

*Comprehensive
Annual
Financial
Report*



*For the year ended
June 30, 2011*

*Tim Burchett
Knox County Mayor*



Knox County, Tennessee



Tim Burchett, Knox County Mayor, and Ann Acuff, Director of Accounting/Budget

This year's CAFR Report is dedicated to Ms. Ann Acuff.

Administrations, and even systems of government, have come and gone but for over 45 years Ann has been the center of the Finance Department. Her dedication to excellence, precision, and fairness has been an example and a standard for employees to aspire to. For decades, her hard work has been instrumental in producing the award-winning budgets and financial reports that have become such a hallmark of the Finance Department. Ann is preparing for a much deserved retirement. Her professionalism, institutional knowledge and work ethic will be greatly missed, and her personal warmth, grace and ability will be missed just as deeply. Someone may fill her space, but can never take her place.



KNOX COUNTY, TENNESSEE

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Introductory Section





OFFICE OF COUNTY MAYOR TIM BURCHETT

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

November 22, 2011

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, 2011, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentations, including all disclosures, rests with the County. County management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that has been established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County and its component units. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

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

State law requires that the County obtain an annual audit of its books and records. The independent audit performed by KPMG LLP, Certified Public Accountants, has been obtained to fulfill that requirement. The auditors have issued an unqualified ("clean") opinion on the County's financial statements for the year ended June 30, 2011. The independent auditors' report is located at the front of the financial section of this report. The County is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended, and U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including schedules of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

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

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

GOVERNMENTAL STRUCTURE

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

OFFICE OF THE COUNTY MAYOR

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

- Added \$1.48 million back to the General Fund balance at the end of FY 2011.
- Restored 177 hours of operation per week within our public library system with no additional impact on the FY 2011-2012 budget.
- Increased purchasing transparency by implementing first-in-the-state online, searchable databases for E-commerce card and purchase order transactions.
- Ensured more than \$2 million in savings over four years by utilizing public-private partnerships to provide pediatric care, as well as translation services for Knox County Health Department clients.
- Implemented mileage reimbursement at the standard federal rate in lieu of monthly travel allowances, which saved approximately \$78,000 in FY2010-2012.
- Sold unnecessary county vehicles – 15 to date – for a total of \$90,000, resulting in thousands of dollars in cost-avoidance savings through reduced maintenance, fuel and liability costs.
- Presented a FY 2010-2012 budget to the Knox County Commission that passed 9-2 virtually unchanged.

- Fully funded Knox County Schools and public safety while making \$2.3 million in cuts in the FY2011-2012 general budget.
- Reduced the mayor's office administrative budget by more than 19 percent.
- Began the process of reducing Knox County's debt obligations by \$20 million annually over five years, for a total projected debt reduction of \$100 million.
- Identified a funding mechanism to use one-time dollars to pay for the construction of a new Carter Elementary School and saving approximately \$8 million in traditional bond interest payments; broke ground on the new school on Nov. 9, 2011.
- Sold the Solway greenwaste facility property for \$2 million; prior to the sale, the upkeep on the property cost taxpayers an average of \$245,000 annually.
- Provided an additional \$364,000 in the FY 2011-2012 budget for infrastructure improvements.
- Engaged a committee of private sector experts to help advise Mayor Burchett on how to address the growing cost of employee health benefits in an attempt to bring those benefits more in-line with the private market; many of the committee's suggestions were implemented and the changes resulted in projected savings of \$1.7 million.
- Provided, from a combination of revenue increases and sustainable savings, 3 percent employee pay increase, beginning Jan. 1, 2012.
- Supported the Halls and Northeast Knox greenway projects, as well as the Knox-Blount greenway project.
- Moved forward with Clayton Park and Plumb Creek Park projects.
- Constructed the Concord "Pet Safe" Dog Park, scheduled to open in the spring of 2012.
- Restored the stream bank along Beaver Creek at Halls Community Park.
- Made parking improvements at the Knox County Sports Park.

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 hold a "triple AAA" bond rating. A healthy State budget means more stable and predictable revenues for all cities and counties.

Capital Improvement Initiatives

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

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

General Construction/Renovation:

- General Project Management
- Various Library Upgrades
- Technology Upgrades
- Energy Management Project
- City County Improvements/Developments
- Many Parks and Greenways Improvements

Road Construction/Improvements:

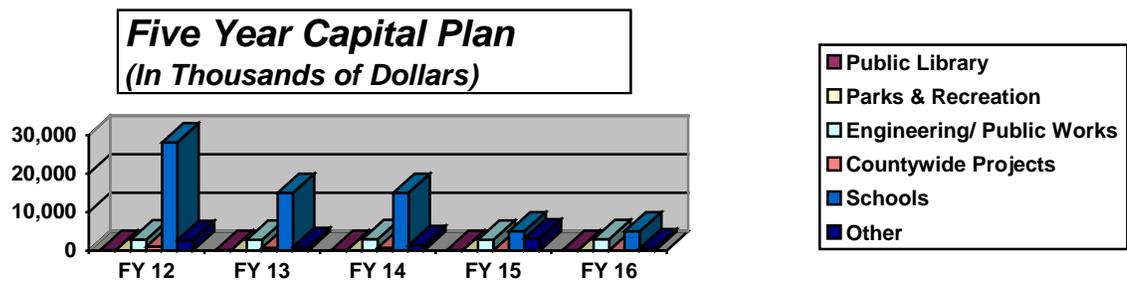
- Dry Gap Pike
- Various Stormwater Improvements
- Gallaher View Road
- General Road Improvements
- Dutchtown Road

School Construction/Renovation:

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

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

Project Description	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	TOTAL
Libraries	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 750
Countywide Projects	1,057	777	777	-	-	5,908
Parks & Recreation	100	100	100	100	100	500
Engineering & Public Works	2,929	2,800	3,000	2,800	2,950	14,479
Building Improvements & Other	2,700	929	1,426	3,125	625	8,805
Schools	28,100	15,000	15,000	5,000	5,000	68,100
Total – Approved Projects	\$ 35,036	\$ 19,756	\$ 20,453	\$ 11,175	\$ 8,825	\$ 99,245



LOCAL ECONOMIC CONDITION AND OUTLOOK



The County is the third most populous county in the State of Tennessee. Located in Middle Eastern Tennessee at the headwaters of the Tennessee River, it is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. The U.S. Census Bureau's 2010 census demographic population data reported that 432,226 citizens reside within the total land area of approximately 526 square miles that make up Knox County. (See Knoxville-Knox County Metropolitan Planning Commission for additional information regarding population information, demographics, and other information about Knox County.) Knoxville, the County seat, is about 50 miles west of the North Carolina state line.

The City of Knoxville's 2010 census data was reported at 178,874. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 20,676. Knoxville has a land area of approximately 104 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee.

Manufacturing and Commerce

Located in the northeastern portion of the State, Knox County, along with Anderson, Blount, Loudon, and Union counties, is part of the Knoxville Metropolitan Statistical Area (MSA). Because of its central location in the eastern United States, the County metropolitan area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 600 miles of approximately 40 percent of the population of the United States. For many years the County has been known as one of the South's leading wholesale markets. Based on 2010 estimates, there were nearly 900 wholesale distribution houses, 1,655 retail establishments, and over 5,300 service industries located in the County.

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

The MSA includes more than 700 manufacturing firms, which produce a large variety of items including medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts.

Business Climate

The County has a history of being a regional leader in economic activity. The County offers premier location opportunities for high-technology and precision manufacturing firms. The business climate in Knox County is very strong. The University of Tennessee, Tennessee Valley Authority and the Oak Ridge National Laboratory help to provide a stable, secure employment base. The Knoxville area is home to many medium-sized manufacturing and distribution operations as well as customer service centers. The Knoxville area boasts a strong and reliable workforce, and low union membership rates. These assets, combined with an excellent location at the intersections of Interstates 40, 75 and 81, make Knox County a great location for any business. The County is also well served by 125 truck lines, two railroads, nine airlines, and three local river terminals that provide direct links to the Great Lakes and to the Gulf of Mexico. The Knoxville area continually receives recognition for high quality of life, combining an attractive natural setting with a moderate four-season climate. In addition, the Knoxville area ranks among the nation's top markets for low cost of living. According to the 2010 American Chamber of Commerce Researchers Association Cost of Living Index, Knoxville ranks as one of the top southeastern urban areas with an index of 89.6, compared to the average of all participating cities of 100. The County has over 6,000 acres of park and recreation space, with over 60 miles of greenways and walking trails. The arts and culture are well served, with the Knoxville Symphony, Knoxville Opera Company, Knoxville Museum of Art, and several performing arts organizations including the Clarence Brown Theater provide numerous cultural opportunities. Live entertainment includes touring Broadway productions and many concerts at numerous venues throughout the area, including the recently renovated and beautiful Tennessee and Bijou theaters.

Industrial Investment

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

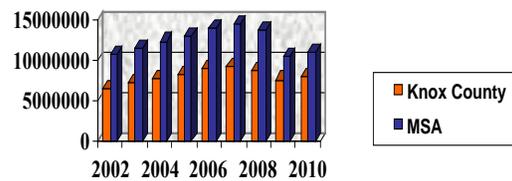
The area is also gaining a reputation as a prime location for corporate headquarters. High profile companies headquartered here in the MSA include the Tennessee Valley Authority, Jewelry Television, AC Entertainment, DeRoyal Industries, Pet Safe/Radio Systems Corporation, and Regal Entertainment. Knox County has seven business parks and a Technology Corridor to meet a wide range of corporate facility needs. In 2010, nearly 1,200 new jobs were created in Knox County among the more than 2,700 jobs created across the metro area.

Commercial Development

Four regional shopping malls and nearly 182 shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Knox County has traditionally been the regional hub of the MSA. 2010 Retail sales in the MSA grossed over \$10.9 billion, with approximately 75% of that total generated in Knox County.

RETAIL SALES

(in thousands)



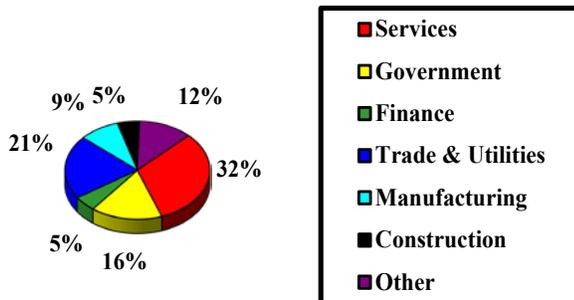
State Economic Perspective

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

According to the analysis reported in the *2011 Tennessee Business and Economic Report* of Tennessee's economic outlook for spring 2011, published by the University of Tennessee (<http://cber.bus.utk.edu/tefs/spr11.pdf>), a number of largely positive signals from the state economy have been observed. Personal income rebounded by 3.8 percent in 2010, and is expected to grow by 4 percent for 2011. Taxable sales are projected to increase by 4.8 percent in 2011. Although Tennessee's unemployment rate had drifted upward since achieving a record low rate of 4.5 percent in the first quarter of 2007, there are signs that job growth is finally beginning to occur and that the state economy should experience a period of modest economic expansion into 2013. The state unemployment rate, which was 9.7 percent in 2010, is expected to fall to 9.4 percent in 2011, and experience a further reduction to 8.7 percent in 2012.

Employment Information

NON-AGRICULTURAL EMPLOYMENT

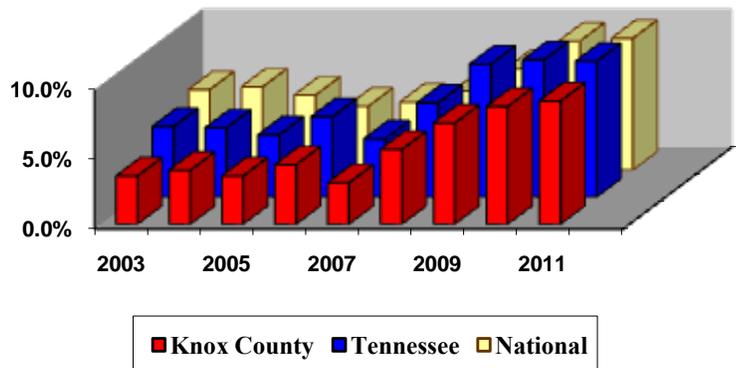


Knox County has demonstrated a very healthy diversity in employment. Services and trade are the two largest employment sectors in the County metropolitan area, followed by Government.

