



**KNOX
COUNTY
TENNESSEE**

FOR THE YEAR ENDED
JUNE 30, 2012

Tim Burchett
Knox County Mayor

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

KNOX COUNTY, TENNESSEE

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2012

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Introductory Section





OFFICE OF COUNTY MAYOR TIM BURCHETT

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

December 14, 2012

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, 2012, 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 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 Pugh & Company, P. C., 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, 2012. 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

Knox County Mayor Tim Burchett took office on Sept. 1, 2010, shortly after the start of the 2010-2011 fiscal year. Since taking office, Mayor Burchett continues to focus on providing high-quality, efficient service to our citizens at a savings to taxpayers. Some of the achievements of Mayor Burchett's tenure to date include:

- General Fund balance has increased by \$9.5 million from the beginning of FY 2011 to the FY 2012 end of year.
- Restored 177 hours of operation per week within our public library system with no additional impact on the FY 2011-2012 budget.
- Increased purchasing transparency by implementing first-in-the-state online, searchable databases for E-commerce card and purchase order transactions.
- Ensured more than \$2 million in savings over four years by utilizing public-private partnerships to provide pediatric care, as well as translation services for Knox County Health Department clients.

- Implemented mileage reimbursement at the standard federal rate in lieu of monthly travel allowances, which saved approximately \$78,000 in FY2011-2012.
- Sold unnecessary county vehicles, resulting in thousands of dollars in cost-avoidance savings through reduced maintenance, fuel and liability costs.
- For the two FY 2012 and 2013 annual budgets proposed by the Mayor and adopted by County Commission, the Mayor demonstrated his commitment to education and public safety while decreasing the overall General Fund budget. Over this 2-year period, the adopted budget increase compared to the preceding FY 2011 budget totaled \$23,005,000 (6.1%) for education and \$5,130,607 (7.5%) for public safety, for a total increase of \$28,135,607. Over the same 2-year budget period, the total General Fund adopted budget decreased by \$10,834,889 (6.5%).
- Reduced the mayor's office administrative budget by more than 19 percent.
- Began the process of reducing Knox County's debt obligations by \$20 million annually over five years, for a total projected debt reduction of more than \$100 million.
- Identified a funding mechanism to use one-time dollars to pay for the construction of a new Carter Elementary School, therefore eliminating a potential \$8 million in traditional bond interest payments. Ground-breaking for the new school occurred on November 9, 2011.
- Sold the Solway greenwaste facility property for \$2 million; prior to the sale, the upkeep on the property cost taxpayers an average of \$245,000 annually.
- Provided an additional \$364,000 in the FY 2011-2012 budget for infrastructure improvements.
- Engaged a committee of private sector experts to help advise Mayor Burchett on how to address the growing cost of employee health benefits in an attempt to bring those benefits more in-line with the private market; many of the committee's suggestions were implemented and the changes resulted in projected savings of \$1.7 million.
- Provided, from a combination of revenue increases and sustainable savings, 3 percent employee pay increase, beginning January 1, 2012.
- Supported the Halls and Northeast Knox greenway projects, as well as the Knox-Blount greenway project.
- Moved forward with Clayton Park and Plumb Creek Park projects.
- Constructed and opened the Concord "Pet Safe" Dog Park.
- Restored the stream bank along Beaver Creek at Halls Community Park.
- Made parking improvements at the Knox County Sports Park.
- Saved the building that formerly was used for the Oakwood Elementary School. The condition of the building had deteriorated, and its future was uncertain. The County worked with developers and others in the private sector to make needed upgrades and repairs to the facility, which will be used for senior housing. This will provide for additional services to the community and place the property back on the County tax roll.

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. 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
- Energy Management Project
- City County Improvements/Developments
- Many Parks and Greenways Improvements

Road Construction/Improvements:

- Dry Gap Pike
- Various Stormwater Improvements
- Outlet Mall Drive/Snyder Road
- General Road Improvements
- Dutchtown Road
- Farlow Drive

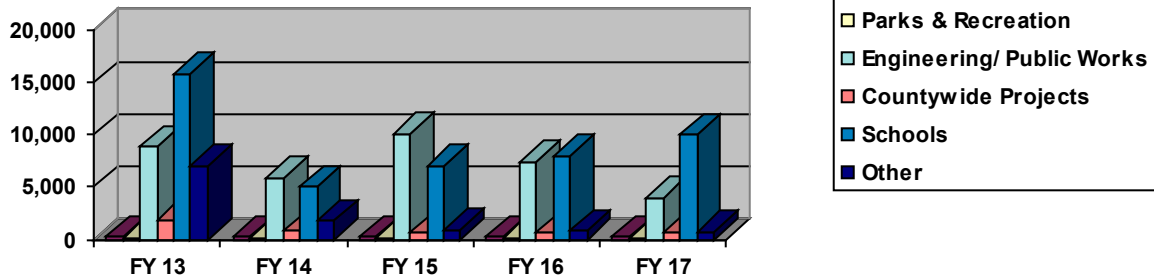
School Construction/Renovation:

- Physical Plant Upgrades
- Energy Management Project
- Ball Camp Elementary School

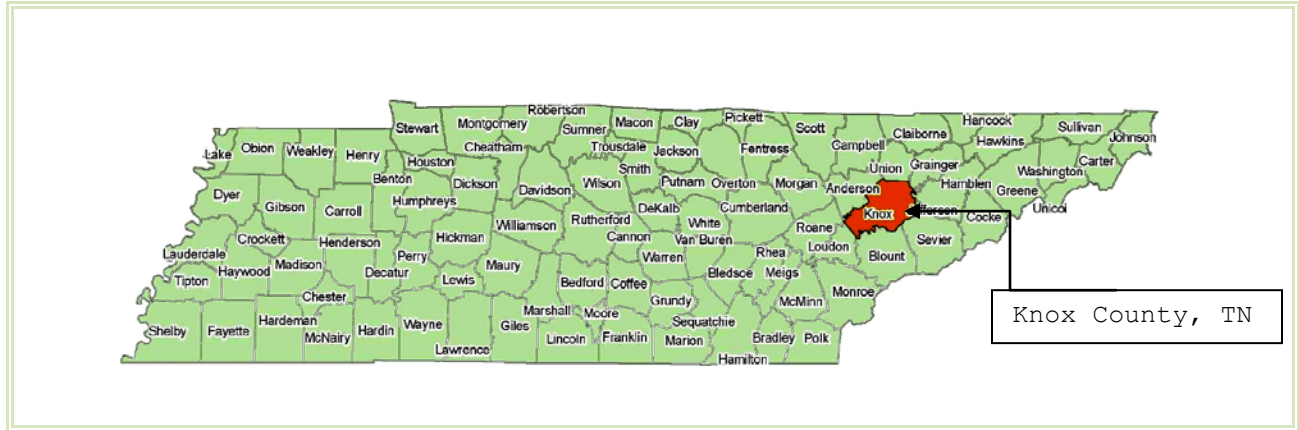
The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

Project Description	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	TOTAL
Libraries	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 1,250
Countywide Projects	1,827	777	577	577	577	4,335
Parks & Recreation	100	100	100	100	100	500
Engineering & Public Works	8,850	5,935	10,135	7,385	4,005	36,310
Building Improvements & Other	7,071	1,796	849	774	699	11,189
Schools	15,887	5,000	7,000	8,000	10,000	45,887
Total – Approved Projects	\$ 33,985	\$ 13,858	\$ 18,911	\$ 17,086	\$ 15,631	\$ 99,471

Five Year Capital Plan
(In Thousands of Dollars)



LOCAL ECONOMIC CONDITION AND OUTLOOK



The County is the third most populous 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's 2010 census demographic population data reported that 432,226 citizens reside within the total land area of approximately 526 square miles that make up Knox County. (See Knoxville-Knox County Metropolitan Planning Commission 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 2010 census data was reported at 178,874. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 20,676. Knoxville has a land area of approximately 104 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, Knox 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 600 miles of approximately 40 percent 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 2011 estimates, there were nearly 900 wholesale distribution houses, more than 1,600 retail establishments, and more than 5,300 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 700 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 University of Tennessee, Tennessee Valley Authority and the Oak Ridge National Laboratory help to 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. The County is also well served by 125 truck lines, two railroads, six airlines, and three local river terminals that provide direct links to the Great Lakes and to the Gulf of Mexico.

The Knoxville area ranks among the nation's top markets for low cost of living. According to the March 2012 American Chamber of Commerce Researchers Association Cost of Living Index, Knoxville ranks as one of the most affordable southeastern urban areas with an index of 87.4, compared to the average of all participating cities of 100. Knoxville is ranked number 5 nationally by Kiplinger.com in its listing of 10 Best Value Cities of 2011, due to low unemployment and low cost of living. In addition, Forbes Magazine ranked Knoxville sixth on its list of Best Mid-Size Cities for Jobs in 2012.

Livability

The Knoxville area continually receives recognition for high quality of life, combining an attractive natural setting with a moderate four-season climate. The County has over 6,000 acres of park and recreation space, with over 60 miles of greenways and walking trails. The arts and culture are well served, with the Knoxville Symphony, Knoxville Opera Company, Knoxville Museum of Art, and several performing arts organizations including the Clarence Brown Theater provide numerous cultural opportunities. Live entertainment includes touring Broadway productions and many concerts at numerous venues throughout the area, including the recently renovated and beautiful historic Tennessee and Bijou theaters.

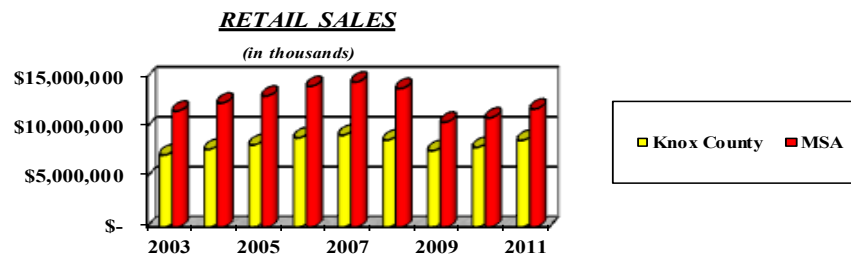
Industrial Investment

The Knoxville MSA has been recognized nationally as a leading location to live and do business. 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. 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 seven business parks and a Technology Corridor to meet a wide range of corporate facility needs. In 2011, approximately 725 new jobs were created in Knox County among the more than 2,300 jobs created across the metro area.

Commercial Development

Four regional shopping malls and nearly 200 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. 2011 retail sales in the MSA grossed over \$11.8 billion, with approximately 75% of that total generated in Knox County.



National and State Economic Perspective

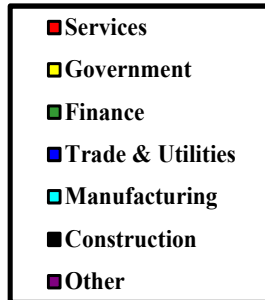
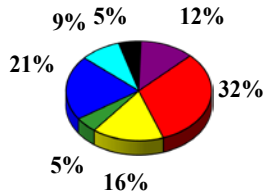
Tennessee is a traditionally business-friendly, low-tax state. Tennessee's fate hinges on the path taken by the global and national economies in the quarters ahead.

According to the analysis of the nation's economic outlook reported in *An Economic Report to the Governor of the State of Tennessee* for 2012, published by the University of Tennessee (<http://cber.utk.edu/erg/erg2012.pdf>), the domestic economy is expected to continue to improve in 2012, although the expansion is expected to continue at a modest pace. The labor market is expected to improve modestly, and unemployment is expected to fall. Consumer spending is expected to increase slightly, although it is expected that consumers will remain cautious in their spending habits. It is not expected that there will be a major revival in the housing sector until at least 2013. The main downside risks to the domestic economy are expected to come from the continuing European debt crisis and the risk of rising gasoline prices.

The report also forecasts that the state's economic outlook is expected to improve in 2012 and 2013, assuming the nation's path of growth is not derailed along the way. Job creation improved in 2011, and manufacturing employment expanded for the first year since the 1990s. Personal income was up by 4.8 percent in 2011, and is expected to continue to grow in 2012 and 2013. The improved growth in personal income and employment has helped to increase taxable sales. The sales growth in 2011 improved to 6.1 percent, the strongest showing since 2005. The growth in taxable sales has resulted in growth in sales tax revenues. This growth is expected to slow, but the levels are expected to remain strong.

Employment Information

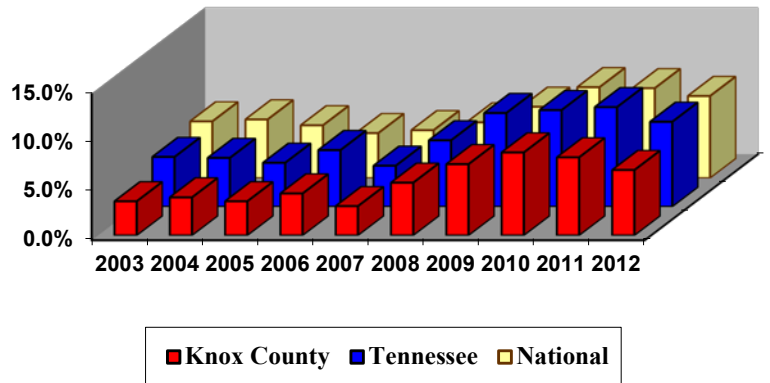
Non-agricultural Employment



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.

Unemployment 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 2012, the seasonally unadjusted unemployment rates for the County, state and nation stood at 6.7%, 8.7% and 8.4%, respectively. The County’s rate is the lowest among the state’s major metropolitan areas.



Per Capita Income

In 2010, Knox County’s per capita income was \$37,148, the 7th highest in Tennessee. This represents an increase of 3.6 percent compared to 2009. For the MSA, per capita income was \$35,054, a 2.6 percent increase.

Tourism

Although industry frequently is considered the core of an economic base, secondary and tertiary activities also make important contributions to economic development. The convention and tourism business contributes to the County's economic base by drawing income into the region, resulting in employment opportunities as well as investment opportunities in tourist-related facilities. The area draws thousands of enthusiasts every year for University of Tennessee sporting events, and minor league hockey and baseball are also available for sports fans. Opportunities for outdoor recreation are plentiful, with parks and recreation activities throughout the County and in the nearby Great Smoky Mountains National Park.

FINANCIAL INFORMATION

Mayor Tim Burchett assumed the office of Knox County Mayor on September 1, 2010. The Mayor, during his mayoral campaign and throughout his first term, has expressed that priorities of his administration including keeping taxes low, and reducing the County's bonded debt levels. Therefore, the County has faced the challenge of maintaining essential services during the current difficult economy, while reducing the levels of debt. The approach taken has been based on careful budgeting and management of revenues and expenditures in both the annual budgets and the long-term budget for capital planning.

For the annual budget process, the FY 2012 adopted budget provided for overall reductions of General Fund expenditures, while adding needed additional expenditures for public safety. Education funding, provided for in the General Purpose School Fund (the general fund for the Board of Education component unit) has also increased. The increases in budgeted funds for public safety and education reflect the Mayor's commitment to endure that adequate funding is provided for these essential functions. By careful budgeting of expenditures in the overall budget, other essential services to Knox County citizens (road maintenance, parks and recreation, library services, etc.) have been maintained at appropriate levels. Revenues have been estimated conservatively, and actual results exceeded the budget. Much of this was due to local taxes, primarily sales taxes, that exceeded originally budgeted estimates.

The planned reduction in the County's bonded debt levels are dependent on both the levels of debt service payments and the amounts of new debt added. Debt service expenditures are provided for in the County's annual budgets, and the amounts of debt retirement have been provided for based on the required upcoming debt service. The amount of new debt to be added is dependent on the amount needed for projects approved in the County's adopted Capital Improvement Plan, which covers the upcoming five-year period. This funding mechanism provides for a matching of debt service expenditures with the useful lives of the assets acquired with the bond proceeds. In order to reduce the overall levels of bonded debt, it has been necessary to reduce the approved projects to be funded from debt proceeds. This reduction is being accomplished. The total bonded debt as of June 30, 2012 of \$669,015,766 is \$22,170,702 less than the prior year total of \$691,186,468. This change resulted from the reduction in new debt approved based on the FY 2012 Capital Improvement Plan, which was the first of the Mayor's budgets. Similar reductions are planned in future years to accomplish the Mayor's stated goal of reducing County bonded debt by over \$100 million over 5 years.

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, 2011. This was the sixteenth 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 seventeenth consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2013 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

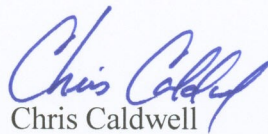
The preparation of the CAFR was made possible by the dedicated service of the Department of Finance. Those involved have our sincere appreciation for the individual and collective contributions made in the preparation of the report. Jack Blackburn, Jennifer Bodie, Chris Caldwell, Steve Campbell, Jeff Clark, Dora Compton, Susan Corlew, Patti Galvan-Balzer, Jason Lay, Peter Lin, 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,



Tim Burchett
Knox County Mayor



Chris Caldwell
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, 2011

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



Linda C. Davidson

President

Jeffrey R. Emer

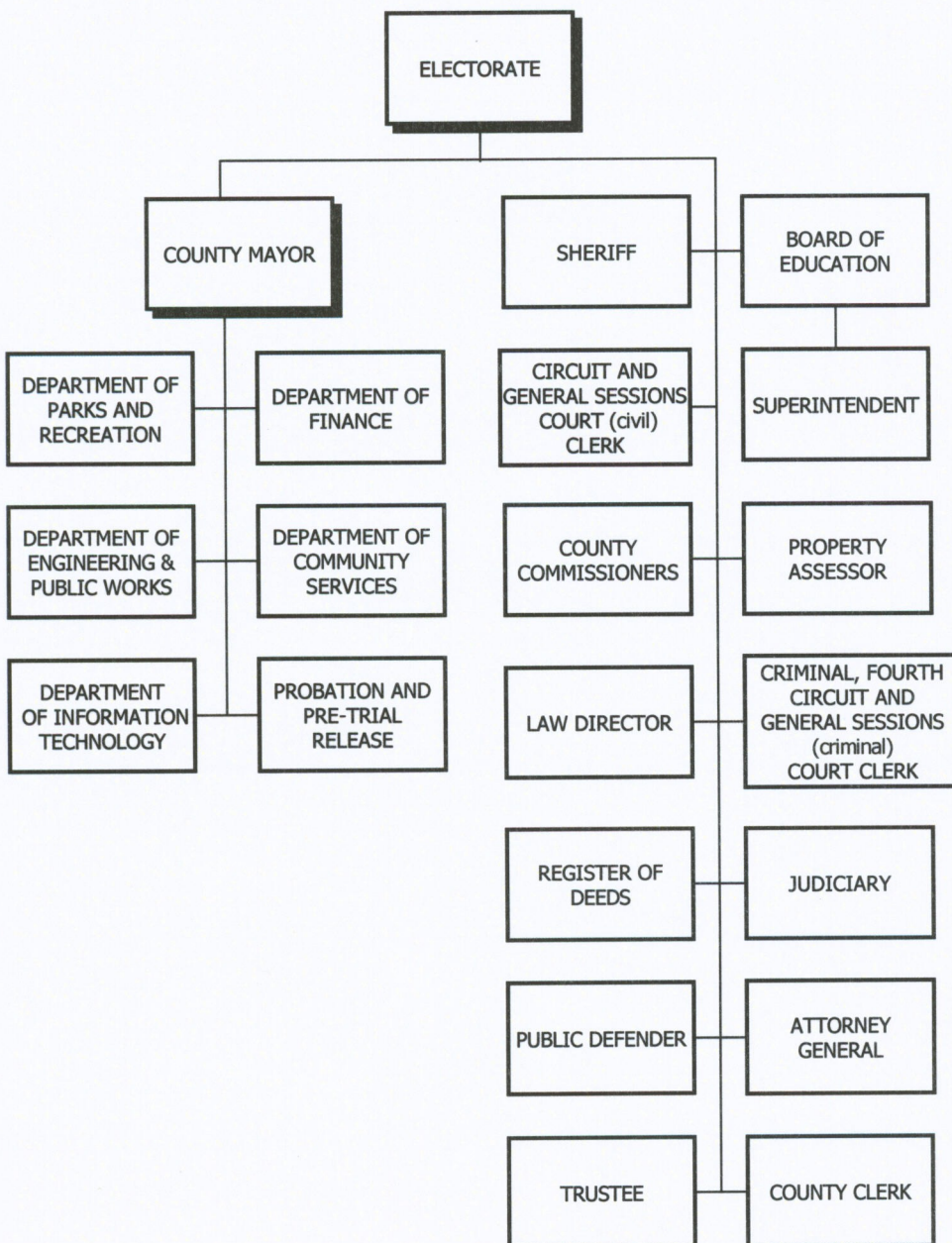
Executive Director

**Knox County, Tennessee
Roster of Publicly Elected Officials
As of June 30, 2012**

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 - Tim Burchett
 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 - John Duncan



Knox County



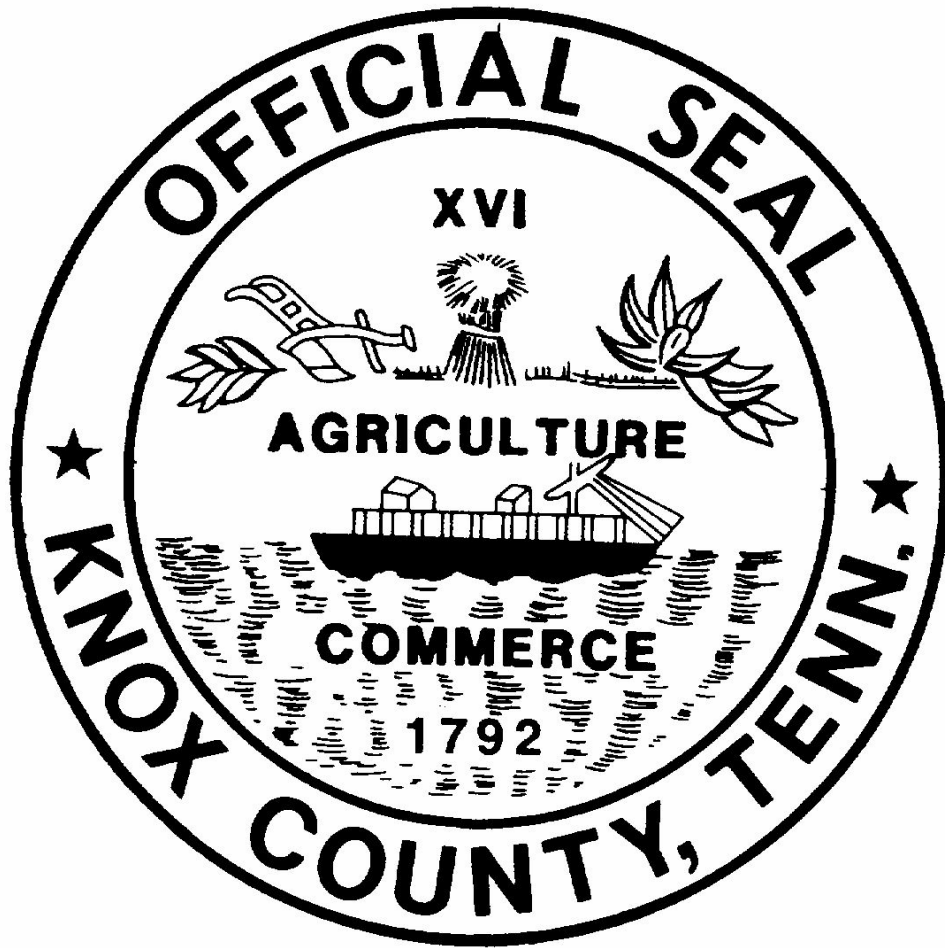
Board of Commissioners:

Brad Anders	Tony Norman
Richard Briggs	Jeff Ownby
Mike Brown	Ed Shouse
Amy Broyles	R. Larry Smith
Mike Hammond	Dave Wright
Samuel McKenzie	

Board of Education:

Cynthia Buttry	Indya Kincannon
Karen Carson	Mike McMillan
Thomas Deakins	Kim Sepesi
Gloria Deathridge	Pam Trainor
Lynn Fugate	

Financial Section



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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, County Commissioners of
Knox County, Tennessee
Knoxville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2012, 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 financial statements of the Great Schools Partnership Charitable Trust (the "Partnership"), a discretely presented component unit reported in the financial statements of the Knox County Board of Education (the "BOE"). The Partnership comprises .49% of assets, .50% of net assets and .83% of revenues of the BOE. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Partnership is based on the report of other auditors.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the 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 discretely presented component units, each major fund, and the aggregate remaining fund information of Knox County, Tennessee as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued, in a separately bound document, our report dated December 14, 2012, 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 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. The Introductory, Supplemental, Component Unit – Board of Education, and Statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplemental section and the Component Unit – Board of Education section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental section and the Component Unit – Board of Education section are fairly stated in all material respects in relation to the 2012 financial statements as a whole. The financial statements as of June 30, 2011, and for the year then ended were audited by other auditors in accordance with auditing standards generally accepted in the United States of America whose report dated November 22, 2011 expressed an unqualified opinion on the 2011 governmental activities, business-type activities, aggregate discretely presented component units, each major fund and the aggregate remaining fund information. The 2011 auditor's report stated that in their opinion the 2011 accompanying Supplemental section and the Component Unit – Board of Education section were fairly stated in all material respects in relation to the basic financial statements as of and for the year ended June 30, 2011, taken as a whole.

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

Pugh & Company, P.C.
Certified Public Accountants
Knoxville, Tennessee
December 14, 2012

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2012

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, 2012. 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-xii of this report. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the Knox County Primary Government exceeded its liabilities at the close of the most recent fiscal year by \$66,308,623 (net assets), which compares to \$52,470,755 at June 30, 2011. The assets of the Knox County Government Total Reporting Unit exceeded its liabilities at the close of the most recent fiscal year by \$507,558,921 (net assets), which compares to \$481,349,753 in 2011. 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 \$240,998,969 (deficit) and \$103,700,942 (surplus) for the Primary Government 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 prior year amounts of \$252,449,468 (deficit) and \$96,135,189 (surplus), respectively.
- Of the Primary Government's \$66,308,623 net assets balance, \$276,642,614 was invested in Capital Assets (net of related debt), \$634,436 was invested in capital assets, \$56,175 was restricted for debt service, \$22,992,382 was restricted for capital projects, \$4,118,492 was restricted for public health and welfare purposes, \$2,130,846 was restricted for public safety purposes, and \$732,647 was restricted for other purposes. The difference of \$240,998,969 (unrestricted net assets) is reported as a deficit, a positive change of \$11,450,499 compared to the prior year unrestricted deficit of \$252,449,468. The reported deficit results 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. As of June 30, 2012, the outstanding balance of bonds issued by the County on behalf of the Board totaled \$276,080,806. If these liabilities were excluded from the liabilities reported for the County, the Primary Government would have reported positive net assets of \$342,389,429 at June 30, 2012.
- The Primary Government's total net assets increased by \$13,837,868, representing 5.1% of the \$272,709,195 expenses of the Primary Government. This compares to the 2011 decrease of \$33,780,368, or 10.7% of 2011 expenses totaling \$316,250,654. The primary reason for the change in net assets from 2011 to 2012 relates to the amounts borrowed by the Primary Government on behalf of the Board. In 2012, the County issued debt (bonds and loans) for

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2012

capital purposes with a face value of \$13,500,000 on behalf of the Board. The net proceeds of \$13,578,202 (net of the effects of issuance costs and debt premium) were 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. In 2011, the County issued debt on behalf of the Board and remitted the net proceeds of \$50,924,958 to the Board. The 2011 debt issuance on behalf of the Board included \$29,004,906 from the issuance of debt for capital purposes, plus the issuance of bonds that refunded capital leases incurred by the Board in previous years, which had been reported as liabilities of the Board prior to the refunding. The difference between the proceeds of debt issued on behalf of the Board in 2011 (\$50,924,958) and the amount for 2012 (\$13,578,202) totals \$37,346,756. As noted above, the Primary Government's net assets increased by \$13,837,868 in 2012 compared to a reduction in 2011 of \$33,780,368, for a total change of \$47,618,236 between the years. The reduction in debt proceeds remitted to the Board in 2012 compared to 2011 of \$37,346,756 accounts for a large part of the change. The remaining amount is attributable to the net increase in governmental funds experienced by the County in 2012, most of which resulted in the increase in net assets for 2012.

- As of the close of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$120,488,867, an increase of \$18,894,490 in comparison with the prior year balances of \$101,594,377. Various factors contributed to the increase. Of the Primary Government's major funds, the General Fund, Capital Projects Public Improvement, and Debt Service Funds experienced increases in fund balance for the year. The increases of fund balance in the amounts were \$8,756,798 for the General Fund, \$720,988 for the Debt Service Fund, and \$8,777,849 for the Capital Projects Public Improvement Fund. The General Fund had budgeted for the use of fund balance of \$534,068; therefore, the fund experienced a positive variance of actual results compared to the original budget of \$9,290,866. These results were achieved due to better-than-expected results from collections of local taxes and realization of certain state shared revenues, combined with the close monitoring and management of expenditures. For the Debt Service Fund, the County planned the use of a portion of fund balance (amounts already set aside to be used for debt service purposes) to be applied to operations of the 2012 fiscal year, in accordance with the budget planning associated with the County's long-term Capital Improvement Plan. Budgeted use of fund balance was \$5,619,207, and the actual increase in fund balance was \$720,988, resulting in a positive variance of \$6,340,195. This result was attributable primarily to savings achieved due to lower than anticipated interest payments on long-term variable-rate debt. In addition, the Capital Projects Public Improvement Fund experienced an increase in fund balance of \$8,777,849. Because the expenditures in this fund relate to projects for which expenditures are incurred over a number of fiscal years, the balance relates to the cumulative effect of sources of funds received, primarily from the issuance of debt, less the amounts expended to date. The remaining fund balance therefore represents amounts held for future years' project expenditures. The Constitutional Officers Special Revenue Fund was the only major fund that experienced a reduction in fund balance for the year, totaling \$416,297. This fund is used to account for the receipt for various charges for services, the source from which various expenditures of the offices are made. Remaining amounts after these expenditures, less an amount allowed to be retained in the fund for future use, are transferred to the General Fund. Based on these requirements, the fund experienced a

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2012

decrease in fund balance for 2012. The use of fund balance and the related amount remaining in fund balance is in line with expectations. For the County's governmental funds in the aggregate, fund balances totaled \$120,488,867, of which \$11,958,619 was in a nonspendable form. The remaining "spendable" fund balance was \$108,530,248, of which \$78,499,706 (65%) was available for spending without external restrictions (committed, assigned and unassigned fund balance). This compares to the prior year total of committed, assigned and unassigned governmental fund balances of \$66,622,459 (74% of the total spendable governmental fund balance of \$89,803,336 at June 30, 2011.)

- In the General Fund, unassigned fund balance, which is available for expenditure at the County's discretion, increased slightly from \$43,521,876 at June 30, 2011 to \$46,308,062 at June 30, 2012. Unassigned fund balance for the General Fund represented 32% of total General Fund expenditures of \$146,135,527, compared to 29% of last year's expenditures of \$151,787,439. The \$46,308,062 unassigned General Fund balance is greater than the amount that was projected upon adoption of the General Fund budget by \$3,320,254. 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 at the end of the year totaled \$669,015,766, a decrease of 3.2 percent, or \$22,170,702, compared to the prior year total of \$691,186,468. Of the current year total, \$392,934,960 pertains to County general government activities and \$276,080,806 pertains to the Knox County Schools Component Unit. The County issued \$35,905,000 million in bonds during FY 2012. Of that total, \$21,505,000 was issued to refund existing bonded debt. The remaining bonds issued totaled \$14,400,000, which were issued to fund capital improvements in accordance with the County's adopted Capital Improvement Plan. Of the total \$14,400,000 issued for capital purposes, \$8,500,000 was issued on behalf of the Board. Bond principal paid and refunded in FY 2012 totaled \$58,075,702.
- The County Property Tax Rate remained at \$2.36 for the fiscal year. This is another indication of the County's commitment to fiscal conservatism.

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.

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2012

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 (The District), and the Knox County Railroad Authority (The Authority.) Financial information for these component units is reported separately from the financial information presented for the primary government itself. The District issues separate financial statements. The Board and the Authority do not issue separate financial statements. The government-wide financial statements can be found on pages 19 and 20 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

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2012

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 twelve 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 eight 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 21-24 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 (including retirement), self-insurance activities, building 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.

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2012

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The eight 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 25-27 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 28 and 29 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 30-105 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 106-110 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the individual fund statements are presented on pages 122-149. Combining and individual fund statements for internal service funds can be found on pages 153-171 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 \$507,558,921 at the close of the most recent fiscal year, which compares to \$481,349,753 from last year. The Primary Government's Governmental Activities net assets totaled \$ 65,458,430, which compares to last year's net assets of \$51,450,959.

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2012

Knox County, Tennessee
Net Assets - Primary Government -- Governmental Activities

	June 30,	
	2012	2011
Current and Other Assets	\$ 347,873,697	\$ 317,179,649
Capital Assets	626,209,262	636,117,213
Total Assets	974,082,959	953,296,862
Long-term Liabilities Outstanding	684,989,096	681,057,097
Other Liabilities	223,635,433	220,788,806
Total Liabilities	908,624,529	901,845,903
Net Assets:		
Invested in Capital Assets, net of Related Debt (See Note A)	276,642,614	281,020,672
Restricted	30,030,542	23,180,877
Unrestricted (Deficit) (See Note A)	(241,214,726)	(252,750,590)
Total Net Assets	\$ 65,458,430	\$ 51,450,959

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 \$56,175 (last year \$185,410) Capital Projects \$22,992,382 (last year \$14,214,533). Other restrictions include Public Health and Welfare \$4,118,492, Public Safety \$2,130,846, and Other Purposes \$732,647 (last year the latter three combined totaled \$8,780,934). The remaining balance of unrestricted net assets deficit of

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\$241,214,726 reflects a positive change of \$11,535,864 compared to the prior year unrestricted net assets deficit of \$252,750,590. The positive change in net assets resulted from the realization of certain revenues, primarily local sales taxes and certain intergovernmental revenues received from the State of Tennessee, in amounts greater than expected, combined with overall prudent management of expenses.

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 of \$241,214,726 as of June 30, 2012 results from the County's recognition of long-term debt issued on behalf of the Knox County Board of Education. Because the Board cannot by law issue its own bonds payable, the County issues bonds on behalf of the Board, and pays the proceeds (net of the effects of bond premiums and issuance costs) to the Board. The Board then uses these proceeds for its capital purposes, and records the capital assets on its own Statement of Net Assets. Therefore, the assets are shown on the Board's Component Unit financial statements, whereas the related debt is shown on the County's Primary Government financial statements. At June 30, 2012, the amount of bonds issued by the County on behalf of the Board still outstanding was \$276,080,806 (excluding unamortized premium) compared to the prior year amount of \$286,425,363. 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 \$34,866,080 in 2012 and \$33,674,773 in 2011.

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 increased by \$26,209,168 during the current fiscal year, compared to an increase of \$21,620,511 for the prior year. For the Total Reporting Unit, the amount of the increase in net assets is attributable to the underlying positive combined change in net assets of the Primary Government and of the Board, totaling \$23,815,896. These results were achieved due to revenues recognized that exceeded expectations, combined with the careful management of expenditures.

Governmental activities. Governmental activities increased the Knox County Primary Government's net assets by \$14,007,471 in 2012. This amount results from the overall realization of certain revenues in amounts higher than expected, coupled with prudent management of expenses.

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KNOX COUNTY GOVERNMENT'S Changes in Net Assets

The following table shows the changes in net assets for the Primary Government for the fiscal years ended June 30, 2012 and 2011. The totals include both governmental activities and the business-type activities for the Three Ridges Golf Course, an enterprise fund.

Knox County Primary Government

	2012	2011
Program Revenues:		
Charges for Services	\$ 43,839,659	\$ 38,079,268
Operating Grants and Contribution	13,941,943	18,111,952
General Revenues		
Local Taxes	178,188,532	180,630,100
Payments from Component Units	36,728,191	26,227,344
Other General Revenues	13,848,738	19,421,622
Total Revenues	286,547,063	282,470,286
Expenses:		
Finance and Administration	31,753,114	35,025,924
Administration of Justice	22,434,728	24,277,040
Public Safety	72,565,353	72,135,474
Public Health and Welfare	32,546,227	33,731,246
Social and Cultural Services	20,183,797	22,185,045
Other General Government	25,083,385	20,632,988
Engineering & Public Works	21,964,447	24,045,860
Debt Service	28,193,240	28,885,417
Payments to Component Units	17,984,904	55,331,660
Total Expenses	272,709,195	316,250,654
Change in Net Assets	13,837,868	(33,780,368)
Net Assets, Beginning of Year	52,470,755	86,251,123
Net Assets, End of Year	\$ 66,308,623	\$ 52,470,755

Program revenues include charges for services, which consist of various items such as fees for services, licenses, and fines. Charges for services relate to numerous and various government functions. These amounts increased by \$5,760,391 compared to the prior year. These items represent an aggregation of numerous transactions, and there is not a concentration of revenues in any area. These tend, therefore, to be relatively stable from year to year. Program revenues also include operating grants, which represent primarily grants received from the federal and state governments. These amounts decreased by \$4,170,009 compared to the prior year. Program

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revenues relate to numerous amounts received for various government functions. The level of federal funding in FY 2011 had increased compared to typical years' amounts due to the increased funding that had been made available under the American Recovery and Reinvestment Act of 2009. The FY 2012 level has decreased as the availability of these additional funds has subsequently declined.

General Revenues include local taxes, payments from component units, and other general revenues. Local taxes decreased by approximately \$2.4 million compared to the prior year. The primary reasons for the decrease were decreased collections of property taxes compared to 2011. The prior year experienced an increase in property tax collections over typical levels, realized primarily as a result of more aggressive collection efforts directed to delinquent taxes. Payments from component units primarily consist of the amounts received for the Board for the portion of debt service related to the debt obligations that the Primary Government incurred on behalf of the Board. Remaining general revenue consists of state shared revenues, investment revenue, and miscellaneous. The decrease from 2011 to 2012 in this category from the prior year of \$5.6 million was primarily attributable to decreased investment earnings, combined with various increases and decreases in other areas. The primary reason for the negative investment revenues total resulted from the decrease of \$7,073,208 in the fair value of the interest rate swap accounted for as an investment derivative instrument. Although generally accepted accounting principles require recognition of this amount in the statement of activities, it should be noted that the County has not realized any loss in financial assets related to this amount.

Expenses for the Primary Government are categorized into functional areas. Total expenses decreased by \$43,541,459 compared to the prior year. This change was directly attributable to the decrease in the amounts paid to the Board of \$37,346,756. As previously noted, the County issues debt on behalf of the Board for capital purposes, and the net proceeds are paid to the Board, thus resulting in an expense to the Primary Government. In FY 2012, the Primary Government again incurred debt for capital purposes on behalf of the Board with a face amount of \$13,500,000, and paid the proceeds (net of bond premium and issuance costs) of \$13,578,202 to the Board. In 2011, the County issued debt for capital purposes on behalf of the Board, and paid the net proceeds of \$29,004,906 to the Board. In addition, the County refunded capital leases on behalf of the Board totaling \$21,920,052 by issuing refunding bonds in 2011. Again, the net proceeds from the issuance of Primary Government bonded debt were paid to the Board as a result of the refunding transaction. The total of these two transactions, \$50,924,958, exceeded the 2012 total of \$13,578,202 by \$37,346,756. Most of the remaining decrease resulted from decreases in several other expense categories as a result of decreased resources available due to the current economic conditions. Expenses did increase by \$4,450,397 in Other General Government, primarily attributable to expenses made from federal grant programs in this category.

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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.

During FY 2011, the County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*. This Statement revised the fund balance categories used for the County's governmental funds. The categories of fund balance are:

Nonspendable fund balance related to amounts that cannot be spent because they are in a form that is not expected to be converted to cash (e.g., inventories and prepaid items), as well as the long-term portion of receivables and the County's investment in joint venture.

Restricted fund balance includes amounts restricted for specific purposes by parties outside of the County (e.g., grantors, other governments) or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County Commission.

Assigned fund balance consists of amounts constrained by the County's intent to be used for specific purposes, but are not restricted or committed.

Unassigned fund balance is the residual balance in the General Fund.

