ (21,238,641)</b>	<b>\$ (1,086,556)</b>	<b>\$ (5,232,829)</b>	<b>\$ (14,806,117)</b>	<b>\$ (12,506,199)</b>	<b>\$ (24,385,643)</b>	<b>\$ (21,046,838)</b>

Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

Primary Government Activities Tax Revenues By Source  
 Last Ten Fiscal Years  
 (accrual basis of accounting)  
 (Unaudited)

Fiscal Year	Property Tax	Sales Tax	Lodging Tax	Business Tax	Wheel Tax	Other Local Tax	Total
2002	\$ 107,481,587	\$ 6,480,559	\$ 3,857,548	\$ 4,602,011	\$ -	\$ 3,326,165	\$ 125,747,870
2003	112,175,848	9,516,271	4,272,762	4,797,392	-	3,229,268	133,991,541
2004	113,293,837	9,185,734	4,025,335	5,115,059	1,186,075 (1)	3,249,019	136,055,059
2005	116,504,303	9,133,387	4,207,643	5,605,190	9,182,465	3,671,045	148,304,033
2006	117,697,785	9,626,296	4,702,072	5,864,308	10,118,110	3,649,170	151,657,741
2007	124,861,193	10,031,562	5,286,419	6,651,425	10,347,460	3,667,617	160,845,676
2008	128,874,750	9,952,384	5,382,819	6,629,276	10,636,138	3,793,818	165,269,185
2009	140,608,170	8,987,868	4,815,765	7,440,271	10,570,144	4,317,993	176,740,211
2010	134,655,757	9,708,315	4,830,079	6,332,408	10,471,856	4,669,629	170,668,044

(1) First year of tax.

Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

Component Units Activities Tax Revenues By Source  
 Last Ten Fiscal Years  
 (accrual basis of accounting)  
 (Unaudited)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Wheel Tax</u>	<u>Other Local Tax</u>	<u>Total</u>
2002	\$ 83,864,682	\$ 98,456,334	\$ -	\$ -	\$ 182,321,016
2003	87,309,066	99,196,928	-	-	186,505,994
2004	88,924,962	104,990,997	1,186,075 (1)	-	195,102,034
2005	91,224,003	109,296,323	1,500,000	-	202,020,326
2006	96,753,338	118,690,397	1,500,000	1,139,144	218,082,879
2007	97,724,691	125,062,455	1,459,461	1,276,897	225,523,504
2008	102,342,297	125,522,010	1,500,030	1,352,978	230,717,315
2009	107,324,525	116,296,501	1,490,723	554,495	225,666,244
2010	106,737,074	114,769,928	1,494,272	1,065,154	224,066,428

(1) First year of tax.

Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

Reporting Unit Activities Tax Revenues By Source  
 Last Ten Fiscal Years  
 (accrual basis of accounting)  
 (Unaudited)

Fiscal Year	Property Tax	Sales Tax	Lodging Tax	Business Tax	Wheel Tax	Other Local Tax	Total
2002	\$ 191,346,269	\$ 104,936,893	\$ 3,857,548	\$ 4,602,011	\$ -	\$ 3,326,165	\$ 308,068,886
2003	199,484,914	108,713,199	4,272,762	4,797,392	-	3,229,268	320,497,535
2004	202,218,799	114,176,731	4,025,335	5,115,059	2,372,150 (1)	3,249,019	331,157,093
2005	207,728,306	118,429,710	4,207,643	5,605,190	10,682,465	3,671,045	350,324,359
2006	214,451,123	128,316,693	4,702,072	5,864,308	11,618,110	4,788,314	369,740,620
2007	222,585,884	135,094,017	5,286,419	6,651,425	11,806,921	4,944,514	386,369,180
2008	231,217,047	135,474,394	5,382,819	6,629,276	12,136,168	5,146,796	395,986,500
2009	247,932,695	125,284,369	4,815,765	7,440,271	12,060,867	4,872,488	402,406,455
2010	241,392,831	124,478,243	4,830,079	6,332,408	11,966,128	5,734,783	394,734,472

(1) First year of tax.

Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.