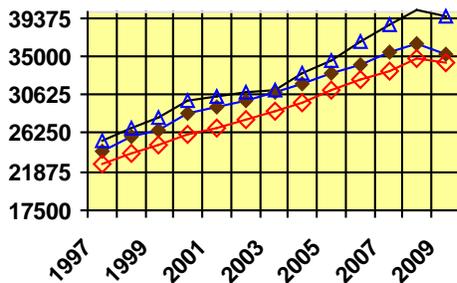
Economic Data

Historically, Knox County's unemployment rate has been low relative to the state and national rates. This relationship has held, although rates have increased in this current recession. For the month of June 2011, the seasonally unadjusted unemployment rates for the County, state and nation stood at 8.0%, 10.2% and 9.2%, respectively. The County's rate is the lowest among the state's major metropolitan areas.

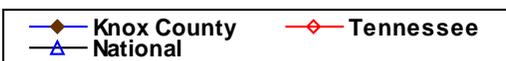
UNEMPLOYMENT DATA



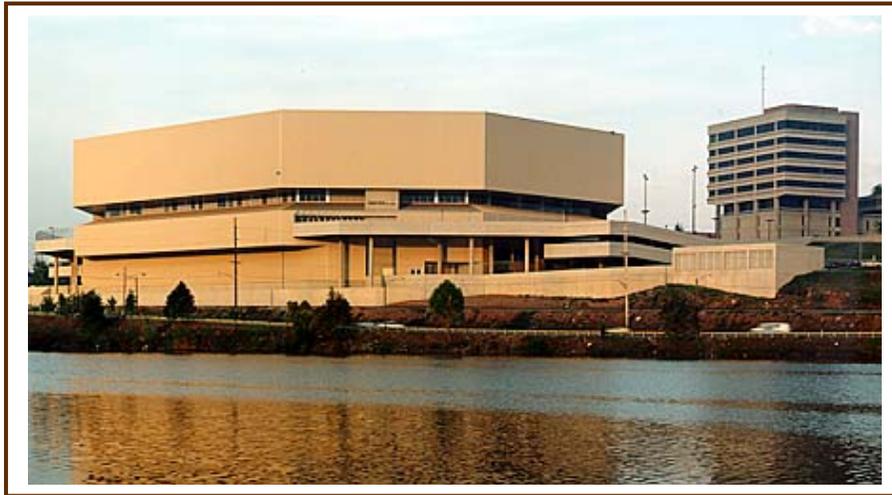
PER CAPITA PERSONAL INCOME



Due to the County's importance as a regional commercial base, the County's level of per capita income has traditionally exceeded the State level. The 2009 data ranks Knox County 7th highest in Tennessee in this measure.



Tourism



Knoxville & Knox County – home to both the U.T. men’s and women’s basketball teams. The newly renovated Thompson Boling Arena is one of the largest on-campus basketball facilities in the nation, seating 21,678. The venue is also used for other events such as concerts, conventions, and other sporting events.

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



The view from House Mountain, the highest point in Knox County at nearly 2,100 feet. The 500-acre House Mountain natural area, located 8 miles from Knoxville, provides picnic facilities and several miles of hiking trails. At right, John Troyer, Knox County Senior Director of Finance, enjoys the view from the summit. Thanks to Dora Compton for the photos.

FINANCIAL INFORMATION

Internal Controls

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

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

Budgetary Controls

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

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

Cash Management Policies and Practices

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

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

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

Pension Trust Operations/Employee Retirement Benefits

The employees of the County and the Board participate in a variety of retirement plans. The majority participate in a defined contribution plan (*County DC Plan*). Those not participating in the defined contribution plan participate in the County's or the Board's respective defined benefit plans or the Tennessee Consolidated Retirement System. Both the County's and the Board's defined benefit plans are closed to new members. Participation in one of these plans for eligible employees is mandatory and a condition of employment. Employees are given the option to voluntarily participate in the *Medical Retirement Plan* (a defined contribution plan) and employees who are eligible (based on years of service) to participate in the *Voluntary 457 Plan* may choose to participate. The participants in the *Medical Retirement Plan* include a number of retirees, who are allowed to remain in the plan while paying 100% of the related premium. The premiums are at the same amount as established for current employees. In 2008 a 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, 2010. This was the fifteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

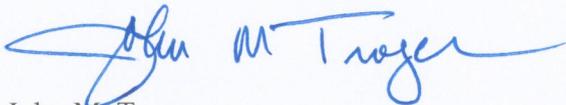
The County has also received, for the sixteenth consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2012 Annual Operating Budget. In qualifying for the award, the County's budget document was judged to be proficient in several categories including policy documentation, financial 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, Tony Blevins, Jennifer Bodie, Chris Caldwell, Steve Campbell, Jeff Clark, Dora Compton, Susan Corlew, Patti Galvan-Balzer, Jason Lay, Peter Lin, John Troyer and Melanie Wilck all went above and beyond the call of duty to design and generate this report. Thank you very much for your professional dedication in this effort. Thank you to the entire Department of Finance for your efforts to "get the job done well," every day. You serve the citizens of Knox County very well.

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

Sincerely,



John M. Troyer
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, 2010

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



President

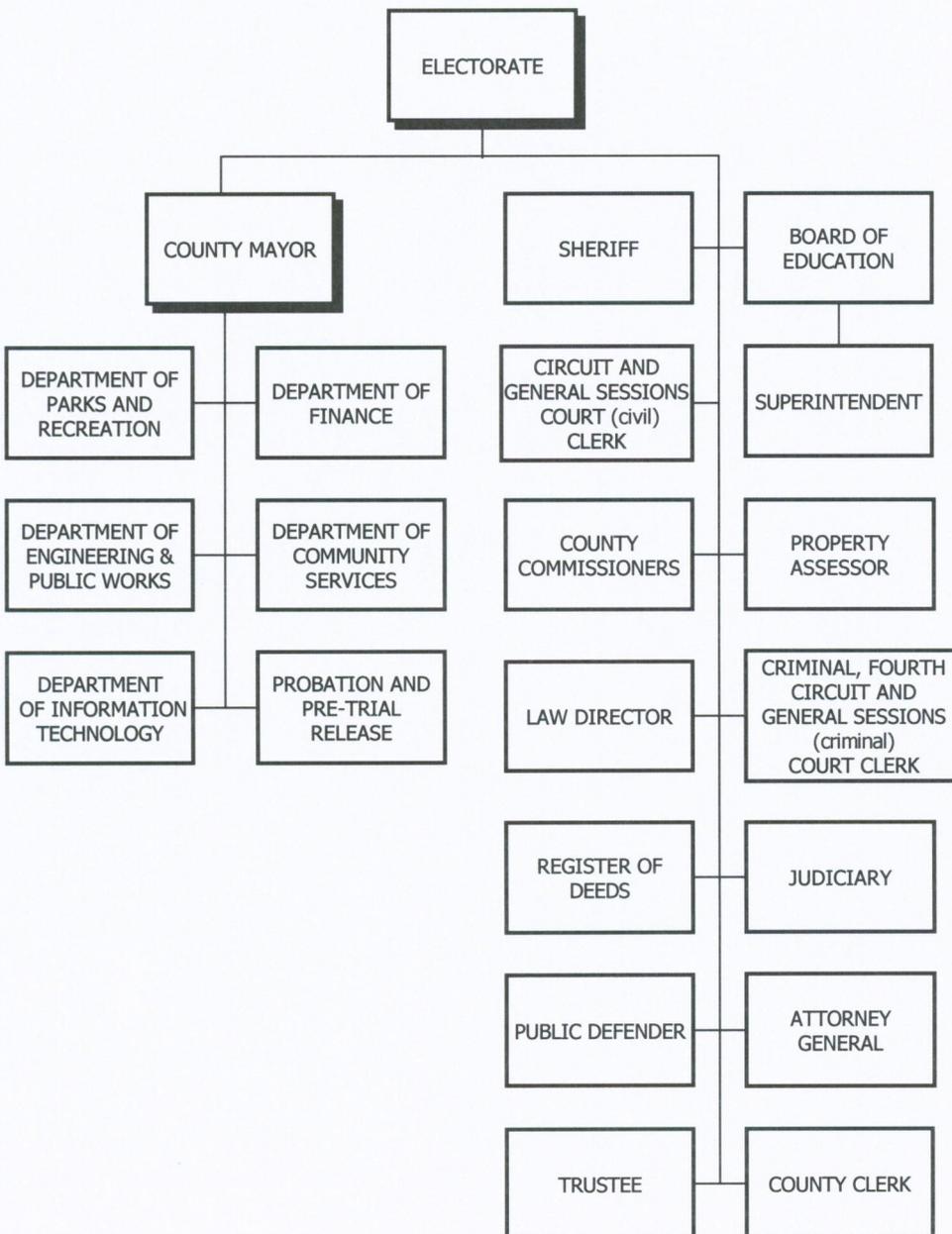
Executive Director

**Knox County, Tennessee
Roster of Publicly Elected Officials
As of June 30, 2011**

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



Knox County



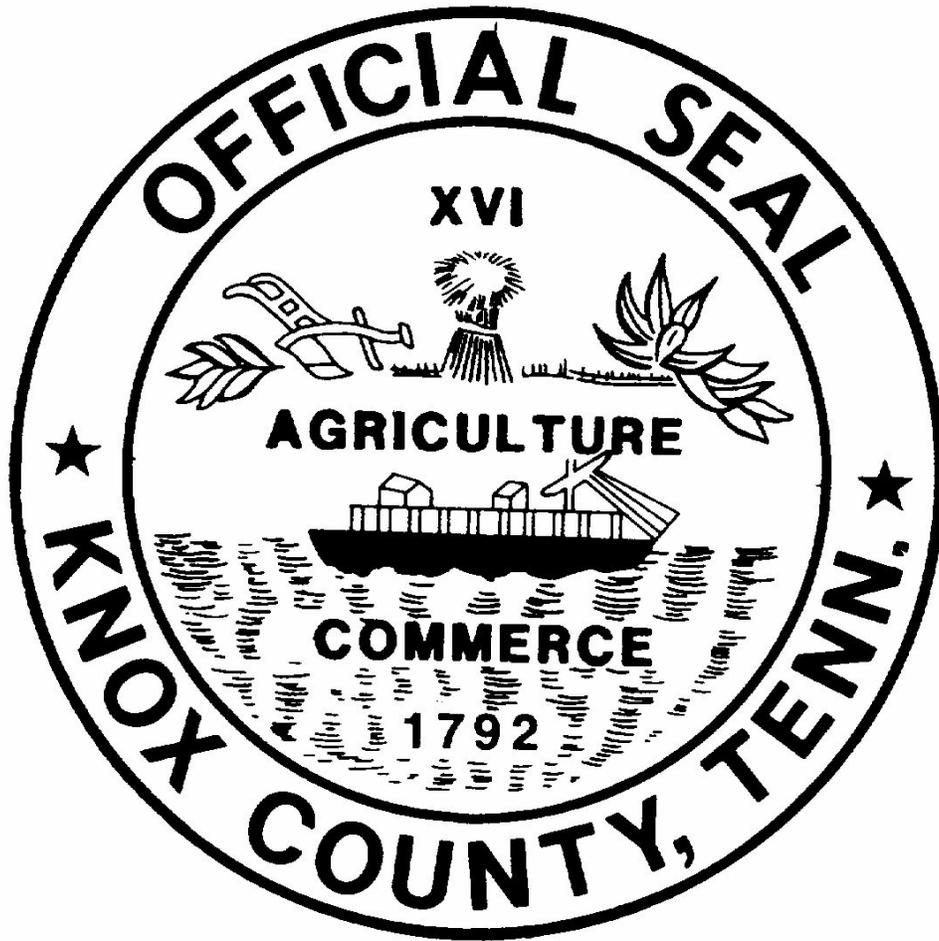
Board of Commissioners:

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

Board of Education:

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

Financial Section





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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Knox County, Tennessee (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Student Activity Funds agency fund, a discretely presented component unit of the Knox County Board of Education, or The Great Schools Partnership, a component unit of the Knox County Board of Education, of Knox County, Tennessee, as of and for the year ended June 30, 2011. The fund financial statements were audited by other auditors whose reports thereon dated November 18, 2011 and October 20, 2011, respectively, have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Knox County, Tennessee, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note I (D), the County implemented Governmental Accounting Standards Board Statement (GASB) No. 54, "*Fund Balance Reporting and Governmental Type Definitions*", effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting



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

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

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

KPMG LLP

November 22, 2011

Management's Discussion and Analysis (Unaudited)

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-xii of this report. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the Knox County Primary Government exceeded its liabilities at the close of the most recent fiscal year by \$52,470,755 (net assets), which compares to \$86,251,123 at June 30, 2010. The assets of the Knox County Government Total Reporting Unit exceeded its liabilities at the close of the most recent fiscal year by \$481,349,753 (net assets), which compares to \$459,729,242 in 2010. 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 \$252,449,468 (deficit) and \$96,135,189 (surplus) for the Primary Government and Total Reporting Unit, respectively, represent amounts that will be needed to meet the government's obligations to citizens and creditors and that will be financed with future tax revenues, or amounts already available. This is compared to prior year amounts of \$233,966,751 (deficit) and \$60,078,086 (surplus), respectively.
- Of the Primary Government's \$52,470,755 net assets balance, \$281,020,672 was invested in Capital Assets (net of related debt), \$718,674 was invested in capital assets, \$185,410 was restricted for debt service, \$14,214,533 was restricted for capital projects, and \$8,780,934 was restricted for other purposes. The difference of \$252,449,468 (unrestricted net assets) is reported as a deficit, an increase of \$18,482,717 over the prior year unrestricted deficit of \$233,966,751. The reported deficit results from the process by which the County issues debt on behalf of the Knox County Board of Education (the Board). The County issues general obligation debt for the Board, the proceeds of which are used for School projects resulting in Board assets. The Board then makes debt service payments to the County from future budgets. Since the debt is issued in the County's legal name, the debt is reported as a liability of the Primary Government. The unrestricted net deficit demonstrates the expectation of the Board to fund its portion of the total debt in future years. As of June 30, 2011, the outstanding balance of bonds issued by the County on behalf of the Board totaled \$286,425,363. If these liabilities were excluded from the liabilities reported for the County, the Primary Government would have reported positive net assets of \$338,896,118 at June 30, 2011.
- The Primary Government's total net assets decreased by \$33,780,368, representing 10.7% of the \$316,250,654 expenses of the Primary Government. This compares to the 2010 decrease of \$31,439,562, or 10.7% of 2010 expenses totaling \$293,753,631. The primary reason for the decrease in net assets for both years is the amount borrowed on behalf of other entities. In 2011, the County issued debt for capital purposes with a face value of \$29,236,000 on behalf of the Board. The net proceeds of \$29,004,906 (net of the effects of issuance costs and debt premium) were remitted to the Board, thus reducing the Primary Government's net assets, as the entire portion of the debt related to the amounts borrowed on behalf of the Board is included with Primary Government debt. In addition, the County refunded capital leases

incurred by the Board in previous years, and reported as liabilities of the Board prior to the refunding. Because the Board cannot issue bonds, the refunding bonds were issued by the County and the liability is recorded as a liability of the Primary Government. Therefore, the County has assumed a liability previously recorded by the Board, thus providing funding to the Board totaling \$21,920,052 resulting from this refunding transaction. These transactions combined, totaling \$50,924,958, exceeded the Primary Government's reduction of net assets of \$33,780,368 by \$17,144,590. In other words, if the transactions for debt incurred on behalf of the Board had not occurred, the County would have had an increase in net assets in the amount of \$17,144,590. As the individual funds are budgeted to "break even" prior to depreciation expense, these results demonstrate how the County continued its long record of operating within the approved budget. The Total Reporting Unit's total net assets increased by \$21,620,511, or 2.7% of 2011 expenses of \$804,899,071. This compares to the 2010 decrease of \$21,046,838, or 2.7% of 2010 expenses totaling \$780,624,451. These amounts include charges for depreciation. Included in the government-wide expenses is depreciation expense of \$23.5 million in 2011 and \$24.4 million in 2010 for the County, and \$13.7 million in 2011 and \$11.7 million in 2010 for the Board of Education. Without depreciation expense (a non-budgeted item), the Total Reporting Unit would have realized an increase in net assets of \$58.8 million for 2011 and \$15.1 million for 2010.

- As of the close of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$101,594,377, an increase of \$6,533,011 in comparison with the prior year balances of \$95,061,366. Various factors contributed to the increase. Of the Primary Government's major funds, only the Debt Service Fund experienced a decrease in fund balance, while the General Fund, Constitutional Officers, and Capital Projects Public Improvement Funds experienced increases in fund balance for the year. The Debt Service Fund planned the use of a portion of fund balance to be applied to operations of the 2011 fiscal year, in accordance with the budget planning associated with the County's long-term Capital Improvement Plan. The budgeted decrease represents the planned use of funds that had been committed, or set aside, for that purpose. The prudent use of a portion of the fund balance in this current difficult economic environment helps to avoid burdening taxpayers with increases in tax rates. The budgeted use of fund balance was \$7,571,136, and the actual amount used was \$2,827,251, for a positive variance of \$4,743,885. The remaining major funds experienced increases of fund balance in the amounts of \$784,422 for the General Fund, \$229,247 for the Constitutional Officers Special Revenue Fund, and \$8,619,282 for the Capital Projects Public Improvement Fund. The General Fund had budgeted for the use of fund balance of \$8,291,203; therefore, the fund experienced a positive variance of actual results compared to the budget of \$9,075,625. The Constitutional Officers Special Revenue Fund is used to account for the receipt for various charges for services, the source from which various expenditures of the offices are made. Remaining amounts after these expenditures, less an amount allowed to be retained in the fund for future use, are transferred to the General Fund. Therefore, the amount remaining in fund balance is in line with expectations. The Capital Projects Public Improvement Fund experienced an increase in fund balance of \$8,619,282. Because the expenditures in this fund relate to projects for which expenditures are incurred over a number of fiscal years, the balance relates to the cumulative effect of sources of funds received, primarily from the issuance of debt, less the amounts expended to date. The remaining fund balance therefore represents amounts held for future years' project expenditures. Of the total fund balance amount, \$66,622,459 (66%) is available for spending without external restrictions (committed, assigned and unassigned fund balance). This compares to the prior year total of committed, assigned and

unassigned governmental fund balances of \$65,897,820 (69% of the total governmental fund balance of \$95,061,366 at June 30, 2010.)

- In the General Fund, unassigned fund balance, which is available for expenditure at the County's discretion, increased slightly from \$42,041,215 at June 30, 2010 to \$43,521,876 at June 30, 2011. Unassigned fund balance for the General Fund represented 29% of total General Fund expenditures of \$151,787,439, compared to 28% of last year's expenditures of \$149,537,519.) The \$43,521,876 million unassigned General Fund balance is greater than the amount that was projected upon adoption of the General Fund budget by \$4,936,033. These measures of fund balance demonstrate the County's continued fiscal discipline and show that the County has resources available to meet unexpected emergencies, temporary cash needs and other uncertainties our County faces in the normal course of everyday operations.
- The Knox County Government's total bonded debt at the end of the year totaled \$691,186,468, an increase of 12.6 percent, or \$77,215,533, over the prior year total of \$613,970,935. Of the current year total, \$404,761,105 pertains to County general government activities and \$286,425,363 pertains to the Knox County Schools Component Unit. The County issued \$108,911,000 million in bonds during FY 2011. Of that total, \$62,675,000 was issued to refund existing debt in the form of notes and capital leases. Therefore, bonds payable increased as a result of the refunding transactions, but the obligations had previously existed. The remaining bonds issued totaled \$46,236,000, and the bonds were issued to fund capital improvements. The County issued Build America Bonds of \$17,000,000 to fund County capital improvements, in accordance with the County's adopted Capital Improvement Plan. The remaining \$29,236,000 was issued as a result of funds that were made available under provisions of the federal Qualified School Improvement Bond (QSCB) program, a program that existed as part of the federal American Recovery and Reinvestment Act of 2009. The QSCB funding, while not incorporated into the County's original Capital Improvement Plan when adopted because the funds had not been made available, was obtained to provide funds for current and upcoming capital needs of the Board. This program provides for interest rebates that bring the effective interest paid to zero. Because of the attractive terms, the County made the decision to issue this debt in FY 2011 in order to take advantage of the availability of the funding, which expired December 31, 2010. Of the total \$108,911,000 issued, \$50,676,000 was issued on behalf of the Board. Bond principal paid in FY 2011 totaled \$31,695,467.
- The County Property Tax Rate remained at \$2.36 for the fiscal year. This is another indication of the County's commitment to fiscal conservatism.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements include the Knox County Government itself (known as the primary government), and legally separate entities for which Knox County Government is financially accountable (component units): the school district – the Board of Education (The Board), a legally separate Emergency Communications District (The District), and the Knox County Railroad Authority (The Authority.) Financial information for these component units is reported separately from the financial information presented for the primary government itself. The District issues separate financial statements. The Board and the Authority do not issue separate financial statements. The government-wide financial statements can be found on pages 19 and 20 of this report.

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

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

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

reconciliations to facilitate this comparison between governmental funds and governmental activities.

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

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

The basic governmental fund financial statements can be found on pages 21-24 of this report.

Proprietary funds. There are two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Knox County Government established an enterprise fund in 2009 to account for the operations of the Three Ridges Golf Course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Knox County Government's various functions. Knox County Government uses internal service funds to account for its fleet service operations, mailroom operations, employee benefits activities, 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 eight internal service funds are combined into a single, aggregated presentation in the basic proprietary fund financial statements, along with the presentation of the Three Ridges Golf Course enterprise fund. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25-27 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Knox County Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 28 and 29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-104 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 105-109 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 121-148. Combining and individual fund statements for internal service funds can be found on pages 152-170 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 \$481,349,753 at the close of the most recent fiscal year, which compares to \$459,729,242 from last year. The Primary Government's Governmental Activities net assets totaled \$51,450,959, which compares to last year's net assets of \$85,114,255.

Knox County, Tennessee

Net Assets - Primary Government -- Governmental Activities

	June 30,	
	2011	2010
Current and Other Assets	\$ 317,179,649	\$ 305,777,316
Capital Assets	636,117,213	644,874,415
Total Assets	953,296,862	950,651,731
Long-term Liabilities Outstanding	681,057,097	625,850,703
Other Liabilities	220,788,806	239,686,773
Total Liabilities	901,845,903	865,537,476
Net Assets:		
Invested in Capital Assets, net of Related Debt (See Note A)	281,020,672	292,183,224
Restricted	23,180,877	27,202,060
Unrestricted (Deficit) (See Note A)	(252,750,590)	(234,271,029)
Total Net Assets	\$ 51,450,959	\$ 85,114,255

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

KNOX COUNTY GOVERNMENT'S Net Assets

An additional portion of the Knox County Primary Government's governmental activities net assets represents resources that are subject to external restriction on how they may be used. These include restricted for Debt Service \$185,410 (last year \$24,978,733) Capital Projects

\$14,214,533 (last year \$0) and Other Purposes \$8,780,934 (last year \$2,223,327). The remaining balance of unrestricted net assets deficit of \$252,750,590 reflects a reduction of \$18,479,561 compared to the prior year unrestricted net assets deficit of \$234,271,029. The overall reduction results primarily from the payment of net bond proceeds totaling \$50,924,958 to the Board component unit. The County issues debt on behalf of the Board and remits the proceeds to the Board; therefore, the County reports debt related to these transactions but holds no related assets, thus reducing the County's net assets. Because the Board cannot by law issue its own bonds payable, the County issues bonds on behalf of the Board, and pays the proceeds (net of the effects of bond premiums and issuance costs) to the Board. The Board then uses these proceeds for its capital purposes, and records the capital assets on its own Statement of Net Assets. Therefore, the assets are shown on the Board's Component Unit financial statements, whereas the related debt is shown on the County's Primary Government financial statements. As of June 30, 2011, the amount of bonds payable reported by the Primary Government related to the debt issued on behalf of the Board totaled \$286,425,363. If the effects of this obligation were removed from the Primary Government's liabilities, the Primary Government governmental activities net assets would have been a positive amount of \$33,674,773.

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. As noted above, the primary reason for the deficit balance is due to the County's recognition of long-term debt issued on behalf of the Knox County Board of Education. As the Board and the County Commission identify school capital needs that require funding from bonds (through the long-term capital planning process), the County issues bonds on behalf of the Board. Repayment of the bonds is funded through the Board's operating budget each year. The payments of the debt related to the bonds issued on behalf of the Board are made from the Board's budgeted funding each year. At June 30, 2011, the amount of bonds issued by the County on behalf of the Board still outstanding was \$286,425,363 (excluding unamortized premium) compared to prior year of \$250,017,215. If this liability were shown with the Board's amounts to match the capital assets, the County would have had positive unrestricted net assets of its governmental activities of \$33,674,773 in 2011 and \$15,746,186 in 2010.

