

# ***Knox County, Tennessee***



***Comprehensive  
Annual  
Financial  
Report***

For The Fiscal Year Ended

**June 30, 2008**

Michael R. Ragsdale  
Knox County Mayor

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2008**

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## **Introductory Section**



# OFFICE OF COUNTY MAYOR

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

January 29, 2009

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, 2008, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentations, including all disclosures, rests with the County. County management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that has been established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County and its component units. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

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

State law requires that the County obtain an annual audit of its books and records. The independent audit performed by KPMG LLP, Certified Public Accountants, has been obtained to fulfill that requirement. The auditors have issued an unqualified ("clean") opinion on the County's financial statements for the year ended June 30, 2008. 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 the Board does not issue financial statements separate from those of the County, many of the supplemental schedules and other financial information have been consolidated to more properly reflect the joint activities of the County and the Board.

### ***GOVERNMENTAL STRUCTURE***

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

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

Mayor Mike Ragsdale ran successfully for re-election in 2006. Looking ahead, he has continued to work closely with the department heads and elected officials to provide the highest quality County services and provision of the required infrastructure to support continuous improvement. This section of this document will review some of the successes of Knox County and provide a summary of Mayor Ragsdale's vision for the future.

**Looking Back.....**



*Harvest Park Playground*



*Harvest Park Splash Pad*

Knox County Parks and Recreation Department celebrated the grand opening of the New Harvest Park Farmers Market in May 2008. The new park offers something for the whole family to enjoy because of its splash pad, playground area and walking trail. This formerly underutilized piece of property now serves as a wonderful mixed-use space with a beautiful park for our citizens to enjoy and retail operations that will contribute to the ongoing prosperity of the Knox County.

In our engineering and public works department, we have paved nearly 800 miles of road in the county and striped over 600 miles. We have an adopt-a-highway program in place and have restructured our litter grant program. We constructed the Solway Green Waste Recycling facility, enabling the diversion of over 15,000 tons of tree and yard waste from area landfills and converted the waste to mulch.

We have rebuilt and remodeled John Sevier Convenience Center and constructed a facility at Forks of the River that handles household garbage, yard waste and scrap tires. We have relocated and modernized the Halls Convenience Center and the Gibbs Convenience Center. We continue to host periodic electronic waste collection events designed to help our community properly recycle electronic items, thus helping to divert many such items, which frequently contain hazardous materials, away from our landfills.

We have completed many road projects and continue to look forward to many improvements.

The County has an effective storm water management program, and we now have a traffic-calming program.

Our library system has been strengthened both by technological improvements and the construction of three new replacement libraries and two new branch libraries. We have opened an \$18 million East Tennessee History Center. This new addition will allow for needed expansion space and will preserve and display our past for future generations.



*Carter Branch Library*

The East Tennessee History Center's collection also benefited from a one-time appropriation that allowed the Historical Society to acquire at auction significant Knox County artifacts from an East Knox County estate.

Our Health Department has overseen a bioterrorism readiness exercise as well as a countywide flu shot initiative. The Health Department continues to deliver necessary services to those who need it the most in a very efficient manner. The Health Department has encouraged and supported the development of a comprehensive school health program.



Knox Countians can be proud of our community's efforts for its animal population. Though the leadership of the Health Department and a positive working relationship with the City of Knoxville as well as substantial private contributions, 2004 saw the opening of a new Animal Center as an example of our community coming together to meet a need. The Young Young-Williams Animal Center is a model people come from around the country to see.

We have vastly expanded the use of computers in County Offices. We have standardized software countywide and increased technology training for all county employees. Satellite offices in County Government have been networked. Through a strong interactive Web presence, we have improved citizens' access to County Officials and important information, and citizens can now have Internet access to all kinds of information.

Our employees are better trained and informed. Our employees participate in an annual health and benefits fair, and we have an ongoing Bright Start Wellness Program.

We have developed a Supplier Diversity Program focusing on assuring equal access in contracting and have returned over \$2 million in revenue back to the County through surplus property disposal. We participate, along with many other governments across the nation, in a government auction site to help maximize the revenue generated from disposal of surplus property.

We have committed over one million dollars toward the Beck Cultural Center recognizing its importance in our history and our future. We have been able to contribute to many local community agencies like Public TV of East Tennessee, Senior Citizens Home Assistance, Technology 2020, Second Harvest Food Bank, the Volunteer Ministry Center, the Interfaith Health Clinic and many others who make a difference for Knox County every day. Two \$1,500,000 grants were instrumental in helping toward the renovation of one of Knox County's treasures, the Historic Tennessee Theatre.

Through the continued efforts of the Development Corporation (TDC) we have seen the arrival of more businesses to Knox County each year. Since 1994, the Development Corporation has sold over \$14.4 million in industrial land within its parks and assisted in the sale of an additional \$6.8 million of land sales around the County. TDC has provided \$7.1 million in incentives to companies resulting in over \$300 million of private investment and 1,400 new, high wage jobs. For example, in 1994, WestBridge had only two companies located in it representing a total of 190 jobs. Today there are only 35 available acres left and there are now over 1,400 employees at work in companies located in the park. As a founding partner of the National Transportation Research Center (NTRC), the Development Corporation provided discounted land upon which the NTRC has located a multimillion-dollar research facility that is bringing technology out of the lab and translating it into new business opportunities in this community. This is the first facility of its kind to be built outside the Oak Ridge reservation.

We have added an additional 17 acres to the Knox County's Wildlife Refuge to expand the area's public green spaces. This purchase will anchor a pedestrian bridge spanning the French Broad River, linking a smaller part of the Seven Islands refuge to the main part of the park across the river. The 317-acre passive park on the banks of the French Broad is an idyllic refuge for paddlers, swimmers, bird watchers and dog walkers. What a wonderful legacy for us to leave to our community.

We have initiated an energy cost savings program, which was initially implemented at several Knox County schools and which is scheduled for expansion to additional school facilities and to other

Knox County facilities. Improvements to the facilities, which will be paid for by the resulting energy savings, will reduce future energy costs. This reduction of energy usage will also reduce the environmental impact of the County's energy consumption.

### **FISCAL YEAR 2008 - MAJOR INITIATIVES**

Throughout the year, the County and the Board have been involved in a variety of projects. These projects reflect the County's continuing commitment to its stated mission:

*“Delivering essential services to Knox County citizens, while building the economic base and related infrastructure needed to be competitive in the 21st century.”*

*Knox County Mission Statement*



**KNOX COUNTY'S MAYOR  
Michael R. Ragsdale**

When I first decided to run for Knox County Mayor, I campaigned on four goals to make our community better: Senior Citizens, Better Schools, Economic Development and Making Government Better Every Day. With these goals in mind, I have proposed an ambitious budget for Knox County. This budget will allow us to move forward and make Knox County a great American community. I believe this budget is a crucial turning point for our community. I want you to know where we've been and where we're going in Knox County since I've taken office. Here are some of our achievements and goals for you to see...



#### Senior Citizens

- The long awaited Ben Atchley Veterans' Home opened in 2006. Today, veterans from throughout East Tennessee are receiving the highest quality of care.
- Started a program “KAT Senior Initiative” where seniors ride Knoxville Area Transit buses, free of charge.

- Learning from consensus based on Senior Summits, expanding senior services by using “No Senior Left Behind” as our roadmap for planning
- The new Carter Senior Center opened making a total of six senior centers in Knox County.
- Several successful Senior Summits with hundreds of seniors in attendance. The summits have provided valuable information to seniors on such topics as housing, prescription drug coverage, transportation, and fraud and abuse.
- Developed “No Senior Left Behind” initiative.

### Great Schools

- The Great Schools Partnership will provide funding to improve learning from birth to kindergarten focusing on an early career path for middle school children, and improving teacher compensation in difficult to staff schools
- Hardin Valley Academy opened in August 2008 with 1,166 students. This is the first new High School since 1968.
- Imagination Library implemented in Knox County providing every child from birth until Kindergarten a book a month, at no cost to the child. Seventy-one percent of all children eligible in Knox County are enrolled.
- Expanding “Read with Me”- our national award winning volunteer program that will place one volunteer in every 1st and 2nd grade classroom each week to help students read on grade level.
- KnoxAchieves will provide an opportunity for 500 Knox County public high school graduates from the class of 2009 to obtain the skill set necessary for prosperity.

### Economic Results

- Working on JOBS NOW! A campaign to create 35,000 new regional jobs in 5 years. By creating better jobs, family income has risen by nearly \$4,000 per family
- Knox County Technology and Jobs Fund will establish a loan pool for technology based companies relocating or expanding in our county
- Enterprise Resource Planning will use technology to provide more customer friendly services instead of additional employees
- Established a Payment In Lieu of Taxes (PILOT) program which will create 600 new jobs and generate \$94 million in capital investment.

### Better Government

- Launched Office of Neighborhoods serving thousands of citizens, with virtually all receiving responses within 24 hours.
- Knox County provides Spanish content online
- Knox County “goes green” making a conscious effort to reduce waste, conserve energy and resources, and live a green lifestyle.
- Restructured the Probation and Pretrial Release Program saving taxpayer money in pretrial release services and increased revenue from probation fees by 400%

- Using low risk inmate labor to mow and clean up parks saves more than \$100,000 a year. One thousand miles of road cleaned with DUI litter pick-up program, resulting in a savings of \$50,000.
- Knox County's best ever bond rating from Standard & Poor rose from AA to AA+, which improves the county's borrowing power.

### ***Legislative Initiatives***

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

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

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

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

#### *General Construction/Renovation:*

General Project Management  
Lawson McGhee/Facilities Upgrades  
Technology Upgrades  
South Sports Complex  
City County Improvements/Developments  
Many Parks and Greenways Improvements

#### *Road Construction/Improvements:*

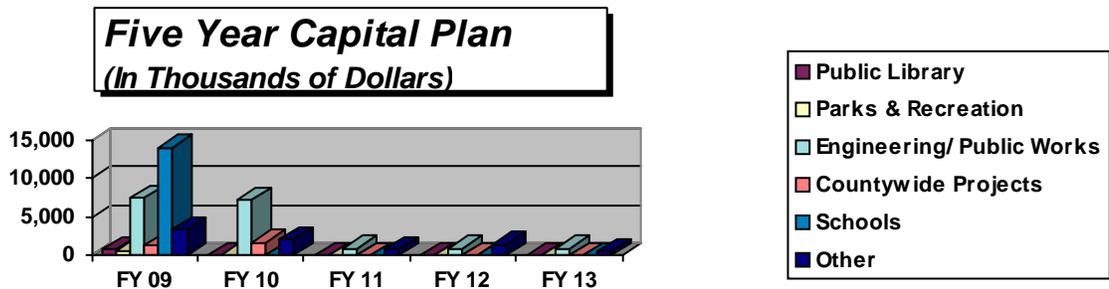
Ball Camp Pike  
Various Stormwater Improvements  
Dutchtown/Innovation  
Geometric Improvements  
General Road Improvements  
Convenience Center-Dutchtown  
CMAQ

#### *School Construction/Renovation:*

Elementary Growth  
Roofing and HVAC upgrades

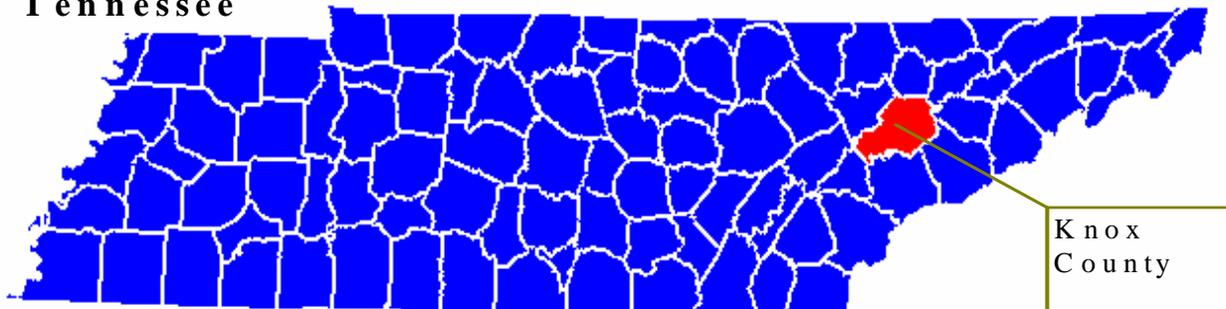
The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

Project Description	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	TOTAL
Libraries	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ 800
Countywide Projects	1,400	1,727	-	-	-	3,127
Parks & Recreation	705	210	-	-	-	915
Engineering & Public Works	7,430	7,270	1,000	1,000	1,000	17,700
Building Upgrades through PBA	3,472	2,192	926	1,483	653	8,726
Schools	14,000	-	-	-	-	14,000
<b>Total – Approved Projects</b>	<b>\$ 27,807</b>	<b>\$ 11,399</b>	<b>\$ 1,926</b>	<b>\$ 2,483</b>	<b>\$ 1,653</b>	<b>\$ 45,268</b>



## LOCAL ECONOMIC CONDITION AND OUTLOOK

### Tennessee



The County is the third most populated county in the State of Tennessee. Located in Middle Eastern Tennessee at the head waters of the Tennessee River, it is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. The U.S. Census Bureau estimates that, as of 2007, 423,874 citizens reside

within the total land area of approximately 526 square miles that make up Knox County. Knoxville, the County seat, is about 50 miles west of the North Carolina state line.

The City of Knoxville's population in 2007 was estimated at 183,546. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 20,083. Knoxville has a land area of approximately 93 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee.

### ***Manufacturing and Commerce***

Located in the northeastern portion of the State, the County, along with Anderson, Blount, Loudon, Sevier, and Union counties, is part of the Knoxville Metropolitan Statistical Area (MSA). Because of its central location in the eastern United States, the County metropolitan area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-third of the population of the United States. For many years the County has been known as one of the South's leading wholesale markets. Based on the 1998 census, there were more than 950 wholesale distribution houses, 1,980 retail establishments, and over 5,000 service industries located in the County.

The area is the trade center for a 42-county region 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.

Manufacturing firms in the MSA produce everything from shoulder pads for professional football teams to medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts.

### ***Industrial Investment***

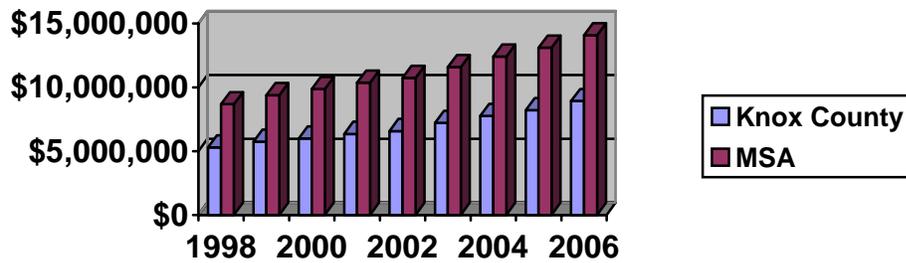
The County's business park activity continues. So much so, that previous five-year Capital Improvement Plans included significant investments in new land to meet the growing demand for land available for business location and expansion. With the Oak Ridge National Lab, the under construction Spallation Neutron Project, Tennessee Valley Authority Headquarters, the University of Tennessee so close, Knox County offers premier location opportunities for high-technology and precision manufacturing firms. The County now offers Westbridge, Eastbridge, Pellissippi Corporate Center, Center Point, I-640 Business Park and the Fairview Technology Center as ready for new business to come to Knox County as well as for our own to expand and grow. Although the County has been affected by the current recession and, unfortunately, some businesses have not survived and others are struggling to survive, we believe and hope that the County and our citizens will be well-positioned to emerge from the current recession and look forward to better times ahead.

*Commercial Development*

Several regional shopping malls and major chain department stores, and a number of shopping centers, factory outlets, and other specialty stores meet the retail needs of Knox County citizens and visitors. Traditionally, Knox County accounts a solid majority of the retail sales and economic activity of the MSA. Knox County continues as a regional economic leader.

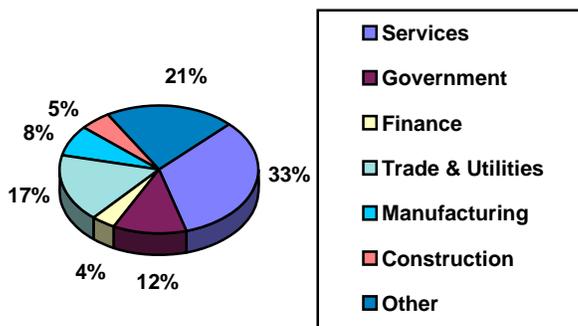
**RETAIL SALES**

(in thousands)



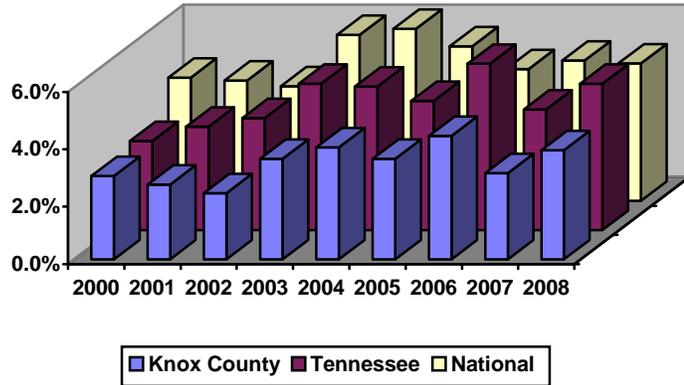
*Employment Information*

The diversification of the County's labor force has been credited as the primary contributor to the area's relatively low unemployment rate.



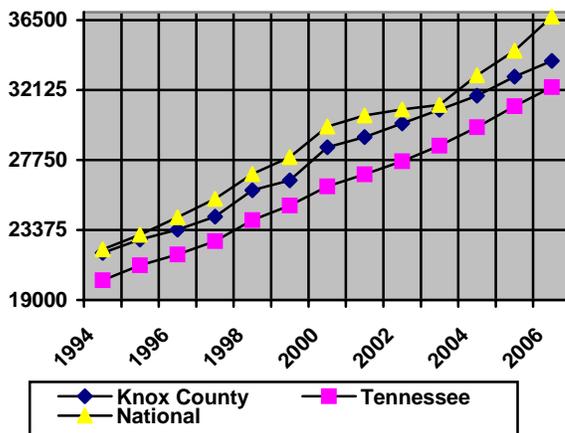
Low unemployment, one indicator of economic activity, has been a hallmark of Knox County. For June 2007, the unemployment rates according to the State of Tennessee Department of Labor and Workforce Development for the County, state and nation stood at 5.4%, 6.5% and 5.5%, respectively. Knox County has the lowest unemployment rate of the four urban counties.

**UNEMPLOYMENT DATA**



**Economic Data**

**PER CAPITA PERSONAL INCOME**



Historically, due to the County's strong economic base and its status as a regional center of commercial activity, the County's level of per capita income has exceeded the State level.

*Tourism*

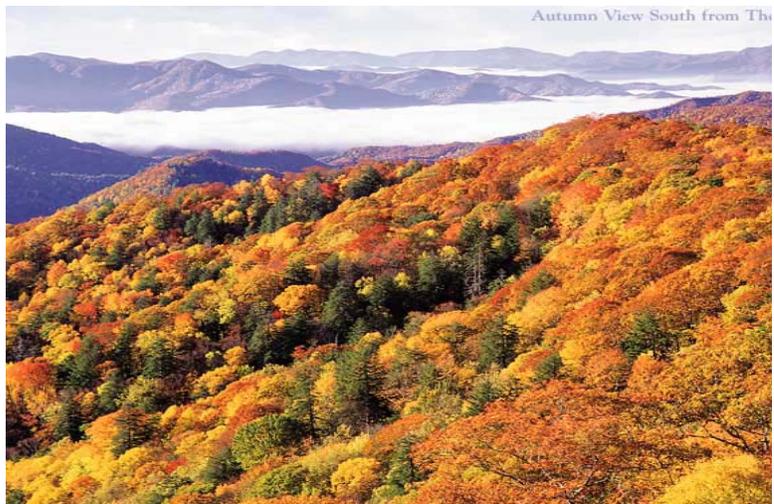


Knoxville & Knox County – home to both the U.T men’s and 8-time national champion women’s basketball teams. Thompson Boling Arena recently has been renovated and now is one of the most elaborate college basketball facility in the nation, seating 21,000. The site is also used for other events such as concerts, conventions, and other sporting events.

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

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

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



Major attractions in the Smokies include Gatlinburg (approximately 40 miles southeast of the County), a tourist town in the mountains with overnight accommodations for over 60,000 people, and Pigeon Forge (approximately 20 miles southeast of the County), located at the foothills of the mountains with overnight accommodations for over 40,000 people. Numerous restaurants, gift and craft shops, along with a ski lodge, ski lifts and tramway, make Gatlinburg a year-round resort town. Pigeon Forge is known for being home to hundreds of retail outlets and Dollywood, a theme park developed by the country music singer, Dolly Parton.

## ***FINANCIAL INFORMATION***

### ***Internal Controls***

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

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

### ***Budgetary Controls***

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

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

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

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

It is the County's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, the County's and the Board's deposits were either insured by federal depository insurance or collateralized. The investments held by the County at June 30, 2006, excluding the portion invested in the State Treasurer's investment pool and investments of the Pension Trust funds, consisted of securities of the U.S. Government or its agencies.

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

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

The employees of the County and the Board participate in a variety of retirement plans. The majority participate in a defined contribution plan (*County DC Plan*). Those not participating in the defined contribution plan participate in the County or the Board's respective defined benefit plans or the Tennessee Consolidated Retirement System. Both the County's and the Board's defined benefit plans are closed to new members. Participation in one of these plans for eligible employees is mandatory and a condition of employment. Employees are given the option to voluntarily participate in the *Medical Retirement Plan* (a defined contribution plan) and employees who are eligible (based on years of service) to participate in the new *Voluntary 457 Plan* may choose to participate. The participants in the *Medical Retirement Plan* include a number of retirees, who are allowed to remain in the plan while paying 100% of the related premium. The premiums are at the same amount as established for current employees. The County has implemented the provisions of Governmental Accounting Standards Board Statement No. 45, resulting in a liability of \$129,744 reported in the Statement of Net Assets. In 2008 a new defined benefit plan, the *Uniformed Officers Pension Plan*, was established pursuant to the approval by Knox County electorate for the benefit of sworn officers of the Sheriff's Department.

The defined contribution plans offer participants a variety of investment options depending on their sensitivity to risk in their personal portfolio. Plan benefits depend solely on amounts contributed to

the respective plans plus investment earnings. The operations of the pension plans are recorded as pension trust funds in the County's reporting entity.

### ***Risk Management***

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

## ***OTHER INFORMATION***

### ***Awards***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Knox County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the twelfth 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 also received, for the twelfth consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2008 Annual Operating Budget. In qualifying for the award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

*Acknowledgments*

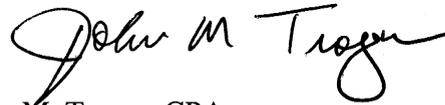
The preparation of the CAFR was made possible by the dedicated service of the Department of Finance. Those involved have our sincere appreciation for the individual and collective contributions made in the preparation of the report. It is especially important to recognize the additional efforts required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

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

Sincerely,



Michael R. Ragsdale  
Knox County Mayor



John M. Troyer, CPA  
Senior Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Knox County  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

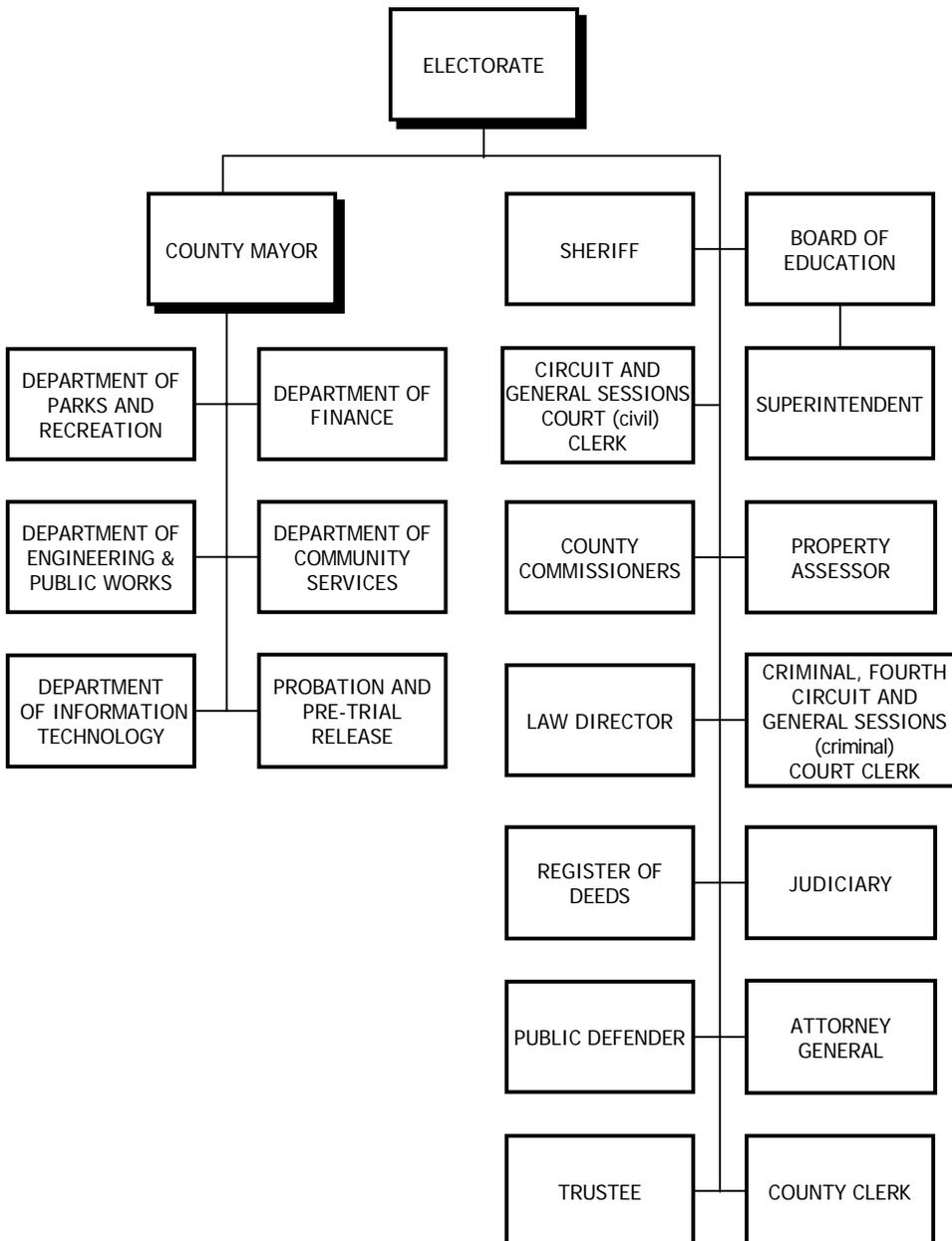
Executive Director

**Knox County, Tennessee**  
**Roster of Publicly Elected Officials**  
**As of January 29, 2009**

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



**Knox County**



**Board of Commissioners:**

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

**Board of Education:**

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



## **Financial Section**



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

## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Knox County, Tennessee (the County) as of and for the year ended June 30, 2008, 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 an opinion on these financial statements based on our audits. The accompanying financial statements of Knox County, Tennessee as of June 30, 2007, were audited by other auditors whose report thereon dated December 18, 2007, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Knox County, Tennessee as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note IV D, the County implemented Governmental Accounting Standards Board Statement (GASB) No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*", effective July 1, 2007.

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

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

KPMG LLP

January 29, 2009

## Management's Discussion and Analysis

As management of the Knox County Government, we offer readers of the Knox County Government's financial statements this narrative overview and analysis of the financial activities of the Knox County Government for the fiscal year ended June 30, 2008. 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-xvii of this report. All amounts, unless otherwise indicated, are expressed in dollars.

### Financial Highlights

- The assets of the Knox County Primary Government Governmental Activities exceeded its liabilities at the close of the most recent fiscal year by \$138,343,388 (net assets), which compares to \$196,422,835 in 2007. The assets of the Knox County Government Total Reporting Unit exceeded its liabilities at the close of the most recent fiscal year by \$509,105,740 (net assets), which compares to \$578,122,785 in 2007. However, most of the County's net assets balance is invested in capital assets, which will be used in the County's ongoing operations. Conversely, the unrestricted net assets amounts of \$187,843,510 (deficit) and \$116,373,042 (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. This is compared to prior year amounts of \$205,476,472 (deficit) and \$130,933,635 (surplus), respectively.
- Of the Primary Government's \$138,343,388 net assets balance, \$292,499,226 was invested in Capital Assets (net of related debt), \$30,423,887 was restricted for Debt Service, and \$3,263,785 was restricted for Other Purposes. The difference of \$187,843,510 (unrestricted net assets) is reported as a deficit, an improvement of \$17,632,962 over the prior year unrestricted deficit of \$205,476,472. The reported deficit comes from the process by which the County issues debt on behalf of the Knox County Board of Education. The County issues general obligation debt for the Board, the proceeds of which are used for School projects resulting in Board assets. The Board then makes debt service payments to the County from future budgets. Since the debt is issued in the County's legal name, the debt is reported as a liability of the Primary Government. The unrestricted net deficit demonstrates the expectation of the Board to fund its portion of the total debt in future years.
- The Primary Government's total net assets decreased by \$58,079,447 representing 17.9% of the \$325,147,815 expenses of the Primary Government. This compares to the reported 2007 decrease of \$33,648,817, or 11.2% of 2007 expenses totaling \$299,776,655. The primary reason for the decrease in net assets for both years is the amount borrowed on behalf of other entities. In 2008, the Primary Government issued \$57 million in pension obligation bonds. These bonds were issued pursuant to the establishment of a new defined benefit pension plan available to County uniformed officers. During fiscal year 2007, the County electorate voted to allow uniformed officers the option of a defined benefit pension plan (the Sheriff's Uniformed Officers Pension Plan, or UOPP), and the plan was established effective July 1, 2007. Management of the County, along with its Retirement Pension Board and its pension consultants, estimated that the establishment of the plan created an unfunded actuarial accrued liability at inception of approximately \$57 million, representing the estimated cost to provide future benefits to eligible participants applicable to services

already rendered as of the inception of the plan. The Primary Government issued general obligation bonds of \$57 million and transferred the proceeds to the Plan in order to make funds available for benefits and to help satisfy the liability created for prior service costs that came into existence with the establishment of the Plan, thus reducing the net assets of the primary government. This single transaction accounted for more than 98% of the County's change in net assets. In 2007, the Primary Government borrowed \$18.5 million that was transferred to the Board of Education Component Unit for capital purposes, and paid an additional \$10.7 million to the Component Unit as funding for the Hardin Valley Academy and for School Property/Plant Upgrades (PPUs), for a total of nearly \$30 million in amounts provided from the Primary Government to the Board Component Unit for capital purposes. All of these amounts are classified as expenses in the Primary Government operations. As the individual funds are budgeted to "break even" prior to depreciation expense, these results demonstrate how closely matched revenues and expenses were -- as the County continued its long record of operating within the approved budget. The Total Reporting Unit's total net assets decreased by \$69,017,045, or 8.7% of 2008 expenses of \$794,494,850. If the effects of the \$57 million payment to the Uniformed Officers Pension Plan were removed from consideration, the decrease would have been \$12,017,045, or 1.5%. This compares to the 2007 decrease of \$17,110,694, or 2.3% of 2007 expenses totaling \$738,565,069. These amounts include charges for depreciation. Included in the government-wide expenses is depreciation expense of \$26.2 million and \$9.5 million for the County and Board of Education, respectively. Without depreciation expense (a non-budgeted item) and the 2008 expense for the amount paid to the Plan (a non-reoccurring item), the Total Reporting Unit would have realized an increase in net assets of \$23.7 million for 2008.

- As of the close of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$84,369,382, a decrease of \$26,823,889 in comparison with the prior year balances of \$111,193,271. The decrease includes the effects of the planned spending down of funds for capital purposes of \$29,560,873. Excluding the effects of these expenditures, an increase of \$2,736,984, or 1.0% of total revenues, would have been realized. This result again demonstrates the close matching of revenues and expenditures. Of the total fund balance amount, \$63,170,939 (75%) is available for spending at the government's discretion (unreserved fund balance). This compares to the total unreserved fund balance of \$80,423,170 (72%) for the prior year. Unreserved and undesignated fund balance for the County's governmental funds decreased from \$74,807,415 to \$53,821,172, a decrease of \$20,986,243, primarily as a result of the spending down of amounts borrowed in the prior year for capital purposes.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$48,348,469 (32% of total General Fund expenditures of \$150,089,687), compared to \$46,495,324 (33% of last year's expenditures of \$141,544,934). The undesignated portion of the County's General Fund decreased to \$39,843,207, or 26.5% of General Fund expenditures, compared to the prior year end balance of \$43,467,482, or 30.7% of General Fund expenditures. The \$39.8 million undesignated balance is greater than the amount that was projected upon adoption of the General Fund budget by \$3.4 million. These measures of fund balance demonstrate the County's continued fiscal discipline and show that the County is positioned well 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 increased by \$32,814,533 (5.6 percent) during the current fiscal year, compared to the prior year total of \$580,517,336. Of the current year total of \$613,331,869, \$367,701,928 pertains to County general government activities and \$245,629,941 pertains to the Knox County Schools Component Unit. The key factors in this increase were: (1) The issuance of \$57 million in bonds to provide partial funding for the prior service costs associated with the newly adopted Uniformed Officers Pension Plan, in accordance with the County's Five-Year Capital Improvements Plan, less (2) Principal paid of \$24 million.
- The County Property Tax Rate was \$2.69, the same as for the prior 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.

**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 no business type activities.

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): school district – the Board of Education (The Board), a legally separate Emergency Communications District, and the Knox County Railroad Authority for which the Knox County Government is financially accountable. Financial information for these component units is reported separately from the financial information

presented for the primary government itself. The Emergency Communications District issues separate financial statements. The School Board and the Railroad Authority do not issue separate financial statements. The government-wide financial statements can be found on pages 17 and 18 of this report.

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

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

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

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

The Knox County Government adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund for information in the Required Supplemental Information section of the report. For a more detailed demonstration of budgetary compliance, the County also issues a separate Budget Report to the Citizenry, which is available at the County Finance Office.

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

**Proprietary funds.** There are two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Knox County Government does not use enterprise funds. *Internal*

*service funds* are an accounting device used to accumulate and allocate costs internally among the Knox County Government's various functions. Knox County Government uses internal service funds to account for its fleet service operations, mailroom operations, employee benefits activities, retirement office operations, self-insurance activities, central maintenance operations, technical support operations, and fleet capital leasing activities. Because these services benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-99 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 100-104 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 118-148. Combining and individual fund statements for internal service funds can be found on pages 149-169 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 \$509,105,740 at the close of the most recent fiscal year, which compares to \$578,122,785 from last year. The Primary Government's net assets totaled \$138,343,388, which compares to last year's net assets of \$196,422,835. If the payment to the pension plan (a non-reoccurring item) and depreciation expense (a non-budgeted item) were excluded from these results of operations, the Total Reporting Unit and the Primary Government would have had an increase in net assets of \$23.7 million and \$25.1 million, respectively. The actual results are in line with the County's expectations, as 98.1% of the decrease relates to the funds remitted to the new pension plan.

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

	<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>
Current and Other Assets	\$ 310,526,404	\$ 335,464,378
Capital Assets	664,537,970	662,751,166
Total Assets	975,064,374	998,215,544
Long-term Liabilities Outstanding	593,250,330	561,146,094
Other Liabilities	243,470,656	240,646,615
Total Liabilities	836,720,986	801,792,709
Net Assets:		
Invested in Capital Assets, net of Related Debt	292,499,226	333,733,504
Restricted	33,687,672	68,165,803
Unrestricted (Deficit)	(187,843,510)	(205,476,472)
Total Net Assets	\$ 138,343,388	\$ 196,422,835

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 related debt used to acquire those assets that is still outstanding. 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 net assets represents resources that are subject to external restriction on how they may be used. These include restricted for Debt Service \$30,423,887 (last year \$32,657,102) Capital Projects \$0 (last year \$32,605,136) and Other Purposes \$3,263,785 (last year \$2,903,565). The remaining balance of *unrestricted net assets* deficit of \$187,843,510 improved by \$17,632,962 compared to the prior year deficit of \$205,476,472. The improvement includes the effects of the positive differences between the amounts expected to be realized from the General Fund operations for the year compared to its adopted budget, which were realized from a combination of revenues significantly exceeding budgeted expectations combined with prudent management of

expenditures. These factors are described in more detail in the following discussion of the results of the governmental funds. The unrestricted net assets balance represents funds that would normally be available to be used to meet the government's ongoing obligations to citizens and creditors. The primary reason for the deficit balance is due to the County's recognition of long-term debt that will be funded through tax collections in future years. This helps to match the benefits of a long-term asset with the constituency who pays for it. The County issues debt for the Knox County Board of Education. As the Board and the County Commission identify school capital needs that require funding from bonds (through the long-term capital planning process), the County issues those bonds on behalf of the School Board. Repayment of the bonds is funded through the School operating budget each year. Since the County is the legal entity issuing the bonds, the bonds are considered a liability of the County, while the associated capital assets are reported with the Knox County Board of Education. The payments of the debt related to the bonds issued on behalf of the School Board are made from the Board's budgeted funding each year. At June 30, 2008, the amount of bonds and notes issued by the County on behalf of the School Board still outstanding was \$245,629,941 (excluding unamortized premium) compared to prior year of \$256,573,411. 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 \$57,786,431 in 2008, which is 113.1% of the 2007 balance of \$51,096,939.

At the end of the current fiscal year, the Knox County Government is able to report positive balances in all three categories of Total net assets -- for the Total Reporting Unit, for the Primary Government and for each of its separate component units. The same situation held true for the prior fiscal year. The Total Reporting Unit's net assets decreased by \$69,017,045 during the current fiscal year (\$17,110,694 reported last year). The primary reason for the total decrease was the \$57 million proceeds from borrowing remitted to the Uniformed Officers Pension Plan to provide funding for benefits for the newly adopted plan, reducing net assets for the Primary Government. These activities also include \$35.7 million for depreciation (\$26.2 million in Primary Governmental Activities and \$9.5 million related to the School Board's operations). The County finished very much in line with expectations. Depreciation is a non-cash expense that is not recorded at the individual governmental fund level.

**Governmental activities.** Governmental activities decreased the Knox County Primary Government's net assets by \$58,079,447. As noted above, the decrease includes the effects of \$57 million paid to the Uniformed Officers Pension Plan. Also included in this amount are payments totaling \$11,385,000 to the Board on Education Component Unit (\$5,000,000 for PPU's and \$6,385,000 for the Great Schools Partnership). Excluding those payments, governmental activities would have increased net assets by \$10.4 million. The County had intended for operations to break even during the current year; the \$10.4 million increase is 0.3% of the current year primary government expenses of \$325,147,815. The current year results compare with the prior year's \$33,648,817 decrease (which would have been a decrease of just \$326,030 excluding the payments to the Component Unit Schools Board for capital purposes and for the Great Schools Partnership).

School Capital Projects decreased \$31,439,014 in the current year, compared to a decrease of \$1,684,724 in the prior year. The difference resulted primarily from the planned spending down in the current year of amounts paid to the Board from bond proceeds borrowed on behalf of the Board. As the projects proceed, the funds will decline. The Knox County School Board activity

decreased the County's total net assets by \$12,694,015. This decrease is primarily due to the planned spending down of funds for capital purposes.

The Total Reporting Unit recorded a decrease in net assets of \$69,017,045, which is 8.7% of Total Expenses of \$794,494,850. This decrease includes the effects of the \$57 million payment to the UOPP. It also includes the effects of depreciation expense for the Total Reporting Unit, which included \$26.2 million for the Primary Government and \$9.5 million for the Board, for a total of \$35.7 million depreciation expense applicable to governmental activities of the Primary Government and the Board. Excluding these amounts, the Total Reporting Unit would have reported an increase in net assets of \$23.7 million. As the County's intent at the start of the year was to "break even" before depreciation, these results confirm the County has again demonstrated its financial discipline in another successful year.

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

#### **Knox County Primary Government's Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>Primary Government</b>	
	<b>2008</b>	<b>2007</b>
	<hr/>	
<b>Revenues</b>		
Charges for Services	\$ 42,527,149	\$ 39,594,141
Operating Grants and Contributions	15,232,355	20,535,731
General Revenues:		
Taxes	165,269,185	160,845,676
Interest Income	5,641,188	8,179,185
Other Revenues	36,856,107	36,388,422
Contracts with Governments and Citizens	419,470	584,683
Miscellaneous	1,122,914	-
<b>Total Revenues</b>	<hr/> <b>\$ 267,068,368</b>	<hr/> <b>\$ 266,127,838</b>
<b>Expenses:</b>		
Finance and Administration	\$ 51,958,546	\$ 45,455,625
Administration of Justice	16,211,461	15,277,291
Public Safety	68,451,915	66,700,896
Public Health and Welfare	40,522,819	41,159,224
Social and Cultural Services	21,148,707	22,529,501
Other General Government	70,123,266	29,875,295
Highways	22,815,377	23,683,431
Debt Service	28,915,724	25,920,605
Education Payment to Component Unit	5,000,000	29,174,787
<b>Total Expenses</b>	<hr/> <b>\$ 325,147,815</b>	<hr/> <b>\$ 299,776,655</b>
<b>Change in Net Assets</b>	<b>\$ (58,079,447)</b>	<b>\$ (33,648,817)</b>
Net Assets - July 1	196,422,835	230,071,652
Net Assets - June 30	<hr/> <b>\$ 138,343,388</b>	<hr/> <b>\$ 196,422,835</b>

Once again, Education was the largest single activity by far for the fiscal year. The payment to the Board from the Primary Government decreased compared to the prior year, as the prior year included payment to the Board for borrowing for capital purposes of \$18.5 million, and no such borrowing was done in the current year. The increase in the Other General Government

category of expenses is largely due to the inclusion of the \$57 million payment to the UOPP. Other increases in expenses closely paralleled inflation and growth in the demand for services.