KNOX COUNTY, TENNESSEE

**Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(Unaudited)**

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund									
Reserved	\$ 5,364,376	\$ 10,937,680	\$ 8,671,373	\$ 7,934,931	\$ 7,823,979	\$ 9,306,651	\$ 11,024,655	\$ 9,080,512	\$ 8,382,154
Unreserved	36,120,754	38,472,540	39,593,912	40,799,145	49,774,563	46,495,324	48,348,469	44,197,261	43,415,759
Total general fund	<u>\$ 41,485,130</u>	<u>\$ 49,410,220</u>	<u>\$ 48,265,285</u>	<u>\$ 48,734,076</u>	<u>\$ 57,598,542</u>	<u>\$ 55,801,975</u>	<u>\$ 59,373,124</u>	<u>\$ 53,277,773</u>	<u>\$ 51,797,913</u>
All other governmental funds									
Reserved	\$ 36,587,826	\$ 26,269,284	\$ 22,402,928	\$ 24,624,542	\$ 12,295,421	\$ 21,463,450	\$ 10,173,788	\$ 13,950,926	\$ 22,514,296
Unreserved, reported in:									
Special revenue constitutional officers	2,512,960	2,560,175	3,563,157	4,793,783	3,784,117	3,826,048	5,405,844	3,831,682	2,387,038
Capital projects public improvement	(9,877,536)	(17,489,451)	(20,814,424)	5,645,300	(3,214,692)	(9,257,333)	(28,415,905)	12,367,955	(4,050,370)
Debt service	26,210,928	25,500,852	28,024,529	30,906,228	24,120,114	26,617,102	24,383,887	17,757,274	15,753,733
Other governmental funds	15,882,015	19,135,952	16,105,862	15,957,883	15,157,943	12,742,029	13,448,644	9,879,284	6,658,756
Total all other governmental funds	<u>\$ 71,316,193</u>	<u>\$ 55,976,812</u>	<u>\$ 49,282,052</u>	<u>\$ 81,927,736</u>	<u>\$ 52,142,903</u>	<u>\$ 55,391,296</u>	<u>\$ 24,996,258</u>	<u>\$ 57,787,121</u>	<u>\$ 43,263,453</u>

Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(Unaudited)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>									
Taxes	\$128,776,863	\$134,082,211	\$136,756,864	\$148,071,025	\$156,075,279	\$161,129,442	\$165,894,884	\$169,892,631	\$171,522,503
Licenses and permits	2,379,483	2,840,878	3,226,481	3,472,814	3,741,911	3,623,663	3,696,245	3,415,502	3,252,786
Fines, forfeitures and penalties	3,033,556	2,846,280	2,856,308	3,231,893	4,058,576	4,126,768	4,366,159	4,114,621	3,428,205
Charges for current services	23,506,444	24,030,206	27,142,787	27,835,419	28,388,616	27,931,145	30,467,122	25,843,423	26,838,941
Other local revenues	2,955,393	4,416,726	4,271,988	4,383,663	4,470,506	2,590,971	10,018,778	5,049,121	4,787,595
State of Tennessee	20,558,477	19,612,800	19,657,610	19,312,368	16,370,956	21,319,794	19,645,086	17,799,336	18,913,035
Federal government	2,736,348	4,465,916	6,472,966	5,779,123	11,534,036	8,635,219	7,834,280	6,534,996	9,290,911
Other governments and citizen groups	1,966,116	730,942	2,321,912	1,455,388	1,040,630	3,830,345	1,738,118	1,347,906	640,110
Investment earnings	3,720,835	2,834,462	2,015,723	2,713,771	7,145,359	8,180,389	173,206	794,846	174,952
Payments from component units	15,795,391	16,457,417	27,473,875	20,838,840	21,649,922	23,229,518	23,614,046	24,914,174	26,432,876
Fees received from county officials	271,420	310,317	307,274	426,736	207,187	173,375	199,697	173,830	-
Increase in equity interest in joint venture	-	-	-	-	10,385	713,764	46,412	-	-
Total revenues	205,700,326	212,628,155	232,566,788	237,521,040	254,693,363	265,484,393	267,694,033	259,880,386	265,281,914
<b>Expenditures</b>									
Finance and administration	30,185,822	32,108,836	34,004,920	35,792,902	36,919,202	41,092,636	42,994,827	40,263,423	40,628,916
Finance and administration - payments to component units	-	-	-	1,000,000	2,570,000	4,148,000	6,385,000	4,018,649	3,823,874
Administration of justice	10,294,719	11,233,689	12,139,488	13,069,224	13,915,861	12,477,574	13,635,809	13,141,252	13,060,783
Public safety	41,576,515	46,654,053	55,531,601	57,235,374	59,624,309	64,460,665	66,148,272	69,556,725	72,519,183
Public safety - payments to component units	-	1,136,184	603,450	603,450	326,200	326,200	326,200	326,200	326,200
Public health and welfare	35,774,006	36,867,614	36,382,457	37,318,628	40,028,212	39,407,838	39,351,120	37,443,749	37,113,902
Public health and welfare - payments to component units	-	-	562,635	562,635	646,990	256,628	166,628	166,628	256,628
Social and cultural services	12,553,883	14,186,357	13,955,047	14,688,232	15,719,033	17,697,777	17,868,031	19,224,930	18,490,914
Agricultural and natural resources	318,902	335,090	346,591	390,615	402,907	425,395	461,142	433,295	413,675
Other general government	13,673,548	13,352,236	13,625,581	13,533,836	11,690,674	14,173,623	13,878,441	14,588,454	14,871,749
Engineering & Public Works	9,829,051	9,113,368	11,938,273	8,607,547	12,887,045	11,228,081	11,096,021	12,130,049	11,875,623
Engineering & Public Works - payments to component units	-	-	-	-	-	-	-	25,872	-
Decrease in equity interest in joint venture	-	-	442,629	457,224	-	-	-	20,682	528,848
Debt proceeds paid to component unit	-	-	32,000,000	24,000,000	27,000,000	18,550,000	-	14,000,000	14,822,428
Debt issuance cost	-	-	144,875	308,200	337,500	340,537	489,154	368,000	247,856
Payments to component units	2,578,160	-	-	5,500	44,994,500	10,750,000	5,000,000	-	-
Capital Outlay	20,992,178	31,512,938	40,140,959	24,273,922	37,596,153	47,004,907	26,612,521	18,427,009	22,814,409
Debt Service:									
Principal	17,985,467	21,455,467	18,790,467	20,040,468	21,370,468	22,980,467	24,185,467	28,550,620	31,080,467
Interest	18,634,020	18,251,918	18,567,892	21,439,049	23,704,393	25,102,520	27,307,441	29,218,581	22,292,340
Other charges	539,190	427,087	559,594	868,759	1,230,283	1,309,719	2,064,509	1,965,036	3,691,792
Total expenditures	214,935,461	236,634,837	289,736,459	274,195,565	350,963,730	331,732,567	297,970,583	303,869,154	308,859,587
Deficiency of revenues under expenditures	(9,235,135)	(24,006,682)	(57,169,671)	(36,674,525)	(96,270,367)	(66,248,174)	(30,276,550)	(43,988,768)	(43,577,673)
<b>Other financing sources (uses)</b>									
Transfers in	8,758,013	8,906,826	42,381,859	23,722,579	32,427,313	26,009,546	23,608,526	25,711,520	25,795,690
Transfers out	(9,245,787)	(11,410,264)	(43,446,859)	(23,933,579)	(34,077,313)	(27,309,546)	(80,419,372)	(28,898,609)	(26,010,479)
Capital lease proceeds	-	-	-	-	-	-	-	-	11,651,171
Refunding bonds issued	33,891,691	81,110,000	-	93,310,000	-	-	-	-	4,550,000
Bonds issued	50,000,000	13,099,424	72,000,000	70,000,000	77,000,000	69,000,000	57,000,000	40,000,000	16,000,000
Premium on debt issued	3,388,812	7,613,126	-	8,238,711	-	-	-	332,400	207,763
Discount on bonds issued	(299,724)	(555,460)	-	(585,773)	-	-	-	-	-
Payments to refunded bond escrow agent	(35,030,150)	(88,167,090)	(21,605,024)	(100,962,938)	-	-	-	-	(4,620,000)
Notes issued	-	-	-	-	-	-	3,263,507	33,538,969	-
Decrease in equity interest in joint venture	-	(370,313)	-	-	-	-	-	-	-
Total other financing sources (uses)	51,462,855	10,226,249	49,329,976	69,789,000	75,350,000	67,700,000	3,452,661	70,684,280	27,574,145
Net change in fund balances	\$ 42,227,720	\$ (13,780,433)	\$ (7,839,695)	\$ 33,114,475	\$ (20,920,367)	\$ 1,451,826	\$ (26,823,889)	\$ 26,695,512	\$ (16,003,528)
Debt service as a percentage of noncapital expenditures	18.83%	19.20%	14.54%	16.49%	13.78%	15.94%	19.07%	20.37%	18.71%