Knox County, Tennessee
Primary Government--Governmental Fund Balance

	June 30,	
	2012	2011
	<hr/>	<hr/>
Nonspendable	\$ 11,958,619	\$ 11,791,041
Restricted	30,030,542	23,180,877
Committed	29,526,445	22,142,616
Assigned	2,665,199	957,967
Unassigned	<hr/> 46,308,062	<hr/> 43,521,876
Total Fund Balances	<hr/> <u>\$ 120,488,867</u>	<hr/> <u>\$ 101,594,377</u>

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As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$120,488,867, an increase of \$18,894,490 in comparison with the prior year total of \$101,594,377. The General Fund realized an increase in fund balance of \$8,756,798, primarily as a result of the realization of local tax and intergovernmental revenues in amounts greater than expected, combined with prudent management of expenditures. The other major fund that experienced a significant increase in fund balances was the Capital Projects Public Improvement Fund. Restricted fund balance in that fund increased from \$14,214,533 at June 30, 2011 to \$22,992,382 at June 30, 2012, for an increase of \$8,777,849. The reason for the increase was the increase in unexpended debt proceeds restricted for capital purposes, resulting from the issuance of bonds in FY 2012. The combined increase in fund balance for the General Fund and the Capital Projects Public Improvement Fund totaled \$17,534,647, 93% of the total governmental funds increase of \$18,894,490.

The General Fund is the chief operating fund of the Knox County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$46,308,062 compared to \$43,521,876 last year (an increase of \$2,786,186), while total fund balance increased to \$61,339,133 compared to last year's \$52,582,335. Total fund balance represents 42.0% of actual expenditures compared to 34.6% 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 increased by \$8,756,798 during 2012, compared to last year's \$784,422 increase. The General Fund's original budget planned for a net use of fund balance for the year of \$534,068. The actual unassigned fund balance of \$46,308,062 was \$3,320,254 greater than the original budgeted amount of \$42,987,808. Key factors in the positive outcomes for the General Fund are as follows:

- Revenues exceeded budget in five of ten categories; total revenues of \$154,439,392 totaled 103.2% of the total budget of \$149,698,558. 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 \$4,983,405, 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 \$2,193,993. Intergovernmental revenues, primarily certain State of Tennessee revenues, exceeded the budgeted amount by \$2,832,334.
- The General Fund departments, in their normal conservative pattern, showed their fiscal responsibility by turning back unspent budgeted funds of \$5,127,709 (3.4% of the final amended budget of \$151,263,236) for the fiscal year (compared to last year's results of \$4,921,623, or 3.1% of the budget of \$156,709,062).

The Debt Service Fund has a total fund balance of \$22,872,470, which compares to \$22,151,482 last year. The majority of the fund balance consists of amounts committed for debt service purposes by County Commission (\$17,091,295 compared to the prior year amount of \$16,110,331). The net increase in fund balance during the current year was \$720,988, compared

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to a decrease of \$2,827,251 last year. The County had planned for a decrease in the Debt Service Fund, and had budgeted for \$5,619,207 to be applied to the current year budget. As the current year result of operations was an actual increase in fund balance of \$720,988, the fund experienced a positive variance of \$6,340,195 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, combined with 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. The County plans to continue its conservative financial planning.

The Public Improvement Capital Projects Fund experienced a net increase in fund balances of \$8,777,849 in 2012, compared to an increase in fund balance of \$8,619,282 in 2011. Fund balance at June 30, 2012 totaled \$22,992,382, compared to the June 30, 2011 balance of \$14,214,533. This change results from the timing of the issuance of bonds for capital purposes compared to the expenditures made therefrom. 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 \$416,297, resulting in fund balance at June 30, 2012 totaling \$2,199,988 compared to the June 30, 2011 total of \$2,616,285. 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. Amounts transferred to the General Fund in 2012 totaled \$7,780,851, an increase of \$1,534,316 from the prior year total of \$6,246,535. These results were in line with expectations, as there were no major changes to the operations of these offices during 2012 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 \$4,980,932 compared to \$6,859,667 at the end of 2011. The decrease of \$1,878,735 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 a \$1,910,193 decrease (2.9% of total charges for services of \$66,374,564), compared to the prior year 2.0% (deficit change in net assets). The intent of these funds is to "break even."

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 \$2,167,985 increase in the total budgeted expenditures. Included in the increase were normal carryover appropriations for projects not completed during the previous fiscal year and appropriations for additional expenditures related

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to numerous additional revenues received for specific purposes during the year that were in addition to the revenues estimated in the original budget.

Actual revenues exceeded budgetary estimates by 3.2%, primarily resulting from the aforementioned additional amounts realized for local taxes and intergovernmental revenues. Actual expenditures were less than budgetary provisions by \$5,127,709. Overall, the General Fund Balance increased by \$8,756,798, which is \$10,842,497 more than the final budgeted decrease of \$2,085,699. The unassigned portion of the County's General Fund Balance increased by \$2,786,186, compared to the originally planned decrease of \$534,068. 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, 2012, of \$983,035,536, which compares to the prior year total of \$977,460,678. 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 investment in capital assets for the current fiscal year was \$5,574,858 (0.6 percent), which reflects the capital additions for the year in amounts more than, although approximating, depreciation expense.

Spending for major capital asset additions during the current fiscal year included the following: energy management projects (Board), New Southwest Elementary School, County additions/renovations, City/County Building Improvements, various school upgrades, numerous road projects, and various other projects.

The County Primary Government's investment in capital assets for its governmental activities as of June 30, 2012 amounts to \$968,281,056 less accumulated depreciation of \$342,071,794, leaving a net book value of \$626,209,262. The prior year net book value totaled \$636,117,213. 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. The overall decrease of \$9,907,951 resulted from the excess of depreciation expense over the amounts added during the year. This was a planned result, reflecting the County's commitment to reduce borrowing for capital purposes which results in lower amounts of capital asset additions. Although a certain level of long-term borrowing for capital purposes is both necessary and desirable to service the needs of County citizens, the County is committed to reducing its debt level in order to minimize the burden on County taxpayers resulting from additional debt issuances.

Additional information on the Knox County Government's capital assets can be found in Note III.C on pages 53-55 of this report and on pages 194-196.

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Long-term debt. At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$669,015,766, compared to \$691,186,468 at the end of 2011. All of the bonded debt was backed by the full faith and credit of the County government. \$276,080,806 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remaining \$392,934,960 of the Knox County Government's debt represents bonds issued for general government purposes.

KNOX COUNTY GOVERNMENT'S Bonded Debt Changes during FY 2012:

Rollforward of Debt:	Primary Government	Board	Total
Beginning Balance	\$ 404,761,105	\$ 286,425,363	\$ 691,186,468
Principal Paid	(28,916,145)	(29,159,557)	(58,075,702)
Issued Amounts	17,090,000	18,815,000	35,905,000
Ending Amount – Bonds	<u>\$392,934,960</u>	<u>\$276,080,806</u>	<u>\$669,015,766</u>

Knox County's total bonded debt decreased by \$22,170,702 (3.2 percent) during the current fiscal year. In FY 2012, the County issued \$35,905,000 in general obligation bonds. Included in the total issued was \$21,505,000 issued for the purpose of refunding previously existing debt, with \$14,400,000 issued for new capital purposes (\$5,900,000 for primary government purposes, plus \$8,500,000 for Board purposes). Bond principal retired in FY 2012 totaled \$58,075,702, which included the payment of \$22,460,000 to refund bonds in a current refunding transaction. The net reduction in bonded debt was planned, as a result of the Mayor's commitment to lower the overall bonded debt levels of the County.

Knox County's debt is rated "AA+" by Standard & Poor's, the highest rating in County history. The County's debt is rated "Aa1" rating by Moody's. These ratings were reaffirmed during 2012. 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 \$669,015,766. This translates to approximately \$1,518 per capita. This compares to the FY 2011 per capita amount of \$1,564 (restated to reflect FY 2011 debt refunding transactions.)

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 66-77.

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Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Knox County for June 2012 was 6.7%, which is a decrease from the final unemployment rate figure of 7.6% percent for June 2011. This compares favorably to the state's average rate of 8.1% percent for June 2012, and 8.2% for June 2011. The national unemployment averages were 8.2% for June 2012 and 9.2% for June 2011. 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

Basic Financial Statements



KNOX COUNTY, TENNESSEE

Statement of Net Assets

June 30, 2012

	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	
Assets							
Cash and Cash Equivalents	\$ 66,700,598	\$ 235,736	\$ 66,936,334	\$ 69,533,588	\$ 13,130	\$ 12,125,006	\$ 148,608,058
Accounts Receivable	17,356,337	11,818	17,368,155	49,833,684	-	1,241,848	68,443,687
Local Taxes Receivable, net	144,638,634	-	144,638,634	125,336,758	-	-	269,975,392
Notes Receivable	13,854,636	-	13,854,636	-	-	-	13,854,636
Investments	53,058,605	-	53,058,605	8,498,816	-	-	61,557,421
Due from Component Units	1,443,956	-	1,443,956	-	-	-	1,443,956
Due from Primary Government	-	-	-	1,508,138	-	-	1,508,138
Internal Balances	20,236	(20,236)	-	-	-	-	-
Advances to Other Governments	2,500,000	-	2,500,000	-	-	-	2,500,000
Inventories	311,714	68,809	380,523	1,420,985	-	-	1,801,508
Prepaid Items	180,513	3,527	184,040	1,314,074	-	-	1,498,114
Pension Asset	4,821,053	-	4,821,053	-	-	-	4,821,053
Equity Interest in Joint Venture	5,997,234	-	5,997,234	-	-	-	5,997,234
Capital Assets:							
Land and Construction in Process	154,151,394	880	154,152,274	73,652,698	-	56,089	227,861,061
Other Capital Assets, Net of Accumulated Depreciation	472,057,868	633,556	472,691,424	278,142,281	-	4,340,770	755,174,475
Deferred Debt Issuance Costs, Net of Accumulated Amortization	4,472,001	-	4,472,001	-	-	-	4,472,001
Deferred Outflows of Hedging Derivatives	32,518,180	-	32,518,180	-	-	-	32,518,180
Total Assets	974,082,959	934,090	975,017,049	609,241,022	13,130	17,763,713	1,602,034,914
Liabilities							
Accounts Payable	14,021,972	43,235	14,065,207	60,779,227	-	186,188	75,030,622
Due to Component Units	1,508,138	-	1,508,138	-	-	-	1,508,138
Due to Primary Government	-	-	-	1,424,285	-	19,671	1,443,956
Unearned Revenue	147,979,891	-	147,979,891	117,571,747	-	-	265,551,638
Accrued Interest	4,413,601	-	4,413,601	-	-	-	4,413,601
Self-insurance Liability	10,313,626	-	10,313,626	-	-	-	10,313,626
Long-term Obligations:							
Accrued Pension Obligation	-	-	-	3,139,282	-	-	3,139,282
Other Post-Employment Benefits Obligation	647,490	-	647,490	-	-	-	647,490
Fair Value of Interest Rate Swap Derivatives	44,584,619	-	44,584,619	-	-	-	44,584,619
Other Long-term Obligations:							
Due in Less than One Year	45,398,205	36,596	45,434,801	2,146,710	-	235,740	47,817,251
Due in More than One Year	639,756,987	4,066	639,761,053	238,524	-	26,193	640,025,770
Total Liabilities	908,624,529	83,897	908,708,426	185,299,775	-	467,792	1,094,475,993
Net Assets							
Invested in Capital Assets	-	634,436	634,436	351,794,979	-	4,396,859	356,826,274
Invested in Capital Assets, Net of Related Debt (see note below)	276,642,614	-	276,642,614	-	-	-	561,808
Restricted for:							
Debt Service	56,175	-	56,175	-	-	-	56,175
Capital Projects	22,992,382	-	22,992,382	8,594,613	-	-	31,586,995
Public Health and Welfare Purposes	4,118,492	-	4,118,492	-	-	-	4,118,492
Public Safety Purposes	2,130,846	-	2,130,846	-	-	-	2,130,846
Education Purposes	-	-	-	7,844,742	-	-	7,844,742
Other Purposes	732,647	-	732,647	-	-	-	732,647
Net Assets - Unrestricted (see note below)	(241,214,726)	215,757	(240,998,969)	55,706,913	13,130	12,899,062	103,700,942
Total Net Assets	\$ 65,458,430	\$ 850,193	\$ 66,308,623	\$ 423,941,247	\$ 13,130	\$ 17,295,921	\$ 507,558,921

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 \$276,080,806 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 \$276,080,806 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.

KNOX COUNTY, TENNESSEE

Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets						
		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	
Primary government:											
Governmental activities:											
Finance and Administration	\$ 31,753,114	\$ 21,247,575	\$ -	\$ -	\$ (10,505,539)		\$ (10,505,539)				\$ (10,505,539)
Finance and Administration-Payment to Component Unit	3,823,874	-	-	-	(3,823,874)		(3,823,874)				(3,823,874)
Administration of Justice	22,434,728	10,129,539	531,849	-	(11,773,340)		(11,773,340)				(11,773,340)
Public Safety	72,565,353	4,478,725	2,419,914	-	(65,666,714)		(65,666,714)				(65,666,714)
Public Safety-Payment to Component Unit	326,200	-	-	-	(326,200)		(326,200)				(326,200)
Public Health and Welfare	32,546,227	4,705,246	8,324,256	-	(19,516,725)		(19,516,725)				(19,516,725)
Public Health and Welfare-Payment to Component Unit	256,628	-	-	-	(256,628)		(256,628)				(256,628)
Social and Cultural Services	19,036,194	949,557	475,497	-	(17,611,140)		(17,611,140)				(17,611,140)
Agricultural and Natural Resources	365,774	-	-	-	(365,774)		(365,774)				(365,774)
Other General Government	24,717,611	592,251	1,900,753	-	(22,224,607)		(22,224,607)				(22,224,607)
Engineering and Public Works	21,964,447	758,766	289,674	-	(20,916,007)		(20,916,007)				(20,916,007)
Education - Payment to Component Unit	13,578,202	-	-	-	(13,578,202)		(13,578,202)				(13,578,202)
Debt Service - Interest and Fees	28,193,240	-	-	-	(28,193,240)		(28,193,240)				(28,193,240)
Total governmental activities	271,561,592	42,861,659	13,941,943	-	(214,757,990)		(214,757,990)				(214,757,990)
Business-type activities:											
Three Ridges Golf Course	1,147,603	978,000	-	-	-	\$ (169,603)	(169,603)				(169,603)
Total primary government	\$ 272,709,195	\$ 43,839,659	\$ 13,941,943	\$ -	(214,757,990)	(169,603)	(214,927,593)				(214,927,593)
Component units:											
Board of Education	\$ 503,634,777	\$ 15,778,275	\$ 75,241,071	\$ -			\$ (412,615,431)	\$ -	\$ -		(412,615,431)
Knox County Railroad Authority	40,430	-	40,378	-			-	(52)	-		(52)
Knox County Emergency Communications District	6,420,765	6,457,347	22,896	-			-	-	59,478		59,478
Total component units	\$ 510,095,972	\$ 22,235,622	\$ 75,304,345	\$ -			(412,615,431)	(52)	59,478		(412,556,005)
General Revenues:											
Property Taxes					139,862,073	-	139,862,073	110,866,194	-	-	250,728,267
Sales Taxes					11,076,254	-	11,076,254	128,588,400	-	-	139,664,654
Lodging Taxes					5,696,181	-	5,696,181	-	-	-	5,696,181
Business Taxes					7,782,614	-	7,782,614	-	-	-	7,782,614
Wheel Taxes					10,835,470	-	10,835,470	1,501,397	-	-	12,336,867
Other Local Taxes					2,935,940	-	2,935,940	1,039,271	-	-	3,975,211
Investment Revenue					(5,128,322)	-	(5,128,322)	26,919	-	15,750	(5,085,653)
Payments from Component Units					36,728,191	-	36,728,191	-	-	-	36,728,191
Payments from Primary Government					-	-	-	17,402,076	-	582,828	17,984,904
Shared Revenues					14,442,231	-	14,442,231	1,459,200	-	-	15,901,431
Other Revenues					2,902,551	-	2,902,551	-	-	16,128	2,918,679
Other Governments and Citizens Groups					96,628	-	96,628	-	-	1,719,140	1,815,768
Miscellaneous					1,535,650	-	1,535,650	503,211	-	-	2,038,861
Grants and Contributions Not Restricted for Specific Programs					-	-	-	161,206,791	-	-	161,206,791
Total General Revenues					228,765,461	-	228,765,461	422,593,459	-	2,333,846	653,692,766
Change in Net Assets					14,007,471	(169,603)	13,837,868	9,978,028	(52)	2,393,324	26,209,168
Net Assets, July 1					51,450,959	1,019,796	52,470,755	413,963,219	13,182	14,902,597	481,349,753
Net Assets, June 30					\$ 65,458,430	\$ 850,193	\$ 66,308,623	\$ 423,941,247	\$ 13,130	\$ 17,295,921	\$ 507,558,921

KNOX COUNTY, TENNESSEE

**Balance Sheet
Governmental Funds
June 30, 2012**

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 9,076,048	\$ 3,832,731	\$ 14,959,395	\$ 16,319,337	\$ 8,585,710	\$ 52,773,221
Receivables:						
Accounts, Net	8,905,650	-	19,818	-	7,919,172	16,844,640
Local Taxes	109,606,368	-	-	35,032,266	-	144,638,634
Notes	1,393,000	-	-	9,245,000	3,193,702	13,831,702
Investments	44,159,604	-	8,899,001	-	-	53,058,605
Due from Other Funds	3,228,876	-	42,238	758,681	983,981	5,013,776
Due from Component Units	893,282	-	-	-	-	893,282
Advances to Other Governments	-	-	-	2,500,000	-	2,500,000
Inventories	89,326	-	-	-	5,997	95,323
Prepaid Items	95,554	-	-	-	45,508	141,062
Investment in Joint Venture	5,997,234	-	-	-	-	5,997,234
TOTAL ASSETS	\$ 183,444,942	\$ 3,832,731	\$ 23,920,452	\$ 63,855,284	\$ 20,734,070	\$ 295,787,479
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 7,988,749	\$ -	\$ 911,713	\$ 5,842	\$ 3,977,218	\$ 12,883,522
Due to Other Funds	2,672,678	1,632,743	4,879	216,779	1,995,858	6,522,937
Due to Component Units	1,291,055	-	11,478	-	-	1,302,533
Deferred Revenue	110,153,327	-	-	40,760,193	3,676,100	154,589,620
TOTAL LIABILITIES	122,105,809	1,632,743	928,070	40,982,814	9,649,176	175,298,612
Fund Balances:						
Nonspendable	6,182,114	-	-	5,725,000	51,505	11,958,619
Restricted	2,787,302	-	22,992,382	56,175	4,194,683	30,030,542
Committed	5,596,444	-	-	17,091,295	6,838,706	29,526,445
Assigned	465,211	2,199,988	-	-	-	2,665,199
Unassigned	46,308,062	-	-	-	-	46,308,062
TOTAL FUND BALANCES	61,339,133	2,199,988	22,992,382	22,872,470	11,084,894	120,488,867
TOTAL LIABILITIES AND FUND BALANCES	\$ 183,444,942	\$ 3,832,731	\$ 23,920,452	\$ 63,855,284	\$ 20,734,070	\$ 295,787,479

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

KNOX COUNTY, TENNESSEE

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

June 30, 2012

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

Ending Fund Balance - Governmental Funds	\$ 120,488,867
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	626,044,416
Other long-term assets, consisting of deferred debt issuance costs (\$4,472,001) and pension asset (\$4,821,053), are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	9,293,054
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.	5,145,778
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	\$ 669,015,766
Unamortized Bond Premium	9,083,107
Unamortized Amount on Refunding	(3,933,611)
Fair Value of Interest Rate Swaps, net	12,066,439
Notes Payable	5,007,192
Accrued Interest	4,413,601
Other Post-employment Benefit Obligation	647,490
Compensated Absences	5,876,007
	<u>(702,175,991)</u>
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>6,662,306</u>
Net Assets of Governmental Activities	<u><u>\$ 65,458,430</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, 2012

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
Local Taxes	\$ 124,871,101	\$ -	\$ -	\$ 32,380,337	\$ 25,172,038	\$ 182,423,476
Licenses and Permits	3,586,182	-	-	-	-	3,586,182
Fines, Forfeitures and Penalties	1,904,656	-	-	-	909,917	2,814,573
Charges for Current Services	3,887,795	22,782,206	-	-	760,316	27,430,317
Other Local Revenues	3,894,081	-	3,248,666	-	1,428,129	8,570,876
State of Tennessee	11,291,662	-	81,490	-	6,911,180	18,284,332
Federal Government	667,926	-	-	-	10,452,543	11,120,469
Other Governments and Citizen Groups	547,301	-	-	-	907,044	1,454,345
Payments from Component Units	3,457,546	-	2,500,000	30,770,645	-	36,728,191
Increase in Equity Interest in Joint Venture	331,142	-	-	-	-	331,142
Investment Revenue	-	17,627	27,266	2,066,857	-	2,111,750
Total Revenues	154,439,392	22,799,833	5,857,422	65,217,839	46,541,167	294,855,653
Expenditures						
Current:						
Finance and Administration	22,630,508	8,815,698	-	-	-	31,446,206
Finance and Administration - Payments to Component Unit	3,823,874	-	-	-	-	3,823,874
Administration of Justice	15,327,858	6,619,581	-	-	25,877	21,973,316
Public Safety	68,097,446	-	-	-	3,093,028	71,190,474
Public Safety - Payments to Component Unit	326,200	-	-	-	-	326,200
Public Health and Welfare	18,903,041	-	-	-	12,523,524	31,426,565
Public Health and Welfare - Payments to Component Unit	256,628	-	-	-	-	256,628
Social and Cultural Services	4,158,762	-	-	-	12,435,738	16,594,500
Agricultural and Natural Resources	365,774	-	-	-	-	365,774
Other General Government	12,245,436	-	-	-	6,641,639	18,887,075
Engineering and Public Works	-	-	-	-	10,498,407	10,498,407
Debt Proceeds Paid to Component Unit	-	-	13,578,202	-	-	13,578,202
Debt Issuance Costs	-	-	106,387	-	-	106,387
Capital Projects	-	-	7,866,153	-	280,465	8,146,618
Debt Service:						
Other Debt Service	-	-	-	2,599,751	-	2,599,751
Trustee's Commission	-	-	-	650,744	-	650,744
Principal	-	-	-	35,615,702	-	35,615,702
Interest	-	-	-	25,888,063	-	25,888,063
Refunding Bonds Issuance Costs	-	-	-	149,005	-	149,005
Total Expenditures	146,135,527	15,435,279	21,550,742	64,903,265	45,498,678	293,523,491
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,303,865	7,364,554	(15,693,320)	314,574	1,042,489	1,332,162
Other financing sources (uses)						
Transfers from Other Funds	7,780,851	-	4,816,643	1,201,227	2,399,302	16,198,023
Transfers to Other Funds	(7,327,918)	(7,780,851)	-	(943,818)	(2,386,639)	(18,439,226)
Long-term Bonds Issued	-	-	14,400,000	-	-	14,400,000
Long-term Note Issued	-	-	5,000,000	-	-	5,000,000
Premium on Long-term Debt Issued	-	-	254,526	-	-	254,526
Refunding Bonds Issued	-	-	-	21,505,000	-	21,505,000
Premium on Refunding Bonds	-	-	-	1,113,363	-	1,113,363
Payment to Holders of Refunded Debt	-	-	-	(22,469,358)	-	(22,469,358)
Total Other Financing Sources (Uses)	452,933	(7,780,851)	24,471,169	406,414	12,663	17,562,328
Net Change in Fund Balances	8,756,798	(416,297)	8,777,849	720,988	1,055,152	18,894,490
Fund Balances, July 1	52,582,335	2,616,285	14,214,533	22,151,482	10,029,742	101,594,377
Fund Balances, June 30	\$ 61,339,133	\$ 2,199,988	\$ 22,992,382	\$ 22,872,470	\$ 11,084,894	\$ 120,488,867

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

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, 2012

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

Net Change in Fund Balances - Total Governmental Funds	\$ 18,894,490
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 (\$22,834,182) exceeded capital outlays (\$12,957,689) in the current period.	(9,876,493)
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.	6,662,306
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.	(8,875,688)
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 (\$58,075,702) exceeded debt proceeds (\$40,912,192) by this amount.	17,163,510
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$1,382,016) and amortization of deferred debt issuance costs (\$447,915). In addition, the amortization of bond premium results in reduction of expenses of \$2,510,845. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	680,914
Debt issued at a premium provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net assets.	(1,367,889)
Debt issuance costs are expenditures of governmental funds, but are deferred assets in the statement of net assets.	255,392
The decrease in the liability for accrued interest of \$280,954, plus the increase in the balance of the net pension asset of \$86,757, decreased expenses reported in the statement of activities. In addition, the increase in the balance of the liability for other post-employment benefits increased expenses by \$42,922, and the increase in the compensated absences liability balance of \$870,459 increased 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.	(545,670)
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 provide current resources in governmental funds.	(7,073,208)
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.	(1,910,193)
Change in Net Assets of Governmental Activities	<u>\$ 14,007,471</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, 2012

	(Nonmajor) Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 235,736	\$ 13,927,377
Receivables:		
Accounts	11,818	511,697
Due from Other Funds	-	1,627,360
Due from Component Units	-	550,674
Notes	-	22,934
Inventories	68,809	216,391
Prepaid Items	3,527	39,451
TOTAL CURRENT ASSETS	319,890	16,895,884
Capital Assets:		
Land	880	-
Buildings	747,515	-
Machinery and Equipment	504,423	7,418,057
Computer Software	25,448	-
Land Improvements	66,463	-
Accumulated Depreciation	(710,293)	(7,253,211)
Capital Assets (Net of Accumulated Depreciation)	634,436	164,846
TOTAL ASSETS	954,326	17,060,730
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	43,235	1,138,450
Due to Other Funds	20,236	97,963
Due to Component Units	-	205,605
Deferred Revenue	-	52,577
Claims Liability	-	10,313,626
Compensated Absences Payable	36,596	96,058
TOTAL CURRENT LIABILITIES	100,067	11,904,279
Noncurrent Liabilities:		
Compensated Absences Payable	4,066	10,673
TOTAL LIABILITIES	104,133	11,914,952
NET ASSETS		
Invested in Capital Assets	634,436	164,846
Unrestricted	215,757	4,980,932
TOTAL NET ASSETS	\$ 850,193	\$ 5,145,778

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, 2012

	(Nonmajor) Enterprise Fund	Internal Service Funds
Operating Revenues		
Charges for Services	\$ 978,000	\$ 66,374,564
Operating Expenses		
Cost of Sales and Services	396,124	2,543,632
General and Administration	484,774	12,323,187
Depreciation and Amortization	133,792	52,756
Medical Claims	-	23,716,081
Retirement Contributions	-	25,536,822
Other Employee Benefits	-	878,986
Worker's Compensation Claims	-	2,975,403
Other Expenses	132,913	6,553,477
Total Operating Expenses	<u>1,147,603</u>	<u>74,580,344</u>
Operating Loss	<u>(169,603)</u>	<u>(8,205,780)</u>
Nonoperating Revenues		
Insurance Recovery	-	4,052,400
Subrogation Payments	-	1,984
Total Nonoperating Revenues	<u>-</u>	<u>4,054,384</u>
Loss before Transfers	<u>(169,603)</u>	<u>(4,151,396)</u>
Transfers		
Transfers to Other Funds	-	(806,721)
Transfers from Other Funds	-	3,047,924
Total Transfers	<u>-</u>	<u>2,241,203</u>
Change in Net Assets	<u>(169,603)</u>	<u>(1,910,193)</u>
Total Net Assets, July 1	<u>1,019,796</u>	<u>7,055,971</u>
Total Net Assets, June 30	<u>\$ 850,193</u>	<u>\$ 5,145,778</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, 2012

	(Nonmajor)	Internal
	Enterprise	Service
	Fund	Funds
	<u> </u>	<u> </u>
Operating Activities		
Cash Received from Customers	\$ 971,548	\$ -
Cash Received from Interfund Services Provided	-	62,985,516
Cash Paid to Employees	(466,434)	(1,102,585)
Cash Paid for Goods and Services	(530,194)	(19,785,996)
Cash Paid on Behalf of Employees	-	(50,374,164)
Net Cash Used in Operating Activities	<u>(25,080)</u>	<u>(8,277,229)</u>
Noncapital Financing Activities		
Receipts of Subrogation Payments	-	3,530
Transfers from Other Funds	-	3,264,303
Transfers to Other Funds	-	(1,023,100)
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>2,244,733</u>
Capital and Related Financing Activities		
Proceeds from Insurance Recovery	-	4,052,400
Acquisition and Construction of Capital Assets	(49,554)	(21,298)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(49,554)</u>	<u>4,031,102</u>
Net Decrease in Cash and Cash Equivalents	<u>(74,634)</u>	<u>(2,001,394)</u>
Cash and Cash Equivalents		
Beginning of Year	<u>310,370</u>	<u>15,928,771</u>
End of Year	<u>\$ 235,736</u>	<u>\$ 13,927,377</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (169,603)	\$ (8,205,780)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	133,792	52,756
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(6,452)	206,170
Increase in Due from Other Funds	-	(568,123)
Increase in Due from Component Units	-	(283,975)
Increase in Inventories	(5,828)	(2,767)
(Increase) Decrease in Prepaid Items	1,851	(5,082)
Increase in Accounts Payable and Accrued Liabilities	4,835	462,545
Increase (Decrease) in Due to Other Funds	932	(89,267)
Increase in Due to Component Units	-	45,835
Increase in Compensated Absences	15,393	5,966
Increase in Claims Liabilities	-	2,847,613
Decrease in Deferred Revenue	-	(2,743,120)
Total Adjustments	<u>144,523</u>	<u>(71,449)</u>
Net Cash Used in Operating Activities	<u>\$ (25,080)</u>	<u>\$ (8,277,229)</u>

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

KNOX COUNTY, TENNESSEE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 27,313,746
Receivables:		
Accounts	-	7,477,523
Contributions	241,513	-
Investments	387,697,492	-
TOTAL ASSETS	387,939,005	\$ 34,791,269
LIABILITIES		
Accounts Payable and Accrued Liabilities	308,929	\$ 8,433,004
Due to Other Governments	-	5,692,378
Due to Litigants, Heirs and Others	-	20,665,887
TOTAL LIABILITIES	308,929	\$ 34,791,269
NET ASSETS		
Held in Trust for:		
Pension Benefits	\$ 387,630,076	

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

KNOX COUNTY, TENNESSEE

Statement of Changes in Fiduciary Net Assets

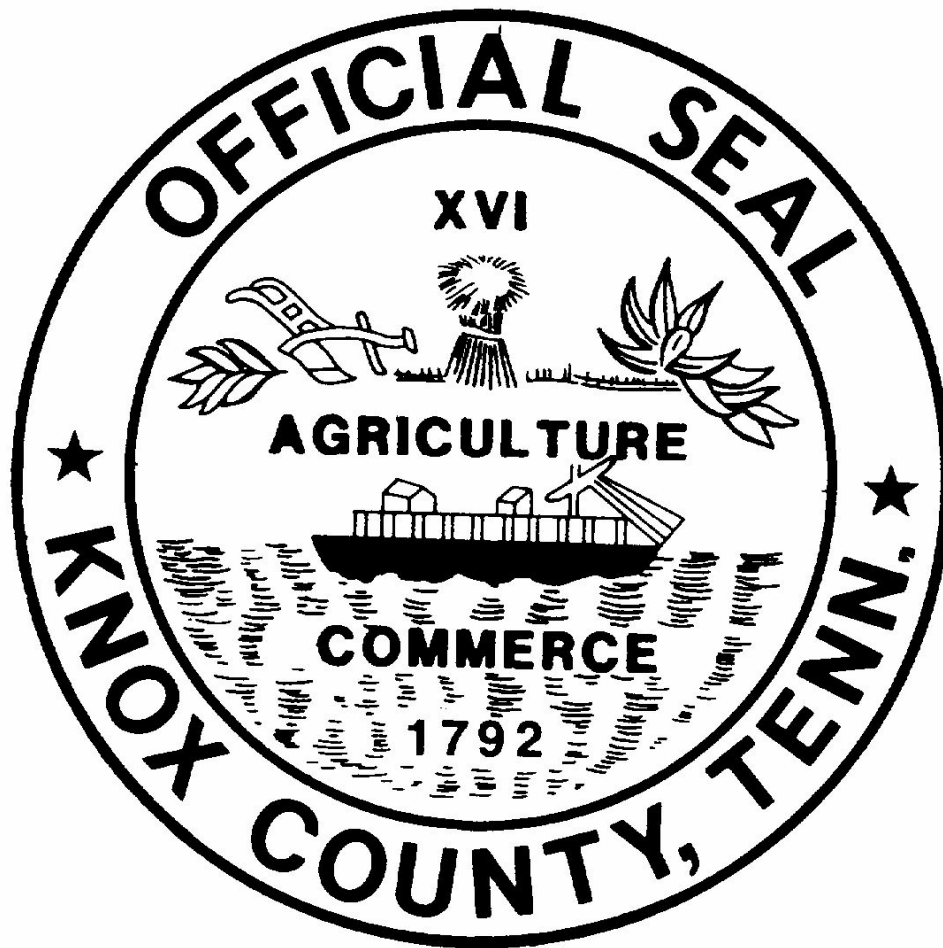
Fiduciary Funds

For the year ended June 30, 2012

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 14,986,974
Employees	11,079,189
Transfers from Other Plans	<u>258,878</u>
Total Contributions	<u>26,325,041</u>
Investment Earnings (Losses):	
Interest and Dividend Income	1,111,407
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(2,894,942)</u>
Total Investment Earnings (Losses)	<u>(1,783,535)</u>
Less Investment Expenses	<u>(660,243)</u>
Net Investment Earnings (Losses)	<u>(2,443,778)</u>
Total Additions	<u>23,881,263</u>
Deductions	
Benefits and Refunds	27,686,169
Administrative Expenses	1,038,436
Transfers to Other Plans	<u>292,884</u>
Total Deductions	<u>29,017,489</u>
Change in Net Assets	(5,136,226)
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>392,766,302</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 387,630,076</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, 2012

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KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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 eleven County Commissioners serve four-year terms and are elected by voters 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 88 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2011 - 2012 school year was 56,231 with a full time equivalent average daily attendance of 53,012. During the previous year, the full time equivalent average daily membership was 55,519 with a full time equivalent average daily attendance of 52,143.

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, 2012

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 provide financial and other support to the Knox County Schools by expending funds in furtherance of specific programs and activities conducted by the Board, or by distributions of funds directly to the Board. The Partnership is a legally separate, tax-exempt organization governed by a 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.

Complete financial statements for the Partnership may be obtained at the Partnership's administrative office:

Great Schools Partnership Charitable Trust
912 South Gay Street L-210
Knoxville, TN 37902

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, 2012

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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 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.

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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

When both restricted and unrestricted resources are available for use, it is generally 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 follows 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. The Partnership's separately issued financial statements are prepared in accordance with the requirements of the Financial Accounting Standards Board (FASB). The financial data included for the component in this Comprehensive Annual Financial Report has been formatted to comply with the classification and display requirements of the Governmental Accounting Standards Board (GASB).

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.

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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

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.

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 1st, 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 1st 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 30th.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Property taxes receivable are also reported as of June 30th 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 30th. 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.

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.

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.).

Derivative Instruments

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (Statement No. 53) requires the County to recognize all its derivative instruments on the Statement of Net Assets at fair value.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

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.

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

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.

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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Fund Equity

In the governmental fund financial statements, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are (a) not in spendable form, or (b) legally or contractually required to be maintained intact (e.g., endowments.) Fund balance not in spendable form includes items not expected to be converted to cash (e.g., inventories and prepaid items), as well as long-term receivables and the County's investment in joint venture. The County does not have any nonspendable fund balance that is legally or contractually required to be maintained intact.

Restricted fund balance includes amounts that are restricted for specific purposes. These amounts result from constraints placed on the use of resources (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the County is the County Commission. For financial matters such as adopting the budget, establishing tax rates, approving the issuance of debt, and constraining amounts for specific purposes, the Commission utilizes resolutions to effect such actions. Amounts are reported as committed pursuant to resolutions passed by Commission (legislative branch), which have also been approved by the County Mayor (executive branch.)

Assigned fund balance consists of amounts constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The County Mayor is the head of the County executive branch, and the Mayor is the County's chief fiscal officer as set forth in the Knox County Charter. Therefore, assignments may be made upon the authority of the County Mayor or designee.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Unassigned fund balance is the residual balance in the general fund (i.e., fund balance that is not nonspendable, and is not restricted, committed, or assigned.)

Generally, when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted amounts are expended first, and then unrestricted funds are used. Generally, when expenditures are incurred utilizing unrestricted funds, unassigned amounts are expended first, then assigned amounts, then committed amounts.

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.

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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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.

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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

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.

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 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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

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 included in the balances of assigned, committed, or restricted fund balance based on the purposes for which the resources that will be used to liquidate the encumbrances have been classified. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances are reappropriated in the subsequent year.

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, 2012:

Fund	Original Budget	Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 151,813,575	\$ 6,925,682	\$ 158,739,257
Special Revenue Funds:			
State and Federal Grants	199,932	1,569,664	1,769,596
Governmental Library	108,666	21,934	130,600
Public Library	12,463,769	210,565	12,674,334
Solid Waste	4,122,135	46,752	4,168,887
Hotel/Motel Tax	5,459,500	241,887	5,701,387
Drug Control	470,000	4,053	474,053
Engineering & Public Works	11,176,812	1,277,104	12,453,916
Total Special Revenue Funds	34,000,814	3,371,959	37,372,773
Debt Service Fund	71,750,000	-	71,750,000
Capital Projects Funds:			
ADA Construction	400,000	-	400,000
Total - Governmental Funds	\$ 257,964,389	\$ 10,297,641	\$ 268,262,030

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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	\$ 384,670,000	\$ 4,431,986	\$ 389,101,986
Special Revenue Funds:			
Central Cafeteria	24,310,642	1,430,000	25,740,642
Capital Projects Fund:			
School Construction	20,044,263	-	20,044,263
Total - the Board	<u>\$ 429,024,905</u>	<u>\$ 5,861,986</u>	<u>\$ 434,886,891</u>

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2012, 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, 2012

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.

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:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

	Governmental Activities, Primary Government and Board		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	\$ 3,749,997		\$ 11,738,117	
Equity Mutual Funds	\$ -		\$ 399,733,485	
Fixed Income Securities:				
U.S. Government Obligation	\$ 8,067,773	0.472	\$ 19,197,844	18.883
U.S. Government Agency Securities	20,093,952	1.685	15,986,555	20.750
Corporate Bonds	-		3,095,249	8.117
Municipal Bonds	29,645,699	1.330	258,693	4.850
Total Fixed Income Securities	<u>\$ 57,807,424</u>	<u>1.428</u>	<u>\$ 38,538,341</u>	<u>12.620</u>

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.

A portion of the County's, the Board's and the District's deposits at June 30, 2012 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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, Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value	S&P Rating	Fair Value	S&P Rating
U.S. Government Obligation	\$ 8,067,773	AA+	\$ 19,197,844	AA+
U.S. Government Agency Securities:	20,093,952	AA+	15,986,555	AA+
Corporate Bonds:				
Corporate Bonds	-	-	43,336	AA+
Corporate Bonds	-	-	157,469	AA
Corporate Bonds	-	-	280,627	AA-
Corporate Bonds	-	-	236,022	A+
Corporate Bonds	-	-	388,321	A
Corporate Bonds	-	-	1,428,080	A-
Corporate Bonds	-	-	285,891	BBB+
Corporate Bonds	-	-	275,503	BBB
Municipal Bonds	675,110	AAA	70,000	AA
Municipal Bonds	3,435,305	AA+	50,507	AA+
Municipal Bonds	8,099,333	AA	55,828	AA-
Municipal Bonds	2,719,756	AA-	58,462	A+
Municipal Bonds	790,793	A+	23,896	A
Municipal Bonds	13,925,402	Unrated	-	-
Total Fixed Income Securities	\$ 57,807,424		\$ 38,538,341	

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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

	<u>Major Governmental Funds</u>						Total Primary Government	Trust and Agency
	General	Debt Service	Capital Projects Public Improvement	Nonmajor Governmental Funds	Internal Service	Enterprise Fund		
Receivables:								
Taxes	\$ 111,590,588	\$ 35,669,320	\$ -	\$ -	\$ -	\$ -	\$ 147,259,908	\$ -
Accounts	8,905,650	-	19,818	7,919,172	511,697	11,818	17,368,155	7,477,523
Contributions	-	-	-	-	-	-	-	241,513
Gross Receivables	120,496,238	35,669,320	19,818	7,919,172	511,697	11,818	164,628,063	7,719,036
Less: Allowances for Uncollectibles	(1,984,220)	(637,054)	-	-	-	-	(2,621,274)	-
Net Total Receivables	<u>\$ 118,512,018</u>	<u>\$ 35,032,266</u>	<u>\$ 19,818</u>	<u>\$ 7,919,172</u>	<u>\$ 511,697</u>	<u>\$ 11,818</u>	<u>\$ 162,006,789</u>	<u>\$ 7,719,036</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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 Partnership	The District
Receivables:			
Taxes	\$ 127,547,811	\$ -	\$ -
Accounts	47,471,200	2,436,006	1,241,848
Gross Receivables	175,019,011	2,436,006	1,241,848
Less: Allowances for Uncollectibles	(2,211,053)	(73,522)	-
Net Total Receivables	<u>\$ 172,807,958</u>	<u>\$ 2,362,484</u>	<u>\$ 1,241,848</u>

The General Fund has the following note receivable at June 30, 2012:

- (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, 2012, \$1,393,000 remained outstanding.