### **Knox County's Total Reporting Unit -- Governmental Activities**

	<b>2008</b>	<b>2007</b>
Finance and Administration	\$ 45,573,546	\$ 41,307,625
Administration of Justice	16,211,461	15,277,291
Public Safety	68,451,915	66,700,896
Public Health and Welfare	40,522,819	41,159,224
Social and Cultural Services	21,148,707	22,529,501
Other General Government	70,505,804	30,173,689
Highways	22,815,377	23,683,431
Debt Service	28,915,724	25,920,605
Education	473,954,748	465,510,395
Emergency Communications	6,394,749	6,302,412
Total	\$ 794,494,850	\$ 738,565,069

The Other General Government category includes the \$57 million expenditure related to the establishment of the Uniformed Officers Pension Plan. The Finance and Administration category includes an increase in depreciation expense of \$2.5 million compared to the prior year's depreciation expense.

#### **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the Knox County Government's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Knox County Government's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year and to help ensure future stability of governmental operations.

As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$84,369,382, a decrease of \$26,823,889 in comparison with the prior year total of \$111,193,271. The primary reason for the decrease was the planned spending down of the Capital Projects Public Improvement Fund balance of \$29,560,873. The County has issued general obligation bonds subsequent to the end of the year in accordance with the County's Five-Year Capital Improvements Plan, which eliminated the deficit. The fund balances include amounts: 1) to liquidate contracts and purchase orders of the prior period and specially reserved items (\$21,198,443), 2) to be used for specific designated items (\$8,505,262), 3) to be used in conjunction with special revenue purposes (\$11,073,687), or 4) capital projects (\$2,374,957) or 5) Debt Service (\$24,383,887). All of these amounts are in

line with the County's expectations and intentions. The County continues to show its financial strength and stability.

The General Fund is the chief operating fund of the Knox County Government. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$39,843,207, compared to \$43,467,482 last year, while total fund balance increased to \$59,373,124 compared to last year's \$55,801,975. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 26.5% of total General Fund expenditures, compared to 30.7% last year. The actual unreserved and undesignated fund balance as a percentage of actual expenditures (26.5%) compares favorably to the budgeted balance as a percentage of budgeted expenditures (23.3%). Total fund balance represents 39.6% of actual expenditures compared to 39.4% 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 \$3,571,149 during 2008, compared to last year's \$1,796,567 decrease. The General Fund's original budget planned for a net decrease in fund balance for the year of \$7,004,158. The actual undesignated fund balance was \$3,379,883 greater than the budgeted amount of \$36,463,324. Key factors in the positive outcomes for the General Fund are as follows:

- Revenues exceeded Budget in six of ten categories for a net \$5,904,701 positive variance, or 3.9% above Budget. This result shows how the County's economy continues to grow and how the County is budgeting revenues with a conservative posture. Local tax revenues, which include Property and Sales Taxes (among others), exceeded Budget by \$2,021,634. Some of the positive results were due to one-time collections – for example, the County's continuing work to ensure County taxes are correctly remitted from the State and for extra effort in collecting back taxes. Some of the positive results are due to the continuing growth in the County's economy coupled with the use of conservative, realistic estimates of revenues estimated for budgeting purposes.
- The General Fund Reserved Fund Balances increased by \$1,718,004 to \$11,024,655, while Designated Fund Balances increased by \$5,477,420. The designated fund balance increase was primarily due to the County's planned designation of General Fund savings of \$5,518,436 toward the County's five year Capital Plan. The General Fund Undesignated Fund Balance decreased by just \$3,624,275 to \$39,843,207, compared to the budgeted decrease to \$36,463,324 (a planned decrease of \$7,004,158).
- The General Fund departments, in their normal conservative pattern, showed their fiscal responsibility by turning back unspent budget of \$10,547,199 (6.6% of the final allowed budget of \$160,636,886) for the fiscal year (compared to last year's results of \$5,296,395, or 3.6% of the budget of \$146,841,329).

The Debt Service Fund has a total fund balance of \$30,423,887, which compares to \$32,657,102 last year. The undesignated portion totaled \$24,383,887 and \$26,613,457 in 2008 and 2007, respectively. The net decrease in fund balance during the current year was \$2,233,215, compared to an increase of \$2,031,988 last year. The undesignated portion of the Debt Service Fund decreased in the current year by \$2,229,570, compared to an increase of

\$2,496,988 last year. The County had planned for a decrease in the Debt Service Fund, and had budgeted for \$9,016,290 to be applied to the current year budget. As the current year result of operations was an actual decrease in fund balance of \$2,233,215, the fund experienced a positive variance of \$6,783,075. This resulted from the significant savings from conservatively budgeting for its expenses that the County experienced from its variable rate debt, and 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.

**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 \$10,797,740 compared to \$8,034,227 at the end of 2007. The increase of \$2,763,513 was primarily due to the \$1,378,500 reduction of the estimated general claims liability for the County's Self Insurance Fund, plus the \$502,044 change in net assets experienced for the County's Self Insurance Healthcare Fund in its first (partial) year of operations. These positive results are related to the County's total risk management efforts. 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 operating income for all Internal Service Funds was \$293,575 (0.5% of total charges for services of \$58,748,965), demonstrating the close relationship between revenues and expenses for these funds.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were within the normal course of County business and totaled a net \$4,541,770 increase in net budgeted spending. Included in the increases were normal carryover appropriations for projects not completed during the previous fiscal year and appropriations for close-out of the fiscal year end.

The County continued to show the results of conservative budgeting and careful stewardship of approved spending. These qualities were again demonstrated by positive actual results, including revenues exceeding amended budgetary estimates by \$5,904,701 and expenditures less than budgetary provisions by \$10,547,199. The overall General Fund Balance increased by \$3,571,149. This exceeds the budgeted decrease of \$12,052,958 by \$15,624,107. These results include the realization of revenues in excess of the budget, particularly in the areas of local taxes (which includes property and sales taxes), interest earnings and intergovernmental revenues, combined with significant savings from expenditures less than the budget. As a result of the large positive results compared to budget for the year, the County has designated \$8,505,262 of the fund balance to future uses, compared to designations as of June 30, 2007 of \$3,027,842. The undesignated portion of the County's General Fund Balance decreased by \$3,624,275, compared to the planned decrease of \$7,004,158. Total unreserved fund balance (designated plus undesignated) totaled \$48,348,469, compared to the prior year total of \$46,495,324, an increase of \$1,853,145. These results reflect a stronger than expected economy and prudent management of expenses.

## **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) for its governmental activities as of June 30, 2008, of \$983,138,862, which compares to the prior year total of \$951,447,183. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net increase in the Knox County Government's investment in capital assets for the current fiscal year was \$31,691,679 (3.3 percent), most of which relates to spending within the County's Five-Year Capital Plan.

Spending for major capital asset additions during the current fiscal year included the following: The New Harvest Park, Schumpert Park, various libraries and senior centers, expansion of the Detention Facility and Burlington Library, addition and renovations to Powell Middle School, numerous road projects, and various other projects.

The County Primary Government's investment in capital assets for its governmental activities as of June 30, 2008 amounts to \$917,558,622 less accumulated depreciation of \$253,020,652, leaving a net book value of \$664,537,970. The prior year net book value totaled \$662,751,166, an increase of \$1,786,804 resulting from acquisition of capital assets in excess of current year depreciation and retirements. This investment in capital assets includes land and land improvements, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the County, such as roads and streets, bridges, sidewalks, lighting systems, and similar items.

Additional information on the Knox County Government's capital assets can be found in note III.C on pages 49-50 of this report and pages 192-194.

**Long-term debt.** At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$613,331,869, compared to \$580,517,336 at the end of 2007. All of the bonded debt was backed by the full faith and credit of the County government. \$245,629,941 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remainder (\$367,701,928) of the Knox County Government's debt represents bonds issued solely for general government purposes. In Fiscal 2008, the County issued \$57 million for the unfunded actuarial accrued liability related to the Uniformed Officers Pension Plan, and remitted the net proceeds to the Plan. During FY 2007, the County issued debt of \$50,450,000 for County governmental purposes and \$18,550,000 on behalf of the Knox County Schools.

**KNOX COUNTY GOVERNMENT’S Bonded Debt Changes during FY 2008:**

<b>Rollforward of Debt:</b>	<b>Primary</b>		<b>Total</b>
	<b>Government</b>	<b>Board</b>	
Beginning Balance	\$ 323,943,925	\$ 256,573,411	\$ 580,517,336
Principal Paid	(13,241,997)	(10,943,470)	(24,185,467)
Issued Amounts	57,000,000	-	57,000,000
Ending Amount – Bonds	<u>\$367,701,928</u>	<u>\$245,629,941</u>	<u>\$613,331,869</u>

The Knox County Government’s total bonded debt increased by \$32,814,533 (5.7 percent) during the current fiscal year. The key factor in this increase was the issuance in fiscal 2008 of \$57,000,000 million in pension obligation bonds.

Subsequent to the end of the fiscal year, the Knox County Government received an increase in its bond rating to “AA+” from “AA” from Standard & Poor’s, the highest rating in County history. The County also maintains an “Aa2” rating from Moody’s for general obligation debt. 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 debt outstanding for the County Government is \$613,331,869. This translates to approximately \$1,606 per capita using the 2000 census population. This compares to \$1,520 per capita last year.

Additional information on the Knox County’s long-term debt can be found in the Notes to the Financial Statements of this report on pages 62-72.

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

- The unemployment rate for Knox County for June 2008 was 5.4% (subsequently even lower at 5.3% for September 2008), which is an increase from the rate of 3.3% percent a year earlier. This compares favorably to the state’s average rate of 6.5% percent for June 2008, and 4.1% for June 2007. The national unemployment averages are 5.5% for June 2008 and 4.5% for June 2007. Knox County has the lowest unemployment rate of Tennessee’s 6 Metropolitan Statistical Areas (MSA). 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 hold it own in the near term, while the longer term has a much more positive outlook.

All of these factors were considered in preparing the Knox County Government's budget for the 2009 and 2008 fiscal years.

**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, 2008

	<b>Primary Government</b>	<b>Component Units</b>			<b>Total Reporting Unit</b>
	<b>Total -- Governmental Activities</b>	<b>Knox County Board of Education</b>	<b>Knox County Railroad Authority</b>	<b>Knox County Emergency Communications District</b>	
<b>Assets</b>					
Cash and Cash Equivalents	\$ 97,526,325	\$ 50,275,238	\$ 26,630	\$ 7,170,936	\$ 154,999,129
Accounts Receivable	22,824,299	35,152,510	23,963	957,646	58,958,418
Property Taxes Receivable, net	133,366,593	112,171,027	-	-	245,537,620
Notes Receivable	14,175,013	-	-	-	14,175,013
Investments	21,709,530	-	-	-	21,709,530
Due from Component Units	175,759	-	-	-	175,759
Due from Primary Government	-	35,999,181	-	12,026	36,011,207
Due from Other Governments	1,637	-	-	-	1,637
Advances to Other Governments	2,500,000	-	-	-	2,500,000
Inventories	313,916	1,090,672	-	-	1,404,588
Prepaid Items	918,306	1,286,723	-	15,971	2,221,000
Pension Asset	3,879,482	-	-	-	3,879,482
Equity Interest in Joint Venture	5,866,537	-	-	-	5,866,537
Advances to Component Unit	3,886,250	-	-	-	3,886,250
Capital Assets:					
Land and Construction in Process	151,359,397	76,573,929	-	163,614	228,096,940
Other Capital Assets, Net of Accumulated Depreciation	513,178,573	235,013,242	-	6,850,107	755,041,922
Deferred Bond Issue Costs, Net of Accumulated Amortization	3,382,757	-	-	-	3,382,757
<b>Total Assets</b>	<b>975,064,374</b>	<b>547,562,522</b>	<b>50,593</b>	<b>15,170,300</b>	<b>1,537,847,789</b>
<b>Liabilities</b>					
Accounts Payable	16,559,101	61,204,621	21,650	203,778	77,989,150
Due to Component Units	36,011,207	-	-	-	36,011,207
Due to Primary Government	-	172,563	-	3,196	175,759
Unearned Revenue	147,286,059	107,636,924	-	107,525	255,030,508
Accrued Interest	4,193,376	-	-	-	4,193,376
Accrued Pension Obligation	-	3,299,910	-	-	3,299,910
Other Post-Employment Benefits Obligation	129,744	-	-	-	129,744
Advances from Primary Government	-	-	-	3,886,250	3,886,250
Self-insurance Liability	6,857,237	-	-	-	6,857,237
Long-term Obligations:					
Due in Less than One Year	32,433,932	2,673,245	-	786,796	35,893,973
Due in More than One Year	593,250,330	10,699,608	-	1,324,997	605,274,935
<b>Total Liabilities</b>	<b>836,720,986</b>	<b>185,686,871</b>	<b>21,650</b>	<b>6,312,542</b>	<b>1,028,742,049</b>
<b>Net Assets</b>					
Invested in Capital Assets	-	302,973,945	-	-	302,973,945
Invested in Capital Assets, Net of Related Debt (see note below)	292,499,226	-	-	5,083,721	51,953,006
Restricted for:					
Debt Service	30,423,887	-	-	-	30,423,887
Capital Projects	-	2,387,774	-	-	2,387,774
Other Purposes	3,263,785	1,730,301	-	-	4,994,086
Net Assets - Unrestricted (see note below)	(187,843,510)	54,783,631	28,943	3,774,037	116,373,042
<b>Total Net Assets</b>	<b>\$ 138,343,388</b>	<b>\$ 361,875,651</b>	<b>\$ 28,943</b>	<b>\$ 8,857,758</b>	<b>\$ 509,105,740</b>

The sum of the rows that report the net asset categories for Invested in Capital Assets, Net of Related Debt, and Net Assets-Unrestricted applicable to the primary government and the component units do not equal the related amounts shown in the Total Reporting Entity column. The difference of \$245,629,941 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 \$245,629,941 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, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Total Reporting Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units			
					Governmental Activities	The Board	KCRA		The District
<b>Primary government:</b>									
Governmental activities:									
Finance and Administration	\$ 45,573,546	\$ 23,475,489	\$ 743,370	\$ -	\$ (21,354,687)			\$ (21,354,687)	
Finance and Administration-Payment to Component Unit	6,385,000	-	-	-	(6,385,000)			(6,385,000)	
Administration of Justice	16,211,461	12,348,218	178,645	-	(3,684,598)			(3,684,598)	
Public Safety	68,125,715	983,881	4,542,490	-	(62,599,344)			(62,599,344)	
Public Safety-Payment to Component Unit	326,200	-	-	-	(326,200)			(326,200)	
Public Health and Welfare	40,356,191	4,283,390	7,220,268	-	(28,852,533)			(28,852,533)	
Public Health and Welfare-Payment to Component Unit	166,628	-	-	-	(166,628)			(166,628)	
Social and Cultural Services	21,148,707	1,327,729	745,019	-	(19,075,959)			(19,075,959)	
Agricultural and Natural Resources	461,142	-	-	-	(461,142)			(461,142)	
Other General Government	69,662,124	88,337	868,297	-	(68,705,490)			(68,705,490)	
Highways	22,815,377	20,105	934,266	-	(21,861,006)			(21,861,006)	
Education - Payment to Component Unit	5,000,000	-	-	-	(5,000,000)			(5,000,000)	
Debt Service - Interest and Fees	28,915,724	-	-	-	(28,915,724)			(28,915,724)	
<b>Total primary government</b>	<b>\$ 325,147,815</b>	<b>\$ 42,527,149</b>	<b>\$ 15,232,355</b>	<b>\$ -</b>	<b>(267,388,311)</b>			<b>(267,388,311)</b>	
<b>Component units:</b>									
Board of Education	\$ 462,569,748	\$ 13,744,165	\$ 50,531,225	\$ -	\$ (398,294,358)	\$ -	\$ -	(398,294,358)	
Knox County Railroad Authority	382,538	-	397,236	-	-	14,698	-	14,698	
Knox County Emergency Communications District	6,394,749	5,605,505	40,000	-	-	-	(749,244)	(749,244)	
<b>Total component units</b>	<b>\$ 469,347,035</b>	<b>\$ 19,349,670</b>	<b>\$ 50,968,461</b>	<b>\$ -</b>	<b>(398,294,358)</b>	<b>14,698</b>	<b>(749,244)</b>	<b>(399,028,904)</b>	
<b>General Revenues:</b>									
Property Taxes					128,874,750	102,342,297	-	-	231,217,047
Sales Taxes					9,952,384	125,522,010	-	-	135,474,394
Lodging Taxes					5,382,819	-	-	-	5,382,819
Business Taxes					6,629,276	-	-	-	6,629,276
Wheel Taxes					10,636,138	1,500,030	-	-	12,136,168
Other Local Taxes					3,793,818	1,352,978	-	-	5,146,796
Interest Income					5,641,188	1,460,028	-	278,995	7,380,211
Payments from Component Units					23,614,046	-	-	-	23,614,046
Payments from Primary Government					-	11,385,000	-	492,828	11,877,828
Shared Revenues					7,441,094	-	-	-	7,441,094
Other Revenues					5,800,967	-	-	-	5,800,967
Other Governments and Citizens Groups					419,470	-	-	1,719,140	2,138,610
Miscellaneous					1,122,914	-	-	-	1,122,914
Grants and Contributions Not Restricted for Specific Programs					-	142,038,000	-	-	142,038,000
<b>Total General Revenues</b>					<b>209,308,864</b>	<b>385,600,343</b>	<b>-</b>	<b>2,490,963</b>	<b>597,400,170</b>
Change in Net Assets					(58,079,447)	(12,694,015)	14,698	1,741,719	(69,017,045)
Net Assets, July 1					196,422,835	374,569,666	14,245	7,116,039	578,122,785
Net Assets, June 30					<b>\$ 138,343,388</b>	<b>\$ 361,875,651</b>	<b>\$ 28,943</b>	<b>\$ 8,857,758</b>	<b>\$ 509,105,740</b>

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

**KNOX COUNTY, TENNESSEE**

**Balance Sheet  
Governmental Funds**

June 30, 2008

	<b>General</b>	<b>Special Revenue Constitutional Officers</b>	<b>Capital Projects Public Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 14,999,744	\$ 6,234,531	\$ 16,988,188	\$ 26,831,141	\$ 11,819,288	\$ 76,872,892
Receivables:						
Accounts, Net	11,568,604	-	372,883	20,662	9,082,942	21,045,091
Property Taxes	100,614,574	-	-	32,527,265	224,754	133,366,593
Notes	-	-	-	10,890,000	3,249,715	14,139,715
Investments	21,709,530	-	-	-	-	21,709,530
Due from Other Funds	11,814,789	-	-	-	1,032,435	12,847,224
Due from Component Units	26,951	-	-	-	-	26,951
Due from Other Governments	1,637	-	-	-	-	1,637
Advances to Other Governments	-	-	-	2,500,000	-	2,500,000
Inventories	120,147	-	-	-	6,742	126,889
Prepaid Items	893,890	-	1,000	-	23,416	918,306
Investment in Joint Venture	5,866,537	-	-	-	-	5,866,537
Advances to Component Units	3,886,250	-	-	-	-	3,886,250
Advances to Other Funds	175,000	-	-	-	-	175,000
<b>TOTAL ASSETS</b>	<b>\$ 171,677,653</b>	<b>\$ 6,234,531</b>	<b>\$ 17,362,071</b>	<b>\$ 72,769,068</b>	<b>\$ 25,439,292</b>	<b>\$ 293,482,615</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable and Accrued Liabilities	\$ 7,377,427	\$ -	\$ 4,487,911	\$ 15,084	\$ 3,187,169	\$ 15,067,591
Due to Other Funds	1,166,829	828,687	3,323,420	2,649,671	1,799,634	9,768,241
Due to Component Units	-	-	35,763,902	-	-	35,763,902
Deferred Revenue	103,760,273	-	-	39,680,426	5,072,800	148,513,499
<b>TOTAL LIABILITIES</b>	<b>112,304,529</b>	<b>828,687</b>	<b>43,575,233</b>	<b>42,345,181</b>	<b>10,059,603</b>	<b>209,113,233</b>
<b>Fund Balances:</b>						
Reserved	11,024,655	-	2,202,743	6,040,000	1,931,045	21,198,443
Unreserved:						
Designated	8,505,262	-	-	-	-	8,505,262
Undesignated	39,843,207	5,405,844	(28,415,905)	24,383,887	-	41,217,033
Unreserved, reported in nonmajor:						
Special Revenue	-	-	-	-	11,073,687	11,073,687
Capital Projects	-	-	-	-	2,374,957	2,374,957
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>59,373,124</b>	<b>5,405,844</b>	<b>(26,213,162)</b>	<b>30,423,887</b>	<b>15,379,689</b>	<b>84,369,382</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 171,677,653</b>	<b>\$ 6,234,531</b>	<b>\$ 17,362,071</b>	<b>\$ 72,769,068</b>	<b>\$ 25,439,292</b>	<b>\$ 293,482,615</b>

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

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**KNOX COUNTY, TENNESSEE**

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

June 30, 2008

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

Ending Fund Balance - Governmental Funds	\$	84,369,382	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			663,505,507
Other long-term assets, consisting of deferred debt issuance costs (\$3,382,757) and pension asset (\$3,879,482), are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			7,262,239
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.			11,830,203
Long-term liabilities, including bonds payable and related unamortized premium and unamortized amount on refunding, note payable, other post-employment benefit obligation, compensated absences, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.			
Bonds Payable	\$	613,331,869	
Unamortized Bond Premium		12,764,959	
Unamortized Amount on Refunding		(8,428,143)	
Accrued Interest		4,193,376	
Note Payable		3,263,507	
Other Post-employment Benefit Obligation		129,744	
Compensated Absences		4,623,329	
		<hr/>	(629,878,641)
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.			<hr/> 1,254,698
Net Assets of Governmental Activities	\$	<hr/> <hr/> 138,343,388	

*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, 2008

	<b>General</b>	<b>Special Revenue Constitutional Officers</b>	<b>Capital Projects Public Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Local Taxes	\$ 125,701,324	\$ -	\$ -	\$ 27,163,888	\$ 13,029,672	\$ 165,894,884
Licenses and Permits	3,696,245	-	-	-	-	3,696,245
Fines, Forfeitures and Penalties	3,771,374	-	-	-	594,785	4,366,159
Charges for Current Services	4,015,075	25,823,438	-	-	828,306	30,666,819
Other Local Revenues	8,701,442	-	205,000	-	1,112,336	10,018,778
State of Tennessee	9,685,607	-	-	-	9,959,479	19,645,086
Federal Government	1,178,304	-	191,897	-	6,464,079	7,834,280
Other Governments and Citizen Groups	498,159	-	460,250	303,636	476,073	1,738,118
Payments from Component Units	282,491	-	262,500	23,069,055	-	23,614,046
Increase in Equity Interest in Joint Ventur	46,412	-	-	-	-	46,412
Interest Earned	-	65,832	107,374	-	-	173,206
<b>Total Revenues</b>	<b>157,576,433</b>	<b>25,889,270</b>	<b>1,227,021</b>	<b>50,536,579</b>	<b>32,464,730</b>	<b>267,694,033</b>
<b>Expenditures</b>						
Current:						
Finance and Administration	25,380,728	17,149,161	-	-	464,938	42,994,827
Finance and Administration - Payments to Component Unit	6,385,000	-	-	-	-	6,385,000
Administration of Justice	12,914,467	-	-	-	721,342	13,635,809
Public Safety	63,492,998	-	-	-	2,655,274	66,148,272
Public Safety - Payments to Component Unit	326,200	-	-	-	-	326,200
Public Health and Welfare	28,024,633	-	-	-	11,326,487	39,351,120
Public Health and Welfare - Payments to Component Unit	166,628	-	-	-	-	166,628
Social and Cultural Services	4,686,060	-	-	-	13,181,971	17,868,031
Agricultural and Natural Resources	461,142	-	-	-	-	461,142
Other General Government	8,251,831	-	-	-	5,626,610	13,878,441
Highways	-	-	-	-	11,096,021	11,096,021
Debt Issuance Costs	-	-	489,154	-	-	489,154
Payments to Component Unit	-	-	5,000,000	-	-	5,000,000
Capital Projects	-	-	26,166,932	-	445,589	26,612,521
Debt Service:						
Other Debt Service	-	-	-	1,589,216	-	1,589,216
Trustee's Commission	-	-	-	475,293	-	475,293
Principal	-	-	-	24,185,467	-	24,185,467
Interest	-	-	-	27,307,441	-	27,307,441
<b>Total expenditures</b>	<b>150,089,687</b>	<b>17,149,161</b>	<b>31,656,086</b>	<b>53,557,417</b>	<b>45,518,232</b>	<b>297,970,583</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>7,486,746</b>	<b>8,740,109</b>	<b>(30,429,065)</b>	<b>(3,020,838)</b>	<b>(13,053,502)</b>	<b>(30,276,550)</b>
<b>Other financing sources (uses)</b>						
Transfers from Other Funds	7,902,985	-	635,032	787,623	14,282,886	23,608,526
Transfers to Other Funds	(15,082,089)	(7,160,313)	(56,766,840)	-	(1,410,130)	(80,419,372)
Long-term Debt Issued	3,263,507	-	57,000,000	-	-	60,263,507
<b>Total Other Financing Sources (Uses)</b>	<b>(3,915,597)</b>	<b>(7,160,313)</b>	<b>868,192</b>	<b>787,623</b>	<b>12,872,756</b>	<b>3,452,661</b>
<b>Net Change in Fund Balances</b>	<b>3,571,149</b>	<b>1,579,796</b>	<b>(29,560,873)</b>	<b>(2,233,215)</b>	<b>(180,746)</b>	<b>(26,823,889)</b>
<b>Fund Balance, July 1</b>	<b>55,801,975</b>	<b>3,826,048</b>	<b>3,347,711</b>	<b>32,657,102</b>	<b>15,560,435</b>	<b>111,193,271</b>
<b>Fund Balance (Deficit), June 30</b>	<b>\$ 59,373,124</b>	<b>\$ 5,405,844</b>	<b>\$ (26,213,162)</b>	<b>\$ 30,423,887</b>	<b>\$ 15,379,689</b>	<b>\$ 84,369,382</b>

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**KNOX COUNTY, TENNESSEE**

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

For the year ended June 30, 2008

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

Net Change in Fund Balances - Total Governmental Funds \$ (26,823,889)

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 (\$27,966,626) exceeded depreciation (\$25,404,602) in the current period. 2,562,024

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. 1,254,698

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. (1,880,363)

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. Bond proceeds (\$57,000,000) and note proceeds (\$3,263,507) exceeded debt principal payments (\$24,185,467) by this amount. (36,078,040)

Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$1,133,435) and amortization of deferred debt issuance costs (\$223,443). In addition, the amortization of bond premium results in reduction of expenses of \$1,870,356. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 513,478

Bonds issued at a premium provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net assets. Conversely, the difference between the reacquisition price and the net carrying value of debt refunded results in a deferred amount on refunding, which is reported as a deduction from bonds payable. In addition, bond issuance costs are expenditures of governmental funds, but are deferred assets in the statement of net assets. Bond premiums (\$8,238,711) exceeded the deferred amount on refunding (\$5,876,613) and bond issuance costs (\$1,206,098) by this amount.

Bond issuance costs are expenditures of governmental funds, but are deferred assets in the statement of net assets. 489,154

Expenses reported in the statement of activities include the increase in the liability for accrued interest (\$57,252) and the other post-employment benefits liability increase of \$129,744. In addition, the reduction of the balance of the net pension asset decreased expenses by \$67,784, and the reduction of the compensated absences liability balance reduced expenses by \$14,410. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (104,802)

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. 1,988,293

Change in Net Assets of Governmental Activities \$ (58,079,447)

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

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**KNOX COUNTY, TENNESSEE**

**Statement of Net Assets  
Proprietary Funds  
June 30, 2008**

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	<b>Internal Service Funds</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 20,653,433
Receivables:	
Accounts	1,779,208
Due from Other Funds	240,025
Due from Component Units	148,808
Notes	35,298
Inventories	187,027
	<hr/>
TOTAL CURRENT ASSETS	23,043,799
	<hr/>
<b>Capital Assets:</b>	
Machinery and Equipment	9,498,138
Accumulated Depreciation	(8,465,675)
	<hr/>
Capital Assets (Net of Accumulated Depreciation)	1,032,463
	<hr/>
TOTAL ASSETS	24,076,262
	<hr/>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable and Accrued Liabilities	1,491,510
Due to Other Funds	3,319,008
Due to Component Units	247,305
Deferred Revenue	27,258
Self Insured Claims Liability	6,857,237
Compensated Absences Payable	115,867
Advances from Other Funds	175,000
	<hr/>
TOTAL CURRENT LIABILITIES	12,233,185
	<hr/>
<b>Noncurrent Liabilities:</b>	
Compensated Absences Payable	12,874
	<hr/>
TOTAL LIABILITIES	12,246,059
	<hr/>
<b>NET ASSETS</b>	
Invested in Capital Assets	1,032,463
Unrestricted	10,797,740
	<hr/>
TOTAL NET ASSETS	\$ 11,830,203
	<hr/> <hr/>

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

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**KNOX COUNTY, TENNESSEE**

**Statement of Revenues, Expenses and Changes in Fund Net Assets**

**Proprietary Funds**

For the Year Ended June 30, 2008

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	<b>Internal Service Funds</b>
<b>Operating Revenues</b>	
Charges for Services	\$ 58,748,965
<b>Operating Expenses</b>	
Cost of Sales and Services	2,747,007
General and Administration	13,213,276
Depreciation and Amortization	793,968
Medical Claims	18,050,352
Retirement Contributions	21,806,477
Other Employee Benefits	598,324
Worker's Compensation Claims	1,636,081
Other Expenses	(390,095)
Total Operating Expenses	58,455,390
<b>Operating Income</b>	293,575
<b>Nonoperating Revenues</b>	
Payments from Component Units	425,716
Donations	5,120
Subrogation Payments	17,934
Loss on Disposal of Capital Assets	(3,355)
Total Nonoperating Revenues	445,415
<b>Income before Transfers</b>	738,990
<b>Transfers</b>	
Transfers from Other Funds	1,249,303
<b>Change in Net Assets</b>	1,988,293
<b>Total Net Assets, July 1</b>	9,841,910
<b>Total Net Assets, June 30</b>	\$ 11,830,203

*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, 2008

	<b>Internal Service Funds</b>
<b>Operating Activities</b>	
Cash Received from Interfund Services Provided	\$ 56,608,126
Cash Received from Other Governments	1,015,434
Cash Paid to Employees	(1,465,941)
Cash Paid for Goods and Services	(17,907,491)
Cash Paid on Behalf of Employees	(36,835,864)
<b>Net Cash Provided by Operating Activities</b>	<b>1,414,264</b>
<b>Noncapital Financing Activities</b>	
Receipts of Subrogation Payments	15,230
Transfers from Other Funds	1,249,303
Payments from Component Units	425,716
Donations	5,120
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>1,695,369</b>
<b>Capital and Related Financing Activities</b>	
Insurance Recovery on Capital Assets	6,450
Acquisition and Construction of Capital Assets	(28,553)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(22,103)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,087,530</b>
<b>Cash and Cash Equivalents</b>	
<b>Beginning of Year</b>	<b>17,565,903</b>
<b>End of Year</b>	<b>\$ 20,653,433</b>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating Income	\$ 293,575
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:	
Depreciation and Amortization	793,968
Change in Assets and Liabilities:	
Increase in Accounts Receivable	(1,297,787)
Decrease in Due from Other Funds	299,540
Increase in Due from Component Units	(143,533)
Increase in Inventories	(40,300)
Decrease in Prepaid Items	2,995
Decrease in Accounts Payable and Accrued Liabilities	(1,151,933)
Increase in Due to Other Funds	2,600,111
Decrease in Due to Component Units	(66,615)
Decrease in Compensated Absences	(7,609)
Increase in Self-insurance Liabilities	115,477
Increase in Deferred Revenue	16,375
Total Adjustments	<b>1,120,689</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,414,264</b>

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

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**KNOX COUNTY, TENNESSEE****Statement of Fiduciary Net Assets****Fiduciary Funds**June 30, 2008

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	Pension Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 23,778,440
Receivables:		
Accounts	-	6,842,799
Contributions	178,042	-
Prepaid Items	693	-
Investments	<u>346,844,628</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>347,023,363</u>	<u>\$ 30,621,239</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	210,890	\$ 8,676,606
Due to Other Governments	-	2,397,596
Due to Litigants, Heirs and Others	<u>-</u>	<u>19,547,037</u>
<b>TOTAL LIABILITIES</b>	<u>210,890</u>	<u>\$ 30,621,239</u>
<b>NET ASSETS</b>		
Held in Trust for:		
Pension Benefits	<u>\$ 346,812,473</u>	

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

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**KNOX COUNTY, TENNESSEE**

**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
For the year ended June 30, 2008

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	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 11,225,597
Employees	12,049,806
Transfers from Other Funds	56,510,846
Transfers from Other Plans	<u>40,195,293</u>
Total Contributions	<u>119,981,542</u>
Investment Earnings:	
Interest and Dividend Income	3,133,833
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(26,065,102)</u>
Total Investment Earnings (Losses)	<u>(22,931,269)</u>
Less Investment Expenses	<u>(302,231)</u>
Net Investment Earnings (Losses)	<u>(23,233,500)</u>
Total Additions	<u>96,748,042</u>
<b>Deductions</b>	
Benefits and Refunds	20,299,528
Transfers to Other Funds	949,303
Transfers to Other Plans	<u>40,434,535</u>
Total Deductions	<u>61,683,366</u>
<b>Change in Net Assets</b>	35,064,676
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>311,747,797</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u><u>\$ 346,812,473</u></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, 2008*

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KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**A. Reporting Entity**

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

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

The **Knox County Board of Education** (the Board) consists of nine members elected by voters of the County and one superintendent appointed by members of the Board. The Board is fiscally dependent on the County because the County levies taxes for the Board, issues debt on behalf of the Board and approves the Board's Budget. The Board is responsible for elementary and secondary education within the County's jurisdiction. The Board operates a total of 86 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2007 - 2008 school year was 54,143 with a full time equivalent average daily attendance of 50,838. During the previous year, the full time equivalent average daily membership was 54,073 with a full time equivalent average daily attendance of 50,900.

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, 2008*

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

**A. Reporting Entity (Continued)**

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

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2008

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

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

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

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

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

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 required to be accounted for in another fund.

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

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

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

Additionally, the County reports the following fund types:

*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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

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 County's retirement plan operations, (5) accounting for the payment of workers' compensation and general liability claims, (6) provision of central maintenance for County buildings, (7) providing technical support for electronic data processing functions, (8) providing leased vehicles and equipment to County departments, and (9) accounting for the payment of employee health insurance claims.

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

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

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

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

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

***Component Units***

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

**D. Assets, Liabilities and Equity**

***Deposits and Investments***

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

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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

*Deposits and Investments (Continued)*

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

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

*Receivables, Payables, and Deferred Revenue*

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

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

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

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

***Inventories and Prepaid Assets***

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

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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

*Inventories and Prepaid Assets (Continued)*

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

*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 over the following useful lives:

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

*Compensated Absences*

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

*Long-Term Obligations*

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

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

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

*Fund Equity*

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

*Fund Equity (Continued)*

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

**E. Additional Information**

*Comparative Data/Reclassifications*

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

*Estimates*

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

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

**A. Budgetary Data**

*Budget Basis/Authority*

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**A. Budgetary Data (Continued)**

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

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

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

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

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

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

***Budgetary Process***

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**A. Budgetary Data (Continued)**

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**A. Budgetary Data (Continued)**

*Supplemental Appropriations*

The following schedule shows the annual budget originally adopted for the County and the Board, and the revisions to that budget as authorized by the County Commission, for the year ended June 30, 2008:

Fund	Original Budget	Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 171,173,120	\$ 5,456,971	\$ 176,630,091
Special Revenue Funds:			
State and Federal Grants	1,234,064	329,497	1,563,561
Governmental Library	120,567	55,000	175,567
Public Library	12,451,287	216,737	12,668,024
Solid Waste	4,403,804	41,369	4,445,173
Hotel/Motel Tax	5,100,000	1,080,130	6,180,130
Fire District	190,000	-	190,000
Drug Control	-	652,577	652,577
Highway	12,472,499	2,457,986	14,930,485
Total Special Revenue Funds	35,972,221	4,833,296	40,805,517
Debt Service Fund	60,500,000	-	60,500,000
Capital Projects Funds:			
ADA Construction	750,000	832,889	1,582,889
Total - Governmental Funds	\$ 268,395,341	\$ 11,123,156	\$ 279,518,497

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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	\$ 357,420,000	\$ 12,781,807	\$ 370,201,807
Special Revenue Funds:			
School Federal Projects	-	38,590,826	38,590,826
School General Projects	-	13,214,926	13,214,926
Central Cafeteria	19,631,888	1,538,594	21,170,482
Total Special Revenue Funds	19,631,888	53,344,346	72,976,234
Capital Projects Fund:			
School Construction	19,200,000	-	19,200,000
Total - the Board	\$ 396,251,888	\$ 66,126,153	\$ 462,378,041

Designated funds, as of June 30, 2008, in the General Fund, General Purpose Schools Fund, Public Library Fund, and the Highway Fund reappropriated in the subsequent fiscal year totaled \$8,505,262, \$7,929,350, \$2,977 and \$841,528, respectively.

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2008, 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, 2008*

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

**A. Deposits and Investments**

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

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

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

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

	Primary Government	Component Units		
		The Board	KCRA	The District
Cash on Hand	\$ 4,265	\$ 165	\$ -	\$ -
Carrying Amount of Deposits	94,772,700	50,275,073	26,630	7,170,936
Investments (Governmental Funds)	21,709,530	-	-	-
Investments (Pension Trust Funds)	346,844,628	75,579,903	-	-
Investment in State Treasurer's Investment Pool	2,749,360	-	-	-
<b>Total</b>	<b>\$ 466,080,483</b>	<b>\$ 125,855,141</b>	<b>\$ 26,630</b>	<b>\$ 7,170,936</b>
Cash and Cash Equivalents	\$ 97,526,325	\$ 50,275,238	\$ 26,630	\$ 7,170,936
Investments	368,554,158	75,579,903	-	-
<b>Total</b>	<b>\$ 466,080,483</b>	<b>\$ 125,855,141</b>	<b>\$ 26,630</b>	<b>\$ 7,170,936</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

***Interest Rate Risk***

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

	Primary Government, Governmental Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value or Carrying Amount	Weighted Average Maturity (Years)	Fair Value or Carrying Amount	Weighted Average Maturity (Years)
Cash Equivalents Classified as Investments	\$ 2,715,583		\$ 3,873,987	
Equity Mutual Funds	\$ -		\$ 398,424,805	
Fixed Income Securities:				
U.S. Government Securities	18,993,947	4.339	14,406,023	17.092
U.S. Government Agency Securities	-		1,369,996	1.198
Corporate Bonds	-		3,692,927	3.566
Municipal Bonds	-		460,296	2.010
State Agency Bonds	-		196,497	3.833
Total Fixed Income Securities	\$ 18,993,947	4.339	\$ 20,125,739	2.696

**Custodial credit risk**

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

*Custodial Credit Risk (Continued)*

A portion of the County's, the Board's and the District's deposits at June 30, 2008 were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee (the State). Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must equal between 90 – 115 percent of the average daily balance of public deposits held and must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. The members of the pool may be required to pay an assessment to cover any deficiency.

*Credit risk*

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

	Primary Government, Governmental Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value	S&P Rating	Fair Value	S&P Rating
U.S. Government Agency Securities:	\$ 10,585,572	AAA	\$ 3,473,847	AAA
U.S. Government Agency Securities:	5,520,000	AA+	283,688	BBB+
U.S. Government Agency Securities:	2,888,375	AA	12,018,484	Unrated
Corporate Bonds:				
Corporate Bonds	-	-	250,541	AAA
Corporate Bonds	-	-	516,982	AA-
Corporate Bonds	-	-	519,325	A+
Corporate Bonds	-	-	535,184	A
Corporate Bonds	-	-	459,818	A-
Corporate Bonds	-	-	534,335	BBB+
Corporate Bonds	-	-	876,742	Unrated
Municipal Bonds	-	-	333,473	AA+
Municipal Bonds	-	-	126,823	Unrated
State Agency Bonds	-	-	196,497	AAA
	<u>\$ 18,993,947</u>		<u>\$ 20,125,739</u>	
Total Fixed Income Securities	<u>\$ 18,993,947</u>		<u>\$ 20,125,739</u>	

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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.

Continuing disruptions in the credit markets and overall declines in the economic conditions have resulted in significant declines in the fair market values of investments subsequent to June 30, 2008. As of October 31, 2008, the value of the County's defined benefit plan (Fiduciary Fund – Pension Trust) investments had declined approximately \$36.7 million (approximately \$16.7 million (24%) for the investments of the Defined Benefit Plan and approximately \$20 million (22%) for the investments of the Uniformed Officers Pension Plan. In addition, as of September 30, 2008, the value of the County's Defined Contribution (asset accumulation) Pension Trust Fund declined by approximately \$1.1 million. Also, investments held by the Board of Education Defined Benefit Pension Trust Fund had declined by approximately \$17.4 million (23%).

**B. Receivables**

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

**Primary Government**

	Major Governmental Funds			Nonmajor Governmental Funds	Internal Service	Total Primary Government	Trust and Agency
	General	Debt Service	Public Improvement				
Receivables:							
Taxes	\$ 103,349,427	\$ 33,152,348	\$ -	\$ 318,619	\$ -	\$ 136,820,394	\$ -
Accounts	11,568,604	20,662	372,883	9,082,942	1,779,208	22,824,299	6,842,799
Contributions	-	-	-	-	-	-	178,042
Gross Receivables	114,918,031	33,173,010	372,883	9,401,561	1,779,208	159,644,693	7,020,841
Less: Allowances for Uncollectibles	(2,734,853)	(625,083)	-	(93,865)	-	(3,453,801)	-
Net Total Receivables	\$ 112,183,178	\$ 32,547,927	\$ 372,883	\$ 9,307,696	\$ 1,779,208	\$ 156,190,892	\$ 7,020,841

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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 - Pension Trust
	The Board	KCRA	The District	
Receivables:				
Taxes	\$ 115,068,477	\$ -	\$ -	\$ -
Accounts	35,152,510	23,963	957,646	-
Contributions	-	-	-	17,406
Gross Receivables	150,220,987	23,963	957,646	17,406
Less: Allowances for Uncollectibles	(2,897,450)	-	-	-
Net Total Receivables	\$ 147,323,537	\$ 23,963	\$ 957,646	\$ 17,406

The County's Debt Service Fund has the following notes receivable at June 30, 2008:

- (1) Notes receivable from the Knox-Chapman Utility District (KCUD) and the West Knox Utility District of Knox County (WKUD) have current balances of \$1,770,000 each, 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.
- (2) 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, 2008, \$1,830,000 remained outstanding.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**B. Receivables (Continued)**

- (3) 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, 2008, the loan balance was \$5,520,000.

The State and Federal Grants Special Revenue Fund had \$3,249,715 of notes receivable at June 30, 2008. 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.