Only nine years reported as Knox County implemented GASB 34 in fiscal year 2002.

**KNOX COUNTY, TENNESSEE**

**Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Tax Years  
(Unaudited)**

Tax Year Ended June 30	Real Property		Personal Property	Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
2001	\$ 3,506,135,733	\$ 1,898,207,348	\$ 538,653,516	\$ 263,910,283	\$ 6,206,906,880	2.96	\$ 24,881,033,693	24.95%
2002	3,616,752,897	1,944,043,416	549,250,644	257,682,591	6,367,729,548	2.96	25,348,086,135	25.12%
2003	3,735,093,666	1,992,022,995	524,793,083	230,140,743	6,482,050,487	2.96	25,805,462,797	25.12%
2004	3,868,734,601	2,012,162,237	520,672,398	238,136,066	6,639,705,302	2.96	26,284,398,300	25.26%
2005	4,591,262,086	2,248,541,308	537,144,017	253,369,983	7,630,317,394	2.96	26,686,359,411	28.59%
2006	4,795,767,144	2,286,997,192	548,341,403	256,025,735	7,887,131,474	2.69	26,884,752,709	29.34%
2007	5,053,460,016	2,397,416,809	502,503,482	244,990,311	8,198,370,618	2.69	28,324,245,227	28.94%
2008	5,264,295,057	2,505,493,603	510,920,746	253,623,832	8,534,333,238	2.69	29,484,586,235	28.95%
2009	6,357,320,895	2,777,345,220	547,280,705	278,517,456	9,960,464,276	2.36	34,481,459,144	28.89%

**Source:** Knox County, Tennessee Trustee Department.

**Notes:** Assessment rates are set by Tennessee State Law as follows:

Real Property: Residential and Farm at 25% of value  
Commercial and Industrial at 40% of value

Personal property at 30% of value

Public Utilities at 55% of value (Railroads 40%)

In FY 2009 a county-wide reappraisal was completed.

*Only nine years reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years  
(Unaudited)**

	<b>Year Taxes Are Payable</b>								
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Knox County Direct Rates									
General	1.167	1.143	1.36	1.36	1.24	1.24	1.13	1.10	0.97
Public Library	0.134	0.135	-	-	-	-	-	-	-
Solid Waste	0.047	0.050	-	-	-	-	-	-	-
Debt Service	0.277	0.277	0.25	0.25	0.22	0.22	0.33	0.36	0.31
ADA Construction	0.012	0.012	-	-	-	-	-	-	-
Schools	1.323	1.343	1.35	1.35	1.23	1.23	1.23	1.23	1.08
Total direct rate	2.96	2.96	2.96	2.96	2.69	2.69	2.69	2.69	2.36
City of Knoxville Rates	2.70	2.70	3.05	2.81	2.81	2.81	2.81	2.81	2.46
Total direct & overlapping rates	5.66	5.66	6.01	5.77	5.50	5.50	5.50	5.50	4.82

*Only nine years reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Principal Property Taxpayers  
Tax Year 2009 and Nine Years Ago  
(Unaudited)**