At the end of the current fiscal year, the Knox County Government is able to report positive balances in all three categories of total net assets -- for the Total Reporting Unit, for the Primary Government and for each of its separate component units. The same situation held true for the prior fiscal year. The Total Reporting Unit's net assets increased by \$21,620,511 during the current fiscal year, compared to a decrease of \$21,046,838 for the prior year. For the Total Reporting Unit, the amount of the increase in net assets is attributable to the underlying positive combined change in net assets of the Primary Government and of the Board, totaling \$19,480,617. These results were achieved due to revenues recognized that exceeded expectations, combined with the careful management of expenditures.

Governmental activities. Governmental activities decreased the Knox County Primary Government's net assets by \$33,663,296. Included in this amount are payments totaling \$29,004,906 to the Board of Education Component Unit for amounts borrowed by the County on behalf of the Board under the QSCB program. These proceeds will be used for the Board's capital purposes. In addition, the Primary Government refunded with bonds existing capital leases that had been incurred in previous years. Of the capital leases refunded, \$21,920,052 related to lease obligations that had been reported as obligations of the Board. Therefore, because the bonds payable incurred from the refunding transaction are reported as liabilities of the Primary Government and the refunded obligation has been removed from the liabilities of the

Board, the \$21,920,052 represents an additional payment of resources from the Primary Government to the Board. The sum of these two transactions results in a total of \$50,924,958 paid to the Board related to debt purposes. In addition, \$3,823,874 was paid from the County to the Board for other education purposes. Therefore, payments made to the Board from County resources in FY 2011 totaled \$54,748,832.

KNOX COUNTY GOVERNMENT'S Changes in Net Assets

The following table shows the changes in net assets for the Primary Government for the fiscal years ended June 30, 2011 and 2010. The totals include both governmental activities and the business-type activities for the Three Ridges Golf Course, an enterprise fund.

Knox County Primary Government

	2011	2010
Program Revenues:		
Charges for Services	\$ 38,079,268	\$ 37,686,451
Operating Grants and Contribution	18,111,952	16,546,478
General Revenues		
Local Taxes	180,630,100	170,668,044
Payments from Component Units	26,227,344	26,432,876
Other General Revenues	19,421,622	10,980,220
Total Revenues	282,470,286	262,314,069
Expenses:		
Finance and Administration	35,025,924	35,504,141
Administration of Justice	24,277,040	27,255,914
Public Safety	72,135,474	70,786,351
Public Health and Welfare	33,731,246	35,722,541
Social and Cultural Services	22,185,045	22,555,747
Other General Government	20,632,988	18,402,539
Engineering & Public Works	24,045,860	24,009,373
Debt Service	28,885,417	25,524,229
Payments to Component Units	55,331,660	33,992,796
Total Expenses	316,250,654	293,753,631
Change in Net Assets	(33,780,368)	(31,439,562)
Net Assets, Beginning of Year	86,251,123	117,690,685
Net Assets, End of Year	\$ 52,470,755	\$ 86,251,123

Program revenues include various items such as fees for services, licenses, and fines, which relate to numerous and various government functions. These amounts increased by \$392,817 compared to the prior year. These items represent an aggregation of numerous transactions, and there is not a concentration of revenues in any area. These tend, therefore, to be relatively stable from year to year. Operating grants represent primarily grants received from the federal and state

governments. These amounts increased by \$1,565,474 compared to the prior year. These amounts also relate to numerous amounts received for various government functions.

General Revenues include local taxes, payments from component units, and other general revenues. Local taxes increased by nearly \$10 million compared to the prior year. The primary reasons for the increase were increased collections of property taxes, realized as a result of more aggressive collection efforts, and an increase in sales taxes realized from a one-time receipt of revenues. This occurred because certain sales tax revenues, which were in previous years erroneously reported to the State and credited to another local government, were claimed by the County, which was subsequently credited with the amounts that were due. Payments from component units primarily consist of the amounts received for the Board for the portion of debt service related to the debt obligations that the Primary Government incurred on behalf of the Board. Remaining general revenue consists of state shared revenues, investment revenue, and miscellaneous. The increase from 2010 to 2011 in this category from the prior year of \$8.4 million was attributable to a number of factors, including revenues from the planned sales of County property, increases in shared revenues received, an increase in the equity interest in joint venture, increased investment earnings, and various other items.

Expenses for the Primary Government are categorized into functional areas. Total expenses increased by \$22,497,023 compared to the prior year. This change was directly attributable to the increase in the amounts paid to the Board of \$21,338,864. As previously noted, the County issues debt on behalf of the Board for capital purposes, and the net proceeds are paid to the Board, thus resulting in an expense to the Primary Government. In FY 2010, the County issued bonds on behalf of the Board and paid the proceeds (net of the effects of issuance costs and bond premium) of \$14,822,428 to the Board. In addition, the County had incurred capital projects outlays for a major renovation/addition project on behalf of the Board for Powell Middle School. The project was completed and placed in service in FY 2010. The related capital asset in the amount of \$14,763,666 was, essentially, donated to the Board and was therefore accounted for as a payment to the Board. These two transactions, totaling \$29,586,094, represented the majority of the Payment to Component Units total of \$33,992,796 in FY 2010. In FY 2011, the Primary Government again incurred debt for capital purposes on behalf of the Board with a face amount of \$29,236,000, and paid the net proceeds of \$29,004,906 to the Board. In addition, the County refunded capital leases on behalf of the Board totaling \$21,920,052 by issuing refunding bonds. Again, the net proceeds from the issuance of Primary Government bonded debt were paid to the Board as a result of the refunding transaction. The total of these two transactions represents the majority of Payment to Component Units totaling \$55,331,660 in FY 2011, an increase of \$21,338,864 compared to FY 2010. The remaining \$582,828 represented payments to the District.

Expenses in other areas increased by (1) \$1,349,123 in Public Safety, primarily attributable to the acquisition of new vehicles, (2) \$3,361,188 in Debt Service, attributable to the amounts of scheduled debt payments, and (3) \$2,230,449 in Other General Government, primarily attributable to expenses made from federal grant programs in this category. Other expenditure categories either remained essentially unchanged or experienced decreases compared to the prior year as a result of decreased resources available due to the current economic conditions.

Financial Analysis of the Government's Funds

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

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

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

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

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

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

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

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

Knox County, Tennessee Primary Government--Governmental Fund Balance

	June 30,	
	2011	2010
Nonspendable	\$ 11,791,041	\$ 14,884,996
Restricted	23,180,877	14,278,550
Committed	22,142,616	23,509,482
Assigned	957,967	347,123
Unassigned	43,521,876	42,041,215
Total Fund Balances	\$ 101,594,377	\$ 95,061,366

As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$101,594,377, an increase of \$6,533,011 in comparison with the prior year total of \$95,061,366. The primary reason for the overall increase in fund balances related to the increase in restricted fund balance in the Capital Projects Public Improvement Fund. Restricted fund balance in that fund increased from \$5,595,251 at June 30, 2010 to \$14,214,533 at June 30, 2011, for an increase of \$8,619,282. The reason for the increase was the increase in unexpended debt proceeds restricted for capital purposes, resulting from the

issuance of bonds in FY 2011. The increase of \$8,619,282 represented most of the total governmental funds increase in this category of \$8,902,327.

The General Fund is the chief operating fund of the Knox County Government. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$43,521,876 compared to \$42,041,215 last year (an increase of \$1,480,661), while total fund balance increased to \$52,582,335 compared to last year's \$51,797,913. The increase demonstrates the close matching of actual revenues to expenditures for the year. Total fund balance represents 34.6% of actual expenditures compared to 34.6% last year. These amounts indicate that the County maintained the strong relationship between the fund balances and the size of its budget and is continuing to hold steady in its financial stability in spite of challenging economic times.

The total fund balance of the County's General Fund increased by \$784,422 during 2011, compared to last year's \$1,479,860 decrease. The General Fund's original budget planned for a net decrease in fund balance for the year of \$3,455,372. The actual unrestricted fund balance was \$4,936,033 greater than the original budgeted amount of \$38,585,843. Key factors in the positive outcomes for the General Fund are as follows:

- Revenues exceeded budget in five of ten categories; total revenues of \$148,421,781 totaled 103.7% of the total budget of \$143,097,174. These results were achieved in a year of a difficult economy. Although local tax revenues, which include property and sales taxes (among others), exceeded the budget by \$4,312,774, actual interest revenues realized were less than the budget due to lower than expected interest rates, causing a shortfall in the other local revenues category of \$378,818.
- The General Fund departments, in their normal conservative pattern, showed their fiscal responsibility by turning back unspent budget of \$4,921,623 (3.1% of the final allowed budget of \$156,709,062) for the fiscal year (compared to last year's results of \$5,289,479, or 3.4% of the budget of \$154,826,998).

The Debt Service Fund has a total fund balance of \$22,151,482, which compares to \$24,978,733 last year. The majority of the fund balance consists of amounts committed for debt service purposes by County Commission (\$16,110,331 compared to the prior year amount of \$15,544,318.) The net decrease in fund balance during the current year was \$2,827,251, compared to a decrease of \$2,003,541 last year. The County had planned for a decrease in the Debt Service Fund, and had budgeted for \$7,571,136 to be applied to the current year budget. As the current year result of operations was an actual decrease in fund balance of \$2,827,251, the fund experienced a positive variance of \$4,743,885 of actual results compared to the adopted budget. This resulted from the significant savings from conservatively budgeting for its expenses that the County experienced from its variable rate debt, the County's practice of issuing debt as close to the time of the anticipated cash needs as practicable in order to minimize total interest costs, combined with the realization of actual revenues which were more than that of budgeted estimates by \$1,056,096, or 1.8%, primarily due to higher local tax revenues realized as a result of aggressive collections of local property taxes. The County plans to continue its conservative financial planning.

The Public Improvement Capital Projects Fund experienced a net increase in fund balances of \$8,619,282 in 2011, compared to a decrease in fund balance of \$9,834,011 in 2010. Fund balance at June 30, 2011 totaled \$14,214,533, compared to the June 30, 2010 balance of

\$5,595,251. This change results from the timing of the issuance of bonds for capital purposes compared to the expenditures made therefrom. The County's practice is to issue debt for capital purposes generally on an annual basis, with the intent that debt proceeds be received as close as practicable to the timing of the planned expenditures. This is done to help keep interest charges to the minimum level needed. In FY 2011, the County issued bonds earlier than normal in order to take advantage of the attractive borrowing terms of the Build America Bonds program, a federal Recovery Act program that expired December 31, 2010. That program provides for a rebate to the County of a portion of the interest expense, thus resulting in an overall lower cost of borrowing.

The Constitutional Officers Special Revenue Fund experienced an increase in the fund balance in the current year of \$229,247 resulting in fund balance at June 30, 2011 totaling \$2,616,285 compared to the June 30, 2010 total of \$2,387,038. This fund is used to account for the operations of various County offices that receive fees for providing various services to the public. A portion of these fees are used to pay for certain operating expenses, and the remaining fees are transferred to the County General Fund. Amounts transferred to the General Fund in 2011 totaled \$6,246,535, a decrease of \$607,467 from the prior year total of \$6,854,002. These results were in line with expectations, as there were no major changes to the operations of these offices during 2011 causing changes in results of operations.

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

Unrestricted net assets of the Internal Service Funds at the end of the year amounted to \$6,859,667 compared to \$8,083,827 at the end of 2010. The decrease of \$1,224,160 was primarily due to the increases in self-insurance claims activity. The Internal Service Funds are used to accumulate and distribute costs as a planning tool, and are expected to break even over the long run. The total change in net assets for all Internal Service Funds was \$1,290,688 (deficit) (2.0% of total charges for services of \$65,490,472), compared to the prior year 1.6% (deficit change in net assets). The intent of these funds is to "break even." However, the current year included a planned draw of the balances in the Capital Leasing Fund, which caused a larger than normal difference between revenues and expenses for these funds.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were within the normal course of County business and totaled a net \$5,286,073 increase in the total budgeted expenditures. Included in the increase were normal carryover appropriations for projects not completed during the previous fiscal year and appropriations for additional expenditures related to numerous additional revenues received for specific purposes during the year that were in addition to the revenues estimated in the original budget. In addition, the total expenditure budget was increased by \$2,234,570 as approved by County Commission for the purchase of Sheriff Office vehicles. The source for this increase was existing fund balance of the General Fund.