The County's Debt Service Fund has the following notes receivable at June 30, 2012:

- (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, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

- (2) 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, 2012, the loan balance was \$6,020,000.

The State and Federal Grants Special Revenue Fund had \$3,193,702 of notes receivable at June 30, 2012. 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. During the fiscal year ended June 30, 2011, CAC paid the County \$3,500,000 towards the advances leaving a balance due to the County of \$2,500,000. CAC made no payments during the fiscal year ended 2012.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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, 2012, was the following:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 99,277,844	\$ 1,745,403	\$ 1,110,000	\$ 99,913,247
Construction in Progress	49,115,322	6,634,310	1,511,485	54,238,147
Total Capital Assets, not being depreciated	<u>148,393,166</u>	<u>8,379,713</u>	<u>2,621,485</u>	<u>154,151,394</u>
Capital Assets being depreciated:				
Buildings	212,304,896	361,394	656,813	212,009,477
Land Improvements	20,448,300	215,577	306,840	20,357,037
Machinery and Equipment	40,751,087	2,520,575	2,181,584	41,090,078
Intangible Assets	21,753,463	286,500	-	22,039,963
Infrastructure	514,345,273	4,287,834	-	518,633,107
Total Capital Assets being depreciated	<u>809,603,019</u>	<u>7,671,880</u>	<u>3,145,237</u>	<u>814,129,662</u>
Less Accumulated Depreciation for:				
Buildings	78,489,746	5,732,587	216,732	84,005,601
Land Improvements	12,125,194	889,069	306,840	12,707,423
Machinery and Equipment	31,708,502	2,591,850	2,170,544	32,129,808
Intangible Assets	19,399,227	826,365	-	20,225,592
Infrastructure	180,156,303	12,847,067	-	193,003,370
Total Accumulated Depreciation	<u>321,878,972</u>	<u>22,886,938</u>	<u>2,694,116</u>	<u>342,071,794</u>
Total Capital Assets being depreciated, net	<u>487,724,047</u>	<u>(15,215,058)</u>	<u>451,121</u>	<u>472,057,868</u>
Governmental Activities Capital Assets, net	<u>\$ 636,117,213</u>	<u>\$ (6,835,345)</u>	<u>\$ 3,072,606</u>	<u>\$ 626,209,262</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Three Ridges Golf Course:				
Land and Construction in Progress	\$ 880	\$ -	\$ -	\$ 880
Buildings	747,515	-	-	747,515
Machinery and Equipment	454,869	49,554	-	504,423
Computer Software	25,448	-	-	25,448
Land Improvements	66,463	-	-	66,463
Less: Accumulated Depreciation	(576,501)	(133,792)	-	(710,293)
Total	\$ 718,674	\$ (84,238)	\$ -	\$ 634,436

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

Finance and Administration	\$ 1,033,423
Administration of Justice	536,714
Public Safety	2,516,390
Public Health and Welfare	1,274,328
Social and Cultural Services	3,024,398
Other General Government	1,417,289
Engineering & Public Works	13,084,396
Total Depreciation Expense - Governmental Activities	\$ 22,886,938

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - The Board:				
Capital Assets, not being depreciated:				
Land	\$ 21,879,247	\$ 121,113	\$ 24,430	\$ 21,975,930
Construction in Progress	23,996,782	28,533,841	853,855	51,676,768
Total Capital Assets, not being depreciated	<u>45,876,029</u>	<u>28,654,954</u>	<u>878,285</u>	<u>73,652,698</u>
Capital Assets being depreciated:				
Buildings	440,632,223	334,445	-	440,966,668
Land Improvements	2,075,993	160,047	-	2,236,040
Machinery and Equipment	41,808,314	1,551,126	948,929	42,410,511
Intangible Assets	508,678	-	-	508,678
Total Capital Assets being depreciated	<u>485,025,208</u>	<u>2,045,618</u>	<u>948,929</u>	<u>486,121,897</u>
Less Accumulated Depreciation for:				
Buildings	169,939,564	9,131,100	-	179,070,664
Land Improvements	872,849	128,963	-	1,001,812
Machinery and Equipment	23,460,740	4,910,852	948,929	27,422,663
Intangible Assets	454,283	30,194	-	484,477
Total Accumulated Depreciation	<u>194,727,436</u>	<u>14,201,109</u>	<u>948,929</u>	<u>207,979,616</u>
Total Capital Assets being depreciated, net	<u>290,297,772</u>	<u>(12,155,491)</u>	<u>-</u>	<u>278,142,281</u>
Governmental Activities Capital Assets, net	<u>\$ 336,173,801</u>	<u>\$ 16,499,463</u>	<u>\$ 878,285</u>	<u>\$ 351,794,979</u>

Component Unit – The District:

Capital Assets, not being depreciated:				
Land and Construction in Progress	\$ 56,089	\$ -	\$ -	\$ 56,089
Capital Assets being depreciated:				
Buildings	5,099,736	-	-	5,099,736
Machinery and Equipment	12,398,420	132,923	-	12,531,343
Intangible Assets	29,345	-	-	29,345
Leasehold Improvements	207,735	-	-	207,735
Less: Accumulated Depreciation	<u>(13,340,335)</u>	<u>(187,054)</u>	<u>-</u>	<u>(13,527,389)</u>
Total Capital Assets being depreciated	<u>4,394,901</u>	<u>(54,131)</u>	<u>-</u>	<u>4,340,770</u>
Business-type Activities Capital Assets, net	<u>\$ 4,450,990</u>	<u>\$ (54,131)</u>	<u>\$ -</u>	<u>\$ 4,396,859</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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, 2012, 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	\$ 1,632,743
	Public Improvement	4,879
	State and Federal Grants	916,161
	Governmental Library	7,324
	Public Library	381,486
	Solid Waste	155,330
	Drug Control	199
	Engineering & Public Works	13,114
	Vehicle Service Center	76,216
	Self Insurance	232
	Building Operations	19,230
	Technical Support	1,946
	Three Ridges Golf Course	20,016
		<u>3,228,876</u>
Public Improvement	Debt Service	400
	State and Federal Grants	41,838
		<u>42,238</u>
Debt Service	General	708,681
	Hotel/Motel Tax	50,000
		<u>758,681</u>
Total Major Governmental Funds		<u>4,029,795</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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>
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants	General	380,043
	Solid Waste	3,356
	Drug Control	452
		<u>383,851</u>
Engineering & Public Works	State and Federal Grants	<u>67,677</u>
Governmental Library	General	<u>30,000</u>
Public Library	General	341,692
	Hotel/Motel Tax	<u>103,125</u>
		444,817
Solid Waste	General	7,636
	Engineering & Public Works	<u>50,000</u>
		57,636
Total Nonmajor Governmental Funds		<u>983,981</u>
Total Governmental Funds		<u>\$ 5,013,776</u>
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 72,307
	State and Federal Grants	4,454
	Public Library	2,431
	Solid Waste	8,171
	Engineering & Public Works	97,267
	Self Insurance	35
	Building Operations	67
		<u>184,732</u>
Mailroom Services	General	19,691
	State and Federal Grants	54
	Public Library	12
	Engineering & Public Works	102
	Employee Benefits	226
	Self Insurance	11
		<u>20,096</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Receivable Fund	Payable Fund	Amount
Employee Benefits	General	17,130
	State and Federal Grants	1,994
	Engineering & Public Works	275
	Public Library	1,036
	Three Ridges Golf Course	220
		<u>20,655</u>
Self Insurance Healthcare	General	<u>895,243</u>
Building Operations	General	200,000
	Debt Service	216,379
	Engineering & Public Works	90,000
		<u>506,379</u>
Technical Support	General	<u>255</u>
Total Internal Service Funds		<u><u>\$ 1,627,360</u></u>

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	\$ 524,388
	Component Unit - the Board, School Federal Projects	565
	Component Unit - the Board, School General Projects	349,585
	Component Unit - the District	18,744
		<u>893,282</u>
Total Primary Government - Major Funds		<u><u>\$ 893,282</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Receivable Fund	Payable Fund	Amount
<u>Primary Government - Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the Board, General Purpose School	\$ 215
	Component Unit - the District	927
		1,142
Self Insurance	Component Unit - the Board, General Purpose School	285,097
Employee Benefits	Component Unit - the Board, General Purpose School	223,942
	Component Unit - the Board, School Federal Projects	35,306
	Component Unit - the Board, School General Projects	5,187
		264,435
Total Primary Government - Internal Service Funds		\$ 550,674
Component Unit - the Board, General Purpose School	Primary Government - General	\$ 1,258,027
	Primary Government - Employee Benefits	205,605
		1,463,632
Component Unit - the Board, School Construction	Primary Government - General	33,028
	Primary Government - Public Improvement	11,478
		44,506
Total Component Unit - the Board		\$ 1,508,138

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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	\$ 15,396,788
	School General Projects	196,902
	School Construction	15,716,299
		31,309,989
 <u>Nonmajor Special Revenue Funds:</u>		
School Federal Projects	General Purpose School	4,188,637
School General Projects	General Purpose School	1,045,158
	School Federal Projects	704,745
		1,749,903
Total Board of Education		\$ 37,248,529

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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, 2012, is as follows:

Primary Government:

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 7,780,851
Debt Service	General	194,506
	Hotel/Motel	200,000
	Building Operations	806,721
		<u>1,201,227</u>
Public Improvement	General	3,419,250
	Debt Service	943,818
	Engineering & Public Works	453,575
		<u>4,816,643</u>
Total Major Governmental Funds		<u>13,798,721</u>
<u>Nonmajor Governmental Funds:</u>		
<u>Special Revenue Funds:</u>		
State and Federal Grants	General	375,131
Governmental Library	General	30,000
Public Library	General	1,366,769
	Hotel/Motel	412,500
		<u>1,779,269</u>
Solid Waste	General	30,544
	Engineering & Public Works	184,358
		<u>214,902</u>
Total Nonmajor Governmental Funds		<u>2,399,302</u>
Total Governmental Funds		<u>\$ 16,198,023</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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	\$ 173,160
Building Operations	General	1,816,900
	Public Library	716,846
	Solid Waste	51,000
	Engineering & Public Works	195,200
		<u>2,779,946</u>
Self Insurance Healthcare	General	94,818
Total Internal Service Funds		<u>\$ 3,047,924</u>

In addition, payments of \$1,038,436 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	19,077
		<u>419,077</u>
School General Projects	General Purpose School	447,285
	School Federal Projects	1,497,223
		<u>1,944,508</u>
School Federal Projects	General Purpose School	60,645
Total Board of Education		<u>\$ 2,424,230</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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	\$ 3,457,546
Primary Government - Public Improvement	Component Unit - the Board, School Construction	\$ 2,500,000
Primary Government - Debt Service (Major Fund)	Component Unit - the Board, General Purpose School Component Unit - the Board, School Construction	\$ 10,926,382 19,844,263
Total Primary Government - Debt Service		\$ 30,770,645
Component Unit - General Purpose School	Primary Government - General	\$ 1,182,000
Component Unit - School Construction	Primary Government - Public Improvement	\$ 13,578,202
Component Unit - The District	Primary Government - General	\$ 582,828
Component Unit - Great Schools Partnership	Primary Government - General	\$ 2,641,874

Transactions between the Board and its Component Unit:

The Board, School General Projects	Component Unit, Great Schools Partnership	\$ 2,641,874
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KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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>		
Unearned revenue	\$ 58,685	\$ 58,685
Taxes receivable, earned in current fiscal year	5,048,405	-
Taxes receivable, applicable to subsequent fiscal year	103,653,237	103,653,237
Notes receivable, applicable to subsequent fiscal year	1,393,000	1,393,000
	110,153,327	105,104,922
 <u>Debt Service Fund:</u>		
Taxes receivable, earned in current fiscal year	1,613,901	-
Taxes receivable, applicable to subsequent fiscal year	33,126,292	33,126,292
Notes receivable, applicable to subsequent fiscal year	6,020,000	6,020,000
	40,760,193	39,146,292
Primary Government - Nonmajor Funds:		
<u>General Grants Fund:</u>		
Unexpended grant funds	3,676,100	3,676,100
 <u>Internal Service - Employee Benefits Fund:</u>		
Unearned revenue	26,323	26,323
 <u>Internal Service - Building Operations Fund:</u>		
Unearned revenue	7,894	7,894
 <u>Internal Service - Self Insurance Healthcare Fund:</u>		
Unearned revenue	18,360	18,360
 Total Internal Service Funds	52,577	52,577
 Total - Primary Government	\$ 154,642,197	\$ 147,979,891

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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	\$ 47,708	\$ 47,708
Taxes receivable, earned in current fiscal year	5,621,212	-
Taxes receivable, applicable to subsequent fiscal year	115,407,726	115,407,726
	121,076,646	115,455,434
Component Unit - the Board - Nonmajor Funds		
<u>School Federal Projects:</u>		
Unexpended grant funds	28,797	28,797
<u>School General Projects:</u>		
Unexpended grant funds	1,790,860	1,790,860
<u>Central Cafeteria:</u>		
Unearned revenue	296,656	296,656
Total Component Unit - the Board	\$ 123,192,959	\$ 117,571,747

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Liabilities

Loan Payable

In November 2011, the County entered into a loan agreement whereby the County borrowed funds for Knox County Board of Education capital purposes. The original proceeds of \$5 million, plus \$7,192 accrued interest added to principal, are payable in monthly payments including interest at .75% through July 1, 2024. Debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 366,802	\$ 33,279	\$ 400,081
2014	403,034	33,418	436,452
2015	406,066	30,386	436,452
2016	409,121	27,331	436,452
2017	412,201	24,251	436,452
2018-2022	2,108,004	74,256	2,182,260
2023-2025	901,964	7,347	909,311
Total	<u>\$ 5,007,192</u>	<u>\$ 230,268</u>	<u>\$ 5,237,460</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. 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, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Liabilities (Continued)

	Interest Rate	Last Maturity Date	Principal Balance
Governmental Activities:			
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	\$ 21,430,308
General Obligation - Refunding Bonds, Series 2003A	5.00%	2/1/2017	4,978,776
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	32,670,233
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	10,401,589
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	43,634,286
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	45,470,781
General Obligation - Series 2007	Variable Rate (.1% at 6/30/11)	6/1/2034	50,450,000
General Obligation - Series 2007 (Taxable)	4.75-5.75%	6/1/2027	53,525,000
General Obligation - Series 2008	Variable Rate (.96% at 6/30/11)	6/1/2029	23,520,250
General Obligation - Series 2009	3.00-4.00%	6/1/2018	3,520,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	996,874
General Obligation - Refunding Bonds, Series 2010B	2.00-5.00%	4/1/2035	30,115,000
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	10,170,000
General Obligation - Series 2010D (Federally Taxable Build America Bonds)	1.125-6.00% (1)	6/1/2035	16,975,000
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	17,090,000
Total Bonded Debt to be repaid by Governmental Activities			392,934,960
The Board:			
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	36,484,692
General Obligation - Refunding Series 2003A	5.00%	2/1/2017	11,341,224
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	30,029,767
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	14,663,411
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	22,765,714
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	7,110,000
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	24,554,219
General Obligation - Series 2007	Variable Rate (.1% at 6/30/11)	6/1/2034	18,550,000
General Obligation - Series 2008	Variable Rate (.96% at 6/30/11)	6/1/2029	12,664,750
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	14,953,126
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	19,710,000
General Obligation - Qualified School Construction Bonds	.0% (2)	7/1/2027	27,715,766
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	18,815,000
Total Bonded Debt to be repaid by the Board			276,080,806
Total Bonded Debt			\$ 669,015,766

(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, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Liabilities (Continued)

(2) Stated interest rate is net of the interest rate subsidy to be received from the federal government pursuant to the federal Qualified School Construction Bonds program.

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
2013	\$ 37,399,281	\$ 31,237,164	\$ 68,636,445	\$ 36,966,621	\$ 31,669,824	\$ 68,636,445
2014	38,294,281	29,668,877	67,963,158	36,256,964	31,706,194	67,963,158
2015	41,289,281	27,989,585	69,278,866	35,287,014	33,991,852	69,278,866
2016	41,564,281	26,001,383	67,565,664	35,383,505	32,182,159	67,565,664
2017	39,409,281	24,112,137	63,521,418	34,158,766	29,362,652	63,521,418
2018 - 2022	157,866,405	96,916,056	254,782,461	151,593,490	103,188,971	254,782,461
2023 - 2027	132,350,980	66,956,906	199,307,886	127,677,686	71,630,200	199,307,886
2028 - 2032	124,091,976	30,801,802	154,893,778	105,608,119	49,285,659	154,893,778
2033 - 2035	56,750,000	4,829,388	61,579,388	42,211,397	19,367,991	61,579,388
Total	\$ 669,015,766	\$ 338,513,298	\$ 1,007,529,064	\$ 605,143,562	\$ 402,385,502	\$ 1,007,529,064

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$212,208,602 and \$126,304,696 respectively, for a total of \$338,513,298.

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, 2012:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<u>Primary Government</u>					
Bonded Debt	\$ 691,186,468	\$ 35,905,000	\$ (58,075,702)	\$ 669,015,766	\$ 37,399,281
Unamortized Bond Premium	10,226,063	1,367,889	(2,510,845)	9,083,107	1,530,543
Unamortized Amount on Refunding	(5,315,627)	-	1,382,016	(3,933,611)	717,115
Notes Payable	-	5,007,192	-	5,007,192	366,802
Compensated Absences	5,131,582	6,063,793	(5,171,975)	6,023,400	5,421,060
Total - Primary Government	\$ 701,228,486	\$ 48,343,874	\$ (64,376,506)	\$ 685,195,854	\$ 45,434,801
<u>Component Unit - the Board</u>					
Compensated Absences	\$ 2,325,386	\$ 2,557,227	\$ (2,497,379)	\$ 2,385,234	\$ 2,146,710
Total Component Unit - the Board	\$ 2,325,386	\$ 2,557,227	\$ (2,497,379)	\$ 2,385,234	\$ 2,146,710
<u>Component Unit - the District</u>					
Compensated Absences	\$ 265,454	\$ 309,489	\$ (313,010)	\$ 261,933	\$ 235,740
Total - the District	\$ 265,454	\$ 309,489	\$ (313,010)	\$ 261,933	\$ 235,740

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Liabilities (Continued)

Current Refunding Issue

The County issued \$21,505,000 fixed-rate general obligation bonds, Series 2012, to provide funds for the current refunding of the County's Series 2003 advance refunding issue.

Interest Rate Swaps

Series C-1-A

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. The swap agreement has been determined to be an effective hedge, and is therefore accounted for as a hedging derivative instrument. The fair value of the hedging derivative instrument is reported in the Statement of Net Assets as a long-term obligation. Accumulated changes in fair values are reported as deferred outflows in the Statement of Net Assets.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Liabilities (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, 2012, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-0.61%
Net interest rate swap payments		3.34%
Variable-rate bond coupon payments		0.18%
Synthetic interest rate on bonds		3.52%

Fair value. As of June 30, 2012, the swap had a negative fair value of (\$13,583,031), a change of (\$6,770,977) compared to the June 30, 2011 balance of (\$6,812,054). 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, 2012, 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 swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2012, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ 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% 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Liabilities (Continued)

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, 2012, 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>			Total
	Principal	Interest	Net Interest Rate Swap Payment	
2013	\$ 2,200,000	\$ 119,130	\$ 2,089,766	\$ 4,408,896
2014	2,325,000	114,950	2,016,441	4,456,391
2015	2,475,000	110,533	1,938,949	4,524,482
2016	2,625,000	105,830	1,856,459	4,587,289
2017	2,775,000	100,843	1,768,969	4,644,812
2018-2022	16,650,000	418,380	7,339,178	24,407,558
2023-2027	22,550,000	239,210	4,196,197	26,985,407
2028-2029	11,100,000	31,968	560,771	11,692,739
	<u>\$ 62,700,000</u>	<u>\$ 1,240,844</u>	<u>\$ 21,766,730</u>	<u>\$ 85,707,574</u>

Series VI-A-1

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, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Liabilities (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. The swap agreement has been determined to be an ineffective hedge, and is therefore accounted for as an investment derivative instrument. The fair value of the investment derivative instrument is reported in the Statement of Net Assets as a long-term obligation. Changes in the fair value of the derivative instrument are reported within the investment revenue classifications in the Statement of Activities.

Terms. Under the swap, the Authority pays a fixed payment of 3.395 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, 2012, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.40%
Variable payment to Authority	% of LIBOR	-0.57%
Net interest rate swap payments		2.83%
Variable-rate bond coupon payments		0.18%
Synthetic interest rate on bonds		3.01%

Fair value. As of June 30, 2012, the swap had a negative fair value of (\$12,066,439), a change of (\$7,073,208) compared to the June 30, 2011 balance of (\$4,993,231). 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Liabilities (Continued)

Credit risk. As of June 30, 2012, 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 swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2012, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ 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 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, 2012, 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	
	Principal	Interest	Swap Payment	Total
2013	\$ 900,000	\$ 126,160	\$ 1,874,273	\$ 2,900,433
2014	1,000,000	124,450	1,848,869	2,973,319
2015	2,000,000	122,550	1,820,642	3,943,192
2016	3,000,000	118,750	1,764,188	4,882,938
2017	3,200,000	113,050	1,679,507	4,992,557
2018-2022	19,100,000	466,355	6,928,317	26,494,672
2023-2027	25,160,000	262,922	3,906,052	29,328,974
2028-2029	12,040,000	34,599	514,014	12,588,613
	<u>\$ 66,400,000</u>	<u>\$ 1,368,836</u>	<u>\$ 20,335,862</u>	<u>\$ 88,104,698</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Liabilities (Continued)

Series D-3-A

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. The swap agreement has been determined to be an effective hedge, and is therefore accounted for as a hedging derivative instrument. The fair value of the hedging derivative instrument is reported in the Statement of Net Assets as a long-term obligation. Accumulated changes in fair values are reported as deferred outflows in the Statement of Net Assets.

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, 2012, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.89%
Variable payment to Authority	% of LIBOR	-0.61%
Net interest rate swap payments		3.28%
Variable-rate bond coupon payments		0.73%
Synthetic interest rate on bonds		4.01%

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Liabilities (Continued)

Fair value. As of June 30, 2012, the swap had a negative fair value of (\$18,935,149), a change of (\$10,502,808) compared to the June 30, 2011 balance of (\$8,432,341). 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, 2012, 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 swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2012, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ 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, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Liabilities (Continued)

Swap payments and associated debt. As of June 30, 2012, 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			Total
	Principal	Interest	Net Interest Rate Swap Payment	
2013	\$ 1,600,000	\$ 513,940	\$ 2,294,691	\$ 4,408,631
2014	1,725,000	502,197	2,242,260	4,469,457
2015	1,850,000	489,536	2,185,732	4,525,268
2016	2,000,000	475,958	2,125,109	4,601,067
2017	2,100,000	461,280	2,059,569	4,620,849
2018-2022	10,825,000	2,055,025	9,175,488	22,055,513
2023-2027	5,475,000	1,755,028	7,836,031	15,066,059
2028-2032	26,675,000	1,394,298	6,225,405	34,294,703
2033-2034	17,775,000	197,062	879,864	18,851,926
	<u>\$ 70,025,000</u>	<u>\$ 7,844,324</u>	<u>\$ 35,024,149</u>	<u>\$ 112,893,473</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Fund Equity

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

	<u>Major Funds</u>				
	<u>General</u>	<u>Constitutional Officers</u>	<u>Capital Projects Public Improvement</u>	<u>Debt Service</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventories	\$ 89,326	\$ -	\$ -	\$ -	\$ 89,326
Prepays	95,554	-	-	-	95,554
Long-term Receivables	-	-	-	5,725,000	5,725,000
Investment in Joint Venture	5,997,234	-	-	-	5,997,234
Restricted for:					
Finance and Administration	351,432	-	-	-	351,432
Administration of Justice	876,398	-	-	-	876,398
Public Safety	88,023	-	-	-	88,023
Public Health & Welfare	1,100,933	-	-	-	1,100,933
Social and Cultural	370,516	-	-	-	370,516
Debt Service	-	-	-	56,175	56,175
Capital Projects	-	-	22,992,382	-	22,992,382
Committed to:					
Finance and Administration	305,000	-	-	-	305,000
Administration of Justice	6,000	-	-	-	6,000
Public Safety	150,000	-	-	-	150,000
Public Health & Welfare	100,000	-	-	-	100,000
Social and Cultural	9,444	-	-	-	9,444
Other General Government	5,026,000	-	-	-	5,026,000
Debt Service	-	-	-	17,091,295	17,091,295
Assigned to:					
Finance and Administration	7,977	680,092	-	-	688,069
Administration of Justice	4,553	1,519,896	-	-	1,524,449
Public Safety	40,169	-	-	-	40,169
Public Health & Welfare	6,483	-	-	-	6,483
Social and Cultural	10,337	-	-	-	10,337
Other General Government	295,692	-	-	-	295,692
Capital Projects	100,000	-	-	-	100,000
Unassigned:	46,308,062	-	-	-	46,308,062
Total fund balances	<u>\$ 61,339,133</u>	<u>\$ 2,199,988</u>	<u>\$ 22,992,382</u>	<u>\$ 22,872,470</u>	<u>\$ 109,403,973</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Fund Equity (Continued)

Nonmajor Governmental Funds

	<u>State and Federal Grants</u>	<u>Governmental Library</u>	<u>Public Library</u>	<u>Solid Waste</u>	<u>Hotel/Motel Tax</u>	<u>Drug Control</u>	<u>Engineering & Public Works</u>	<u>ADA Construction</u>	<u>Total</u>
Fund balances:									
Nonspendable:									
Inventories	\$ 5,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,997
Prepays	32,195	-	13,313	-	-	-	-	-	45,508
Restricted for:									
Administration of Justice	15,004	-	-	-	-	-	-	-	15,004
Public Safety	242,752	-	-	-	-	1,800,071	-	-	2,042,823
Public Health & Welfare	1,217,488	-	-	-	-	-	-	-	1,217,488
Social and Cultural	7,976	-	-	-	552,039	-	-	-	560,015
Other General Government	353,791	-	-	-	-	-	-	-	353,791
Engineering & Public Works	5,562	-	-	-	-	-	-	-	5,562
Committed to:									
Public Health & Welfare	28,195	-	-	1,232,991	-	-	-	-	1,261,186
Social and Cultural	-	54,586	690,593	-	-	-	-	-	745,179
Engineering & Public Works	-	-	-	-	-	-	3,737,590	-	3,737,590
Capital Projects	-	-	-	-	-	-	-	1,094,751	1,094,751
Total fund balances	<u>\$ 1,908,960</u>	<u>\$ 54,586</u>	<u>\$ 703,906</u>	<u>\$ 1,232,991</u>	<u>\$ 552,039</u>	<u>\$ 1,800,071</u>	<u>\$ 3,737,590</u>	<u>\$ 1,094,751</u>	<u>\$ 11,084,894</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Fund Equity (Continued)

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

	<u>Major Funds</u>		<u>Nonmajor Special Revenue Funds</u>			<u>Total</u>
	<u>General Purpose Schools</u>	<u>School Construction Capital Projects</u>	<u>School Federal Projects</u>	<u>School General Projects</u>	<u>Central Cafeteria</u>	
Fund balances:						
Nonspendable:						
Inventories	\$ 942,317	\$ -	\$ -	\$ -	\$ 477,983	\$ 1,420,300
Prepays	1,305,178	-	8,896	-	-	1,314,074
Restricted for:						
Education	-	-	3,482	-	7,841,260	7,844,742
Capital Projects	-	8,594,613	-	-	-	8,594,613
Committed to:						
Education	20,469,574	-	-	358,076	-	20,827,650
Debt Service	-	-	-	-	-	-
Capital Projects	-	4,345,629	-	-	-	4,345,629
Assigned to:						
Education	935,597	-	-	-	-	935,597
Unassigned:	<u>24,656,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,656,165</u>
 Total fund balances	<u>\$ 48,308,831</u>	<u>\$ 12,940,242</u>	<u>\$ 12,378</u>	<u>\$ 358,076</u>	<u>\$ 8,319,243</u>	<u>\$ 69,938,770</u>

I. 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, 2012

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Property Taxes (Continued)

Taxes were levied at a rate of \$2.36 per \$100 of assessed values. Tax collections of \$229,121,578 for fiscal year 2012 were approximately 94 percent of the total tax levy.

The 2012 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 2013 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%

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 2012 fiscal year, the joint venture received 95 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$355,284 for the year ended June 30, 2012. 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 2012 fiscal year, the joint venture received 56 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. This joint venture was terminated as of June 30, 2012. The successor organization of the Animal Center entered into a defined services contract with Knox County to provide sheltering services, adoption services, and other services relating to animal welfare. The net assets of the terminated joint venture were distributed to the successor organization in fiscal 2013.

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 Street, Knoxville, TN 37902.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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, 2012, the County appropriated operating subsidies of \$1,339,919 to the Community Action Committee.

In FY 2012, the County and Sports Management, Inc. (SMI) were parties to a contract for the operations management of the Women’s Basketball Hall of Fame (the Hall). The County paid SMI a management fee. Pursuant to that contract, SMI managed the day-to-day operations and events at the facility, collected revenues for the County, and paid the operating expenses from these revenues. All revenues collected by SMI were the property of the County and held by SMI in trust as public funds and applied to pay operating expenses in accordance with the budget. To the extent revenues were insufficient, SMI was to pay operating expenses out of its management fee. SMI changed its name to Hall of Fame Management, Inc. in May 2012. The revenues and expenses for the operation of the Hall for FY 2012 were as follows:

Revenues from Operations	\$	378,400
Management Fee		<u>150,000</u>
Total Revenues		528,400
Total Expenses		<u>(526,700)</u>
Net Income	\$	<u><u>1,700</u></u>

In 2012, the County and the Knoxville Tourism and Sports Corporation (KTSC) were parties to a contract whereby KTSC performed tourism marketing services for Knox County. Subsequent to June 30, 2012, KTSC changed its name to the Knoxville Convention and Visitors Bureau, Inc., dba “Visit Knoxville.” Visit Knoxville also made certain organizational changes. Knox County has entered into a contract with Visit Knoxville whereby it performs tourism marketing services for Knox County. Visit Knoxville receives a percentage of hotel-motel tax collections as compensation for these services. The County appoints certain board members of Visit Knoxville.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Financing

The County has established risk-financing funds (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 2012	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2011
Unpaid Claims - Beginning Balance	\$ 2,175,581	\$ 1,828,825	\$ 5,290,432	\$ 4,571,407
Incurred Claims (Including IBNR's)	22,947,866	22,898,253	4,868,690	2,710,222
Claim Payments	(23,136,553)	(22,551,497)	(1,832,390)	(1,991,197)
Unpaid Claims - Ending Balance	<u>\$ 1,986,894</u>	<u>\$ 2,175,581</u>	<u>\$ 8,326,732</u>	<u>\$ 5,290,432</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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. Retirees may participate only until they reach age 65 (except for a few "grandfathered" retirees who still have active medical insurance). 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 active employees pay 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, 2012, the retirees contributed \$362,693 to the active Cigna medical plan. Retirees contributed 100% of the cost of the Medicare supplement premium totaling \$314,725.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

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.

The plan contains both active employees and retirees. Although the County's annual contribution is 48.06% 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	\$	271,653
Interest on net OPEB Obligation		20,332
Adjustment to annual required contribution		(24,011)
Annual OPEB Cost		267,974
Contribution made		(128,778)
Increase (decrease) in net OPEB obligation		139,196
Net OPEB obligation July 1, 2011		508,294
Net OPEB obligation June 30, 2012	\$	647,490

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, 2010	\$ 252,381	41.80%	\$ 367,156
June 30, 2011	263,802	46.49%	508,294
June 30, 2012	267,974	48.06%	647,490

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the County healthcare plan was 0% funded. The actuarial accrued liability for benefits for June 30, 2012 was \$2,623,061, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,623,061. The schedule of funding progress immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2011 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, 2012 was 24 years.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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, 2012, 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 utilize encumbrance accounting in their governmental funds. Encumbrances outstanding at June 30, 2012 that have been reappropriated in the subsequent year are as follows:

Primary Government:

Major Funds:	
General	\$ 365,644
Capital Projects Public Improvement	1,647,693
Nonmajor Governmental Funds	485,627
Total Primary Government	<u>\$ 2,498,964</u>

Component Unit - the Board:

Major Funds:	
General Purpose School	\$ 267,197
School Construction Capital Projects	1,681,467
Nonmajor Governmental Funds	3,655
Total Component Unit - the Board	<u>\$ 1,952,319</u>

The County is a party to an agreement whereby a new elementary school will be constructed for a total cost of \$13,879,334. The County's portion of the total cost will be \$11,379,334 with the remaining \$2,500,000 funded by the Board of Education. The total contract amount of \$13,879,334 will be paid in a single payment upon completion and acceptance of the project. Completion is expected to occur sometime between June 1, 2013 and July 15, 2013. The County will transfer title of the completed school to the Board.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

The County and the Board have several outstanding construction projects as of June 30, 2012. 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.

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, 2013 and ending June 30, 2017:

	Spent to Date	Contractual Commitment Remaining at June 30, 2012	Capital Improvement Plan July 1, 2013 - June 30, 2017
<u>Primary Government:</u>			
Ballcamp Road Improvements	\$ 17,149,040	\$ -	\$ 10,000,000
Energy Management Project - County	14,004,728	-	-
Dry Gap Pike	6,128,392	-	5,000,000
Stormwater Management Plan	6,996,545	-	-
Outlet Mall Drive/Synder Road	1,627,694	-	-
Parkside Drive	9,197,368	-	6,000,000
Dutchtown Road Functional Planning	10,865,414	-	-
Other Projects	100,440,443	1,647,693	7,097,664
Total - Primary Government	\$ 166,409,624	\$ 1,647,693	\$ 28,097,664
<u>Component Unit - the Board:</u>			
Physical Plant Upgrades	\$ 13,343,888	\$ 1,661,157	\$ 4,766,000
Gibbs Elementary School	15,391,695	13,026	-
Cedar Bluff - K-3	20,030,831	-	-
Elementary Growth	1,200,000	-	-
New Southwest Elementary School	4,958,025	-	445,000
Other Projects	139,148,655	7,284	10,676,000
Total - the Board	\$ 194,073,094	\$ 1,681,467	\$ 15,887,000

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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, 2012

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, 2012. 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, 2012

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
Constitutional Officers						
<u>Special Revenue Fund:</u>						
Revenues	\$ 7,938,061	\$ 5,243,706	\$ 1,518,568	\$ 4,197,335	\$ 1,476,724	\$ 2,425,439
Expenditures	(3,147,907)	(3,830,149)	(1,606,945)	(3,922,285)	(1,090,351)	(1,837,642)
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,790,154	1,413,557	(88,377)	275,050	386,373	587,797
Fees Remitted to County General Fund	(5,557,656)	(1,285,017)	(30,000)	-	(339,306)	(568,872)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Fees Remitted	\$ (767,502)	\$ 128,540	\$ (118,377)	\$ 275,050	\$ 47,067	\$ 18,925
Fees Remitted to County General Fund	\$ 5,557,656	\$ 1,285,017	\$ 30,000	\$ -	\$ 339,306	\$ 568,872
Expenditures:						
Personal Services/ Employee Benefits	-	-	-	-	-	(82,771)
Contracted Services	(186,652)	(492,691)	(86,332)	(167,687)	(87,148)	(102,234)
Supplies and Materials	(32,229)	(83,116)	(17,405)	(91,600)	(24,574)	(34,424)
Capital Outlay	(20,000)	(7,273)	-	-	-	-
Other Charges	(20,831)	(877)	(1,376)	(31,708)	(1,002)	(2,739)
Total General Fund Expenditures	(259,712)	(583,957)	(105,113)	(290,995)	(112,724)	(222,168)
Excess (Deficiency) of Fees Remitted Over (Under) General Fund Expenditures	\$ 5,297,944	\$ 701,060	\$ (75,113)	\$ (290,995)	\$ 226,582	\$ 346,704

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE IV. OTHER INFORMATION (Continued)

H. Accounting Pronouncements

The County plans to adopt GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, required for fiscal periods beginning after December 15, 2011, in fiscal 2013. This Statement establishes accounting and financial reporting requirements for service concession arrangements. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

The County plans to adopt GASB Statement No. 61, *The Financial Reporting entity: Omnibus--an Amendment of GASB Statements No. 14 and No. 34*, required for fiscal periods beginning after June 15, 2012, in fiscal 2013. This Statement amends certain reporting entity issues related to component units and equity interests in joint ventures. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

The County adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, required for fiscal periods beginning after December 15, 2011, in fiscal 2012. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of this Statement did not have a material effect on the County's financial condition and results of operations.

The County plans to adopt GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, required for fiscal periods beginning after December 15, 2011, in fiscal 2013. This Statement provides financial reporting guidance for deferred outflows and deferred inflows of resources, and identifies net position as the residual of all other elements presented in a statement of financial position. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

The County adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions--an amendment of GASB Statement No. 53*, required for fiscal periods beginning after June 15, 2011, in fiscal 2012. This Statement sets forth criteria that establish when an effective hedging relationship continues and hedge accounting should continue to be applied after the replacement of a swap counterparty or a swap counterparty's credit support provider. The adoption of this Statement did not have a material effect on the County's financial condition and results of operations.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE IV. OTHER INFORMATION (Continued)

H. Accounting Pronouncements (Continued)

The County plans to adopt GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, required for fiscal periods beginning after December 15, 2012, in fiscal 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

The County plans to adopt GASB Statement No. 66, *Technical Corrections-2012-an Amendment of GASB Statements No. 10 and No. 62*, required for fiscal periods beginning after December 15, 2012, in fiscal 2014. This Statement resolves conflicting guidance that resulted from the issuance of two subsequent pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

The County plans to adopt GASB Statement No. 67, *Financial Reporting for Pension Plans-an Amendment of GASB Statement No. 25*, required for fiscal periods beginning after June 15, 2013, in fiscal 2014. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

The County plans to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*, required for fiscal periods beginning after June 15, 2014, in fiscal 2015. This Statement replaces the requirements of Statements No. 27, *Accounting for Pensions by State and Local Government Employers*, and No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered through trusts or equivalent arrangements that meet certain criteria. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

I. Subsequent Events

On November 6, 2012, the people of Knox County voted to freeze the UOPP (Uniformed Officers Pension Plan) to new participants after 12/31/13. Plan benefits for participants already in the plan will not be affected. Options for a new retirement plan that will replace the UOPP Plan for new participants beginning 1/1/14 are currently being considered, and a new plan will be in place by that date.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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. 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 TCRS.

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 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 Closed Defined Benefit Plan (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 Expense Retirement Defined Contribution Plan (MERP 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. Complete separate financial statements for the three defined contribution plans and the three defined benefit plans may be obtained at Suite 371, City County Building, 400 Main Street, Knoxville, TN 37902.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Contribution Plans

The Asset Accumulation Plan is a defined contribution plan established by Knox County under Section 401(a)(9) of the Internal Revenue Code. The plan covers a majority of the full time employees of the County and Classified employees of the School Board. 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, 2012, there were 5,720 active plan members. During the year, the employer and member contributions (prior to forfeitures) amounted to \$7,930,823 and \$7,930,823 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 volunteer contributions made by participants in the Asset Accumulation 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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, 2012, there were 916 Plan members in one of the 457(b) Plans offered. During the year, member contributions amounted to \$1,546,001 and the employer contributed \$1,449,854.

The *Medical Expense Retirement Plan*, a voluntary defined contribution 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 Expense 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, 2012

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
Calendar Year 2011	\$120
Calendar Year 2012	\$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 Expense 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 from 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, 2012, the Medical Expense Retirement Plan had 1,830 members and 713 of them contributed funds to the plan. During the year employer and member contributions amounted to \$59,562 and \$249,389, 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 in the DB Plans.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans

Plan Descriptions

Primary Government. The *County DB Plan* is a 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 and Classified School Board 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, disability benefits, and death benefits to the Plan members and their beneficiaries.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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 *Defined Benefit Plan* and the *Teacher Plan*, provisions and contribution requirements are established and may be amended by the Knox County Retirement Board in compliance with state law. For the *Uniformed Officers Plan*, some provisions and employee contribution changes are limited based on wording in the Knox County Charter (Article VII, Section 7.05) while other provisions and employer contributions can be determined by the Knox County Retirement Board in compliance with state law. The Knox County Retirement Board administers the Plans and the Board's administrative costs are paid from the assets of these three plans. Separate financial reports are prepared for all three plans.