<u>Taxpayer</u>	<u>Fiscal Year 2010</u>			<u>Fiscal Year 2002</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
BellSouth	\$ 70,245,679	1	0.71%	\$ 95,462,295	1	1.53%
Verizon Wireless Tennessee	31,934,336	2	0.32%	-		-
West Town Mall LLC	26,700,440	3	0.27%	38,092,720	2	0.61%
AT&T Communications	24,327,660	4	0.24%	12,923,349	6	0.21%
Tennessee Holding LLC	20,044,440	5	0.20%	-		-
Behringer Harvard Riverview LLC	17,413,400	6	0.17%	-		-
Knoxville Center LLC	14,828,040	7	0.15%	30,231,440	3	0.48%
Parkside Drive LLC	12,721,600	8	0.13%	-		-
Concord Telephone Exchange	12,644,595	9	0.13%	10,468,984	7	0.17%
Sprintcom, Inc DBA/Sprint	11,844,797	10	0.12%	-		-
Fort Sanders Alliance	-		-	10,437,280	8	0.17%
Norfolk Southern	-		-	16,127,598	4	0.26%
Parkway Properties LP	-		-	13,330,160	5	0.21%
River View Tower/City	-		-	9,060,120	9	0.14%
Knoxville Cellular Telephone Company	-		-	8,645,175	10	0.14%
<b>Totals</b>	<b>\$ 242,704,987</b>		<b>2.46%</b>	<b>\$ 244,779,121</b>		<b>3.92%</b>

Source: Knox County, Tennessee Trustee Department.

Only nine years reported as Knox County implemented GASB 34 in fiscal year 2002.

**KNOX COUNTY, TENNESSEE**

**Property Tax Levies and Collections  
Last Ten Fiscal Years  
(amounts expressed in thousands)  
(Unaudited)**

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2001	\$ 178,180	\$ 169,059	94.9%	\$ 8,983	\$ 178,042	99.9%
2002	186,106	177,651	95.5%	8,246	185,897	99.9%
2003	190,443	181,786	95.5%	8,381	190,167	99.9%
2004	193,561	186,380	96.3%	6,930	193,310	99.9%
2005	198,529	191,042	96.2%	7,070	198,112	99.8%
2006	206,934	198,584	96.0%	7,803	206,387	99.7%
2007	214,630	207,118	96.5%	6,589	213,707	99.6%
2008	223,371	215,195	96.3%	6,653	221,848	99.3%
2009	232,502	221,475	95.3%	6,969	228,444	98.3%
2010	237,553	227,064	95.6%	-	227,064	95.6%

Source: Knox County, Tennessee Trustee Department.

**KNOX COUNTY, TENNESSEE**

**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(amounts expressed in thousands, except per capita amount)  
(Unaudited)**

<b>Fiscal Year</b>	<b>Primary Government</b>		<b>Component Units</b>	<b>Total Reporting Unit</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (2)</b>
	<b>General Obligation Bonds and Notes</b>	<b>Capital Leases</b>	<b>Capital Leases</b>			
2002	\$ 401,860	\$ 265	\$ 3,484	\$ 405,609	3.50%	\$ 1,037
2003	386,824	55	2,950	389,829	3.27%	982
2004	430,534	-	6,714	437,248	3.48%	1,093
2005	478,868	-	5,652	484,520	3.64%	1,196
2006	534,497	-	4,552	539,049	3.81%	1,296
2007	580,517	-	3,409	583,926	3.88%	1,377
2008	616,596	-	12,930	629,526	4.02%	1,461
2009	632,121	-	11,767	643,888	4.07% (2)	1,480 (2)
2010	616,971	11,651	23,124	651,746	4.08% (2)	1,481 (2)

*Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.*

*(1) See the Schedule of Demographic and Economic Statistics on page 246 for personal income and population data.*

*(2) Estimated, schedule will be updated when the information becomes available.*

*Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years  
(amounts expressed in thousands, except per capita amount)  
(Unaudited)**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value (1) of Property</b>	<b>Per Capita (2)</b>
2002	\$ 401,860	\$ 26,211	\$ 375,649	1.48%	\$ 960
2003	386,824	25,501	361,323	1.40%	911
2004	430,534	28,025	402,509	1.53%	1,006
2005	478,868	28,906	449,962	1.69%	1,110
2006	534,498	24,116	510,382	1.90%	1,227
2007	580,517	26,613	553,904	1.96%	1,308
2008	613,332	24,384	588,948	2.00%	1,366
2009	627,121	17,757	609,364	1.77%	1,400
2010	613,971	15,754	598,217	1.74%	1,361

*Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.*

*(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 239 for property value data.*

*(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 246.*

*Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.*



**KNOX COUNTY, TENNESSEE**

**Direct and Overlapping Governmental Activities Debt  
As of June 30, 2010  
(amounts expressed in thousands)  
(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County Subtotal, direct debt	\$ 613,971	100.00%	<u>\$ 613,971</u>
City of Knoxville overlapping debt	188,465	100.00%	188,465
Town of Farragut overlapping debt	-		<u>-</u>
Total direct and overlapping debt			<u><u>\$ 802,436</u></u>

Note: Percentage of overlap based on assessed property values.

**KNOX COUNTY, TENNESSEE**

**Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

<b>Fiscal Year</b>	<b>Population</b> (1)	<b>Personal Income</b> (amounts expressed in thousands)	<b>Per Capita Personal Income</b> (1)	<b>Median Age</b> (3)	<b>School Enrollment</b> (3)	<b>Unemployment Rate</b> (2)
2002	391,462	\$ 11,580,797	\$ 29,583	36.9	98,074	4.0%
2003	396,559	11,920,331	30,059	37.6	99,998	4.3%
2004	400,174	12,572,396	31,417	38.0	96,563	4.1%
2005	405,355	13,301,853	32,815	37.5	92,507	4.8%
2006	416,014	14,142,669	33,996	37.8	92,507	4.5%
2007	423,603	15,033,901	35,491	37.3	107,039	3.3%
2008	431,072	15,666,206	36,342	37.6	110,198	3.8%
2009	435,372 (4)	15,821,206 (4)	36,702 (4)	37.9 (4)	110,198 (4)	8.5%
2010	439,672 (4)	15,976,206 (4)	37,065 (4)	38.2 (4)	110,198 (4)	7.8%

*Data sources:*

(1) Bureau of Economic Analysis, Regional Economic Accounts.

(2) Tennessee Department of Labor and Workforce Development.

(3) US Census Bureau/American Community Survey Profile.

(4) Estimated, schedule will be updated when the information becomes available.

Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.

**KNOX COUNTY, TENNESSEE**

**Principal Employers  
Calendar Year 2009 and Ten Years Ago  
(Unaudited)**

<b>Employer (1)</b>	<b>2009</b>			<b>1999</b>		
	<b>Employees (2)</b>	<b>Rank</b>	<b>Percentage of Total Knoxville MSA Employment (3)</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Knoxville MSA Employment</b>
U.S. Department of Energy, Oak Ridge Operations	13,182	1	4.02%	-		-
The University of Tennessee	11,901	2	3.63%	6,559	2	1.98%
Covenant Health	8,982	3	2.74%	6,863	1	2.08%
Knox County Public Schools	8,382	4	2.56%	6,173	3	1.87%
Wal-Mart Stores	5,330	5	1.63%	-		-
Mercy Health Partners	4,368	6	1.33%	-		-
K-VA-T Food Stores	4,118	7	1.26%	-		-
University Health System	3,724	8	1.14%	3,494	5	1.06%
State of Tennessee, Regional Offices	3,709	9	1.13%	2,425	8	0.73%
Knox County Government	3,055	10	0.93%	-		-
Lockheed - Martin Energy Systems	-		-	4,444	4	1.34%
Clayton Homes	-		-	2,850	6	0.86%
Aluminum Company of America	-		-	2,500	7	0.76%
Baptist Health System	-		-	2,347	9	0.71%
City of Knoxville	-		-	2,340	10	0.71%
<b>Total</b>	<b>66,751</b>		<b>20.37%</b>	<b>39,995</b>		<b>12.09%</b>

(1) Based on employers in the Knoxville metropolitan area which includes Anderson, Blount, Knox, Loudon, and Union Counties.