***Advance 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). This advance was made to provide funding for operations and is to be repaid from grant monies and other funding received by CAC.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**C. Capital Assets**

Activity in the County's and the Board's capital assets for the fiscal year ended June 30, 2008, was the following:

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 94,599,909	\$ 2,048,598	\$ 2,095,676	\$ 94,552,831
Construction in Progress	41,764,823	20,874,042	5,832,299	56,806,566
Total Capital Assets, not being depreciated	<u>136,364,732</u>	<u>22,922,640</u>	<u>7,927,975</u>	<u>151,359,397</u>
Capital Assets being depreciated:				
Buildings	197,644,852	110,053	-	197,754,905
Land Improvements	19,252,478	760,693	-	20,013,171
Machinery and Equipment	34,739,093	1,567,332	2,033,039	34,273,386
Intangible Assets	19,489,776	202,221	-	19,691,997
Infrastructure	484,105,551	10,360,215	-	494,465,766
Total Capital Assets being depreciated	<u>755,231,750</u>	<u>13,000,514</u>	<u>2,033,039</u>	<u>766,199,225</u>
Less Accumulated Depreciation for:				
Buildings	58,329,430	5,161,873	-	63,491,303
Land Improvements	8,191,912	1,062,129	-	9,254,041
Machinery and Equipment	26,598,641	2,907,571	2,023,234	27,482,978
Intangible Assets	5,221,841	4,903,365	-	10,125,206
Infrastructure	130,503,492	12,163,632	-	142,667,124
Total Accumulated Depreciation	<u>228,845,316</u>	<u>26,198,570</u>	<u>2,023,234</u>	<u>253,020,652</u>
Total Capital Assets being depreciated, net	<u>526,386,434</u>	<u>(13,198,056)</u>	<u>9,805</u>	<u>513,178,573</u>
Governmental Activities Capital Assets, net	<u>\$ 662,751,166</u>	<u>\$ 9,724,584</u>	<u>\$ 7,937,780</u>	<u>\$ 664,537,970</u>

Depreciation expense was charged to primary government functions as follows:

Finance and Administration	\$ 2,723,907
Administration of Justice	2,720,668
Public Safety	2,088,778
Public Health and Welfare	1,061,659
Social and Cultural Services	3,465,387
Other General Government	1,758,985
Highways	<u>12,379,186</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 26,198,570</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**C. Capital Assets (Continued)**

**Board of Education**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Component Unit - The Board:</b>				
Capital Assets, not being depreciated:				
Land	\$ 20,182,947	\$ -	\$ -	\$ 20,182,947
Construction in Progress	26,819,031	29,571,951	-	56,390,982
Total Capital Assets, not being depreciated	47,001,978	29,571,951	-	76,573,929
Capital Assets being depreciated:				
Buildings	366,805,369	458,856	-	367,264,225
Land Improvements	1,203,145	325,010	-	1,528,155
Machinery and Equipment	17,983,481	10,369,380	-	28,352,861
Intangible Assets	450,377	8,874	-	459,251
Total Capital Assets being depreciated	386,442,372	11,162,120	-	397,604,492
Less Accumulated Depreciation for:				
Buildings	139,520,371	7,780,379	-	147,300,750
Land Improvements	407,751	144,733	-	552,484
Machinery and Equipment	12,934,333	1,522,956	-	14,457,289
Intangible Assets	191,927	88,800	-	280,727
Total Accumulated Depreciation	153,054,382	9,536,868	-	162,591,250
Total Capital Assets being depreciated, net	233,387,990	1,625,252	-	235,013,242
Governmental Activities Capital Assets, net	\$ 280,389,968	\$ 31,197,203	\$ -	\$ 311,587,171

The following is a summary of the District's capital assets at June 30, 2008:

	The District
Land and Construction in Progress	\$ 163,614
Buildings	5,081,324
Machinery and Equipment	12,335,887
Intangible Assets	29,345
Leasehold Improvements	207,735
Less: Accumulated Depreciation	(10,804,184)
Total	\$ 7,013,721

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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, 2008, is as follows:

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

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General	Debt Service	\$ 2,649,671
	State and Federal Grants	1,216,963
	Public Library	327,249
	Solid Waste	143,160
	Drug Control	60
	Highway	8,962
	Constitutional Officers' Special Revenue Fund	828,687
	Vehicle Service Center	309,000
	Public Improvement	3,323,420
	Employee Retirement	1,289
	Self Insurance	6,328
	Self Insurance Healthcare	3,000,000
		<hr/>
Total Major Governmental Funds		11,814,789
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants	General	951,426
Public Library	General	79,377
Solid Waste	State and Federal Grants	1,258
	General	338
		<hr/>
		1,596
Highway	Employee Benefits	36
		<hr/>
Total Nonmajor Governmental Funds		1,032,435
Total Governmental Funds		<u>\$ 12,847,224</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

Receivable Fund	Payable Fund	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 95,891
	State and Federal Grants	1,708
	Public Library	1,790
	Solid Waste	15,052
	Highway	79,832
	Self Insurance	141
		<u>194,414</u>
Mailroom Services	General	24,227
	State and Federal Grants	27
	Solid Waste	34
	Highway	129
	Employee Benefits	258
	Employee Retirement	877
	Self Insurance	17
		<u>25,569</u>
Employee Benefits	General	15,537
	State and Federal Grants	843
	Public Library	2,557
	Highway	10
	Employee Retirement	795
	Self Insurance Healthcare	267
		<u>20,009</u>
Self Insurance Healthcare	General	<u>33</u>
Total Internal Service Funds		<u><u>\$ 240,025</u></u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Employee Benefits (Internal Service)	\$ 175,000

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Primary Government - Major Funds:</u>		
General	Component Unit - the Board, General Purpose School	\$ 25,602
	Component Unit - the Board, School Federal Projects	529
	Component Unit - the Board, School General Projects	150
	Component Unit - the Board, School Construction	16
	Component Unit - the District	654
Total Primary Government - Major Funds		<u>\$ 26,951</u>

<u>Primary Government - Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the Board, General Purpose School	\$ 526
	Component Unit - the Board, School General Projects	62
	Component Unit - the Board, School Federal Projects	2,165
	Component Unit - the District	1,658
		<u>4,411</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

Receivable Fund	Payable Fund	Amount
Mailroom	Component Unit - the Board, General Purpose School	1,161
Employee Benefits	Component Unit - the Board, General Purpose School	132,631
	Component Unit - the Board, School General Projects	1,114
	Component Unit - the Board, School Federal Projects	6,751
	Component Unit - the Board, Great Schools Partnership	1,856
	Component Unit - the District	884
		143,236
Total Primary Government - Internal Service Funds		\$ 148,808
Component Unit - the Board, General Purpose School	Primary Government - Employee Benefits	\$ 235,279
Component Unit - the District	Primary Government - Employee Benefits	\$ 12,026
Component Unit - the Board, Capital Projects - School Construction	Primary Government - Public Improvement	\$ 35,763,902

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

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

Receivable Fund	Payable Fund	Amount
Primary Government -Major Fund: General	Component Unit - the District	\$ 3,886,250

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

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose School	School Federal Projects	\$ 2,659,749
	School Construction	20,919,645
	Central Cafeteria	42,724
		23,622,118
<u>Nonmajor Special Revenue Funds:</u>		
School General Projects	General Purpose School	1,238,068
	School Federal Projects	598
		1,238,666
Total Board of Education		\$ 24,860,784

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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, 2008, is as follows:

***Primary Government:***

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 7,160,313
	Capital Projects - Public Improvement	255,994
	Hotel/Motel Tax	486,678
		<u>7,902,985</u>
Debt Service	General	194,171
	Hotel/Motel Tax	593,452
		<u>787,623</u>
Capital Projects - Public Improvement	General	555,032
	ADA Construction	80,000
		<u>635,032</u>
Total Major Governmental Funds		<u>9,325,640</u>
<u>Nonmajor Governmental Funds:</u>		
Special Revenue Funds:		
State and Federal Grants	General	1,196,964
Governmental Library	General	66,334
Public Library	General	10,020,000
	Hotel/Motel Tax	250,000
		<u>10,270,000</u>
Solid Waste	General	<u>2,749,588</u>
Total Nonmajor Governmental Funds		<u>14,282,886</u>
Total Governmental Funds		<u>\$ 23,608,526</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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	General	\$ 300,000
Employee Retirement	Pension Trust - Defined Benefit	949,303
Total Internal Service Funds		<u>\$ 1,249,303</u>
<u>Fiduciary Funds - Pension Trust:</u>		
Pension Trust - Uniformed Officers		
Pension - Defined Benefit	Public Improvement	<u>\$ 56,510,846</u>

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

Transfers - In	Transfers - Out	Amount
<u>Special Revenue Funds (Major):</u>		
School Construction	General Purpose School	<u>\$ 12,500</u>
<u>Special Revenue Funds (Nonmajor):</u>		
School General Projects	General Purpose School	1,393,068
	School Federal Projects	<u>110,382</u>
		1,503,450
School Federal Projects	General Purpose School	<u>33,347</u>
Total Nonmajor Special Revenue Funds		<u>1,536,797</u>
Total Board of Education		<u>\$ 1,549,297</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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	\$ 282,491
Primary Government - Public Improvement (Major Fund)	Component Unit - the Board, School Construction	\$ 262,500
Primary Government - Debt Service (Major Fund)	Component Unit - the Board, General Purpose School	\$ 4,369,055
	Component Unit - the Board, School Construction	18,700,000
Total Primary Government - Debt Service		\$ 23,069,055
Primary Government - Employee Retirement (Proprietary Fund)	Component Unit - the Board, Pension Trust - Defined Benefit	\$ 425,716
Component Unit - School General Projects	Primary Government - General	\$ 6,385,000
Component Unit - School Construction	Primary Government - Public Improvement	\$ 5,000,000
Component Unit - The District	Primary Government - General	\$ 492,828

*Transactions between the Board and its Component Unit:*

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Component Unit - Great Schools Partnership	Primary Government - the Board, School General Projects	\$ 6,385,000

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**F. Deferred/Unearned Revenues**

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

	Deferred Revenue	Unearned Revenue
Primary Government - Major Funds:		
<u>General Fund:</u>		
Taxes receivable, earned in current fiscal year	\$ 13,700	\$ -
Taxes receivable, applicable to subsequent fiscal year	99,860,323	99,860,323
Notes receivable, applicable to subsequent fiscal year	3,886,250	3,886,250
	103,760,273	103,746,573
 <u>Debt Service Fund:</u>		
Taxes receivable, earned in current fiscal year	1,235,541	-
Taxes receivable, applicable to subsequent fiscal year	31,094,885	31,094,885
Notes receivable, applicable to subsequent fiscal year	7,350,000	7,350,000
	39,680,426	38,444,885
Primary Government - Nonmajor Funds:		
<u>General Grants Fund:</u>		
Unexpended grant funds	4,753,046	4,753,046
 <u>Public Library Fund:</u>		
Taxes receivable, earned in current fiscal year	3,747	-
 <u>Fire District:</u>		
Taxes receivable, earned in current fiscal year	33,488	33,488
Taxes receivable, applicable to subsequent fiscal year	185,809	185,809
	219,297	219,297
 <u>Solid Waste Fund:</u>		
Taxes receivable, earned in current fiscal year	1,377	-
 <u>Highway Fund:</u>		
Unearned revenue	95,000	95,000
 <u>ADA Construction Fund:</u>		
Taxes receivable, earned in current fiscal year	333	-
 Total Nonmajor Governmental Funds	5,072,800	5,067,343
 <u>Internal Service - Employee Benefits Fund:</u>		
Unearned revenue	27,258	27,258
 Total - Primary Government	\$ 148,540,757	\$ 147,286,059

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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>		
Taxes receivable, earned in current fiscal year	\$ 5,128,726	\$ -
Taxes receivable, applicable to subsequent fiscal year	106,240,857	106,240,857
	111,369,583	106,240,857
Component Unit - the Board - Nonmajor Funds		
<u>School Federal Projects:</u>		
Unexpended grant funds	5,994	5,994
<u>School General Projects:</u>		
Unexpended grant funds	1,268,434	1,268,434
<u>Central Cafeteria:</u>		
Unearned revenue	121,639	121,639
	121,639	121,639
Total Component Unit - the Board	\$ 112,765,650	\$ 107,636,924

**G. Leases**

***Operating Leases***

The County leases various facilities under noncancelable operating leases. Total costs for such leases for the County were \$2,400 for the year ended June 30, 2008. The future minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Primary Government
2009	\$ 2,400
2010	2,400
2011	2,400
2012	2,400
2013	2,400
2014-2018	12,000
2019-2023	12,000
	12,000
Total	\$ 36,000

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**G. Leases (Continued)**

*Capital Leases*

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

The future minimum lease obligations for the District and the Board are as follows:

Year Ending June 30,	Component Unit	
	The District	The Board
2009	\$ 678,539	\$ 993,832
2010	677,521	809,285
2011	670,923	834,093
2012	-	859,665
2013	-	886,025
2014 - 2018	-	4,854,895
2019 - 2023	-	5,647,346
Total Minimum Lease Payments	2,026,983	14,885,141
Less: Amounts Representing Interest	(96,983)	(3,885,141)
Present Value of Minimum Lease Payments	<u>\$ 1,930,000</u>	<u>\$ 11,000,000</u>

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

Lessor	Purpose	Interest Rate	Last Maturity Date	Principal Balance
<u>Component Unit:</u>				
The District				
Sun Trust Leasing	CAD/CTI Equipment	3.31%	10/1/2010	<u>\$ 1,930,000</u>
The Board				
Bank of America	Energy Management Equipment	3.85%	4/30/2023	<u>\$ 11,000,000</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**H. Long-Term Liabilities**

*Capital Outlay Note*

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,263,507	\$ 109,611	\$ 1,373,118
2010	1,000,000	70,613	1,070,613
2011	1,000,000	35,306	1,035,306
Total	<u>\$ 3,263,507</u>	<u>\$ 215,530</u>	<u>\$ 3,479,037</u>

***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.

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, 2008*

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

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

	Interest Rate	Last Maturity Date	Principal Balance
<b>Governmental Activities:</b>			
General Obligation - Women's Basketball Hall of Fame	Variable Rate (2.75% at 6/30/08)	6/1/2018	\$ 5,520,000
General Obligation - Refunding Series 2001	4.50-5.50%	4/1/2012	15,148,849
General Obligation Public Improvement, Series 2001	5.00-5.50%	5/1/2012	9,490,625
Andrew Johnson - Refunding Series 2002	4.00-4.50%	5/1/2011	960,432
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	29,707,805
General Obligation - Refunding Bonds, Series 2003	4.00-5.00%	4/1/2014	23,027,907
General Obligation - Refunding Bonds, Series 2003A	5.00%	2/1/2017	4,978,776
General Obligation - Series 2003	Variable Rate Swap to 4.50%	6/1/2029	36,415,700
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	11,760,663
General Obligation - Series 2004	Variable Rate Swap to 4.00%	6/1/2029	45,342,857
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	29,083,377
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	48,814,937
General Obligation - Series 2007	Variable Rate (3.00% at 6/30/08)	6/1/2034	50,450,000
General Obligation - Series 2007 (Taxable)	4.75-5.75%	6/1/2027	57,000,000
Total Bonded Debt to be repaid by Governmental Activities			<u>367,701,928</u>
<b>The Board:</b>			
Qualified Zone Academy Bonds	0.00%	11/1/2011	861,868
General Obligation - Refunding Series 2001	4.50-5.50%	4/1/2012	9,071,152
General Obligation Public Improvement, Series 2001	5.00-5.50%	5/1/2012	5,694,375
Andrew Johnson - Refunding Series 2002	4.00-4.50%	5/1/2011	1,844,568
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	49,177,195
General Obligation - Refunding Series 2003	4.00-5.00%	4/1/2014	21,282,093
General Obligation - Refunding Series 2003A	5.00%	2/1/2017	11,341,224
General Obligation - Series 2003	Variable Rate Swap to 4.50%	6/1/2029	31,859,300
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	16,579,337
General Obligation - Series 2004	Variable Rate Swap to 4.00%	6/1/2029	23,657,143
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	18,526,623
General Obligation - Refunding Series 2005B	3.65-5.00%	5/1/2018	10,825,000
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	26,360,063
General Obligation - Series 2007	Variable Rate (3.00% at 6/30/08)	6/1/2034	18,550,000
Total Bonded Debt to be repaid by the Board			<u>245,629,941</u>
Total Bonded Debt			<u>\$ 613,331,869</u>

**KNOX COUNTY, TENNESSEE**  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

Annual debt service requirements to maturity for bonds and notes payable 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
2009	\$ 26,210,467	\$ 29,642,735	\$ 55,853,202	\$ 32,623,315	\$ 23,229,887	\$ 55,853,202
2010	27,870,467	28,415,099	56,285,566	32,570,115	23,715,451	56,285,566
2011	29,580,467	27,098,123	56,678,590	32,887,489	23,791,101	56,678,590
2012	30,810,468	25,648,509	56,458,977	31,444,342	25,014,635	56,458,977
2013	32,430,000	24,094,863	56,524,863	31,558,499	24,966,364	56,524,863
2014-2018	163,700,000	95,155,126	258,855,126	144,614,049	114,241,077	258,855,126
2019-2023	101,630,000	60,606,837	162,236,837	111,216,922	51,019,915	162,236,837
2024-2028	91,130,000	39,150,050	130,280,050	91,221,565	39,058,485	130,280,050
2029-2033	90,595,000	17,326,675	107,921,675	73,444,966	34,476,709	107,921,675
2034	19,375,000	923,375	20,298,375	14,065,525	6,232,850	20,298,375
<b>Total</b>	<b>\$ 613,331,869</b>	<b>\$ 348,061,392</b>	<b>\$ 961,393,261</b>	<b>\$ 595,646,787</b>	<b>\$ 365,746,474</b>	<b>\$ 961,393,261</b>

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$227,944,859 and \$120,116,533 respectively, for a total of \$348,061,392.

***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, 2008:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<b><u>Primary Government</u></b>					
Bonded Debt	\$ 580,517,336	\$ 57,000,000	\$ (24,185,467)	\$ 613,331,869	\$ 26,210,467
Unamortized Bond Premium	14,635,315	-	(1,870,356)	12,764,959	1,774,508
Unamortized Amount on Refunding Note Payable	(9,561,578)	-	1,133,435	(8,428,143)	(1,091,413)
Note Payable	-	3,263,507	-	3,263,507	1,263,507
Compensated Absences	4,774,089	5,438,072	(5,460,091)	4,752,070	4,276,863
<b>Total - Primary Government</b>	<b>\$ 590,365,162</b>	<b>\$ 65,701,579</b>	<b>\$ (30,382,479)</b>	<b>\$ 625,684,262</b>	<b>\$ 32,433,932</b>
<b><u>Component Unit - the Board</u></b>					
Capital Lease	\$ -	\$ 11,000,000	\$ -	\$ 11,000,000	\$ 537,677
Compensated Absences	1,688,778	1,857,150	(1,173,075)	2,372,853	2,135,568
<b>Total Component Unit - the Board</b>	<b>\$ 1,688,778</b>	<b>\$ 12,857,150</b>	<b>\$ (1,173,075)</b>	<b>\$ 13,372,853</b>	<b>\$ 2,673,245</b>
<b><u>Component Unit - the District</u></b>					
Capital Leases	\$ 3,409,309	\$ -	\$ (1,479,309)	\$ 1,930,000	\$ 625,000
Compensated Absences	172,581	234,589	(225,377)	181,793	161,796
<b>Total - the District</b>	<b>\$ 3,581,890</b>	<b>\$ 234,589</b>	<b>\$ (1,704,686)</b>	<b>\$ 2,111,793</b>	<b>\$ 786,796</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

***Prior Year Defeasance of Debt***

In prior years, the County defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2008, \$45,625,000 of bonds outstanding is considered defeased.

***Subsequent Event-Debt Issuance***

In November 2008 the County issued \$40 million in general obligation bonds. The bonds were issued to fund the cost of various capital projects as approved in the County's Capital Improvement Plan. The bonds bear interest at a variable rate and mature in varying amounts through 2029.

***Interest Rate Swaps***

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

*Interest Rate Swaps (Continued)*

*Terms.* Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$72 million and the associated variable-rate bond has a \$72 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series C-1-A Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (the "BMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2008, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-2.72%
Net interest rate swap payments		1.23%
Variable-rate bond coupon payments		2.74%
Synthetic interest rate on bonds		3.97%

*Fair value.* As of June 30, 2008, the swap had a negative fair value of \$4,046,116. 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, 2008, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the County, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service as of June 30, 2008. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

*Interest Rate Swaps (Continued)*

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

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

*Swap payments and associated debt.* As of June 30, 2008, 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 Swap Payment	Total
	Principal	Interest		
2009	1,025,000	1,870,735	842,142	3,737,877
2010	1,175,000	1,842,650	829,499	3,847,149
2011	1,300,000	1,810,455	815,006	3,925,461
2012	2,075,000	1,774,835	798,971	4,648,806
2013	2,200,000	1,717,980	773,377	4,691,357
2014-2018	13,150,000	7,610,350	3,425,924	24,186,274
2019-2023	17,675,000	5,577,270	2,510,700	25,762,970
2024-2028	23,950,000	2,831,790	1,274,777	28,056,567
2029	5,725,000	156,865	70,615	5,952,480
	<u>\$ 68,275,000</u>	<u>\$ 25,192,930</u>	<u>\$ 11,341,011</u>	<u>\$ 104,808,941</u>

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

*Interest Rate Swaps (Continued)*

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

*Terms.* Under the swap, the Authority pays a fixed payment of 3.745 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$70 million and the associated variable-rate bond has a \$70 million original principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-A-1 Bonds. The bonds’ variable-rates have historically approximated the Bond Market Association Municipal Index™ (the “BMA”). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2008, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.75%
Variable payment to Authority	% of LIBOR	-2.54%
Net interest rate swap payments		1.21%
Variable-rate bond coupon payments		1.55%
Synthetic interest rate on bonds		2.76%

*Fair value.* As of June 30, 2008, the swap had a negative fair value of \$1,989,913. 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, 2008, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative’s fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the County, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated “AAA” by Standard and Poor’s and Fitch and “Aaa” by Moody’s Investor Service as of June 30, 2008. If Ambac’s credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

*Interest Rate Swaps (Continued)*

*Basis risk.* As noted above, the swap exposes the County to basis risk should BMA increase to above 59% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA 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, 2008, 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
2009	500,000	1,069,500	836,777	2,406,277
2010	600,000	1,061,750	830,713	2,492,463
2011	700,000	1,052,450	823,437	2,575,887
2012	800,000	1,041,600	814,948	2,656,548
2013	900,000	1,029,200	805,246	2,734,446
2014-2018	12,600,000	4,778,650	3,738,816	21,117,466
2019-2023	20,200,000	3,508,425	2,744,992	26,453,417
2024-2028	26,530,000	1,754,910	1,373,042	29,657,952
2029	6,170,000	95,635	74,824	6,340,459
	<u>\$ 69,000,000</u>	<u>\$ 15,392,120</u>	<u>\$ 12,042,795</u>	<u>\$ 96,434,915</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

*Interest Rate Swaps (Continued)*

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

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

*Terms.* Under the swap, the Authority pays the counterparty a fixed payment of 3.89 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$77 million and the associated variable-rate bond has a \$77 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series D-3-A Bonds. The bonds’ variable-rates have historically approximated the Bond Market Association Municipal Index (the “BMA”). The bonds and the related swap agreement mature on June 1, 2034. As of June 30, 2008, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.89%
Variable payment to Authority	% of LIBOR	-2.71%
Net interest rate swap payments		1.18%
Variable-rate bond coupon payments		1.55%
Synthetic interest rate on bonds		2.73%

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2008

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

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

*Interest Rate Swaps (Continued)*

*Fair value.* As of June 30, 2008, the swap had a negative fair value of \$4,651,227. 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, 2008, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the County, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service as of June 30, 2008. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

*Basis risk.* As noted above, the swap exposes the County to basis risk should BMA increase to above 63.2 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA 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, 2008*

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

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

*Interest Rate Swaps (Continued)*

*Swap payments and associated debt.* As of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2009	1,100,000	1,165,213	885,153	3,150,366
2010	1,225,000	1,148,163	872,201	3,245,364
2011	1,350,000	1,129,175	857,777	3,336,952
2012	1,475,000	1,108,250	841,881	3,425,131
2013	1,600,000	1,085,388	824,514	3,509,902
2014-2018	9,925,000	5,015,413	3,809,953	18,750,366
2019-2023	9,575,000	4,172,213	3,169,417	16,916,630
2024-2028	5,700,000	3,621,575	2,751,126	12,072,701
2029-2033	34,150,000	2,531,150	1,922,786	38,603,936
2034	9,075,000	140,660	106,853	9,322,513
	<u>\$ 75,175,000</u>	<u>\$ 21,117,200</u>	<u>\$ 16,041,661</u>	<u>\$ 112,333,861</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**I. Fund Equity**

*Reserves and Designations*

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

<u>Primary Government</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
<u>Major Funds:</u>		
General Fund:		
Advances	\$ 175,000	\$ -
Inventories	120,147	-
Prepaid Items	893,890	-
Investment in Joint Venture	5,866,537	-
School Health Program	642,749	-
Circuit Court Clerk - Data Processing	283,903	-
Register of Deeds - Copy Fees	179,408	-
Park Improvements - Amusement Tax	151,811	-
Reserved - various	479,798	-
Encumbrances	1,564,042	-
Designated - various	-	2,046,503
Attorney General	-	50,000
Sheriff	-	131,724
MPC	-	154,000
School Security	-	194,775
Community Action Committee	-	409,824

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**I. Fund Equity (Continued)**

<u>Primary Government</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
<u>Major Funds:</u>		
General Fund (Continued):		
Capital Improvement Plan	-	5,518,436
Donations - DARE	23,208	-
Juvenile Court	5,275	-
Attorney General	638,887	-
Total General Fund	<u>11,024,655</u>	<u>8,505,262</u>
<u>Major Capital Projects Fund:</u>		
Public Improvement Fund:		
Encumbrances	2,201,743	-
Prepaid Items	1,000	-
Total Public Improvement Fund	<u>2,202,743</u>	<u>-</u>
Debt Service Fund:		
Notes Receivable	6,040,000	-
<u>Nonmajor Governmental Funds:</u>		
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants Fund:		
Encumbrances	753,127	-
Inventories	6,742	-
Prepaid Items	17,020	-
Appropriations	474,532	-
Governmental Library Fund:		
Encumbrances	194	-

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**I. Fund Equity (Continued)**

<u>Primary Government</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
<u>Nonmajor Governmental Funds:</u>		
<u>Nonmajor Special Revenue Funds (Continued):</u>		
Public Library Fund:		
Encumbrances	149,368	-
Appropriations	19,325	2,977
Prepaid Items	6,396	-
Solid Waste Fund:		
Encumbrances	1,160	-
Drug Control Fund:		
Drug Seizures	121,536	-
Encumbrances	2,588	-
Highway Fund:		
Encumbrances	281,188	-
Appropriations	-	841,528
Total - Nonmajor Special Revenue Funds	<u>1,833,176</u>	<u>844,505</u>
<u>Nonmajor Capital Projects Fund:</u>		
ADA Construction:		
Encumbrances	<u>97,869</u>	<u>-</u>
Total Nonmajor Governmental Funds	<u>1,931,045</u>	<u>844,505</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**I. Fund Equity (Continued)**

Primary Government	Reserved Fund Balance	Designated Fund Balance
<u>Fiduciary Funds:</u>		
Pension Trust - DB Plan		
Employee's Pension Benefits	70,641,282	-
Pension Trust - DC Plan	175,567,615	-
Pension Trust - Voluntary 457 Plan	1,749,259	-
Pension Trust - Medical DC Plan	5,725,618	-
Pension Trust - Uniformed Officers Pension Plan	93,128,699	-
Total Fiduciary Funds	<u>346,812,473</u>	<u>-</u>
Total - Primary Government	<u>\$ 368,010,916</u>	<u>\$ 9,349,767</u>

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

Component Unit - the Board	Reserved Fund Balance	Designated Fund Balance
<u>Major Funds:</u>		
General Fund:		
General Purpose School Fund:		
Encumbrances	\$ 2,439,502	\$ -
Inventories	906,309	-
Prepaid Items	1,257,583	-
Appropriations	-	7,929,350
Total General Purpose School Fund	<u>4,603,394</u>	<u>7,929,350</u>
Capital Projects Fund:		
School Construction Fund:		
Encumbrances	<u>9,457,257</u>	<u>-</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**I. Fund Equity (Continued)**

Component Unit - the Board	Reserved Fund Balance	Designated Fund Balance
<u>Nonmajor Special Revenue Funds:</u>		
School General Projects Fund:		
Encumbrances	158,937	-
Programs	477,462	-
School Federal Projects Fund:		
Encumbrances	106,358	-
Donations	598	-
Prepaid Items	26,140	-
Central Cafeteria Fund:		
Inventories	184,363	-
Appropriations	33,937	-
Total Nonmajor Special Revenue Funds	987,795	-
<u>Fiduciary Fund:</u>		
Pension Trust Fund:		
Employee's Pension Benefits	75,579,693	-
Total - the Board	\$ 90,628,139	\$ 7,929,350

At June 30, 2008, the Capital Improvement Fund had a fund deficit of \$26,213,162. This deficit is attributable to the timing of debt issued subsequent to year-end. In November 2008 the County issued \$40,000,000 in general obligation bonds for capital project purposes. Issuing the bonds after the end of the fiscal year was in accordance with the County's approved Capital Improvement Plan, and enabled the County to manage its cash needs and to access the capital markets in an efficient manner.

**J. Property Taxes**

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**J. Property Taxes (Continued)**

Taxes were levied at a rate of \$2.69 per \$100 of assessed values. Tax collections of \$215,194,614 for fiscal year 2008 were approximately 96.1 percent of the total tax levy.

The 2008 fiscal year property tax rate of \$2.69 was divided between the County and the Board as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 1.13	42.01%
Debt Service Fund	0.33	12.27%
Total - Primary Government	1.46	54.28%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	1.23	45.72%
Total Tax Levy	\$ 2.69	100.00%

The 2009 fiscal year property tax rate of \$2.69 is divided as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 1.10	40.89%
Debt Service Fund	0.36	13.39%
Total - Primary Government	1.46	54.28%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	1.23	45.72%
Total Tax Levy	\$ 2.69	100.00%

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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 2008 fiscal year, the joint venture received 87 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$627,880 in user service fees for the year ended June 30, 2008. 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 2008 fiscal year, the joint venture received 61 percent of its revenues from the City of Knoxville and Knox County. Complete separate financial statements may be obtained at 3201 Division Street, Knoxville, TN 37919.

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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, 2008, the County appropriated operating subsidies of \$1,304,452 to the Community Action Committee.

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

Revenues from Operations	\$	384,224
Management Fee		<u>150,000</u>
Total Revenues		534,224
Total Expenses		<u>(533,267)</u>
Net Income	\$	<u><u>957</u></u>

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**C. Risk Financing**

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

The risk financing funds are accounted for as internal service funds where assets are set aside for claim settlements. The County continued offering fully insured health coverage to County employees and their families through either Cigna Healthcare of Tennessee or Cariten Healthcare until December 31, 2007. Beginning 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 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, and Employee Benefits Fund - Unemployment Compensation		Self Insurance Fund - General Liability, and Workers' Compensation	
	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2007
Unpaid Claims - Beginning Balance	\$ -	\$ -	\$ 6,741,760	\$ 7,340,510
Incurring Claims (Including IBNR's)	8,493,220	94,842	237,357	2,282,566
Claim Payments	(6,763,872)	(94,842)	(1,851,228)	(2,881,316)
Unpaid Claims - Ending Balance	<u>\$ 1,729,348</u>	<u>\$ -</u>	<u>\$ 5,127,889</u>	<u>\$ 6,741,760</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

***Funding Policies***

The contribution requirements of the County healthcare plan members and the County are established in the annual budget approved by County Commission. The required contribution is based on the annual premiums for the healthcare plan. The participant pays a portion of the premium cost and the County pays the remaining premiums. For health insurance, the retiree contributes 100% of all premium payments. For the fiscal year ended June 30, 2008, the retirees contributed \$151,723 to the plan.

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

The plan contains both active employees and retirees. Although the County's annual contribution is 53.9% 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.

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

Annual Required Contribution	\$	281,467
Interest on net OPEB Obligation		-
Adjustment to annual required contribution:		-
Annual OPEB Cost		281,467
Contribution made		(151,723)
Increase (decrease) in net OPEB obligation		129,744
Net OPEB obligation July 1, 2007		-
Net OPEB obligation June 30, 2008	\$	129,744

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 281,467	53.90%	\$ 129,744

***Funded Status and Funding Progress***

As of July 1, 2007, the most recent actuarial valuation date, the County healthcare plan was 0% funded. The actuarial accrued liability for benefits was \$2,644,971, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,644,971.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

*Actuarial Valuations*

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

*Actuarial Methods and Assumptions*

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

In the June 30, 2008 valuation, the projected unit credit cost method was used. The actuarial assumptions included a funded interest rate of 4.5% and a participation rate of 12%. Annual health care costs are assumed to increase 10% in the first year of valuation. Future annual increases are assumed to grade uniformly to 5% by the year 2012. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2008 was 30 years.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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, 2008, the amount of any liabilities that could result from such audits cannot be determined. However, the County believes that any such amounts would not have a material adverse effect on the County's financial position.

The County and the Board have several outstanding construction projects as of June 30, 2008. The County also has a five-year Capital Improvement Plan which addresses major capital needs for the County and the Board. Although the Capital Improvement Plan does not represent legal appropriations or contractual commitments, it does represent priorities as determined by the County and the Board.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

The following represents capital projects funds spent to date, current contractual obligations, and future plans as presented in the Capital Improvement Plan for the five fiscal years beginning July 1, 2009 and ending June 30, 2013:

	Spent to Date	Contractual Commitment Remaining at June 30, 2008	Capital Improvement Plan July 1, 2009 - June 30, 2013
<u>Primary Government:</u>			
Dutchtown Road Functional Planning	\$ 8,423,860	\$ 92,395	\$ 2,000,000
East Tennessee Historical Society	3,582,556	50,017	190,000
Ballcamp Road Improvements	14,929,826	707,986	10,150,000
Convenience Centers & Yard Waste	3,494,242	121,565	200,000
Stormwater Management Plan	5,364,213	119,343	2,000,000
Senior Centers	3,011,509	19,073	46,000
Burlington Branch Library	3,466,177	650	-
Other Projects	196,813,152	1,090,714	16,682,436
<b>Total - Primary Government</b>	<b>\$ 239,085,535</b>	<b>\$ 2,201,743</b>	<b>\$ 31,268,436</b>
<u>Component Unit - the Board:</u>			
Amherst Elementary (formerly Ridgedale)	\$ 16,002,641	\$ 41,345	\$ -
Powell Middle	1,121,610	6,934	-
Holston Middle	11,849,826	54,957	-
Cedar Bluff - K-3	18,072,112	1,032,380	-
Gibbs Elementary	15,344,838	28,744	-
Other Projects	87,063,958	8,292,897	14,000,000
<b>Total - the Board</b>	<b>\$ 149,454,985</b>	<b>\$ 9,457,257</b>	<b>\$ 14,000,000</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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, 2008*

**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, 2008. 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, 2008*

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

**G. Constitutional Officers (Continued)**

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

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds
<b>Constitutional Officers Special Revenue Fund:</b>						
Revenues	\$ 8,668,280	\$ 6,064,015	\$ 1,934,929	\$ 4,334,077	\$ 1,247,133	\$ 3,640,836
Expenditures	(3,721,273)	(4,989,500)	(1,399,529)	(4,114,766)	(1,039,823)	(1,884,270)
Excess of Revenues Over Expenditures	4,947,007	1,074,515	535,400	219,311	207,310	1,756,566
Fees Remitted to County General Fund	(4,304,257)	(1,100,000)	(217,000)	-	(123,550)	(1,415,506)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Fees Remitted	\$ 642,750	\$ (25,485)	\$ 318,400	\$ 219,311	\$ 83,760	\$ 341,060
Fees Remitted to County General Fund	\$ 4,304,257	\$ 1,100,000	\$ 217,000	\$ -	\$ 123,550	\$ 1,415,506
<b>Expenditures:</b>						
Personal Services/ Employee Benefits	-	-	-	(84,108)	-	-
Contracted Services	(168,960)	(531,965)	(95,407)	(179,247)	(101,626)	(118,938)
Supplies and Materials	(137,089)	(186,288)	(28,085)	(118,954)	(18,829)	(37,073)
Other Charges	(112,370)	(187,767)	(91,171)	(233,192)	(195,712)	(132,618)
Total General Fund Expenditures	(418,419)	(906,020)	(214,663)	(615,501)	(316,167)	(288,629)
Excess (Deficiency) of Fees Remitted Over (Under) General Fund Expenditures	\$ 3,885,838	\$ 193,980	\$ 2,337	\$ (615,501)	\$ (192,617)	\$ 1,126,877

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
*June 30, 2008*

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

**H. Accounting Pronouncements**

The County adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions, required for fiscal periods beginning after December 15, 2006, in fiscal 2008. This Statement addresses how governments should account for and report their costs and obligations related to post employment healthcare and other nonpension benefits.

The County adopted GASB Statement No. 50, Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27, required for fiscal periods beginning after June 15, 2007, in fiscal 2008. This Statement amends note disclosures and required supplementary information standards to conform with applicable changes adopted in GASB Statements No. 43 and No. 45.

The County plans to adopt GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remedial Obligations, required for fiscal periods beginning after December 15, 2007, in fiscal 2009. This Statement sets uniform standards requiring more timely and complete reporting of pollution remedial obligations.

The County plans to adopt GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, required for fiscal periods beginning after June 15, 2009, in fiscal 2010. This Statement establishes accounting and financial reporting requirements for intangible assets.

The County plans to adopt GASB Statement No. 52, Land and Other Real Estate Held as Investments by Endowments, required for fiscal periods beginning after June 15, 2008, in fiscal 2009. This Statement requires endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**NOTE V: EMPLOYEE RETIREMENT PLANS**

**A. General Information**

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

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

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 non-certified Board participants. The Knox County Voluntary 457 Plan incorporates voluntary pre-tax contributions by the participant with an employer match based on length of service with the County and/or Board. The employer will match:

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

In January 2008, the Pension Board added two additional outside 457 Vendors as investment alternatives. Knoxville Teachers Credit Union (Board employees only) and Security Benefit were added January 1, 2008 and contributions made by participants in the Asset Plan would also be eligible for the match offered by the employer.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**A. General Information (Continued)**

As of June 30, 2008, there were 1064 Plan members. During the year, member contributions (prior to forfeitures) amounted to \$1,897,765.

The three defined contribution plans and the three single employer defined benefit plans are part of the County's financial reporting entity and are included in the accompanying financial statements. The operations of the Knox County Employee Benefit System (County DB Plan), the County's Defined Contribution Plan (County DC Plan) and the County's Medical Retirement Defined Contribution Plan (Medical Retirement DC Plan) are recorded as County pension trust funds. The operations of the Board's Certificated Teacher's Defined Benefit Plan (Teacher's DB Plan) are recorded in the Board's pension trust fund. Separate financial reports for the three defined contribution plans and the three single employer defined benefit plans are not separately prepared. Each vendor prepares separate financial reports for the two outside 457 plans.

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.

**B. Defined Contribution Plans**

The *County DC Plan* is a defined contribution plan (an asset accumulation plan) established by Knox County under Section 401(a)(9) of the Internal Revenue Code. The plan covers substantially all full time employees of the County. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Participation begins on the first day of employment and all eligible employees not participating in another County, Board or state retirement plan are required to participate.

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

At June 30, 2008, there were 6,332 plan members. During the year, the employer and member contributions (prior to forfeitures) amounted to \$9,004,699 and \$7,587,819 respectively.

The *Medical Retirement Plan*, a voluntary defined contribution plan (an asset accumulation plan), was established by the County on July 1, 1998, under Section 401(a)(9) of the Internal Revenue Code. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Voluntary participation begins upon enrollment; eligible employees may begin participation on the first day of employment. The Plan was specifically created to assist employees in planning and investing for anticipated medical expenses upon retirement. Plan provisions and contribution requirements are established and may be amended by the Knox County Retirement Board.

Prior to July 1, 1999:

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

Effective July 1, 1999:

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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

The contributions are funded using excess funds as actuarially determined from the *County DB Plan* and are recorded as a transfer from the *County DB Plan* to the *Medical Retirement DC Plan*.

Effective January 1, 2005, the Retirement & Pension Board approved the re-instatement of the retiree bonus in the amount of \$120 annually for each of the next five years. This could be subject to change if the value of the Defined Benefit Plan's assets drops below an acceptable funding level. 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. Active employees contributing to the Medical Expense Retirement Plan will receive a 25% match for the Retirement & Pension Board up to a maximum annual match of \$104. The Board also committed to this for five years unless assets fall below an acceptable funding level.

At June 30, 2008, the Medical Retirement Plan had 2,522 members. During the year employer and member contributions amounted to \$69,452 and \$292,378, 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 financed through investment earnings.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

**C. Defined Benefit Plans**

*Plan Descriptions*

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

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

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

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

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

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

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

Participant data at January 1, 2008 was as follows:

Description	County DB Plan	Uniformed Officers' DB Plan	Teachers' DB Plan
Actives Contributing	232	643	70
Actives Not Contributing, DC Plan	4,380	-	-
Retirees, Beneficiaries, and Disableds	200	20	406
Retirees, DC Plan	1,467	-	-
Inactives with Contribution Accounts	295	4	21
Inactives, DC Plan	338	-	-
<b>Total Participants</b>	<b>6,912</b>	<b>667</b>	<b>497</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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, 2008*

**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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

**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.

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 4.84% of annual covered payroll for the year ending June 30, 2008.

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 10.42% of annual covered payroll for the year ending June 30, 2008.

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, 2008 was 6.24% 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, 2008, 2007 and 2006 were, \$12,751,467, \$12,335,021, \$455,398, 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, 2008*

**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 fiscal year ending June 30, 2008 was 0.0% 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, 2008	January 1, 2008	July 1, 2005	January 1, 2008
Actuarial Cost Method	Collective Aggregate	Individual Entry Age Normal	Frozen Entry Age	Individual Entry Age Normal
Actuarial Valuation of Assets	Market Value	Market Value	Smoothed Market Value Over 5 Years	Smoothed Market Value Over 5 Years
Inflation Rate	3.00%	3.00%	3.50%	2.75%
Investment Return	7.50%	7.50%	7.50%	7.50%
Projected Salary Increases	3.50%	3.50%	4.75%	4.00%
Post Retirement Increases (Cost of Living Adjustments)	3.00%	3.00%	3.00%	2.75%

Under the collective aggregate actuarial cost method, the annual cost is the aggregate normal cost. This actuarial cost method does not identify or separately amortize unfounded actuarial accrued liabilities.