The County continued to show the results of conservative budgeting and careful stewardship of approved spending. These qualities were again demonstrated by positive actual results, including the realization of actual revenues exceeding budgetary estimates by 3.7%, and actual expenditures less than budgetary provisions by \$4,921,623. Overall, the General Fund Balance increased by \$784,422, which is \$9,075,625 more than the budgeted decrease of \$8,291,203. The

unrestricted portion of the County's General Fund Balance increased by \$1,480,661, compared to the planned decrease of \$4,936,033. These results reflect the careful and appropriate budgeting of revenues and prudent management of expenses in a difficult economic environment.

Capital Asset and Debt Administration

Capital assets. The Knox County Government Total Reporting Unit reported a total balance of capital assets (net of accumulated depreciation) as of June 30, 2011, of \$977,460,678, which compares to the prior year total of \$980,071,242. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net decrease in the investment in capital assets for the current fiscal year was \$2,610,564 (0.3 percent), which reflects the capital additions for the year in amounts less than, although approximating, depreciation expense.

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

The County Primary Government's investment in capital assets for its governmental activities as of June 30, 2011 amounts to \$957,996,185 less accumulated depreciation of \$321,878,972, leaving a net book value of \$636,117,213. The prior year net book value totaled \$644,874,415. Investment in capital assets includes land and land improvements, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the County, such as roads and streets, bridges, sidewalks, lighting systems, and similar items. The overall decrease of \$8,757,202 resulted from the excess of depreciation expense over the amounts added during the year. This was a planned result, reflecting the County's commitment to reduce borrowing for capital purposes which results in lower amounts of capital asset additions. Although a certain level of long-term borrowing for capital purposes is both necessary and desirable to service the needs of County citizens, the County is committed to reducing its debt level in order to minimize the burden on County taxpayers resulting from additional debt issuances.

Additional information on the Knox County Government's capital assets can be found in note III.C on pages 53-55 of this report and pages 193-195.

Long-term debt. At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$691,186,468, compared to \$613,970,935 at the end of 2010. All of the bonded debt was backed by the full faith and credit of the County government. \$286,425,363 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remaining \$404,761,105 of the Knox County Government’s debt represents bonds issued solely for general government purposes.

KNOX COUNTY GOVERNMENT’S Bonded Debt Changes during FY 2011:

Rollforward of Debt:	Primary Government	Board	Total
Beginning Balance	\$ 363,953,720	\$ 250,017,215	\$ 613,970,935
Principal Paid	(17,427,615)	(14,267,852)	(31,695,467)
Issued Amounts	58,235,000	50,676,000	108,911,000
Ending Amount – Bonds	<u>\$404,761,105</u>	<u>\$286,425,363</u>	<u>\$691,186,468</u>

Knox County’s total bonded debt increased by \$77,215,533 (12.6 percent) during the current fiscal year. The key factor in this increase was the issuance in fiscal 2011 of \$108,911,000 million in general obligation bonds. However, of the total bonds issued, \$62,675,000 was issued for the purpose of refunding previously existing debt in the form of notes and capital leases. Therefore, although the balance of bonds payable increased, the County’s total obligations did not. Of the remaining additions of \$46,236,000, \$17,000,000 was issued for County capital purposes in accordance with the adopted Capital Improvement Plan. The remaining \$29,236,000 was issued as a result of funds that were made available under provisions of the federal Qualified School Improvement Bond (QSCB) program, a program that existed as part of the federal American Recovery and Reinvestment Act of 2009. The QSCB funding, while not incorporated into the County’s adopted Capital Improvement Plan when adopted because the funds had not been made available, was obtained to provide funds for current and upcoming capital needs of the Board. This program provides for interest rebates that bring the effective interest paid to zero. Because of the attractive terms, the County made the decision to issue this debt in FY 2011 in order to take advantage of the availability of the funding, which expired December 31, 2010. Of the total \$108,911,000 issued, \$50,676,000 was issued on behalf of the Board. Bond principal paid in FY 2011 totaled \$31,695,467.

Knox County’s debt is rated “AA+” by Standard & Poor’s, the highest rating in County history. The County’s debt is rated “Aa1” rating by Moody’s. These ratings were reaffirmed during 2011. This continued confidence from the rating agencies confirms the County’s commitment to financial integrity, stability and strength.

State statutes set no limit for the amount of general obligation debt a governmental entity may issue. Current bonded debt outstanding for the County Government is \$691,186,468. This translates to approximately \$1,564 per capita. This compares to the FY 2010 per capita amount of \$1,548 (restated to reflect FY 2011 debt refunding transactions.)

Additional information on the Knox County’s long-term debt can be found in the Notes to the Financial Statements of this report on pages 66-77.

Economic Factors and Next Year's Budgets and Rates

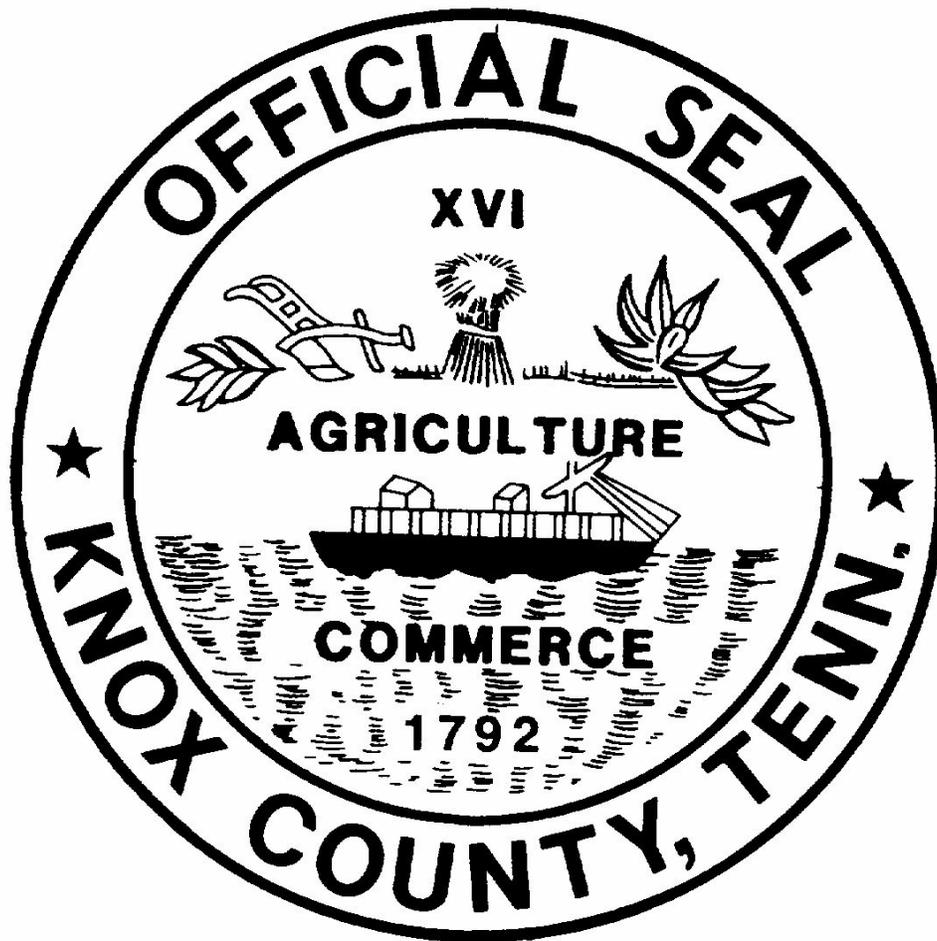
- The unemployment rate for Knox County for June 2011 was 8.0% (subsequently lower at 7.7% for September 2011), which is a slight increase from the rate of 7.8% percent for June 2010. This compares favorably to the state's average rate of 10.2% percent for June 2011, and 10.1% for June 2010. The national unemployment averages were 9.2% for June 2011 and 9.5% for June 2010. The Knoxville Metropolitan Statistical Area (MSA), which includes Knox County, has the lowest unemployment rate of any MSA in Tennessee. This data was taken from the Tennessee Department of Labor and Workforce Development.
- Knox County has been leading the State in economic development and employment for the past several years. While Knox County is currently experiencing the effects of the current global recession, it is well-positioned to weather this economic storm. The current administration is committed to inspire economic activity with investments and jobs.
- The Knoxville leading index has traditionally sustained a positive year-over-year percent change indicating economic activity is at a higher level relative to last year. This year is a time when most areas and jurisdictions are experiencing a contraction in economic activity, and Knox County is not immune to the global recession. Knox County is expected to continue to hold its own in the near term, while the longer term has a much more positive outlook.

Requests for Information

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

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

Basic Financial Statements



KNOX COUNTY, TENNESSEE

Statement of Net Assets

June 30, 2011

	Primary Government			Component Units			Total Reporting Unit
	Governmental Activities	Business-type Activities	Total	Knox County Board of Education	Knox County Railroad Authority	Knox County Emergency Communications District	
Assets							
Cash and Cash Equivalents	\$ 54,848,664	\$ 310,370	\$ 55,159,034	\$ 77,223,338	\$ 13,182	\$ 13,899,563	\$ 146,295,117
Accounts Receivable	18,370,493	5,366	18,375,859	52,059,252	1,074	617,542	71,053,727
Property Taxes Receivable, net	144,550,864	-	144,550,864	121,962,596	-	-	266,513,460
Notes Receivable	14,448,675	-	14,448,675	-	-	-	14,448,675
Investments	46,323,876	-	46,323,876	-	-	-	46,323,876
Due from Component Units	1,665,930	-	1,665,930	-	-	-	1,665,930
Due from Primary Government	-	-	-	831,919	-	2,423	834,342
Internal Balances	19,304	(19,304)	-	-	-	-	-
Due from Other Governments	75,344	-	75,344	-	-	-	75,344
Advances to Other Governments	2,500,000	-	2,500,000	-	-	-	2,500,000
Inventories	339,198	62,981	402,179	1,026,204	-	-	1,428,383
Prepaid Items	308,744	5,378	314,122	1,149,471	-	-	1,463,593
Pension Asset	4,734,296	-	4,734,296	-	-	-	4,734,296
Equity Interest in Joint Venture	5,666,092	-	5,666,092	-	-	-	5,666,092
Advances to Component Unit	3,419,250	-	3,419,250	-	-	-	3,419,250
Capital Assets:							
Land and Construction in Process	148,393,166	880	148,394,046	45,876,029	-	56,089	194,326,164
Other Capital Assets, Net of Accumulated Depreciation	487,724,047	717,794	488,441,841	290,297,772	-	4,394,901	783,134,514
Deferred Debt Issuance Costs, Net of Accumulated Amortization	4,664,524	-	4,664,524	-	-	-	4,664,524
Deferred Outflows of Hedging Derivatives	15,244,395	-	15,244,395	-	-	-	15,244,395
Total Assets	953,296,862	1,083,465	954,380,327	590,426,581	14,256	18,970,518	1,563,791,682
Liabilities							
Accounts Payable	14,365,320	38,400	14,403,720	54,582,542	1,074	362,402	69,349,738
Due to Component Units	834,342	-	834,342	-	-	-	834,342
Due to Primary Government	-	-	-	1,645,115	-	20,815	1,665,930
Unearned Revenue	152,440,262	-	152,440,262	114,744,278	-	-	267,184,540
Accrued Interest	4,694,555	-	4,694,555	-	-	-	4,694,555
Advances from Primary Government	-	-	-	-	-	3,419,250	3,419,250
Self-insurance Liability	7,466,013	-	7,466,013	-	-	-	7,466,013
Long-term Obligations:							
Accrued Pension Obligation	-	-	-	3,166,041	-	-	3,166,041
Other Post-Employment Benefits Obligation	604,568	-	604,568	-	-	-	604,568
Fair Value of Interest Rate Swap Derivatives	20,237,626	-	20,237,626	-	-	-	20,237,626
Other Long-term Obligations:							
Due in Less than One Year	40,988,314	22,742	41,011,056	2,092,847	-	238,909	43,342,812
Due in More than One Year	660,214,903	2,527	660,217,430	232,539	-	26,545	660,476,514
Total Liabilities	901,845,903	63,669	901,909,572	176,463,362	1,074	4,067,921	1,082,441,929
Net Assets							
Invested in Capital Assets	-	718,674	718,674	336,173,801	-	-	336,892,475
Invested in Capital Assets, Net of Related Debt (see note below)	281,020,672	-	281,020,672	-	-	4,450,990	(953,701)
Restricted for:							
Debt Service	185,410	-	185,410	-	-	-	185,410
Capital Projects	14,214,533	-	14,214,533	26,082,535	-	-	40,297,068
Other Purposes	8,780,934	-	8,780,934	12,378	-	-	8,793,312
Net Assets - Unrestricted (see note below)	(252,750,590)	301,122	(252,449,468)	51,694,505	13,182	10,451,607	96,135,189
Total Net Assets	\$ 51,450,959	\$ 1,019,796	\$ 52,470,755	\$ 413,963,219	\$ 13,182	\$ 14,902,597	\$ 481,349,753