(2) Greater Knoxville Chamber of Commerce.

(3) Tennessee Department of Labor and Workforce Development.

**KNOX COUNTY, TENNESSEE**

**Full-time Equivalent County Government Employees by Function  
Last Ten Fiscal Years  
(Unaudited)**

	<b>Full-time Equivalent Employees by Function</b>								
<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
General Government	707	672	705	664	682	821	708	708	589
Public safety	858	886	815	856	885	974	1054	1048	1133
Health & human services	236	239	234	224	290	310	338	342	314
Engineering & public works	174	174	174	172	176	215	219	233	206
Parks & recreation	59	59	55	54	56	62	62	71	61
<b>Total</b>	<b>2,034</b>	<b>2,030</b>	<b>1,983</b>	<b>1,970</b>	<b>2,089</b>	<b>2,382</b>	<b>2,381</b>	<b>2,402</b>	<b>2,303</b>

*Source: Knox County Budget.*

*Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Operating Indicators by Function  
Last Ten Fiscal Years  
(Unaudited)**

<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Sheriff (1)									
Arrests	27,026	27,278	28,386	31,218	32,508	33,233	32,054	33,548	*
Accidents	3,592	4,125	4,026	4,868	4,889	5,972	4,321	4,500	*
Incidents	15,821	15,883	16,704	15,595	21,870	30,302	29,873	38,388	*
Health services (2)									
Clinical services									
Pediatric cases	11,886	11,178	11,162	10,850	10,537	9,947	8,254	7,570	8,542
Preventive health cases	14,092	13,198	18,161	13,749	14,571	12,502	12,725	11,812	33,630
WIC services	19,352	17,151	16,936	26,533	31,156	29,892	32,198	34,085	33,583
Communicable diseases treated	17,563	16,923	17,195	17,896	18,893	16,497	14,087	16,434	16,207
New prescriptions filled	55,484	49,749	39,923	29,299	26,578	24,452	5,124	9,838	365
Women's health visits	-	-	-	-	-	-	-	-	10,687
Social Services visits	-	-	-	-	-	-	-	-	10,923
Other health related visits	-	-	-	-	-	-	-	-	16,203
Engineering & public works (2)									
Street resurfacing (miles)	115	86	85	78	38	34	20	28	44
Road maintenance service orders processed	2,037	2,275	2,024	1,525	1,288	1,306	2,726	1,869	2,687
Litter reduction from right of way (miles)	187	300	417	361	538	817	238	720	830
Parks & recreation (2)									
Number of park shelter reservations	505	404	690	843	900	931	995	1,500	3,000
Total all participants on all teams	26,100	26,150	26,800	27,700	28,750	30,345	30,402	44,450	30,000
Total number of attendees at events	13,500	26,050	16,925	35,000	35,000	16,757	16,792	90,000	20,500

\* Information not yet available.

(1) Information kept by calendar year.

(2) Information kept by fiscal year.

*Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Capital Asset Statistics by Function  
Last Ten Fiscal Years  
(Unaudited)**

Function	Fiscal Year								
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public safety									
Sheriff									
Detention Facility	1	1	1	1	1	1	1	1	1
Penal Farm	1	1	1	1	1	1	1	1	1
Patrol units	N/A	N/A	N/A	N/A	10	10	10	8	10
Engineering & public works									
Streets (lane miles)	N/A	N/A	N/A	N/A	203,252	203,266	203,310	203,324	203,329
Bridges	3	3	4	4	4	4	4	7	7
Traffic signals	46	46	47	49	51	53	55	58	59
Parks & recreation									
Parks acreage	2,437	2,584	2,915	2,874	3,026	3,051	3,076	3,122	3,296
Parks	35	40	40	43	45	46	47	47	49
Spray pools	-	-	-	2	2	3	3	3	3
Tennis courts	5	5	6	6	7	7	7	7	7

*Only nine years are reported as Knox County implemented GASB 34 in fiscal year 2002.*