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, 2005 was 16 years.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2008*

**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		
	2008	2007	2006	2008	2008	2007	2006
Net Pension Obligation (Asset), Beginning of Year*	\$ (3,811,698)	\$ (3,844,188)	\$ (3,876,955)	\$ -	\$ 3,328,038	\$ 3,356,406	\$ 3,385,016
Annual Pension Cost:							
Annual Required Contribution	-	-	-	-	135,786	771,772	739,370
Interest on Net Pension Obligation (Asset)	(285,877)	(288,314)	(290,772)	-	249,603	251,731	253,876
Adjustments to Annual Required Contribution**	318,093	320,804	323,539	-	(277,731)	(280,099)	(282,486)
Total Annual Pension Cost	32,216	32,490	32,767	-	107,658	743,404	710,760
Contributions Made	100,000	-	-	-	135,786	771,772	739,370
Increase (Decrease) in Net Pension Obligation (Asset)	(67,784)	32,490	32,767	-	(28,128)	(28,368)	(28,610)
Net Pension Obligation (Asset), End of Year	\$ (3,879,482)	\$ (3,811,698)	\$ (3,844,188)	\$ -	\$ 3,299,910	\$ 3,328,038	\$ 3,356,406
Amortization Period (in years)	25	25	25	25	25	25	25
Interest Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

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

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

**Trend Information (TCRS)**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ -	100.00%	\$ -
June 30, 2007	\$ -	100.00%	\$ -
June 30, 2006	\$ -	100.00%	\$ -

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2008*

**Schedules of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Collective Aggregate (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
<b>County DB Plan:</b>						
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%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Individual 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)
<b>Teachers' DB Plan:</b>						
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%	6,278,718	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%

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2008*

**Schedules of Funding Progress (Continued)**

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)
<b>Uniformed Officers Pension Plan:</b>						
1/1/2008	\$ 97,974,663	\$ 104,812,621	\$ 6,837,958	93.48%	\$ 24,238,059	28.21%

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)
<b>Knox Co Executive and Officials</b>						
<b>TCRS (Amounts Expressed in Thousands):</b>						
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%

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)
<b>Other Post-employment Benefits - Healthcare Plan:</b>						
7/1/2007	\$ -	\$ 2,644,971	\$ 2,644,971	0%	N/A	N/A

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2008*

**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	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1999	-	N/A	-	N/A	773,683	100.64%
2000	-	N/A	-	N/A	357,275	96.15%
2001	-	N/A	-	N/A	-	N/A
2002	-	N/A	-	N/A	344,411	174.21%
2003	-	N/A	-	N/A	412,445	145.47%
2004	-	N/A	-	N/A	784,838	100.00%
2005	-	N/A	-	N/A	881,447	100.00%
2006	-	N/A	-	N/A	739,370	100.00%
2007	-	N/A	-	N/A	771,772	100.00%
2008	100,000	100.00%	1,823,530	7.50%	135,786	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, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Local Taxes	\$ 123,640,107	\$ 123,679,690	\$ 125,701,324	\$ 2,021,634
Licenses and Permits	3,825,593	3,825,593	3,696,245	(129,348)
Fines, Forfeitures and Penalties	3,864,730	3,929,939	3,771,374	(158,565)
Charges for Current Services	4,216,721	4,231,764	4,015,075	(216,689)
Other Local Revenues	7,028,383	7,033,348	8,701,442	1,668,094
State of Tennessee	6,785,845	6,965,949	9,685,607	2,719,658
Federal Government	560,000	560,000	1,178,304	618,304
Other Governments and Citizen Groups	161,617	258,890	498,159	239,269
Payments from Component Units	1,186,559	1,186,559	282,491	(904,068)
Increase in Equity Interest in Joint Venture	-	-	46,412	46,412
Total Revenues	<u>151,269,555</u>	<u>151,671,732</u>	<u>157,576,433</u>	<u>5,904,701</u>
<b>Expenditures</b>				
Current:				
Finance and Administration	25,919,387	27,633,745	25,380,728	2,253,017
Finance and Administration - Payments to Component Unit	6,385,000	6,385,000	6,385,000	-
Administration of Justice	13,717,725	13,717,244	12,914,467	802,777
Public Safety	63,169,346	64,015,903	63,492,998	522,905
Public Safety - Payments to Component Unit	326,200	326,200	326,200	-
Public Health and Welfare	29,144,012	30,248,321	28,024,633	2,223,688
Public Health and Welfare - Payments to Component Unit	200,000	167,521	166,628	893
Social and Cultural Services	4,915,816	5,082,286	4,686,060	396,226
Agricultural and Natural Resources	461,023	481,023	461,142	19,881
Other General Government	11,856,607	12,579,643	8,251,831	4,327,812
Total Expenditures	<u>156,095,116</u>	<u>160,636,886</u>	<u>150,089,687</u>	<u>10,547,199</u>
<b>Excess of Revenues Over Expenditures</b>	<u>(4,825,561)</u>	<u>(8,965,154)</u>	<u>7,486,746</u>	<u>16,451,900</u>
<b>Other Financing Sources (Uses)</b>				
Note Proceeds	3,288,507	3,288,507	3,263,507	(25,000)
Transfers from Other Funds	9,610,900	9,616,894	7,902,985	(1,713,909)
Transfers to Other Funds	(15,078,004)	(15,993,205)	(15,082,089)	911,116
Total Other Financing Uses	<u>(2,178,597)</u>	<u>(3,087,804)</u>	<u>(3,915,597)</u>	<u>(827,793)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (7,004,158)</u>	<u>\$ (12,052,958)</u>	<u>3,571,149</u>	<u>\$ 15,624,107</u>
Fund Balances, July 1			<u>55,801,975</u>	
Fund Balances, June 30			<u>\$ 59,373,124</u>	

See accompanying notes to Required Supplementary Information.

KNOX COUNTY, TENNESSEE  
**Note to Required Supplementary Information**  
*June 30, 2008*

**Budgetary Reporting**

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

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

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

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



## **Supplemental Section**

## **GENERAL FUND**

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

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**KNOX COUNTY, TENNESSEE**

**General Fund  
Comparative Balance Sheets  
June 30, 2008 and June 30, 2007**

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 14,999,744	\$ 31,100,838
Receivables (Net of Allowances for Uncollectibles):		
Accounts	11,568,604	10,666,483
Property Taxes	100,614,574	99,789,355
Investments	21,709,530	12,713,797
Due from Other Funds	11,814,789	4,019,202
Due from Component Units	26,951	108,860
Due from Other Governments	1,637	22,010
Inventories	120,147	133,868
Prepaid Items	893,890	607,969
Investment in Joint Venture	5,866,537	5,820,125
Advances to Component Units	3,886,250	-
Advances to Other Funds	175,000	175,000
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 171,677,653</u>	<u>\$ 165,157,507</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 7,377,427	\$ 5,778,948
Due to Other Funds	1,166,829	3,847,172
Deferred Revenue	103,760,273	99,729,412
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>112,304,529</u>	<u>109,355,532</u>
 <b>Fund Balances:</b>		
Reserved	11,024,655	9,306,651
Unreserved:		
Designated	8,505,262	3,027,842
Undesignated	39,843,207	43,467,482
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>59,373,124</u>	<u>55,801,975</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 171,677,653</u>	<u>\$ 165,157,507</u>

**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2008 and June 30, 2007

	2008	2007
<b>Revenues</b>		
Local Taxes	\$ 125,701,324	\$ 128,968,601
Licenses and Permits	3,696,245	3,623,663
Fines, Forfeitures and Penalties	3,771,374	3,843,930
Charges for Current Services	4,015,075	4,993,086
Other Local Revenues	8,701,442	1,477,736
State of Tennessee	9,685,607	9,310,646
Federal Government	1,178,304	902,756
Other Governments and Citizen Groups	498,159	484,431
Payments from Component Units	282,491	-
Increase in Equity Interest in Joint Venture	46,412	713,764
<b>Total Revenues</b>	<b>157,576,433</b>	<b>154,318,613</b>
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	25,380,728	24,493,987
Finance and Administration - Payments to Component Unit	6,385,000	4,148,000
Administration of Justice	12,914,467	11,876,126
Public Safety	63,492,998	60,307,156
Public Safety - Payments to Component Unit	326,200	326,200
Public Health and Welfare	28,024,633	27,739,913
Public Health and Welfare - Payments to Component Unit	166,628	256,628
Social and Cultural Services	4,686,060	4,446,045
Agricultural and Natural Resources	461,142	425,395
Other General Government	8,251,831	7,525,484
<b>Total Expenditures</b>	<b>150,089,687</b>	<b>141,544,934</b>
 Excess of Revenues Over Expenditures	 7,486,746	 12,773,679
<b>Other Financing Sources (Uses)</b>		
Note Proceeds	3,263,507	-
Transfers from Other Funds	7,902,985	6,369,650
Transfers to Other Funds	(15,082,089)	(20,939,896)
<b>Total Other Financing Uses</b>	<b>(3,915,597)</b>	<b>(14,570,246)</b>
 Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	 3,571,149	 (1,796,567)
 Fund Balances, July 1	 55,801,975	 57,598,542
 Fund Balances, June 30	 \$ 59,373,124	 \$ 55,801,975

## **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, 2008

(With Comparative Totals for June 30, 2007)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2008	2007
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 1,183,402	\$ 1,590,932	\$ 727,188	\$ 1,219,998	\$ 549,210	\$ 963,801	\$ 6,234,531	\$ 4,539,082
<b>TOTAL ASSETS</b>	<b>\$ 1,183,402</b>	<b>\$ 1,590,932</b>	<b>\$ 727,188</b>	<b>\$ 1,219,998</b>	<b>\$ 549,210</b>	<b>\$ 963,801</b>	<b>\$ 6,234,531</b>	<b>\$ 4,539,082</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Due to Other Funds	\$ 67,539	\$ 400,000	-	\$ -	\$ 44,550	\$ 316,598	\$ 828,687	\$ 713,034
<b>TOTAL LIABILITIES</b>	<b>67,539</b>	<b>400,000</b>	<b>-</b>	<b>-</b>	<b>44,550</b>	<b>316,598</b>	<b>828,687</b>	<b>713,034</b>
<b>Fund Balances:</b>								
Unreserved, Undesignated	1,115,863	1,190,932	727,188	1,219,998	504,660	647,203	5,405,844	3,826,048
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,183,402</b>	<b>\$ 1,590,932</b>	<b>\$ 727,188</b>	<b>\$ 1,219,998</b>	<b>\$ 549,210</b>	<b>\$ 963,801</b>	<b>\$ 6,234,531</b>	<b>\$ 4,539,082</b>

**KNOX COUNTY, TENNESSEE**

**Constitutional Officers' Special Revenue Fund  
Combining Schedule of Revenues, Expenditures  
And Changes in Fund Balances**

For the year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2008	2007
<b>Revenues</b>								
Charges for Services	\$ 8,666,679	\$ 6,010,677	\$ 1,934,929	\$ 4,334,077	\$ 1,247,133	\$ 3,629,943	\$ 25,823,438	\$ 22,290,040
Interest Income	1,601	53,338	-	-	-	10,893	65,832	185,615
<b>Total Revenues</b>	<b>8,668,280</b>	<b>6,064,015</b>	<b>1,934,929</b>	<b>4,334,077</b>	<b>1,247,133</b>	<b>3,640,836</b>	<b>25,889,270</b>	<b>22,475,655</b>
<b>Expenditures</b>								
Current:								
General Government:								
Finance and Administration:								
Salaries - County Officials	68,912	52,558	75,051	104,606	96,560	58,528	456,215	546,712
Salaries - Staff	2,368,908	3,642,433	1,003,239	2,843,021	698,555	1,429,820	11,985,976	11,463,902
Travel	82,643	89,187	77,934	-	-	-	249,764	210,758
Employee Benefits and Payroll Taxes	601,845	1,197,532	243,305	305,930	236,751	393,892	2,979,255	3,470,101
Consulting Fees	-	7,790	-	-	-	-	7,790	5,920
Office Supplies	598,965	-	-	861,209	7,957	2,030	1,470,161	466,681
<b>Total Expenditures</b>	<b>3,721,273</b>	<b>4,989,500</b>	<b>1,399,529</b>	<b>4,114,766</b>	<b>1,039,823</b>	<b>1,884,270</b>	<b>17,149,161</b>	<b>16,164,074</b>
Excess of Revenues Over Expenditures	4,947,007	1,074,515	535,400	219,311	207,310	1,756,566	8,740,109	6,311,581
<b>Other Financing Uses</b>								
Transfers to Other Funds	(4,304,257)	(1,100,000)	(217,000)	-	(123,550)	(1,415,506)	(7,160,313)	(6,269,650)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	642,750	(25,485)	318,400	219,311	83,760	341,060	1,579,796	41,931
Fund Balances, July 1	473,113	1,216,417	408,788	1,000,687	420,900	306,143	3,826,048	3,784,117
<b>Fund Balances, June 30</b>	<b>\$ 1,115,863</b>	<b>\$ 1,190,932</b>	<b>\$ 727,188</b>	<b>\$ 1,219,998</b>	<b>\$ 504,660</b>	<b>\$ 647,203</b>	<b>\$ 5,405,844</b>	<b>\$ 3,826,048</b>

## **CAPITAL PROJECTS FUNDS - MAJOR**

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

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

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**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)**  
**Comparative Balance Sheets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 16,988,188	\$ 40,466,772
Receivables (Net of Allowances for Uncollectibles):		
Accounts	372,883	2,158,117
Prepaid Items	1,000	-
Due From Other Funds	-	2,500,263
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 17,362,071</u>	<u>\$ 45,125,152</u>
 <b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 4,487,911	\$ 5,799,390
Due to Other Funds	3,323,420	213,821
Due to Component Units	35,763,902	35,763,902
Deferred Revenue	-	328
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>43,575,233</u>	<u>41,777,441</u>
 <b>Fund Balances (Deficits):</b>		
Reserved	2,202,743	12,605,044
Unreserved:		
Undesignated	(28,415,905)	(9,257,333)
	<hr/>	<hr/>
TOTAL FUND BALANCE (DEFICIT)	<u>(26,213,162)</u>	<u>3,347,711</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,362,071</u>	<u>\$ 45,125,152</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Interest Earned	\$ 107,374	\$ 132,932
Local Taxes	-	209,705
Other Local Revenues	205,000	176,312
State of Tennessee	-	1,003,750
Federal Government	191,897	392,410
Other Governments and Citizen Groups	460,250	2,072,000
Payments from Component Units	<u>262,500</u>	<u>-</u>
Total Revenues	<u>1,227,021</u>	<u>3,987,109</u>
<b>Expenditures</b>		
Capital Projects	26,166,932	46,534,299
Debt Proceeds Paid to Component Unit	-	18,550,000
Debt Issuance Costs	489,154	340,537
Payments to Component Unit	<u>5,000,000</u>	<u>10,750,000</u>
Total Expenditures	<u>31,656,086</u>	<u>76,174,836</u>
Deficiency of Revenues Under Expenditures	<u>(30,429,065)</u>	<u>(72,187,727)</u>
<b>Other Financing Sources (Uses)</b>		
Long-term Debt Issued	57,000,000	69,000,000
Transfers from Other Funds	635,032	5,500,000
Transfers to Other Funds	<u>(56,766,840)</u>	<u>-</u>
Total Other Financing Sources	<u>868,192</u>	<u>74,500,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(29,560,873)	2,312,273
Fund Balance, July 1	<u>3,347,711</u>	<u>1,035,438</u>
Fund Balance (Deficit), June 30	<u>\$ (26,213,162)</u>	<u>\$ 3,347,711</u>

**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)  
Comparative Schedules of Revenues, Expenditures And  
Changes in Fund Balances - Budget And Actual (Budget Basis)  
For the years ended June 30, 2008 and June 30, 2007**

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ 727,803	\$ 335,060	\$ (392,743)
<b>Expenditures</b>							
Capital Projects:							
Contracted Services	-	-	-	-	35,502	21,257	14,245
Supplies & Materials	-	-	-	-	77,756	44,237	33,519
Other Charges	-	-	-	-	274,938	49,036	225,902
Capital Outlay	-	-	-	-	424,139	168,790	255,349
Total Expenditures	-	-	-	-	812,335	283,320	529,015
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	(84,532)	51,740	136,272
<b>Other Financing Uses</b>							
Transfers to Other Funds	-	-	-	-	(249,600)	-	249,600
Total Other Financing Uses	-	-	-	-	(249,600)	-	249,600
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	-	-	-	-	(334,132)	51,740	385,872
Fund Balances, July 1 (Budget Basis)	-	-	-	-	334,132	334,132	-
Fund Balances, June 30 (Budget Basis)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 385,872	\$ 385,872

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

Fund Balance (Budget Basis)	\$ 385,872
Timing Difference:	
Project Length Budgets	2,961,839
Fund Balance (Deficit) (GAAP Basis)	<u>\$ 3,347,711</u>

As described in Note II. A., beginning in 2008 all activities in this fund are accounted for by use of project-length budgets. Therefore, there is no legally adopted annual budget for any portion of this fund.

**KNOX COUNTY, TENNESSEE**

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

**Schedule of Construction Project Expenditures-**

**Budget And Actual**

For the year ended June 30, 2008

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Clinton Highway and Beaver Creek	\$ 73,378	\$ 73,376	\$ 2	\$ 73,378	\$ -
Knob Creek Bridge	495,335	214,613	9,701	224,314	271,021
Bridge Replacement	3,290,986	2,928,059	260,426	3,188,485	102,501
Middlebrook Pike	8,720,275	6,988,302	-	6,988,302	1,731,973
Hardin Valley Road	11,269,204	11,166,283	102,921	11,269,204	-
Ballcamp Improvements	16,302,722	11,561,790	3,368,036	14,929,826	1,372,896
Lovell Road	2,820,165	1,942,295	-	1,942,295	877,870
Central/Callahan/Dante Road	7,189	7,189	-	7,189	-
Dry Gap Pike	5,821,534	5,075,793	62,824	5,138,617	682,917
Maynardville/Norris/Emory	731,930	162,796	43,073	205,869	526,061
Parkside Drive Extension	16,171,196	9,310,034	(48,397)	9,261,637	6,909,559
Walker Springs Connector	2,652,953	1,742,568	-	1,742,568	910,385
Dutchtown Road Functional Plan	9,125,755	5,458,249	2,965,611	8,423,860	701,895
Karns Connector	3,121,092	3,070,630	902	3,071,532	49,560
Gallaher View Road	3,843,882	263,861	282,334	546,195	3,297,687
Dyestone Gap Road	1,003,170	585,779	403,397	989,176	13,994
Campbell Station Extension	1,000,000	-	-	-	1,000,000
Tazewell Pike / Emory Road	407,601	-	3,118	3,118	404,483
General Road Improvements	1,101,500	-	-	-	1,101,500
Dutchtown Innovation	185,946	-	12,900	12,900	173,046
	<b>88,145,813</b>	<b>60,551,617</b>	<b>7,466,848</b>	<b>68,018,465</b>	<b>20,127,348</b>
<i>Total Road Construction</i>					
<i>Building Renovations:</i>					
Juvenile Court/ Detention	13,913,263	13,759,263	103,316	13,862,579	50,684
Sports Complex	4,296,500	4,183,114	94,282	4,277,396	19,104
County Wide Renovations	2,945,980	2,769,776	73,243	2,843,019	102,961
Knox Central	1,055,360	878,402	93,924	972,326	83,034
Fairview Technical Center	395,000	373,914	-	373,914	21,086
Hardy Building	110,000	108,273	-	108,273	1,727
John Tarleton	199,000	109,588	53,774	163,362	35,638
AJ/ Dwight Kessel Garage	927,500	610,636	49,147	659,783	267,717
City/County Improvement	12,175,115	7,510,332	165,438	7,675,770	4,499,345
Knox County Health Renovations	10,582,710	10,368,374	58,111	10,426,485	156,225
Old Courthouse Renovation	1,576,800	978,634	90,323	1,068,957	507,843
Detention Facility	1,475,345	985,408	-	985,408	489,937
DUI Building	357,258	357,150	-	357,150	108
Sheriff Training Facility	93,000	39,533	53,465	92,998	2
Detention Facility Expansion 2006	14,400,000	13,463,721	321,696	13,785,417	614,583
	<b>64,502,831</b>	<b>56,496,118</b>	<b>1,156,719</b>	<b>57,652,837</b>	<b>6,849,994</b>
<i>Total Building Renovations</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, 2008**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures (continued)</b>					
<i>Capital Projects (continued):</i>					
<i>Building Construction:</i>					
North Knox Soccer Complex	615,889	615,889	-	615,889	-
Burlington Branch Library	3,490,280	2,889,281	576,896	3,466,177	24,103
Lawson McGhee Library	1,053,000	357,975	30,965	388,940	664,060
Various Library Branches	265,851	91,091	14,320	105,411	160,440
South Knox Senior Center	1,552,500	1,428,408	33,726	1,462,134	90,366
Carter Senior Center	1,400,000	-	223,220	223,220	1,176,780
Veteran's Nursing Home	6,000,000	4,817,403	101,865	4,919,268	1,080,732
Beck Cultural Center	1,755,000	894,577	1,304	895,881	859,119
Halls Senior Center	1,342,643	1,324,810	1,345	1,326,155	16,488
Community Kitchen - CAC	2,300,000	2,298,288	-	2,298,288	1,712
Penal Farm	36,589,360	36,447,276	142,084	36,589,360	-
<i>Total Building Construction:</i>	<i>56,364,523</i>	<i>51,164,998</i>	<i>1,125,725</i>	<i>52,290,723</i>	<i>4,073,800</i>
<i>Other:</i>					
Justice System Software	1,850,000	1,773,816	-	1,773,816	76,184
Recreation Dept. Purchase-Hickey Road	600,000	-	586,673	586,673	13,327
Maloney Road Park	64,787	64,787	-	64,787	-
Seven Island Foot Bridge	1,714,132	184,123	26,584	210,707	1,503,425
Seven Islands	100,000	42,979	54,794	97,773	2,227
Carl Cowan Park	39,334	39,188	146	39,334	-
Concord Park	754,178	670,295	13,883	684,178	70,000
Halls Greenway	210,220	119,650	31,463	151,113	59,107
Knox-Blount Greenway-Phase I	145,198	-	-	-	145,198
Knox-Blount Greenway-Phase II	145,198	-	-	-	145,198
Halls Community Park	1,053,406	1,030,786	18,809	1,049,595	3,811
Hillcrest Park	363,326	360,788	-	360,788	2,538
John Tarleton Building & Parking Lot	513,927	513,927	-	513,927	-
Gibbs Ruritan Park	607,672	607,145	527	607,672	-
Powell Community Park	349,654	349,375	279	349,654	-
Park Facility Improvement	190,000	73,082	21,301	94,383	95,617
Farmers Market	2,166,750	1,436,592	719,618	2,156,210	10,540
Skate Park	250,000	59,700	190,300	250,000	-
Rifle Range Road Park	3,712,500	129,675	2,185,569	2,315,244	1,397,256
Carter Park	99,126	98,876	250	99,126	-
French Park Greenway Trail	145,933	143,533	2,400	145,933	-
Ten Mile Creek Greenway	324,665	253,828	14,058	267,886	56,779
Ten Mile Creek Greenway-Extension	246,700	42,473	174,421	216,894	29,806
Agricultural Enhancement Grant	10,000	-	7,386	7,386	2,614
East TN Historical Renovations	3,634,121	3,541,130	41,426	3,582,556	51,565
Lighting Upgrade	202,500	193,353	-	193,353	9,147
Technology Upgrade	500,000	100,000	120,219	220,219	279,781
Long Term Economic Development	22,140,000	17,392,365	-	17,392,365	4,747,635

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)  
 Schedule of Construction Project Expenditures-  
 Budget And Actual (Continued)  
 For the year ended June 30, 2008

Project	Expenditures			Total	Available
	Budget	Prior Years	Current		
<b>Expenditures (continued)</b>					
<i>Capital Projects (continued):</i>					
<i>Other (continued):</i>					
Frank Strang Center Renovation	13,000	-	11,753	11,753	1,247
Downtown Development	303,439	286,579	-	286,579	16,860
Westbridge Industrial Park	23,925	6,745	-	6,745	17,180
KC Landmarks	447,345	415,637	-	415,637	31,708
Telecom Knox Co. Schools	586,135	415,090	132,163	547,253	38,882
East Knox Clinic	380,000	-	-	-	380,000
PBA Project Management	1,730,847	871,200	541,205	1,412,405	318,442
E-911 Improvements	150,000	145,076	-	145,076	4,924
Powell Convenient Center	1,425,102	546,198	526,306	1,072,504	352,598
Gibbs Convenient Center	1,280,855	1,267,222	11,633	1,278,855	2,000
Solway Yard Waste Facility	1,190,000	1,084,612	58,271	1,142,883	47,117
Stormwater Management	10,655,670	4,772,541	591,672	5,364,213	5,291,457
Beavercreek Watershed	30,000	22,936	-	22,936	7,064
East Beaver Acquisition	1,709,054	1,421,438	233,201	1,654,639	54,415
Functional Planning	234,460	234,460	-	234,460	-
Geometric Improvements	1,736,275	746,013	29,902	775,915	960,360
Gulf Park Drive Sidewalk	208,501	203,468	-	203,468	5,033
Knoxville Zoo Capital	750,000	550,000	200,000	750,000	-
Farragut High School Science Lab	250,000	-	181,246	181,246	68,754
School Facilities Assessment Planning	600,000	152,221	72,753	224,974	375,026
Powell Middle School	16,000,000	594,360	9,102,116	9,696,476	6,303,524
Miscellaneous Capital Improvements	1,000,000	500,000	500,000	1,000,000	-
Trustee's Tax Payment Processor	125,000	120,205	-	120,205	4,795
Closed Projects	561,284	-	-	-	561,284
Three Ridges Golf Course	1,258,874	1,128,403	15,313	1,143,716	115,158
<i>Total Other</i>	<u>84,783,093</u>	<u>44,705,870</u>	<u>16,417,640</u>	<u>61,123,510</u>	<u>23,659,583</u>
<i>Total Capital Projects</i>	<u>\$ 293,796,260</u>	<u>\$ 212,918,603</u>	<u>\$ 26,166,932</u>	<u>\$ 239,085,535</u>	<u>\$ 54,710,725</u>

## **DEBT SERVICE FUND - MAJOR**

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

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**KNOX COUNTY, TENNESSEE**

**Debt Service Fund (Major)**  
**Comparative Balance Sheets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 26,831,141	\$ 28,828,883
Receivables (Net of Allowance for Uncollectibles):		
Accounts	20,662	429,652
Property Taxes	32,527,265	28,474,950
Accrued Interest	-	7,786
Notes	10,890,000	10,740,000
Due from Other Funds	-	200,000
Advance to Component Units	-	4,031,250
Advance to Other Governments	2,500,000	2,500,000
	<u>2,500,000</u>	<u>2,500,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 72,769,068</u>	<u>\$ 75,212,521</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 15,084	\$ 568,434
Due to Other Funds	2,649,671	-
Due to Component Units	-	2,466,088
Deferred Revenue	39,680,426	39,520,897
	<u>39,680,426</u>	<u>39,520,897</u>
<b>TOTAL LIABILITIES</b>	<u>42,345,181</u>	<u>42,555,419</u>
 <b>Fund Balances:</b>		
Reserved	6,040,000	6,040,000
Unreserved:		
Designated	-	3,645
Undesignated	24,383,887	26,613,457
	<u>24,383,887</u>	<u>26,613,457</u>
<b>TOTAL FUND BALANCES</b>	<u>30,423,887</u>	<u>32,657,102</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <u>\$ 72,769,068</u>	 <u>\$ 75,212,521</u>

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## KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Local Taxes	\$ 27,163,888	\$ 19,462,532
Other Governments/Citizen Groups	303,636	329,800
Interest Earned	-	7,861,842
Payments from Component Units	<u>23,069,055</u>	<u>23,229,518</u>
Total Revenues	<u>50,536,579</u>	<u>50,883,692</u>
<b>Expenditures</b>		
Debt Service:		
Trustee's Commission	475,293	446,367
Principal on Bonds	24,185,467	22,980,467
Interest on Bonds	27,307,441	25,102,520
Other Debt Service	<u>1,589,216</u>	<u>863,352</u>
Total Expenditures	<u>53,557,417</u>	<u>49,392,706</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,020,838)</u>	<u>1,490,986</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>787,623</u>	<u>541,002</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(2,233,215)	2,031,988
Fund Balances, July 1	<u>32,657,102</u>	<u>30,625,114</u>
Fund Balances, June 30	<u><u>\$ 30,423,887</u></u>	<u><u>\$ 32,657,102</u></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, 2008 and June 30, 2007

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 26,704,000	\$ 26,704,000	\$ 27,163,888	\$ 459,888	\$ 19,257,000	\$ 19,462,532	\$ 205,532
Other Governments/Citizen Groups	1,005,090	1,005,090	303,636	(701,454)	1,013,887	329,800	(684,087)
Interest Earned	-	-	-	-	4,671,897	7,861,842	3,189,945
Payments from Component Units	23,569,055	23,569,055	23,069,055	(500,000)	23,229,518	23,229,518	-
<b>Total Revenues</b>	<b>51,278,145</b>	<b>51,278,145</b>	<b>50,536,579</b>	<b>(741,566)</b>	<b>48,172,302</b>	<b>50,883,692</b>	<b>2,711,390</b>
<b>Expenditures</b>							
Debt Service:							
Trustee's Commission	479,750	479,750	475,293	4,457	475,000	446,367	28,633
Principal on Bonds	26,328,255	26,328,255	24,185,467	2,142,788	23,630,467	22,980,467	650,000
Interest on Bonds	33,515,245	33,515,245	27,307,441	6,207,804	28,719,533	25,102,520	3,617,013
Other Debt Service	176,750	176,750	1,589,216	(1,412,466)	1,003,897	863,352	140,545
<b>Total Expenditures</b>	<b>60,500,000</b>	<b>60,500,000</b>	<b>53,557,417</b>	<b>6,942,583</b>	<b>53,828,897</b>	<b>49,392,706</b>	<b>4,436,191</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,221,855)	(9,221,855)	(3,020,838)	6,201,017	(5,656,595)	1,490,986	7,147,581
<b>Other Financing Sources</b>							
Transfers from Other Funds	205,565	205,565	787,623	582,058	1,574,952	541,002	(1,033,950)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(9,016,290)	(9,016,290)	(2,233,215)	6,783,075	(4,081,643)	2,031,988	6,113,631
Fund Balance, July 1	32,657,102	32,657,102	32,657,102	-	30,625,114	30,625,114	-
Fund Balance, June 30	\$ 23,640,812	\$ 23,640,812	\$ 30,423,887	\$ 6,783,075	\$ 26,543,471	\$ 32,657,102	\$ 6,113,631

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

### **CAPITAL PROJECTS FUND**

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

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**KNOX COUNTY, TENNESSEE****Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008**

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	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,331,653	\$ 2,487,635	\$ 11,819,288
Receivables (Net of Allowance for Uncollectibles):			
Accounts	9,082,942	-	9,082,942
Property Taxes	224,421	333	224,754
Notes	3,249,715	-	3,249,715
Due from Other Funds	1,032,435	-	1,032,435
Inventories	6,742	-	6,742
Prepaid Items	23,416	-	23,416
<b>TOTAL ASSETS</b>	<b>\$ 22,951,324</b>	<b>\$ 2,487,968</b>	<b>\$ 25,439,292</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ 3,172,360	\$ 14,809	\$ 3,187,169
Due to Other Funds	1,799,634	-	1,799,634
Due to Component Units	-	-	-
Deferred Revenue	5,072,467	333	5,072,800
<b>TOTAL LIABILITIES</b>	<b>10,044,461</b>	<b>15,142</b>	<b>10,059,603</b>
<b>Fund balances:</b>			
Reserved	1,833,176	97,869	1,931,045
Unreserved:			
Designated	844,505	-	844,505
Undesignated	10,229,182	2,374,957	12,604,139
<b>TOTAL FUND BALANCES</b>	<b>12,906,863</b>	<b>2,472,826</b>	<b>15,379,689</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 22,951,324</b>	<b>\$ 2,487,968</b>	<b>\$ 25,439,292</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the year ended June 30, 2008**

	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Local Taxes	\$ 13,029,672	\$ -	\$ 13,029,672
Fines, Forfeitures and Penalties	594,785	-	594,785
Charges for Current Services	828,306	-	828,306
Other Local Revenues	1,112,336	-	1,112,336
State of Tennessee	9,959,479	-	9,959,479
Federal Government	6,464,079	-	6,464,079
Other Governments and Citizen Groups	476,073	-	476,073
<b>Total Revenues</b>	<b>32,464,730</b>	<b>-</b>	<b>32,464,730</b>
<b>Expenditures</b>			
Current:			
Finance and Administration	464,938	-	464,938
Administration of Justice	721,342	-	721,342
Public Safety	2,655,274	-	2,655,274
Public Health and Welfare	11,326,487	-	11,326,487
Social and Cultural Services	13,181,971	-	13,181,971
Other General Government	5,626,610	-	5,626,610
Highways	11,096,021	-	11,096,021
Capital Projects	-	445,589	445,589
<b>Total Expenditures</b>	<b>45,072,643</b>	<b>445,589</b>	<b>45,518,232</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(12,607,913)</b>	<b>(445,589)</b>	<b>(13,053,502)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	14,282,886	-	14,282,886
Transfers to Other Funds	(1,330,130)	(80,000)	(1,410,130)
<b>Total Other Financing Sources (Uses)</b>	<b>12,952,756</b>	<b>(80,000)</b>	<b>12,872,756</b>
<b>Net Change in Fund Balances</b>	<b>344,843</b>	<b>(525,589)</b>	<b>(180,746)</b>
<b>Fund Balances, July 1</b>	<b>12,562,020</b>	<b>2,998,415</b>	<b>15,560,435</b>
<b>Fund Balances, June 30</b>	<b>\$ 12,906,863</b>	<b>\$ 2,472,826</b>	<b>\$ 15,379,689</b>

**KNOX COUNTY, TENNESSEE**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds**

June 30, 2008

	<b>State and Federal Grants</b>	<b>Governmental Library</b>	<b>Public Library</b>	<b>Solid Waste</b>	<b>Hotel/Motel Tax</b>	<b>Fire District</b>	<b>Drug Control</b>	<b>Highway</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>ASSETS</b>									
Cash and Cash Equivalents	\$ 433,705	\$ 55,224	\$ 1,064,160	\$ 1,397,906	\$ 1,234,535	\$ 117,472	\$ 1,280,445	\$ 3,748,206	\$ 9,331,653
Receivables (Net of Allowance for Uncollectibles):									
Accounts	5,182,283	6,094	142,149	313,906	1,404,047	-	19,300	2,015,163	9,082,942
Property Taxes	-	-	3,747	1,377	-	219,297	-	-	224,421
Notes	3,249,715	-	-	-	-	-	-	-	3,249,715
Due from Other Funds	951,426	-	79,377	1,596	-	-	-	36	1,032,435
Inventories	6,742	-	-	-	-	-	-	-	6,742
Prepaid Items	17,020	-	6,396	-	-	-	-	-	23,416
<b>TOTAL ASSETS</b>	<b>\$ 9,840,891</b>	<b>\$ 61,318</b>	<b>\$ 1,295,829</b>	<b>\$ 1,714,785</b>	<b>\$ 2,638,582</b>	<b>\$ 336,769</b>	<b>\$ 1,299,745</b>	<b>\$ 5,763,405</b>	<b>\$ 22,951,324</b>
<b>LIABILITIES AND FUND BALANCE</b>									
Liabilities:									
Accounts Payable and Accrued Liabilities	\$ 603,261	\$ 10,073	\$ 362,231	\$ 101,893	\$ 1,758,939	\$ -	\$ 742	\$ 335,221	\$ 3,172,360
Due to Other Funds	1,220,799	-	331,596	158,246	-	-	60	88,933	1,799,634
Deferred Revenue	4,753,046	-	3,747	1,377	-	219,297	-	95,000	5,072,467
<b>TOTAL LIABILITIES</b>	<b>6,577,106</b>	<b>10,073</b>	<b>697,574</b>	<b>261,516</b>	<b>1,758,939</b>	<b>219,297</b>	<b>802</b>	<b>519,154</b>	<b>10,044,461</b>
Fund Balances:									
Reserved	1,251,421	194	175,089	1,160	-	-	124,124	281,188	1,833,176
Unreserved:									
Designated	-	-	2,977	-	-	-	-	841,528	844,505
Undesignated	2,012,364	51,051	420,189	1,452,109	879,643	117,472	1,174,819	4,121,535	10,229,182
<b>TOTAL FUND BALANCES</b>	<b>3,263,785</b>	<b>51,245</b>	<b>598,255</b>	<b>1,453,269</b>	<b>879,643</b>	<b>117,472</b>	<b>1,298,943</b>	<b>5,244,251</b>	<b>12,906,863</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,840,891</b>	<b>\$ 61,318</b>	<b>\$ 1,295,829</b>	<b>\$ 1,714,785</b>	<b>\$ 2,638,582</b>	<b>\$ 336,769</b>	<b>\$ 1,299,745</b>	<b>\$ 5,763,405</b>	<b>\$ 22,951,324</b>

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the year ended June 30, 2008

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Fire District	Drug Control	Highway	Total Nonmajor Special Revenue Funds
<b>Revenues</b>									
Local Taxes	\$ -	\$ 67,480	\$ 1,228,214	\$ -	\$ 5,382,819	\$ 159,611	\$ -	\$ 6,191,548	\$ 13,029,672
Fines, Forfeitures and Penalties	164,008	-	-	-	-	-	430,777	-	594,785
Charges for Current Services	463,258	8,075	356,973	-	-	-	-	-	828,306
Other Local Revenues	435,565	323	27,461	565,543	-	-	63,339	20,105	1,112,336
State of Tennessee	3,553,118	-	71,375	580,431	-	-	-	5,754,555	9,959,479
Federal Government	6,391,704	-	-	-	-	-	72,375	-	6,464,079
Other Governments and Citizen Groups	175,369	33,300	29,261	-	-	-	214,143	24,000	476,073
<b>Total revenues</b>	<b>11,183,022</b>	<b>109,178</b>	<b>1,713,284</b>	<b>1,145,974</b>	<b>5,382,819</b>	<b>159,611</b>	<b>780,634</b>	<b>11,990,208</b>	<b>32,464,730</b>
<b>Expenditures</b>									
Current:									
Finance and Administration	464,938	-	-	-	-	-	-	-	464,938
Administration of Justice	714,491	-	-	-	-	-	6,851	-	721,342
Public Safety	1,930,704	-	-	-	-	164,485	560,085	-	2,655,274
Public Health and Welfare	7,495,145	-	-	3,831,342	-	-	-	-	11,326,487
Social and Cultural Services	422,650	170,025	12,589,296	-	-	-	-	-	13,181,971
Other General Government	991,838	-	-	-	4,634,772	-	-	-	5,626,610
Highways	-	-	-	-	-	-	-	11,096,021	11,096,021
<b>Total expenditures</b>	<b>12,019,766</b>	<b>170,025</b>	<b>12,589,296</b>	<b>3,831,342</b>	<b>4,634,772</b>	<b>164,485</b>	<b>566,936</b>	<b>11,096,021</b>	<b>45,072,643</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(836,744)</b>	<b>(60,847)</b>	<b>(10,876,012)</b>	<b>(2,685,368)</b>	<b>748,047</b>	<b>(4,874)</b>	<b>213,698</b>	<b>894,187</b>	<b>(12,607,913)</b>
<b>Other financing sources (uses)</b>									
Transfers from Other Funds	1,196,964	66,334	10,270,000	2,749,588	-	-	-	-	14,282,886
Transfers to Other Funds	-	-	-	-	(1,330,130)	-	-	-	(1,330,130)
<b>Total other financing sources (uses)</b>	<b>1,196,964</b>	<b>66,334</b>	<b>10,270,000</b>	<b>2,749,588</b>	<b>(1,330,130)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,952,756</b>
<b>Net change in fund balances</b>	<b>360,220</b>	<b>5,487</b>	<b>(606,012)</b>	<b>64,220</b>	<b>(582,083)</b>	<b>(4,874)</b>	<b>213,698</b>	<b>894,187</b>	<b>344,843</b>
<b>Fund Balance, July 1</b>	<b>2,903,565</b>	<b>45,758</b>	<b>1,204,267</b>	<b>1,389,049</b>	<b>1,461,726</b>	<b>122,346</b>	<b>1,085,245</b>	<b>4,350,064</b>	<b>12,562,020</b>
<b>Fund Balance, June 30</b>	<b>\$ 3,263,785</b>	<b>\$ 51,245</b>	<b>\$ 598,255</b>	<b>\$ 1,453,269</b>	<b>\$ 879,643</b>	<b>\$ 117,472</b>	<b>\$ 1,298,943</b>	<b>\$ 5,244,251</b>	<b>\$ 12,906,863</b>

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**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 433,705	\$ 519,516
Receivables (Net of Allowances for Uncollectibles):		
Accounts	5,182,283	5,978,628
Notes	3,249,715	3,212,519
Due from Other Funds	951,426	833,162
Inventories	6,742	5,876
Prepaid Items	17,020	-
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 9,840,891</u>	<u>\$ 10,549,701</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 603,261	\$ 506,319
Due to Other Funds	1,220,799	2,438,510
Deferred Revenue	4,753,046	4,701,307
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>6,577,106</u>	<u>7,646,136</u>
 <b>Fund Balances (Deficits):</b>		
Reserved	1,251,421	887,233
Unreserved:		
Designated	-	217,913
Undesignated	2,012,364	1,798,419
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>3,263,785</u>	<u>2,903,565</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,840,891</u>	<u>\$ 10,549,701</u>