Participant data at January 1, 2012 was as follows:

Description	County DB Plan	Uniformed Officers' DB Plan	Teachers' DB Plan
Actives Contributing	119	722	12
Actives Not Contributing, DC Plan	4,311	-	-
Retirees, Beneficiaries, and Disableds	200	56	454
Retirees, DC Plan	1,616	-	-
Inactives with Contribution Accounts	265	13	9
Inactives, DC Plan	346	-	-
Total Participants	6,857	791	475

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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, 2012

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 SETHEPP and PSPP. These reports may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at 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, 2012 was 74.8%.

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 360.22% of annual covered payroll for the year ending June 30, 2012.

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 17.01% of annual covered payroll for the year ending June 30, 2012.

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, 2012 was 9.05% 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, 2012, 2011 and 2010 were \$20,246,139, \$19,981,105, \$14,055,635, 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, 2012

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, 2012 was 10.76% 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		Component Unit - The Board	
	County DB Plan	Uniformed Officers DB Plan	TCRS	Teachers' DB Plan
Actuarial Valuation Date	January 1, 2012	January 1, 2012	July 1, 2011	January 1, 2012
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 10 Years	Value Over 5 Years
Inflation Rate	3.00%	3.00%	3.00%	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%	2.50%	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, 2009 was 20 years.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

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	Primary Government County DB Plan			Primary Government Uniformed Officers Pension Plan			Component Unit - The Board Teachers' DB Plan		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
NPO: Net Pension Obligation (Asset), Beginning of Year*	\$ (3,933,101)	\$ (3,966,626)	\$ (3,748,306)	\$ (801,195)	\$ (603,049)	\$ (299,792)	\$ 3,166,041	\$ 3,193,028	\$ 3,220,628
Annual Pension Cost:									
Annual Required Contribution (ARC)	1,497,424	1,218,164	1,877,420	4,108,886	4,094,421	4,263,867	1,046,949	1,217,506	1,898,484
Interest on NPO (Asset)	(294,983)	(297,497)	(281,123)	(60,743)	(45,229)	(22,484)	237,453	239,477	241,547
Adjustments to ARC**	328,224	331,022	312,803	67,588	50,326	25,018	(264,212)	(266,464)	(268,767)
Total Annual Pension Cost	1,530,665	1,251,689	1,909,100	4,115,731	4,099,518	4,266,401	1,020,190	1,190,519	1,871,264
Contributions Made	1,335,374	1,218,164	2,127,420	4,397,779	4,297,664	4,569,658	1,046,949	1,217,506	1,898,864
Increase (Decrease) in NPO (Asset)	195,291	33,525	(218,320)	(282,048)	(198,146)	(303,257)	(26,759)	(26,987)	(27,600)
NPO (Asset), End of Year	\$ (3,737,810)	\$ (3,933,101)	\$ (3,966,626)	\$ (1,083,243)	\$ (801,195)	\$ (603,049)	\$ 3,139,282	\$ 3,166,041	\$ 3,193,028
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%
Percentage of Contributions/APC	89.18%	100.00%	113.32%	107.03%	104.96%	107.17%	100.00%	100.00%	100.02%

* 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, 2012	\$ 86,548	100.00%	\$ -
June 30, 2011	\$ 81,837	100.00%	\$ -
June 30, 2010	\$ 78,009	100.00%	\$ -

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

D. Reclassification

Subsequent to the issuance of the FY2011 financial statements, it was noted that certain FY2011 employer contributions totaling \$1,473,935 had been recorded as additions to the Pension Trust Fund – Voluntary 457 Plan. Those contributions should have been reported as additions to the Pension Trust Fund – Defined Contribution Plan. Both plans are reported as fiduciary funds in the primary government’s financial statements and, therefore, there is no change to the beginning net assets held in trust for pension benefits as of July 1, 2011 reported in the Statement of Changes in Fiduciary Net Assets, which is included in the basic financial statements.

Required Supplemental Information Section



KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2012

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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%
1/1/2011	60,419,535	75,562,269	15,142,734	79.96%	3,835,987	394.75%
1/1/2012	53,269,896	75,233,596	21,963,700	70.81%	3,181,621	690.33%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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%
1/1/2011	70,428,532	78,267,707	7,839,175	89.98%	823,283	952.18%
1/1/2012	65,150,937	77,615,350	12,464,413	83.94%	328,419	N/A

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2012

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%
1/1/2011	108,614,901	136,916,313	28,301,412	79.33%	27,274,742	103.76%
1/1/2012	112,378,618	146,067,491	33,688,873	76.94%	27,091,364	124.35%

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%
7/1/2011	1,012	1,522	510	66.50%	746	68.33%

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
7/1/2011	-	2,623,061	2,623,061	0%	N/A	N/A

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2012

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	N/A	1,823,530	1,823,530	100.00%	135,786	135,786	100.00%
2009	98,387	-	0.00%	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%
2011	1,218,164	1,218,164	100.00%	4,094,421	4,297,664	104.96%	1,217,506	1,217,506	100.00%
2012	1,497,424	1,335,374	89.18%	4,108,886	4,397,779	107.03%	1,046,949	1,046,949	100.00%

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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Local Taxes	\$ 118,442,183	\$ 119,887,696	\$ 124,871,101	\$ 4,983,405
Licenses and Permits	3,386,000	3,386,000	3,586,182	200,182
Fines, Forfeitures and Penalties	1,849,400	1,989,135	1,904,656	(84,479)
Charges for Current Services	4,602,000	4,632,502	3,887,795	(744,707)
Other Local Revenues	5,950,459	6,088,074	3,894,081	(2,193,993)
State of Tennessee	8,276,380	8,459,328	11,291,662	2,832,334
Federal Government	1,100,000	1,100,000	667,926	(432,074)
Other Governments and Citizen Groups	271,000	289,488	547,301	257,813
Payments from Component Units	447,085	3,866,335	3,457,546	(408,789)
Increase in Equity Interest in Joint Venture	-	-	331,142	331,142
Total Revenues	<u>144,324,507</u>	<u>149,698,558</u>	<u>154,439,392</u>	<u>4,740,834</u>
Expenditures				
Current:				
Finance and Administration	23,393,279	23,903,167	22,630,508	1,272,659
Finance and Administration - Payments to Component Unit	3,823,874	3,823,874	3,823,874	-
Administration of Justice	15,297,575	15,696,978	15,327,858	369,120
Public Safety	67,842,831	68,340,542	68,097,446	243,096
Public Safety - Payments to Component Unit	326,200	326,200	326,200	-
Public Health and Welfare	20,654,008	20,769,654	18,903,041	1,866,613
Public Health and Welfare - Payments to Component Unit	256,628	256,628	256,628	-
Social and Cultural Services	4,244,976	4,231,618	4,158,762	72,856
Agricultural and Natural Resources	409,539	387,498	365,774	21,724
Other General Government	12,846,341	13,527,077	12,245,436	1,281,641
Total Expenditures	<u>149,095,251</u>	<u>151,263,236</u>	<u>146,135,527</u>	<u>5,127,709</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,770,744)</u>	<u>(1,564,678)</u>	<u>8,303,865</u>	<u>9,868,543</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	6,955,000	6,955,000	7,780,851	825,851
Transfers to Other Funds	(2,718,324)	(7,476,021)	(7,327,918)	148,103
Total Other Financing Sources	<u>4,236,676</u>	<u>(521,021)</u>	<u>452,933</u>	<u>973,954</u>
Net Change in Fund Balances	<u>\$ (534,068)</u>	<u>\$ (2,085,699)</u>	<u>8,756,798</u>	<u>\$ 10,842,497</u>
Fund Balances, July 1			<u>52,582,335</u>	
Fund Balances, June 30			<u>\$ 61,339,133</u>	

See accompanying notes to Required Supplementary Information.

KNOX COUNTY, TENNESSEE
Note to Required Supplementary Information
June 30, 2012

Budgetary Reporting

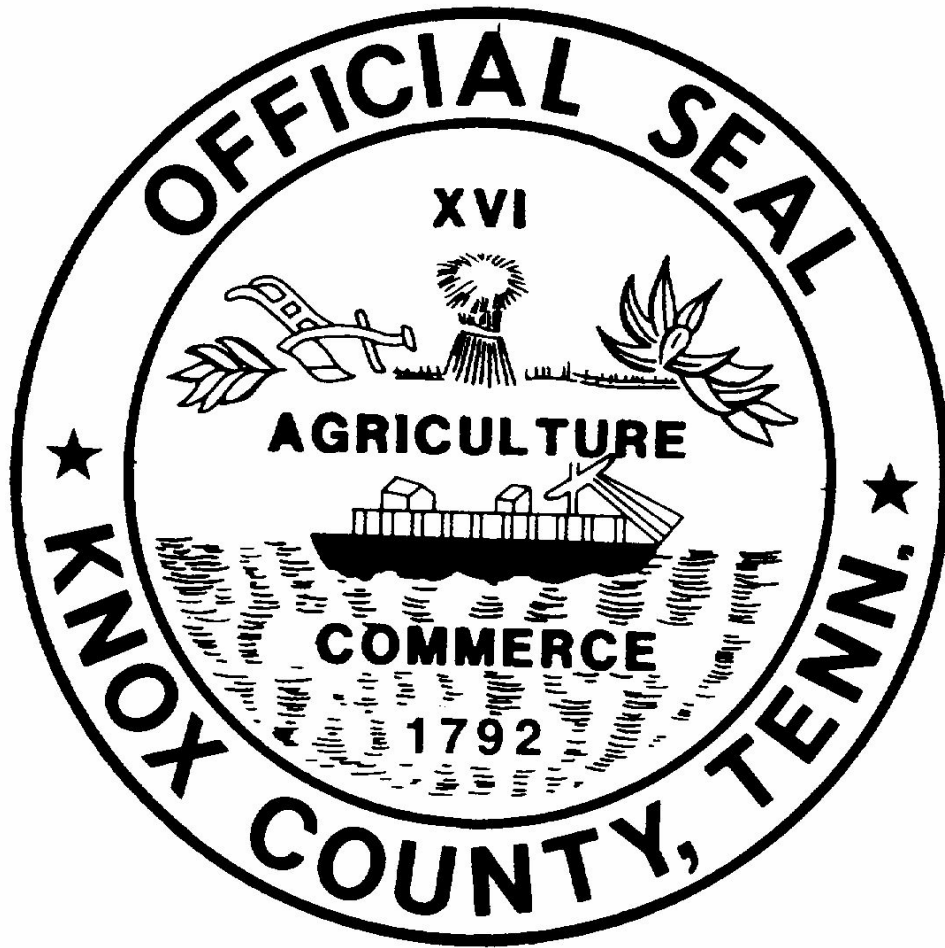
The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) – General Fund presents comparisons of the original and final legally adopted budget with actual data.

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.

KNOX COUNTY, TENNESSEE

**General Fund
Comparative Balance Sheets
June 30, 2012 and June 30, 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 9,076,048	\$ 8,579,364
Receivables (Net of Allowances for Uncollectibles):		
Accounts	8,905,650	9,916,072
Local Taxes	109,606,368	109,536,840
Notes	1,393,000	1,508,000
Investments	44,159,604	34,742,907
Due from Other Funds	3,228,876	2,294,848
Due from Component Units	893,282	699,231
Due from Other Governments	-	75,344
Inventories	89,326	110,063
Prepaid Items	95,554	104,294
Investment in Joint Venture	5,997,234	5,666,092
Advances to Component Units	-	3,419,250
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 183,444,942</u>	<u>\$ 176,652,305</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 7,988,749	\$ 8,725,692
Due to Other Funds	2,672,678	1,532,133
Due to Component Units	1,291,055	663,094
Deferred Revenue	110,153,327	113,149,051
	<hr/>	<hr/>
TOTAL LIABILITIES	122,105,809	124,069,970
 Fund Balances:		
Nonspendable	6,182,114	5,880,449
Restricted	2,787,302	2,212,749
Committed	5,596,444	9,294
Assigned	465,211	957,967
Unassigned	46,308,062	43,521,876
	<hr/>	<hr/>
TOTAL FUND BALANCES	61,339,133	52,582,335
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 183,444,942</u>	<u>\$ 176,652,305</u>

KNOX COUNTY, TENNESSEE

**General Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Local Taxes	\$ 124,871,101	\$ 121,594,774
Licenses and Permits	3,586,182	3,342,613
Fines, Forfeitures and Penalties	1,904,656	1,861,142
Charges for Current Services	3,887,795	4,418,626
Other Local Revenues	3,894,081	5,843,758
State of Tennessee	11,291,662	9,589,371
Federal Government	667,926	702,981
Other Governments and Citizen Groups	547,301	438,135
Payments from Component Units	3,457,546	281,296
Increase in Equity Interest in Joint Venture	331,142	349,085
	<hr/>	<hr/>
Total Revenues	154,439,392	148,421,781
	<hr/>	<hr/>
Expenditures		
Current:		
General Government:		
Finance and Administration	22,630,508	24,726,600
Finance and Administration - Payments to Component Unit	3,823,874	3,823,874
Administration of Justice	15,327,858	16,949,427
Public Safety	68,097,446	68,452,589
Public Safety - Payments to Component Unit	326,200	326,200
Public Health and Welfare	18,903,041	21,489,850
Public Health and Welfare - Payments to Component Unit	256,628	256,628
Social and Cultural Services	4,158,762	4,761,659
Agricultural and Natural Resources	365,774	380,453
Other General Government	12,245,436	10,620,159
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Total Expenditures	146,135,527	151,787,439
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Over (Under) Expenditures	8,303,865	(3,365,658)
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers from Other Funds	7,780,851	7,396,535
Transfers to Other Funds	(7,327,918)	(3,246,455)
	<hr/>	<hr/>
Total Other Financing Sources	452,933	4,150,080
	<hr/>	<hr/>
Net Change in Fund Balances	8,756,798	784,422
	<hr/>	<hr/>
Fund Balances, July 1	52,582,335	51,797,913
	<hr/>	<hr/>
Fund Balances, June 30	\$ 61,339,133	\$ 52,582,335
	<hr/>	<hr/>

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, 2012

(With Comparative Totals for June 30, 2011)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2012	2011
ASSETS								
Cash and Cash Equivalents	\$ 552,642	\$ 1,163,077	\$ 345,910	\$ 812,740	\$ 441,862	\$ 516,500	\$ 3,832,731	\$ 2,841,422
TOTAL ASSETS	\$ 552,642	\$ 1,163,077	\$ 345,910	\$ 812,740	\$ 441,862	\$ 516,500	\$ 3,832,731	\$ 2,841,422
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to Other Funds	\$ 1,125,178	\$ 204,077	\$ -	\$ -	\$ 80,616	\$ 222,872	\$ 1,632,743	\$ 225,137
Fund Balances:								
Assigned	(572,536)	959,000	345,910	812,740	361,246	293,628	2,199,988	2,616,285
TOTAL LIABILITIES AND FUND BALANCES	\$ 552,642	\$ 1,163,077	\$ 345,910	\$ 812,740	\$ 441,862	\$ 516,500	\$ 3,832,731	\$ 2,841,422

KNOX COUNTY, TENNESSEE

**Constitutional Officers' Special Revenue Fund
Combining Schedule of Revenues, Expenditures
And Changes in Fund Balances
For the year ended June 30, 2012
(With comparative totals for the year ended June 30, 2011)**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2012	2011
Revenues								
Charges for Services	\$ 7,934,088	\$ 5,237,443	\$ 1,518,568	\$ 4,197,335	\$ 1,476,724	\$ 2,418,048	\$ 22,782,206	\$ 21,702,089
Investment Revenue	3,973	6,263	-	-	-	7,391	17,627	16,277
Total Revenues	7,938,061	5,243,706	1,518,568	4,197,335	1,476,724	2,425,439	22,799,833	21,718,366
Expenditures								
Current:								
General Government:								
Salaries - County Officials	133,018	120,974	117,596	117,596	108,550	106,906	704,640	732,085
Salaries - Staff	1,883,593	2,709,350	1,088,801	2,807,197	686,246	1,170,124	10,345,311	10,449,708
Employee Benefits and Payroll Taxes	592,078	906,246	390,948	989,092	278,192	402,448	3,559,004	3,329,951
Travel	-	-	9,600	8,400	-	9,100	27,100	49,895
Other	539,218	93,579	-	-	17,363	149,064	799,224	680,945
Total Expenditures	3,147,907	3,830,149	1,606,945	3,922,285	1,090,351	1,837,642	15,435,279	15,242,584
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,790,154	1,413,557	(88,377)	275,050	386,373	587,797	7,364,554	6,475,782
Other Financing Uses								
Transfers to Other Funds	(5,557,656)	(1,285,017)	(30,000)	-	(339,306)	(568,872)	(7,780,851)	(6,246,535)
Net Change in Fund Balances	(767,502)	128,540	(118,377)	275,050	47,067	18,925	(416,297)	229,247
Fund Balances, July 1	194,966	830,460	464,287	537,690	314,179	274,703	2,616,285	2,387,038
Fund Balances, June 30	\$ (572,536)	\$ 959,000	\$ 345,910	\$ 812,740	\$ 361,246	\$ 293,628	\$ 2,199,988	\$ 2,616,285

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, highway projects, sewer lines, recreation facilities, public library facilities, Juvenile Court renovations, City-County Building renovations, Knox Central facilities, and golf course improvements.

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)
Comparative Balance Sheets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 14,959,395	\$ 13,367,258
Accounts Receivable (Net of Allowances for Uncollectibles):	19,818	119,818
Investments	8,899,001	-
Due from Other Funds	42,238	309,434
Due from Component Units	-	700,000
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 23,920,452</u>	<u>\$ 14,496,510</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 911,713	\$ 263,503
Due to Other Funds	4,879	6,996
Due to Component Units	11,478	11,478
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>928,070</u>	<u>281,977</u>
 Fund Balances:		
Restricted	<u>22,992,382</u>	<u>14,214,533</u>
TOTAL FUND BALANCES	<u>22,992,382</u>	<u>14,214,533</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 23,920,452</u>	<u>\$ 14,496,510</u>

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, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Investment Revenue	\$ 27,266	\$ (47,452)
Other Local Revenues	3,248,666	-
State of Tennessee	81,490	32,771
Other Governments and Citizen Groups	-	257,635
Payments from Component Units	<u>2,500,000</u>	<u>-</u>
Total Revenues	<u>5,857,422</u>	<u>242,954</u>
Expenditures		
Capital Projects	7,866,153	8,468,283
Debt Proceeds Paid to Component Unit	13,578,202	29,004,906
Debt Issuance Costs	<u>106,387</u>	<u>441,307</u>
Total Expenditures	<u>21,550,742</u>	<u>37,914,496</u>
Deficiency of Revenues Under Expenditures	<u>(15,693,320)</u>	<u>(37,671,542)</u>
Other Financing Sources		
Long-term Bonds Issued	14,400,000	46,236,000
Long-term Note Issued	5,000,000	-
Premium on Long-term Debt Issued	254,526	54,824
Transfers from Other Funds	<u>4,816,643</u>	<u>-</u>
Total Other Financing Sources	<u>24,471,169</u>	<u>46,290,824</u>
Net Change in Fund Balances	8,777,849	8,619,282
Fund Balances, July 1	<u>14,214,533</u>	<u>5,595,251</u>
Fund Balances, June 30	<u>\$ 22,992,382</u>	<u>\$ 14,214,533</u>

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)
 Schedule of Construction Project Expenditures-
 Budget And Actual
 For the year ended June 30, 2012

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Knob Creek Bridge	\$ 233,034	\$ 232,369	\$ 414	\$ 232,783	\$ 251
Bob Gray Roundabouts	210,000	-	-	-	210,000
Bridge Replacement	5,299,503	3,743,707	96,072	3,839,779	1,459,724
Hardin Valley Road	28,940	28,940	-	28,940	-
Ballcamp Improvements	17,924,704	16,683,930	465,110	17,149,040	775,664
Lovell Road	2,609,804	2,609,258	-	2,609,258	546
Dry Gap Pike	6,128,902	5,891,653	236,739	6,128,392	510
Maynardville/Norris/Emory	2,209,485	801,763	40,486	842,249	1,367,236
Parkside Drive Extension	10,746,105	9,169,021	28,347	9,197,368	1,548,737
Dutchtown Road Functional Plan	15,589,879	9,323,078	1,542,336	10,865,414	4,724,465
Gallaher View Road	3,075,229	3,075,229	-	3,075,229	-
Farlow Drive	462,000	-	470,378	470,378	(8,378)
Tazewell Pike / Emory Road	234,920	54,094	269,392	323,486	(88,566)
Dutchtown Innovation	622,889	622,889	-	622,889	-
Outlet Mall Drive/Snyder Road Connect	4,817,675	326,636	1,301,058	1,627,694	3,189,981
National Drive-John Sevier Highway	85,063	62,855	-	62,855	22,208
State Aid	1,814,300	-	-	-	1,814,300
<i>Total Road Construction</i>	<i>72,092,432</i>	<i>52,625,422</i>	<i>4,450,332</i>	<i>57,075,754</i>	<i>15,016,678</i>
<i>Building Renovations:</i>					
Juvenile Court/ Detention	14,146,140	13,999,266	96,392	14,095,658	50,482
Juvenile Justice CIP '11	9,797	-	-	-	9,797
County Wide Renovations	200,000	-	-	-	200,000
Knox Central	1,582,243	1,119,154	99,110	1,218,264	363,979
John Tarleton	-	-	133,435	133,435	(133,435)
John Tarleton CIP '11	304,000	-	-	-	304,000
AJ/ Dwight Kessel Garage	1,846,073	1,280,369	120,466	1,400,835	445,238
City/County Improvement	12,881,989	10,895,619	377,747	11,273,366	1,608,623
Knox County Health Renovations	10,981,402	10,897,638	19,700	10,917,338	64,064
Old Courthouse Renovation	2,800,540	1,259,066	160,777	1,419,843	1,380,697
Detention Facility	1,561,917	1,552,017	-	1,552,017	9,900
Detention Facility Expansion 2006	13,996,762	13,996,324	-	13,996,324	438
Jail Improvements	311,000	119,114	159,605	278,719	32,281
<i>Total Building Renovations</i>	<i>60,621,863</i>	<i>55,118,567</i>	<i>1,167,232</i>	<i>56,285,799</i>	<i>4,336,064</i>

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Schedule of Construction Project Expenditures-
Budget And Actual (Continued)
For the year ended June 30, 2012**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures (Continued)					
<i>Capital Projects (Continued):</i>					
<i>Building Construction:</i>					
South Sportsplex	500,000	-	-	-	500,000
Lawson McGhee Library	598,784	546,144	14,614	560,758	38,026
Various Library Branches	656,261	226,261	158,587	384,848	271,413
Carter Senior Center	1,289,632	1,289,632	-	1,289,632	-
<i>Total Building Construction:</i>	<u>3,044,677</u>	<u>2,062,037</u>	<u>173,201</u>	<u>2,235,238</u>	<u>809,439</u>
<i>Other:</i>					
Seven Island Foot Bridge	1,746,757	283,528	-	283,528	1,463,229
Halls Greenway	154,903	154,903	-	154,903	-
Knox-Blount Greenway-Phase I	145,198	-	7,581	7,581	137,617
Halls Park - School Link Phase II	703,942	-	-	-	703,942
Knox-Blount Greenway-Phase II	360,198	-	-	-	360,198
Park Facility Improvement	629,105	420,907	62,351	483,258	145,847
Rifle Range Road Park	3,812,500	3,770,932	6,654	3,777,586	34,914
Ten Mile Creek Greenway	267,886	267,886	-	267,886	-
Greenways	75,000	2,065	6,215	8,280	66,720
Technology Upgrade - Libraries	1,250,000	241,100	-	241,100	1,008,900
Finance Software Upgrade	1,569,308	1,335,528	28,994	1,364,522	204,786
PBA Project Management	3,593,252	3,016,303	429,607	3,445,910	147,342
Energy Management Project - County	16,176,571	14,003,824	904	14,004,728	2,171,843
Solway Yard Waste Facility	1,386,400	1,363,255	-	1,363,255	23,145
Stormwater Management	8,655,669	6,554,976	441,569	6,996,545	1,659,124
Karns Convenience Center	571,892	510,555	-	510,555	61,337
Dutchtown Convenience Center	50,000	-	-	-	50,000
Geometric Improvements	2,766,028	1,333,558	366,201	1,699,759	1,066,269
County Sidewalk	79,614	72,670	-	72,670	6,944
Major Equipment - Engineering & Public Works	426,000	-	336,665	336,665	89,335
Major Equipment - Sheriff Denton	580,000	-	302,067	302,067	277,933
Powell Middle School	15,650,000	15,374,534	9,696	15,384,230	265,770
New Carter Elementary	9,765,619	-	11,409	11,409	9,754,210
Family Investment - Renovation	130,000	30,921	65,475	96,396	33,604
<i>Total Other</i>	<u>70,545,842</u>	<u>48,737,445</u>	<u>2,075,388</u>	<u>50,812,833</u>	<u>19,733,009</u>
<i>Total Capital Projects</i>	<u>\$ 206,304,814</u>	<u>\$ 158,543,471</u>	<u>\$ 7,866,153</u>	<u>\$ 166,409,624</u>	<u>\$ 39,895,190</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.

KNOX COUNTY, TENNESSEE

Debt Service Fund (Major) Comparative Balance Sheets June 30, 2012 and June 30, 2011

	2012	2011
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 16,319,337	\$ 4,313,829
Receivables (Net of Allowance for Uncollectibles):		
Local Taxes	35,032,266	35,014,024
Notes	9,245,000	9,245,000
Investments	-	11,580,969
Due from Other Funds	758,681	194,207
Prepaid Items	-	130,741
Advance to Other Governments	2,500,000	2,500,000
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 63,855,284</u>	<u>\$ 62,978,770</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 5,842	\$ 8,799
Due to Other Funds	216,779	224,400
Deferred Revenue	40,760,193	40,594,089
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>40,982,814</u>	<u>40,827,288</u>
Fund Balances:		
Nonspendable	5,725,000	5,855,741
Restricted	56,175	185,410
Committed	17,091,295	16,110,331
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>22,872,470</u>	<u>22,151,482</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 63,855,284</u>	<u>\$ 62,978,770</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Local Taxes	\$ 32,380,337	\$ 31,879,441
Other Governments/Citizen Groups	-	125,494
Investment Revenue	2,066,857	1,069,078
Other Local Revenues	-	946,025
Payments from Component Units	<u>30,770,645</u>	<u>25,946,048</u>
Total Revenues	<u>65,217,839</u>	<u>59,966,086</u>
Expenditures		
Debt Service:		
Trustee's Commission	650,744	639,603
Principal	35,615,702	34,695,467
Interest	25,888,063	25,297,513
Other Debt Service	2,599,751	2,392,461
Refunding Bonds Issuance Costs	<u>149,005</u>	<u>923,104</u>
Total Expenditures	<u>64,903,265</u>	<u>63,948,148</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>314,574</u>	<u>(3,982,062)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	1,201,227	194,207
Transfers to Other Funds	(943,818)	-
Refunding Bonds Issued	21,505,000	62,675,000
Premium on Refunding Bonds	1,113,363	2,404,089
Payment to Holders of Refunded Debt	<u>(22,469,358)</u>	<u>(64,118,485)</u>
Total Other Financing Sources	<u>406,414</u>	<u>1,154,811</u>
Net Change in Fund Balances	720,988	(2,827,251)
Fund Balance, July 1	<u>22,151,482</u>	<u>24,978,733</u>
Fund Balance, June 30	<u>\$ 22,872,470</u>	<u>\$ 22,151,482</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, 2012 and June 30, 2011

	2012				2011			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Local Taxes	\$ 31,567,625	\$ 31,567,625	\$ 32,380,337	\$ 812,712	\$ 30,812,000	\$ 31,879,441	\$ 1,067,441	
Other Governments/Citizen Groups	134,457	134,457	-	(134,457)	390,757	125,494	(265,263)	
Investment Revenue	2,240,460	2,240,460	2,066,857	(173,603)	1,761,185	1,069,078	(692,107)	
Other Local Revenues	-	-	-	-	-	946,025	946,025	
Payments from Component Units	30,770,645	30,770,645	30,770,645	-	25,946,048	25,946,048	-	
Total Revenues	64,713,187	64,713,187	65,217,839	504,652	58,909,990	59,966,086	1,056,096	
Expenditures								
Debt Service:								
Trustee's Commission	704,206	704,206	650,744	53,462	702,100	639,603	62,497	
Principal	35,615,702	35,615,702	35,615,702	-	35,475,467	34,695,467	780,000	
Interest	33,430,092	32,486,274	25,888,063	6,598,211	28,148,748	25,297,513	2,851,235	
Other Debt Service	2,000,000	2,000,000	2,599,751	(599,751)	2,461,185	2,392,461	68,724	
Refunding Bonds Issuance Costs	-	-	149,005	(149,005)	923,104	923,104	-	
Total Expenditures	71,750,000	70,806,182	64,903,265	5,902,917	67,710,604	63,948,148	3,762,456	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,036,813)	(6,092,995)	314,574	6,407,569	(8,800,614)	(3,982,062)	4,818,552	
Other Financing Sources (Uses)								
Transfers from Other Funds	1,417,606	1,417,606	1,201,227	(216,379)	268,874	194,207	(74,667)	
Transfers to Other Funds	-	(943,818)	(943,818)	-	-	-	-	
Refunding Bonds Issued	-	-	21,505,000	21,505,000	62,675,000	62,675,000	-	
Premium on Refunding Bonds	-	-	1,113,363	1,113,363	2,404,089	2,404,089	-	
Payment to Holders of Refunded Debt	-	-	(22,469,358)	(22,469,358)	(64,118,485)	(64,118,485)	-	
Total Other Financing Sources (Uses)	1,417,606	473,788	406,414	(67,374)	1,229,478	1,154,811	74,667	
Net Change in Fund Balances	(5,619,207)	(5,619,207)	720,988	6,340,195	(7,571,136)	(2,827,251)	4,743,885	
Fund Balance, July 1	22,151,482	22,151,482	22,151,482	-	24,978,733	24,978,733	-	
Fund Balance, June 30	\$ 16,532,275	\$ 16,532,275	\$ 22,872,470	\$ 6,340,195	\$ 17,407,597	\$ 22,151,482	\$ 4,743,885	

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 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.

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.

Engineering and Public Works 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.

KNOX COUNTY, TENNESSEE**Combining Balance Sheet
Nonmajor Governmental Funds**June 30, 2012

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 7,399,007	\$ 1,186,703	\$ 8,585,710
Receivables (Net of Allowance for Uncollectibles):			
Accounts	7,919,172	-	7,919,172
Notes	3,193,702	-	3,193,702
Due from Other Funds	983,981	-	983,981
Inventories	5,997	-	5,997
Prepaid Items	45,508	-	45,508
TOTAL ASSETS	\$ 19,547,367	\$ 1,186,703	\$ 20,734,070
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 3,885,266	\$ 91,952	\$ 3,977,218
Due to Other Funds	1,995,858	-	1,995,858
Deferred Revenue	3,676,100	-	3,676,100
TOTAL LIABILITIES	9,557,224	91,952	9,649,176
Fund Balances:			
Nonspendable	51,505	-	51,505
Restricted	4,194,683	-	4,194,683
Committed	5,743,955	1,094,751	6,838,706
TOTAL FUND BALANCES	9,990,143	1,094,751	11,084,894
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,547,367	\$ 1,186,703	\$ 20,734,070

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2012**

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
Revenues			
Local Taxes	\$ 25,172,038	\$ -	\$ 25,172,038
Fines, Forfeitures and Penalties	909,917	-	909,917
Charges for Current Services	760,316	-	760,316
Other Local Revenues	1,428,129	-	1,428,129
State of Tennessee	6,911,180	-	6,911,180
Federal Government	10,452,543	-	10,452,543
Other Governments and Citizen Groups	907,044	-	907,044
Total Revenues	46,541,167	-	46,541,167
Expenditures			
Current:			
Administration of Justice	25,877	-	25,877
Public Safety	3,093,028	-	3,093,028
Public Health and Welfare	12,523,524	-	12,523,524
Social and Cultural Services	12,435,738	-	12,435,738
Other General Government	6,641,639	-	6,641,639
Engineering and Public Works	10,498,407	-	10,498,407
Capital Projects	-	280,465	280,465
Total Expenditures	45,218,213	280,465	45,498,678
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,322,954	(280,465)	1,042,489
Other Financing Sources (Uses)			
Transfers from Other Funds	2,399,302	-	2,399,302
Transfers to Other Funds	(2,386,639)	-	(2,386,639)
Total Other Financing Sources (Uses)	12,663	-	12,663
Net Change in Fund Balances	1,335,617	(280,465)	1,055,152
Fund Balances, July 1	8,654,526	1,375,216	10,029,742
Fund Balances, June 30	\$ 9,990,143	\$ 1,094,751	\$ 11,084,894

KNOX COUNTY, TENNESSEE

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2012

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total Nonmajor Special Revenue Funds
ASSETS								
Cash and Cash Equivalents	\$ 214,943	\$ 581	\$ 2,112	\$ 1,351,556	\$ 1,558,910	\$ 1,786,872	\$ 2,484,033	\$ 7,399,007
Receivables (Net of Allowance for Uncollectibles):								
Accounts	3,681,952	33,966	975,914	85,284	1,036,266	14,410	2,091,380	7,919,172
Notes	3,193,702	-	-	-	-	-	-	3,193,702
Due from Other Funds	383,851	30,000	444,817	57,636	-	-	67,677	983,981
Inventories	5,997	-	-	-	-	-	-	5,997
Prepaid Items	32,195	-	13,313	-	-	-	-	45,508
TOTAL ASSETS	\$ 7,512,640	\$ 64,547	\$ 1,436,156	\$ 1,494,476	\$ 2,595,176	\$ 1,801,282	\$ 4,643,090	\$ 19,547,367
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts Payable and Accrued Liabilities	\$ 895,402	\$ 2,637	\$ 347,285	\$ 94,628	\$ 1,890,012	\$ 560	\$ 654,742	\$ 3,885,266
Due to Other Funds	1,032,178	7,324	384,965	166,857	153,125	651	250,758	1,995,858
Deferred Revenue	3,676,100	-	-	-	-	-	-	3,676,100
TOTAL LIABILITIES	5,603,680	9,961	732,250	261,485	2,043,137	1,211	905,500	9,557,224
Fund Balances:								
Nonspendable	38,192	-	13,313	-	-	-	-	51,505
Restricted	1,842,573	-	-	-	552,039	1,800,071	-	4,194,683
Committed	28,195	54,586	690,593	1,232,991	-	-	3,737,590	5,743,955
TOTAL FUND BALANCES	1,908,960	54,586	703,906	1,232,991	552,039	1,800,071	3,737,590	9,990,143
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,512,640	\$ 64,547	\$ 1,436,156	\$ 1,494,476	\$ 2,595,176	\$ 1,801,282	\$ 4,643,090	\$ 19,547,367

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the year ended June 30, 2012

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total Nonmajor Special Revenue Funds
Revenues								
Local Taxes	\$ -	\$ 58,084	\$ 10,335,827	\$ 2,400,000	\$ 5,696,181	\$ -	\$ 6,681,946	\$ 25,172,038
Fines, Forfeitures and Penalties	51,185	-	-	58,558	-	786,523	13,651	909,917
Charges for Current Services	401,954	5,243	340,219	12,900	-	-	-	760,316
Other Local Revenues	130,312	2,019	8,320	716,670	-	171,808	399,000	1,428,129
State of Tennessee	1,437,033	-	51,306	417,398	-	-	5,005,443	6,911,180
Federal Government	10,431,496	-	-	-	-	21,047	-	10,452,543
Other Governments and Citizen Groups	857,760	31,689	17,595	-	-	-	-	907,044
Total Revenues	13,309,740	97,035	10,753,267	3,605,526	5,696,181	979,378	12,100,040	46,541,167
Expenditures								
Current:								
Administration of Justice	25,877	-	-	-	-	-	-	25,877
Public Safety	2,559,883	-	-	-	-	533,145	-	3,093,028
Public Health and Welfare	8,785,785	-	-	3,737,739	-	-	-	12,523,524
Social and Cultural Services	624,911	128,275	11,682,552	-	-	-	-	12,435,738
Other General Government	1,565,113	-	-	-	5,076,526	-	-	6,641,639
Engineering and Public Works	-	-	-	-	-	-	10,498,407	10,498,407
Total Expenditures	13,561,569	128,275	11,682,552	3,737,739	5,076,526	533,145	10,498,407	45,218,213
Excess (Deficiency) of Revenues Over (Under) Expenditures	(251,829)	(31,240)	(929,285)	(132,213)	619,655	446,233	1,601,633	1,322,954
Other Financing Sources (Uses)								
Transfers from Other Funds	375,131	30,000	1,779,269	214,902	-	-	-	2,399,302
Transfers to Other Funds	-	-	(716,846)	(51,000)	(612,500)	-	(1,006,293)	(2,386,639)
Total Other Financing Sources (Uses)	375,131	30,000	1,062,423	163,902	(612,500)	-	(1,006,293)	12,663
Net Change in Fund Balances	123,302	(1,240)	133,138	31,689	7,155	446,233	595,340	1,335,617
Fund Balance, July 1	1,785,658	55,826	570,768	1,201,302	544,884	1,353,838	3,142,250	8,654,526
Fund Balance, June 30	\$ 1,908,960	\$ 54,586	\$ 703,906	\$ 1,232,991	\$ 552,039	\$ 1,800,071	\$ 3,737,590	\$ 9,990,143

KNOX COUNTY, TENNESSEE

**State and Federal Grants Special Revenue Fund
Comparative Balance Sheets
June 30, 2012 and June 30, 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 214,943	\$ 452,472
Receivables (Net of Allowances for Uncollectibles):		
Accounts	3,681,952	4,020,140
Notes	3,193,702	3,671,195
Due from Other Funds	383,851	299,772
Inventories	5,997	15,511
Prepaid Items	32,195	39,340
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 7,512,640</u>	<u>\$ 8,498,430</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 895,402	\$ 703,384
Due to Other Funds	1,032,178	1,232,275
Deferred Revenue	3,676,100	4,777,113
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>5,603,680</u>	<u>6,712,772</u>
 Fund Balances:		
Nonspendable	38,192	54,851
Restricted	1,842,573	1,482,410
Committed	28,195	248,397
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>1,908,960</u>	<u>1,785,658</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,512,640</u>	<u>\$ 8,498,430</u>

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, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 51,185	\$ 54,840
Charges for Current Services	401,954	426,775
Other Local Revenues	130,312	451,541
State of Tennessee	1,437,033	1,899,686
Federal Government	10,431,496	11,404,209
Other Governmental and Citizen Groups	<u>857,760</u>	<u>802,347</u>
Total Revenues	<u>13,309,740</u>	<u>15,039,398</u>
Expenditures		
Current:		
General Government:		
Administration of Justice	25,877	218,363
Public Safety	2,559,883	3,339,813
Public Health and Welfare	8,785,785	7,123,006
Social and Cultural Services	624,911	605,375
Other General Government	<u>1,565,113</u>	<u>4,439,928</u>
Total Expenditures	<u>13,561,569</u>	<u>15,726,485</u>
Deficiency of Revenues Under Expenditures	<u>(251,829)</u>	<u>(687,087)</u>
Other Financing Sources		
Transfers from Other Funds	<u>375,131</u>	<u>249,418</u>
Net Change in Fund Balances	123,302	(437,669)
Fund Balances, July 1	<u>1,785,658</u>	<u>2,223,327</u>
Fund Balances, June 30	<u><u>\$ 1,908,960</u></u>	<u><u>\$ 1,785,658</u></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, 2012 and June 30, 2011**

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 140,000	\$ 297,626	\$ 296,874	\$ (752)	\$ 291,788	\$ 323,844	\$ 32,056
Other Local Revenues	-	-	95,294	95,294	-	-	-
Federal Government	-	764,142	448,760	(315,382)	857,525	584,748	(272,777)
Total Revenues	140,000	1,061,768	840,928	(220,840)	1,149,313	908,592	(240,721)
Expenditures							
Current:							
General Government:							
Personal Services	-	733,867	575,761	158,106	777,758	553,835	223,923
Employee Benefits	-	247,391	195,771	51,620	236,018	170,350	65,668
Contracted Services	199,932	215,045	183,780	31,265	272,699	169,303	103,396
Supplies and Materials	-	114,693	70,243	44,450	114,642	65,254	49,388
Other Charges	-	430,188	95,618	334,570	310,599	103,622	206,977
Capital Outlay	-	28,412	-	28,412	152,664	46,319	106,345
Total Expenditures	199,932	1,769,596	1,121,173	648,423	1,864,380	1,108,683	755,697
Excess (Deficiency) of Revenues Over (Under) Expenditures	(59,932)	(707,828)	(280,245)	427,583	(715,067)	(200,091)	514,976
Net Change in Fund Balances	(59,932)	(707,828)	(280,245)	427,583	(715,067)	(200,091)	514,976
Fund Balances, July 1	567,150	567,150	567,150	-	767,241	767,241	-
Fund Balances, June 30	\$ 507,218	\$ (140,678)	\$ 286,905	\$ 427,583	\$ 52,174	\$ 567,150	\$ 514,976