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 \$286,425,363 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 \$286,425,363 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, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			Total Reporting Unit	
					Governmental Activities	Business-type Activities	Total	The Board	KCRA	The District		
Primary government:												
Governmental activities:												
Finance and Administration	\$ 35,025,924	\$ 19,359,362	\$ 229,572	\$ -	\$ (15,436,990)	\$ -	\$ (15,436,990)					\$ (15,436,990)
Finance and Administration-Payment to Component Unit	3,823,874	-	-	-	(3,823,874)	-	(3,823,874)					(3,823,874)
Administration of Justice	24,277,040	10,101,442	908,433	-	(13,267,165)	-	(13,267,165)					(13,267,165)
Public Safety	72,135,474	1,439,718	4,707,040	-	(65,988,716)	-	(65,988,716)					(65,988,716)
Public Safety-Payment to Component Unit	326,200	-	-	-	(326,200)	-	(326,200)					(326,200)
Public Health and Welfare	33,731,246	4,244,236	7,295,387	-	(22,191,623)	-	(22,191,623)					(22,191,623)
Public Health and Welfare-Payment to Component Unit	256,628	-	-	-	(256,628)	-	(256,628)					(256,628)
Social and Cultural Services	21,140,636	880,631	453,507	-	(19,806,498)	-	(19,806,498)					(19,806,498)
Agricultural and Natural Resources	380,453	-	580	-	(379,873)	-	(379,873)					(379,873)
Other General Government	20,252,535	689,972	4,411,532	-	(15,151,031)	-	(15,151,031)					(15,151,031)
Engineering and Public Works	24,045,860	436,570	105,901	-	(23,503,389)	-	(23,503,389)					(23,503,389)
Education - Payment to Component Unit	50,924,958	-	-	-	(50,924,958)	-	(50,924,958)					(50,924,958)
Debt Service - Interest and Fees	28,885,417	-	-	-	(28,885,417)	-	(28,885,417)					(28,885,417)
Total governmental activities	315,206,245	37,151,931	18,111,952	-	(259,942,362)	-	(259,942,362)					(259,942,362)
Business-type activities:												
Three Ridges Golf Course	1,044,409	927,337	-	-	-	\$ (117,072)	(117,072)					(117,072)
Total primary government	\$ 316,250,654	\$ 38,079,268	\$ 18,111,952	\$ -	(259,942,362)	(117,072)	(260,059,434)					
Component units:												
Board of Education	\$ 481,991,842	\$ 16,621,446	\$ 81,819,356	\$ -			\$ (383,551,040)	\$ -	\$ -			(383,551,040)
Knox County Railroad Authority	227,658	-	227,658	-			-	-	-			-
Knox County Emergency Communications District	6,428,917	6,132,513	80,046	-			-	-	(216,358)			(216,358)
Total component units	\$ 488,648,417	\$ 22,753,959	\$ 82,127,060	\$ -			(383,551,040)	-	(216,358)			(383,767,398)
General Revenues:												
Property Taxes					142,138,781	-	142,138,781	112,371,639	-	-		254,510,420
Sales Taxes					10,433,188	-	10,433,188	119,973,142	-	-		130,406,330
Lodging Taxes					5,152,412	-	5,152,412	-	-	-		5,152,412
Business Taxes					7,347,327	-	7,347,327	-	-	-		7,347,327
Wheel Taxes					10,937,485	-	10,937,485	1,525,119	-	-		12,462,604
Other Local Taxes					4,620,907	-	4,620,907	1,006,769	-	-		5,627,676
Investment Revenue					3,204,476	-	3,204,476	106,696	-	25,664		3,336,836
Payments from Component Units					26,227,344	-	26,227,344	-	-	-		26,227,344
Payments from Primary Government					-	-	-	54,748,832	-	582,828		55,331,660
Shared Revenues					6,864,127	-	6,864,127	-	-	-		6,864,127
Other Revenues					4,997,220	-	4,997,220	1,344,157	-	28,616		6,369,993
Other Governments and Citizens Groups					1,236,916	-	1,236,916	-	-	1,719,140		2,956,056
Miscellaneous					3,118,883	-	3,118,883	-	4	-		3,118,887
Grants and Contributions Not Restricted for Specific Programs					-	-	-	145,735,671	-	-		145,735,671
Total General Revenues					226,279,066	-	226,279,066	436,812,025	4	2,356,248		665,447,343
Change in Net Assets					(33,663,296)	(117,072)	(33,780,368)	53,260,985	4	2,139,890		21,620,511
Net Assets, July 1					85,114,255	1,136,868	86,251,123	360,702,234	13,178	12,762,707		459,729,242
Net Assets, June 30					\$ 51,450,959	\$ 1,019,796	\$ 52,470,755	\$ 413,963,219	\$ 13,182	\$ 14,902,597		\$ 481,349,753

KNOX COUNTY, TENNESSEE

**Balance Sheet
Governmental Funds
June 30, 2011**

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 8,579,364	\$ 2,841,422	\$ 13,367,258	\$ 4,313,829	\$ 9,818,020	\$ 38,919,893
Receivables:						
Accounts, Net	9,916,072	-	119,818	-	7,616,736	17,652,626
Property Taxes	109,536,840	-	-	35,014,024	-	144,550,864
Notes	1,508,000	-	-	9,245,000	3,671,195	14,424,195
Investments	34,742,907	-	-	11,580,969	-	46,323,876
Due from Other Funds	2,294,848	-	309,434	194,207	319,258	3,117,747
Due from Component Units	699,231	-	700,000	-	-	1,399,231
Due from Other Governments	75,344	-	-	-	-	75,344
Advances to Other Governments	-	-	-	2,500,000	-	2,500,000
Inventories	110,063	-	-	-	15,511	125,574
Prepaid Items	104,294	-	-	130,741	39,340	274,375
Investment in Joint Venture	5,666,092	-	-	-	-	5,666,092
Advances to Component Units	3,419,250	-	-	-	-	3,419,250
TOTAL ASSETS	\$ 176,652,305	\$ 2,841,422	\$ 14,496,510	\$ 62,978,770	\$ 21,480,060	\$ 278,449,067
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 8,725,692	\$ -	\$ 263,503	\$ 8,799	\$ 4,691,421	\$ 13,689,415
Due to Other Funds	1,532,133	225,137	6,996	224,400	1,981,784	3,970,450
Due to Component Units	663,094	-	11,478	-	-	674,572
Deferred Revenue	113,149,051	-	-	40,594,089	4,777,113	158,520,253
TOTAL LIABILITIES	124,069,970	225,137	281,977	40,827,288	11,450,318	176,854,690
Fund Balances:						
Nonspendable	5,880,449	-	-	5,855,741	54,851	11,791,041
Restricted	2,212,749	2,616,285	14,214,533	185,410	3,951,900	23,180,877
Committed	9,294	-	-	16,110,331	6,022,991	22,142,616
Assigned	957,967	-	-	-	-	957,967
Unassigned	43,521,876	-	-	-	-	43,521,876
TOTAL FUND BALANCES	52,582,335	2,616,285	14,214,533	22,151,482	10,029,742	101,594,377
TOTAL LIABILITIES AND FUND BALANCES	\$ 176,652,305	\$ 2,841,422	\$ 14,496,510	\$ 62,978,770	\$ 21,480,060	\$ 278,449,067

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

KNOX COUNTY, TENNESSEE

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

June 30, 2011

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

Ending Fund Balance - Governmental Funds	\$ 101,594,377
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	635,920,909
Other long-term assets, consisting of deferred debt issuance costs (\$4,664,524) and pension asset (\$4,734,296), are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	9,398,820
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.	7,055,971
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	\$ 691,186,468
Unamortized Bond Premium	10,226,063
Unamortized Amount on Refunding	(5,315,627)
Fair Value of Interest Rate Swaps, net	4,993,231
Accrued Interest	4,694,555
Other Post-employment Benefit Obligation	604,568
Compensated Absences	5,005,548
	(711,394,806)
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.	8,875,688
Net Assets of Governmental Activities	\$ 51,450,959

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, 2011

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
Local Taxes	\$ 121,594,774	\$ -	\$ -	\$ 31,879,441	\$ 24,832,231	\$ 178,306,446
Licenses and Permits	3,342,613	-	-	-	-	3,342,613
Fines, Forfeitures and Penalties	1,861,142	-	-	-	385,960	2,247,102
Charges for Current Services	4,418,626	21,702,089	-	-	856,507	26,977,222
Other Local Revenues	5,843,758	-	-	946,025	1,870,245	8,660,028
State of Tennessee	9,589,371	-	32,771	-	7,375,814	16,997,956
Federal Government	702,981	-	-	-	11,414,899	12,117,880
Other Governments and Citizen Groups	438,135	-	257,635	125,494	848,010	1,669,274
Payments from Component Units	281,296	-	-	25,946,048	-	26,227,344
Increase in Equity Interest in Joint Venture	349,085	-	-	-	-	349,085
Interest Earned	-	16,277	(47,452)	1,069,078	-	1,037,903
Total Revenues	148,421,781	21,718,366	242,954	59,966,086	47,583,666	277,932,853
Expenditures						
Current:						
Finance and Administration	24,726,600	8,649,023	-	-	-	33,375,623
Finance and Administration - Payments to Component Unit	3,823,874	-	-	-	-	3,823,874
Administration of Justice	16,949,427	6,593,561	-	-	218,363	23,761,351
Public Safety	68,452,589	-	-	-	3,886,141	72,338,730
Public Safety - Payments to Component Unit	326,200	-	-	-	-	326,200
Public Health and Welfare	21,489,850	-	-	-	10,991,493	32,481,343
Public Health and Welfare - Payments to Component Unit	256,628	-	-	-	-	256,628
Social and Cultural Services	4,761,659	-	-	-	13,320,773	18,082,432
Agricultural and Natural Resources	380,453	-	-	-	-	380,453
Other General Government	10,620,159	-	-	-	9,157,557	19,777,716
Engineering and Public Works	-	-	-	-	11,736,732	11,736,732
Debt Proceeds Paid to Component Unit	-	-	29,004,906	-	-	29,004,906
Debt Issuance Costs	-	-	441,307	-	-	441,307
Capital Projects	-	-	8,468,283	-	507,657	8,975,940
Debt Service:						
Other Debt Service	-	-	-	2,392,461	-	2,392,461
Trustee's Commission	-	-	-	639,603	-	639,603
Principal	-	-	-	34,695,467	-	34,695,467
Interest	-	-	-	25,297,513	-	25,297,513
Refunding Bonds Issuance Costs	-	-	-	923,104	-	923,104
Total Expenditures	151,787,439	15,242,584	37,914,496	63,948,148	49,818,716	318,711,383
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,365,658)	6,475,782	(37,671,542)	(3,982,062)	(2,235,050)	(40,778,530)
Other financing sources (uses)						
Transfers from Other Funds	7,396,535	-	-	194,207	2,351,600	9,942,342
Transfers to Other Funds	(3,246,455)	(6,246,535)	-	-	(389,239)	(9,882,229)
Long-term Bonds Issued	-	-	46,236,000	-	-	46,236,000
Premium on Long-term Note Issued	-	-	54,824	-	-	54,824
Refunding Bonds Issued	-	-	-	62,675,000	-	62,675,000
Premium on Refunding Bonds	-	-	-	2,404,089	-	2,404,089
Payment to Holders of Refunded Debt	-	-	-	(64,118,485)	-	(64,118,485)
Total Other Financing Sources (Uses)	4,150,080	(6,246,535)	46,290,824	1,154,811	1,962,361	47,311,541
Net Change in Fund Balances	784,422	229,247	8,619,282	(2,827,251)	(272,689)	6,533,011
Fund Balances, July 1	51,797,913	2,387,038	5,595,251	24,978,733	10,302,431	95,061,366
Fund Balances, June 30	\$ 52,582,335	\$ 2,616,285	\$ 14,214,533	\$ 22,151,482	\$ 10,029,742	\$ 101,594,377