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**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 164,008	\$ 82,325
Charges for Current Services	463,258	486,850
Other Local Revenues	435,565	392,272
State of Tennessee	3,553,118	5,516,251
Federal Government	6,391,704	7,320,068
Other Governmental and Citizen Groups	175,369	535,024
	<hr/>	<hr/>
Total Revenues	11,183,022	14,332,790
	<hr/>	<hr/>
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	464,938	434,575
Administration of Justice	714,491	601,448
Public Safety	1,930,704	3,525,738
Public Health and Welfare	7,495,145	7,528,877
Social and Cultural Services	422,650	946,345
Other General Government	991,838	1,753,865
	<hr/>	<hr/>
Total Expenditures	12,019,766	14,790,848
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(836,744)	(458,058)
	<hr/>	<hr/>
<b>Other Financing Sources</b>		
Transfers from Other Funds	1,196,964	1,781,723
	<hr/>	<hr/>
Excess of Revenues and Other Financing Sources Over Expenditures	360,220	1,323,665
	<hr/>	<hr/>
Fund Balances, July 1	2,903,565	1,579,900
	<hr/>	<hr/>
Fund Balances, June 30	\$ 3,263,785	\$ 2,903,565
	<hr/> <hr/>	<hr/> <hr/>

**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, 2008 and June 30, 2007**

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 420,000	\$ 420,000	\$ 335,688	\$ (84,312)	\$ 487,856	\$ 473,577	\$ (14,279)
Other Local Revenues	-	41,106	134,709	93,603	-	-	-
Federal Government	346,410	396,075	380,804	(15,271)	536,292	376,691	(159,601)
Other Governmental and Citizen Groups	-	21,500	21,500	-	-	-	-
<b>Total Revenues</b>	<b>766,410</b>	<b>878,681</b>	<b>872,701</b>	<b>(5,980)</b>	<b>1,024,148</b>	<b>850,268</b>	<b>(173,880)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Personal Services	596,421	712,602	554,368	158,234	629,885	534,185	95,700
Employee Benefits	184,533	217,518	161,903	55,615	166,872	143,827	23,045
Contracted Services	232,250	289,829	250,256	39,573	259,500	227,431	32,069
Supplies and Materials	97,450	112,821	63,415	49,406	94,487	49,291	45,196
Other Charges	123,410	215,791	143,389	72,402	194,453	160,582	33,871
Capital Outlay	-	15,000	-	15,000	12,900	12,900	-
<b>Total Expenditures</b>	<b>1,234,064</b>	<b>1,563,561</b>	<b>1,173,331</b>	<b>390,230</b>	<b>1,358,097</b>	<b>1,128,216</b>	<b>229,881</b>
Deficiency of Revenues Under Expenditures	(467,654)	(684,880)	(300,630)	384,250	(333,949)	(277,948)	56,001
<b>Other Financing Sources</b>							
Transfers from Other Funds	225,000	225,000	595,000	370,000	212,406	212,406	-
Excess (Deficiency) of Revenues Over (Under) Financing Sources Under Expenditures	(242,654)	(459,880)	294,370	754,250	(121,543)	(65,542)	56,001
Fund Balances, July 1	688,674	688,674	688,674	-	754,216	754,216	-
Fund Balances, June 30	<u>\$ 446,020</u>	<u>\$ 228,794</u>	<u>\$ 983,044</u>	<u>\$ 754,250</u>	<u>\$ 632,673</u>	<u>\$ 688,674</u>	<u>\$ 56,001</u>
<b>Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):</b>							
Fund Balance (Budget Basis)			\$ 983,044			\$ 688,674	
Entity Difference:							
Unbudgeted Funds			2,280,741			2,214,891	
Fund Balance (GAAP Basis)			<u>\$ 3,263,785</u>			<u>\$ 2,903,565</u>	

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**KNOX COUNTY, TENNESSEE**

**Governmental Library Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 55,224	\$ 15,125
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	6,094	8,436
Due from Other Funds	<u>-</u>	<u>50,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 61,318</u>	<u>\$ 73,561</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>\$ 10,073</u>	<u>\$ 27,803</u>
<b>TOTAL LIABILITIES</b>	<u>10,073</u>	<u>27,803</u>
 <b>Fund Balances:</b>		
Reserved	194	-
Unreserved, undesignated	<u>51,051</u>	<u>45,758</u>
<b>TOTAL FUND BALANCES</b>	<u>51,245</u>	<u>45,758</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 61,318</u>	<u>\$ 73,561</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Local Taxes	\$ 67,480	\$ 64,938
Charges for Current Services	8,075	7,415
Other Local Revenues	323	1,122
Other Governments and Citizens Groups	<u>33,300</u>	<u>32,500</u>
Total Revenues	<u>109,178</u>	<u>105,975</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>170,025</u>	<u>184,233</u>
Deficiency of Revenues Under Expenditures	<u>(60,847)</u>	<u>(78,258)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>66,334</u>	<u>97,248</u>
Excess of Revenues and Other Financing Sources Over Expenditures	5,487	18,990
Fund Balances, July 1	<u>45,758</u>	<u>26,768</u>
Fund Balances, June 30	<u>\$ 51,245</u>	<u>\$ 45,758</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, 2008 and June 30, 2007

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 67,030	\$ 67,030	\$ 67,480	\$ 450	\$ 95,700	\$ 64,938	\$ (30,762)
Charges for Current Services	9,039	9,039	8,075	(964)	13,900	7,415	(6,485)
Other Local Revenues	597	597	323	(274)	400	1,122	722
Other Governments and Citizens Groups	32,000	32,000	33,300	1,300	-	32,500	32,500
<b>Total Revenues</b>	<b>108,666</b>	<b>108,666</b>	<b>109,178</b>	<b>512</b>	<b>110,000</b>	<b>105,975</b>	<b>(4,025)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	48,227	48,727	48,406	321	45,814	45,814	-
Employee Benefits	10,931	13,931	13,542	389	9,868	9,801	67
Contracted Services	8,970	8,933	7,145	1,788	16,172	7,801	8,371
Supplies and Materials	40,276	91,776	88,747	3,029	126,317	110,685	15,632
Other Charges	12,163	12,200	12,185	15	10,322	10,132	190
<b>Total Expenditures</b>	<b>120,567</b>	<b>175,567</b>	<b>170,025</b>	<b>5,542</b>	<b>208,493</b>	<b>184,233</b>	<b>24,260</b>
Deficiency of Revenues Under Expenditures	(11,901)	(66,901)	(60,847)	6,054	(98,493)	(78,258)	20,235
<b>Other Financing Sources</b>							
Transfers from Other Funds	11,334	66,334	66,334	-	97,248	97,248	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(567)	(567)	5,487	6,054	(1,245)	18,990	20,235
Fund Balances, July 1	45,758	45,758	45,758	-	26,768	26,768	-
Fund Balances, June 30	\$ 45,191	\$ 45,191	\$ 51,245	\$ 6,054	\$ 25,523	\$ 45,758	\$ 20,235

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**KNOX COUNTY, TENNESSEE**

**Public Library Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,064,160	\$ 1,370,876
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	142,149	149,889
Property Taxes	3,747	15,633
Due from Other Funds	79,377	-
Prepaid Items	<u>6,396</u>	<u>1,446</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,295,829</u></u>	<u><u>\$ 1,537,844</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 362,231	\$ 223,295
Due to Other Funds	331,596	94,649
Deferred Revenue	<u>3,747</u>	<u>15,633</u>
<b>TOTAL LIABILITIES</b>	<u>697,574</u>	<u>333,577</u>
 <b>Fund Balances:</b>		
Reserved	175,089	8,233
Unreserved:		
Designated	2,977	14,355
Undesignated	<u>420,189</u>	<u>1,181,679</u>
<b>TOTAL FUND BALANCES</b>	<u>598,255</u>	<u>1,204,267</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,295,829</u></u>	<u><u>\$ 1,537,844</u></u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Local Taxes	\$ 1,228,214	\$ 1,195,161
Charges for Current Services	356,973	327,129
Other Local Revenues	27,461	28,116
State of Tennessee	71,375	70,125
Other Governments and Citizens Groups	<u>29,261</u>	<u>176,820</u>
Total Revenues	<u>1,713,284</u>	<u>1,797,351</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>12,589,296</u>	<u>12,121,154</u>
Deficiency of Revenues Under Expenditures	(10,876,012)	(10,323,803)
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>10,270,000</u>	<u>9,000,000</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures	(606,012)	(1,323,803)
Fund Balances, July 1	<u>1,204,267</u>	<u>2,528,070</u>
Fund Balances, June 30	<u>\$ 598,255</u>	<u>\$ 1,204,267</u>

**KNOX COUNTY, TENNESSEE**

**Public Library Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2008 and June 30, 2007**

	2008				2007			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Local Taxes	\$ 1,230,000	\$ 1,230,000	\$ 1,228,214	\$ (1,786)	\$ 1,258,428	\$ 1,195,161	\$ (63,267)	
Charges for Current Services	405,000	407,387	356,973	(50,414)	397,530	327,129	(70,401)	
Other Local Revenues	80,000	81,178	27,461	(53,717)	69,360	28,116	(41,244)	
State of Tennessee	50,000	126,375	71,375	(55,000)	143,500	70,125	(73,375)	
Other Governments and Citizens Groups	185,000	191,382	29,261	(162,121)	349,543	176,820	(172,723)	
<b>Total Revenues</b>	<b>1,950,000</b>	<b>2,036,322</b>	<b>1,713,284</b>	<b>(323,038)</b>	<b>2,218,361</b>	<b>1,797,351</b>	<b>(421,010)</b>	
<b>Expenditures</b>								
Current:								
General Government:								
Social and Cultural Services:								
Personal Services	6,464,272	6,391,558	6,391,509	49	6,137,455	6,137,430	25	
Employee Benefits	1,735,141	1,688,253	1,658,875	29,378	1,481,654	1,481,585	69	
Contracted Services	2,893,018	2,778,591	2,772,310	6,281	2,759,253	2,732,827	26,426	
Supplies and Materials	1,008,656	1,593,340	1,551,214	42,126	1,453,488	1,422,326	31,162	
Other Charges	93,200	71,996	71,995	1	99,369	97,167	2,202	
Capital Outlay	257,000	144,286	143,393	893	249,833	249,819	14	
<b>Total Expenditures</b>	<b>12,451,287</b>	<b>12,668,024</b>	<b>12,589,296</b>	<b>78,728</b>	<b>12,181,052</b>	<b>12,121,154</b>	<b>59,898</b>	
Deficiency of Revenues Under Expenditures	(10,501,287)	(10,631,702)	(10,876,012)	(244,310)	(9,962,691)	(10,323,803)	(361,112)	
<b>Other Financing Sources</b>								
Transfers from Other Funds	9,200,000	9,220,000	10,270,000	1,050,000	9,000,000	9,000,000	-	
Deficiency of Revenues and Other Financing Sources Under Expenditures	(1,301,287)	(1,411,702)	(606,012)	805,690	(962,691)	(1,323,803)	(361,112)	
Fund Balances, July 1	1,204,267	1,204,267	1,204,267	-	2,528,070	2,528,070	-	
Fund Balances, June 30	\$ (97,020)	\$ (207,435)	\$ 598,255	\$ 805,690	\$ 1,565,379	\$ 1,204,267	\$ (361,112)	

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**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,397,906	\$ 1,640,168
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	313,906	57,188
Property Taxes	1,377	5,744
Due from Other Funds	<u>1,596</u>	<u>5,430</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,714,785</u></u>	<u><u>\$ 1,708,530</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 101,893	\$ 149,454
Due to Other Funds	158,246	164,283
Deferred Revenue	<u>1,377</u>	<u>5,744</u>
<b>TOTAL LIABILITIES</b>	<u>261,516</u>	<u>319,481</u>
 <b>Fund Balances:</b>		
Reserved	1,160	-
Unreserved:		
Undesignated	<u>1,452,109</u>	<u>1,389,049</u>
<b>TOTAL FUND BALANCES</b>	<u>1,453,269</u>	<u>1,389,049</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,714,785</u></u>	<u><u>\$ 1,708,530</u></u>

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**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Other Local Revenues	\$ 565,543	\$ 445,753
State of Tennessee	<u>580,431</u>	<u>386,648</u>
Total Revenues	<u>1,145,974</u>	<u>832,401</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Health and Welfare	<u>3,831,342</u>	<u>4,139,048</u>
Deficiency of Revenues Under Expenditures	<u>(2,685,368)</u>	<u>(3,306,647)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>2,749,588</u>	<u>2,719,923</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	64,220	(586,724)
Fund Balances, July 1	<u>1,389,049</u>	<u>1,975,773</u>
Fund Balances, June 30	<u><u>\$ 1,453,269</u></u>	<u><u>\$ 1,389,049</u></u>

**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2008 and June 30, 2007**

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ -	\$ -	\$ -	\$ -	\$ 14,000	\$ -	\$ (14,000)
Charges for Current Services	-	-	-	-	28,000	34,580	6,580
Other Local Revenues	235,918	235,918	565,543	329,625	270,615	411,173	140,558
State of Tennessee	588,816	588,816	580,431	(8,385)	343,008	386,648	43,640
<b>Total Revenues</b>	<b>824,734</b>	<b>824,734</b>	<b>1,145,974</b>	<b>321,240</b>	<b>655,623</b>	<b>832,401</b>	<b>176,778</b>
<b>Expenditures</b>							
Current:							
General Government:							
Public Health and Welfare:							
Personal Services	742,769	743,865	721,218	22,647	707,893	707,890	3
Employee Benefits	253,714	260,686	251,237	9,449	227,183	226,580	603
Contracted Services	3,209,370	3,084,102	2,624,256	459,846	2,839,607	2,790,674	48,933
Supplies and Materials	95,675	187,875	120,562	67,313	143,325	132,676	10,649
Other Charges	87,326	87,326	80,368	6,958	221,626	214,300	7,326
Capital Outlay	-	25,000	-	25,000	31,103	31,103	-
Litter and Trash Collection:							
Personal Services	-	4,000	1,501	2,499	-	-	-
Employee Benefits	-	1,500	247	1,253	-	-	-
Contracted Services	1,700	14,200	6,094	8,106	18,382	12,751	5,631
Supplies and Materials	13,250	36,619	25,859	10,760	23,453	23,074	379
<b>Total Expenditures</b>	<b>4,403,804</b>	<b>4,445,173</b>	<b>3,831,342</b>	<b>613,831</b>	<b>4,212,572</b>	<b>4,139,048</b>	<b>73,524</b>
Deficiency of Revenues Under Expenditures	(3,579,070)	(3,620,439)	(2,685,368)	935,071	(3,556,949)	(3,306,647)	250,302
<b>Other Financing Sources</b>							
Transfers from Other Funds	2,700,000	2,741,369	2,749,588	8,219	2,725,585	2,719,923	(5,662)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(879,070)	(879,070)	64,220	943,290	(831,364)	(586,724)	244,640
Fund Balances, July 1	1,389,049	1,389,049	1,389,049	-	1,975,773	1,975,773	-
Fund Balances, June 30	\$ 509,979	\$ 509,979	\$ 1,453,269	\$ 943,290	\$ 1,144,409	\$ 1,389,049	\$ 244,640

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**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,234,535	\$ 2,397,852
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>1,404,047</u>	<u>1,006,038</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,638,582</u></u>	<u><u>\$ 3,403,890</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>\$ 1,758,939</u>	<u>\$ 1,942,164</u>
 <b>Fund Balances:</b>		
Reserved	-	755,130
Unreserved:		
Designated	-	325,000
Undesignated	<u>879,643</u>	<u>381,596</u>
<b>TOTAL FUND BALANCES</b>	<u>879,643</u>	<u>1,461,726</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,638,582</u></u>	<u><u>\$ 3,403,890</u></u>

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**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Local Taxes	\$ 5,382,819	\$ 5,286,419
<b>Expenditures</b>		
Current:		
General Government:		
Other General Government	4,634,772	4,894,274
Excess of Revenues and Other Financing Sources Over Expenditures	748,047	392,145
<b>Other Financing Uses</b>		
Transfers to Other Funds	(1,330,130)	(100,000)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(582,083)	292,145
Fund Balances, July 1	1,461,726	1,169,581
Fund Balances, June 30	\$ 879,643	\$ 1,461,726

**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, 2008 and June 30, 2007**

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 5,100,000	\$ 5,100,000	\$ 5,382,819	\$ 282,819	\$ 4,600,000	\$ 5,286,419	\$ 686,419
<b>Expenditures</b>							
Current:							
General Government:							
Other General Government:							
Contracted Services	2,455,000	2,455,000	2,285,944	169,056	2,400,000	2,308,455	91,545
Other Charges	2,395,000	2,395,000	2,348,828	46,172	2,459,064	2,585,819	(126,755)
Total Expenditures	4,850,000	4,850,000	4,634,772	215,228	4,859,064	4,894,274	(35,210)
Excess (Deficiency) of Revenues Over (Under) Expenditures	250,000	250,000	748,047	498,047	(259,064)	392,145	651,209
<b>Other Financing Uses</b>							
Transfers to Other Funds	(250,000)	(1,330,130)	(1,330,130)	-	(250,000)	(100,000)	(150,000)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	-	(1,080,130)	(582,083)	498,047	(509,064)	292,145	801,209
Fund Balances, July 1	1,461,726	1,461,726	1,461,726	-	1,169,581	1,169,581	-
Fund Balances, June 30	\$ 1,461,726	\$ 381,596	\$ 879,643	\$ 498,047	\$ 660,517	\$ 1,461,726	\$ 801,209

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KNOX COUNTY, TENNESSEE

Fire District Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 117,472	\$ 122,346
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>219,297</u>	<u>185,810</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 336,769</u></u>	<u><u>\$ 308,156</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Deferred Revenue	<u>\$ 219,297</u>	<u>\$ 185,810</u>
<b>TOTAL LIABILITIES</b>	<u>219,297</u>	<u>185,810</u>
 <b>Fund Balances:</b>		
Unreserved, undesignated	<u>117,472</u>	<u>122,346</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 336,769</u></u>	<u><u>\$ 308,156</u></u>

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**KNOX COUNTY, TENNESSEE**

**Fire District Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Local Taxes	<u>\$ 159,611</u>	<u>\$ 204,844</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Safety	<u>164,485</u>	<u>159,928</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(4,874)	44,916
Fund Balances, July 1	<u>122,346</u>	<u>77,430</u>
Fund Balances, June 30	<u><u>\$ 117,472</u></u>	<u><u>\$ 122,346</u></u>

**KNOX COUNTY, TENNESSEE**

**Fire District Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2008 and June 30, 2007**

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 190,000	\$ 190,000	\$ 159,611	\$ (30,389)	\$ 180,000	\$ 204,844	\$ 24,844
<b>Expenditures</b>							
Current:							
General Government:							
Public Safety:							
Contracted Services	175,000	175,000	161,293	13,707	165,000	155,831	9,169
Other Charges	15,000	15,000	3,192	11,808	15,000	4,097	10,903
Total Expenditures	190,000	190,000	164,485	25,515	180,000	159,928	20,072
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(4,874)	(4,874)	-	44,916	44,916
Fund Balances, July 1	122,346	122,346	122,346	-	77,430	77,430	-
Fund Balances, June 30	\$ 122,346	\$ 122,346	\$ 117,472	\$ (4,874)	\$ 77,430	\$ 122,346	\$ 44,916

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**KNOX COUNTY, TENNESSEE**

**Drug Control Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,280,445	\$ 1,071,354
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>19,300</u>	<u>17,621</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,299,745</u></u>	<u><u>\$ 1,088,975</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 742	\$ 3,659
Due to Other Funds	<u>60</u>	<u>71</u>
<b>TOTAL LIABILITIES</b>	<u>802</u>	<u>3,730</u>
 <b>Fund Balances:</b>		
Reserved	124,124	88,336
Unreserved:		
Undesignated	<u>1,174,819</u>	<u>996,909</u>
<b>TOTAL FUND BALANCES</b>	<u>1,298,943</u>	<u>1,085,245</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,299,745</u></u>	<u><u>\$ 1,088,975</u></u>

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**KNOX COUNTY, TENNESSEE**

**Drug Control Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 430,777	\$ 200,513
Other Local Revenues	63,339	69,660
Federal Government	72,375	19,985
Other Governments and Citizens Groups	<u>214,143</u>	<u>199,770</u>
Total Revenues	<u>780,634</u>	<u>489,928</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Safety	560,085	467,843
Administration of Justice	<u>6,851</u>	<u>-</u>
Total Expenditures	<u>566,936</u>	<u>467,843</u>
Excess of Revenues Over Expenditures	213,698	22,085
Fund Balances, July 1	<u>1,085,245</u>	<u>1,063,160</u>
Fund Balances, June 30	<u>\$ 1,298,943</u>	<u>\$ 1,085,245</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, 2008 and June 30, 2007**

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Fines, Forfeitures, and Penalties	\$ -	\$ 370,000	\$ 430,777	\$ 60,777	\$ 370,000	\$ 200,513	\$ (169,487)
Other Local Revenues	-	-	63,339	63,339	-	69,660	69,660
Federal Government	-	7,675	72,375	64,700	-	19,985	19,985
Other Governments and Citizens Groups	-	100,000	214,143	114,143	100,000	199,770	99,770
<b>Total Revenues</b>	<b>-</b>	<b>477,675</b>	<b>780,634</b>	<b>302,959</b>	<b>470,000</b>	<b>489,928</b>	<b>19,928</b>
<b>Expenditures</b>							
Current:							
General Government:							
Public Safety:							
Contracted Services	-	386,702	314,700	72,002	408,368	271,538	136,830
Supplies and Materials	-	112,000	111,012	988	132,103	128,535	3,568
Other Charges	-	46,200	38,823	7,377	43,000	37,552	5,448
Capital Outlay	-	100,000	95,550	4,450	100,000	30,218	69,782
Administration of Justice:							
Contracted Services	-	7,675	6,851	824	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>652,577</b>	<b>566,936</b>	<b>85,641</b>	<b>683,471</b>	<b>467,843</b>	<b>215,628</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(174,902)	213,698	388,600	(213,471)	22,085	235,556
Fund Balances, July 1	1,085,245	1,085,245	1,085,245	-	1,063,160	1,063,160	-
Fund Balances, June 30	\$ 1,085,245	\$ 910,343	\$ 1,298,943	\$ 388,600	\$ 849,689	\$ 1,085,245	\$ 235,556

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**KNOX COUNTY, TENNESSEE**

**Highway Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,748,206	\$ 4,584,169
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	\$ 2,015,163	1,596,065
Due from Other Funds	36	-
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 5,763,405</u>	<u>\$ 6,180,234</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 335,221	\$ 1,690,990
Due to Other Funds	88,933	113,308
Due to Component Units	-	25,872
Deferred Revenue	95,000	-
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>519,154</u>	<u>1,830,170</u>
 <b>Fund Balances:</b>		
Reserved	281,188	430,631
Unreserved:		
Designated	841,528	2,027,000
Undesignated	4,121,535	1,892,433
	<u>                    </u>	<u>                    </u>
TOTAL FUND BALANCES	<u>5,244,251</u>	<u>4,350,064</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,763,405</u>	<u>\$ 6,180,234</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Local Taxes	\$ 6,191,548	\$ 5,737,242
Other Local Revenues	20,105	-
State of Tennessee	5,754,555	5,032,374
Other Governments and Citizens Groups	<u>24,000</u>	<u>-</u>
Total Revenues	<u>11,990,208</u>	<u>10,769,616</u>
<b>Expenditures</b>		
Current:		
Highways	<u>11,096,021</u>	<u>11,228,081</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	894,187	(458,465)
Fund Balances, July 1	<u>4,350,064</u>	<u>4,808,529</u>
Fund Balances, June 30	<u><u>\$ 5,244,251</u></u>	<u><u>\$ 4,350,064</u></u>

**KNOX COUNTY, TENNESSEE**

**Highway Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balance - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2008 and June 30, 2007**

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 6,009,163	\$ 6,009,163	\$ 6,191,548	\$ 182,385	\$ 6,000,440	\$ 5,737,242	\$ (263,198)
Other Local Revenues	150,000	150,355	20,105	(130,250)	30,000	-	(30,000)
State of Tennessee	5,829,282	5,829,282	5,754,555	(74,727)	5,576,431	5,032,374	(544,057)
Other Governments and Citizens Groups	-	-	24,000	24,000	-	-	-
<b>Total Revenues</b>	<b>11,988,445</b>	<b>11,988,800</b>	<b>11,990,208</b>	<b>1,408</b>	<b>11,606,871</b>	<b>10,769,616</b>	<b>(837,255)</b>
<b>Expenditures</b>							
Current:							
Highways:							
Administration:							
Personal Services	1,050,755	1,045,641	970,115	75,526	730,915	714,259	16,656
Employee Benefits	370,290	298,934	274,141	24,793	163,146	163,086	60
Contracted Services	95,240	94,691	75,154	19,537	131,225	124,631	6,594
Supplies and Materials	143,950	159,705	135,667	24,038	123,067	105,727	17,340
Capital Outlay	90,000	114,000	44,620	69,380	60,000	59,895	105
Other Charges	66,092	66,569	66,569	-	118,476	117,383	1,093
Highways and Bridge Maintenance:							
Personal Services	2,767,859	2,767,859	2,588,928	178,931	2,477,262	2,477,262	-
Employee Benefits	877,389	906,389	858,418	47,971	754,931	754,931	-
Contracted Services	774,000	1,061,700	980,624	81,076	1,040,565	1,019,048	21,517
Supplies and Materials	4,011,250	4,733,250	2,585,175	2,148,075	4,670,860	3,675,629	995,231
Other Charges	255,300	255,300	255,300	-	650,000	-	650,000
Capital Outlay	-	650,000	576,530	73,470	458,700	458,700	-
Various Highway:							
Personal Services	682,433	705,495	585,226	120,269	689,231	638,212	51,019
Employee Benefits	196,791	221,199	184,431	36,768	188,061	170,520	17,541
Contracted Services	242,485	424,745	298,367	126,378	296,450	209,446	87,004
Supplies and Materials	217,565	293,165	270,639	22,526	241,662	231,579	10,083
Other Charges	122,600	122,600	110,729	11,871	124,700	112,396	12,304
Capital Outlay	508,500	1,009,243	235,388	773,855	663,977	195,377	468,600
<b>Total Expenditures</b>	<b>12,472,499</b>	<b>14,930,485</b>	<b>11,096,021</b>	<b>3,834,464</b>	<b>13,583,228</b>	<b>11,228,081</b>	<b>2,355,147</b>
Deficiency of Revenues Under Expenditures	(484,054)	(2,941,685)	894,187	3,835,872	(1,976,357)	(458,465)	1,517,892
Fund Balances, July 1	4,350,064	4,350,064	4,350,064	-	4,808,529	4,808,529	-
Fund Balances, June 30	\$ 3,866,010	\$ 1,408,379	\$ 5,244,251	\$ 3,835,872	\$ 2,832,172	\$ 4,350,064	\$ 1,517,892

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**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund (Nonmajor)**

**Comparative Balance Sheets**

June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,487,635	\$ 3,197,234
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>333</u>	<u>1,389</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,487,968</u>	<u>\$ 3,198,623</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 14,809	\$ 198,819
Deferred Revenue	<u>333</u>	<u>1,389</u>
<b>TOTAL LIABILITIES</b>	<u>15,142</u>	<u>200,208</u>
 <b>Fund Balances</b>		
Reserved	97,869	648,843
Unreserved, Undesignated	<u>2,374,957</u>	<u>2,349,572</u>
<b>TOTAL FUND BALANCES</b>	<u>2,472,826</u>	<u>2,998,415</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,487,968</u>	<u>\$ 3,198,623</u>

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**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund (Nonmajor)  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Local Taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures</b>		
Capital Projects:		
Capital Projects	<u>445,589</u>	<u>470,608</u>
Deficiency of Revenues Under Expenditures	(445,589)	(470,608)
<b>Other Financing Uses:</b>		
Transfers to Other Funds	<u>(80,000)</u>	<u>-</u>
Deficiency of Revenues Under Expenditures and Other Uses	(525,589)	(470,608)
Fund Balances, July 1	<u>2,998,415</u>	<u>3,469,023</u>
Fund Balances, June 30	<u><u>\$ 2,472,826</u></u>	<u><u>\$ 2,998,415</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, 2008 and June 30, 2007

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>							
Capital Projects:							
Contracted Services	45,000	142,765	29,660	113,105	110,000	12,235	97,765
Supplies & Materials	55,000	110,000	-	110,000	55,000	-	55,000
Other Charges	10,000	20,000	-	20,000	10,000	-	10,000
Capital Outlay	640,000	1,230,124	415,929	814,195	1,128,497	458,373	670,124
Total Expenditures	750,000	1,502,889	445,589	1,057,300	1,303,497	470,608	832,889
Deficiency of Revenues Under Expenditures	(750,000)	(1,502,889)	(445,589)	1,057,300	(1,303,497)	(470,608)	832,889
<b>Other Financing Uses:</b>							
Transfers to Other Funds	-	(80,000)	(80,000)	-	-	-	-
Deficiency of Revenues Under Expenditures and Other Financing Uses	(750,000)	(1,582,889)	(525,589)	1,057,300	(1,303,497)	(470,608)	832,889
Fund Balances, July 1	2,998,415	2,998,415	2,998,415	-	3,469,023	3,469,023	-
Fund Balances, June 30	\$ 2,248,415	\$ 1,415,526	\$ 2,472,826	\$ 1,057,300	\$ 2,165,526	\$ 2,998,415	\$ 832,889

## INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one of the County's departments or agencies to other departments or agencies and to the County's various discretely presented component units and joint ventures.

**Vehicle Service Center Fund:** This fund is used to account for all gasoline and maintenance services for County vehicles.

**Mailroom Fund:** This fund is used to account for central mailroom services for the County.

**Employee Benefits Fund:** This fund is used to account for the payment of retiree medical premiums, employee retirement, life insurance, other payroll related expenses, and unemployment claims.

**Employee Retirement Fund:** This fund is used to account for the County's retirement plan operations.

**Self Insurance Fund:** This fund is used to account for the payment of workers compensation and general liability claims against the County.

**Central Maintenance Fund:** This fund is used to account for all maintenance services for Knox Central buildings.

**Technical Support Service Fund:** This fund accounts for technical support and technical repairs associated with electronic data processing.

**Capital Leasing Fund:** This fund is used for lease/purchase transactions to other departments. The fund also serves as a leasing entity for a fleet of vehicles or other equipment.

**Self Insurance Healthcare:** This fund is used to account for the payment of health insurance claims.

KNOX COUNTY, TENNESSEE  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
June 30, 2008

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>ASSETS</b>										
<b>Current Assets:</b>										
Cash and Cash Equivalents	\$ -	\$ 125,051	\$ 1,610,122	\$ 51,106	\$ 10,581,823	\$ 698,826	\$ 347,853	\$ 2,140,418	\$ 5,098,234	\$ 20,653,433
Receivables:										
Accounts	142,527	1,237	298,160	174,380	-	1,028,133	-	-	134,771	1,779,208
Due from Other Funds	194,414	25,569	20,009	-	-	-	-	-	33	240,025
Due from Component Units	4,411	1,161	143,236	-	-	-	-	-	-	148,808
Notes Receivable	-	-	-	-	35,298	-	-	-	-	35,298
Inventories	152,315	34,712	-	-	-	-	-	-	-	187,027
<b>TOTAL CURRENT ASSETS</b>	<b>493,667</b>	<b>187,730</b>	<b>2,071,527</b>	<b>225,486</b>	<b>10,617,121</b>	<b>1,726,959</b>	<b>347,853</b>	<b>2,140,418</b>	<b>5,233,038</b>	<b>23,043,799</b>
<b>Capital Assets:</b>										
Machinery and Equipment	113,471	-	-	51,815	33,352	72,217	101,277	9,126,006	-	9,498,138
Accumulated Depreciation	(96,572)	-	-	(51,815)	(29,204)	(61,493)	(101,077)	(8,125,514)	-	(8,465,675)
Capital Assets (Net of Accumulated Depreciation)	16,899	-	-	-	4,148	10,724	200	1,000,492	-	1,032,463
<b>TOTAL ASSETS</b>	<b>510,566</b>	<b>187,730</b>	<b>2,071,527</b>	<b>225,486</b>	<b>10,621,269</b>	<b>1,737,683</b>	<b>348,053</b>	<b>3,140,910</b>	<b>5,233,038</b>	<b>24,076,262</b>
<b>LIABILITIES</b>										
<b>Current liabilities:</b>										
Accounts Payable and Accrued Liabilities	45,769	2,742	1,104,633	110,547	124,865	-	102,954	-	-	1,491,510
Due to Other Funds	309,000	-	294	2,961	6,486	-	-	-	3,000,267	3,319,008
Due to Component Units	-	-	247,305	-	-	-	-	-	-	247,305
Deferred Revenue	-	-	25,879	-	-	-	-	-	1,379	27,258
Self Insured Claims Liability	-	-	-	-	5,127,889	-	-	-	1,729,348	6,857,237
Compensated Absences Payable	69,587	-	-	31,696	14,584	-	-	-	-	115,867
Advances from Other Funds	-	-	175,000	-	-	-	-	-	-	175,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>424,356</b>	<b>2,742</b>	<b>1,553,111</b>	<b>145,204</b>	<b>5,273,824</b>	<b>-</b>	<b>102,954</b>	<b>-</b>	<b>4,730,994</b>	<b>12,233,185</b>
<b>Noncurrent Liabilities:</b>										
Compensated Absences Payable	7,732	-	-	3,522	1,620	-	-	-	-	12,874
<b>TOTAL LIABILITIES</b>	<b>432,088</b>	<b>2,742</b>	<b>1,553,111</b>	<b>148,726</b>	<b>5,275,444</b>	<b>-</b>	<b>102,954</b>	<b>-</b>	<b>4,730,994</b>	<b>12,246,059</b>
<b>NET ASSETS</b>										
Invested in Capital Assets	16,899	-	-	-	4,148	10,724	200	1,000,492	-	1,032,463
Unrestricted	61,579	184,988	518,416	76,760	5,341,677	1,726,959	244,899	2,140,418	502,044	10,797,740
<b>TOTAL NET ASSETS</b>	<b>\$ 78,478</b>	<b>\$ 184,988</b>	<b>\$ 518,416</b>	<b>\$ 76,760</b>	<b>\$ 5,345,825</b>	<b>\$ 1,737,683</b>	<b>\$ 245,099</b>	<b>\$ 3,140,910</b>	<b>\$ 502,044</b>	<b>\$ 11,830,203</b>

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2008

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>Operating Revenues</b>										
Charges for Services	\$ 3,482,656	\$ 315,112	\$ 32,282,694	\$ 9,011	\$ 2,278,557	\$ 10,259,259	\$ 413,511	\$ -	\$ 9,708,165	\$ 58,748,965
<b>Operating Expenses</b>										
Cost of Sales and Services	2,449,387	297,620	-	-	-	-	-	-	-	2,747,007
General and Administration	1,118,169	-	96,160	1,297,380	440,515	9,012,101	474,831	-	774,120	13,213,276
Depreciation and Amortization	9,678	-	-	-	3,555	6,765	2,398	771,572	-	793,968
Medical Claims	-	-	9,618,351	-	-	-	-	-	8,432,001	18,050,352
Retirement Contributions	-	-	21,806,477	-	-	-	-	-	-	21,806,477
Other Employee Benefits	-	-	598,324	-	-	-	-	-	-	598,324
Worker's Compensation Claims	-	-	-	-	1,636,081	-	-	-	-	1,636,081
Other Expenses	135,243	-	-	98,652	(624,190)	-	200	-	-	(390,095)
Total Operating Expenses	3,712,477	297,620	32,119,312	1,396,032	1,455,961	9,018,866	477,429	771,572	9,206,121	58,455,390
<b>Operating Income (Loss)</b>	(229,821)	17,492	163,382	(1,387,021)	822,596	1,240,393	(63,918)	(771,572)	502,044	293,575
<b>Nonoperating Revenues (Expenses)</b>										
Payments from Component Units	-	-	-	425,716	-	-	-	-	-	425,716
Donations	-	-	-	5,120	-	-	-	-	-	5,120
Subrogation Payments	-	-	-	-	17,934	-	-	-	-	17,934
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	(3,355)	-	(3,355)
Total Nonoperating Revenues	-	-	-	430,836	17,934	-	-	(3,355)	-	445,415
<b>Gain (Loss) before Transfers</b>	(229,821)	17,492	163,382	(956,185)	840,530	1,240,393	(63,918)	(774,927)	502,044	738,990
<b>Transfers</b>										
Transfers from Other Funds	300,000	-	-	949,303	-	-	-	-	-	1,249,303
<b>Change in Net Assets</b>	70,179	17,492	163,382	(6,882)	840,530	1,240,393	(63,918)	(774,927)	502,044	1,988,293
<b>Total Net Assets, July 1</b>	8,299	167,496	355,034	83,642	4,505,295	497,290	309,017	3,915,837	-	9,841,910
<b>Total Net Assets, June 30</b>	\$ 78,478	\$ 184,988	\$ 518,416	\$ 76,760	\$ 5,345,825	\$ 1,737,683	\$ 245,099	\$ 3,140,910	\$ 502,044	\$ 11,830,203

KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2008

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>Operating Activities</b>										
Cash Received from Interfund Services Provided	\$ 3,724,428	\$ 313,068	\$ 32,251,629	\$ (165,369)	\$ 2,278,557	\$ 8,215,692	\$ 415,381	\$ -	\$ 9,574,740	\$ 56,608,126
Cash Received from Other Governments	-	-	-	-	-	1,015,434	-	-	-	1,015,434
Cash Paid to Employees	(800,324)	-	-	(384,210)	(281,407)	-	-	-	-	(1,465,941)
Cash Paid for Goods and Services	(2,969,178)	(310,517)	(96,160)	(1,421,592)	(2,938,574)	(9,012,101)	(385,249)	-	(774,120)	(17,907,491)
Cash Paid on Behalf of Employees	(249,138)	-	(32,696,610)	(112,690)	(75,040)	-	-	-	(3,702,386)	(36,835,864)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(294,212)</b>	<b>2,551</b>	<b>(541,141)</b>	<b>(2,083,861)</b>	<b>(1,016,464)</b>	<b>219,025</b>	<b>30,132</b>	<b>-</b>	<b>5,098,234</b>	<b>1,414,264</b>
<b>Noncapital Financing Activities</b>										
Subrogation Payments	-	-	-	-	15,230	-	-	-	-	15,230
Transfers from Other Funds	300,000	-	-	949,303	-	-	-	-	-	1,249,303
Payments from Component Units	-	-	-	425,716	-	-	-	-	-	425,716
Donations	-	-	-	5,120	-	-	-	-	-	5,120
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>1,380,139</b>	<b>15,230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,695,369</b>
<b>Capital and Related Financing Activities</b>										
Proceeds from Insurance Recovery on Capital Assets	-	-	-	-	-	-	-	6,450	-	6,450
Acquisition and Construction of Capital Assets	(5,788)	-	-	-	-	-	-	(22,765)	-	(28,553)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(5,788)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,315)</b>	<b>-</b>	<b>(22,103)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>-</b>	<b>2,551</b>	<b>(541,141)</b>	<b>(703,722)</b>	<b>(1,001,234)</b>	<b>219,025</b>	<b>30,132</b>	<b>(16,315)</b>	<b>5,098,234</b>	<b>3,087,530</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>-</b>	<b>122,500</b>	<b>2,151,263</b>	<b>754,828</b>	<b>11,583,057</b>	<b>479,801</b>	<b>317,721</b>	<b>2,156,733</b>	<b>-</b>	<b>17,565,903</b>
<b>End of Year</b>	<b>\$ -</b>	<b>\$ 125,051</b>	<b>\$ 1,610,122</b>	<b>\$ 51,106</b>	<b>\$ 10,581,823</b>	<b>\$ 698,826</b>	<b>\$ 347,853</b>	<b>\$ 2,140,418</b>	<b>\$ 5,098,234</b>	<b>\$ 20,653,433</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>										
Operating Income (Loss)	\$ (229,821)	\$ 17,492	\$ 163,382	\$ (1,387,021)	\$ 822,596	\$ 1,240,393	\$ (63,918)	\$ (771,572)	\$ 502,044	\$ 293,575
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:										
Depreciation and Amortization	9,678	-	-	-	3,555	6,765	2,398	771,572	-	793,968
Change in Assets and Liabilities										
(Increase) Decrease in Accounts Receivable	(47,197)	231	86,378	(174,380)	-	(1,028,133)	85	-	(134,771)	(1,297,787)
(Increase) Decrease in Due from Other Funds	290,755	(1,114)	8,487	-	-	-	1,445	-	(33)	299,540
(Increase) Decrease in Due from Component Units	(1,786)	(1,161)	(140,926)	-	-	-	340	-	-	(143,533)
Increase in Inventories	(26,507)	(13,793)	-	-	-	-	-	-	-	(40,300)
Decrease in Prepaid Items	2,995	-	-	-	-	-	-	-	-	2,995
Increase (Decrease) in Accounts Payable and Accrued Liability	(38,510)	896	(741,415)	(230,752)	(232,605)	-	90,453	-	-	(1,151,933)
Increase (Decrease) in Due to Other Funds	(247,961)	-	56	(154,751)	3,171	-	(671)	-	3,000,267	2,600,111
Increase (Decrease) in Due to Component Units	-	-	67,901	(134,516)	-	-	-	-	-	(66,615)
Increase (Decrease) in Compensated Absences	(5,858)	-	-	(2,441)	690	-	-	-	-	(7,609)
Increase (Decrease) in Self-insurance Liability	-	-	-	-	(1,613,871)	-	-	-	1,729,348	115,477
Increase in Deferred Revenues	-	-	14,996	-	-	-	-	-	1,379	16,375
Total Adjustments	(64,391)	(14,941)	(704,523)	(696,840)	(1,839,060)	(1,021,368)	94,050	771,572	4,596,190	1,120,689
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (294,212)</b>	<b>\$ 2,551</b>	<b>\$ (541,141)</b>	<b>\$ (2,083,861)</b>	<b>\$ (1,016,464)</b>	<b>\$ 219,025</b>	<b>\$ 30,132</b>	<b>\$ -</b>	<b>\$ 5,098,234</b>	<b>\$ 1,414,264</b>

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KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund  
Comparative Statements of Net Assets  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Accounts Receivable	\$ 142,527	\$ 95,330
Due from Other Funds	194,414	485,169
Due from Component Units	4,411	2,625
Inventories	152,315	125,808
Prepaid Items	-	2,995
	<u>493,667</u>	<u>711,927</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>Capital Assets:</b>		
Machinery and Equipment	113,471	124,568
Accumulated Depreciation	(96,572)	(103,779)
	<u>16,899</u>	<u>20,789</u>
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>510,566</u>	<u>732,716</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	45,769	84,279
Due to Other Funds	309,000	556,961
Compensated Absences	69,587	74,859
	<u>424,356</u>	<u>716,099</u>
<b>TOTAL CURRENT LIABILITIES</b>		
<b>Noncurrent Liabilities:</b>		
Compensated Absences	7,732	8,318
	<u>432,088</u>	<u>724,417</u>
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
Invested in Capital Assets	16,899	20,789
Unrestricted	61,579	(12,490)
	<u>78,478</u>	<u>8,299</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 78,478</u>	<u>\$ 8,299</u>