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

Fund Balance (Budget Basis)	\$ 286,905	\$ 567,150
Entity Difference:		
Unbudgeted Funds	1,622,055	1,218,508
Fund Balance (GAAP Basis)	<u>\$ 1,908,960</u>	<u>\$ 1,785,658</u>

KNOX COUNTY, TENNESSEE

Governmental Library Special Revenue Fund
Comparative Balance Sheets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 581	\$ 58,542
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	33,966	5,745
Due from Other Funds	<u>30,000</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 64,547</u>	<u>\$ 64,287</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,637	\$ 8,461
Due to Other Funds	<u>7,324</u>	<u>-</u>
TOTAL LIABILITIES	<u>9,961</u>	<u>8,461</u>
 Fund Balances:		
Committed	<u>54,586</u>	<u>55,826</u>
TOTAL FUND BALANCES	<u>54,586</u>	<u>55,826</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 64,547</u>	<u>\$ 64,287</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Local Taxes	\$ 58,084	\$ 58,975
Charges for Current Services	5,243	7,290
Other Local Revenues	2,019	1,961
Other Governments and Citizens Groups	<u>31,689</u>	<u>30,000</u>
Total Revenues	<u>97,035</u>	<u>98,226</u>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	<u>128,275</u>	<u>180,183</u>
Deficiency of Revenues Under Expenditures	<u>(31,240)</u>	<u>(81,957)</u>
Other Financing Sources		
Transfers from Other Funds	<u>30,000</u>	<u>86,334</u>
Net Change in Fund Balances	(1,240)	4,377
Fund Balances, July 1	<u>55,826</u>	<u>51,449</u>
Fund Balances, June 30	<u><u>\$ 54,586</u></u>	<u><u>\$ 55,826</u></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, 2012 and June 30, 2011

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 68,666	\$ 68,666	\$ 58,084	\$ (10,582)	\$ 64,866	\$ 58,975	\$ (5,891)
Charges for Current Services	9,100	9,100	5,243	(3,857)	11,100	7,290	(3,810)
Other Local Revenues	900	900	2,019	1,119	2,700	1,961	(739)
Other Governments and Citizens Groups	30,000	30,000	31,689	1,689	30,000	30,000	-
Total Revenues	108,666	108,666	97,035	(11,631)	108,666	98,226	(10,440)
Expenditures							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	49,416	50,244	50,243	1	49,615	49,604	11
Employee Benefits	14,859	15,063	15,063	-	14,708	14,709	(1)
Contracted Services	11,478	9,760	7,604	2,156	9,129	7,808	1,321
Supplies and Materials	31,584	54,204	54,168	36	108,884	95,556	13,328
Other Charges	1,329	1,329	1,197	132	12,664	12,506	158
Total Expenditures	108,666	130,600	128,275	2,325	195,000	180,183	14,817
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	-	(21,934)	(31,240)	(9,306)	(86,334)	(81,957)	4,377
Other Financing Sources							
Transfers from Other Funds	-	834	30,000	29,166	86,334	86,334	-
Net Change in Fund Balances	-	(21,100)	(1,240)	19,860	-	4,377	4,377
Fund Balances, July 1	55,826	55,826	55,826	-	51,449	51,449	-
Fund Balances, June 30	\$ 55,826	\$ 34,726	\$ 54,586	\$ 19,860	\$ 51,449	\$ 55,826	\$ 4,377

KNOX COUNTY, TENNESSEE

Public Library Special Revenue Fund

Comparative Balance Sheets

June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,112	\$ 1,114,472
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	975,914	149,670
Due from Other Funds	444,817	91
Prepaid Items	13,313	-
TOTAL ASSETS	<u>\$ 1,436,156</u>	<u>\$ 1,264,233</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 347,285	\$ 380,875
Due to Other Funds	384,965	312,590
TOTAL LIABILITIES	<u>732,250</u>	<u>693,465</u>
 Fund Balances:		
Nonspendable	13,313	-
Committed	690,593	570,768
TOTAL FUND BALANCES	<u>703,906</u>	<u>570,768</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,436,156</u>	<u>\$ 1,264,233</u>

KNOX COUNTY, TENNESSEE

Public Library Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Local Taxes	\$ 10,335,827	\$ 10,372,176
Charges for Current Services	340,219	329,610
Other Local Revenues	8,320	7,393
State of Tennessee	51,306	97,902
Other Governments and Citizens Groups	17,595	15,663
	<hr/>	<hr/>
Total Revenues	10,753,267	10,822,744
	<hr/>	<hr/>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	11,682,552	12,535,215
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(929,285)	(1,712,471)
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers from Other Funds	1,779,269	1,960,500
Transfers to Other Funds	(716,846)	-
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Total Other Financing Sources	1,062,423	1,960,500
	<hr/>	<hr/>
Net Change in Fund Balances	133,138	248,029
	<hr/>	<hr/>
Fund Balances, July 1	570,768	322,739
	<hr/>	<hr/>
Fund Balances, June 30	\$ 703,906	\$ 570,768
	<hr/> <hr/>	<hr/> <hr/>

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, 2012 and June 30, 2011**

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 10,330,000	\$ 10,330,000	\$ 10,335,827	\$ 5,827	\$ 10,200,000	\$ 10,372,176	\$ 172,176
Charges for Current Services	300,000	300,000	340,219	40,219	323,000	329,610	6,610
Other Local Revenues	9,000	9,000	8,320	(680)	9,000	7,393	(1,607)
State of Tennessee	45,500	51,306	51,306	-	97,902	97,902	-
Other Governments and Citizens Groups	-	-	17,595	17,595	-	15,663	15,663
Total Revenues	10,684,500	10,690,306	10,753,267	62,961	10,629,902	10,822,744	192,842
Expenditures							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	6,246,327	6,274,744	6,194,759	79,985	6,358,413	6,216,544	141,869
Employee Benefits	1,898,513	1,910,987	1,857,040	53,947	1,875,866	1,847,785	28,081
Contracted Services	1,295,846	1,292,966	1,205,033	87,933	1,255,977	1,234,931	21,046
Supplies and Materials	2,797,633	2,144,276	2,091,226	53,050	3,190,451	3,068,732	121,719
Other Charges	87,450	157,154	157,133	21	87,449	82,331	5,118
Capital Outlay	138,000	177,361	177,361	-	124,655	84,892	39,763
Total Expenditures	12,463,769	11,957,488	11,682,552	274,936	12,892,811	12,535,215	357,596
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,779,269)	(1,267,182)	(929,285)	337,897	(2,262,909)	(1,712,471)	550,438
Other Financing Sources (Uses)							
Transfers from Other Funds	1,779,269	1,882,263	1,779,269	(102,994)	2,262,909	1,960,500	(302,409)
Transfers to Other Funds	-	(716,846)	(716,846)	-	-	-	-
Total Other Financing Sources (Uses)	1,779,269	1,165,417	1,062,423	(102,994)	2,262,909	1,960,500	(302,409)
Net Change in Fund Balances	-	(101,765)	133,138	234,903	-	248,029	248,029
Fund Balances, July 1	570,768	570,768	570,768	-	322,739	322,739	-
Fund Balances, June 30	\$ 570,768	\$ 469,003	\$ 703,906	\$ 234,903	\$ 322,739	\$ 570,768	\$ 248,029

KNOX COUNTY, TENNESSEE

Solid Waste Special Revenue Fund

Comparative Balance Sheets

June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,351,556	\$ 1,324,699
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	85,284	158,296
Due from Other Funds	<u>57,636</u>	<u>19,395</u>
TOTAL ASSETS	<u><u>\$ 1,494,476</u></u>	<u><u>\$ 1,502,390</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 94,628	\$ 154,333
Due to Other Funds	<u>166,857</u>	<u>146,755</u>
TOTAL LIABILITIES	<u>261,485</u>	<u>301,088</u>
 Fund Balances:		
Committed	<u>1,232,991</u>	<u>1,201,302</u>
TOTAL FUND BALANCES	<u>1,232,991</u>	<u>1,201,302</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,494,476</u></u>	<u><u>\$ 1,502,390</u></u>

KNOX COUNTY, TENNESSEE

Solid Waste Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Local Taxes	\$ 2,400,000	\$ 3,000,000
Fines, Forfeitures, and Penalties	58,558	-
Charges for Current Services	12,900	92,832
Other Local Revenues	716,670	757,166
State of Tennessee	417,398	396,496
	<hr/>	<hr/>
Total Revenues	3,605,526	4,246,494
	<hr/>	<hr/>
Expenditures		
Current:		
General Government:		
Public Health and Welfare	3,737,739	3,868,487
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(132,213)	378,007
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers from Other Funds	214,902	55,348
Transfers to Other Funds	(51,000)	-
	<hr/>	<hr/>
Total Other Financing Sources	163,902	55,348
	<hr/>	<hr/>
Net Change in Fund Balances	31,689	433,355
	<hr/>	<hr/>
Fund Balances, July 1	1,201,302	767,947
	<hr/>	<hr/>
Fund Balances, June 30	\$ 1,232,991	\$ 1,201,302
	<hr/> <hr/>	<hr/> <hr/>

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, 2012 and June 30, 2011**

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ -	\$ 3,000,000	\$ 3,000,000	\$ -
Fines, Forfeitures, and Penalties	60,000	60,000	58,558	(1,442)	-	-	-
Charges for Current Services	312,375	312,375	12,900	(299,475)	84,000	92,832	8,832
Other Local Revenues	650,000	650,000	716,670	66,670	376,000	757,166	381,166
State of Tennessee	400,500	400,500	417,398	16,898	458,500	396,496	(62,004)
Total Revenues	3,822,875	3,822,875	3,605,526	(217,349)	3,918,500	4,246,494	327,994
Expenditures							
Current:							
General Government:							
Public Health and Welfare:							
Personal Services	710,169	743,446	726,335	17,111	701,774	701,772	2
Employee Benefits	284,380	286,493	268,630	17,863	275,784	275,648	136
Contracted Services	2,831,036	2,717,174	2,429,543	287,631	3,009,233	2,514,915	494,318
Supplies and Materials	113,375	137,569	130,222	7,347	186,651	176,884	9,767
Other Charges	171,975	172,505	165,235	7,270	165,150	164,650	500
Capital Outlay	-	30,000	-	30,000	-	-	-
Litter and Trash Collection:							
Contracted Services	950	15,950	6,089	9,861	28,403	9,370	19,033
Supplies and Materials	10,250	11,750	11,685	65	38,145	25,248	12,897
Capital Outlay	-	3,000	-	3,000	-	-	-
Total Expenditures	4,122,135	4,117,887	3,737,739	380,148	4,405,140	3,868,487	536,653
Excess (Deficiency) of Revenues Over (Under) Expenditures	(299,260)	(295,012)	(132,213)	162,799	(486,640)	378,007	864,647
Other Financing Sources (Uses)							
Transfers from Other Funds	299,260	310,845	214,902	(95,943)	115,348	55,348	(60,000)
Transfers to Other Funds	-	(51,000)	(51,000)	-	-	-	-
Total Other Financing Sources (Uses)	299,260	259,845	163,902	(95,943)	115,348	55,348	(60,000)
Net Change in Fund Balances	-	(35,167)	31,689	66,856	(371,292)	433,355	804,647
Fund Balances, July 1	1,201,302	1,201,302	1,201,302	-	767,947	767,947	-
Fund Balances, June 30	\$ 1,201,302	\$ 1,166,135	\$ 1,232,991	\$ 66,856	\$ 396,655	\$ 1,201,302	\$ 804,647

KNOX COUNTY, TENNESSEE

Hotel/Motel Tax Special Revenue Fund

Comparative Balance Sheets

June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,558,910	\$ 1,385,192
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>1,036,266</u>	<u>1,036,644</u>
TOTAL ASSETS	<u><u>\$ 2,595,176</u></u>	<u><u>\$ 2,421,836</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,890,012	\$ 1,726,952
Due to Other Funds	<u>153,125</u>	<u>150,000</u>
TOTAL LIABILITIES	<u>2,043,137</u>	<u>1,876,952</u>
Fund Balances:		
Restricted	<u>552,039</u>	<u>544,884</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,595,176</u></u>	<u><u>\$ 2,421,836</u></u>

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, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Local Taxes	\$ 5,696,181	\$ 5,152,412
Expenditures		
Current:		
General Government:		
Other General Government	<u>5,076,526</u>	<u>4,717,629</u>
Excess of Revenues Over Expenditures	619,655	434,783
Other Financing Uses		
Transfers to Other Funds	<u>(612,500)</u>	<u>(150,000)</u>
Net Change in Fund Balances	7,155	284,783
Fund Balances, July 1	<u>544,884</u>	<u>260,101</u>
Fund Balances, June 30	<u>\$ 552,039</u>	<u>\$ 544,884</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, 2012 and June 30, 2011**

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 5,200,000	\$ 5,441,887	\$ 5,696,181	\$ 254,294	\$ 5,000,000	\$ 5,152,412	\$ 152,412
Expenditures							
Current:							
General Government:							
Other General Government:	4,847,000	5,088,887	5,076,526	12,361	4,660,885	4,717,629	(56,744)
Excess of Revenues Over Expenditures	353,000	353,000	619,655	266,655	339,115	434,783	95,668
Other Financing Uses							
Transfers to Other Funds	(612,500)	(612,500)	(612,500)	-	(339,115)	(150,000)	189,115
Net Change in Fund Balances	(259,500)	(259,500)	7,155	266,655	-	284,783	284,783
Fund Balances, July 1	544,884	544,884	544,884	-	260,101	260,101	-
Fund Balances, June 30	\$ 285,384	\$ 285,384	\$ 552,039	\$ 266,655	\$ 260,101	\$ 544,884	\$ 284,783

KNOX COUNTY, TENNESSEE

Drug Control Special Revenue Fund

Comparative Balance Sheets

June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,786,872	\$ 1,382,430
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>14,410</u>	<u>24,377</u>
TOTAL ASSETS	<u><u>\$ 1,801,282</u></u>	<u><u>\$ 1,406,807</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 560	\$ 49,427
Due to Other Funds	<u>651</u>	<u>3,542</u>
TOTAL LIABILITIES	<u>1,211</u>	<u>52,969</u>
 Fund Balances:		
Restricted	<u>1,800,071</u>	<u>1,353,838</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,801,282</u></u>	<u><u>\$ 1,406,807</u></u>

KNOX COUNTY, TENNESSEE

Drug Control Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 786,523	\$ 315,550
Other Local Revenues	171,808	231,184
Federal Government	21,047	10,690
	<hr/>	<hr/>
Total Revenues	979,378	557,424
	<hr/>	<hr/>
Expenditures		
Current:		
General Government:		
Public Safety	533,145	546,328
	<hr/>	<hr/>
Net Change in Fund Balances	446,233	11,096
Fund Balances, July 1	1,353,838	1,342,742
	<hr/>	<hr/>
Fund Balances, June 30	<u>\$ 1,800,071</u>	<u>\$ 1,353,838</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, 2012 and June 30, 2011**

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Fines, Forfeitures, and Penalties	\$ 470,000	\$ 470,000	\$ 786,523	\$ 316,523	\$ 470,000	\$ 315,550	\$ (154,450)
Other Local Revenues	-	-	171,808	171,808	-	231,184	231,184
Federal Government	-	-	21,047	21,047	11,690	10,690	(1,000)
Total Revenues	470,000	470,000	979,378	509,378	481,690	557,424	75,734
Expenditures							
Current:							
General Government:							
Public Safety:							
Personal Services	-	-	-	-	18,070	18,070	-
Employee Benefits	-	-	-	-	9,012	9,011	1
Contracted Services	215,000	215,000	357,920	(142,920)	403,205	313,997	89,208
Supplies and Materials	112,000	116,053	90,185	25,868	113,702	83,766	29,936
Other Charges	43,000	43,000	27,223	15,777	43,000	22,686	20,314
Capital Outlay	100,000	100,000	57,817	42,183	100,000	98,798	1,202
Total Expenditures	470,000	474,053	533,145	(59,092)	686,989	546,328	140,661
Net Change in Fund Balances	-	(4,053)	446,233	450,286	(205,299)	11,096	216,395
Fund Balances, July 1	1,353,838	1,353,838	1,353,838	-	1,342,742	1,342,742	-
Fund Balances, June 30	\$ 1,353,838	\$ 1,349,785	\$ 1,800,071	\$ 450,286	\$ 1,137,443	\$ 1,353,838	\$ 216,395

KNOX COUNTY, TENNESSEE

Engineering & Public Works Special Revenue Fund

Comparative Balance Sheets

June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,484,033	\$ 2,682,888
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	2,091,380	2,221,864
Due from Other Funds	<u>67,677</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 4,643,090</u></u>	<u><u>\$ 4,904,752</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 654,742	\$ 1,625,880
Due to Other Funds	<u>250,758</u>	<u>136,622</u>
TOTAL LIABILITIES	<u>905,500</u>	<u>1,762,502</u>
 Fund Balances:		
Committed	<u>3,737,590</u>	<u>3,142,250</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,643,090</u></u>	<u><u>\$ 4,904,752</u></u>

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, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Local Taxes	\$ 6,681,946	\$ 6,248,668
Fines, Forfeitures, and Penalties	13,651	15,570
Other Local Revenues	399,000	421,000
State of Tennessee	<u>5,005,443</u>	<u>4,981,730</u>
Total Revenues	<u>12,100,040</u>	<u>11,666,968</u>
Expenditures		
Current:		
Engineering & Public Works	<u>10,498,407</u>	<u>11,736,732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,601,633	(69,764)
Other Financing Uses:		
Transfers to Other Funds	<u>(1,006,293)</u>	<u>(239,239)</u>
Net Change in Fund Balances	595,340	(309,003)
Fund Balances, July 1	<u>3,142,250</u>	<u>3,451,253</u>
Fund Balances, June 30	<u>\$ 3,737,590</u>	<u>\$ 3,142,250</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, 2012 and June 30, 2011**

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 6,050,000	\$ 6,275,000	\$ 6,681,946	\$ 406,946	\$ 5,850,000	\$ 6,248,668	\$ 398,668
Fines, Forfeitures and Penalties	20,000	20,000	13,651	(6,349)	32,000	15,570	(16,430)
Other Local Revenues	-	-	399,000	399,000	-	421,000	421,000
State of Tennessee	5,106,812	5,106,812	5,005,443	(101,369)	4,906,812	4,981,730	74,918
Other Governments and Citizens Groups	-	-	-	-	24,000	-	(24,000)
Total Revenues	11,176,812	11,401,812	12,100,040	698,228	10,812,812	11,666,968	854,156
Expenditures							
Current:							
Engineering & Public Works:							
Administration:							
Personal Services	1,183,986	1,176,685	1,131,723	44,962	1,159,565	1,159,563	2
Employee Benefits	392,001	392,494	347,129	45,365	364,609	364,608	1
Contracted Services	78,508	104,219	77,117	27,102	91,008	84,361	6,647
Supplies and Materials	77,700	93,123	80,098	13,025	93,800	92,469	1,331
Other Charges	87,889	88,160	87,496	664	87,888	87,888	-
Highways and Bridge Maintenance:							
Personal Services	2,731,041	2,762,917	2,669,481	93,436	2,689,196	2,689,196	-
Employee Benefits	1,046,287	1,051,443	1,036,026	15,417	1,009,407	1,009,406	1
Contracted Services	679,469	1,026,469	1,025,261	1,208	849,767	845,352	4,415
Supplies and Materials	2,986,837	2,277,370	2,268,526	8,844	2,626,341	2,624,182	2,159
Other Charges	301,711	301,982	301,982	-	351,710	351,710	-
Capital Outlay	-	-	-	-	500	500	-
Various Highway:							
Personal Services	528,365	537,745	535,128	2,617	530,092	530,091	1
Employee Benefits	183,126	185,580	183,137	2,443	183,239	183,238	1
Contracted Services	138,085	277,390	182,352	95,038	443,920	423,129	20,791
Supplies and Materials	199,459	1,042,331	455,142	587,189	924,663	419,661	505,002
Other Charges	103,632	107,532	107,504	28	103,631	102,195	1,436
Capital Outlay	25,000	10,305	10,305	-	795,793	769,183	26,610
Total Expenditures	10,743,096	11,435,745	10,498,407	937,338	12,305,129	11,736,732	568,397
Excess (Deficiency) of Revenues Over (Under) Expenditures	433,716	(33,933)	1,601,633	1,635,566	(1,492,317)	(69,764)	1,422,553
Other Financing Sources (Uses)							
Transfer From Other Funds	-	70,464	-	(70,464)	-	-	-
Transfer To Other Funds	(433,716)	(1,018,171)	(1,006,293)	11,878	(269,962)	(239,239)	30,723
Net Change in Fund Balances	-	(981,640)	595,340	1,576,980	(1,762,279)	(309,003)	1,453,276
Fund Balances, July 1	3,142,250	3,142,250	3,142,250	-	3,451,253	3,451,253	-
Fund Balances, June 30	\$ 3,142,250	\$ 2,160,610	\$ 3,737,590	\$ 1,576,980	\$ 1,688,974	\$ 3,142,250	\$ 1,453,276

KNOX COUNTY, TENNESSEE

ADA Construction Capital Projects Fund (Nonmajor)

Comparative Balance Sheets

June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 1,186,703</u>	<u>\$ 1,417,325</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>\$ 91,952</u>	<u>\$ 42,109</u>
Fund Balance		
Committed	<u>1,094,751</u>	<u>1,375,216</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,186,703</u></u>	<u><u>\$ 1,417,325</u></u>

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, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Local Taxes	\$ -	\$ -
Expenditures		
Capital Projects:		
Capital Projects	<u>280,465</u>	<u>507,657</u>
Net Change in Fund Balances	(280,465)	(507,657)
Fund Balances, July 1	<u>1,375,216</u>	<u>1,882,873</u>
Fund Balances, June 30	<u><u>\$ 1,094,751</u></u>	<u><u>\$ 1,375,216</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, 2012 and June 30, 2011**

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures							
Capital Projects:							
Contracted Services	45,000	335,000	280,465	54,535	45,000	5,430	39,570
Supplies & Materials	55,000	55,000	-	55,000	55,000	-	55,000
Other Charges	10,000	10,000	-	10,000	10,000	-	10,000
Capital Outlay	290,000	-	-	-	290,000	502,227	(212,227)
Total Expenditures	400,000	400,000	280,465	119,535	400,000	507,657	(107,657)
Net Change in Fund Balances	(400,000)	(400,000)	(280,465)	119,535	(400,000)	(507,657)	(107,657)
Fund Balances, July 1	1,375,216	1,375,216	1,375,216	-	1,882,873	1,882,873	-
Fund Balances, June 30	\$ 975,216	\$ 975,216	\$ 1,094,751	\$ 119,535	\$ 1,482,873	\$ 1,375,216	\$ (107,657)

This fund received revenues in several previous years, with no additional new revenue since the 2005 fiscal year. Since then the existing fund balance is being spent down. The County does not expect that any additional resources will be received in this fund, and therefore intends to expend the remaining fund balance and close the fund at some future date.

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, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 235,736	\$ 310,370
Accounts Receivable	11,818	5,366
Inventories	68,809	62,981
Prepaid Items	<u>3,527</u>	<u>5,378</u>
TOTAL CURRENT ASSETS	<u>319,890</u>	<u>384,095</u>
Capital Assets:		
Land	880	880
Buildings	747,515	747,515
Machinery and Equipment	504,423	454,869
Computer Software	25,448	25,448
Land Improvements	66,463	66,463
Accumulated Depreciation	<u>(710,293)</u>	<u>(576,501)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>634,436</u>	<u>718,674</u>
TOTAL ASSETS	<u>954,326</u>	<u>1,102,769</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	43,235	38,400
Due to Other Funds	20,236	19,304
Compensated Absences	<u>36,596</u>	<u>22,742</u>
TOTAL CURRENT LIABILITIES	<u>100,067</u>	<u>80,446</u>
Noncurrent Liabilities:		
Compensated Absences	<u>4,066</u>	<u>2,527</u>
TOTAL LIABILITIES	<u>104,133</u>	<u>82,973</u>
NET ASSETS		
Invested in Capital Assets	634,436	718,674
Unrestricted	<u>215,757</u>	<u>301,122</u>
TOTAL NET ASSETS	<u>\$ 850,193</u>	<u>\$ 1,019,796</u>

KNOX COUNTY, TENNESSEE

Three Ridges Golf Course Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Assets
For the Years Ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Golf Fees	\$ 479,851	\$ 455,062
Cart and Range Fees	288,065	282,222
Pro Shop	106,880	94,020
Snack Bar	<u>103,204</u>	<u>96,033</u>
Total Operating Revenues	<u>978,000</u>	<u>927,337</u>
Operating Expenses		
Personal Services	386,459	374,435
Employee Benefits	98,315	90,911
Contracted Services	64,821	52,853
Supplies and Materials	331,303	287,461
Other Charges	132,913	108,563
Depreciation	<u>133,792</u>	<u>130,186</u>
Total Operating Expenses	<u>1,147,603</u>	<u>1,044,409</u>
Change in Net Assets	(169,603)	(117,072)
Net Assets, July 1	<u>1,019,796</u>	<u>1,136,868</u>
Net Assets, June 30	<u>\$ 850,193</u>	<u>\$ 1,019,796</u>

KNOX COUNTY, TENNESSEE

Three Ridges Golf Course Fund
Comparative Statements of Cash Flows
For the Years Ended June 30, 2012 and June 30, 2011

	2012	2011
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 971,548	\$ 925,821
Payments to Vendors	(530,194)	(449,603)
Payments to Employees	(466,434)	(452,647)
	(25,080)	23,571
Cash Flows Used by Capital and Related Financing Activities		
Purchase of Equipment	(49,554)	(16,270)
	(49,554)	(16,270)
Net Increase (Decrease) in Cash and Cash Equivalents	(74,634)	7,301
Cash and Cash Equivalents - Beginning of Year	310,370	303,069
Cash and Cash Equivalents - End of Year	\$ 235,736	\$ 310,370
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Loss	\$ (169,603)	\$ (117,072)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	133,792	130,186
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(6,452)	(1,519)
(Increase) decrease in receivable from other governments		
(Increase) in Inventory	(5,828)	(13,029)
Decrease in Prepaid Items	1,851	1,851
Increase (Decrease) in Accounts Payable and Accrued Liabilities	4,835	12,795
(Decrease) in Due to State of Tennessee	-	(7,724)
Increase (Decrease) in Due to Other Funds	932	7,727
Increase in Compensated Absences Payable	15,393	10,356
	(25,080)	23,571
Net Cash Provided (Used) by Operating Activities	\$ (25,080)	\$ 23,571

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.

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, 2012

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
ASSETS									
Current Assets:									
Cash and Cash Equivalents	\$ 27,262	\$ 244,293	\$ 442,609	\$ 8,839,166	\$ 2,098,976	\$ 466,188	\$ 141,420	\$ 1,667,463	\$ 13,927,377
Receivables:									
Accounts	117,857	552	215,798	3,996	162,842	-	-	10,652	511,697
Due from Other Funds	184,732	20,096	20,655	-	506,379	255	-	895,243	1,627,360
Due from Component Units	1,142	-	264,435	285,097	-	-	-	-	550,674
Notes Receivable	-	-	-	22,934	-	-	-	-	22,934
Inventories	181,375	35,016	-	-	-	-	-	-	216,391
Prepaid Items	2,995	-	36,456	-	-	-	-	-	39,451
TOTAL CURRENT ASSETS	515,363	299,957	979,953	9,151,193	2,768,197	466,443	141,420	2,573,358	16,895,884
Capital Assets:									
Machinery and Equipment	141,092	-	-	33,352	72,217	270,432	6,900,964	-	7,418,057
Accumulated Depreciation	(122,783)	-	-	(33,352)	(71,163)	(164,319)	(6,861,594)	-	(7,253,211)
Capital Assets (Net of Accumulated Depreciation)	18,309	-	-	-	1,054	106,113	39,370	-	164,846
TOTAL ASSETS	533,672	299,957	979,953	9,151,193	2,769,251	572,556	180,790	2,573,358	17,060,730
LIABILITIES									
Current liabilities:									
Accounts Payable and Accrued Liabilities	85,987	2,281	643,362	124,148	262,264	17,408	-	3,000	1,138,450
Due to Other Funds	76,216	-	226	278	19,297	1,946	-	-	97,963
Due to Component Units	-	-	205,605	-	-	-	-	-	205,605
Deferred Revenue	-	-	26,323	-	7,894	-	-	18,360	52,577
Claims Liabilities	-	-	-	8,326,732	-	-	-	1,986,894	10,313,626
Compensated Absences Payable	80,873	-	-	15,185	-	-	-	-	96,058
TOTAL CURRENT LIABILITIES	243,076	2,281	875,516	8,466,343	289,455	19,354	-	2,008,254	11,904,279
Noncurrent Liabilities:									
Compensated Absences Payable	8,986	-	-	1,687	-	-	-	-	10,673
TOTAL LIABILITIES	252,062	2,281	875,516	8,468,030	289,455	19,354	-	2,008,254	11,914,952
NET ASSETS									
Invested in Capital Assets	18,309	-	-	-	1,054	106,113	39,370	-	164,846
Unrestricted	263,301	297,676	104,437	683,163	2,478,742	447,089	141,420	565,104	4,980,932
TOTAL NET ASSETS	\$ 281,610	\$ 297,676	\$ 104,437	\$ 683,163	\$ 2,479,796	\$ 553,202	\$ 180,790	\$ 565,104	\$ 5,145,778

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
Operating Revenues									
Charges for Services	\$ 3,405,656	\$ 243,063	\$ 26,900,072	\$ 3,410,227	\$ 7,298,499	\$ 379,964	\$ -	\$ 24,737,083	\$ 66,374,564
Operating Expenses									
Cost of Sales and Services	2,321,618	222,014	-	-	-	-	-	-	2,543,632
General and Administration	1,191,264	-	34,496	436,373	9,270,219	377,960	-	1,012,875	12,323,187
Depreciation and Amortization	5,021	-	-	-	1,505	29,927	16,303	-	52,756
Medical Claims	-	-	400,215	-	-	-	-	23,315,866	23,716,081
Retirement Contributions	-	-	25,536,822	-	-	-	-	-	25,536,822
Other Employee Benefits	-	-	878,986	-	-	-	-	-	878,986
Worker's Compensation Claims	-	-	-	2,975,403	-	-	-	-	2,975,403
Other Expenses	136,225	-	-	6,412,712	-	4,540	-	-	6,553,477
Total Operating Expenses	3,654,128	222,014	26,850,519	9,824,488	9,271,724	412,427	16,303	24,328,741	74,580,344
Operating Income (Loss)	(248,472)	21,049	49,553	(6,414,261)	(1,973,225)	(32,463)	(16,303)	408,342	(8,205,780)
Nonoperating Revenues									
Insurance Recovery	-	-	-	4,052,400	-	-	-	-	4,052,400
Subrogation Payments	-	-	-	1,984	-	-	-	-	1,984
Total Nonoperating Revenues	-	-	-	4,054,384	-	-	-	-	4,054,384
Income (Loss) before Transfers	(248,472)	21,049	49,553	(2,359,877)	(1,973,225)	(32,463)	(16,303)	408,342	(4,151,396)
Transfers									
Transfers to Other Funds	-	-	-	-	(806,721)	-	-	-	(806,721)
Transfers from Other Funds	173,160	-	-	94,818	2,779,946	-	-	-	3,047,924
Change in Net Assets	(75,312)	21,049	49,553	(2,265,059)	-	(32,463)	(16,303)	408,342	(1,910,193)
Total Net Assets, July 1	356,922	276,627	54,884	2,948,222	2,479,796	585,665	197,093	156,762	7,055,971
Total Net Assets, June 30	\$ 281,610	\$ 297,676	\$ 104,437	\$ 683,163	\$ 2,479,796	\$ 553,202	\$ 180,790	\$ 565,104	\$ 5,145,778

KNOX COUNTY, TENNESSEE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
Operating Activities									
Cash Received from Interfund Services Provided	\$ 3,424,028	\$ 242,028	\$ 26,978,354	\$ 371,134	\$ 6,966,470	\$ 379,709	\$ -	\$ 24,623,793	\$ 62,985,516
Cash Paid to Employees	(822,207)	-	-	(280,378)	-	-	-	-	(1,102,585)
Cash Paid for Goods and Services	(2,528,741)	(230,279)	(34,496)	(6,481,585)	(9,133,782)	(364,238)	-	(1,012,875)	(19,785,996)
Cash Paid on Behalf of Employees	(278,844)	-	(26,501,249)	(92,218)	-	-	-	(23,501,853)	(50,374,164)
Net Cash Provided by (Used in) Operating Activities	(205,764)	11,749	442,609	(6,483,047)	(2,167,312)	15,471	-	109,065	(8,277,229)
Noncapital Financing Activities									
Subrogation Payments	-	-	-	3,530	-	-	-	-	3,530
Transfers from Other Funds	173,160	-	-	94,818	2,996,325	-	-	-	3,264,303
Transfers to Other Funds	-	-	-	-	(1,023,100)	-	-	-	(1,023,100)
Net Cash Provided by (Used in) Noncapital Financing Activities	173,160	-	-	98,348	1,973,225	-	-	-	2,244,733
Capital and Related Financing Activities									
Proceeds from Insurance Recovery	-	-	-	4,052,400	-	-	-	-	4,052,400
Acquisition and Construction of Capital Assets	-	-	-	-	-	(21,298)	-	-	(21,298)
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	-	-	4,052,400	-	(21,298)	-	-	4,031,102
Net Increase (Decrease) in Cash and Cash Equivalents	(32,604)	11,749	442,609	(2,332,299)	(194,087)	(5,827)	-	109,065	(2,001,394)
Cash and Cash Equivalents Beginning of Year	59,866	232,544	-	11,171,465	2,293,063	472,015	141,420	1,558,398	15,928,771
End of Year	\$ 27,262	\$ 244,293	\$ 442,609	\$ 8,839,166	\$ 2,098,976	\$ 466,188	\$ 141,420	\$ 1,667,463	\$ 13,927,377
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities									
Operating Income (Loss)	\$ (248,472)	\$ 21,049	\$ 49,553	\$ (6,414,261)	\$ (1,973,225)	\$ (32,463)	\$ (16,303)	\$ 408,342	\$ (8,205,780)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:									
Depreciation and Amortization	5,021	-	-	-	1,505	29,927	16,303	-	52,756
Change in Assets and Liabilities:									
(Increase) Decrease in Accounts Receivable	(2,480)	145	37,981	(3,996)	174,350	-	-	170	206,170
(Increase) Decrease in Due from Other Funds	19,138	(1,180)	39,143	-	(506,379)	(255)	-	(118,590)	(568,123)
(Increase) Decrease in Due from Component Units	1,714	-	(592)	(285,097)	-	-	-	-	(283,975)
(Increase) Decrease in Inventories	3,912	(6,679)	-	-	-	-	-	-	(2,767)
Increase in Prepaid Items	-	-	(5,082)	-	-	-	-	-	(5,082)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(4,091)	(1,586)	383,506	(56,452)	121,614	16,854	-	2,700	462,545
Increase (Decrease) in Due to Other Funds	3,905	-	(109,485)	82	14,823	1,408	-	-	(89,267)
Increase in Due to Component Units	-	-	45,835	-	-	-	-	-	45,835
Increase (Decrease) in Compensated Absences	15,589	-	-	(9,623)	-	-	-	-	5,966
Increase in Claims Liabilities	-	-	-	3,036,300	-	-	-	(188,687)	2,847,613
Increase (Decrease) in Deferred Revenues	-	-	1,750	(2,750,000)	-	-	-	5,130	(2,743,120)
Total Adjustments	42,708	(9,300)	393,056	(68,786)	(194,087)	47,934	16,303	(299,277)	(71,449)
Net Cash Provided by (Used in) Operating Activities	\$ (205,764)	\$ 11,749	\$ 442,609	\$ (6,483,047)	\$ (2,167,312)	\$ 15,471	\$ -	\$ 109,065	\$ (8,277,229)

KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund
Comparative Statements of Net Assets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 27,262	\$ 59,866
Accounts Receivable	117,857	115,377
Due from Other Funds	184,732	203,870
Due from Component Units	1,142	2,856
Inventories	181,375	185,287
Prepaid Items	2,995	2,995
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	515,363	570,251
Capital Assets:		
Machinery and Equipment	141,092	141,092
Accumulated Depreciation	(122,783)	(117,762)
	<hr/>	<hr/>
Capital Assets (Net of Accumulated Depreciation)	18,309	23,330
	<hr/>	<hr/>
TOTAL ASSETS	533,672	593,581
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	85,987	90,078
Due to Other Funds	76,216	72,311
Compensated Absences	80,873	66,843
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	243,076	229,232
Noncurrent Liabilities:		
Compensated Absences	8,986	7,427
	<hr/>	<hr/>
TOTAL LIABILITIES	252,062	236,659
NET ASSETS		
Invested in Capital Assets	18,309	23,330
Unrestricted	263,301	333,592
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>\$ 281,610</u>	<u>\$ 356,922</u>

KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Assets

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Charges for Sales and Services	\$ 3,405,656	\$ 3,175,799
Operating Expenses		
Costs of Sales and Services	2,321,618	2,058,783
General and Administrative	1,191,264	1,138,724
Depreciation and Amortization	5,021	4,453
Other Expenses	136,225	116,137
Total Operating Expenses	3,654,128	3,318,097
Loss before Transfers	(248,472)	(142,298)
Transfers		
Transfers from Other Funds	173,160	225,000
Change in Net Assets	(75,312)	82,702
Net Assets, July 1	356,922	274,220
Net Assets, June 30	<u>\$ 281,610</u>	<u>\$ 356,922</u>

KNOX COUNTY, TENNESSEE

Mailroom Fund
Comparative Statements of Net Assets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 244,293	\$ 232,544
Accounts Receivable	552	697
Due from Other Funds	20,096	18,916
Inventories	<u>35,016</u>	<u>28,337</u>
 TOTAL ASSETS	 <u>299,957</u>	 <u>280,494</u>
 LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	 <u>2,281</u>	 <u>3,867</u>
 TOTAL LIABILITIES	 <u>2,281</u>	 <u>3,867</u>
 NET ASSETS		
Unrestricted	 <u><u>\$ 297,676</u></u>	 <u><u>\$ 276,627</u></u>

KNOX COUNTY, TENNESSEE

Mailroom Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Assets
For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 243,063</u>	<u>\$ 276,438</u>
Operating Expenses		
Costs of Sales and Services	<u>222,014</u>	<u>248,248</u>
Change in Net Assets	21,049	28,190
Net Assets, July 1	<u>276,627</u>	<u>248,437</u>
Net Assets, June 30	<u><u>\$ 297,676</u></u>	<u><u>\$ 276,627</u></u>

KNOX COUNTY, TENNESSEE

Employee Benefits Fund
Comparative Statements of Net Assets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 442,609	\$ -
Accounts Receivable	215,798	253,779
Due from Other Funds	20,655	59,798
Due from Component Units	264,435	263,843
Prepaid Items	<u>36,456</u>	<u>31,374</u>
 TOTAL ASSETS	 <u>979,953</u>	 <u>608,794</u>
 LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	643,362	259,856
Due to Other Funds	226	109,711
Due to Component Units	205,605	159,770
Deferred Revenue	<u>26,323</u>	<u>24,573</u>
 TOTAL LIABILITIES	 <u>875,516</u>	 <u>553,910</u>
 NET ASSETS		
Unrestricted	 <u>\$ 104,437</u>	 <u>\$ 54,884</u>

KNOX COUNTY, TENNESSEE

Employee Benefits Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Assets

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Charges for Sales and Services	\$ 26,900,072	\$ 27,139,538
Operating Expenses		
Finance and Administration:		
General and Administrative	34,496	164,521
Medical Claims	400,215	571,042
Retirement Contributions	25,536,822	25,491,535
Other Employee Benefits	878,986	868,701
Total Operating Expenses	<u>26,850,519</u>	<u>27,095,799</u>
Change in Net Assets	49,553	43,739
Net Assets, July 1	<u>54,884</u>	<u>11,145</u>
Net Assets, June 30	<u>\$ 104,437</u>	<u>\$ 54,884</u>

KNOX COUNTY, TENNESSEE

Self Insurance Fund
Comparative Statements of Net Assets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 8,839,166	\$ 11,171,465
Accounts Receivable	3,996	-
Notes Receivable	22,934	24,480
Due from Component Units	<u>285,097</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>9,151,193</u>	<u>11,195,945</u>
Capital Assets:		
Machinery and Equipment	33,352	33,352
Accumulated Depreciation	<u>(33,352)</u>	<u>(33,352)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>9,151,193</u>	<u>11,195,945</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	124,148	180,600
Due to Other Funds	278	196
Claims Liability	8,326,732	5,290,432
Compensated Absences	15,185	23,845
Deferred Revenue	<u>-</u>	<u>2,750,000</u>
TOTAL CURRENT LIABILITIES	<u>8,466,343</u>	<u>8,245,073</u>
Noncurrent Liabilities:		
Compensated Absences	<u>1,687</u>	<u>2,650</u>
TOTAL LIABILITIES	<u>8,468,030</u>	<u>8,247,723</u>
NET ASSETS		
Unrestricted	<u>683,163</u>	<u>2,948,222</u>
TOTAL NET ASSETS	<u>\$ 683,163</u>	<u>\$ 2,948,222</u>