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

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2011

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

Net Change in Fund Balances - Total Governmental Funds	\$ 6,533,011
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$23,415,538) exceeded capital outlays (\$14,724,864) in the current period.	(8,690,674)
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.	8,875,688
Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities.	(7,247,820)
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 (\$108,911,000) exceeded debt principal payments (\$76,346,638) by this amount.	(32,564,362)
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$997,354) and amortization of deferred debt issuance costs (\$344,028.) In addition, the amortization of bond premium results in reduction of expenses of \$1,769,210. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	427,828
Debt issued at a premium provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net assets.	(2,458,913)
Debt issuance costs are expenditures of governmental funds, but are deferred assets in the statement of net assets.	1,364,411
Expenses reported in the statement of activities include the increase in the liability for accrued interest of \$436,406. In addition, the increase in the balance of the net pension asset decreased expenses by \$164,621. Furthermore, the increase in the balance of the liability for other post-employment benefits increased expenses by \$237,412, and the increase in the compensated absences liability balance of \$84,808 increased expenses by that amount. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(594,005)
The increase in the fair value of an interest rate swap accounted for as an investment derivative instrument in the statement of activities did not provide current resources in governmental funds.	1,982,228
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The net revenue (expense) amounts of the internal service funds are reported with governmental activities.	<u>(1,290,688)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (33,663,296)</u></u>

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

KNOX COUNTY, TENNESSEE

**Statement of Net Assets
Proprietary Funds
June 30, 2011**

	(Nonmajor) Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 310,370	\$ 15,928,771
Receivables:		
Accounts	5,366	717,867
Due from Other Funds	-	1,059,237
Due from Component Units	-	266,699
Notes	-	24,480
Inventories	62,981	213,624
Prepaid Items	5,378	34,369
TOTAL CURRENT ASSETS	384,095	18,245,047
Capital Assets:		
Land	880	-
Buildings	747,515	-
Machinery and Equipment	454,869	8,078,296
Computer Software	25,448	-
Land Improvements	66,463	-
Accumulated Depreciation	(576,501)	(7,881,992)
Capital Assets (Net of Accumulated Depreciation)	718,674	196,304
TOTAL ASSETS	1,102,769	18,441,351
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	38,400	675,905
Due to Other Funds	19,304	187,230
Due to Component Units	-	159,770
Deferred Revenue	-	2,795,697
Claims Liability	-	7,466,013
Compensated Absences Payable	22,742	90,688
TOTAL CURRENT LIABILITIES	80,446	11,375,303
Noncurrent Liabilities:		
Compensated Absences Payable	2,527	10,077
TOTAL LIABILITIES	82,973	11,385,380
NET ASSETS		
Invested in Capital Assets	718,674	196,304
Unrestricted	301,122	6,859,667
TOTAL NET ASSETS	\$ 1,019,796	\$ 7,055,971

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

KNOX COUNTY, TENNESSEE

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2011

	(Nonmajor) Enterprise Fund	Internal Service Funds
Operating Revenues		
Charges for Services	\$ 927,337	\$ 65,490,472
Operating Expenses		
Cost of Sales and Services	340,314	2,307,031
General and Administration	465,346	10,432,038
Depreciation and Amortization	130,186	124,585
Medical Claims	-	23,751,395
Retirement Contributions	-	25,491,535
Other Employee Benefits	-	868,701
Worker's Compensation Claims	-	1,050,426
Other Expenses	108,563	2,699,516
Total Operating Expenses	<u>1,044,409</u>	<u>66,725,227</u>
Operating Loss	<u>(117,072)</u>	<u>(1,234,755)</u>
Nonoperating Revenues		
Subrogation Payments	-	1,854
Payments from Component Units	-	2,326
Total Nonoperating Revenues	<u>-</u>	<u>4,180</u>
Loss before Transfers	<u>(117,072)</u>	<u>(1,230,575)</u>
Transfers		
Transfers to Other Funds	-	(1,000,000)
Transfers from Other Funds	-	939,887
Total Transfers	<u>-</u>	<u>(60,113)</u>
Change in Net Assets	<u>(117,072)</u>	<u>(1,290,688)</u>
Total Net Assets, July 1	<u>1,136,868</u>	<u>8,346,659</u>
Total Net Assets, June 30	<u>\$ 1,019,796</u>	<u>\$ 7,055,971</u>

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

KNOX COUNTY, TENNESSEE

**Statement of Cash Flows
Proprietary Funds**

For the Year Ended June 30, 2011

	(Nonmajor) Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
Operating Activities		
Cash Received from Customers	\$ 925,821	\$ -
Cash Received from Interfund Services Provided	-	68,500,251
Cash Paid to Employees	(452,647)	(1,091,327)
Cash Paid for Goods and Services	(449,603)	(14,939,077)
Cash Paid on Behalf of Employees	-	(50,943,915)
Net Cash Provided by Operating Activities	<u>23,571</u>	<u>1,525,932</u>
Noncapital Financing Activities		
Receipts of Subrogation Payments	-	10,429
Payments from Component Units	-	2,326
Transfers from Other Funds	-	939,887
Transfers to Other Funds	-	(1,000,000)
Net Cash (Used) in Noncapital Financing Activities	<u>-</u>	<u>(47,358)</u>
Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(16,270)	(58,057)
Net Cash Used in Capital and Related Financing Activities	<u>(16,270)</u>	<u>(58,057)</u>
Net Increase in Cash and Cash Equivalents	7,301	1,420,517
Cash and Cash Equivalents Beginning of Year	<u>303,069</u>	<u>14,508,254</u>
End of Year	<u>\$ 310,370</u>	<u>\$ 15,928,771</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Loss	\$ (117,072)	\$ (1,234,755)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	130,186	124,585
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,519)	18,924
Decrease in Due from Other Funds	-	141,823
Decrease in Due from Component Units	-	85,823
Increase in Inventories	(13,029)	(53,497)
Decrease in Prepaid Items	1,851	31,923
Increase (Decrease) in Accounts Payable and Accrued Liabilities	12,795	(1,049,656)
Decrease in Due to State of Tennessee	(7,724)	-
Increase (Decrease) in Due to Other Funds	7,727	(357,044)
Increase in Due to Component Units	-	2,920
Increase (Decrease) in Compensated Absences	10,356	(14,104)
Increase in Claims Liabilities	-	1,065,781
Increase in Deferred Revenue	-	2,763,209
Total Adjustments	<u>140,643</u>	<u>2,760,687</u>
Net Cash Provided by Operating Activities	<u>\$ 23,571</u>	<u>\$ 1,525,932</u>

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

KNOX COUNTY, TENNESSEE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 28,537,306
Receivables:		
Accounts	-	7,093,056
Investments	392,981,875	-
TOTAL ASSETS	392,981,875	\$ 35,630,362
LIABILITIES		
Accounts Payable and Accrued Liabilities	215,573	\$ 8,720,151
Due to Other Governments	-	5,191,109
Due to Litigants, Heirs and Others	-	21,719,102
TOTAL LIABILITIES	215,573	\$ 35,630,362
NET ASSETS		
Held in Trust for:		
Pension Benefits	\$ 392,766,302	

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

KNOX COUNTY, TENNESSEE

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2011

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 14,714,994
Employees	11,366,498
Transfers from Other Plans	<u>427,412</u>
Total Contributions	<u>26,508,904</u>
Investment Earnings:	
Interest and Dividend Income	1,013,577
Net Appreciation (Depreciation) in Fair Value of Investments	<u>66,426,129</u>
Total Investment Earnings (Losses)	67,439,706
Less Investment Expenses	<u>(544,425)</u>
Net Investment Earnings (Losses)	<u>66,895,281</u>
Total Additions	<u>93,404,185</u>
Deductions	
Benefits and Refunds	27,377,317
Administrative Expenses	1,066,205
Transfers to Other Plans	<u>280,928</u>
Total Deductions	<u>28,724,450</u>
Change in Net Assets	64,679,735
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>328,086,567</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u><u>\$ 392,766,302</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, 2011

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KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Discretely Presented Major Component Units - the County

The **Knox County Board of Education** (the Board) consists of nine members elected by voters of the County and one superintendent appointed by members of the Board. The Board is fiscally dependent on the County because the County levies taxes for the Board, issues debt on behalf of the Board and approves the Board's Budget. The Board is responsible for elementary and secondary education within the County's jurisdiction. The Board operates a total of 87 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2010 - 2011 school year was 55,519 with a full time equivalent average daily attendance of 52,143. During the previous year, the full time equivalent average daily membership was 55,459 with a full time equivalent average daily attendance of 51,809.

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, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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

Discretely Presented Major Component Unit - the Board

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

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

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

B. Government-wide and Fund Financial Statements

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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.

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

When both restricted and unrestricted resources are available for use, it is 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.

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Receivables, Payables, and Deferred Revenue

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

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

Inventories and Prepaid Assets

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

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

The County's general fund inventory consists of land held for resale. The land is recorded at cost excluding the cost of infrastructure (roads, utilities, etc.).

Derivative Instruments

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

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

Capital Assets

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

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

Compensated Absences

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

Long-Term Obligations

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Fund Equity

The County adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*, required for fiscal periods beginning after June 15, 2010, in fiscal 2011. This Statement revises fund balance categories and classifications, and clarifies governmental fund type definitions. The adoption of this Statement did not result in changes to the County's governmental funds. The Statement did not affect the County's financial position or results of operations, although the fund balances of governmental funds have been reported in classifications different than those used in prior years. The fund balances as of June 30, 2010 that have been reported for comparative purposes have been reclassified in order to be consistent with the current year's classifications. See Note I (D) for information regarding the County's governmental fund balance classifications.

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

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

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

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the County is the County Commission. Amounts are reported as committed pursuant to resolutions or ordinances passed by Commission (legislative branch), which have also been approved by the County Mayor (executive branch.)

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Assigned fund balance consists of amounts constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Assignments may be made upon the authority of the County Mayor or designee.

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

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

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

E. Additional Information

Comparative Data/Reclassifications

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

Estimates

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

Budget Basis/Authority

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Budgetary Process

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are included in the balances of assigned, committed, or restricted fund balance based on the purposes for which the resources that will be used to liquidate the encumbrances have been classified. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances are reappropriated in the subsequent year.

Supplemental Appropriations

The following schedule shows the annual budget originally adopted for the County and the Board, and the revisions to that budget as authorized by the County Commission, for the year ended June 30, 2011:

Fund	Original Budget	Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 166,716,446	\$ (6,760,929)	\$ 159,955,517
Special Revenue Funds:			
State and Federal Grants	199,932	1,664,448	1,864,380
Governmental Library	195,000	-	195,000
Public Library	12,752,000	140,811	12,892,811
Solid Waste	4,307,339	97,801	4,405,140
Hotel/Motel Tax	5,000,000	-	5,000,000
Drug Control	470,000	216,989	686,989
Engineering & Public Works	10,812,812	1,762,279	12,575,091
Total Special Revenue Funds	33,737,083	3,882,328	37,619,411
Debt Service Fund	66,750,000	960,604	67,710,604
Capital Projects Funds:			
ADA Construction	400,000	-	400,000
Total - Governmental Funds	\$ 267,603,529	\$ (1,917,997)	\$ 265,685,532

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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	\$ 378,705,000	\$ 2,598,101	\$ 381,303,101
Special Revenue Funds:			
Central Cafeteria	23,422,200	(229,500)	23,192,700
Capital Projects Fund:			
School Construction	18,977,665	-	18,977,665
Total - the Board	<u>\$ 421,104,865</u>	<u>\$ 2,368,601</u>	<u>\$ 423,473,466</u>

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2011, 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, 2011

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	\$ 14,615	\$ -	\$ -	\$ -
Carrying Amount of Deposits	52,589,311	77,223,338	13,182	13,899,563
Investments (Governmental Funds)	46,323,876	-	-	-
Investments (Pension Trust Funds)	392,981,875	67,395,475	-	-
Investment in State Treasurer's Investment Pool	2,555,108	-	-	-
Total	\$ 494,464,785	\$ 144,618,813	\$ 13,182	\$ 13,899,563
Cash and Cash Equivalents	\$ 55,159,034	\$ 77,223,338	\$ 13,182	\$ 13,899,563
Investments	439,305,751	67,395,475	-	-
Total	\$ 494,464,785	\$ 144,618,813	\$ 13,182	\$ 13,899,563