**KNOX COUNTY, TENNESSEE**

**Vehicle Service Center Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2008 and June 30, 2007**

	2008				2007			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 3,540,678	\$ 3,540,678	\$ 3,482,656	\$ (58,022)	\$ 3,540,678	\$ 3,540,678	\$ 3,076,479	\$ (464,199)
<b>Operating Expenses</b>								
Costs of Sales and Services	2,295,051	2,449,388	2,449,387	1	2,250,000	2,201,550	2,064,416	137,134
General and Administrative	1,095,416	1,138,162	1,118,169	19,993	1,035,278	1,083,728	1,082,863	865
Depreciation and Amortization	8,811	9,679	9,678	1	13,200	13,200	10,399	2,801
Other Expenses	135,300	135,245	135,243	2	242,200	242,200	242,252	(52)
Total Operating Expenses	3,534,578	3,732,474	3,712,477	19,997	3,540,678	3,540,678	3,399,930	140,748
(Loss) before Transfers	6,100	(191,796)	(229,821)	(38,025)	-	-	(323,451)	(323,451)
<b>Transfers</b>								
Transfers from Other Funds	-	-	300,000	300,000	-	-	300,000	300,000
Change in Net Assets	6,100	(191,796)	70,179	261,975	-	-	(23,451)	(23,451)
Net Assets, July 1	8,299	8,299	8,299	-	31,750	31,750	31,750	-
Net Assets, June 30	\$ 14,399	\$ (183,497)	\$ 78,478	\$ 261,975	\$ 31,750	\$ 31,750	\$ 8,299	\$ (23,451)

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**KNOX COUNTY, TENNESSEE**

**Mailroom Fund**  
**Comparative Statements of Net Assets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 125,051	\$ 122,500
Accounts Receivable	1,237	1,468
Due from Other Funds	25,569	24,455
Due from Component Units	1,161	-
Inventories	<u>34,712</u>	<u>20,919</u>
<b>TOTAL CURRENT ASSETS</b>	<u>187,730</u>	<u>169,342</u>
Machinery and Equipment	-	21,090
Accumulated Depreciation	<u>-</u>	<u>(21,090)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>187,730</u>	<u>169,342</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>2,742</u>	<u>1,846</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 184,988</u>	<u>\$ 167,496</u>

**KNOX COUNTY, TENNESSEE**

**Mailroom Fund**  
**Comparative Schedules of Revenues, Expenses**  
**and Changes in Net Assets - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2008 and June 30, 2007

	2008				2007			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 350,000	\$ 350,000	\$ 315,112	\$ (34,888)	\$ 350,000	\$ 350,000	\$ 296,816	\$ (53,184)
<b>Operating Expenses</b>								
Costs of Sales and Services	350,000	350,000	297,620	52,380	350,000	350,000	248,382	101,618
Change in Net Assets	-	-	17,492	17,492	-	-	48,434	48,434
Net Assets, July 1	167,496	167,496	167,496	-	119,062	119,062	119,062	-
Net Assets, June 30	\$ 167,496	\$ 167,496	\$ 184,988	\$ 17,492	\$ 119,062	\$ 119,062	\$ 167,496	\$ 48,434

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**KNOX COUNTY, TENNESSEE**

**Employee Benefits Fund**  
**Comparative Statements of Net Assets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,610,122	\$ 2,151,263
Accounts Receivable	298,160	384,538
Due from Other Funds	20,009	28,496
Due from Component Units	143,236	2,310
	<u>2,071,527</u>	<u>2,566,607</u>
<b>TOTAL ASSETS</b>	<u>2,071,527</u>	<u>2,566,607</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	1,104,633	1,846,048
Due to Other Funds	294	238
Due to Component Units	247,305	179,404
Deferred Revenue	25,879	10,883
Advances from Other Funds	175,000	175,000
	<u>1,553,111</u>	<u>2,211,573</u>
<b>TOTAL LIABILITIES</b>	<u>1,553,111</u>	<u>2,211,573</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 518,416</u>	<u>\$ 355,034</u>

**KNOX COUNTY, TENNESSEE**

**Employee Benefits Fund**  
**Comparative Schedules of Revenues, Expenses**  
**and Changes in Net Assets - Budget And Actual (GAAP Basis)**  
For the years ended June 30, 2008 and June 30, 2007

	2008				2007			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 45,235,000	\$ 35,501,816	\$ 32,282,694	\$ (3,219,122)	\$ 41,500,000	\$ 41,500,000	\$ 37,044,655	\$ (4,455,345)
<b>Operating Expenses</b>								
Finance and Administration:								
General and Administrative	159,000	159,000	96,160	62,840	435,000	435,000	78,438	356,562
Medical Claims	24,113,000	14,379,816	9,618,351	4,761,465	19,673,000	19,673,000	17,725,351	1,947,649
Retirement Contributions	20,383,000	20,383,000	21,806,477	(1,423,477)	20,533,000	20,533,000	18,662,990	1,870,010
Other Employee Benefits	580,000	580,000	598,324	(18,324)	859,000	859,000	526,215	332,785
Total Operating Expenses	45,235,000	35,501,816	32,119,312	3,382,504	41,500,000	41,500,000	36,992,994	4,507,006
Change in Net Assets	-	-	163,382	163,382	-	-	51,661	51,661
Net Assets, July 1	355,034	355,034	355,034	-	303,373	303,373	303,373	-
Net Assets, June 30	\$ 355,034	\$ 355,034	\$ 518,416	\$ 163,382	\$ 303,373	\$ 303,373	\$ 355,034	\$ 51,661

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**KNOX COUNTY, TENNESSEE**

**Employee Retirement Fund**  
**Comparative Statements of Net Assets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 51,106	\$ 754,828
Accounts Receivable	<u>174,380</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<u>225,486</u>	<u>754,828</u>
<b>Capital Assets:</b>		
Machinery and Equipment	51,815	51,815
Accumulated Depreciation	<u>(51,815)</u>	<u>(51,815)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>225,486</u>	<u>754,828</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	110,547	341,299
Due to Other Funds	2,961	157,712
Due to Component Units	-	134,516
Compensated Absences	<u>31,696</u>	<u>33,893</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>145,204</u>	<u>667,420</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>3,522</u>	<u>3,766</u>
<b>TOTAL LIABILITIES</b>	<u>148,726</u>	<u>671,186</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 76,760</u>	<u>\$ 83,642</u>

**KNOX COUNTY, TENNESSEE**

**Employee Retirement Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2008 and June 30, 2007**

	2008				2007			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 9,000	\$ 9,000	\$ 9,011	\$ 11	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
<b>Operating Expenses</b>								
General and Administrative	1,618,499	1,641,053	1,297,380	343,673	915,796	1,786,956	1,754,831	32,125
Other Expenses	152,818	134,971	98,652	36,319	141,704	131,000	99,700	31,300
Total Operating Expenses	1,771,317	1,776,024	1,396,032	379,992	1,057,500	1,917,956	1,854,531	63,425
Operating Loss	(1,762,317)	(1,767,024)	(1,387,021)	380,003	(1,048,500)	(1,908,956)	(1,845,531)	63,425
<b>Nonoperating Revenues</b>								
Payments from Component Units	-	-	425,716	425,716	-	-	927,181	927,181
Donations	2,000	5,000	5,120	120	-	2,000	5,750	3,750
Total Nonoperating Revenues	2,000	5,000	430,836	425,836	-	2,000	932,931	930,931
Loss before Transfers	(1,760,317)	(1,762,024)	(956,185)	805,839	(1,048,500)	(1,906,956)	(912,600)	994,356
<b>Transfers</b>								
Transfers from Other Funds	1,760,317	1,762,024	949,303	(812,721)	1,048,500	1,905,964	927,180	(978,784)
Change in Net Assets	-	-	(6,882)	(6,882)	-	(992)	14,580	15,572
Net Assets, July 1	83,642	83,642	83,642	-	69,062	69,062	69,062	-
Net Assets, June 30	\$ 83,642	\$ 83,642	\$ 76,760	\$ (6,882)	\$ 69,062	\$ 68,070	\$ 83,642	\$ 15,572

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**KNOX COUNTY, TENNESSEE**

**Self Insurance Fund**  
**Comparative Statements of Net Assets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 10,581,823	\$ 11,583,057
Notes Receivable	<u>35,298</u>	<u>32,594</u>
<b>TOTAL CURRENT ASSETS</b>	<u>10,617,121</u>	<u>11,615,651</u>
<b>Capital Assets:</b>		
Machinery and Equipment	33,352	33,352
Accumulated Depreciation	<u>(29,204)</u>	<u>(25,649)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>4,148</u>	<u>7,703</u>
<b>TOTAL ASSETS</b>	<u>10,621,269</u>	<u>11,623,354</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	124,865	357,470
Due to Other Funds	6,486	3,315
Self Insured Claims Liability	5,127,889	6,741,760
Compensated Absences	<u>14,584</u>	<u>13,963</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>5,273,824</u>	<u>7,116,508</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>1,620</u>	<u>1,551</u>
<b>TOTAL LIABILITIES</b>	<u>5,275,444</u>	<u>7,118,059</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	4,148	7,703
Unrestricted	<u>5,341,677</u>	<u>4,497,592</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,345,825</u>	<u>\$ 4,505,295</u>

**KNOX COUNTY, TENNESSEE**

**Self Insurance Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2008 and June 30, 2007**

	2008				2007			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 4,233,446	\$ 4,233,446	\$ 2,278,557	\$ (1,954,889)	\$ 4,200,000	\$ 4,200,000	\$ 4,281,274	\$ 81,274
<b>Operating Expenses</b>								
General and Administrative	540,765	540,865	440,515	100,350	528,181	563,706	537,641	26,065
Depreciation and Amortization	3,556	3,556	3,555	1	3,556	3,556	3,555	1
Workers' Compensation Costs	2,907,380	2,907,380	1,636,081	1,271,299	1,850,000	2,100,000	1,198,417	901,583
Other Claims Costs	850,000	850,000	(624,190)	1,474,190	1,918,263	1,668,263	1,084,849	583,414
Total Operating Expenses	4,301,701	4,301,801	1,455,961	2,845,840	4,300,000	4,335,525	2,824,462	1,511,063
Operating Income	(68,255)	(68,355)	822,596	890,951	(100,000)	(135,525)	1,456,812	1,592,337
<b>Nonoperating Revenues</b>								
Subrogations	66,554	66,554	17,934	(48,620)	100,000	100,000	13,644	(86,356)
Change in Net Assets	(1,701)	(1,801)	840,530	842,331	-	(35,525)	1,470,456	1,505,981
Net Assets, July 1	4,505,295	4,505,295	4,505,295	-	3,034,839	3,034,839	3,034,839	-
Net Assets, June 30	\$ 4,503,594	\$ 4,503,494	\$ 5,345,825	\$ 842,331	\$ 3,034,839	\$ 2,999,314	\$ 4,505,295	\$ 1,505,981

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**KNOX COUNTY, TENNESSEE**

**Central Maintenance Fund**  
**Comparative Statements of Net Assets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 698,826	\$ 479,801
Accounts Receivable	<u>1,028,133</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,726,959</u>	<u>479,801</u>
<b>Capital Assets:</b>		
Machinery and Equipment	72,217	72,217
Accumulated Depreciation	<u>(61,493)</u>	<u>(54,728)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>10,724</u>	<u>17,489</u>
<b>TOTAL ASSETS</b>	<u>1,737,683</u>	<u>497,290</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	10,724	17,489
Unrestricted	<u>1,726,959</u>	<u>479,801</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 1,737,683</u></u>	<u><u>\$ 497,290</u></u>

KNOX COUNTY, TENNESSEE

Central Maintenance Fund  
 Comparative Schedules of Revenues, Expenses  
 and Changes in Net Assets - Budget And Actual (GAAP Basis)  
 For the years ended June 30, 2008 and June 30, 2007

	2008				2007			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 8,918,664	\$ 9,018,891	\$ 10,259,259	\$ 1,240,368	\$ 8,136,577	\$ 8,136,577	\$ 8,136,577	\$ -
<b>Operating Expenses</b>								
General and Administrative	8,911,874	9,012,101	9,012,101	-	4,460,818	8,129,577	8,111,277	18,300
Depreciation and Amortization	6,790	6,790	6,765	25	7,000	7,000	6,766	234
Other Expenses	-	-	-	-	3,668,759	-	-	-
Total Operating Expenses	8,918,664	9,018,891	9,018,866	25	8,136,577	8,136,577	8,118,043	18,534
Change in Net Assets	-	-	1,240,393	1,240,393	-	-	18,534	18,534
Net Assets, July 1	497,290	497,290	497,290	-	478,756	478,756	478,756	-
Net Assets, June 30	\$ 497,290	\$ 497,290	\$ 1,737,683	\$ 1,240,393	\$ 478,756	\$ 478,756	\$ 497,290	\$ 18,534

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**KNOX COUNTY, TENNESSEE**

**Technical Support Service Fund**  
**Comparative Statements of Net Assets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 347,853	\$ 317,721
Accounts Receivable	-	85
Due from Other Funds	-	1,445
Due from Component Units	-	340
	<u>347,853</u>	<u>319,591</u>
<b>TOTAL CURRENT ASSETS</b>	<u>347,853</u>	<u>319,591</u>
<b>Capital Assets:</b>		
Machinery and Equipment	101,277	101,277
Accumulated Depreciation	<u>(101,077)</u>	<u>(98,679)</u>
	<u>200</u>	<u>2,598</u>
<b>Capital Assets (Net of Accumulated Depreciation)</b>	<u>200</u>	<u>2,598</u>
<b>TOTAL ASSETS</b>	<u>348,053</u>	<u>322,189</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	102,954	12,501
Due to Other Funds	-	671
	<u>102,954</u>	<u>13,172</u>
<b>TOTAL LIABILITIES</b>	<u>102,954</u>	<u>13,172</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	200	2,598
Unrestricted	<u>244,899</u>	<u>306,419</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 245,099</u>	<u>\$ 309,017</u>

KNOX COUNTY, TENNESSEE

Technical Support Service Fund  
 Comparative Schedules of Revenues, Expenses  
 and Changes in Net Assets - Budget And Actual (GAAP Basis)

For the years ended June 30, 2008 and June 30, 2007

	2008				2007			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 434,000	\$ 434,000	\$ 413,511	\$ (20,489)	\$ 395,000	\$ 395,000	\$ 415,879	\$ 20,879
<b>Operating Expenses</b>								
General and Administrative	350,300	497,400	474,831	22,569	417,000	485,467	374,804	110,663
Depreciation and Amortization	2,400	4,800	2,398	2,402	14,233	14,233	11,695	2,538
Other Expense	200	200	200	-	68,767	300	300	-
Total Operating Expenses	352,900	502,400	477,429	24,971	500,000	500,000	386,799	113,201
Change in Net Assets	81,100	(68,400)	(63,918)	4,482	(105,000)	(105,000)	29,080	134,080
Net Assets, July 1	309,017	309,017	309,017	-	279,937	279,937	279,937	-
Net Assets, June 30	\$ 390,117	\$ 240,617	\$ 245,099	\$ 4,482	\$ 174,937	\$ 174,937	\$ 309,017	\$ 134,080

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**KNOX COUNTY, TENNESSEE**

**Capital Leasing Fund**  
**Comparative Statements of Net Assets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 2,140,418	\$ 2,156,733
<b>Capital Assets:</b>		
Machinery and Equipment	9,126,006	11,057,455
Accumulated Depreciation	<u>(8,125,514)</u>	<u>(9,298,351)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>1,000,492</u>	<u>1,759,104</u>
<b>TOTAL ASSETS</b>	<u>3,140,910</u>	<u>3,915,837</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	1,000,492	1,759,104
Unrestricted	<u>2,140,418</u>	<u>2,156,733</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,140,910</u>	<u>\$ 3,915,837</u>

**KNOX COUNTY, TENNESSEE**

**Capital Leasing Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)**

For the years ended June 30, 2008 and June 30, 2007

	2008				2007			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Operating Expenses</b>								
Costs of Sales and Services	1,000,000	1,000,000	-	1,000,000	1,000,000	1,000,639	5,640	994,999
Depreciation and Amortization	1,400,000	1,400,000	771,572	628,428	1,400,000	1,400,000	1,210,410	189,590
Total Operating Expenses	2,400,000	2,400,000	771,572	1,628,428	2,400,000	2,400,639	1,216,050	1,184,589
Operating Loss	(2,400,000)	(2,400,000)	(771,572)	1,628,428	(2,400,000)	(2,400,639)	(1,216,050)	1,184,589
<b>Nonoperating Revenues (Expenses)</b>								
Subrogation Payment	-	-	-	-	-	-	11,401	11,401
Gain (Loss) on Disposal of Capital Asset	-	-	(3,355)	(3,355)	-	-	6,438	6,438
Total Nonoperating Revenues (Expenses)	-	-	(3,355)	(3,355)	-	-	17,839	17,839
Loss before Transfers	(2,400,000)	(2,400,000)	(774,927)	1,625,073	(2,400,000)	(2,400,639)	(1,198,211)	1,202,428
<b>Transfers</b>								
Transfers From Other Funds	-	-	-	-	1,000,000	1,000,000	1,000,000	-
Change in Net Assets	(2,400,000)	(2,400,000)	(774,927)	1,625,073	(1,400,000)	(1,400,639)	(198,211)	1,202,428
Net Assets, July 1	3,915,837	3,915,837	3,915,837	-	4,114,048	4,114,048	4,114,048	-
Net Assets, June 30	\$ 1,515,837	\$ 1,515,837	\$ 3,140,910	\$ 1,625,073	\$ 2,714,048	\$ 2,713,409	\$ 3,915,837	\$ 1,202,428

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**KNOX COUNTY, TENNESSEE**

**Self Insurance Healthcare Fund**  
**Comparative Statements of Net Assets**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 5,098,234	\$ -
Accounts Receivable	134,771	-
Due from Other Funds	<u>33</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<u>5,233,038</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>5,233,038</u>	<u>-</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Due to Other Funds	3,000,267	-
Self Insured Claims Liability	1,729,348	-
Deferred Revenue	<u>1,379</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>4,730,994</u>	<u>-</u>
<b>NET ASSETS</b>		
Unrestricted	<u>502,044</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 502,044</u></u>	<u><u>\$ -</u></u>

**KNOX COUNTY, TENNESSEE**  
**Self Insurance Healthcare Fund**  
**Comparative Schedules of Revenues, Expenses**  
**and Changes in Net Assets - Budget And Actual (GAAP Basis)**  
For the years ended June 30, 2008 and June 30, 2007

	2008				2007			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 9,733,184	\$ 9,733,184	\$ 9,708,165	\$ (25,019)	\$ -	\$ -	\$ -	\$ -
<b>Operating Expenses</b>								
General and Administrative	642,644	642,644	774,120	(131,476)	-	-	-	-
Medical Claims	9,090,540	9,090,540	8,432,001	658,539	-	-	-	-
Total Operating Expenses	9,733,184	9,733,184	9,206,121	527,063	-	-	-	-
Change in Net Assets	-	-	502,044	502,044	-	-	-	-
Net Assets, July 1	-	-	-	-	-	-	-	-
Net Assets, June 30	\$ -	\$ -	\$ 502,044	\$ 502,044	\$ -	\$ -	\$ -	\$ -

## 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, 2008

	Defined Benefit Plan	Defined Contribution Plan	Voluntary 457 Plan	Medical Retirement Plan	Uniformed Officers Plan	Total
<b>ASSETS</b>						
Receivables:						
Contributions	\$ 16,004	\$ -	\$ -	\$ -	\$ 162,038	\$ 178,042
Prepaid Expense	693	-	-	-	-	693
Investments	70,645,274	175,567,615	1,749,259	5,725,618	93,156,862	346,844,628
Deferred Expense	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>70,661,971</b>	<b>175,567,615</b>	<b>1,749,259</b>	<b>5,725,618</b>	<b>93,318,900</b>	<b>347,023,363</b>
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	20,689	-	-	-	190,201	210,890
<b>NET ASSETS</b>						
Held in Trust for: Pension Benefits	<u>\$ 70,641,282</u>	<u>\$ 175,567,615</u>	<u>\$ 1,749,259</u>	<u>\$ 5,725,618</u>	<u>\$ 93,128,699</u>	<u>\$ 346,812,473</u>

**KNOX COUNTY, TENNESSEE**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
For the year ended June 30, 2008

	Defined Benefit Plan	Defined Contribution Plan	Voluntary 457 Plan	Medical Retirement Plan	Uniformed Officers Plan	Total
<b>Additions</b>						
Contributions:						
Employer	\$ 333,504	\$ 8,993,569	\$ -	\$ 74,994	\$ 1,823,530	\$ 11,225,597
Employees	100,000	7,636,137	1,886,791	310,233	2,116,645	12,049,806
Transfers from Other Funds	-	-	-	-	56,510,846	56,510,846
Transfers from Other Plans	239,243	82,941	-	178,155	39,694,954	40,195,293
<b>Total Contributions</b>	<b>672,747</b>	<b>16,712,647</b>	<b>1,886,791</b>	<b>563,382</b>	<b>100,145,975</b>	<b>119,981,542</b>
Investment Earnings:						
Interest and Dividend Income	2,437,233	-	-	-	696,600	3,133,833
Net Appreciation (Depreciation) in Fair Value of Investments	(6,848,547)	(13,136,407)	(95,293)	(120,771)	(5,864,084)	(26,065,102)
Total Investment Earnings (Losses)	(4,411,314)	(13,136,407)	(95,293)	(120,771)	(5,167,484)	(22,931,269)
Less Investment Expenses	(188,980)	-	-	-	(113,251)	(302,231)
Net Investment Earnings (Losses)	(4,600,294)	(13,136,407)	(95,293)	(120,771)	(5,280,735)	(23,233,500)
<b>Total Additions</b>	<b>(3,927,547)</b>	<b>3,576,240</b>	<b>1,791,498</b>	<b>442,611</b>	<b>94,865,240</b>	<b>96,748,042</b>
<b>Deductions</b>						
Benefits and Refunds	6,658,469	11,957,390	42,239	885,947	755,483	20,299,528
Transfers to Other Funds	446,731	-	-	-	502,572	949,303
Transfers to Other Plans	526,699	39,429,350	-	-	478,486	40,434,535
<b>Total Deductions</b>	<b>7,631,899</b>	<b>51,386,740</b>	<b>42,239</b>	<b>885,947</b>	<b>1,736,541</b>	<b>61,683,366</b>
<b>Change in Net Assets</b>	<b>(11,559,446)</b>	<b>(47,810,500)</b>	<b>1,749,259</b>	<b>(443,336)</b>	<b>93,128,699</b>	<b>35,064,676</b>
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<b>82,200,728</b>	<b>223,378,115</b>	<b>-</b>	<b>6,168,954</b>	<b>-</b>	<b>311,747,797</b>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<b>\$ 70,641,282</b>	<b>\$ 175,567,615</b>	<b>\$ 1,749,259</b>	<b>\$ 5,725,618</b>	<b>\$ 93,128,699</b>	<b>\$ 346,812,473</b>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets**  
**Pension Trust Fund - Defined Benefit Plan**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Receivables:		
Contributions	\$ 16,004	\$ 18,932
Prepaid expense	693	-
Due from other funds	-	156,123
Due from Other Plan	-	239,243
Investments	<u>70,645,274</u>	<u>81,822,901</u>
<b>TOTAL ASSETS</b>	<u>70,661,971</u>	<u>82,237,199</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	<u>20,689</u>	<u>36,471</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 70,641,282</u>	<u>\$ 82,200,728</u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Assets**

**Pension Trust Fund - Defined Benefit Plan**

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Additions</b>		
Contributions:		
Employees	\$ 100,000	\$ 112,138
Employer	333,504	360,065
Transfers from Other Plans	<u>239,243</u>	<u>-</u>
Total Contributions	<u>672,747</u>	<u>472,203</u>
Investment Earnings:		
Interest and Dividend Income	2,437,233	1,932,576
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(6,848,547)</u>	<u>9,527,765</u>
Total Investment Earnings (Losses)	(4,411,314)	11,460,341
Less Investment Expenses	<u>(188,980)</u>	<u>(221,586)</u>
Net Investment Earnings (Losses)	<u>(4,600,294)</u>	<u>11,238,755</u>
Total Additions	<u>(3,927,547)</u>	<u>11,710,958</u>
<b>Deductions</b>		
Benefits and Refunds	6,658,469	6,293,590
Transfers to Other Funds	446,731	927,180
Transfers to Other Plans	<u>526,699</u>	<u>248,109</u>
Total Deductions	<u>7,631,899</u>	<u>7,468,879</u>
<b>Change in Net Assets</b>	(11,559,446)	4,242,079
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>82,200,728</u>	<u>77,958,649</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u><u>\$ 70,641,282</u></u>	<u><u>\$ 82,200,728</u></u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets  
Pension Trust Fund - Defined Contribution Plan**

June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 175,567,615</u>	<u>\$ 223,378,115</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 175,567,615</u>	<u>\$ 223,378,115</u>

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## KNOX COUNTY, TENNESSEE

### Comparative Statements of Changes in Fiduciary Net Assets Pension Trust Fund - Defined Contribution Plan For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 8,993,569	\$ 8,471,392
Employees	7,636,137	9,780,580
Transfers from Other Plans	<u>82,941</u>	<u>87,886</u>
 Total Contributions	 16,712,647	 18,339,858
 Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(13,136,407)</u>	<u>28,166,588</u>
 Total Additions	 <u>3,576,240</u>	 <u>46,506,446</u>
 <b>Deductions</b>		
Benefits and Refunds	11,957,390	11,313,066
Transfer to Other Plans	<u>39,429,350</u>	<u>-</u>
 Total Deductions	 <u>51,386,740</u>	 <u>11,313,066</u>
 <b>Change in Net Assets</b>	 (47,810,500)	 35,193,380
 <b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	 <u>223,378,115</u>	 <u>188,184,735</u>
 <b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	 <u><u>\$ 175,567,615</u></u>	 <u><u>\$ 223,378,115</u></u>

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**KNOX COUNTY, TENNESSEE**

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

June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 1,749,259</u>	<u>-</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 1,749,259</u>	<u>-</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Additions</b>		
Contributions:		
Employee	1,886,791	-
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(95,293)</u>	<u>-</u>
Total Additions	<u>1,791,498</u>	<u>-</u>
<b>Deductions</b>		
Benefits and Refunds	<u>42,239</u>	<u>-</u>
<b>Change in Net Assets</b>	1,749,259	-
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>-</u>	<u>-</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u><u>\$ 1,749,259</u></u>	<u><u>-</u></u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets**  
**Pension Trust Fund - Medical Retirement Defined Contribution Plan**  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 5,725,618</u>	<u>\$ 6,168,954</u>
<b>TOTAL ASSETS</b>	<u>5,725,618</u>	<u>6,168,954</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 5,725,618</u>	<u>\$ 6,168,954</u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Assets  
Pension Trust Fund - Medical Retirement Defined Contribution Plan**

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Additions</b>		
Contributions:		
Employees	\$ 310,233	\$ 357,555
Employer	74,994	82,503
Transfers from Other Plans	<u>178,155</u>	<u>-</u>
Total Contributions	563,382	440,058
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(120,771)</u>	<u>439,812</u>
Total Additions	<u>442,611</u>	<u>879,870</u>
<b>Deductions</b>		
Benefits and Refunds	<u>885,947</u>	<u>486,093</u>
<b>Change in Net Assets</b>	(443,336)	393,777
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>6,168,954</u>	<u>5,775,177</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u><u>\$ 5,725,618</u></u>	<u><u>\$ 6,168,954</u></u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets  
Pension Trust Fund - Uniformed Officers Pension Plan**

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Receivables:		
Contributions	\$ 162,038	-
Deferred Expense	-	478,486
Investments	<u>93,156,862</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>93,318,900</u>	<u>478,486</u>
 <b>LIABILITIES</b>		
Accounts Payable	<u>190,201</u>	<u>478,486</u>
 <b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 93,128,699</u>	<u>-</u>

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## KNOX COUNTY, TENNESSEE

### Comparative Statements of Changes in Fiduciary Net Assets Pension Trust Fund - Uniformed Officers Pension Plan

For the years ended June 30, 2008 and June 30, 2007

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	2008	2007
<b>Additions</b>		
Contributions:		
Employees	\$ 2,116,645	-
Employer	1,823,530	-
Transfers From Other Plans	39,694,954	-
Transfers from Other Funds	56,510,846	-
	<hr/>	<hr/>
Total Contributions	100,145,975	-
	<hr/>	<hr/>
Investment Earnings:		
Interest and Dividend Income	696,600	-
Net Appreciation (Depreciation) in Fair Value of Investments	(5,864,084)	-
	<hr/>	<hr/>
Total Investment Earnings (Losses)	(5,167,484)	-
	<hr/>	<hr/>
Less Investment Expenses	(113,251)	-
	<hr/>	<hr/>
Net Investment Earnings (Losses)	(5,280,735)	-
	<hr/>	<hr/>
Total Additions	94,865,240	-
	<hr/>	<hr/>
<b>Deductions</b>		
Benefits and Refunds	755,483	-
Transfers to Other Funds	502,572	-
Transfers to Other Plans	478,486	-
	<hr/>	<hr/>
Total Deductions	1,736,541	-
	<hr/>	<hr/>
<b>Change in Net Assets</b>	93,128,699	-
	<hr/>	<hr/>
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	-	-
	<hr/>	<hr/>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	\$ 93,128,699	-
	<hr/> <hr/>	<hr/> <hr/>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Fiduciary Assets and Liabilities**

**Agency Funds**

June 30, 2008

(With comparative totals for June 30, 2007)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2008	2007
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ -	\$ 100,356	\$ 156,446	\$ 1,766,258	\$ 21,755,380	\$ 23,778,440	\$ 23,902,048
Receivables:							
Accounts	6,753,902	-	-	-	88,897	6,842,799	6,756,592
<b>TOTAL ASSETS</b>	<u>\$ 6,753,902</u>	<u>\$ 100,356</u>	<u>\$ 156,446</u>	<u>\$ 1,766,258</u>	<u>\$ 21,844,277</u>	<u>\$ 30,621,239</u>	<u>\$ 30,658,640</u>
<b>LIABILITIES</b>							
Accounts Payable and Accrued Liabilities	\$ 6,753,902	\$ -	\$ 156,446	\$ 1,766,258	\$ -	\$ 8,676,606	\$ 11,775,036
Due to Other Governments	-	-	-	-	2,397,596	2,397,596	3,661,987
Due to Litigants, Heirs and Others	-	100,356	-	-	19,446,681	19,547,037	15,221,617
<b>TOTAL LIABILITIES</b>	<u>\$ 6,753,902</u>	<u>\$ 100,356</u>	<u>\$ 156,446</u>	<u>\$ 1,766,258</u>	<u>\$ 21,844,277</u>	<u>\$ 30,621,239</u>	<u>\$ 30,658,640</u>

**KNOX COUNTY, TENNESSEE**

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

**Agency Funds**

For the year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2008	2007
Assets and Liabilities, July 1	\$ 10,032,271	\$ 121,072	\$ 67,446	\$ 1,675,319	\$ 18,762,532	\$ 30,658,640	\$ 28,979,512
Additions	40,361,140	100,356	89,000	8,027,400	104,679,748	153,257,644	153,220,063
Deductions	(43,639,509)	(121,072)	-	(7,936,461)	(101,598,003)	(153,295,045)	(151,540,935)
Assets and Liabilities, June 30	\$ 6,753,902	\$ 100,356	\$ 156,446	\$ 1,766,258	\$ 21,844,277	\$ 30,621,239	\$ 30,658,640

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, Register and Sheriff  
Combined Schedule of Assets and Liabilities  
June 30, 2008**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 115,007,181	\$ 2,318,089	\$ 5,659,760	\$ 4,542,148	\$ 4,170,035	\$ 2,141,631	\$ 102,738	\$ 133,941,582
Investments	21,709,530	-	-	-	3,909,886	-	-	25,619,416
Accounts Receivable	-	-	88,897	-	-	-	-	88,897
<b>Total Assets</b>	<b>\$ 136,716,711</b>	<b>\$ 2,318,089</b>	<b>\$ 5,748,657</b>	<b>\$ 4,542,148</b>	<b>\$ 8,079,921</b>	<b>\$ 2,141,631</b>	<b>\$ 102,738</b>	<b>\$ 159,649,895</b>
<b>LIABILITIES</b>								
Due to Other Governments	\$ -	\$ 727,157	\$ -	\$ 526,677	\$ -	\$ 1,143,762	\$ -	\$ 2,397,596
Due to Litigants, Heirs and Others	3,962,222	-	5,021,469	2,795,473	7,530,711	34,068	102,738	19,446,681
Fee and Commission Account	1,183,402	1,590,932	727,188	1,219,998	549,210	963,801	-	6,234,531
Amounts Held in Custody for								
Other County Funds:								
General Fund	31,431,095	-	-	-	-	-	-	31,431,095
Special Revenue Funds	12,425,616	-	-	-	-	-	-	12,425,616
Debt Service Fund	25,768,070	-	-	-	-	-	-	25,768,070
Capital Projects Fund - Component Units	34,115,199	-	-	-	-	-	-	34,115,199
Capital Projects Fund - Public Improvement	3,528,725	-	-	-	-	-	-	3,528,725
Capital Projects Fund - ADA Construction	2,487,635	-	-	-	-	-	-	2,487,635
Internal Service Funds	19,812,122	-	-	-	-	-	-	19,812,122
Fiduciary Funds/Other	2,002,625	-	-	-	-	-	-	2,002,625
<b>Total Liabilities</b>	<b>\$ 136,716,711</b>	<b>\$ 2,318,089</b>	<b>\$ 5,748,657</b>	<b>\$ 4,542,148</b>	<b>\$ 8,079,921</b>	<b>\$ 2,141,631</b>	<b>\$ 102,738</b>	<b>\$ 159,649,895</b>

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, Register and Sheriff**  
**Combined Schedule of Cash Receipts, Disbursements and Balances**  
 For the Year Ended June 30, 2008

	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	\$ 1,000,261,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,261,298
Litigants, Heirs and Others	72,528,147	733,074	8,233,521	2,677,049	5,240,177	831,779	1,845,726	92,089,473
State of Tennessee	-	29,682,126	390,696	1,758,029	87,538	15,576,122	-	47,494,511
Knox County	-	26,643,575	1,789,497	4,661,973	157,731	-	-	33,252,776
Fees and Commissions	8,668,280	6,064,015	1,934,929	4,334,077	1,247,133	3,640,836	-	25,889,270
Cities - Clerk Collections	-	-	-	408,913	-	-	-	408,913
Total Receipts	1,081,457,725	63,122,790	12,348,643	13,840,041	6,732,579	20,048,737	1,845,726	1,199,396,241
Disbursements	(1,090,444,245)	(63,593,829)	(12,191,209)	(13,566,911)	(4,978,785)	(20,357,019)	(1,797,072)	(1,206,929,070)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(8,986,520)	(471,039)	157,434	273,130	1,753,794	(308,282)	48,654	(7,532,829)
Balances, July 1, 2007	145,703,231	2,789,128	5,591,223	4,269,018	6,326,127	2,449,913	54,084	167,182,724
Balances, June 30, 2008	\$ 136,716,711	\$ 2,318,089	\$ 5,748,657	\$ 4,542,148	\$ 8,079,921	\$ 2,141,631	\$ 102,738	\$ 159,649,895

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, and Register  
Combined Analysis of Fee and Commission Accounts  
For the Year Ended June 30, 2008**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total
<b>Revenues</b>							
Fees and Commissions	\$ 8,666,679	\$ 6,010,677	\$ 1,934,929	\$ 4,334,077	\$ 1,247,133	\$ 3,629,943	\$ 25,823,438
Interest Earned	1,601	53,338	-	-	-	10,893	65,832
<b>Total Revenues</b>	<b>8,668,280</b>	<b>6,064,015</b>	<b>1,934,929</b>	<b>4,334,077</b>	<b>1,247,133</b>	<b>3,640,836</b>	<b>25,889,270</b>
<b>Expenditures</b>							
Salaries-Staff	2,368,908	3,642,433	1,003,239	2,843,021	698,555	1,429,820	11,985,976
Payroll Taxes/Benefits	601,845	1,197,532	243,305	305,930	236,751	393,892	2,979,255
County Official/Administrative Officer	68,912	52,558	75,051	104,606	96,560	58,528	456,215
Travel	82,643	89,187	77,934	-	-	-	249,764
Office Supplies/Expenditures	264,215	-	-	861,209	7,957	2,030	1,135,411
Consulting Fees	334,750	7,790	-	-	-	-	342,540
<b>Total Expenditures</b>	<b>3,721,273</b>	<b>4,989,500</b>	<b>1,399,529</b>	<b>4,114,766</b>	<b>1,039,823</b>	<b>1,884,270</b>	<b>17,149,161</b>
<b>Other (Sources) Uses</b>							
Fees and Commissions to County (General Fund)	4,333,888	700,000	267,000	-	181,000	1,562,772	7,044,660
<b>Total Expenditures and Other Uses</b>	<b>8,055,161</b>	<b>5,689,500</b>	<b>1,666,529</b>	<b>4,114,766</b>	<b>1,220,823</b>	<b>3,447,042</b>	<b>24,193,821</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>613,119</b>	<b>374,515</b>	<b>268,400</b>	<b>219,311</b>	<b>26,310</b>	<b>193,794</b>	<b>1,695,449</b>
Balances, July 1, 2007	570,283	1,216,417	458,788	1,000,687	522,900	770,007	4,539,082
Balances, June 30, 2008	\$ 1,183,402	\$ 1,590,932	\$ 727,188	\$ 1,219,998	\$ 549,210	\$ 963,801	\$ 6,234,531

**KNOX COUNTY, TENNESSEE**

**Schedule of Debt Service Requirements**

**General Bonded Debt**

June 30, 2008

Fiscal Year Ending June 30,	\$8,350,000 Women's Basketball Hall of Fame		\$39,467,607 General Obligation Refunding Series 2001		\$50,000,000 General Obligation Public Improvement Series 2001		\$2,597,104 Andrew Johnson GO Refunding Series 2002		\$31,200,221 General Obligation Refunding Series 2002A		\$31,361,297 General Obligation Refunding Bonds Series 2003		\$5,321,983 General Obligation Refunding Bonds Series 2003A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 440,000	\$ 276,000	\$ 4,610,449	\$ 789,146	\$ 2,237,500	\$ 510,585	\$ 306,448	\$ 41,653	\$ 11,408	\$ 1,558,482	\$ 1,886,511	\$ 1,136,590	\$ -	\$ 248,940
2010	460,000	254,000	4,850,775	555,871	2,321,875	393,117	320,144	28,629	2,645,234	1,617,615	1,972,261	1,046,981	-	248,940
2011	485,000	231,000	5,092,738	309,720	2,415,625	271,219	333,840	15,023	2,753,367	1,498,340	2,063,209	953,299	-	248,939
2012	505,000	206,750	594,887	29,744	2,515,625	138,359	-	-	2,867,488	1,374,268	5,433,464	855,296	-	248,939
2013	535,000	181,500	-	-	-	-	-	-	3,748,390	1,168,784	5,695,912	583,623	-	248,939
2014	560,000	154,750	-	-	-	-	-	-	3,626,100	977,704	5,976,550	298,827	-	248,939
2015	590,000	126,750	-	-	-	-	-	-	7,280,815	700,601	-	-	-	248,939
2016	615,000	97,250	-	-	-	-	-	-	1,573,077	332,976	-	-	3,163,596	248,939
2017	650,000	66,500	-	-	-	-	-	-	1,648,077	258,255	-	-	1,815,180	90,759
2018	680,000	34,000	-	-	-	-	-	-	1,730,770	179,970	-	-	-	-
2019	-	-	-	-	-	-	-	-	1,823,079	93,432	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 5,520,000</b>	<b>\$ 1,628,500</b>	<b>\$ 15,148,849</b>	<b>\$ 1,684,481</b>	<b>\$ 9,490,625</b>	<b>\$ 1,313,280</b>	<b>\$ 960,432</b>	<b>\$ 85,305</b>	<b>\$ 29,707,805</b>	<b>\$ 9,760,427</b>	<b>\$ 23,027,907</b>	<b>\$ 4,874,616</b>	<b>\$ 4,978,776</b>	<b>\$ 2,082,273</b>

*continued*

**KNOX COUNTY, TENNESSEE**

**Schedule of Debt Service Requirements**

**General Bonded Debt (Continued)**

June 30, 2008

Fiscal Year Ending June 30,	\$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		\$57,000,000 General Obligation (Taxable) Series 2007		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 955,700	\$ 1,703,341	\$ 1,359,074	\$ 588,394	\$ 328,571	\$ 1,813,714	\$ 1,096,514	\$ 1,440,412	\$ 714,286	\$ 2,196,672	\$ -	\$ 2,522,500	\$ 700,000	\$ 3,150,425	\$ 14,646,461	\$ 17,976,854
2010	760,217	1,677,769	-	520,940	394,286	1,800,571	-	1,376,231	795,455	2,164,529	-	2,522,500	725,000	3,117,175	15,245,247	17,324,868
2011	815,150	1,648,455	-	520,940	460,000	1,784,800	-	1,376,231	876,623	2,128,734	-	2,522,500	1,000,000	3,082,737	16,295,552	16,591,937
2012	1,214,400	1,616,022	-	520,940	525,714	1,766,400	-	1,376,231	957,792	2,089,286	-	2,522,500	1,050,000	3,035,237	15,664,370	15,779,972
2013	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	1,100,000	2,985,362	16,614,809	14,943,690
2014	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	1,450,000	2,927,612	17,459,529	14,137,505
2015	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	1,500,000	2,851,488	16,144,649	13,187,263
2016	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	2,000,000	2,772,738	16,940,806	12,401,781
2017	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	2,250,000	2,667,738	16,551,358	11,587,457
2018	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	2,300,000	2,550,738	15,403,943	10,799,758
2019	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	2,400,000	2,429,988	15,487,152	10,065,811
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	2,525,000	2,302,788	14,094,928	9,325,622
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	5,450,000	2,162,650	15,457,164	8,652,410
2022	2,064,367	933,064	-	-	2,799,429	1,089,806	-	-	698,052	1,490,260	-	2,522,500	5,725,000	1,860,175	11,286,848	7,895,805
2023	1,978,567	839,508	-	-	2,957,143	977,829	-	-	649,351	1,458,847	-	2,522,500	6,025,000	1,542,437	11,610,061	7,341,121
2024	2,097,367	740,339	-	-	3,128,000	859,543	-	-	681,818	1,429,627	-	2,522,500	6,300,000	1,196,000	12,207,185	6,748,009
2025	2,225,050	634,933	-	-	3,298,857	734,423	-	-	714,286	1,398,945	-	2,522,500	6,650,000	833,750	12,888,193	6,124,551
2026	2,353,433	522,666	-	-	3,482,857	602,469	-	-	746,753	1,366,802	-	2,522,500	7,000,000	451,375	13,583,043	5,465,812
2027	2,489,317	403,538	-	-	3,666,857	463,154	-	-	762,987	1,333,198	4,734,257	2,522,500	850,000	48,875	12,503,418	4,771,265
2028	2,487,500	276,925	-	-	3,857,429	316,480	-	-	795,455	1,298,864	5,611,649	2,285,787	-	-	12,752,033	4,178,056
2029	2,638,332	142,829	-	-	4,054,570	162,183	-	-	827,922	1,263,068	5,904,112	2,005,205	-	-	13,424,936	3,573,285
2030	-	-	-	-	-	-	-	-	5,032,468	1,225,812	6,178,297	1,709,999	-	-	11,210,765	2,935,811
2031	-	-	-	-	-	-	-	-	5,227,273	999,351	6,507,319	1,401,084	-	-	11,734,592	2,400,435
2032	-	-	-	-	-	-	-	-	5,438,312	764,123	6,818,062	1,075,718	-	-	12,256,374	1,839,841
2033	-	-	-	-	-	-	-	-	5,649,351	519,399	7,165,362	734,815	-	-	12,814,713	1,254,214
2034	-	-	-	-	-	-	-	-	5,892,857	265,179	7,530,942	376,547	-	-	13,423,799	641,726
<b>Totals</b>	<b>\$ 36,415,700</b>	<b>\$ 22,938,659</b>	<b>\$ 11,760,663</b>	<b>\$ 5,294,259</b>	<b>\$ 45,342,857</b>	<b>\$ 26,102,766</b>	<b>\$ 29,083,377</b>	<b>\$ 12,883,959</b>	<b>\$ 48,814,937</b>	<b>\$ 39,810,391</b>	<b>\$ 50,450,000</b>	<b>\$ 57,516,655</b>	<b>\$ 57,000,000</b>	<b>\$ 41,969,288</b>	<b>\$ 367,701,928</b>	<b>\$ 227,944,859</b>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt  
June 30, 2008**