KNOX COUNTY, TENNESSEE

Self Insurance Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Assets

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Charges for Sales and Services	\$ 3,410,227	\$ 3,235,463
Operating Expenses		
General and Administrative	436,373	497,521
Workers' Compensation Costs	2,975,403	1,050,426
Other Liability Costs	6,412,712	2,578,679
Total Operating Expenses	9,824,488	4,126,626
Operating Loss	(6,414,261)	(891,163)
Nonoperating Revenues		
Insurance Recovery	4,052,400	-
Subrogations Payments	1,984	1,854
Total Nonoperating Revenues	4,054,384	1,854
Loss before Transfers	(2,359,877)	(889,309)
Transfers		
Transfers From Other Funds	94,818	-
Change in Net Assets	(2,265,059)	(889,309)
Net Assets, July 1	2,948,222	3,837,531
Net Assets, June 30	<u>\$ 683,163</u>	<u>\$ 2,948,222</u>

KNOX COUNTY, TENNESSEE

Building Operations Fund
Comparative Statements of Net Assets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,098,976	\$ 2,293,063
Accounts Receivable	162,842	337,192
Due from Other Funds	<u>506,379</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>2,768,197</u>	<u>2,630,255</u>
Capital Assets:		
Machinery and Equipment	72,217	72,217
Accumulated Depreciation	<u>(71,163)</u>	<u>(69,658)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>1,054</u>	<u>2,559</u>
TOTAL ASSETS	<u>2,769,251</u>	<u>2,632,814</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	262,264	140,650
Due to Other Funds	19,297	4,474
Deferred Revenue	<u>7,894</u>	<u>7,894</u>
TOTAL LIABILITIES	<u>289,455</u>	<u>153,018</u>
NET ASSETS		
Invested in Capital Assets	1,054	2,559
Unrestricted	<u>2,478,742</u>	<u>2,477,237</u>
TOTAL NET ASSETS	<u>\$ 2,479,796</u>	<u>\$ 2,479,796</u>

KNOX COUNTY, TENNESSEE

Building Operations Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Assets

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Charges for Sales and Services	\$ 7,298,499	\$ 7,342,153
Operating Expenses		
General and Administrative	9,270,219	7,255,536
Depreciation and Amortization	1,505	1,505
Total Operating Expenses	<u>9,271,724</u>	<u>7,257,041</u>
Operating Income (Loss)	<u>(1,973,225)</u>	<u>85,112</u>
Nonoperating Revenues		
Payment from Component Unit	-	2,326
Income (Loss) before Transfers	<u>(1,973,225)</u>	<u>87,438</u>
Transfers		
Transfers In - Other Funds	2,779,946	337,709
Transfers Out - Other Funds	<u>(806,721)</u>	<u>-</u>
Change in Net Assets	-	425,147
Net Assets, July 1	<u>2,479,796</u>	<u>2,054,649</u>
Net Assets, June 30	<u>\$ 2,479,796</u>	<u>\$ 2,479,796</u>

KNOX COUNTY, TENNESSEE

Technical Support Service Fund

Comparative Statements of Net Assets

June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 466,188	\$ 472,015
Due from Other Funds	255	-
	<u>466,443</u>	<u>472,015</u>
TOTAL CURRENT ASSETS	<u>466,443</u>	<u>472,015</u>
Capital Assets:		
Machinery and Equipment	270,432	249,134
Accumulated Depreciation	<u>(164,319)</u>	<u>(134,392)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>106,113</u>	<u>114,742</u>
TOTAL ASSETS	<u>572,556</u>	<u>586,757</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	17,408	554
Due to Other Funds	<u>1,946</u>	<u>538</u>
TOTAL LIABILITIES	<u>19,354</u>	<u>1,092</u>
NET ASSETS		
Invested in Capital Assets	106,113	114,742
Unrestricted	<u>447,089</u>	<u>470,923</u>
TOTAL NET ASSETS	<u>\$ 553,202</u>	<u>\$ 585,665</u>

KNOX COUNTY, TENNESSEE

Technical Support Service Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Assets

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Charges for Sales and Services	\$ 379,964	\$ 387,353
Operating Expenses		
General and Administrative	377,960	301,265
Depreciation and Amortization	29,927	23,210
Other Expense	4,540	4,700
Total Operating Expenses	<u>412,427</u>	<u>329,175</u>
Change in Net Assets	(32,463)	58,178
Net Assets, July 1	<u>585,665</u>	<u>527,487</u>
Net Assets, June 30	<u>\$ 553,202</u>	<u>\$ 585,665</u>

KNOX COUNTY, TENNESSEE

Capital Leasing Fund
Comparative Statements of Net Assets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 141,420	\$ 141,420
Capital Assets:		
Machinery and Equipment	6,900,964	7,582,501
Accumulated Depreciation	<u>(6,861,594)</u>	<u>(7,526,828)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>39,370</u>	<u>55,673</u>
TOTAL ASSETS	<u>180,790</u>	<u>197,093</u>
NET ASSETS		
Invested in Capital Assets	39,370	55,673
Unrestricted	<u>141,420</u>	<u>141,420</u>
TOTAL NET ASSETS	<u>\$ 180,790</u>	<u>\$ 197,093</u>

KNOX COUNTY, TENNESSEE

Capital Leasing Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Assets

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses		
Depreciation and Amortization	<u>16,303</u>	<u>95,417</u>
Operating Loss	<u>(16,303)</u>	<u>(95,417)</u>
Transfers		
Transfers to Other Funds	<u>-</u>	<u>(1,000,000)</u>
Change in Net Assets	(16,303)	(1,095,417)
Net Assets, July 1	<u>197,093</u>	<u>1,292,510</u>
Net Assets, June 30	<u><u>\$ 180,790</u></u>	<u><u>\$ 197,093</u></u>

KNOX COUNTY, TENNESSEE

Self Insurance Healthcare Fund
Comparative Statements of Net Assets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,667,463	\$ 1,558,398
Accounts Receivable	10,652	10,822
Due from Other Funds	<u>895,243</u>	<u>776,653</u>
TOTAL ASSETS	<u>2,573,358</u>	<u>2,345,873</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	3,000	300
Claims Liability	1,986,894	2,175,581
Deferred Revenue	<u>18,360</u>	<u>13,230</u>
TOTAL LIABILITIES	<u>2,008,254</u>	<u>2,189,111</u>
NET ASSETS		
Unrestricted	<u>565,104</u>	<u>156,762</u>
TOTAL NET ASSETS	<u><u>\$ 565,104</u></u>	<u><u>\$ 156,762</u></u>

KNOX COUNTY, TENNESSEE

Self Insurance Healthcare Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Assets
For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 24,737,083</u>	<u>\$ 23,933,728</u>
Operating Expenses		
General and Administrative	1,012,875	1,074,471
Medical Claims	<u>23,315,866</u>	<u>23,180,353</u>
Total Operating Expenses	<u>24,328,741</u>	<u>24,254,824</u>
Income (Loss) before Transfers	<u>408,342</u>	<u>(321,096)</u>
Transfers		
Transfers from Other Funds	<u>-</u>	<u>377,178</u>
Change in Net Assets	408,342	56,082
Net Assets, July 1	<u>156,762</u>	<u>100,680</u>
Net Assets, June 30	<u><u>\$ 565,104</u></u>	<u><u>\$ 156,762</u></u>

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, 2012

	Defined Benefit Plan	Defined Contribution Plan	Voluntary 457 Plan	Medical Retirement Plan	Uniformed Officers Plan	Total
ASSETS						
Receivables:						
Contributions	\$ 7,674	\$ -	\$ -	\$ -	\$ 233,839	\$ 241,513
Investments	49,077,329	212,325,209	8,149,957	5,473,300	112,671,697	387,697,492
TOTAL ASSETS	49,085,003	212,325,209	8,149,957	5,473,300	112,905,536	387,939,005
LIABILITIES						
Accounts Payable and Accrued Liabilities	113,956	-	-	-	194,973	308,929
NET ASSETS						
Held in Trust for: Pension Benefits	\$ 48,971,047	\$ 212,325,209	\$ 8,149,957	\$ 5,473,300	\$ 112,710,563	\$ 387,630,076

KNOX COUNTY, TENNESSEE
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the year ended June 30, 2012

	Defined Benefit Plan	Defined Contribution Plan	Voluntary 457 Plan	Medical Retirement Plan	Uniformed Officers Plan	Total
Additions						
Contributions:						
Employer	\$ 1,504,162	\$ 8,870,498	\$ -	\$ 53,599	\$ 4,558,715	\$ 14,986,974
Employees	182,951	7,444,999	1,497,747	224,824	1,728,668	11,079,189
Transfers from Other Plans	-	231,817	27,061	-	-	258,878
Total Contributions	1,687,113	16,547,314	1,524,808	278,423	6,287,383	26,325,041
Investment Earnings (Losses):						
Interest and Dividend Income	453,186	-	-	-	658,221	1,111,407
Net Appreciation (Depreciation) in Fair Value of Investments	222,928	(2,520,340)	(77,415)	58,546	(578,661)	(2,894,942)
Total Investment Earnings (Losses)	676,114	(2,520,340)	(77,415)	58,546	79,560	(1,783,535)
Less Investment Expenses	(243,658)	-	-	-	(416,585)	(660,243)
Net Investment Earnings (Losses)	432,456	(2,520,340)	(77,415)	58,546	(337,025)	(2,443,778)
Total Additions	2,119,569	14,026,974	1,447,393	336,969	5,950,358	23,881,263
Deductions						
Benefits and Refunds	7,685,782	15,896,312	418,716	567,124	3,118,235	27,686,169
Administrative Expenses	371,853	-	-	-	666,583	1,038,436
Transfers to Other Plans	292,884	-	-	-	-	292,884
Total Deductions	8,350,519	15,896,312	418,716	567,124	3,784,818	29,017,489
Change in Net Assets	(6,230,950)	(1,869,338)	1,028,677	(230,155)	2,165,540	(5,136,226)
Total Net Assets Held in Trust for Pension Benefits, July 1	55,201,997	214,194,547	7,121,280	5,703,455	110,545,023	392,766,302
Total Net Assets Held in Trust for Pension Benefits, June 30	\$ 48,971,047	\$ 212,325,209	\$ 8,149,957	\$ 5,473,300	\$ 112,710,563	\$ 387,630,076

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Receivables:		
Contributions	\$ 7,674	\$ -
Investments	<u>49,077,329</u>	<u>55,289,349</u>
TOTAL ASSETS	<u>49,085,003</u>	<u>55,289,349</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	<u>113,956</u>	<u>87,352</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 48,971,047</u>	<u>\$ 55,201,997</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Assets

Pension Trust Fund - Defined Benefit Plan

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Additions		
Contributions:		
Employees	\$ 182,951	\$ 290,990
Employer	<u>1,504,162</u>	<u>1,218,164</u>
Total Contributions	<u>1,687,113</u>	<u>1,509,154</u>
Investment Earnings:		
Interest and Dividend Income	453,186	438,721
Net Appreciation (Depreciation) in Fair Value of Investments	<u>222,928</u>	<u>11,121,468</u>
Total Investment Earnings (Losses)	676,114	11,560,189
Less Investment Expenses	<u>(243,658)</u>	<u>(212,547)</u>
Net Investment Earnings (Losses)	<u>432,456</u>	<u>11,347,642</u>
Total Additions	<u>2,119,569</u>	<u>12,856,796</u>
Deductions		
Benefits and Refunds	7,685,782	7,439,957
Administrative Expenses	371,853	501,922
Transfers to Other Plans	<u>292,884</u>	<u>280,928</u>
Total Deductions	<u>8,350,519</u>	<u>8,222,807</u>
Change in Net Assets	(6,230,950)	4,633,989
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>55,201,997</u>	<u>50,568,008</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 48,971,047</u>	<u>\$ 55,201,997</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Defined Contribution Plan
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 212,325,209</u>	<u>\$ 214,194,547</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 212,325,209</u>	<u>\$ 214,194,547</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Assets

Pension Trust Fund - Defined Contribution Plan

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Additions		
Contributions:		
Employer	\$ 8,870,498	\$ 9,274,050
Employees	7,444,999	7,800,115
Transfers from Other Plans	<u>231,817</u>	<u>279,526</u>
Total Contributions	16,547,314	17,353,691
Investment Earnings (Losses):		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(2,520,340)</u>	<u>33,290,369</u>
Total Additions	<u>14,026,974</u>	<u>50,644,060</u>
Deductions		
Benefits and Refunds	<u>15,896,312</u>	<u>16,309,233</u>
Total Deductions	<u>15,896,312</u>	<u>16,309,233</u>
Change in Net Assets	(1,869,338)	34,334,827
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>214,194,547</u>	<u>179,859,720</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 212,325,209</u>	<u>\$ 214,194,547</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Voluntary 457 Plan
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 8,149,957</u>	<u>\$ 7,121,280</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 8,149,957</u>	<u>\$ 7,121,280</u>

KNOX COUNTY, TENNESSEE

**Comparative Statements of Changes in Fiduciary Net Assets
Pension Trust Fund - Voluntary 457 Plan**

For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Additions		
Contributions:		
Employer	\$ -	\$ -
Employee	1,497,747	1,572,422
Transfers from Other Plans	<u>27,061</u>	<u>111,795</u>
Total Contributions	1,524,808	1,684,217
Investment Earnings (Losses):		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(77,415)</u>	<u>1,093,995</u>
Total Additions	<u>1,447,393</u>	<u>2,778,212</u>
Deductions		
Benefits and Refunds	<u>418,716</u>	<u>503,172</u>
Change in Net Assets	1,028,677	2,275,040
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>7,121,280</u>	<u>4,846,240</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u><u>\$ 8,149,957</u></u>	<u><u>\$ 7,121,280</u></u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Medical Retirement Defined Contribution Plan
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 5,473,300</u>	<u>\$ 5,703,455</u>
TOTAL ASSETS	<u>5,473,300</u>	<u>5,703,455</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 5,473,300</u>	<u>\$ 5,703,455</u>

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, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Additions		
Contributions:		
Employees	\$ 224,824	\$ 254,414
Employer	53,599	61,765
	<u>278,423</u>	<u>316,179</u>
Total Contributions		
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	58,546	450,105
	<u>336,969</u>	<u>766,284</u>
Total Additions		
Deductions		
Benefits and Refunds	567,124	688,676
	<u>(230,155)</u>	<u>77,608</u>
Change in Net Assets		
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>5,703,455</u>	<u>5,625,847</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 5,473,300</u>	<u>\$ 5,703,455</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Uniformed Officers Pension Plan
For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Receivables:		
Contributions	\$ 233,839	\$ -
Investments	<u>112,671,697</u>	<u>110,673,244</u>
TOTAL ASSETS	<u>112,905,536</u>	<u>110,673,244</u>
 LIABILITIES		
Accounts Payable	<u>194,973</u>	<u>128,221</u>
 NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 112,710,563</u>	<u>\$ 110,545,023</u>

KNOX COUNTY, TENNESSEE**Comparative Statements of Changes in Fiduciary Net Assets
Pension Trust Fund - Uniformed Officers Pension Plan**For the years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Additions		
Contributions:		
Employees	\$ 1,728,668	\$ 1,448,557
Employer	4,558,715	4,161,015
Transfers From Other Plans	-	36,091
	<u>6,287,383</u>	<u>5,645,663</u>
Total Contributions		
Investment Earnings (Losses):		
Interest and Dividend Income	658,221	574,856
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(578,661)</u>	<u>20,470,192</u>
	79,560	21,045,048
Total Investment Earnings (Losses)		
Less Investment Expenses	<u>(416,585)</u>	<u>(331,878)</u>
	<u>(337,025)</u>	<u>20,713,170</u>
Net Investment Earnings (Losses)		
Total Additions	<u>5,950,358</u>	<u>26,358,833</u>
Deductions		
Benefits and Refunds	3,118,235	2,436,279
Administrative Expenses	<u>666,583</u>	<u>564,283</u>
	<u>3,784,818</u>	<u>3,000,562</u>
Total Deductions		
Change in Net Assets	2,165,540	23,358,271
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>110,545,023</u>	<u>87,186,752</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u><u>\$ 112,710,563</u></u>	<u><u>\$ 110,545,023</u></u>

KNOX COUNTY, TENNESSEE

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2012

(With comparative totals for June 30, 2011)

	Municipal Sales Tax	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
					2012	2011
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 208,446	\$ 1,313,643	\$ 25,791,657	\$ 27,313,746	\$ 28,537,306
Receivables:						
Accounts	6,910,915	-	-	566,608	7,477,523	7,093,056
TOTAL ASSETS	<u>\$ 6,910,915</u>	<u>\$ 208,446</u>	<u>\$ 1,313,643</u>	<u>\$ 26,358,265</u>	<u>\$ 34,791,269</u>	<u>\$ 35,630,362</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 6,910,915	\$ 208,446	\$ 1,313,643	\$ -	\$ 8,433,004	\$ 8,720,151
Due to Other Governments	-	-	-	5,692,378	5,692,378	5,191,109
Due to Litigants, Heirs and Others	-	-	-	20,665,887	20,665,887	21,719,102
TOTAL LIABILITIES	<u>\$ 6,910,915</u>	<u>\$ 208,446</u>	<u>\$ 1,313,643</u>	<u>\$ 26,358,265</u>	<u>\$ 34,791,269</u>	<u>\$ 35,630,362</u>

KNOX COUNTY, TENNESSEE

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds**

For the year ended June 30, 2012

(With comparative totals for the year ended June 30, 2011)

	Municipal				Totals	
	Sales Tax	Subdivision Bonds	External Agencies	Constitutional Officers	2012	2011
Assets and Liabilities, July 1	\$ 6,616,824	\$ 336,446	\$ 1,766,881	\$ 26,769,776	\$ 35,489,927	\$ 31,436,871
Additions	41,478,723	65,000	7,771,550	95,526,284	144,841,557	133,006,629
Deductions	(41,184,632)	(193,000)	(8,224,788)	(95,937,795)	(145,540,215)	(128,813,138)
Assets and Liabilities, June 30	\$ 6,910,915	\$ 208,446	\$ 1,313,643	\$ 26,358,265	\$ 34,791,269	\$ 35,630,362

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, Register and Sheriff
Combined Schedule of Assets and Liabilities**

June 30, 2012

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total
ASSETS								
Cash and Cash Equivalents	\$ 110,455,237	\$ 4,633,291	\$ 1,770,401	\$ 4,539,180	\$ 2,737,581	\$ 1,498,544	\$ 193,515	\$ 125,827,749
Investments	45,173,977	-	3,404,079	-	5,170,642	-	-	53,748,698
Accounts Receivable	-	471,823	77,191	-	-	17,594	-	566,608
Total Assets	\$ 155,629,214	\$ 5,105,114	\$ 5,251,671	\$ 4,539,180	\$ 7,908,223	\$ 1,516,138	\$ 193,515	\$ 180,143,055
LIABILITIES								
Due to Other Governments	\$ -	\$ 3,905,537	\$ -	\$ 808,638	\$ -	\$ 978,203	\$ -	\$ 5,692,378
Due to Litigants, Heirs and Others	5,124,513	36,500	4,905,761	2,917,802	7,466,361	21,435	193,515	20,665,887
Fee and Commission Account	552,642	1,163,077	345,910	812,740	441,862	516,500	-	3,832,731
Amounts Held in Custody for								
Other County Funds:								
General Fund	55,041,367	-	-	-	-	-	-	55,041,367
Special Revenue Funds	6,282,933	-	-	-	-	-	-	6,282,933
Debt Service Fund	16,263,162	-	-	-	-	-	-	16,263,162
Capital Projects Fund - Component Units	41,973,874	-	-	-	-	-	-	41,973,874
Capital Projects Fund - Public Improvement	14,947,102	-	-	-	-	-	-	14,947,102
Capital Projects Fund - ADA Construction	1,186,703	-	-	-	-	-	-	1,186,703
Internal Service Funds	12,975,377	-	-	-	-	-	-	12,975,377
Fiduciary Funds/Other	1,046,555	-	-	-	-	-	-	1,046,555
Enterprise Funds	234,986	-	-	-	-	-	-	234,986
Total Liabilities	\$ 155,629,214	\$ 5,105,114	\$ 5,251,671	\$ 4,539,180	\$ 7,908,223	\$ 1,516,138	\$ 193,515	\$ 180,143,055

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, Register and Sheriff
Combined Schedule of Cash Receipts, Disbursements and Balances
For the Year Ended June 30, 2012**

	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	\$ 769,183,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 769,183,500
Litigants, Heirs and Others	142,655,288	820,750	8,957,422	1,271,127	6,025,079	180,747	3,504,202	163,414,615
State of Tennessee	-	25,299,934	2,227,223	1,301,106	86,420	11,313,808	-	40,228,491
Knox County	-	20,354,076	3,018,971	5,347,890	334,651	-	-	29,055,588
Fees and Commissions	7,938,061	5,243,706	1,518,568	4,197,335	1,476,724	2,425,439	-	22,799,833
Cities - Clerk Collections	-	-	-	358,365	-	-	-	358,365
Total Receipts	919,776,849	51,718,466	15,722,184	12,475,823	7,922,874	13,919,994	3,504,202	1,025,040,392
Disbursements	(899,450,343)	(51,021,657)	(15,478,999)	(12,016,788)	(8,649,879)	(13,606,849)	(3,475,609)	(1,003,700,124)
Excess (Deficiency) of Receipts Over (Under) Disbursements	20,326,506	696,809	243,185	459,035	(727,005)	313,145	28,593	21,340,268
Balances, July 1, 2011	135,302,708	4,408,305	5,008,486	4,080,145	8,635,228	1,202,993	164,922	158,802,787
Balances, June 30, 2012	\$ 155,629,214	\$ 5,105,114	\$ 5,251,671	\$ 4,539,180	\$ 7,908,223	\$ 1,516,138	\$ 193,515	\$ 180,143,055

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, and Register
Combined Analysis of Fee and Commission Accounts
For the Year Ended June 30, 2012**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total
Revenues							
Fees and Commissions	\$ 7,934,088	\$ 5,237,443	\$ 1,518,568	\$ 4,197,335	\$ 1,476,724	\$ 2,418,048	\$ 22,782,206
Interest Earned	3,973	6,263	-	-	-	7,391	17,627
Total Revenues	7,938,061	5,243,706	1,518,568	4,197,335	1,476,724	2,425,439	22,799,833
Expenditures							
Salaries-Staff	1,883,593	2,709,350	1,088,801	2,807,197	686,246	1,170,124	10,345,311
Payroll Taxes/Benefits	592,078	906,246	390,948	989,092	278,192	402,448	3,559,004
County Official/Administrative Officer	133,018	120,974	117,596	117,596	108,550	106,906	704,640
Travel	-	-	9,600	8,400	-	9,100	27,100
Other Expenditures	539,218	93,579	-	-	17,363	149,064	799,224
Total Expenditures	3,147,907	3,830,149	1,606,945	3,922,285	1,090,351	1,837,642	15,435,279
Other (Sources) Uses							
Fees and Commissions to County (General Fund)	4,530,132	1,080,940	30,000	-	386,173	346,000	6,373,245
Total Expenditures and Other Uses	7,678,039	4,911,089	1,636,945	3,922,285	1,476,524	2,183,642	21,808,524
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	260,022	332,617	(118,377)	275,050	200	241,797	991,309
Balances, July 1, 2011	292,620	830,460	464,287	537,690	441,662	274,703	2,841,422
Balances, June 30, 2012	\$ 552,642	\$ 1,163,077	\$ 345,910	\$ 812,740	\$ 441,862	\$ 516,500	\$ 3,832,731

KNOX COUNTY, TENNESSEE

**Knox County Primary Government
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2012**

Fiscal Year Ending June 30,	\$31,200,221 General Obligation Refunding Series 2002A		\$5,321,983 General Obligation Refunding Bonds Series 2003A		\$40,000,000 General Obligation Series 2003		\$14,337,717 General Obligation Refunding Series 2004		\$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	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 3,748,390	\$ 1,168,784	\$ -	\$ 248,939	\$ 1,278,367	\$ 1,564,255	\$ -	\$ 520,940	\$ 591,429	\$ 1,745,371	\$ 2,626,750	\$ 1,376,231	\$ 1,038,961	\$ 2,046,185	\$ -	\$ 2,522,500
2014	3,626,100	977,704	-	248,939	1,345,117	1,509,368	-	520,940	657,143	1,721,714	2,724,489	1,255,719	1,120,130	1,999,432	-	2,522,500
2015	7,280,815	700,601	-	248,939	1,420,750	1,451,364	-	520,940	1,314,286	1,695,429	2,837,499	1,120,226	1,201,299	1,949,026	-	2,522,500
2016	1,573,077	332,976	3,163,596	248,939	1,499,183	1,389,617	1,888,180	520,940	1,971,429	1,642,857	2,931,640	978,996	1,298,701	1,894,968	-	2,522,500
2017	1,648,077	258,255	1,815,180	90,759	1,577,600	1,324,128	2,074,923	422,540	2,102,857	1,564,000	3,069,085	834,511	1,363,636	1,836,526	-	2,522,500
2018	1,730,770	179,970	-	-	1,665,617	1,254,896	2,122,646	319,557	2,234,286	1,479,886	3,209,585	683,049	1,461,039	1,775,162	-	2,522,500
2019	1,823,079	93,432	-	-	1,752,933	1,181,299	2,240,917	214,205	2,365,714	1,390,514	3,362,301	524,457	1,542,208	1,709,416	-	2,522,500
2020	-	-	-	-	1,843,733	1,103,336	2,074,923	102,983	2,503,714	1,295,886	3,524,181	358,113	1,623,377	1,640,016	-	2,522,500
2021	-	-	-	-	1,953,000	1,021,007	-	-	2,648,286	1,195,737	3,701,333	183,552	1,704,545	1,566,964	-	2,522,500
2022	-	-	-	-	2,064,367	933,064	-	-	2,799,429	1,089,806	-	-	698,052	1,490,260	-	2,522,500
2023	-	-	-	-	1,978,567	839,508	-	-	2,957,143	977,829	-	-	649,351	1,458,847	-	2,522,500
2024	-	-	-	-	2,097,367	740,339	-	-	3,128,000	859,543	-	-	681,818	1,429,627	-	2,522,500
2025	-	-	-	-	2,225,050	634,933	-	-	3,298,857	734,423	-	-	714,286	1,398,945	-	2,522,500
2026	-	-	-	-	2,353,433	522,666	-	-	3,482,857	602,469	-	-	746,753	1,366,802	-	2,522,500
2027	-	-	-	-	2,489,317	403,538	-	-	3,666,857	463,154	-	-	762,987	1,333,198	4,734,257	2,522,500
2028	-	-	-	-	2,487,500	276,925	-	-	3,857,429	316,480	-	-	795,455	1,298,864	5,611,649	2,285,787
2029	-	-	-	-	2,638,332	142,829	-	-	4,054,570	162,183	-	-	827,922	1,263,068	5,904,112	2,005,205
2030	-	-	-	-	-	-	-	-	-	-	-	-	5,032,468	1,225,812	6,178,297	1,709,999
2031	-	-	-	-	-	-	-	-	-	-	-	-	5,227,273	999,351	6,507,319	1,401,084
2032	-	-	-	-	-	-	-	-	-	-	-	-	5,438,312	764,123	6,818,062	1,075,718
2033	-	-	-	-	-	-	-	-	-	-	-	-	5,649,351	519,399	7,165,362	734,815
2034	-	-	-	-	-	-	-	-	-	-	-	-	5,892,857	265,179	7,530,942	376,547
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 21,430,308	\$ 3,711,722	\$ 4,978,776	\$ 1,086,515	\$ 32,670,233	\$ 16,293,072	\$ 10,401,589	\$ 3,143,045	\$ 43,634,286	\$ 18,937,281	\$ 27,986,863	\$ 7,314,854	\$ 45,470,781	\$ 31,231,170	\$ 50,450,000	\$ 47,426,655

continued

KNOX COUNTY, TENNESSEE

**Knox County Primary Government
Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2012**

Fiscal Year Ending June 30,	\$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 2010A		\$30,115,000 Refunding Bonds Series 2010B		\$11,120,000 Refunding Bonds Series 2010C		\$17,000,000 Build America Bonds Series 2010D		\$17,090,000 General Obligation Bonds Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,100,000	\$ 2,985,362	\$ 910,000	\$ 1,176,012	\$ 540,000	\$ 124,363	\$ 1,563	\$ 53,063	\$ 25,000	\$ 1,122,750	\$ 690,000	\$ 336,350	\$ 25,000	\$ 930,612	\$ 5,895,000	\$ 574,444	\$ 18,470,460	\$ 18,496,161
2014	1,450,000	2,927,612	955,500	1,130,512	555,000	108,163	1,563	53,032	25,000	1,122,250	710,000	315,650	25,000	930,237	5,345,000	373,150	18,540,042	17,716,922
2015	1,500,000	2,851,488	1,004,250	1,082,737	575,000	90,125	1,563	52,989	300,000	1,121,750	735,000	294,350	50,000	929,738	275,000	159,350	18,495,462	16,791,552
2016	2,000,000	2,772,738	1,053,000	1,032,525	590,000	70,000	1,563	52,942	400,000	1,115,750	765,000	264,950	50,000	928,588	275,000	153,850	19,460,369	15,923,136
2017	2,250,000	2,667,738	1,105,000	979,875	620,000	46,400	1,563	52,888	400,000	1,105,750	795,000	234,350	50,000	927,275	270,000	148,350	19,142,921	15,015,845
2018	2,300,000	2,550,738	1,163,500	924,625	640,000	21,600	17,188	52,828	515,000	1,095,750	830,000	202,550	50,000	925,713	270,000	137,550	18,209,631	14,126,374
2019	2,400,000	2,429,988	1,218,750	866,450	-	-	17,188	52,141	700,000	1,082,875	865,000	169,350	50,000	923,963	280,000	132,150	18,618,090	13,292,740
2020	2,525,000	2,302,788	1,280,500	805,512	-	-	32,813	51,368	1,100,000	1,063,625	895,000	143,400	250,000	922,063	285,000	126,550	17,938,241	12,438,140
2021	5,450,000	2,162,650	1,345,500	741,487	-	-	39,062	49,876	450,000	1,008,625	925,000	116,550	250,000	911,750	295,000	115,150	18,761,726	11,595,848
2022	5,725,000	1,860,175	1,413,750	674,212	-	-	45,312	48,098	1,400,000	995,125	955,000	88,800	500,000	900,500	300,000	109,250	15,900,910	10,711,790
2023	6,025,000	1,542,437	1,482,000	603,525	-	-	45,312	46,036	1,450,000	953,125	985,000	60,150	500,000	878,000	310,000	103,250	16,382,373	9,985,207
2024	6,300,000	1,196,000	1,556,750	529,425	-	-	43,750	43,974	1,500,000	909,625	1,020,000	30,600	500,000	855,500	320,000	96,275	17,147,685	9,213,408
2025	6,650,000	833,750	1,634,750	451,587	-	-	40,625	41,984	1,500,000	862,750	-	-	500,000	833,000	330,000	88,275	16,893,568	8,402,147
2026	7,000,000	451,375	1,716,000	369,850	-	-	76,562	40,135	1,500,000	814,000	-	-	500,000	810,500	340,000	79,200	17,715,605	7,579,497
2027	850,000	48,875	1,803,750	284,050	-	-	6,250	35,963	1,700,000	754,000	-	-	1,300,000	785,500	345,000	69,000	17,658,418	6,699,778
2028	-	-	1,891,500	193,862	-	-	6,250	35,616	1,800,000	686,000	-	-	1,350,000	714,000	365,000	58,650	18,164,783	5,866,184
2029	-	-	1,985,750	99,287	-	-	6,250	35,269	1,750,000	614,000	-	-	1,400,000	639,750	390,000	47,700	18,956,936	5,009,291
2030	-	-	-	-	-	-	67,187	34,922	2,000,000	544,000	-	-	1,450,000	562,750	390,000	36,000	15,117,952	4,113,483
2031	-	-	-	-	-	-	67,187	31,194	2,100,000	464,000	-	-	1,500,000	483,000	400,000	24,300	15,801,779	3,402,929
2032	-	-	-	-	-	-	73,437	27,330	2,200,000	380,000	-	-	1,575,000	400,500	410,000	12,300	16,514,811	2,659,971
2033	-	-	-	-	-	-	79,687	23,108	2,300,000	292,000	-	-	1,625,000	306,000	-	-	16,819,400	1,875,322
2034	-	-	-	-	-	-	85,937	18,525	2,400,000	200,000	-	-	1,700,000	208,500	-	-	17,609,736	1,068,751
2035	-	-	-	-	-	-	239,062	13,626	2,600,000	104,000	-	-	1,775,000	106,500	-	-	4,614,062	224,126
Totals	\$ 53,525,000	\$ 29,583,714	\$ 23,520,250	\$ 11,945,533	\$ 3,520,000	\$ 460,651	\$ 996,874	\$ 946,907	\$ 30,115,000	\$ 18,411,750	\$ 10,170,000	\$ 2,257,050	\$ 16,975,000	\$ 16,813,939	\$ 17,090,000	\$ 2,644,744	\$ 392,934,960	\$ 212,208,602

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2012**

Fiscal Year Ending June 30,	\$51,799,779 General Obligation Refunding Series 2002A		\$12,123,017 General Obligation Refunding Bonds Series 2003A		\$32,000,000 General Obligation Series 2003		\$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	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 6,136,610	\$ 1,913,454	\$ -	\$ 567,061	\$ 921,633	\$ 1,257,245	\$ -	\$ 743,685	\$ 308,571	\$ 910,629	\$ 1,583,250	\$ 843,109	\$ 1,040,000	\$ 344,173
2014	5,788,900	1,560,859	-	567,061	979,883	1,213,132	-	743,685	342,857	898,286	1,645,511	769,281	1,095,000	296,229
2015	13,719,185	1,320,137	-	567,061	1,054,250	1,166,511	-	743,685	685,714	884,571	1,717,501	686,274	1,150,000	243,998
2016	2,516,923	532,760	7,206,404	567,061	1,125,817	1,116,883	2,661,820	743,685	1,028,571	857,143	1,728,360	599,754	1,210,000	188,798
2017	2,636,923	413,208	4,134,820	206,741	1,197,400	1,064,247	2,925,077	603,210	1,097,143	816,000	1,815,915	511,239	1,275,000	130,113
2018	2,769,230	287,954	-	-	1,284,383	1,008,604	2,992,354	456,193	1,165,714	772,114	1,905,415	418,451	1,340,000	67,000
2019	2,916,921	149,492	-	-	1,372,067	949,451	3,159,083	305,795	1,234,286	725,486	2,002,699	321,293	-	-
2020	-	-	-	-	1,456,267	886,789	2,925,077	147,017	1,306,286	676,114	2,105,819	219,387	-	-
2021	-	-	-	-	1,572,000	820,618	-	-	1,381,714	623,863	2,218,667	112,448	-	-
2022	-	-	-	-	1,685,633	749,936	-	-	1,460,571	568,594	-	-	-	-
2023	-	-	-	-	1,996,433	674,742	-	-	1,542,857	510,171	-	-	-	-
2024	-	-	-	-	2,127,633	595,036	-	-	1,632,000	448,457	-	-	-	-
2025	-	-	-	-	2,274,950	510,317	-	-	1,721,143	383,177	-	-	-	-
2026	-	-	-	-	2,421,567	420,084	-	-	1,817,143	314,331	-	-	-	-
2027	-	-	-	-	2,585,683	324,337	-	-	1,913,143	241,646	-	-	-	-
2028	-	-	-	-	2,887,500	222,575	-	-	2,012,571	165,120	-	-	-	-
2029	-	-	-	-	3,086,668	114,796	-	-	2,115,430	84,617	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 36,484,692	\$ 6,177,864	\$ 11,341,224	\$ 2,474,985	\$ 30,029,767	\$ 13,095,303	\$ 14,663,411	\$ 4,486,955	\$ 22,765,714	\$ 9,880,319	\$ 16,723,137	\$ 4,481,236	\$ 7,110,000	\$ 1,270,311

continued

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2012**

Fiscal Year Ending June 30,	\$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 2010A		\$21,440,000 Refunding Bonds Series 2010C		\$29,236,000 Qualified School Construction Bonds Series 2010		\$18,815,000 General Obligation Bonds Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 561,039	\$ 1,104,940	\$ -	\$ 927,500	\$ 490,000	\$ 633,238	\$ 23,437	\$ 795,949	\$ 1,275,000	\$ 652,650	\$ 1,824,281	\$ 1,417,361	\$ 4,765,000	\$ 630,009	\$ 18,928,821	\$ 12,741,003
2014	604,870	1,079,693	-	927,500	514,500	608,738	23,437	795,480	1,335,000	614,400	1,824,281	1,417,361	5,600,000	460,250	19,754,239	11,951,955
2015	648,701	1,052,474	-	927,500	540,750	583,013	23,437	794,848	1,405,000	574,350	1,824,281	1,417,361	25,000	236,250	22,793,819	11,198,033
2016	701,299	1,023,282	-	927,500	567,000	555,975	23,437	794,145	1,485,000	518,150	1,824,281	1,417,361	25,000	235,750	22,103,912	10,078,247
2017	736,364	991,724	-	927,500	595,000	527,625	23,437	793,324	1,575,000	458,750	1,824,281	1,417,361	430,000	235,250	20,266,360	9,096,292
2018	788,961	958,588	-	927,500	626,500	497,875	257,812	792,434	1,670,000	395,750	1,824,281	1,417,361	430,000	218,050	17,054,650	8,217,874
2019	832,792	923,084	-	927,500	656,250	466,550	257,812	782,121	1,770,000	328,950	1,824,281	1,417,361	440,000	209,450	16,466,191	7,506,533
2020	876,623	885,609	-	927,500	689,500	433,738	492,187	770,520	1,855,000	275,850	1,824,281	1,417,361	450,000	200,650	13,981,040	6,840,535
2021	920,455	846,161	-	927,500	724,500	399,263	585,938	748,124	1,945,000	220,200	1,824,281	1,417,361	455,000	182,650	11,627,555	6,298,188
2022	376,948	804,740	-	927,500	761,250	363,038	679,688	721,465	2,040,000	161,850	1,824,281	1,417,361	480,000	173,550	9,308,371	5,888,034
2023	350,649	787,778	-	927,500	798,000	324,975	679,688	690,539	2,135,000	100,650	1,824,281	1,417,361	490,000	163,950	9,816,908	5,597,666
2024	368,182	771,998	-	927,500	838,250	285,075	656,250	659,614	1,220,000	36,600	1,824,281	1,417,361	505,000	152,925	9,171,596	5,294,566
2025	385,714	755,430	-	927,500	880,250	243,163	609,375	629,754	-	-	1,824,281	1,417,361	520,000	140,300	8,215,713	5,007,002
2026	403,247	738,073	-	927,500	924,000	199,150	1,148,438	602,028	-	-	1,824,281	1,417,361	535,000	126,000	9,073,676	4,744,527
2027	412,013	719,927	1,740,743	927,500	971,250	152,950	93,750	539,437	-	-	2,003,856	1,417,361	555,000	109,950	10,275,438	4,433,108
2028	429,545	701,386	2,063,351	840,463	1,018,500	104,388	93,750	534,234	-	-	171,976	139,589	585,000	93,300	9,262,193	2,801,055
2029	447,078	682,057	2,170,888	737,295	1,069,250	53,463	93,750	529,031	-	-	-	-	610,000	75,750	9,593,064	2,277,009
2030	2,717,532	661,938	2,271,703	628,751	-	-	1,007,813	523,828	-	-	-	-	610,000	57,450	6,607,048	1,871,967
2031	2,822,727	539,649	2,392,681	515,166	-	-	1,007,813	467,894	-	-	-	-	640,000	39,150	6,863,221	1,561,859
2032	2,936,688	412,627	2,506,938	395,532	-	-	1,101,563	409,945	-	-	-	-	665,000	19,950	7,210,189	1,238,054
2033	3,050,649	280,476	2,634,638	270,185	-	-	1,195,313	346,605	-	-	-	-	-	-	6,880,600	897,266
2034	3,182,143	143,196	2,769,058	138,453	-	-	1,289,063	277,875	-	-	-	-	-	-	7,240,264	559,524
2035	-	-	-	-	-	-	3,585,938	204,399	-	-	-	-	-	-	3,585,938	204,399
Totals	\$ 24,554,219	\$ 16,864,830	\$ 18,550,000	\$ 17,438,345	\$ 12,664,750	\$ 6,432,217	\$ 14,953,126	\$ 14,203,593	\$ 19,710,000	\$ 4,338,150	\$ 27,715,766	\$ 21,400,004	\$ 18,815,000	\$ 3,760,584	\$ 276,080,806	\$ 126,304,696

KNOX COUNTY, TENNESSEE

Schedule of Salaries and Bonds of Principal Elected Officials
For the year ended June 30, 2012

OFFICIAL	AUTHORIZATION FOR SALARY	SALARY PAID DURING YEAR	BOND AMOUNT	SURETY
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 131,409	\$ 10,000	Hartford Fire Insurance
Attorney General	Section 8-6-104, T.C.A.	\$ 5,711	\$ -	
Circuit and Civil Sessions Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 133,721	\$ 300,000	Hartford Fire Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 125,086	\$ 50,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 162,728	\$ 50,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 132,981	\$ 250,000	Hartford Fire Insurance
Law Director	Section 3.08, Knox County Charter	\$ 162,727	\$ -	
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 122,606	\$ 100,000	Hartford Fire Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 141,038	\$ 25,000	Hartford Fire Insurance
Trustee	Section 8-24-102 (k), T.C.A.	\$ 114,018	\$ 15,226,673	Hartford Fire Insurance

KNOX COUNTY, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds Comparative Schedules by Source¹ June 30, 2012 and 2011 (In Thousands of Dollars)

	<u>2012</u>	<u>2011</u>
Governmental Funds Capital Assets:		
Land	\$ 99,913	\$ 99,278
Buildings	212,009	212,305
Improvements Other than Buildings	20,357	20,448
Machinery and Equipment	33,672	32,673
Intangibles	21,910	21,624
Infrastructure	518,633	514,345
Construction in Progress	54,239	49,115
Total Governmental Funds Capital Assets	<u>\$ 960,733</u>	<u>\$ 949,788</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 4,316	\$ 3,980
Special Revenue Funds	3,552	2,543
Capital Projects Funds	952,865	943,265
Total Governmental Funds Capital Assets	<u>\$ 960,733</u>	<u>\$ 949,788</u>

¹This 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 Activity¹

June 30, 2012

(In Thousands of Dollars)

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery And Equipment	Intangibles	Infrastructure	Construction In Progress	Total
General Government:								
Finance and Administration	\$ -	\$ 544	\$ 16	\$ 1,793	\$ 9,263	\$ -	\$ 41	\$ 11,657
Administration of Justice	1,150	22,046	129	391	10,949	-	54	34,719
Public Safety	366	54,892	29	16,391	753	-	865	73,296
Public Health and Welfare	3,146	35,862	716	3,409	-	-	106	43,239
Social and Cultural Services	20,629	67,564	19,429	3,039	117	-	3,975	114,753
Other General Government	4,349	28,815	15	4,728	676	-	15,757	54,340
Total General Government	29,640	209,723	20,334	29,751	21,758	-	20,798	332,004
Engineering & Public Works	70,273	2,286	23	3,921	152	518,633	33,441	628,729
Total Governmental Funds Capital Assets	\$ 99,913	\$ 212,009	\$ 20,357	\$ 33,672	\$ 21,910	\$ 518,633	\$ 54,239	\$ 960,733

¹This 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 of Changes by Function and Activity¹
For the Fiscal Year Ended June 30, 2012
(In Thousands of Dollars)**

Function and Activity	Governmental Funds Capital Assets July 1, 2011	Additions	Deductions	Governmental Funds Capital Assets June 30, 2012
General Government:				
Finance and Administration	\$ 11,941	\$ 480	\$ 764	\$ 11,657
Administration of Justice	34,620	166	67	34,719
Public Safety	72,156	1,460	320	73,296
Public Health and Welfare	45,048	216	2,025	43,239
Social and Cultural Services	114,143	1,036	426	114,753
Other General Government	53,472	1,178	310	54,340
Total General Government	331,380	4,536	3,912	332,004
Engineering & Public Works	618,408	11,490	1,169	628,729
Total Governmental Funds Capital Assets	\$ 949,788	\$ 16,026	\$ 5,081	\$ 960,733

¹This 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.