Fiscal Year Ending June 30,	\$2,585,603 Qualified Zone Academy		\$17,277,393 Refunding Bonds Series 2001		\$30,000,000 GO Public Improvement Series 2001		\$4,987,896 AJ Refunding Bonds Series 2002		\$51,799,779 Refunding Bonds Series 2002A		\$28,983,703 Refunding Bonds Series 2003		\$12,123,017 Refunding Bonds Series 2003A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 215,467	\$ -	\$ 2,439,551	\$ 460,854	\$ 1,342,500	\$ 306,353	\$ 588,552	\$ 79,997	\$ 18,592	\$ 2,539,981	\$ 1,743,489	\$ 1,050,422	\$ -	\$ 567,060
2010	215,467	-	2,569,225	341,629	1,393,125	235,870	614,856	54,984	4,054,766	2,479,573	1,822,739	967,606	-	567,060
2011	215,467	-	2,707,262	216,780	1,449,375	162,731	641,160	28,852	4,221,633	2,297,348	1,906,791	881,026	-	567,061
2012	215,467	-	1,355,114	67,756	1,509,375	83,017	-	-	4,397,512	2,107,544	5,021,536	790,454	-	567,061
2013	-	-	-	-	-	-	-	-	6,136,610	1,913,454	5,264,088	539,377	-	567,061
2014	-	-	-	-	-	-	-	-	5,788,900	1,560,859	5,523,450	276,173	-	567,061
2015	-	-	-	-	-	-	-	-	13,719,185	1,320,137	-	-	-	567,061
2016	-	-	-	-	-	-	-	-	2,516,923	532,760	-	-	7,206,404	567,061
2017	-	-	-	-	-	-	-	-	2,636,923	413,208	-	-	4,134,820	206,741
2018	-	-	-	-	-	-	-	-	2,769,230	287,954	-	-	-	-
2019	-	-	-	-	-	-	-	-	2,916,921	149,492	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 861,868</b>	<b>\$ -</b>	<b>\$ 9,071,152</b>	<b>\$ 1,087,019</b>	<b>\$ 5,694,375</b>	<b>\$ 787,971</b>	<b>\$ 1,844,568</b>	<b>\$ 163,833</b>	<b>\$ 49,177,195</b>	<b>\$ 15,602,310</b>	<b>\$ 21,282,093</b>	<b>\$ 4,505,058</b>	<b>\$ 11,341,224</b>	<b>\$ 4,743,227</b>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt (Continued)  
June 30, 2008

Fiscal Year Ending June 30,	\$32,000,000 G.O. Bonds Series 2003	\$20,212,283 Refunding Bonds Series 2004	\$24,000,000 G.O. Bonds Series 2004	\$18,526,623 Refunding Bonds Series 2005A	\$11,150,000 Refunding Bonds Series 2005B	\$27,000,000 General Obligation Series 2005	\$18,550,000 General Obligation Series 2007	Totals								
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest								
2009	\$ 69,300	\$ 1,369,034	\$ 1,915,926	\$ 839,981	\$ 171,429	\$ 946,286	\$ 1,803,486	\$ 882,428	\$ 870,000	\$ 509,782	\$ 385,714	\$ 1,186,203	\$ -	\$ 927,500	\$ 11,564,006	\$ 11,665,881
2010	414,783	1,348,481	-	743,685	205,714	939,429	-	843,109	905,000	472,459	429,545	1,168,846	-	927,500	12,625,220	11,090,231
2011	484,850	1,324,920	-	743,685	240,000	931,200	-	843,109	945,000	432,458	473,377	1,149,516	-	927,500	13,284,915	10,506,186
2012	860,600	1,298,853	-	743,685	274,286	921,600	-	843,109	995,000	389,744	517,208	1,128,214	-	927,500	15,146,098	9,868,537
2013	921,633	1,257,245	-	743,685	308,571	910,629	1,583,250	843,109	1,040,000	344,173	561,039	1,104,940	-	927,500	15,815,191	9,151,173
2014	979,883	1,213,132	-	743,685	342,857	898,286	1,645,511	769,281	1,095,000	296,229	604,870	1,079,693	-	927,500	15,980,471	8,331,899
2015	1,054,250	1,166,511	-	743,685	685,714	884,571	1,717,501	686,274	1,150,000	243,998	648,701	1,052,474	-	927,500	18,975,351	7,592,211
2016	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	701,299	1,023,282	-	927,500	18,179,194	6,556,866
2017	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	736,364	991,724	-	927,500	15,818,642	5,663,982
2018	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	788,961	958,588	-	927,500	12,246,057	4,896,404
2019	1,372,067	949,451	3,159,083	305,795	1,234,286	725,486	2,002,699	321,293	-	-	832,792	923,084	-	927,500	11,517,848	4,302,101
2020	1,456,267	886,789	2,925,077	147,017	1,306,286	676,114	2,105,819	219,387	-	-	876,623	885,609	-	927,500	8,670,072	3,742,416
2021	1,572,000	820,618	-	-	1,381,714	623,863	2,218,667	112,448	-	-	920,455	846,161	-	927,500	6,092,836	3,330,590
2022	1,685,633	749,936	-	-	1,460,571	568,594	-	-	-	-	376,948	804,740	-	927,500	3,523,152	3,050,770
2023	1,996,433	674,742	-	-	1,542,857	510,171	-	-	-	-	350,649	787,778	-	927,500	3,889,939	2,900,191
2024	2,127,633	595,036	-	-	1,632,000	448,457	-	-	-	-	368,182	771,998	-	927,500	4,127,815	2,742,991
2025	2,274,950	510,317	-	-	1,721,143	383,177	-	-	-	-	385,714	755,430	-	927,500	4,381,807	2,576,424
2026	2,421,567	420,084	-	-	1,817,143	314,331	-	-	-	-	403,247	738,073	-	927,500	4,641,957	2,399,988
2027	2,585,683	324,337	-	-	1,913,143	241,646	-	-	-	-	412,013	719,927	1,740,743	927,500	6,651,582	2,213,410
2028	2,887,500	222,575	-	-	2,012,571	165,120	-	-	-	-	429,545	701,386	2,063,351	840,463	7,392,967	1,929,544
2029	3,086,668	114,796	-	-	2,115,430	84,617	-	-	-	-	447,078	682,057	2,170,888	737,295	7,820,064	1,618,765
2030	-	-	-	-	-	-	-	-	-	-	2,717,532	661,938	2,271,703	628,751	4,989,235	1,290,689
2031	-	-	-	-	-	-	-	-	-	-	2,822,727	539,649	2,392,681	515,166	5,215,408	1,054,815
2032	-	-	-	-	-	-	-	-	-	-	2,936,688	412,627	2,506,938	395,532	5,443,626	808,159
2033	-	-	-	-	-	-	-	-	-	-	3,050,649	280,476	2,634,638	270,185	5,685,287	550,661
2034	-	-	-	-	-	-	-	-	-	-	3,182,143	143,196	2,769,058	138,453	5,951,201	281,649
<b>Totals</b>	<b>\$ 31,859,300</b>	<b>\$ 18,436,591</b>	<b>\$ 16,579,337</b>	<b>\$ 7,557,991</b>	<b>\$ 23,657,143</b>	<b>\$ 13,618,834</b>	<b>\$ 18,526,623</b>	<b>\$ 7,892,991</b>	<b>\$ 10,825,000</b>	<b>\$ 3,074,754</b>	<b>\$ 26,360,063</b>	<b>\$ 21,497,609</b>	<b>\$ 18,550,000</b>	<b>\$ 21,148,345</b>	<b>\$ 245,629,941</b>	<b>\$ 120,116,533</b>

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**KNOX COUNTY, TENNESSEE**

***Schedule of Salaries and Bonds of Principal Elected Officials***  
*For the year ended June 30, 2008*

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<b>OFFICIAL</b>	<b>AUTHORIZATION FOR SALARY</b>	<b>SALARY PAID DURING YEAR</b>	<b>BOND AMOUNT</b>	<b>SURETY</b>
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 123,553	\$ 10,000	Hartford Fire Insurance
Attorney General	Section 8-6-104, T.C.A.	\$ 5,500	\$ -	
Circuit and Civil Sessions Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 119,459	\$ 300,000	Hartford Fire Insurance
County Clerk *	Section 8-24-102 (k), T.C.A.	\$ 52,558	\$ 60,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 166,946	\$ 50,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 104,606	\$ 250,000	Hartford Fire Insurance
Law Director	Section 3.08, Knox County Charter	\$ 148,080	\$ -	
Register of Deeds *	Section 8-24-102 (k), T.C.A.	\$ 58,528	\$ 100,000	Hartford Fire Insurance
Sheriff *	Section 8-24-102 (j), T.C.A.	\$ 110,713	\$ 25,000	Hartford Fire Insurance
Trustee *	Section 8-24-102 (k), T.C.A.	\$ 68,912	\$ 15,701,108	Hartford Fire Insurance

\* These Officials did not serve a full twelve months in these positions.

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**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds  
Comparative Schedules by Source<sup>1</sup>  
June 30, 2008 and 2007  
(In Thousands of Dollars)**

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	<u>2008</u>	<u>2007</u>
Governmental Funds Capital Assets:		
Land	\$ 94,553	\$ 94,600
Buildings	197,755	197,645
Improvements Other than Buildings	20,013	19,252
Machinery and Equipment	24,775	23,277
Intangibles	19,562	19,360
Infrastructure	494,466	484,106
Construction in Progress	56,807	41,765
Total Governmental Funds Capital Assets	<u>\$ 907,931</u>	<u>\$ 880,005</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 6,352	\$ 5,552
Special Revenue Funds	7,215	6,517
Capital Projects Funds	894,364	867,936
Total Governmental Funds Capital Assets	<u>\$ 907,931</u>	<u>\$ 880,005</u>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds**

**Schedule by Function and Activity<sup>1</sup>**

**June 30, 2008**

(In Thousands of Dollars)

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery And Equipment	Intangibles	Infrastructure	Construction In Progress	Total
<b>General Government:</b>								
Finance and Administration	\$ -	\$ 264	\$ 16	\$ 1,909	\$ 7,910	\$ -	\$ -	\$ 10,099
Administration of Justice	1,150	22,046	26	385	10,915	-	-	34,522
Public Safety	366	40,879	29	11,421	671	-	13,805	67,171
Public Health and Welfare	4,186	36,471	651	1,772	-	-	7	43,087
Social and Cultural Services	19,678	67,084	19,291	2,242	66	-	2,860	111,221
Other General Government	3,446	28,793	-	2,328	-	-	9,102	43,669
<b>Total General Government</b>	<b>28,826</b>	<b>195,537</b>	<b>20,013</b>	<b>20,057</b>	<b>19,562</b>	<b>-</b>	<b>25,774</b>	<b>309,769</b>
 Highways	 65,727	 2,218	 -	 4,718	 -	 494,466	 31,033	 598,162
 <b>Total Governmental Funds Capital Assets</b>	 <b>\$ 94,553</b>	 <b>\$ 197,755</b>	 <b>\$ 20,013</b>	 <b>\$ 24,775</b>	 <b>\$ 19,562</b>	 <b>\$ 494,466</b>	 <b>\$ 56,807</b>	 <b>\$ 907,931</b>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity<sup>1</sup>  
For the Fiscal Year Ended June 30, 2008  
(In Thousands of Dollars)**

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<b>Function and Activity</b>	<b>Governmental Funds Capital Assets July 1, 2007</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2008</b>
General Government:				
Finance and Administration	\$ 9,951	\$ 9,251	\$ -	\$ 19,202
Administration of Justice	36,354	194	2,064	34,484
Public Safety	66,186	491	-	66,677
Public Health and Welfare	42,675	444	32	43,087
Social and Cultural Services	107,556	4,118	-	111,674
Other General Government	34,567	-	-	34,567
Total General Government	<u>297,289</u>	<u>14,498</u>	<u>2,096</u>	<u>309,691</u>
Highways	<u>582,716</u>	<u>21,356</u>	<u>5,832</u>	<u>598,240</u>
Total Governmental Funds Capital Assets	<u>\$ 880,005</u>	<u>\$ 35,854</u>	<u>\$ 7,928</u>	<u>\$ 907,931</u>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.



**Component Unit –  
Board of Education**

## **DISCRETELY PRESENTED COMPONENT UNIT KNOX COUNTY BOARD OF EDUCATION**

This section presents combining and individual fund financial statements for the Knox County Board of Education (the Board), a discretely presented component unit. The Board uses a general fund, a capital projects fund, three special revenue funds, a pension trust fund, and an agency fund. This section also includes the Statement of Net Assets and Statement of Activities for the Board and its discretely presented component unit, the Great Schools Partnership.

### **MAJOR FUNDS**

#### **GENERAL FUND**

**General Purpose School Fund:** This fund is used to account for general operations of the Board. Major funding is provided through local tax levies and state education funds.

### **NONMAJOR GOVERNMENTAL FUNDS**

#### **CAPITAL PROJECTS FUND**

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

#### **SPECIAL REVENUE FUNDS**

**School Federal Projects Fund:** This fund is used to account for restricted federal revenues that must be expended on specific education programs.

**School General Projects Fund:** This fund is used to account for state, local and federal pass-through revenues which must be expended on specific education programs.

**Central Cafeteria Fund:** This fund is used to account for the cafeteria operations in each of the individual schools. The primary sources of funding are federal and state revenues for the school lunch program and sales to students and adults.

#### **FIDUCIARY FUND**

**Pension Trust Fund:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the Board's defined benefit plan for certificated teachers.

#### **AGENCY FUND**

**School Activity Fund:** This fund accounts for the activity related to individual public school funds held in an agency capacity since these funds legally belong to students.

**Knox County Board of Education**

**Statement of Net Assets**

June 30, 2008

	<b>Primary Government</b>	<b>Component Unit</b>	
	<b>Total -- Governmental Activities</b>	<b>Great Schools Partnership</b>	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 48,123,197	\$ 2,152,041	\$ 50,275,238
Accounts Receivable	34,857,996	294,514	35,152,510
Property Taxes Receivable, net	112,171,027	-	112,171,027
Due from Primary Government	35,999,181	-	35,999,181
Inventories	1,090,672	-	1,090,672
Prepaid Items	1,283,723	3,000	1,286,723
Capital Assets:			
Land and Construction in Process	76,573,929	-	76,573,929
Other Capital Assets, Net of Accumulated Depreciation	235,013,242	-	235,013,242
<b>Total Assets</b>	<b>545,112,967</b>	<b>2,449,555</b>	<b>547,562,522</b>
<b>Liabilities</b>			
Accounts Payable	60,102,094	1,102,527	61,204,621
Due to Knox County Primary Government	170,707	1,856	172,563
Unearned Revenue	107,636,924	-	107,636,924
Accrued Pension Obligation	3,299,910	-	3,299,910
Long-term Obligations:			
Due in Less than One Year	2,673,245	-	2,673,245
Due in More than One Year	10,699,608	-	10,699,608
<b>Total Liabilities</b>	<b>184,582,488</b>	<b>1,104,383</b>	<b>185,686,871</b>
<b>Net Assets</b>			
Invested in Capital Assets	302,973,945	-	302,973,945
Restricted for:			
Capital Projects	2,387,774	-	2,387,774
Other Purposes	1,730,301	-	1,730,301
Net Assets - Unrestricted	53,438,459	1,345,172	54,783,631
	<b>\$ 360,530,479</b>	<b>\$ 1,345,172</b>	<b>\$ 361,875,651</b>

**Knox County Board of Education**

**Statement of Activities**

For the Year Ended June 30, 2008

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Assets</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Governmental Activities</b>	<b>Component Unit The Partnership</b>	<b>Total Reporting Unit</b>
<b>Primary government:</b>							
Governmental activities:							
Education	432,193,764	\$ 13,744,165	\$ 48,979,384	\$ -	\$ (369,470,215)		\$ (369,470,215)
Education - Payment to Primary Government	\$ 23,331,555	-	-	-	(23,331,555)		(23,331,555)
Education - Payment to Component Unit	6,385,000	-	-	-	(6,385,000)		(6,385,000)
<b>Total primary government</b>	<b>\$ 461,910,319</b>	<b>\$ 13,744,165</b>	<b>\$ 48,979,384</b>	<b>-</b>	<b>(399,186,770)</b>		<b>(399,186,770)</b>
<b>Component unit:</b>							
Great Schools Partnership	\$ 7,044,429	\$ -	\$ 1,551,841	\$ -		\$ (5,492,588)	(5,492,588)
<b>General Revenues:</b>							
Property Taxes					102,342,297	-	102,342,297
Sales Taxes					125,522,010	-	125,522,010
Wheel Taxes					1,500,030	-	1,500,030
Other Local Taxes					1,352,978	-	1,352,978
Interest Income					1,460,028	-	1,460,028
Grants and Contributions Not Restricted for Specific Programs					142,038,000	-	142,038,000
Payments from Knox County					11,385,000	-	11,385,000
Payments from Knox County Board of Education					-	6,385,000	6,385,000
<b>Total General Revenues</b>					<b>385,600,343</b>	<b>6,385,000</b>	<b>391,985,343</b>
Change in Net Assets					(13,586,427)	892,412	(12,694,015)
Net Assets, July 1					374,116,906	452,760	374,569,666
Net Assets, June 30					<b>\$ 360,530,479</b>	<b>\$ 1,345,172</b>	<b>\$ 361,875,651</b>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

**Balance Sheet**

**Governmental Funds**

June 30, 2008

	General Purpose School	School Construction Capital Projects	Nonmajor			Total Governmental Funds
			School Federal Projects	School General Projects	Central Cafeteria	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 31,440,672	\$ 14,424,788	\$ -	\$ 1,715,392	\$ 542,345	\$ 48,123,197
Receivables (Net of Allowance for Uncollectibles):						
Accounts	22,995,637	3,215,948	6,000,814	329,264	2,316,333	34,857,996
Property Taxes	112,171,027	-	-	-	-	112,171,027
Due from Other Funds	23,622,118	-	-	1,238,666	-	24,860,784
Due from Primary Government	235,279	35,763,902	-	-	-	35,999,181
Inventories	906,309	-	-	-	184,363	1,090,672
Prepaid Items	1,257,583	-	26,140	-	-	1,283,723
<b>TOTAL ASSETS</b>	<b>\$ 192,628,625</b>	<b>\$ 53,404,638</b>	<b>\$ 6,026,954</b>	<b>\$ 3,283,322</b>	<b>\$ 3,043,041</b>	<b>\$ 258,386,580</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable and Accrued Liabilities	\$ 48,244,262	\$ 7,907,561	\$ 3,338,790	\$ 295,639	\$ 315,842	\$ 60,102,094
Due to Other Funds	1,238,068	20,919,645	2,660,347	-	42,724	24,860,784
Due to Primary Government	159,920	16	9,445	1,326	-	170,707
Deferred Revenue	111,369,583	-	5,994	1,268,434	121,639	112,765,650
<b>TOTAL LIABILITIES</b>	<b>161,011,833</b>	<b>28,827,222</b>	<b>6,014,576</b>	<b>1,565,399</b>	<b>480,205</b>	<b>197,899,235</b>
<b>Fund balances:</b>						
Reserved	4,603,394	9,457,257	133,096	636,399	218,300	15,048,446
Unreserved:						
Designated	7,929,350	-	-	-	-	7,929,350
Undesignated	19,084,048	15,120,159	(120,718)	1,081,524	2,344,536	37,509,549
<b>TOTAL FUND BALANCES</b>	<b>31,616,792</b>	<b>24,577,416</b>	<b>12,378</b>	<b>1,717,923</b>	<b>2,562,836</b>	<b>60,487,345</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 192,628,625</b>	<b>\$ 53,404,638</b>	<b>\$ 6,026,954</b>	<b>\$ 3,283,322</b>	<b>\$ 3,043,041</b>	<b>\$ 258,386,580</b>

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**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Assets**  
June 30, 2008

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

Ending Fund Balance - Governmental Funds	\$ 60,487,345
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	311,587,171
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.	5,128,726
Long-term liabilities, consisting of compensated absences (\$2,372,853), capital lease obligation (\$11,000,000), and pension obligation (\$3,299,910), are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,672,763)</u>
Net Assets of Governmental Activities	<u><u>\$ 360,530,479</u></u>

**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended June 30, 2008

	General Purpose School	School Construction Capital Projects	Nonmajor			Total Governmental Funds
			School Federal Projects	School General Projects	Central Cafeteria	
<b>Revenues</b>						
Local Taxes	\$ 210,013,337	\$ 19,190,670	\$ -	\$ -	\$ -	\$ 229,204,007
Licenses and Permits	29,530	-	-	-	-	29,530
Charges for Current Services	1,111,915	-	-	92,937	9,233,616	10,438,468
Other Local Revenues	2,213,237	1,460,028	375	780,176	282,379	4,736,195
State of Tennessee	147,747,436	-	94,523	619,089	240,674	148,701,722
Federal Government	597,761	-	31,830,108	-	10,698,601	43,126,470
Other Governments and Citizen Groups	-	-	109,822	432,348	-	542,170
Payments from Primary Government	-	5,000,000	-	6,385,000	-	11,385,000
Debt Proceeds Received from Primary Government	-	-	-	-	-	-
<b>Total Revenues</b>	<b>361,713,216</b>	<b>25,650,698</b>	<b>32,034,828</b>	<b>8,309,550</b>	<b>20,455,270</b>	<b>448,163,562</b>
<b>Expenditures</b>						
Current:						
Education	356,740,095	-	31,958,576	3,726,155	21,170,482	413,595,308
Capital Outlay	-	48,964,047	-	-	-	48,964,047
Payments to Primary Government	4,369,055	18,962,500	-	-	-	23,331,555
Payment to Component Unit	-	-	-	6,385,000	-	6,385,000
Other Charges	-	175,665	-	-	-	175,665
<b>Total Expenditures</b>	<b>361,109,150</b>	<b>68,102,212</b>	<b>31,958,576</b>	<b>10,111,155</b>	<b>21,170,482</b>	<b>492,451,575</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>604,066</b>	<b>(42,451,514)</b>	<b>76,252</b>	<b>(1,801,605)</b>	<b>(715,212)</b>	<b>(44,288,013)</b>
<b>Other Financing Sources (Uses)</b>						
Capital Lease Proceeds	-	11,000,000	-	-	-	11,000,000
Transfers from Other Funds	-	12,500	33,347	1,503,450	-	1,549,297
Transfers to Other Funds	(1,438,915)	-	(110,382)	-	-	(1,549,297)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,438,915)</b>	<b>11,012,500</b>	<b>(77,035)</b>	<b>1,503,450</b>	<b>-</b>	<b>11,000,000</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(834,849)</b>	<b>(31,439,014)</b>	<b>(783)</b>	<b>(298,155)</b>	<b>(715,212)</b>	<b>(33,288,013)</b>
<b>Fund Balance, July 1</b>	<b>32,451,641</b>	<b>56,016,430</b>	<b>13,161</b>	<b>2,016,078</b>	<b>3,278,048</b>	<b>93,775,358</b>
<b>Fund Balance, June 30</b>	<b>\$ 31,616,792</b>	<b>\$ 24,577,416</b>	<b>\$ 12,378</b>	<b>\$ 1,717,923</b>	<b>\$ 2,562,836</b>	<b>\$ 60,487,345</b>

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**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
For the Year Ended June 30, 2008

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

Net Change in Fund Balances - Total Governmental Funds \$ (33,288,013)

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 (\$40,734,071) exceeded depreciation (\$9,536,868) in the current period. 31,197,203

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. 5,128,726

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. (4,968,396)

Capital lease proceeds provide current resources to governmental funds, but increase long-term liabilities in the statement of net assets. (11,000,000)

Expenses reported in the statement of activities include the increase in the liability for compensated absences (\$684,075). In addition, the decrease in net pension obligation results in the reduction of expenses totaling \$28,128. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (655,947)

Change in Net Assets of Governmental Activities \$ (13,586,427)

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Balance Sheets  
June 30, 2008 and June 30, 2007**

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 31,440,672	\$ 44,296,069
Receivables (Net of Allowance for Uncollectibles):		
Accounts	22,995,637	21,722,770
Property Taxes	112,171,027	108,067,105
Due from Other Funds	23,622,118	2,343,740
Due from Primary Government	235,279	179,404
Prepaid Items	1,257,583	1,181,935
Inventories	<u>906,309</u>	<u>940,382</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 192,628,625</u></u>	<u><u>\$ 178,731,405</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 48,244,262	\$ 35,673,914
Due to Other Funds	1,238,068	3,459,416
Due to Primary Government	159,920	79,971
Deferred Revenue	<u>111,369,583</u>	<u>107,066,463</u>
<b>TOTAL LIABILITIES</b>	<u>161,011,833</u>	<u>146,279,764</u>
<b>Fund Balances:</b>		
Reserved	4,603,394	6,491,096
Unreserved:		
Designated	7,929,350	7,157,777
Undesignated	<u>19,084,048</u>	<u>18,802,768</u>
<b>TOTAL FUND BALANCES</b>	<u>31,616,792</u>	<u>32,451,641</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 192,628,625</u></u>	<u><u>\$ 178,731,405</u></u>

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Local Taxes	\$ 210,013,337	\$ 205,748,740
Licenses and Permits	29,530	32,590
Charges for Current Services	1,111,915	412,543
Other Local Revenues	2,213,237	2,414,015
State of Tennessee	147,747,436	129,938,324
Federal Government	<u>597,761</u>	<u>566,069</u>
Total Revenues	<u>361,713,216</u>	<u>339,112,281</u>
<b>Expenditures</b>		
Current:		
Education:	356,740,095	329,465,173
Payments to Primary Government	<u>4,369,055</u>	<u>5,646,289</u>
Total Expenditures	<u>361,109,150</u>	<u>335,111,462</u>
Excess of Revenues Over Expenditures	<u>604,066</u>	<u>4,000,819</u>
<b>Other Financing Sources (Uses)</b>		
Transfers From Other Funds	-	2,937
Transfers To Other Funds	<u>(1,438,915)</u>	<u>(2,520,880)</u>
Total Other Financing Uses	<u>(1,438,915)</u>	<u>(2,517,943)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(834,849)	1,482,876
Fund Balances, July 1	<u>32,451,641</u>	<u>30,968,765</u>
Fund Balances, June 30	<u>\$ 31,616,792</u>	<u>\$ 32,451,641</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, 2008 and June 30, 2007**

	2008				2007			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Local Taxes	\$ 207,142,993	\$ 207,142,993	\$ 210,013,337	\$ 2,870,344	\$ 197,741,243	\$ 205,748,740	\$ 8,007,497	
Licenses and Permits	36,000	36,000	29,530	(6,470)	36,000	32,590	(3,410)	
Charges for Current Services	745,000	745,000	1,111,915	366,915	715,000	412,543	(302,457)	
Other Local Revenues	1,581,996	2,320,064	2,213,237	(106,827)	2,220,438	2,414,015	193,577	
State of Tennessee	147,202,536	147,502,536	147,747,436	244,900	129,658,257	129,938,324	280,067	
Federal Government	461,475	520,868	597,761	76,893	528,207	566,069	37,862	
<b>Total Revenues</b>	<b>357,170,000</b>	<b>358,267,461</b>	<b>361,713,216</b>	<b>3,445,755</b>	<b>330,899,145</b>	<b>339,112,281</b>	<b>8,213,136</b>	
<b>Expenditures</b>								
Current:								
Education:								
Personal Services	249,413,495	244,005,716	239,149,791	4,855,925	229,375,560	227,704,151	1,671,409	
Employee Benefits	52,012,198	55,636,142	54,112,867	1,523,275	50,560,916	50,270,908	290,008	
Contracted Services	20,159,016	21,453,459	20,996,762	456,697	19,290,492	18,790,473	500,019	
Supplies and Materials	23,440,237	35,674,574	35,276,358	398,216	27,312,739	25,230,542	2,082,197	
Other Charges	6,483,816	6,534,062	6,288,751	245,311	6,963,104	6,744,994	218,110	
Capital Outlay	959,288	1,077,836	915,566	162,270	811,517	724,105	87,412	
Payments to Primary Government	4,951,950	4,951,950	4,369,055	582,895	6,353,523	5,646,289	707,234	
<b>Total Expenditures</b>	<b>357,420,000</b>	<b>369,333,739</b>	<b>361,109,150</b>	<b>8,224,589</b>	<b>340,667,851</b>	<b>335,111,462</b>	<b>5,556,389</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(250,000)	(11,066,278)	604,066	11,670,344	(9,768,706)	4,000,819	13,769,525	

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, 2008 and June 30, 2007

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Other Financing Sources (Uses)</b>							
Transfers From Other Funds	250,000	250,000	-	(250,000)	260,000	2,937	(257,063)
Transfers To Other Funds	-	(868,068)	(1,438,915)	(570,847)	(1,866,390)	(2,520,880)	(654,490)
Total Other Financing Sources (Uses)	250,000	(618,068)	(1,438,915)	(820,847)	(1,606,390)	(2,517,943)	(911,553)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(11,684,346)	(834,849)	10,849,497	(11,375,096)	1,482,876	12,857,972
Fund Balances, July 1	32,451,641	32,451,641	32,451,641	-	30,968,765	30,968,765	-
Fund Balances, June 30	\$ 32,451,641	\$ 20,767,295	\$ 31,616,792	\$ 10,849,497	\$ 19,593,669	\$ 32,451,641	\$ 12,857,972

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Balance Sheets  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 14,424,788	\$ 17,303,461
Receivables (Net of Allowance for Uncollectibles):		
Accounts	3,215,948	3,259,185
Due from Primary Government	<u>35,763,902</u>	<u>38,229,990</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 53,404,638</u></u>	<u><u>\$ 58,792,636</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 7,907,561	\$ 2,776,154
Due to Other Funds	20,919,645	-
Due to Primary Government	<u>16</u>	<u>52</u>
<b>TOTAL LIABILITIES</b>	<u>28,827,222</u>	<u>2,776,206</u>
<b>Fund Balances (Deficits):</b>		
Reserved	9,457,257	10,405,936
Unreserved, Undesignated	<u>15,120,159</u>	<u>45,610,494</u>
<b>TOTAL FUND BALANCES</b>	<u>24,577,416</u>	<u>56,016,430</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 53,404,638</u></u>	<u><u>\$ 58,792,636</u></u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances**

For the years ended June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Local Taxes	\$ 19,190,670	\$ 19,162,665
Interest Earned	1,460,028	2,466,088
Payments from Primary Government	5,000,000	10,750,000
Debt Proceeds Received from Primary Government	-	18,550,000
	<hr/>	<hr/>
Total Revenues	25,650,698	50,928,753
	<hr/>	<hr/>
<b>Expenditures</b>		
Capital Projects	48,964,047	35,027,396
Payments to Primary Government	18,962,500	17,300,000
Other Charges	175,665	286,081
	<hr/>	<hr/>
Total Expenditures	68,102,212	52,613,477
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(42,451,514)	(1,684,724)
	<hr/>	<hr/>
<b>Other Financing Sources</b>		
Capital Lease Proceeds	11,000,000	-
Transfers From Other Funds	12,500	-
	<hr/>	<hr/>
Total Other Financing Sources	11,012,500	-
	<hr/>	<hr/>
Deficiency of Revenues and Other Financing Sources Under Expenditures	(31,439,014)	(1,684,724)
	<hr/>	<hr/>
Fund Balances, July 1	56,016,430	57,701,154
	<hr/>	<hr/>
Fund Balances, June 30	<u>\$ 24,577,416</u>	<u>\$ 56,016,430</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, 2008 and June 30, 2007**

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 18,700,000	\$ 18,700,000	\$ 19,190,670	\$ 490,670	\$ 16,950,000	\$ 16,950,000	\$ -
Other Local Revenue	500,000	500,000	1,460,028	960,028	350,000	350,000	-
<b>Total Revenues</b>	<b>19,200,000</b>	<b>19,200,000</b>	<b>20,650,698</b>	<b>1,450,698</b>	<b>17,300,000</b>	<b>17,300,000</b>	<b>-</b>
<b>Expenditures</b>							
Other Charges:							
Payments to Primary Government	18,700,000	18,700,000	18,700,000	-	17,300,000	17,300,000	-
Issuance Costs	300,000	300,000	-	300,000	-	-	-
Other Charges	200,000	200,000	175,665	24,335	-	-	-
<b>Total Expenditures</b>	<b>19,200,000</b>	<b>19,200,000</b>	<b>18,875,665</b>	<b>324,335</b>	<b>17,300,000</b>	<b>17,300,000</b>	<b>-</b>
Excess of Revenues Over Expenditures	-	-	1,775,033	1,775,033	-	-	-
Fund Balances, July 1 (Budget Basis)	-	-	-	-	-	-	-
Fund Balances, June 30 (Budget Basis)	\$ -	\$ -	\$ 1,775,033	\$ 1,775,033	\$ -	\$ -	\$ -
<b>Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):</b>							
Fund Balance (Budget Basis)			\$ 1,775,033		\$ -		
Timing Differences:							
Project Length Budgets			22,802,383		56,016,430		
Fund Balance (GAAP Basis)			<u>\$ 24,577,416</u>		<u>\$ 56,016,430</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, 2008

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Physical Plant Upgrades	\$ 17,762,242	\$ -	\$ 8,829,135	\$ 8,829,135	\$ 8,933,107
Roofing and HVAC	245,946	-	146,945	146,945	99,001
Foundation Stabilization	750,000	-	658,587	658,587	91,413
Elementary Growth	1,200,000	-	5,525	5,525	1,194,475
Stadium Bleachers	1,563,164	1,556,059	7,105	1,563,164	-
School Energy Savings Project	11,000,000	-	8,613,226	8,613,226	2,386,774
School Maintenance & Consolidation	1,023,000	951,800	63,341	1,015,141	7,859
Amherst Elementary	16,077,296	15,949,909	52,732	16,002,641	74,655
Cedar Bluff K-3	20,037,113	10,577,605	7,494,507	18,072,112	1,965,001
Brickey Elementary	14,410,823	14,388,327	14,371	14,402,698	8,125
Halls Elementary	3,538,684	3,538,684	-	3,538,684	-
New Holston Middle	11,944,500	11,555,118	294,708	11,849,826	94,674
West High Library / Cafeteria	2,200,000	2,175,020	23,118	2,198,138	1,862
Gibbs Elementary School	15,404,720	15,204,854	139,984	15,344,838	59,882
Powell Middle	1,128,543	1,122,009	(399)	1,121,610	6,933
Karns High Addition and Renovations	3,000,000	2,813,001	147,718	2,960,719	39,281
Hardin Valley High School	50,000,000	20,396,052	22,735,944	43,131,996	6,868,004
<i>Total Capital Projects:</i>	<u>\$ 171,286,031</u>	<u>\$ 100,228,438</u>	<u>\$ 49,226,547</u>	<u>\$ 149,454,985</u>	<u>\$ 21,831,046</u>
Project Expenditures			\$ 49,226,547		
Expenditures - Activities Budgeted on Annual Basis			<u>18,875,665</u>		
Total School Construction Fund Expenditures			<u>\$ 68,102,212</u>		

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2008 and June 30, 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 6,000,814	\$ 4,738,505
Due from Other Funds	-	378,964
Prepaid Items	<u>26,140</u>	<u>71,339</u>
TOTAL ASSETS	<u>\$ 6,026,954</u>	<u>\$ 5,188,808</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 3,338,790	\$ 3,049,726
Due to Other Funds	2,660,347	1,960,475
Due to Primary Government	9,445	5,507
Deferred Revenue	<u>5,994</u>	<u>159,939</u>
TOTAL LIABILITIES	<u>6,014,576</u>	<u>5,175,647</u>
 <b>Fund Balances (Deficits):</b>		
Reserved	133,096	221,081
Unreserved, Undesignated	<u>(120,718)</u>	<u>(207,920)</u>
TOTAL FUND BALANCES	<u>12,378</u>	<u>13,161</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,026,954</u>	<u>\$ 5,188,808</u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the years ended June 30, 2008 and June 30, 2007**

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Other Local Revenues	\$ 375	\$ 7,673
State of Tennessee	94,523	89,114
Federal Government	31,830,108	31,368,154
Other Governments & Citizens Groups	<u>109,822</u>	<u>-</u>
Total Revenues	<u>32,034,828</u>	<u>31,464,941</u>
<b>Expenditures</b>		
Current:		
Education	<u>31,958,576</u>	<u>31,495,274</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	76,252	(30,333)
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	33,347	32,895
Transfers to Other Funds	<u>(110,382)</u>	<u>(2,937)</u>
Total Other Financing Sources	<u>(77,035)</u>	<u>29,958</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(783)	(375)
Fund Balances, July 1	<u>13,161</u>	<u>13,536</u>
Fund Balances, June 30	<u>\$ 12,378</u>	<u>\$ 13,161</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, 2008 and June 30, 2007

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Other Local Revenues	\$ -	\$ -	\$ 375	\$ 375	\$ 23,355	\$ 7,673	\$ (15,682)
State of Tennessee	-	103,099	94,523	(8,576)	76,102	89,114	13,012
Federal Government	-	38,343,961	31,830,108	(6,513,853)	34,270,962	31,368,154	(2,902,808)
Other Governments & Citizens Groups	-	109,822	109,822	-	15,294	-	(15,294)
<b>Total Revenues</b>	<b>-</b>	<b>38,556,882</b>	<b>32,034,828</b>	<b>(6,522,054)</b>	<b>34,385,713</b>	<b>31,464,941</b>	<b>(2,920,772)</b>
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	-	22,775,532	20,291,947	2,483,585	20,709,989	19,679,236	1,030,753
Employee Benefits	-	4,902,148	4,604,933	297,215	4,203,997	4,280,088	(76,091)
Contracted Services	-	3,012,493	1,486,347	1,526,146	2,238,460	1,118,694	1,119,766
Supplies and Materials	-	4,359,936	3,607,613	752,323	4,210,833	4,168,621	42,212
Other Charges	-	2,352,786	1,692,241	660,545	2,556,914	2,144,778	412,136
Capital Outlay	-	1,077,510	275,495	802,015	482,910	103,857	379,053
<b>Total Expenditures</b>	<b>-</b>	<b>38,480,405</b>	<b>31,958,576</b>	<b>6,521,829</b>	<b>34,403,103</b>	<b>31,495,274</b>	<b>2,907,829</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	76,477	76,252	(225)	(17,390)	(30,333)	(12,943)
<b>Other Financing Sources (Uses)</b>							
Transfer from Other Funds	-	33,347	33,347	-	17,390	32,895	15,505
Transfer to Other Funds	-	(110,421)	(110,382)	39	-	(2,937)	(2,937)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(77,074)</b>	<b>(77,035)</b>	<b>39</b>	<b>17,390</b>	<b>29,958</b>	<b>12,568</b>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	-	(597)	(783)	(186)	-	(375)	(375)
Fund Balances, July 1	-	13,161	13,161	-	13,536	13,536	-
Fund Balances, June 30	\$ -	\$ 12,564	\$ 12,378	\$ (186)	\$ 13,536	\$ 13,161	\$ (375)

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, 2008 and June 30, 2007

	2008	2007
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,715,392	\$ 1,443,396
Receivables (Net of Allowance for Uncollectibles):		
Accounts	329,264	230,893
Due from Other Funds	1,238,666	1,084,239
<b>TOTAL ASSETS</b>	<b>\$ 3,283,322</b>	<b>\$ 2,758,528</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 295,639	\$ 184,337
Due to Other Funds	-	338,653
Due to Primary Government	1,326	596
Deferred Revenue	1,268,434	218,864
<b>TOTAL LIABILITIES</b>	<b>1,565,399</b>	<b>742,450</b>
<b>Fund Balances (Deficits):</b>		
Reserved	636,399	1,743,898
Unreserved:		
Undesignated	1,081,524	272,180
<b>TOTAL FUND BALANCES</b>	<b>1,717,923</b>	<b>2,016,078</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,283,322</b>	<b>\$ 2,758,528</b>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School General Projects Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the years ended June 30, 2008 and June 30, 2007**

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Licenses and Permits	\$ -	\$ 2,418
Charges for Current Services	92,937	87,074
Other Local Revenues	780,176	1,514,347
State of Tennessee	619,089	411,248
Other Governments and Citizens Groups	432,348	438,740
Payments from Primary Government	<u>6,385,000</u>	<u>4,148,000</u>
Total Revenues	<u>8,309,550</u>	<u>6,601,827</u>
<b>Expenditures</b>		
Current:		
Education:	3,726,155	4,069,401
Payment to Component Unit	<u>6,385,000</u>	<u>4,148,122</u>
Total Expenditures	<u>10,111,155</u>	<u>8,217,523</u>
Deficiency of Revenues Under Expenditures	<u>(1,801,605)</u>	<u>(1,615,696)</u>
<b>Other Financing Sources</b>		
Transfers From Other Funds	<u>1,503,450</u>	<u>2,487,985</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(298,155)	872,289
Fund Balances, July 1	<u>2,016,078</u>	<u>1,143,789</u>
Fund Balances, June 30	<u><u>\$ 1,717,923</u></u>	<u><u>\$ 2,016,078</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, 2008 and June 30, 2007

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Licenses and Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,418	\$ 2,418
Charges for Current Services	-	255,177	92,937	(162,240)	219,215	87,074	(132,141)
Other Local Revenues	-	812,010	780,176	(31,834)	1,535,789	1,514,347	(21,442)
State of Tennessee	-	1,483,287	619,089	(864,198)	541,445	411,248	(130,197)
Payments from Primary Government	-	6,385,000	6,385,000	-	4,148,000	4,148,000	-
Other Governments and Citizens Groups	-	825,107	432,348	(392,759)	460,787	438,740	(22,047)
<b>Total Revenues</b>	-	9,760,581	8,309,550	(1,451,031)	6,905,236	6,601,827	(303,409)
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	-	1,246,539	1,088,695	157,844	1,064,313	1,186,750	(122,437)
Employee Benefits	-	236,399	194,783	41,616	200,664	229,951	(29,287)
Contracted Services	-	2,237,400	1,543,541	693,859	801,636	2,140,474	(1,338,838)
Supplies and Materials	-	1,094,174	847,336	246,838	1,571,999	47,234	1,524,765
Other Charges	-	49,225	14,806	34,419	19,882	11,992	7,890
Capital Outlay	-	1,966,189	36,994	1,929,195	2,773,958	453,000	2,320,958
Payment to Component Unit	-	6,385,000	6,385,000	-	4,148,122	4,148,122	-
<b>Total Expenditures</b>	-	13,214,926	10,111,155	3,103,771	10,580,574	8,217,523	2,363,051
Deficiency of Revenues Under Expenditures	-	(3,454,345)	(1,801,605)	1,652,740	(3,675,338)	(1,615,696)	2,059,642
<b>Other Financing Sources</b>							
Transfers from Other Funds	-	1,427,388	1,503,450	76,062	2,488,521	2,487,985	(536)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	(2,026,957)	(298,155)	1,728,802	(1,186,817)	872,289	2,059,106
Fund Balances, July 1	-	2,016,078	2,016,078	-	1,143,789	1,143,789	-
Fund Balances, June 30	\$ -	\$ (10,879)	\$ 1,717,923	\$ 1,728,802	\$ (43,028)	\$ 2,016,078	\$ 2,059,106

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2008 and June 30, 2007**

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 542,345	\$ 1,328,125
Receivables (Net of Allowance for Uncollectibles):		
Accounts	2,316,333	120,377
Due from Other Funds	-	2,026,634
Inventories	<u>184,363</u>	<u>173,727</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,043,041</u></u>	<u><u>\$ 3,648,863</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 315,842	\$ 236,416
Due to Other Funds	42,724	75,033
Deferred Revenue	<u>121,639</u>	<u>59,366</u>
<b>TOTAL LIABILITIES</b>	<u>480,205</u>	<u>370,815</u>
<b>Fund Balances:</b>		
Reserved	218,300	207,719
Unreserved, Undesignated	<u>2,344,536</u>	<u>3,070,329</u>
<b>TOTAL FUND BALANCES</b>	<u>2,562,836</u>	<u>3,278,048</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,043,041</u></u>	<u><u>\$ 3,648,863</u></u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the years ended June 30, 2008 and June 30, 2007**

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	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Charges for Current Services	\$ 9,233,616	\$ 8,720,427
Other Local Revenues	282,379	261,074
State of Tennessee	240,674	241,210
Federal Government	<u>10,698,601</u>	<u>10,335,342</u>
Total Revenues	<u>20,455,270</u>	<u>19,558,053</u>
<b>Expenditures</b>		
Current:		
Education:		
Food Service	<u>21,170,482</u>	<u>20,013,968</u>
Deficiency of Revenues Under Expenditures	(715,212)	(455,915)
Fund Balances, July 1	<u>3,278,048</u>	<u>3,733,963</u>
Fund Balances, June 30	<u><u>\$ 2,562,836</u></u>	<u><u>\$ 3,278,048</u></u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2008 and June 30, 2007**

	2008				2007		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 8,912,650	\$ 9,254,826	\$ 9,233,616	\$ (21,210)	\$ 9,269,000	\$ 8,720,427	\$ (548,573)
Other Local Revenues	324,480	324,480	282,379	(42,101)	348,000	261,074	(86,926)
State of Tennessee	240,000	240,000	240,674	674	245,000	241,210	(3,790)
Federal Government	10,154,758	10,954,435	10,698,601	(255,834)	9,692,069	10,335,342	643,273
<b>Total Revenues</b>	<b>19,631,888</b>	<b>20,773,741</b>	<b>20,455,270</b>	<b>(318,471)</b>	<b>19,554,069</b>	<b>19,558,053</b>	<b>3,984</b>
<b>Expenditures</b>							
Current:							
Education:							
Food Service:							
Personal Services	7,525,506	7,346,455	7,346,455	-	6,953,500	6,952,482	1,018
Employee Benefits	2,086,332	2,342,272	2,342,272	-	2,207,077	2,207,077	-
Contracted Services	695,000	848,834	848,834	-	635,505	655,756	(20,251)
Supplies & Materials	9,040,550	10,321,149	10,321,149	-	9,429,778	9,442,374	(12,596)
Other Charges	284,500	292,318	292,318	-	297,119	293,190	3,929
Capital Outlay	-	19,454	19,454	-	135,000	463,089	(328,089)
<b>Total Expenditures</b>	<b>19,631,888</b>	<b>21,170,482</b>	<b>21,170,482</b>	<b>-</b>	<b>19,657,979</b>	<b>20,013,968</b>	<b>(355,989)</b>
Deficiency of Revenues Under Expenditures	-	(396,741)	(715,212)	(318,471)	(103,910)	(455,915)	(352,005)
Fund Balances, July 1	3,278,048	3,278,048	3,278,048	-	3,733,963	3,733,963	-
Fund Balances, June 30	\$ 3,278,048	\$ 2,881,307	\$ 2,562,836	\$ (318,471)	\$ 3,630,053	\$ 3,278,048	\$ (352,005)

**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
 June 30, 2008

	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Receivables (Net of Allowance for Uncollectibles):		
Contributions	\$ 17,406	\$ -
Investments	75,579,903	-
Due from Primary Government	-	-
Due from Other Plan	-	-
Other Assets	-	7,142,850
	75,597,309	\$ 7,142,850
<b>TOTAL ASSETS</b>	<b>75,597,309</b>	<b>\$ 7,142,850</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	17,616	\$ -
Liability for Student Activities	-	7,142,850
	17,616	\$ 7,142,850
<b>TOTAL LIABILITIES</b>	<b>17,616</b>	<b>\$ 7,142,850</b>
<b>NET ASSETS</b>		
Held in Trust for:		
Pension Benefits	\$ 75,579,693	
	<b>75,579,693</b>	

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Comparative Statements of Fiduciary Net Assets  
Pension Trust Fund - Defined Benefit Plan  
June 30, 2008 and June 30, 2007**

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Receivables:		
Contributions	\$ 17,406	\$ 32,034
Due from Primary Government	-	134,516
Due from Other Plan	-	239,243
Investments, at Fair Value:		
Mutual Funds	<u>75,579,903</u>	<u>85,237,723</u>
<b>TOTAL ASSETS</b>	<u>75,597,309</u>	<u>85,643,516</u>
 <b>LIABILITIES</b>		
Accounts Payable	<u>17,616</u>	<u>33,528</u>
 <b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 75,579,693</u>	<u>\$ 85,609,988</u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Comparative Statements of Changes in Fiduciary Net Assets  
Pension Trust Fund - Defined Benefit Plan  
For the years ended June 30, 2008 and June 30, 2007**

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	<u>2008</u>	<u>2007</u>
<b>Additions</b>		
Contributions:		
Employer	\$ -	\$ -
Employee	100,438	1,036,114
Transfers from Other Plans	239,243	-
	<u>339,681</u>	<u>1,036,114</u>
Total Contributions		
Investment Income:		
Interest and Dividend Income	2,115,824	2,105,048
Net Appreciation (Depreciation) in Fair Value of Investments	(7,031,937)	9,787,534
	<u>(4,916,113)</u>	<u>11,892,582</u>
Total Investment Earnings (Losses)		
Less Investment Expense	(185,196)	(212,221)
	<u>(5,101,309)</u>	<u>11,680,361</u>
Net Investment Earnings (Losses)		
Total Additions	<u>(4,761,628)</u>	<u>12,716,475</u>
<b>Deductions</b>		
Benefits and Refunds	4,842,951	4,214,406
Payments to Primary Government	425,716	927,181
	<u>5,268,667</u>	<u>5,141,587</u>
Total Deductions		
Change in Net Assets	(10,030,295)	7,574,888
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>85,609,988</u>	<u>78,035,100</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 75,579,693</u>	<u>\$ 85,609,988</u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Agency Fund - Student Activity Fund  
Comparative Statements of Changes in Fiduciary Assets and Liabilities  
For the years ended June 30, 2008 and June 30, 2007**

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	<u>2008</u>	<u>2007</u>
Assets and Liabilities, July 1	\$ 6,995,110	\$ 6,345,426
Additions	18,179,340	17,890,450
Deductions	<u>(18,031,600)</u>	<u>(17,240,766)</u>
Assets and Liabilities, June 30	<u>\$ 7,142,850</u>	<u>\$ 6,995,110</u>



**Statistical Section**

## STATISTICAL SECTION (Unaudited)

This part of Knox County Government’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Knox County’s overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	222-230
<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	231-234
<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	235-237
<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	238-239
<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	240-242
<i>These schedules contain service and infrastructure data to help the reader understand how the information in Knox County Government’s financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year ended June 30, 2002; schedules presenting government-wide information include information beginning in that year.

**KNOX COUNTY, TENNESSEE**

**Net Assets by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)**

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Primary government							
Governmental activities							
Invested in capital assets, net of related debt	\$ 439,996,102	\$ 429,012,067	\$ 430,036,480	\$ 395,113,478	\$ 365,746,439	\$ 333,733,504	\$ 292,499,226
Restricted	33,485,986	32,646,617	34,559,910	60,297,870	68,750,828	68,165,803	33,687,672
Unrestricted	(141,993,533)	(130,655,604)	(148,747,919)	(150,361,587)	(204,425,615)	(205,476,472)	(187,843,510)
Total primary governmental activities net assets	<u>\$ 331,488,555</u>	<u>\$ 331,003,080</u>	<u>\$ 315,848,471</u>	<u>\$ 305,049,761</u>	<u>\$ 230,071,652</u>	<u>\$ 196,422,835</u>	<u>\$ 138,343,388</u>
Component units							
Invested in capital assets, net of related debt	268,404,853	280,139,475	246,697,189	255,600,529	269,693,300	287,591,285	308,057,666
Restricted	21,543,330	4,029,664	5,045,320	9,118,222	16,479,581	16,556,546	4,118,075
Unrestricted	13,477,500	11,757,631	33,961,884	30,697,796	78,988,946	79,856,696	58,586,611
Total component units activities net assets	<u>\$ 303,425,683</u>	<u>\$ 295,926,770</u>	<u>\$ 285,704,393</u>	<u>\$ 295,416,547</u>	<u>\$ 365,161,827</u>	<u>\$ 384,004,527</u>	<u>\$ 370,762,352</u>
Total reporting unit activities net assets	<u>\$ 634,914,238</u>	<u>\$ 626,929,850</u>	<u>\$ 601,552,864</u>	<u>\$ 600,466,308</u>	<u>\$ 595,233,479</u>	<u>\$ 580,427,362</u>	<u>\$ 509,105,740</u>

*Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

KNOX COUNTY, TENNESSEE

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>Expenses</b>							
Primary government:							
Governmental activities:							
Finance and Administration	\$ 30,108,481	\$ 32,196,730	\$ 34,272,564	\$ 36,027,013	\$ 37,137,558	41,307,625	45,573,546
Finance and Administration - payment to component unit	-	-	-	-	2,570,000	4,148,000	6,385,000
Administration of Justice	11,003,409	11,828,805	12,635,947	13,701,681	16,568,869	15,277,291	16,211,461
Public Safety	44,075,976	48,108,309	61,702,000	59,055,357	61,608,268	66,374,696	68,125,715
Public Safety - payment to component unit	1,073,360	1,136,184	603,450	603,450	326,200	326,200	326,200
Public Health and Welfare	36,660,927	37,804,098	37,216,721	38,368,614	43,340,309	40,902,596	40,356,191
Public Health and Welfare - payment to component unit	-	-	562,635	562,635	646,990	256,628	166,628
Social and Cultural Services	13,546,306	15,766,968	15,130,591	16,592,017	19,562,356	22,529,501	21,148,707
Social and Cultural Services - payment to component unit	1,504,800	-	-	-	-	-	-
Agricultural and Natural Resources	318,902	335,090	346,591	390,615	402,907	425,395	461,142
Other General Government	16,313,593	20,170,170	20,354,933	16,622,981	24,327,500	29,449,900	69,662,124
Highways	21,001,851	21,881,988	23,223,425	21,570,330	24,718,942	24,647,845	22,815,377
Education - payment to component unit	30,635,055	8,400,000	32,000,000	24,844,700	71,812,250	29,174,787	5,000,000
Debt Service - interest and fees	19,120,169	18,389,968	17,958,758	21,404,699	23,403,511	25,920,605	28,915,724
Debt Service - other	368,441	374,006	-	-	-	-	-
Total primary government expenses	<u>\$ 225,731,270</u>	<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>\$ 325,147,815</u>
Component units:							
Board of Education	\$ 335,660,189	\$ 360,448,491	\$ 386,742,267	\$ 395,291,970	\$ 405,567,591	\$ 429,883,031	\$ 462,569,748
Knox County Railroad Authority	74,365	508,507	220,964	63,818	77,809	298,394	382,538
Knox County Emergency Communications District	6,185,897	6,008,787	6,840,936	7,148,453	6,468,004	6,302,412	6,394,749
Knox County Tourist Commission	1,916,595	-	-	-	-	-	-
Total component units expenses	<u>\$ 343,837,046</u>	<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>
Total reporting unit expenses	<u>\$ 569,568,316</u>	<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>\$ 794,494,850</u>

Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>Program Revenues</b>							
Primary government:							
Governmental activities:							
Charges for Services:							
Finance and Administration	\$ 23,459,317	\$ 24,360,351	\$ 26,732,880	\$ 28,316,120	\$ 20,316,983	\$ 20,508,747	\$ 23,475,489
Administration of Justice	3,421,390	3,099,291	3,212,895	3,657,019	11,071,804	11,190,419	12,348,218
Public Safety	662,636	789,430	903,493	1,032,281	533,509	499,320	983,881
Public Health and Welfare	4,180,347	4,085,553	5,086,478	4,901,207	5,349,029	5,182,137	4,283,390
Social and Cultural Services	1,591,060	805,230	2,206,814	1,873,889	1,122,961	1,193,157	1,327,729
Other General Government	265	114	21	5,697	2,412,907	1,984,775	88,337
Highways	10,664	2,492	50,692	20,570	53,041	-	20,105
Operating grants and contributions	18,997,160	20,962,543	23,108,400	22,760,584	23,799,473	20,535,731	15,232,355
Total primary government program revenues	<u>\$ 52,322,839</u>	<u>\$ 54,105,004</u>	<u>\$ 61,301,673</u>	<u>\$ 62,567,367</u>	<u>\$ 64,659,707</u>	<u>\$ 61,094,286</u>	<u>\$ 57,759,504</u>
Component units:							
Charges for Services:							
Board of Education	\$ 11,766,285	\$ 11,023,657	\$ 11,723,822	\$ 12,199,060	\$ 12,406,982	\$ 13,452,161	\$ 13,744,165
Knox County Emergency Communications District	3,717,937	3,768,771	3,806,247	3,867,183	3,739,653	3,562,338	5,605,505
Knox County Tourist Commission	201,709	-	-	-	-	-	-
Operating grants and contributions	140,046,001	147,774,587	150,148,071	166,164,250	168,419,769	174,417,041	50,968,461
Capital grants and contributions	-	-	-	-	131,471	-	-
Total component units program revenues	<u>\$ 155,731,932</u>	<u>\$ 162,567,015</u>	<u>\$ 165,678,140</u>	<u>\$ 182,230,493</u>	<u>\$ 184,697,875</u>	<u>\$ 191,431,540</u>	<u>\$ 70,318,131</u>
Total reporting unit program revenues	<u>\$ 208,054,771</u>	<u>\$ 216,672,019</u>	<u>\$ 226,979,813</u>	<u>\$ 244,797,860</u>	<u>\$ 249,357,582</u>	<u>\$ 252,525,826</u>	<u>\$ 128,077,635</u>
Net (expense)/revenue							
Primary government activities	\$ (173,408,431)	\$ (162,287,312)	\$ (194,705,942)	\$ (187,176,725)	\$ (261,765,953)	\$ (239,646,783)	\$ (267,388,311)
Component units	(188,105,114)	(204,398,770)	(228,126,027)	(220,273,748)	(227,415,529)	(245,052,297)	(399,028,904)
Total net (expense) revenues for reporting unit	<u>\$ (361,513,545)</u>	<u>\$ (366,686,082)</u>	<u>\$ (422,831,969)</u>	<u>\$ (407,450,473)</u>	<u>\$ (489,181,482)</u>	<u>\$ (484,699,080)</u>	<u>\$ (666,417,215)</u>

Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>General Revenues and Other Changes in Net Assets</b>							
Primary government:							
Governmental activities:							
Taxes							
Property taxes	\$ 107,481,587	\$ 112,175,848	\$ 113,293,837	\$ 116,504,303	\$ 117,697,785	\$ 124,861,193	\$ 128,874,750
Sales taxes	6,480,559	9,516,271	9,185,734	9,133,387	9,626,296	10,031,562	9,952,384
Lodging taxes	3,857,548	4,272,762	4,025,335	4,207,643	4,702,072	5,286,419	5,382,819
Business taxes	4,602,011	4,797,392	5,115,059	5,605,190	5,864,308	6,651,425	6,629,276
Wheel taxes	-	-	1,186,075	9,182,465	10,118,110	10,347,460	10,636,138
Other local taxes	3,326,165	3,229,268	3,249,019	3,671,045	3,649,170	3,667,617	3,793,818
Interest income	3,738,576	2,839,049	2,016,481	2,756,903	7,142,137	8,179,185	5,641,188
Other revenues	20,848,860	20,849,073	31,715,158	25,001,861	27,521,207	36,236,016	36,856,107
Contracts - other governments and citizens	1,017,769	1,679,555	1,797,835	307,354	466,759	584,683	419,470
Miscellaneous	-	(876)	-	7,864	-	152,406	1,122,914
Total primary government	<u>\$ 151,353,075</u>	<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>
Component units:							
Taxes							
Property taxes	\$ 83,864,682	\$ 87,309,066	\$ 88,924,962	\$ 91,224,003	\$ 96,753,338	\$ 97,724,691	\$ 102,342,297
Sales taxes	98,456,334	99,196,928	104,990,997	109,296,323	118,690,397	125,062,455	125,522,010
Wheel taxes	-	-	1,186,075	1,500,000	1,500,000	1,459,461	1,500,030
Other local taxes	-	-	-	-	1,139,144	1,276,897	1,352,978
Interest income	365,736	215,361	222,216	361,331	2,003,350	2,746,738	1,739,023
Payments from primary government	33,213,215	9,536,184	33,166,085	26,010,785	75,355,440	33,905,615	11,877,828
Other revenues	5,573	-	-	-	-	-	-
Contracts - other governments and citizens	1,440,198	1,518,452	1,518,460	1,593,460	1,719,140	1,719,140	1,719,140
Miscellaneous	-	1,000	-	-	-	-	-
Grants and Contributions Not Restricted for Specific Programs	-	-	-	-	-	-	142,038,000
Special item - distribution of net assets to successor organization	-	(877,134)	-	-	-	-	-
Total component units	<u>\$ 217,345,738</u>	<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>
Total reporting unit	<u>\$ 368,698,813</u>	<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>
<b>Change in Net Assets</b>							
Primary government activities	\$ (22,055,356)	\$ (2,928,970)	\$ (23,121,409)	\$ (10,798,710)	\$ (74,978,109)	\$ (33,648,817)	\$ (58,079,447)
Component units activities	29,240,624	(7,498,913)	1,882,768	9,712,154	69,745,280	18,842,700	(10,937,598)
Total reporting unit	<u>\$ 7,185,268</u>	<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>\$ (69,017,045)</u>

Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Lodging Tax</b>	<b>Business Tax</b>	<b>Wheel Tax</b>	<b>Other Local Tax</b>	<b>Total</b>
2002	\$ 107,481,587	\$ 6,480,559	\$ 3,857,548	\$ 4,602,011	\$ -	\$ 3,326,165	\$ 125,747,870
2003	112,175,848	9,516,271	4,272,762	4,797,392	-	3,229,268	133,991,541
2004	113,293,837	9,185,734	4,025,335	5,115,059	1,186,075 (1)	3,249,019	136,055,059
2005	116,504,303	9,133,387	4,207,643	5,605,190	9,182,465	3,671,045	148,304,033
2006	117,697,785	9,626,296	4,702,072	5,864,308	10,118,110	3,649,170	151,657,741
2007	124,861,193	10,031,562	5,286,419	6,651,425	10,347,460	3,667,617	160,845,676
2008	128,874,750	9,952,384	5,382,819	6,629,276	10,636,138	3,793,818	165,269,185

(1) First year of tax.

Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Wheel Tax</b>	<b>Other Local Tax</b>	<b>Total</b>
2002	\$ 83,864,682	\$ 98,456,334	-	-	\$ 182,321,016
2003	87,309,066	99,196,928	-	-	186,505,994
2004	88,924,962	104,990,997	1,186,075 (1)	-	195,102,034
2005	91,224,003	109,296,323	1,500,000	-	202,020,326
2006	96,753,338	118,690,397	1,500,000	1,139,144	218,082,879
2007	97,724,691	125,062,455	1,459,461	1,276,897	225,523,504
2008	102,342,297	125,522,010	1,500,030	1,352,978	230,717,315

(1) First year of tax.

Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Property Tax	Sales Tax	Lodging Tax	Business Tax	Wheel Tax	Other Local Tax	Total
2002	\$ 191,346,269	\$ 104,936,893	\$ 3,857,548	\$ 4,602,011	\$ -	\$ 3,326,165	\$ 308,068,886
2003	199,484,914	108,713,199	4,272,762	4,797,392	-	3,229,268	320,497,535
2004	202,218,799	114,176,731	4,025,335	5,115,059	2,372,150 (1)	3,249,019	331,157,093
2005	207,728,306	118,429,710	4,207,643	5,605,190	10,682,465	3,671,045	350,324,359
2006	214,451,123	128,316,693	4,702,072	5,864,308	11,618,110	4,788,314	369,740,620
2007	222,585,884	135,094,017	5,286,419	6,651,425	11,806,921	4,944,514	386,369,180
2008	231,217,047	135,474,394	5,382,819	6,629,276	12,136,168	5,146,796	395,986,500

(1) First year of tax.

Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.

**KNOX COUNTY, TENNESSEE**

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General fund							
Reserved	\$ 5,364,376	\$ 10,937,680	\$ 8,671,373	\$ 7,934,931	\$ 7,823,979	\$ 9,306,651	\$ 11,024,655
Unreserved	36,120,754	38,472,540	39,593,912	40,799,145	49,774,563	46,495,324	48,348,469
Total general fund	<u>\$ 41,485,130</u>	<u>\$ 49,410,220</u>	<u>\$ 48,265,285</u>	<u>\$ 48,734,076</u>	<u>\$ 57,598,542</u>	<u>\$ 55,801,975</u>	<u>\$ 59,373,124</u>
All other governmental funds							
Reserved	\$ 36,587,826	\$ 26,269,284	\$ 22,402,928	\$ 24,624,542	\$ 12,295,421	\$ 21,463,450	\$ 10,173,788
Unreserved, reported in:							
Special revenue constitutional officers	2,512,960	2,560,175	3,563,157	4,793,783	3,784,117	3,826,048	5,405,844
Capital projects public improvement	(9,877,536)	(17,489,451)	(20,814,424)	5,645,300	(3,214,692)	(9,257,333)	(28,415,905)
Debt service	26,210,928	25,500,852	28,024,529	30,906,228	24,120,114	26,617,102	24,383,887
Other governmental funds	15,882,015	19,135,952	16,105,862	15,957,883	15,157,943	12,742,029	13,448,644
Total all other governmental funds	<u>\$ 71,316,193</u>	<u>\$ 55,976,812</u>	<u>\$ 49,282,052</u>	<u>\$ 81,927,736</u>	<u>\$ 52,142,903</u>	<u>\$ 55,391,296</u>	<u>\$ 24,996,258</u>

*Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>							
Taxes	\$ 128,776,863	\$ 134,082,211	\$ 136,756,864	\$ 148,071,025	\$ 156,075,279	\$ 161,129,442	\$ 165,894,884
Licenses and permits	2,379,483	2,840,878	3,226,481	3,472,814	3,741,911	3,623,663	3,696,245
State of Tennessee	20,558,477	19,612,800	19,657,610	19,312,368	16,370,956	21,319,794	19,645,086
Federal government	2,736,348	4,465,916	6,472,966	5,779,123	11,534,036	8,635,219	7,834,280
Other governments and citizen groups	1,966,116	730,942	2,321,912	1,455,388	1,040,630	3,830,345	1,738,118
Charges for services	23,506,444	24,030,206	27,142,787	27,835,419	28,388,616	27,931,145	30,467,122
Fines	3,033,556	2,846,280	2,856,308	3,231,893	4,058,576	4,126,768	4,366,159
Investment earnings	3,720,835	2,834,462	2,015,723	2,713,771	7,145,359	8,180,389	173,206
Payments from component units	15,795,391	16,457,417	27,473,875	20,838,840	21,649,922	23,229,518	23,614,046
Fees received from county officials	271,420	310,317	370,274	426,736	207,187	173,375	199,697
Increase in equity interest in joint venture	-	-	-	-	10,385	713,764	46,412
Other local revenues	2,955,393	4,416,726	4,271,988	4,383,663	4,470,506	2,590,971	10,018,778
<b>Total revenues</b>	<b>205,700,326</b>	<b>212,628,155</b>	<b>232,566,788</b>	<b>237,521,040</b>	<b>254,693,363</b>	<b>265,484,393</b>	<b>267,694,033</b>
<b>Expenditures</b>							
Finance and administration	30,185,822	32,108,836	34,004,920	35,792,902	36,919,202	41,092,636	42,994,827
Finance and administration - payments to component units	-	-	-	1,000,000	2,570,000	4,148,000	6,385,000
Administration of justice	10,294,719	11,233,689	12,139,488	13,069,224	13,915,861	12,477,574	13,635,809
Public safety	41,576,515	46,654,053	55,531,601	57,235,374	59,624,309	64,460,665	66,148,272
Public safety - payments to component units	-	1,136,184	603,450	603,450	326,200	326,200	326,200
Public health and welfare	35,774,006	36,867,614	36,382,457	37,318,628	40,028,212	39,407,838	39,351,120
Public health and welfare - payments to component units	-	-	562,635	562,635	646,990	256,628	166,628
Social and cultural services	12,553,883	14,186,357	13,955,047	14,688,232	15,719,033	17,697,777	17,868,031
Agricultural and natural resources	318,902	335,090	346,591	390,615	402,907	425,395	461,142
Other general government	13,673,548	13,352,236	13,625,581	13,533,836	11,690,674	14,173,623	13,878,441
Highways	9,829,051	9,113,368	11,938,273	8,607,547	12,887,045	11,228,081	11,096,021
Decrease in equity interest in joint venture	-	-	442,629	457,224	-	-	-
Debt proceeds paid to component unit	-	-	32,000,000	24,000,000	27,000,000	18,550,000	-
Debt issuance cost	-	-	144,875	308,200	337,500	340,537	489,154
Payments to component units	2,578,160	-	-	5,500	44,994,500	10,750,000	5,000,000
Capital Outlay	20,992,178	31,512,938	40,140,959	24,273,922	37,596,153	47,004,907	26,612,521
Debt Service:							
Principal	17,985,467	21,455,467	18,790,467	20,040,468	21,370,468	22,980,467	24,185,467
Interest	18,634,020	18,251,918	18,567,892	21,439,049	23,704,393	25,102,520	27,307,441
Other charges	539,190	427,087	559,594	868,759	1,230,283	1,309,719	2,064,509
<b>Total expenditures</b>	<b>214,935,461</b>	<b>236,634,837</b>	<b>289,736,459</b>	<b>274,195,565</b>	<b>350,963,730</b>	<b>331,732,567</b>	<b>297,970,583</b>
Deficiency of revenues under expenditures	(9,235,135)	(24,006,682)	(57,169,671)	(36,674,525)	(96,270,367)	(66,248,174)	(30,276,550)
<b>Other financing sources (uses)</b>							
Transfers in	8,758,013	8,906,826	42,381,859	23,722,579	32,427,313	26,009,546	23,608,526
Transfers out	(9,245,787)	(11,410,264)	(43,446,859)	(23,933,579)	(34,077,313)	(27,309,546)	(80,419,372)
Refunding bonds issued	33,891,691	81,110,000	-	93,310,000	77,000,000	69,000,000	60,263,507
Bonds issued	50,000,000	13,099,424	72,000,000	70,000,000	-	-	-
Premium on bonds issued	3,388,812	7,613,126	-	8,238,711	-	-	-
Discount on bonds issued	(299,724)	(555,460)	-	(585,773)	-	-	-
Payments to refunded bond escrow agent	(35,030,150)	(88,167,090)	(21,605,024)	(100,962,938)	-	-	-
Decrease in equity interest in joint venture	-	(370,313)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>51,462,855</b>	<b>10,226,249</b>	<b>49,329,976</b>	<b>69,789,000</b>	<b>75,350,000</b>	<b>67,700,000</b>	<b>3,452,661</b>
<b>Net change in fund balances</b>	<b>\$ 42,227,720</b>	<b>\$ (13,780,433)</b>	<b>\$ (7,839,695)</b>	<b>\$ 33,114,475</b>	<b>\$ (20,920,367)</b>	<b>\$ 1,451,826</b>	<b>\$ (26,823,889)</b>
Debt service as a percentage of noncapital expenditures	19.10%	19.40%	14.75%	16.83%	14.15%	16.38%	19.84%

Only seven years reported as Knox County implemented GASB 34 in fiscal year 2002.

**KNOX COUNTY, TENNESSEE**

**Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Tax Years  
(Unaudited)**

Tax Year Ended June 30	Real Property		Personal Property	Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
2001	\$ 3,500,743,875	\$ 2,004,715,480	\$ 535,256,469	\$ 263,632,399	\$ 6,304,348,223	\$ 2.96	\$ 21,278,284,065	\$ 29.63
2002	3,606,764,625	2,063,227,360	547,329,124	257,387,958	6,474,709,067	2.96	21,877,535,419	29.60
2003	3,723,284,900	2,096,341,920	522,595,219	229,326,698	6,571,548,737	2.96	22,292,936,096	29.48
2004	3,905,616,475	2,110,926,520	517,162,396	237,929,088	6,771,634,479	2.96	23,056,255,195	29.37
2005	4,641,294,150	2,360,192,280	532,543,347	253,178,224	7,787,208,001	2.96	26,701,125,834	29.16
2006	4,787,353,825	2,407,512,800	542,154,459	229,967,878	7,966,988,962	2.69	27,393,502,245	29.09
2007	5,112,307,100	2,523,485,320	499,933,519	255,770,424	8,391,496,363	2.69	28,889,423,898	29.04

**Source:** Tennessee State Board of Equalization.  
Knox County, Tennessee Property Assessor's 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 2005 a county-wide reappraisal was completed.

*Only seven years reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

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

	<b>Year Taxes Are Payable</b>						
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Knox County Direct Rates							
General	1.167	1.143	1.36	1.36	1.24	1.24	1.13
Public Library	0.134	0.135	-	-	-	-	-
Solid Waste	0.047	0.050	-	-	-	-	-
Debt Service	0.277	0.277	0.25	0.25	0.22	0.22	0.33
ADA Construction	0.012	0.012	-	-	-	-	-
Schools	1.323	1.343	1.35	1.35	1.23	1.23	1.23
Total direct rate	2.96	2.96	2.96	2.96	2.69	2.69	2.69
City of Knoxville Rates	2.70	2.70	3.05	2.81	2.81	2.81	2.81
Total direct & overlapping rates	5.66	5.66	6.01	5.77	5.50	5.50	5.50

*Only seven years reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Principal Property Taxpayers  
Tax Year 2008 and Seven Years Ago  
(Unaudited)**

<u>Taxpayer</u>	<u>Fiscal Year 2008</u>			<u>Fiscal Year 2002</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
BellSouth	\$ 78,974,107	1	0.94%	\$ 95,462,295	1	1.53%
West Town Mall	24,933,040	2	0.30%	38,092,720	2	0.61%
Knoxville Center/East Towne Mall	20,766,160	3	0.25%	30,231,440	3	0.48%
Norfolk Southern	18,980,883	4	0.23%	16,127,598	4	0.26%
St Mary's Health System Hospital	18,868,160	5	0.22%	-		-
Tennessee Holding LLC	16,657,280	6	0.20%	-		-
Harvard Behringer	12,751,840	7	0.15%	-		-
Parkside Drive LLC	12,038,280	8	0.14%	-		-
Concord Telephone	10,929,719	9	0.13%	10,468,984	7	0.17%
Fort Sanders Alliance	8,753,600	10	0.10%	10,437,280	8	0.17%
Parkway Properties LP	-		-	13,330,160	5	0.21%
AT&T Communications	-		-	12,923,349	6	0.21%
River View Tower/City	-		-	9,060,120	9	0.14%
Knoxville Cellular Telephone Company	-		-	8,645,175	10	0.14%
Totals	<u>\$ 223,653,069</u>		<u>2.69%</u>	<u>\$ 244,779,121</u>		<u>3.92%</u>

Source: Knox County, Tennessee Property Assessor Department.

Only seven years reported as Knox County implemented GASB 34 in fiscal year 2002.

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2001	\$ 178,460	\$ 169,059	94.7%	\$ 8,920	\$ 177,979	99.7%
2002	186,495	177,651	95.3%	8,141	185,792	99.6%
2003	190,882	181,786	95.2%	8,050	189,836	99.5%
2004	193,996	186,380	96.1%	6,318	192,698	99.3%
2005	198,928	191,042	96.0%	6,028	197,070	99.1%
2006	207,155	198,584	95.9%	5,691	204,275	98.6%
2007	214,873	207,118	96.4%	6,733	213,851	99.5%

*Source: Knox County, Tennessee Trustee Department.*

*Only seven years reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>Primary Government</b>		<b>Component Units</b>		<b>Total Reporting Unit</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (2)</b>
	<b>General Obligation Bonds and Notes</b>	<b>Capital Leases</b>	<b>General Obligation Bonds</b>	<b>Capital Leases</b>			
2002	\$ 195,975	\$ 265	\$ 205,885	\$ 3,484	\$ 405,609	3.50%	\$ 1,037
2003	193,455	55	193,369	2,950	389,829	3.27%	982
2004	213,987	-	216,547	6,714	437,248	3.48%	1,093
2005	247,817	-	231,051	5,652	484,520	3.64%	1,196
2006	286,151	-	248,346	4,552	539,049	3.81%	1,308
2007	323,944	-	256,573	3,409	583,926	4.03% (2)	1,377
2008	370,966	-	245,630	12,930	629,526	4.31% (2)	1,481 (2)

*Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.*

*(1) See the Schedule of Demographic and Economic Statistics on page 238 for personal income and population data.*

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

*Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value (1) of Property</b>	<b>Per Capita (2)</b>
2002	\$ 401,860	\$ 26,211	\$ 375,649	1.77%	\$ 960
2003	386,824	25,501	361,323	1.65%	911
2004	430,534	28,025	402,509	1.81%	1,006
2005	478,868	28,906	449,962	1.95%	1,110
2006	534,498	24,116	510,382	1.91%	1,239
2007	580,517	26,613	553,904	2.02%	1,307
2008	613,332	24,384	588,948	2.04%	1,386

*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 for property value data.*

*(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 238.*

*Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Direct and Overlapping Governmental Activities Debt  
As of June 30, 2008  
(amounts expressed in thousands)  
(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County Subtotal, direct debt	\$ 613,332	100.00%	<u>\$ 613,332</u>
City of Knoxville overlapping debt	208,140	100.00%	208,140
Town of Farragut overlapping debt	-		<u>-</u>
Total direct and overlapping debt			<u><u>\$ 821,472</u></u>

Note: Percentage of overlap based on assessed property values.

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>Population</b> (1)	<b>Personal Income</b> (amounts expressed in thousands) (1)	<b>Per Capita Personal Income</b> (1)	<b>Median Age</b> (3)	<b>School Enrollment</b> (3)	<b>Unemployment Rate</b> (2)
2002	391,462	\$ 11,580,797	\$ 29,583	36.9	98,074	4.0%
2003	396,559	11,920,331	30,059	37.6	99,998	4.3%
2004	400,174	12,572,396	31,417	38.0	96,563	4.1%
2005	405,355	13,301,853	32,815	37.5	92,507	4.8%
2006	411,967 (2)	14,140,692	33,963	37.8	92,507	4.5%
2007	423,874 (2)	14,500,000 (4)	34,000 (4)	38.0 (4)	106,519	3.3%
2008	425,000 (4)	14,600,000 (4)	35,000 (4)	38.0 (4)	106,519 (4)	3.8%

*Data sources:*

(1) Bureau of Economic Analysis, Regional Economic Accounts.

(2) Tennessee Department of Labor and Workforce Development.

(3) US Census Bureau/American Community Survey Profile.

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

Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.

**KNOX COUNTY, TENNESSEE**

**Principal Employers  
Calendar Year 2007 and Nine Years Ago  
(Unaudited)**

Employer (1)	2007			1998		
	Employees (2)	Rank	Percentage of Total County Employment (3)	Employees	Rank	Percentage of Total County Employment
U.S. Department of Energy, Oak Ridge Operations	12,620	1	3.53%	-		-
Covenant Health	8,834	2	2.47%	-		-
The University of Tennessee, Knoxville	8,429	3	2.36%	6,549	3	2.02%
Knox County Public Schools	8,150	4	2.28%	8,046	2	2.48%
Mercy Health Partners	5,904	5	1.65%	-		-
Wal-Mart Stores	5,300	6	1.48%	-		-
State of Tennessee, Regional Offices	3,772	7	1.06%	2,576	6	0.80%
University Health System	3,579	8	1.00%	4,100	5	1.27%
K-VA-T Food Stores	3,480	9	0.97%	-		-
DENSO Mfg. Tennessee	2,940	10	0.82%	-		-
Knox County Government	-		-	2,200	10	0.68%
Lockheed - Martin Energy Systems	-		-	12,775	1	3.94%
Fort Sanders Alliance	-		-	4,222	4	1.30%
City of Knoxville	-		-	2,496	7	0.77%
DeRoyal Industries	-		-	2,350	8	0.73%
Baptist Health System	-		-	2,347	9	0.72%
<b>Total</b>	<b>63,008</b>		<b>17.65%</b>	<b>47,661</b>		<b>14.70%</b>

(1) Based on employers in the Knoxville metropolitan area which includes Anderson, Blount, Knox, Loudon, Sevier, and Union Counties.

(2) Greater Knoxville Chamber of Commerce.

(3) Tennessee Department of Labor and Workforce Development.

**KNOX COUNTY, TENNESSEE**

**Full-time Equivalent County Government Employees by Function  
Last Ten Fiscal Years  
(Unaudited)**

	<b>Full-time Equivalent Employees by Function</b>						
<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
General Government	707	672	705	664	682	821	708
Public safety	858	886	815	856	885	974	1054
Health & human services	236	239	234	224	290	310	338
Engineering & public works	174	174	174	172	176	215	219
Parks & recreation	59	59	55	54	56	62	62
<b>Total</b>	<b>2,034</b>	<b>2,030</b>	<b>1,983</b>	<b>1,970</b>	<b>2,089</b>	<b>2,382</b>	<b>2,381</b>

*Source: Knox County Budget.  
Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

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

<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Sheriff (1)							
Arrests	27,026	27,278	28,386	31,218	32,508	33,233	*
Accidents	3,592	4,125	4,026	4,868	4,889	5,972	*
Incidents	15,821	15,883	16,704	15,595	21,870	30,302	*
Health services (2)							
Clinical services							
Pediatric cases	11,886	11,178	11,162	10,850	10,537	9947	8254
Preventive health cases	14,092	13,198	18,161	13,749	14,571	12502	12725
WIC services	19,352	17,151	16,936	26,533	31,156	29892	32198
Communicable diseases treated	17,563	16,923	17,195	17,896	18,893	16497	14087
New prescriptions filled	55,484	49,749	39,923	29,299	26,578	24452	5124
Engineering & public works (2)							
Street resurfacing (miles)	115	86	85	78	38	34	20
Road maintenance service orders processed	2,037	2,275	2,024	1,525	1,288	1306	2726
Litter reduction from right of way (miles)	187	300	417	361	538	817	737.5
Parks & recreation (2)							
Number of park shelter reservations	505	404	690	843	900	931	995
Total all participants on all teams	26,100	26,150	26,800	27,700	28,750	30345	30402
Total number of attendees at events	13,500	26,050	16,925	35,000	35,000	16757	16792

\* Information not yet available.

(1) Information kept by calendar year.

(2) Information kept by fiscal year.

*Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

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

Function	Fiscal Year						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public safety							
Sheriff							
Detention Facility	1	1	1	1	1	1	1
Penal Farm	1	1	1	1	1	1	1
Patrol units	N/A	N/A	N/A	N/A	10	10	10
Engineering & public works							
Streets (miles)	N/A	N/A	N/A	N/A	203,252	203,266	203,310
Bridges	3	3	4	4	4	4	4
Traffic signals	46	46	47	49	49	49	49
Parks & recreation							
Parks acreage	2,437	2,584	2,915	2,874	3,026	3,051	3,076
Parks	35	40	40	43	45	46	47
Spray pools	-	-	-	2	2	3	3
Tennis courts	5	5	6	6	7	7	7

*Only seven years are reported as Knox County implemented GASB 34 in fiscal year 2002.*