CAPITAL PROJECTS FUND

School Construction Fund: This fund is used to account for the Schools' building construction and renovations of the Board.

NONMAJOR GOVERNMENTAL FUNDS

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, 2012

	Board of Education	Component Unit	
	Total -- Governmental Activities	Great Schools Partnership	Total Component Unit
Assets			
Cash and Cash Equivalents	\$ 68,916,684	\$ 616,904	\$ 69,533,588
Accounts Receivable	47,471,200	2,362,484	49,833,684
Local Taxes Receivable, net	125,336,758	-	125,336,758
Investments	8,498,816	-	8,498,816
Due from Primary Government	1,508,138	-	1,508,138
Inventories	1,420,300	685	1,420,985
Prepaid Items	1,314,074	-	1,314,074
Capital Assets:			
Land and Construction in Process	73,652,698	-	73,652,698
Other Capital Assets, Net of Accumulated Depreciation	278,142,281	-	278,142,281
Total Assets	606,260,949	2,980,073	609,241,022
Liabilities			
Accounts Payable	59,909,956	869,271	60,779,227
Due to Knox County Primary Government	1,424,285	-	1,424,285
Unearned Revenue	117,571,747	-	117,571,747
Long-term Liability-Accrued Pension Obligation	3,139,282	-	3,139,282
Other Long-term Obligations:			
Due in Less than One Year	2,146,710	-	2,146,710
Due in More than One Year	238,524	-	238,524
Total Liabilities	184,430,504	869,271	185,299,775
Net Assets			
Invested in Capital Assets	351,794,979	-	351,794,979
Restricted for:			
Capital Projects	8,594,613	-	8,594,613
Education Purposes	7,844,742	-	7,844,742
Net Assets - Unrestricted	53,596,111	2,110,802	55,706,913
Total Net Assets	\$ 421,830,445	\$ 2,110,802	\$ 423,941,247

Knox County Board of Education

Statement of Activities

For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Board of Education Governmental Activities</u>	<u>Component Unit The Partnership</u>	<u>Total Component Unit</u>
Knox County Board of Education:							
Governmental activities:							
Education	\$ 467,441,094	\$ 15,773,638	\$ 73,572,947	\$ -	\$ (378,094,509)		\$ (378,094,509)
Education - Payment to Primary Government	33,270,645	-	-	-	(33,270,645)		(33,270,645)
Total primary government	<u>\$ 500,711,739</u>	<u>\$ 15,773,638</u>	<u>\$ 73,572,947</u>	<u>\$ -</u>	<u>(411,365,154)</u>		<u>(411,365,154)</u>
Component unit:							
Great Schools Partnership	\$ 5,564,912	\$ 4,637	\$ 1,668,124	\$ -		\$ (3,892,151)	(3,892,151)
Total component units	<u>\$ 5,564,912</u>	<u>\$ 4,637</u>	<u>\$ 1,668,124</u>	<u>\$ -</u>		<u>(3,892,151)</u>	<u>(3,892,151)</u>
General Revenues:							
Property Taxes					110,866,194	-	110,866,194
Sales Taxes					128,588,400	-	128,588,400
Wheel Taxes					1,501,397	-	1,501,397
Other Local Taxes					1,039,271	-	1,039,271
Interest Income					26,919	-	26,919
Miscellaneous					503,211	-	503,211
Grants and Contributions Not Restricted for Specific Programs					161,206,791	-	161,206,791
Payments from Knox County Primary Government					14,760,202	2,641,874	17,402,076
State Shared Revenues					1,459,200		1,459,200
Payments from Component Unit					2,641,874	-	2,641,874
Total General Revenues					<u>422,593,459</u>	<u>2,641,874</u>	<u>425,235,333</u>
Change in Net Assets					11,228,305	(1,250,277)	9,978,028
Net Assets, July 1					410,602,140	3,361,079	413,963,219
Net Assets, June 30					<u>\$ 421,830,445</u>	<u>\$ 2,110,802</u>	<u>\$ 423,941,247</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Balance Sheet

Governmental Funds

June 30, 2012

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 43,826,041	\$ 20,769,768	\$ 4,320,875	\$ 68,916,684
Receivables (Net of Allowance for Uncollectibles):				
Accounts	23,491,275	-	23,979,925	47,471,200
Local Taxes	122,038,090	3,298,668	-	125,336,758
Investments	-	8,498,816	-	8,498,816
Due from Other Funds	31,309,989	-	5,938,540	37,248,529
Due from Primary Government	1,463,632	44,506	-	1,508,138
Inventories	942,317	-	477,983	1,420,300
Prepaid Items	1,305,178	-	8,896	1,314,074
TOTAL ASSETS	\$ 224,376,522	\$ 32,611,758	\$ 34,726,219	\$ 291,714,499
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 48,723,608	\$ 3,955,217	\$ 7,231,131	\$ 59,909,956
Due to Other Funds	5,233,795	15,716,299	16,298,435	37,248,529
Due to Primary Government	1,033,642	-	390,643	1,424,285
Deferred Revenue	121,076,646	-	2,116,313	123,192,959
TOTAL LIABILITIES	176,067,691	19,671,516	26,036,522	221,775,729
Fund Balance:				
Nonspendable	2,247,495	-	486,879	2,734,374
Restricted	-	8,594,613	7,844,742	16,439,355
Committed	20,469,574	4,345,629	358,076	25,173,279
Assigned	935,597	-	-	935,597
Unassigned	24,656,165	-	-	24,656,165
TOTAL FUND BALANCES	48,308,831	12,940,242	8,689,697	69,938,770
TOTAL LIABILITIES AND FUND BALANCES	\$ 224,376,522	\$ 32,611,758	\$ 34,726,219	\$ 291,714,499

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, 2012

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

Ending Fund Balance - Governmental Funds	\$ 69,938,770
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	351,794,979
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.	5,621,212
Long-term liabilities, consisting of compensated absences (\$2,385,234) and pension obligation (\$3,139,282), are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,524,516)</u>
Net Assets of Governmental Activities	<u>\$ 421,830,445</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, 2012

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local Taxes	\$ 224,243,730	\$ 19,598,888	\$ -	\$ 243,842,618
Licenses and Permits	29,422	-	2,934	32,356
Charges for Current Services	1,008,029	-	10,068,599	11,076,628
Other Local Revenues	1,719,212	-	3,493,928	5,213,140
State of Tennessee	166,183,421	-	2,868,332	169,051,753
Federal Government	564,136	-	63,904,008	64,468,144
Other Governments and Citizen Groups	-	-	2,719,041	2,719,041
Interest Earned	-	744	-	744
Payments from Primary Government	1,182,000	-	-	1,182,000
Payment from Component Unit	-	-	2,641,874	2,641,874
Debt Proceeds Received from Primary Government	-	13,578,202	-	13,578,202
Total Revenues	394,929,950	33,177,834	85,698,716	513,806,500
Expenditures				
Current:				
Education	369,805,044	-	84,492,931	454,297,975
Capital Outlay	-	28,533,840	-	28,533,840
Payments to Primary Government	10,926,382	22,344,263	-	33,270,645
Other Charges	-	197,368	-	197,368
Total Expenditures	380,731,426	51,075,471	84,492,931	516,299,828
Excess of Revenues Over Expenditures	14,198,524	(17,897,637)	1,205,785	(2,493,328)
Other Financing Sources (Uses)				
Transfers from Other Funds	419,077	-	2,005,153	2,424,230
Transfers to Other Funds	(507,930)	-	(1,916,300)	(2,424,230)
Total Other Financing Sources (Uses)	(88,853)	-	88,853	-
Net Change in Fund Balances	14,109,671	(17,897,637)	1,294,638	(2,493,328)
Fund Balance, July 1	34,199,160	30,837,879	7,395,059	72,432,098
Fund Balance, June 30	\$ 48,308,831	\$ 12,940,242	\$ 8,689,697	\$ 69,938,770

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, 2012

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

Net Change in Fund Balances - Total Governmental Funds \$ (2,493,328)

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 (\$29,822,287) exceeded depreciation (\$14,201,109) in the current period. 15,621,178

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. 5,621,212

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. (7,487,668)

The increase in the liability for compensated absences of \$59,848 resulted in additional expenses, and the reduction of the net pension obligation of \$26,759 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. (33,089)

Change in Net Assets of Governmental Activities \$ 11,228,305

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Balance Sheets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 43,826,041	\$ 40,535,936
Receivables (Net of Allowance for Uncollectibles):		
Accounts	23,491,275	26,022,508
Local Taxes	122,038,090	121,962,596
Due from Primary Government	1,463,632	790,028
Due from Other Funds	31,309,989	10,107,936
Prepaid Items	1,305,178	1,149,471
Inventories	<u>942,317</u>	<u>789,181</u>
TOTAL ASSETS	<u>\$ 224,376,522</u>	<u>\$ 201,357,656</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 48,723,608	\$ 45,447,816
Due to Other Funds	5,233,795	479,722
Due to Primary Government	1,033,642	788,124
Deferred Revenue	<u>121,076,646</u>	<u>120,442,834</u>
TOTAL LIABILITIES	<u>176,067,691</u>	<u>167,158,496</u>
Fund Balances:		
Nonspendable	2,247,495	1,938,652
Committed	20,469,574	2,940,000
Assigned	935,597	2,179,068
Unassigned	<u>24,656,165</u>	<u>27,141,440</u>
TOTAL FUND BALANCES	<u>48,308,831</u>	<u>34,199,160</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 224,376,522</u>	<u>\$ 201,357,656</u>

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, 2012 and June 30, 2011**

	<u>2012</u>	<u>2011</u>
Revenues		
Local Taxes	\$ 224,243,730	\$ 215,232,565
Licenses and Permits	29,422	30,162
Charges for Current Services	1,008,029	986,454
Other Local Revenues	1,719,212	2,101,832
State of Tennessee	166,183,421	160,101,384
Federal Government	564,136	647,344
Payment from Primary Government	<u>1,182,000</u>	<u>1,182,000</u>
Total Revenues	<u>394,929,950</u>	<u>380,281,741</u>
Expenditures		
Current:		
Education	369,805,044	362,832,424
Payments to Primary Government	<u>10,926,382</u>	<u>7,143,383</u>
Total Expenditures	<u>380,731,426</u>	<u>369,975,807</u>
Excess of Revenues Over Expenditures	<u>14,198,524</u>	<u>10,305,934</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	419,077	400,330
Transfers to Other Funds	<u>(507,930)</u>	<u>(202,294)</u>
Total Other Financing Sources (Uses)	<u>(88,853)</u>	<u>198,036</u>
Net Change in Fund Balances	14,109,671	10,503,970
Fund Balances, July 1	<u>34,199,160</u>	<u>23,695,190</u>
Fund Balances, June 30	<u><u>\$ 48,308,831</u></u>	<u><u>\$ 34,199,160</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, 2012 and June 30, 2011**

	2012				2011			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Local Taxes	\$ 212,821,500	\$ 212,821,500	\$ 224,243,730	\$ 11,422,230	\$ 212,789,500	\$ 215,232,565	\$ 2,443,065	
Licenses and Permits	36,000	36,000	29,422	(6,578)	36,000	30,162	(5,838)	
Charges for Current Services	1,191,800	1,191,800	1,008,029	(183,771)	1,191,800	986,454	(205,346)	
Other Local Revenues	2,668,988	2,668,988	1,719,212	(949,776)	3,835,820	2,101,832	(1,733,988)	
State of Tennessee	162,792,712	162,792,712	166,183,421	3,390,709	156,755,712	160,101,384	3,345,672	
Federal Government	537,000	558,040	564,136	6,096	574,815	647,344	72,529	
Payments from Primary Government	1,182,000	1,182,000	1,182,000	-	1,183,168	1,182,000	(1,168)	
Total Revenues	381,230,000	381,251,040	394,929,950	13,678,910	376,366,815	380,281,741	3,914,926	
Expenditures								
Current:								
Education:								
Personal Services	250,848,620	249,000,680	243,802,515	5,198,165	251,878,403	245,425,501	6,452,902	
Employee Benefits	67,848,538	68,032,860	67,218,431	814,429	66,155,431	66,096,681	58,750	
Contracted Services	22,338,230	24,342,980	24,128,316	214,664	21,515,334	21,341,187	174,147	
Supplies and Materials	23,033,933	26,941,539	26,747,882	193,657	23,335,678	22,959,816	375,862	
Other Charges	8,833,864	9,155,264	7,308,201	1,847,063	10,583,240	6,665,285	3,917,955	
Capital Outlay	506,656	678,404	599,699	78,705	489,338	343,954	145,384	
Payments to Primary Government	11,010,159	10,700,259	10,926,382	(226,123)	7,143,383	7,143,383	-	
Total Expenditures	384,420,000	388,851,986	380,731,426	8,120,560	381,100,807	369,975,807	11,125,000	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,190,000)	(7,600,946)	14,198,524	21,799,470	(4,733,992)	10,305,934	15,039,926	

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, 2012 and June 30, 2011

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)							
Transfers from Other Funds	400,000	400,000	419,077	19,077	400,000	400,330	330
Transfers to Other Funds	(250,000)	(250,000)	(507,930)	(257,930)	(202,294)	(202,294)	-
Total Other Financing Sources (Uses)	150,000	150,000	(88,853)	(238,853)	197,706	198,036	330
Net Change in Fund Balances	(3,000,000)	(9,010,295)	14,109,671	23,119,966	(4,536,286)	10,503,970	15,040,256
Fund Balances, July 1	34,199,160	34,199,160	34,199,160	-	23,695,190	23,695,190	-
Fund Balances, June 30	\$ 31,199,160	\$ 25,188,865	\$ 48,308,831	\$ 23,119,966	\$ 19,158,904	\$ 34,199,160	\$ 15,040,256

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Balance Sheets
June 30, 2012 and June 30, 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 20,769,768	\$ 29,723,656
Receivables (Net of Allowance for Uncollectibles):		
Local Taxes	3,298,668	3,359,659
Investments	8,498,816	-
Due from Other Funds	-	553,325
Due from Primary Government	44,506	41,891
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 32,611,758</u>	<u>\$ 33,678,531</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 3,955,217	\$ 2,140,652
Due to Other Funds	15,716,299	-
Due to Primary Government	-	700,000
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>19,671,516</u>	<u>2,840,652</u>
Fund Balance:		
Restricted	8,594,613	26,082,535
Committed	4,345,629	4,755,344
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>12,940,242</u>	<u>30,837,879</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 32,611,758</u>	<u>\$ 33,678,531</u>

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, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Local Taxes	\$ 19,598,888	\$ 18,288,221
Interest Earned	744	84,981
Debt Proceeds Received from Primary Government	<u>13,578,202</u>	<u>29,004,906</u>
Total Revenues	<u>33,177,834</u>	<u>47,378,108</u>
Expenditures		
Capital Projects	28,533,840	20,292,003
Payments to Primary Government	22,344,263	18,802,665
Other Charges	<u>197,368</u>	<u>181,483</u>
Total Expenditures	<u>51,075,471</u>	<u>39,276,151</u>
Net Change in Fund Balance	(17,897,637)	8,101,957
Fund Balance, July 1	<u>30,837,879</u>	<u>22,735,922</u>
Fund Balance, June 30	<u>\$ 12,940,242</u>	<u>\$ 30,837,879</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, 2012 and June 30, 2011

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 17,952,750	\$ 17,952,750	\$ 19,598,888	\$ 1,646,138	\$ 17,775,000	\$ 18,288,221	\$ 513,221
Other Local Revenue	600,000	600,000	744	(599,256)	600,000	30,413	(569,587)
Total Revenues	18,552,750	18,552,750	19,599,632	1,046,882	18,375,000	18,318,634	(56,366)
Expenditures							
Other Charges:							
Payments to Primary Government	19,844,263	19,844,263	19,844,263	-	18,977,665	18,802,665	175,000
Other Charges	200,000	200,000	197,368	2,632	-	181,483	(181,483)
Total Expenditures	20,044,263	20,044,263	20,041,631	2,632	18,977,665	18,984,148	(6,483)
Net Change in Fund Balance	(1,491,513)	(1,491,513)	(441,999)	1,049,514	(602,665)	(665,514)	(62,849)
Fund Balances, July 1 (Budget Basis)	-	-	-	-	-	-	-
Fund Balances, June 30 (Budget Basis)	\$ (1,491,513)	\$ (1,491,513)	\$ (441,999)	\$ 1,049,514	\$ (602,665)	\$ (665,514)	\$ (62,849)
Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):							
Fund Balance (Budget Basis)				\$ (441,999)			\$ (665,514)
Timing Differences:							
Project Length Budgets				13,382,241			31,503,393
Fund Balance (GAAP Basis)				<u>\$ 12,940,242</u>			<u>\$ 30,837,879</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, 2012

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Physical Plant Upgrades	\$ 24,046,119	\$ -	\$ 13,343,888	\$ 13,343,888	\$ 10,702,231
Foundation Stabilization	750,000	750,000	-	750,000	-
Elementary Growth	1,200,000	1,198,659	1,341	1,200,000	-
Amherst Elementary	16,077,296	16,065,833	3,955	16,069,788	7,508
Cedar Bluff K-3	20,036,668	20,030,831	-	20,030,831	5,837
Brickey Elementary	14,410,824	14,410,824	-	14,410,824	-
New Holston Middle	11,944,500	11,871,265	51,599	11,922,864	21,636
West High Library / Cafeteria	2,200,000	2,200,000	-	2,200,000	-
Gibbs Elementary School	15,404,720	15,368,694	23,001	15,391,695	13,025
Powell Middle	1,128,543	1,121,609	-	1,121,609	6,934
Karns High Addition and Renovations	3,000,000	3,000,000	-	3,000,000	-
Ball Camp ES Addition/Renovation	5,424,334	4,535,291	688,855	5,224,146	200,188
Carter Renovations	2,500,000	-	-	-	2,500,000
Southwest Elementary	17,855,000	81,375	4,876,650	4,958,025	12,896,975
School Energy Savings Project	25,252,988	24,932,756	9,537,011	34,469,767	(9,216,779)
Hardin Valley High School	50,000,000	49,972,117	7,540	49,979,657	20,343
<i>Total Capital Projects:</i>	<u>\$ 211,230,992</u>	<u>\$ 165,539,254</u>	<u>\$ 28,533,840</u>	<u>\$ 194,073,094</u>	<u>\$ 17,157,898</u>
Project Expenditures			\$ 28,533,840		
Adjustment for expenditures budgeted on an annual basis and other non-project expenditures				22,541,631	
Total School Construction Fund Expenditures			<u>\$ 51,075,471</u>		

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012

	School Federal Projects	School General Projects	Central Cafeteria	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 4,320,875	\$ 4,320,875
Receivables (Net of Allowance for Uncollectibles):				
Accounts	17,275,433	2,241,451	4,463,041	23,979,925
Due from Other Funds	4,188,637	1,749,903	-	5,938,540
Inventories	-	-	477,983	477,983
Prepaid Items	8,896	-	-	8,896
TOTAL ASSETS	\$ 21,472,966	\$ 3,991,354	\$ 9,261,899	\$ 34,726,219
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 5,294,387	\$ 1,290,744	\$ 646,000	\$ 7,231,131
Due to Other Funds	16,101,533	196,902	-	16,298,435
Due to Primary Government	35,871	354,772	-	390,643
Deferred Revenue	28,797	1,790,860	296,656	2,116,313
TOTAL LIABILITIES	21,460,588	3,633,278	942,656	26,036,522
Fund Balances:				
Nonspendable	8,896	-	477,983	486,879
Restricted	3,482	-	7,841,260	7,844,742
Committed	-	358,076	-	358,076
TOTAL FUND BALANCES	12,378	358,076	8,319,243	8,689,697
TOTAL LIABILITIES AND FUND BALANCES	\$ 21,472,966	\$ 3,991,354	\$ 9,261,899	\$ 34,726,219

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, 2012

	School Federal Projects	School General Projects	Central Cafeteria	Total Nonmajor Governmental Funds
Revenues				
Licenses and Permits	\$ -	\$ 2,934	\$ -	\$ 2,934
Charges for Current Services	-	806,071	9,262,528	10,068,599
Other Local Revenues	-	2,984,381	509,547	3,493,928
State of Tennessee	92,124	2,412,934	363,274	2,868,332
Federal Government	47,949,050	28,801	15,926,157	63,904,008
Other Governments and Citizen Groups	2,226,311	492,730	-	2,719,041
Payment from Component Unit	-	2,641,874	-	2,641,874
Total Revenues	50,267,485	9,369,725	26,061,506	85,698,716
Expenditures				
Current:				
Education	48,830,907	11,294,154	24,367,870	84,492,931
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,436,578	(1,924,429)	1,693,636	1,205,785
Other Financing Sources (Uses)				
Transfers from Other Funds	60,645	1,944,508	-	2,005,153
Transfers to Other Funds	(1,497,223)	(19,077)	(400,000)	(1,916,300)
Total Other Financing Sources (Uses)	(1,436,578)	1,925,431	(400,000)	88,853
Net Change in Fund Balances	-	1,002	1,293,636	1,294,638
Fund Balance, July 1	12,378	357,074	7,025,607	7,395,059
Fund Balance, June 30	\$ 12,378	\$ 358,076	\$ 8,319,243	\$ 8,689,697

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Special Revenue Fund
Comparative Balance Sheets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 17,275,433	\$ 15,299,816
Due From Other Funds	4,188,637	266,304
Prepaid Items	8,896	-
	<u>21,472,966</u>	<u>15,566,120</u>
TOTAL ASSETS	<u>\$ 21,472,966</u>	<u>\$ 15,566,120</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 5,294,387	\$ 4,882,693
Due to Other Funds	16,101,533	10,604,190
Due to Primary Government	35,871	44,093
Deferred Revenue	28,797	22,766
	<u>21,460,588</u>	<u>15,553,742</u>
TOTAL LIABILITIES	<u>21,460,588</u>	<u>15,553,742</u>
 Fund Balances:		
Nonspendable	8,896	-
Restricted	3,482	12,378
	<u>12,378</u>	<u>12,378</u>
TOTAL FUND BALANCES	<u>12,378</u>	<u>12,378</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,472,966</u>	<u>\$ 15,566,120</u>

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, 2012 and June 30, 2011**

	<u>2012</u>	<u>2011</u>
Revenues		
State of Tennessee	\$ 92,124	\$ 70,962
Federal Government	47,949,050	44,881,018
Other Governments and Citizen Groups	<u>2,226,311</u>	<u>247,100</u>
Total Revenues	<u>50,267,485</u>	<u>45,199,080</u>
Expenditures		
Current:		
Education	<u>48,830,907</u>	<u>43,853,043</u>
Excess of Revenues Over Expenditures	<u>1,436,578</u>	<u>1,346,037</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	60,645	62,712
Transfers to Other Funds	<u>(1,497,223)</u>	<u>(1,408,749)</u>
Total Other Financing Uses	<u>(1,436,578)</u>	<u>(1,346,037)</u>
Net Change in Fund Balances	-	-
Fund Balances, July 1	<u>12,378</u>	<u>12,378</u>
Fund Balances, June 30	<u><u>\$ 12,378</u></u>	<u><u>\$ 12,378</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, 2012 and June 30, 2011

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
State of Tennessee	\$ 121,008	\$ 121,008	\$ 92,124	\$ (28,884)	\$ 98,024	\$ 70,962	\$ (27,062)
Federal Government	57,709,243	57,709,243	47,949,050	(9,760,193)	74,233,986	44,881,018	(29,352,968)
Other Governments and Citizen Groups	6,188,450	6,188,450	2,226,311	(3,962,139)	516,306	247,100	(269,206)
Total Revenues	64,018,701	64,018,701	50,267,485	(13,751,216)	74,848,316	45,199,080	(29,649,236)
Expenditures							
Current:							
Education:							
Personal Services	36,431,421	36,431,421	29,563,674	6,867,747	38,752,079	24,056,716	14,695,363
Employee Benefits	8,623,229	8,623,229	6,956,721	1,666,508	9,355,393	5,863,304	3,492,089
Contracted Services	4,183,857	4,183,857	2,961,375	1,222,482	7,332,044	4,531,930	2,800,114
Supplies and Materials	5,310,311	5,310,311	3,041,658	2,268,653	7,490,472	2,717,859	4,772,613
Other Charges	3,317,939	3,317,939	2,263,770	1,054,169	4,031,669	2,160,245	1,871,424
Capital Outlay	4,518,362	4,518,362	4,043,709	474,653	6,516,942	4,522,989	1,993,953
Total Expenditures	62,385,119	62,385,119	48,830,907	13,554,212	73,478,599	43,853,043	29,625,556
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,633,582	1,633,582	1,436,578	(197,004)	1,369,717	1,346,037	(23,680)
Other Financing Sources (Uses)							
Transfer from Other Funds	84,516	84,516	60,645	(23,871)	62,712	62,712	-
Transfer to Other Funds	(1,687,494)	(1,687,494)	(1,497,223)	190,271	(1,432,429)	(1,408,749)	23,680
Total Other Financing Sources (Uses)	(1,602,978)	(1,602,978)	(1,436,578)	166,400	(1,369,717)	(1,346,037)	23,680
Net Change in Fund Balances	30,604	30,604	-	(30,604)	-	-	-
Fund Balances, July 1	-	12,378	12,378	-	12,378	12,378	-
Fund Balances, June 30	\$ 30,604	\$ 42,982	\$ 12,378	\$ (30,604)	\$ 12,378	\$ 12,378	\$ -

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, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 1,759,137
Receivables (Net of Allowance for Uncollectibles):		
Accounts	2,241,451	1,469,901
Due from Other Funds	<u>1,749,903</u>	<u>330,243</u>
TOTAL ASSETS	<u>\$ 3,991,354</u>	<u>\$ 3,559,281</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,290,744	\$ 1,392,392
Due to Primary Government	354,772	112,898
Due to Other Funds	196,902	173,896
Deferred Revenue	<u>1,790,860</u>	<u>1,523,021</u>
TOTAL LIABILITIES	<u>3,633,278</u>	<u>3,202,207</u>
Fund Balances:		
Committed	<u>358,076</u>	<u>357,074</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,991,354</u>	<u>\$ 3,559,281</u>

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, 2012 and June 30, 2011**

	<u>2012</u>	<u>2011</u>
Revenues		
Licenses and Permits	\$ 2,934	\$ 10,771
Charges for Current Services	806,071	1,026,412
Other Local Revenues	2,984,381	3,491,320
State of Tennessee	2,412,934	2,304,593
Federal Government	28,801	349,153
Other Governments and Citizens Groups	492,730	516,583
Payments from Component Unit	2,641,874	-
Payments from Primary Government	-	2,641,874
	<u>9,369,725</u>	<u>10,340,706</u>
Expenditures		
Current:		
Education	11,294,154	10,187,776
Payment to Component Unit	-	2,641,874
	<u>11,294,154</u>	<u>12,829,650</u>
Deficiency of Revenues Under Expenditures	<u>(1,924,429)</u>	<u>(2,488,944)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	1,944,508	1,548,331
Transfers To Other Funds	(19,077)	(330)
	<u>1,925,431</u>	<u>1,548,001</u>
Net Change in Fund Balances	1,002	(940,943)
Fund Balances, July 1	<u>357,074</u>	<u>1,298,017</u>
Fund Balances, June 30	<u><u>\$ 358,076</u></u>	<u><u>\$ 357,074</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, 2012 and June 30, 2011

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Licenses and Permits	\$ -	\$ -	\$ 2,934	\$ 2,934	\$ 7,755	\$ 10,771	\$ 3,016
Charges for Current Services	1,784,828	1,784,828	806,071	(978,757)	1,729,903	1,026,412	(703,491)
Other Local Revenues	2,674,419	2,674,419	2,984,381	309,962	4,041,755	3,491,320	(550,435)
State of Tennessee	3,025,374	3,025,374	2,412,934	(612,440)	3,080,019	2,304,593	(775,426)
Federal Government	28,801	28,801	28,801	-	378,200	349,153	(29,047)
Payments from Component Government	2,641,874	2,641,874	2,641,874	-	-	-	-
Payments from Primary Government	-	-	-	-	2,641,874	2,641,874	-
Other Governments and Citizens Groups	708,349	708,349	492,730	(215,619)	651,937	516,583	(135,354)
Total Revenues	10,863,645	10,863,645	9,369,725	(1,493,920)	12,531,443	10,340,706	(2,190,737)
Expenditures							
Current:							
Education:							
Personal Services	6,652,210	6,652,210	6,317,045	335,165	6,582,531	5,928,493	654,038
Employee Benefits	1,614,009	1,614,009	1,389,673	224,336	1,494,028	1,373,680	120,348
Contracted Services	1,817,254	1,817,254	1,128,390	688,864	2,330,660	1,540,136	790,524
Supplies and Materials	2,514,356	2,514,356	1,992,737	521,619	1,980,676	1,171,152	809,524
Other Charges	246,676	246,676	166,309	80,367	225,241	149,534	75,707
Capital Outlay	417,413	417,413	300,000	117,413	127,413	24,781	102,632
Payment to Component Unit	-	-	-	-	2,641,874	2,641,874	-
Total Expenditures	13,261,918	13,261,918	11,294,154	1,967,764	15,382,423	12,829,650	2,552,773
Deficiency of Revenues Under Expenditures	(2,398,273)	(2,398,273)	(1,924,429)	473,844	(2,850,980)	(2,488,944)	362,036
Other Financing Sources (Uses)							
Transfers from Other Funds	2,398,819	2,398,819	1,944,508	(454,311)	2,021,839	1,548,331	(473,508)
Transfers to Other Funds	-	-	(19,077)	(19,077)	(330)	(330)	-
Total Other Financing Sources (Uses)	2,398,819	2,398,819	1,925,431	(473,388)	2,021,509	1,548,001	(473,508)
Net Change in Fund Balances	546	546	1,002	456	(829,471)	(940,943)	(111,472)
Fund Balances, July 1	-	357,074	357,074	-	1,298,017	1,298,017	-
Fund Balances, June 30	\$ 546	\$ 357,620	\$ 358,076	\$ 456	\$ 468,546	\$ 357,074	\$ (111,472)

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
Central Cafeteria Special Revenue Fund
Comparative Balance Sheets
June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,320,875	\$ 4,469,790
Receivables (Net of Allowance for Uncollectibles):		
Accounts	4,463,041	2,986,716
Inventories	<u>477,983</u>	<u>236,206</u>
TOTAL ASSETS	<u>\$ 9,261,899</u>	<u>\$ 7,692,712</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 646,000	\$ 423,780
Deferred Revenue	<u>296,656</u>	<u>243,325</u>
TOTAL LIABILITIES	<u>942,656</u>	<u>667,105</u>
Fund Balances:		
Nonspendable	477,983	236,206
Restricted	<u>7,841,260</u>	<u>6,789,401</u>
TOTAL FUND BALANCE	<u>8,319,243</u>	<u>7,025,607</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,261,899</u>	<u>\$ 7,692,712</u>

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, 2012 and June 30, 2011**

	<u>2012</u>	<u>2011</u>
Revenues		
Charges for Current Services	\$ 9,262,528	\$ 8,987,746
Other Local Revenues	509,547	322,505
State of Tennessee	363,274	291,382
Federal Government	15,926,157	14,538,990
	<hr/>	<hr/>
Total Revenues	26,061,506	24,140,623
	<hr/>	<hr/>
Expenditures		
Current:		
Education:		
Food Service	24,367,870	21,440,348
	<hr/>	<hr/>
Excess of Revenues Over Expenditures	1,693,636	2,700,275
	<hr/>	<hr/>
Other Financing Uses		
Transfers to Other Funds	(400,000)	(400,000)
	<hr/>	<hr/>
Net Change in Fund Balances	1,293,636	2,300,275
Fund Balance, July 1	7,025,607	4,725,332
	<hr/>	<hr/>
Fund Balance, June 30	\$ 8,319,243	\$ 7,025,607
	<hr/> <hr/>	<hr/> <hr/>

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, 2012 and June 30, 2011**

	2012				2011		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 9,526,301	\$ 9,526,301	\$ 9,262,528	\$ (263,773)	\$ 9,331,100	\$ 8,987,746	\$ (343,354)
Other Local Revenues	282,907	282,907	509,546	226,639	339,000	322,505	(16,495)
State of Tennessee	283,870	283,870	363,274	79,404	246,000	291,382	45,382
Federal Government	14,217,564	15,647,564	15,926,157	278,593	13,506,100	14,538,990	1,032,890
Total Revenues	24,310,642	25,740,642	26,061,505	320,863	23,422,200	24,140,623	718,423
Expenditures							
Current:							
Education:							
Food Service:							
Personal Services	7,933,475	7,935,475	7,935,029	446	7,923,400	7,661,794	261,606
Employee Benefits	2,609,747	2,609,747	2,200,433	409,314	2,204,800	2,204,708	92
Contracted Services	1,311,000	1,311,000	1,190,974	120,026	569,100	524,237	44,863
Supplies & Materials	10,823,720	12,251,720	12,083,694	168,026	11,716,500	10,670,764	1,045,736
Other Charges	482,700	482,700	450,762	31,938	378,900	378,845	55
Capital Outlay	750,000	750,000	506,977	243,023	-	-	-
Total Expenditures	23,910,642	25,340,642	24,367,869	972,773	22,792,700	21,440,348	1,352,352
Excess of Revenues Over Expenditures	400,000	400,000	1,693,636	1,293,636	629,500	2,700,275	2,070,775
Other Financing Uses							
Transfers to Other Funds	(400,000)	(400,000)	(400,000)	-	(400,000)	(400,000)	-
Net Change in Fund Balances	-	-	1,293,636	1,293,636	229,500	2,300,275	2,070,775
Fund Balances, July 1	7,025,607	7,025,607	7,025,607	-	4,725,332	4,725,332	-
Fund Balances, June 30	\$ 7,025,607	\$ 7,025,607	\$ 8,319,243	\$ 1,293,636	\$ 4,954,832	\$ 7,025,607	\$ 2,070,775

KNOX COUNTY, TENNESSEE
Discretely Presented Component Unit
Knox County Board of Education
Statement of Fiduciary Net Assets
Fiduciary Funds
 June 30, 2012

	Pension Trust Funds	Agency Funds
ASSETS		
Investments	\$ 62,312,451	\$ -
Other Assets	-	7,583,099
TOTAL ASSETS	62,312,451	\$ 7,583,099
LIABILITIES		
Accounts Payable and Accrued Liabilities	141,274	\$ -
Liability for Student Activities	-	7,583,099
TOTAL LIABILITIES	141,274	\$ 7,583,099
NET ASSETS		
Held in Trust for:		
Pension Benefits	\$ 62,171,177	

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, 2012 and June 30, 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 62,312,451</u>	<u>\$ 67,395,475</u>
 LIABILITIES		
Accounts Payable	<u>141,274</u>	<u>93,960</u>
 NET ASSETS		
Held in Trust For:		
Pension Benefits	<u><u>\$ 62,171,177</u></u>	<u><u>\$ 67,301,515</u></u>

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, 2012 and June 30, 2011**

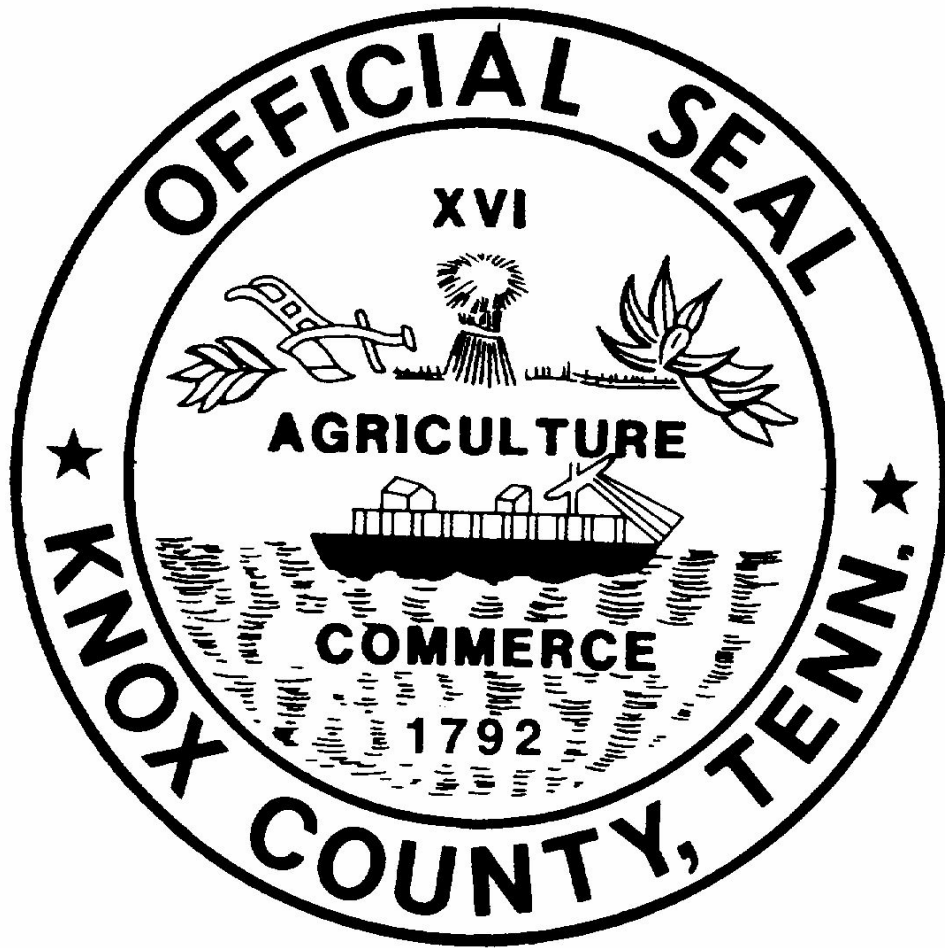
	<u>2012</u>	<u>2011</u>
Additions		
Contributions:		
Employer	\$ 1,046,949	\$ 1,217,506
Employee	39,382	92,038
	<u>1,086,331</u>	<u>1,309,544</u>
Total Contributions		
Investment Income:		
Interest and Dividend Income	564,335	524,290
Net Appreciation (Depreciation) in Fair Value of Investments	279,236	13,214,177
	<u>843,571</u>	<u>13,738,467</u>
Total Investment Earnings (Losses)		
Less Investment Expense	(285,845)	(230,441)
	<u>557,726</u>	<u>13,508,026</u>
Net Investment Earnings (Losses)		
Total Additions	<u>1,644,057</u>	<u>14,817,570</u>
Deductions		
Benefits and Refunds	6,357,676	5,889,156
Payments to Primary Government	416,719	501,922
	<u>6,774,395</u>	<u>6,391,078</u>
Total Deductions		
Change in Net Assets	(5,130,338)	8,426,492
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>67,301,515</u>	<u>58,875,023</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 62,171,177</u>	<u>\$ 67,301,515</u>

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, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Assets and Liabilities, July 1	\$ 7,027,324	\$ 6,638,634
Additions	19,430,652	17,742,824
Deductions	<u>(18,874,877)</u>	<u>(17,354,134)</u>
Assets and Liabilities, June 30	<u>\$ 7,583,099</u>	<u>\$ 7,027,324</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.

Contents	Page
Financial Trends	226-234
<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	235-238
<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	239-241
<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	242-243
<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	244-246
<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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government										
Governmental activities										
Invested in capital assets, net of related debt										
Restricted	\$ 429,012,067	\$ 430,036,480	\$ 395,113,478	\$ 365,746,439	\$ 333,733,504	\$ 349,499,226	\$ 298,546,888	\$ 292,183,224	\$ 281,020,672	\$ 276,642,614
Unrestricted	32,646,617	34,559,910	60,297,870	68,750,828	68,165,803	33,687,672	38,289,171	27,202,060	23,180,877	30,030,542
Total primary governmental activities net assets	<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>	<u>\$ 51,450,959</u>	<u>\$ 65,458,430</u>
Business-type activities										
Three Ridges Golf Course										
Invested in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 893,709	\$ 832,590	\$ 718,674	\$ 634,436
Unrestricted	-	-	-	-	-	-	286,781	304,278	301,122	215,757
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,180,490</u>	<u>\$ 1,136,868</u>	<u>\$ 1,019,796</u>	<u>\$ 850,193</u>
Component units										
Invested in capital assets, net of related debt										
Restricted	\$ 280,139,475	\$ 246,697,189	\$ 255,600,529	\$ 269,693,300	\$ 287,591,285	\$ 308,057,666	\$ 317,191,247	\$ 316,329,152	\$ 340,624,791	\$ 356,191,838
Unrestricted	4,029,664	5,045,320	9,118,222	16,479,581	16,556,546	4,118,075	16,585,893	13,121,345	26,094,913	16,439,355
Total component units activities net assets	<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>	<u>\$ 428,878,998</u>	<u>\$ 441,250,298</u>
Total reporting unit activities net assets	<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>	<u>\$ 481,349,753</u>	<u>\$ 507,558,921</u>

KNOX COUNTY, TENNESSEE

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Primary government:										
Governmental activities:										
Finance and Administration	\$ 32,196,730	\$ 34,272,564	\$ 36,027,013	\$ 37,137,558	\$ 41,307,625	\$ 45,573,546	\$ 41,738,286	\$ 42,195,745	\$ 35,025,924	\$ 31,753,114
Finance and Administration - payment to component unit	-	-	-	2,570,000	4,148,000	6,385,000	4,018,649	3,823,874	3,823,874	3,823,874
Administration of Justice	11,828,805	12,635,947	13,701,681	16,568,869	15,277,291	16,211,461	15,651,510	15,691,782	24,277,040	22,434,728
Public Safety	48,108,309	61,702,000	59,055,357	61,608,268	66,374,696	68,125,715	71,388,947	74,109,826	72,135,474	72,565,353
Public Safety - payment to component unit	1,136,184	603,450	603,450	326,200	326,200	326,200	326,200	326,200	326,200	326,200
Public Health and Welfare	37,804,098	37,216,721	38,368,614	43,340,309	40,902,596	40,356,191	38,463,931	38,366,594	33,731,246	32,546,227
Public Health and Welfare - payment to component unit	-	562,635	562,635	646,990	256,628	166,628	166,628	256,628	256,628	256,628
Social and Cultural Services	15,766,968	15,130,591	16,592,017	19,562,356	22,529,501	21,148,707	21,651,989	21,594,069	21,140,636	19,036,194
Agricultural and Natural Resources	335,090	346,591	390,615	402,907	425,395	461,142	433,295	413,675	380,453	365,774
Other General Government	20,170,170	20,354,933	16,622,981	24,327,500	29,449,900	13,151,278	21,017,395	16,893,864	20,252,535	24,717,611
Engineering & Public Works	21,881,988	23,223,425	21,570,330	24,718,942	24,647,845	22,815,377	23,605,027	24,009,373	24,045,860	21,964,447
Engineering & Public Works - payment to component unit	-	-	-	-	-	-	25,872	-	-	-
Education - payment to component unit	8,400,000	32,000,000	24,844,700	71,812,250	29,174,787	5,000,000	14,853,832	29,586,094	50,924,958	13,578,202
Debt Service - interest and fees	18,389,968	17,958,758	21,404,699	23,403,511	25,920,605	28,915,724	30,093,010	25,524,229	28,885,417	28,193,240
Debt Service - other	374,006	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>216,392,316</u>	<u>256,007,615</u>	<u>249,744,092</u>	<u>326,425,660</u>	<u>300,741,069</u>	<u>268,636,969</u>	<u>283,434,571</u>	<u>292,791,953</u>	<u>315,206,245</u>	<u>271,561,592</u>
Business-type activities:										
Three Ridges Golf Course	-	-	-	-	-	-	464,137	961,678	1,044,409	1,147,603
Total primary government expenses	<u>\$ 216,392,316</u>	<u>\$ 256,007,615</u>	<u>\$ 249,744,092</u>	<u>\$ 326,425,660</u>	<u>\$ 300,741,069</u>	<u>\$ 268,636,969</u>	<u>\$ 283,898,708</u>	<u>\$ 293,753,631</u>	<u>\$ 316,250,654</u>	<u>\$ 272,709,195</u>
Component units:										
Board of Education	\$ 360,448,491	\$ 386,742,267	\$ 395,291,970	\$ 405,567,591	\$ 429,883,031	\$ 462,569,748	\$ 470,348,600	\$ 480,162,339	\$ 481,991,842	\$ 503,634,777
Knox County Railroad Authority	508,507	220,964	63,818	77,809	298,394	382,538	63,759	55,017	227,658	40,430
Knox County Emergency Communications District	6,008,787	6,840,936	7,148,453	6,468,004	6,302,412	6,394,749	6,922,634	6,653,464	6,428,917	6,420,765
Total component units expenses	<u>\$ 366,965,785</u>	<u>\$ 393,804,167</u>	<u>\$ 402,504,241</u>	<u>\$ 412,113,404</u>	<u>\$ 436,483,837</u>	<u>\$ 469,347,035</u>	<u>\$ 477,334,993</u>	<u>\$ 486,870,820</u>	<u>\$ 488,648,417</u>	<u>\$ 510,095,972</u>
Total reporting unit expenses	<u>\$ 583,358,101</u>	<u>\$ 649,811,782</u>	<u>\$ 652,248,333</u>	<u>\$ 738,539,064</u>	<u>\$ 737,224,906</u>	<u>\$ 737,984,004</u>	<u>\$ 761,233,701</u>	<u>\$ 780,624,451</u>	<u>\$ 804,899,071</u>	<u>\$ 782,805,167</u>

Continued

KNOX COUNTY, TENNESSEE

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues										
Primary government:										
Governmental activities:										
Charges for Services:										
Finance and Administration	\$ 24,360,351	\$ 26,732,880	\$ 28,316,120	\$ 20,316,983	\$ 20,508,747	\$ 23,475,489	\$ 18,291,849	\$ 19,541,913	\$ 19,359,362	\$ 21,247,575
Administration of Justice	3,099,291	3,212,895	3,657,019	11,071,804	11,190,419	12,348,218	10,535,989	9,990,310	10,101,442	10,129,539
Public Safety	789,430	903,493	1,032,281	533,509	499,320	983,881	1,333,523	1,330,976	1,439,718	4,478,725
Public Health and Welfare	4,085,553	5,086,478	4,901,207	5,349,029	5,182,137	4,283,390	4,252,529	4,050,480	4,244,236	4,705,246
Social and Cultural Services	805,230	2,206,814	1,873,889	1,122,961	1,193,157	1,327,729	1,324,927	1,117,171	880,631	949,557
Other General Government	114	21	5,697	2,412,907	1,984,775	88,337	249,935	85,295	689,972	592,251
Engineering & Public Works	2,492	50,692	20,570	53,041	-	20,105	214,851	652,250	436,570	758,766
Operating grants and contributions	20,962,543	23,108,400	22,760,584	23,799,473	20,535,731	15,232,355	13,162,718	16,546,478	18,111,952	13,941,943
Total governmental activities	54,105,004	61,301,673	62,567,367	64,659,707	61,094,286	57,759,504	49,366,321	53,314,873	55,263,883	56,803,602
Business-type activities:										
Three Ridges Golf Course	-	-	-	-	-	-	462,055	918,056	927,337	978,000
Total primary government program revenues	\$ 54,105,004	\$ 61,301,673	\$ 62,567,367	\$ 64,659,707	\$ 61,094,286	\$ 57,759,504	\$ 49,828,376	\$ 54,232,929	\$ 56,191,220	\$ 57,781,602
Component units:										
Charges for Services:										
Board of Education	\$ 11,023,657	\$ 11,723,822	\$ 12,199,060	\$ 12,406,982	\$ 13,452,161	\$ 13,744,165	\$ 12,545,538	\$ 14,558,045	\$ 16,621,446	\$ 15,778,275
Knox County Emergency Communications District	3,768,771	3,806,247	3,867,183	3,739,653	3,562,338	5,605,505	6,215,901	6,209,957	6,132,513	6,457,347
Operating grants and contributions	147,774,587	150,148,071	166,164,250	168,419,769	174,417,041	50,968,461	55,064,528	75,166,748	82,127,060	75,304,345
Capital grants and contributions	-	-	-	131,471	-	-	-	-	-	-
Total component units program revenues	\$ 162,567,015	\$ 165,678,140	\$ 182,230,493	\$ 184,697,875	\$ 191,431,540	\$ 70,318,131	\$ 73,825,967	\$ 95,934,750	\$ 104,881,019	\$ 97,539,967
Total reporting unit program revenues	\$ 216,672,019	\$ 226,979,813	\$ 244,797,860	\$ 249,357,582	\$ 252,525,826	\$ 128,077,635	\$ 123,654,343	\$ 150,167,679	\$ 161,072,239	\$ 155,321,569
Net (expenses)/revenues										
Primary government activities	\$ (162,287,312)	\$ (194,705,942)	\$ (187,176,725)	\$ (261,765,953)	\$ (239,646,783)	\$ (210,877,465)	\$ (234,070,332)	\$ (239,520,702)	\$ (260,059,434)	\$ (214,927,593)
Component units	(204,398,770)	(228,126,027)	(220,273,748)	(227,415,529)	(245,052,297)	(399,028,904)	(403,509,026)	(390,936,070)	(383,767,398)	(412,556,005)
Total net (expenses) revenues for reporting unit	\$ (366,686,082)	\$ (422,831,969)	\$ (407,450,473)	\$ (489,181,482)	\$ (484,699,080)	\$ (609,906,369)	\$ (637,579,358)	\$ (630,456,772)	\$ (643,826,832)	\$ (627,483,598)

Continued

KNOX COUNTY, TENNESSEE

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Primary government:										
Governmental activities:										
Taxes										
Property taxes	\$ 112,175,848	\$ 113,293,837	\$ 116,504,303	\$ 117,697,785	\$ 124,861,193	\$ 128,874,750	\$ 140,608,170	\$ 134,655,757	\$ 142,138,781	\$ 139,862,073
Sales taxes	9,516,271	9,185,734	9,133,387	9,626,296	10,031,562	9,952,384	8,987,868	9,708,315	10,433,188	11,076,254
Lodging taxes	4,272,762	4,025,335	4,207,643	4,702,072	5,286,419	5,382,819	4,815,765	4,830,079	5,152,412	5,696,181
Business taxes	4,797,392	5,115,059	5,605,190	5,864,308	6,651,425	6,629,276	7,440,271	6,332,408	7,347,327	7,782,614
Wheel taxes	-	1,186,075	9,182,465	10,118,110	10,347,460	10,636,138	10,570,144	10,471,856	10,937,485	10,835,470
Other local taxes	3,229,268	3,249,019	3,671,045	3,649,170	3,667,617	3,793,818	4,317,993	4,669,629	4,620,907	2,935,940
Investment revenue	2,839,049	2,016,481	2,756,903	7,142,137	8,179,185	5,641,188	2,936,051	(1,678,577)	3,204,476	(4,260,317)
Other revenues	20,849,073	31,715,158	25,001,861	27,521,207	36,236,016	36,856,107	36,821,934	38,280,459	38,088,691	54,072,973
Contracts - other governments and citizens	1,679,555	1,797,835	307,354	466,759	584,683	419,470	851,750	294,120	1,236,916	96,628
Miscellaneous	(876)	-	7,864	-	152,406	1,122,914	11,700	517,094	3,118,883	667,645
Transfers	-	-	-	-	-	-	(1,182,572)	-	-	-
Total governmental activities	<u>159,358,342</u>	<u>171,584,533</u>	<u>176,378,015</u>	<u>186,787,844</u>	<u>205,997,966</u>	<u>209,308,864</u>	<u>216,179,074</u>	<u>208,081,140</u>	<u>226,279,066</u>	<u>228,765,461</u>
Business-type activities:										
Transfers	-	-	-	-	-	-	1,182,572	-	-	-
Total primary government	<u>\$ 159,358,342</u>	<u>\$ 171,584,533</u>	<u>\$ 176,378,015</u>	<u>\$ 186,787,844</u>	<u>\$ 205,997,966</u>	<u>\$ 209,308,864</u>	<u>\$ 217,361,646</u>	<u>\$ 208,081,140</u>	<u>\$ 226,279,066</u>	<u>\$ 228,765,461</u>
Component units:										
Taxes										
Property taxes	\$ 87,309,066	\$ 88,924,962	\$ 91,224,003	\$ 96,753,338	\$ 97,724,691	\$ 102,342,297	\$ 107,324,525	\$ 106,737,074	\$ 112,371,639	\$ 110,866,194
Sales taxes	99,196,928	104,990,997	109,296,323	118,690,397	125,062,455	125,522,010	116,296,501	114,769,928	119,973,142	128,588,400
Wheel taxes	-	1,186,075	1,500,000	1,500,000	1,459,461	1,500,030	1,490,723	1,494,272	1,525,119	1,501,397
Other local taxes	-	-	-	1,139,144	1,276,897	1,352,978	554,495	1,065,154	1,006,769	1,039,271
Investment revenue	215,361	222,216	361,331	2,003,350	2,746,738	1,739,023	418,377	120,512	132,360	42,669
Payments from primary government	9,536,184	33,166,085	26,010,785	75,355,440	33,905,615	11,877,828	19,391,181	33,992,796	55,331,660	17,984,904
Other revenues	-	-	-	-	-	-	4,525,727	1,420,641	1,372,773	1,475,328
Contracts - other governments and citizens	1,518,452	1,518,460	1,593,460	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140
Miscellaneous	1,000	-	-	-	-	-	-	109,577	4	503,211
Grants and Contributions Not Restricted for Specific Programs	-	-	-	-	-	142,038,000	144,111,400	139,899,700	145,735,671	161,206,791
Special item - distribution of net assets to successor organization	(877,134)	-	-	-	-	-	-	-	-	-
Total component units	<u>\$ 196,899,857</u>	<u>\$ 230,008,795</u>	<u>\$ 229,985,902</u>	<u>\$ 297,160,809</u>	<u>\$ 263,894,997</u>	<u>\$ 388,091,306</u>	<u>\$ 395,832,069</u>	<u>\$ 401,328,794</u>	<u>\$ 439,168,277</u>	<u>\$ 424,927,305</u>
Total reporting unit	<u>\$ 356,258,199</u>	<u>\$ 401,593,328</u>	<u>\$ 406,363,917</u>	<u>\$ 483,948,653</u>	<u>\$ 469,892,963</u>	<u>\$ 597,400,170</u>	<u>\$ 613,193,715</u>	<u>\$ 609,409,934</u>	<u>\$ 665,447,343</u>	<u>\$ 653,692,766</u>
Change in Net Assets										
Primary government activities	\$ (2,928,970)	\$ (23,121,409)	\$ (10,798,710)	\$ (74,978,109)	\$ (33,648,817)	\$ (1,568,601)	\$ (16,708,686)	\$ (31,439,562)	\$ (33,780,368)	\$ 13,837,868
Component units activities	(7,498,913)	1,882,768	9,712,154	69,745,280	18,842,700	(10,937,598)	(7,676,957)	10,392,724	55,400,879	12,371,300
Total reporting unit	<u>\$ (10,427,883)</u>	<u>\$ (21,238,641)</u>	<u>\$ (1,086,556)</u>	<u>\$ (5,232,829)</u>	<u>\$ (14,806,117)</u>	<u>\$ (12,506,199)</u>	<u>\$ (24,385,643)</u>	<u>\$ (21,046,838)</u>	<u>\$ 21,620,511</u>	<u>\$ 26,209,168</u>

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
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
2011	142,138,781	10,433,188	5,152,412	7,347,327	10,937,485	4,620,907	180,630,100
2012	139,862,073	11,076,254	5,696,181	7,782,614	10,835,470	2,935,940	178,188,532

(1) First year of tax.

Continued

KNOX COUNTY, TENNESSEE

Component Units Activities Tax Revenues By Source
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (Unaudited)

Fiscal Year	Property Tax	Sales Tax	Wheel Tax	Other Local Tax	Total
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
2011	112,371,639	119,973,142	1,525,119	1,006,769	234,876,669
2012	110,866,194	128,588,400	1,501,397	1,039,271	241,995,262

(1) First year of tax.

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
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
2011	254,510,420	130,406,330	5,152,412	7,347,327	12,462,604	5,627,676	415,506,769
2012	250,728,267	139,664,654	5,696,181	7,782,614	12,336,867	3,975,211	420,183,794

(1) First year of tax.

KNOX COUNTY, TENNESSEE

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	\$ 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	38,472,540	39,593,912	40,799,145	49,774,563	46,495,324	48,348,469	44,197,261	43,415,759	-	-
Nonspendable	-	-	-	-	-	-	-	-	5,880,449	6,182,114
Restricted	-	-	-	-	-	-	-	-	2,212,749	2,787,302
Committed	-	-	-	-	-	-	-	-	9,294	5,596,444
Assigned	-	-	-	-	-	-	-	-	957,967	465,211
Unassigned	-	-	-	-	-	-	-	-	43,521,876	46,308,062
Total general fund	<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>	<u>\$ 52,582,335</u>	<u>\$ 61,339,133</u>
All other governmental funds										
Reserved	\$ 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	2,560,175	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	(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	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	19,135,952	16,105,862	15,957,883	15,157,943	12,742,029	13,448,644	9,879,284	6,658,756	-	-
Nonspendable	-	-	-	-	-	-	-	-	5,910,592	5,776,505
Restricted	-	-	-	-	-	-	-	-	20,968,128	27,243,240
Committed	-	-	-	-	-	-	-	-	22,133,322	23,930,001
Assigned	-	-	-	-	-	-	-	-	-	2,199,988
Total all other governmental funds	<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>	<u>\$ 49,012,042</u>	<u>\$ 59,149,734</u>

GASB Statement Number 54 implemented in fiscal year 2011.

KNOX COUNTY, TENNESSEE

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 134,082,211	\$ 136,756,864	\$ 148,071,025	\$ 156,075,279	\$ 161,129,442	\$ 165,894,884	\$ 169,892,631	\$ 171,522,503	\$ 178,306,446	\$ 182,423,476
Licenses and permits	2,840,878	3,226,481	3,472,814	3,741,911	3,623,663	3,696,245	3,415,502	3,252,786	3,342,613	3,586,182
Fines, forfeitures and penalties	2,846,280	2,856,308	3,231,893	4,058,576	4,126,768	4,366,159	4,114,621	3,428,205	2,247,102	2,814,573
Charges for current services	24,030,206	27,142,787	27,835,419	28,388,616	27,931,145	30,467,122	25,843,423	26,838,941	26,977,222	27,430,317
Other local revenues	4,416,726	4,271,988	4,383,663	4,470,506	2,590,971	10,018,778	5,049,121	4,787,595	8,660,028	8,570,876
State of Tennessee	19,612,800	19,657,610	19,312,368	16,370,956	21,319,794	19,645,086	17,799,336	18,913,035	16,997,956	18,284,332
Federal government	4,465,916	6,472,966	5,779,123	11,534,036	8,635,219	7,834,280	6,534,996	9,290,911	12,117,880	11,120,469
Other governments and citizen groups	730,942	2,321,912	1,455,388	1,040,630	3,830,345	1,738,118	1,347,906	640,110	1,669,274	1,454,345
Investment earnings	2,834,462	2,015,723	2,713,771	7,145,359	8,180,389	173,206	794,846	174,952	1,037,903	2,111,750
Payments from component units	16,457,417	27,473,875	20,838,840	21,649,922	23,229,518	23,614,046	24,914,174	26,432,876	26,227,344	36,728,191
Fees received from county officials	310,317	370,274	426,736	207,187	173,375	199,697	173,830	-	-	-
Increase in equity interest in joint venture	-	-	-	10,385	713,764	46,412	-	-	349,085	331,142
Total revenues	212,628,155	232,566,788	237,521,040	254,693,363	265,484,393	267,694,033	259,880,386	265,281,914	277,932,853	294,855,653
Expenditures										
Finance and administration	32,108,836	34,004,920	35,792,902	36,919,202	41,092,636	42,994,827	40,263,423	40,628,916	33,375,623	31,446,206
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	3,823,874	3,823,874
Administration of justice	11,233,689	12,139,488	13,069,224	13,915,861	12,477,574	13,635,809	13,141,252	13,060,783	23,761,351	21,973,316
Public safety	46,654,053	55,531,601	57,235,374	59,624,309	64,460,665	66,148,272	69,556,725	72,519,183	72,338,730	71,190,474
Public safety - payments to component units	1,136,184	603,450	603,450	326,200	326,200	326,200	326,200	326,200	326,200	326,200
Public health and welfare	36,867,614	36,382,457	37,318,628	40,028,212	39,407,838	39,351,120	37,443,749	37,113,902	32,481,343	31,426,565
Public health and welfare - payments to component units	-	562,635	562,635	646,990	256,628	166,628	166,628	256,628	256,628	256,628
Social and cultural services	14,186,357	13,955,047	14,688,232	15,719,033	17,697,777	17,868,031	19,224,930	18,490,914	18,082,432	16,594,500
Agricultural and natural resources	335,090	346,591	390,615	402,907	425,395	461,142	433,295	413,675	380,453	365,774
Other general government	13,352,236	13,625,581	13,533,836	11,690,674	14,173,623	13,878,441	14,588,454	14,871,749	19,777,716	18,887,075
Engineering & Public Works	9,113,368	11,938,273	8,607,547	12,887,045	11,228,081	11,096,021	12,130,049	11,875,623	11,736,732	10,498,407
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	29,004,906	13,578,202
Debt issuance cost	-	144,875	308,200	337,500	340,537	489,154	368,000	247,856	441,307	106,387
Payments to component units	-	-	5,500	44,994,500	10,750,000	5,000,000	-	-	-	-
Capital Outlay	31,512,938	40,140,959	24,273,922	37,596,153	47,004,907	26,612,521	18,427,009	22,814,409	8,975,940	8,146,618
Debt Service:										
Principal	21,455,467	18,790,467	20,040,468	21,370,468	22,980,467	24,185,467	28,550,620	31,080,467	34,695,467	35,615,702
Interest	18,251,918	18,567,892	21,439,049	23,704,393	25,102,520	27,307,441	29,218,581	22,292,340	25,297,513	25,888,063
Other charges	427,087	559,594	868,759	1,230,283	1,309,719	2,064,509	1,965,036	3,691,792	3,955,168	3,399,500
Total expenditures	236,634,837	289,736,459	274,195,565	350,963,730	331,732,567	297,970,583	303,869,154	308,859,587	318,711,383	293,523,491
Excess (deficiency) of revenues over (under) expenditures	(24,006,682)	(57,169,671)	(36,674,525)	(96,270,367)	(66,248,174)	(30,276,550)	(43,988,768)	(43,577,673)	(40,778,530)	1,332,162
Other financing sources (uses)										
Transfers in	8,906,826	42,381,859	23,722,579	32,427,313	26,009,546	23,608,526	25,711,520	25,795,690	9,942,342	16,198,023
Transfers out	(11,410,264)	(43,446,859)	(23,933,579)	(34,077,313)	(27,309,546)	(80,419,372)	(28,898,609)	(26,010,479)	(9,882,229)	(18,439,226)
Capital lease proceeds	-	-	-	-	-	-	-	11,651,171	-	-
Refunding bonds issued	81,110,000	-	93,310,000	-	-	-	-	4,550,000	62,675,000	21,505,000
Bonds issued	13,099,424	72,000,000	70,000,000	77,000,000	69,000,000	57,000,000	40,000,000	16,000,000	46,236,000	14,400,000
Premium on debt issued	7,613,126	-	8,238,711	-	-	-	332,400	207,763	2,458,913	1,367,889
Discount on bonds issued	(555,460)	-	(585,773)	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	(88,167,090)	(21,605,024)	(100,962,938)	-	-	-	-	-	-	-
Payments to holders of refunded debt	-	-	-	-	-	-	-	(4,620,000)	(64,118,485)	(22,469,358)
Notes issued	-	-	-	-	-	3,263,507	33,538,969	-	-	5,000,000
Decrease in equity interest in joint venture	(370,313)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	10,226,249	49,329,976	69,789,000	75,350,000	67,700,000	3,452,661	70,684,280	27,574,145	47,311,541	17,562,328
Net change in fund balances	\$ (13,780,433)	\$ (7,839,695)	\$ 33,114,475	\$ (20,920,367)	\$ 1,451,826	\$ (26,823,889)	\$ 26,695,512	\$ (16,003,528)	\$ 6,533,011	\$ 18,894,490
Debt service as a percentage of noncapital expenditures	19.20%	14.54%	16.49%	13.78%	15.94%	19.07%	20.37%	18.71%	19.74%	21.93%

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						
2002	\$ 3,616,364,255	\$ 1,944,043,416	\$ 549,250,644	\$ 257,682,591	\$ 6,367,340,906	\$ 2.96	\$ 25,346,613,207	25.12%
2003	3,734,742,216	1,992,022,995	524,793,083	230,140,743	6,481,699,037	2.96	25,804,024,897	25.12%
2004	3,868,383,151	2,012,162,237	519,472,411	238,136,066	6,638,153,865	2.96	26,274,705,689	25.26%
2005	4,591,149,800	2,248,529,047	535,320,641	253,369,983	7,628,369,471	2.69	26,678,277,504	28.59%
2006	4,795,719,919	2,287,194,343	546,690,987	256,025,735	7,885,630,984	2.69	26,879,555,301	29.34%
2007	5,053,621,173	2,397,300,886	502,485,204	244,990,311	8,198,397,574	2.69	28,324,539,114	28.94%
2008	5,266,109,413	2,505,287,263	516,425,881	254,250,108	8,542,072,665	2.69	29,511,769,568	28.94%
2009	6,359,699,607	2,774,549,925	555,839,420	278,517,456	9,968,606,408	2.36	34,512,916,817	28.88%
2010	6,294,879,474	2,990,883,384	530,728,943	263,158,114	10,079,649,915	2.36	34,906,645,405	28.88%
2011	6,337,256,500	3,110,318,560	539,486,608	274,005,037	10,261,066,705	2.36	35,424,076,744	28.97%

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.

KNOX COUNTY, TENNESSEE

**Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)**

	Year Taxes Are Payable									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Knox County Direct Rates										
General	\$ 1.14	\$ 1.36	\$ 1.36	\$ 1.24	\$ 1.24	\$ 1.13	\$ 1.10	\$ 0.97	\$ 0.97	\$ 0.97
Public Library	0.14	-	-	-	-	-	-	-	-	-
Solid Waste	0.05	-	-	-	-	-	-	-	-	-
Debt Service	0.28	0.25	0.25	0.22	0.22	0.33	0.36	0.31	0.31	0.31
ADA Construction	0.01	-	-	-	-	-	-	-	-	-
Schools	1.34	1.35	1.35	1.23	1.23	1.23	1.23	1.08	1.08	1.08
Total direct rate	2.96	2.96	2.96	2.69	2.69	2.69	2.69	2.36	2.36	2.36
City of Knoxville Rates	<u>2.70</u>	<u>3.05</u>	<u>2.81</u>	<u>2.81</u>	<u>2.81</u>	<u>2.81</u>	<u>2.81</u>	<u>2.46</u>	<u>2.46</u>	<u>2.46</u>
Total direct & overlapping rates	<u>\$ 5.66</u>	<u>\$ 6.01</u>	<u>\$ 5.77</u>	<u>\$ 5.50</u>	<u>\$ 5.50</u>	<u>\$ 5.50</u>	<u>\$ 5.50</u>	<u>\$ 4.82</u>	<u>\$ 4.82</u>	<u>\$ 4.82</u>

Sources: *Knox County, Tennessee Tax Resolution.*
City of Knoxville, Tennessee Finance Department.

KNOX COUNTY, TENNESSEE

Principal Property Taxpayers
Tax Year 2011 and Nine Years Ago
(Unaudited)

Taxpayer	Tax Year 2011			Tax Year 2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
BellSouth	\$ 60,685,251	1	0.59%	\$ 93,352,164	1	1.44%
Verizon Wireless Tennessee	32,771,255	2	0.32%	-	-	-
West Town Mall LLC	26,700,440	3	0.26%	38,120,400	2	0.59%
AT&T Mobility LLC	24,209,460	4	0.24%	6,475,928	10	0.10%
Tennessee Holding LLC	21,147,200	5	0.21%	-	-	-
Behringer Harvard Riverview LLC	15,978,800	6	0.16%	-	-	-
Knoxville Center LLC	14,828,040	7	0.14%	26,803,160	3	0.41%
Concord Telephone Exchange	13,151,589	8	0.13%	10,964,470	7	0.17%
JWR Holdings Lic & University Residences Knoxville	12,982,360	9	0.13%	-	-	-
Hart TC L-LI LLC	12,721,600	10	0.12%	-	-	-
Norfolk Southern	-	-	-	12,205,903	4	0.19%
Parkway Properties LP	-	-	-	12,098,520	5	0.19%
Daikin Drivetrain Components Corp	-	-	-	11,672,226	6	0.18%
Fort Sanders Alliance	-	-	-	10,475,680	8	0.16%
River View Tower/City	-	-	-	9,060,120	9	0.14%
Totals	\$ 235,175,995		2.30%	\$ 231,228,571		3.57%

Source: Knox County, Tennessee Trustee Department.

KNOX COUNTY, TENNESSEE

**Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)
(Unaudited)**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 190,422	\$ 181,786	95.5%	\$ 8,431	\$ 190,217	99.9%
2004	193,591	186,380	96.3%	7,015	193,395	99.9%
2005	198,486	191,042	96.2%	7,215	198,257	99.9%
2006	206,879	198,584	96.0%	8,023	206,607	99.9%
2007	214,521	207,118	96.5%	7,004	214,122	99.8%
2008	223,291	215,195	96.4%	7,554	222,749	99.8%
2009	232,460	221,475	95.3%	9,898	231,373	99.5%
2010	237,580	227,064	95.6%	8,284	235,348	99.1%
2011	240,250	229,122	95.4%	7,180	236,302	98.4%
2012	244,592	229,122	93.7%	6,635	235,757	96.4%

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)**

Fiscal Year	Primary Government		Component Units	Total Reporting Unit	Percentage of Personal Income (1)	Per Capita
	General Obligation Bonds and Notes	Capital Leases	Capital Leases			
2003	\$ 386,824	\$ 55	\$ 2,950	\$ 389,829	3.27%	\$ 977
2004	430,534	-	6,714	437,248	3.48%	1,085
2005	478,868	-	5,652	484,520	3.64%	1,185
2006	534,497	-	4,552	539,049	3.81%	1,287
2007	580,517	-	3,409	583,926	3.88%	1,377
2008	616,596	-	12,930	629,526	4.02%	1,464
2009	632,121	-	11,767	643,888	4.19%	1,480
2010	616,971	11,651	23,124	651,746	4.05%	1,505
2011	691,186	-	-	691,186	4.11% (2)	1,582 (2)
2012	674,023	-	-	674,023	3.94% (2)	1,528 (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 242 for personal income and population data.

(2) Estimated, schedule will be updated when the information becomes available.

KNOX COUNTY, TENNESSEE

**Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)
(Unaudited)**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
2003	\$ 386,824	\$ 25,501	\$ 361,323	1.40%	\$ 905
2004	430,534	28,025	402,509	1.53%	998
2005	478,868	28,906	449,962	1.69%	1,099
2006	534,498	24,116	510,382	1.90%	1,218
2007	580,517	26,613	553,904	1.96%	1,306
2008	613,332	24,384	588,948	2.00%	1,368
2009	627,121	17,757	609,364	1.77%	1,402
2010	613,971	15,754	598,217	1.71%	1,381
2011	691,186	16,296	674,890	1.91%	1,545
2012	669,016	17,147	651,869	1.89% (3)	1,518 (3)

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 235 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 242.

(3) Estimated, schedule will be updated when the information becomes available.

KNOX COUNTY, TENNESSEE

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2012
(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	\$ 669,016	100.00%	<u>\$ 669,016</u>
City of Knoxville overlapping debt	178,390	100.00%	178,390
Town of Farragut overlapping debt	-		<u>-</u>
Total direct and overlapping debt			<u><u>\$ 847,406</u></u>

Note: Percentage of overlap based on assessed property values.

KNOX COUNTY, TENNESSEE

**Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Population (3)	Personal Income (amounts expressed in thousands)	(1)	Per Capita Personal Income	(1)	Median Age	(3)	School Enrollment	(3)	Unemployment Rate	(2)
2003	\$ 399,155	\$ 11,920,331		\$ 30,059		37.6		99,998		4.3%	
2004	403,311	12,572,396		31,417		38.0		96,563		4.1%	
2005	409,324	13,301,853		32,815		37.5		92,507		4.8%	
2006	418,888	14,142,669		33,996		37.8		92,507		4.5%	
2007	424,257	15,033,901		35,491		37.3		107,039		3.3%	
2008	430,444	15,666,206		36,342		37.6		110,198		3.8%	
2009	434,617	15,371,687		35,278		37.1		112,688		8.5%	
2010	433,110	16,089,189		37,148		37.2		113,848		7.8%	
2011	436,929	16,806,691	(4)	39,018	(4)	37.3	(4)	115,008	(4)	7.6%	
2012	440,748	17,524,193	(4)	40,888	(4)	37.4	(4)	116,168	(4)	6.7%	

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.

KNOX COUNTY, TENNESSEE

Principal Employers
Calendar Year 2011 and Nine Years Ago
(Unaudited)

Employer (1)	2011			2002		
	Employees (2)	Rank	Percentage of Total Knoxville MSA Employment (3)	Employees (2)	Rank	Percentage of Total Knoxville MSA Employment (3)
U.S. Department of Energy, Oak Ridge Operations	13,082	1	3.76%	-		-
Covenant Health	9,494	2	2.73%	8,000	2	2.13%
Knox County Public Schools	6,891	3	1.98%	7,230	3	1.93%
The University of Tennessee	6,400	4	1.84%	9,317	1	2.49%
Wal-Mart Stores	4,668	5	1.34%	2,413	9	0.64%
University Health System	3,942	6	1.13%	3,088	6	0.82%
K-VA-T Food Stores	3,924	7	1.13%	-		-
Tennova Healthcare	3,857	8	1.11%	-		-
State of Tennessee, Regional Offices	3,528	9	1.01%	2,401	10	0.64%
McGhee Tyson Air National Guard Base	3,493	10	1.00%	-		-
Knox County Government	-		-	2,500	7	0.67%
City of Knoxville	-		-	3,500	4	0.93%
St. Mary's Medical Center	-		-	3,470	5	0.93%
Clayton Homes	-		-	2,500	8	0.67%
Total	<u>59,279</u>		<u>17.03%</u>	<u>44,419</u>		<u>11.85%</u>

(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)**

	Full-time Equivalent Employees by Function									
Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	587	516	515	557	566	529	541	534	521	503
Public safety	836	872	867	902	938	979	969	975	1013	1025
Public health and welfare	271	289	275	336	377	340	343	324	320	310
Highways	109	109	109	107	112	117	120	117	114	114
Social, cultural, and recreation	234	204	211	198	201	191	196	190	203	194
Total	2,037	1,990	1,977	2,100	2,194	2,156	2,169	2,140	2,171	2,146

Source: Knox County Budget.

KNOX COUNTY, TENNESSEE

**Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)**

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sheriff (1)										
Arrests	27,278	28,386	31,218	32,508	33,233	32,054	33,548	29,833	29,557	*
Accidents	4,125	4,026	4,868	4,889	5,972	4,321	4,500	3,441	3,190	*
Incidents	15,883	16,704	15,595	21,870	30,302	29,873	38,388	32,258	32,319	*
Health services (2)										
Clinical services										
Pediatric cases	11,178	11,162	10,850	10,537	9,947	8,254	7,570	8,542	3,558	-
Preventive health cases	13,198	18,161	13,749	14,571	12,502	12,725	11,812	33,630	24,902	22,958
WIC services	17,151	16,936	26,533	31,156	29,892	32,198	34,085	33,583	33,242	34,625
Communicable diseases treated	16,923	17,195	17,896	18,893	16,497	14,087	16,434	16,207	17,437	17,941
New prescriptions filled	110,602	86,573	58,778	48,771	33,913	6,839	9,837	8,653	7,459	3,413
Women's health visits	-	-	-	-	-	-	-	10,687	12,285	11,070
Social Services visits	-	-	-	-	-	-	-	10,923	13,103	11,186
Other health related visits	-	-	-	-	-	-	-	16,203	11,555	6,694
Engineering & public works (2)										
Street resurfacing (miles)	86	85	78	38	34	20	28	44	13	17
Road maintenance service orders processed	2,275	2,024	1,525	1,288	1,306	2,726	1,869	2,687	2,829	1,973
Litter reduction from right of way (miles)	300	417	361	538	817	238	720	830	1,046	637
Parks & recreation (2)										
Number of park shelter reservations	404	690	843	900	931	995	1,500	3,000	3,500	3,800
Total all participants on all teams	26,150	26,800	27,700	28,750	30,345	30,402	44,450	30,000	30,000	37,000
Total number of attendees at events	26,050	16,925	35,000	35,000	16,757	16,792	90,000	20,500	21,500	90,000

* Information not yet available.

(1) Information kept by calendar year.

(2) Information kept by fiscal year.

Source: Knox County, Tennessee Sheriff, Health, Engineering & Public Works and the Parks & Recreation Departments.

KNOX COUNTY, TENNESSEE

**Capital Asset Statistics by Function
Last Ten Fiscal Years
(Unaudited)**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Sheriff										
Detention Facility	1	1	1	1	1	1	1	1	1	1
Penal Farm	1	1	1	1	1	1	1	1	1	1
Patrol units	N/A	N/A	N/A	10	10	10	8	10	10	9
Engineering & public works										
Streets (lane miles)	N/A	N/A	N/A	2,033	2,033	2,033	2,033	2,033	2,089	2,107
Bridges	137	138	138	138	138	138	142	142	142	142
Traffic signals	46	47	49	51	53	55	58	59	64	65
Parks & recreation										
Parks acreage	2,584	2,915	2,874	3,026	3,051	3,076	3,122	3,296	3,296	3,347
Parks	40	40	43	45	46	47	47	49	49	50
Spray pools	-	-	2	2	3	3	3	3	3	3
Tennis courts	5	6	6	7	7	7	7	7	7	7

Source: Knox County, Tennessee Public Safety, Engineering & Public Works and the Parks & Recreation Departments.