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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	\$ 1,265,756		\$ 3,805,911	
Equity Mutual Funds	\$ -		\$ 404,334,471	
Fixed Income Securities:				
U.S. Government Securities	\$ 22,567,928	9.754	\$ 20,974,435	15.642
U.S. Government Agency Securities	13,339,674	10.236	23,816,250	19.281
Corporate Bonds	-		6,831,247	5.676
Municipal Bonds	9,150,518	7.590	615,036	4.226
Total Fixed Income Securities	\$ 45,058,120	7.460	\$ 52,236,968	10.936

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, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

A portion of the County's, the Board's and the District's deposits at June 30, 2011 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, Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value	S&P Rating	Fair Value	S&P Rating
U.S. Government Obligation	\$ 22,567,928	AAA	\$ 20,974,435	AAA
U.S. Government Agency Securities:	13,339,674	AAA	7,073,162	AAA
U.S. Government Agency Securities:	-	-	16,743,088	AA+
Corporate Bonds:				
Corporate Bonds	-	-	678,485	AA+
Corporate Bonds	-	-	160,850	AA
Corporate Bonds	-	-	390,076	AA-
Corporate Bonds	-	-	783,542	A+
Corporate Bonds	-	-	1,109,623	A
Corporate Bonds	-	-	1,380,891	A-
Corporate Bonds	-	-	1,302,729	BBB+
Corporate Bonds	-	-	664,109	BBB
Corporate Bonds	-	-	280,194	BBB-
Corporate Bonds	-	-	80,748	Unrated
Municipal Bonds	1,198,861	AAA	412,595	AA
Municipal Bonds	1,346,185	AA+	70,995	AA-
Municipal Bonds	3,762,743	AA	81,222	A+
Municipal Bonds	800,406	AA-	50,224	A
Municipal Bonds	2,042,323	Unrated	-	
	<u>\$ 45,058,120</u>		<u>\$ 52,236,968</u>	
Total Fixed Income Securities	<u>\$ 45,058,120</u>		<u>\$ 52,236,968</u>	

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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

B. Receivables

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

Primary Government

	<u>Major Governmental Funds</u>							
	General	Debt Service	Capital Projects Public Improvement	Nonmajor Governmental Funds	Internal Service	Enterprise Fund	Total Primary Government	Trust and Agency
Receivables:								
Taxes	\$ 111,486,391	\$ 35,629,658	\$ -	\$ -	\$ -	\$ -	\$ 147,116,049	\$ -
Accounts	9,916,072	-	119,818	7,616,736	717,867	5,366	18,375,859	7,093,056
Gross Receivables	121,402,463	35,629,658	119,818	7,616,736	717,867	5,366	165,491,908	7,093,056
Less: Allowances for Uncollectibles	(1,949,551)	(615,634)	-	-	-	-	(2,565,185)	-
Net Total Receivables	<u>\$ 119,452,912</u>	<u>\$ 35,014,024</u>	<u>\$ 119,818</u>	<u>\$ 7,616,736</u>	<u>\$ 717,867</u>	<u>\$ 5,366</u>	<u>\$ 162,926,723</u>	<u>\$ 7,093,056</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

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

<u>Component Units:</u>	Government-wide Totals		
	The Board	The District	The Authority
Receivables:			
Taxes	\$ 124,125,698	\$ -	\$ -
Accounts	49,138,600	617,542	1,074
Gross Receivables	173,264,298	617,542	1,074
Less: Allowances for Uncollectibles	(2,163,102)	-	-
Net Total Receivables	\$ 171,101,196	\$ 617,542	\$ 1,074

The General Fund has the following note receivable at June 30, 2011:

- (1) A note receivable from the Knoxville-Knox County Community Action Committee (CAC) with an initial balance of \$2,300,000 was originated during the fiscal year ended June 30, 2004. The note resulted from an arrangement between the County and CAC whereby certain proceeds from debt issued by the County were used to construct a facility on CAC's behalf. CAC agreed to reimburse the County by repaying the annual amounts of the County's related debt service requirements. The resulting note receivable is due in varying principal installments, plus interest, through 2022. As of June 30, 2011, \$1,508,000 remained outstanding.

The County's Debt Service Fund has the following notes receivable at June 30, 2011:

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

- (1) A loan receivable from the Industrial Development Board of Blount County was made for the purpose of providing financial assistance to the Board for the acquisition and development of property as a business and industrial park. The loan bears interest at 5% annually and is to be repaid from amounts to be received by the Board from land sales and other revenues related to the park. At June 30, 2011, the loan balance was \$6,020,000.

The State and Federal Grants Special Revenue Fund had \$3,671,195 of notes receivable at June 30, 2011. These note agreements are from eligible County citizens participating in various state and federal low-income housing projects. These notes are executed with a range of below market interest rates and varying repayment terms.

Advances to Other Government

During the fiscal year ended June 30, 2006, the County advanced \$2,500,000 to the Knoxville-Knox County Community Action Committee (CAC). An additional advance during the fiscal year ended June 30, 2009 for \$3,500,000 was made to CAC from Knox County. These advances were made to provide funding for operations and are to be repaid from grant monies and other funding received by CAC. During the fiscal year ended June 30, 2011, CAC paid the County \$3,500,000 towards the advances leaving a balance due to the County of \$2,500,000.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Activity in the County's and the Component Unit's capital assets for the fiscal year ended June 30, 2011, was the following:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 97,799,525	\$ 1,493,319	\$ 15,000	\$ 99,277,844
Construction in Progress	71,286,052	7,711,407	29,882,137	49,115,322
Total Capital Assets, not being depreciated	<u>169,085,577</u>	<u>9,204,726</u>	<u>29,897,137</u>	<u>148,393,166</u>
Capital Assets being depreciated:				
Buildings	197,836,207	15,625,527	1,156,838	212,304,896
Land Improvements	20,407,713	40,587	-	20,448,300
Machinery and Equipment	36,734,323	5,868,776	1,852,012	40,751,087
Intangible Assets	19,910,345	1,843,118	-	21,753,463
Infrastructure	501,425,444	12,919,829	-	514,345,273
Total Capital Assets being depreciated	<u>776,314,032</u>	<u>36,297,837</u>	<u>3,008,850</u>	<u>809,603,019</u>
Less Accumulated Depreciation for:				
Buildings	73,432,681	5,481,091	424,026	78,489,746
Land Improvements	11,184,549	940,645	-	12,125,194
Machinery and Equipment	30,703,355	2,767,466	1,762,319	31,708,502
Intangible Assets	17,739,579	1,659,648	-	19,399,227
Infrastructure	167,465,030	12,691,273	-	180,156,303
Total Accumulated Depreciation	<u>300,525,194</u>	<u>23,540,123</u>	<u>2,186,345</u>	<u>321,878,972</u>
Total Capital Assets being depreciated, net	<u>475,788,838</u>	<u>12,757,714</u>	<u>822,505</u>	<u>487,724,047</u>
Governmental Activities Capital Assets, net	<u>\$ 644,874,415</u>	<u>\$ 21,962,440</u>	<u>\$ 30,719,642</u>	<u>\$ 636,117,213</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Three Ridges Golf Course:				
Land and Construction in Progress	\$ 880	\$ -	\$ -	880
Buildings	747,515	-	-	747,515
Machinery and Equipment	438,599	16,270	-	454,869
Computer Software	25,448	-	-	25,448
Land Improvements	66,463	-	-	66,463
Less: Accumulated Depreciation	(446,315)	(130,186)	-	(576,501)
Total	\$ 832,590	\$ (113,916)	\$ -	718,674

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

Finance and Administration	\$ 1,748,182
Administration of Justice	546,275
Public Safety	2,184,922
Public Health and Welfare	1,324,036
Social and Cultural Services	3,239,590
Other General Government	1,457,913
Engineering & Public Works	13,039,205
Total Depreciation Expense - Governmental Activities	\$ 23,540,123

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - The Board:				
Capital Assets, not being depreciated:				
Land	\$ 20,222,997	\$ 1,656,250	\$ -	\$ 21,879,247
Construction in Progress	19,328,987	4,692,795	25,000	23,996,782
Total Capital Assets, not being depreciated	39,551,984	6,349,045	25,000	45,876,029
Capital Assets being depreciated:				
Buildings	428,645,785	11,986,438	-	440,632,223
Land Improvements	2,001,289	74,704	-	2,075,993
Machinery and Equipment	40,332,771	1,948,649	473,106	41,808,314
Intangible Assets	515,514	-	6,836	508,678
Total Capital Assets being depreciated	471,495,359	14,009,791	479,942	485,025,208
Less Accumulated Depreciation for:				
Buildings	160,841,672	9,097,892	-	169,939,564
Land Improvements	752,741	120,108	-	872,849
Machinery and Equipment	19,534,933	4,398,913	473,106	23,460,740
Intangible Assets	402,922	58,197	6,836	454,283
Total Accumulated Depreciation	181,532,268	13,675,110	479,942	194,727,436
Total Capital Assets being depreciated, net	289,963,091	334,681	-	290,297,772
Governmental Activities Capital Assets, net	\$ 329,515,075	\$ 6,683,726	\$ 25,000	\$ 336,173,801
Component Unit – The District:				
Capital Assets, not being depreciated:				
Land and Construction in Progress	\$ 56,089	\$ -	\$ -	\$ 56,089
Capital Assets being depreciated:				
Buildings	5,099,736	-	-	5,099,736
Machinery and Equipment	12,366,144	32,276	-	12,398,420
Intangible Assets	29,345	-	-	29,345
Leasehold Improvements	207,735	-	-	207,735
Less: Accumulated Depreciation	(12,909,887)	(430,448)	-	(13,340,335)
Total Capital Assets being depreciated	4,793,073	(398,172)	-	4,394,901
Business-type Activities Capital Assets, net	\$ 4,849,162	\$ (398,172)	\$ -	\$ 4,450,990

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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, 2011, is as follows:

Due to/from Other Funds - Primary Government:

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General	Constitutional Officers' Special Revenue Fund	\$ 225,137
	Public Improvement	6,996
	State and Federal Grants	1,228,516
	Public Library	310,616
	Solid Waste	131,884
	Hotel/Motel Tax	150,000
	Drug Control	1,235
	Engineering & Public Works	34,269
	Vehicle Service Center	72,311
	Employee Benefits	109,460
	Self Insurance	145
	Central Maintenance	4,437
	Technical Support	538
	Three Ridges Golf Course	19,304
		<u>2,294,848</u>
Public Improvement	Debt Service	224,400
	General	85,000
	Public Library	34
		<u>309,434</u>
Debt Service	General	194,207
Total Major Governmental Funds		<u>2,798,489</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants	General	297,465
	Drug Control	2,307
		<u>299,772</u>
Public Library	General	91
Solid Waste	General	<u>19,395</u>
Total Nonmajor Governmental Funds		<u>319,258</u>
Total Governmental Funds		<u>\$ 3,117,747</u>
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 83,866
	State and Federal Grants	2,029
	Public Library	1,657
	Solid Waste	14,871
	Engineering & Public Works	101,366
	Self Insurance	44
	Central Maintenance	37
		<u>203,870</u>
Mailroom Services	General	18,430
	State and Federal Grants	17
	Public Library	8
	Engineering & Public Works	203
	Employee Benefits	251
	Self Insurance	7
		<u>18,916</u>
Employee Benefits	General	57,026
	State and Federal Grants	1,713
	Engineering & Public Works	784
	Public Library	275
		<u>59,798</u>
Self Insurance Healthcare	General	<u>776,653</u>
Total Internal Service Funds		<u>\$ 1,059,237</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Due to/from Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
<u>Primary Government - Major Funds:</u>		
General	Component Unit - the Board, General Purpose School	\$ 568,169
	Component Unit - the Board, School Federal Projects	3,883
	Component Unit - the Board, School General Projects	107,650
	Component Unit - the District	19,529
		699,231
Public Improvement	Component Unit - the Board, School Construction	700,000
Total Primary Government - Major Funds		\$ 1,399,231
<u>Primary Government - Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the Board, School Federal Projects	\$ 1,503
	Component Unit - the Board, School General Projects	67
	Component Unit - the District	1,286
		2,856
Employee Benefits	Component Unit - the Board, General Purpose School	219,955
	Component Unit - the Board, School Federal Projects	38,707
	Component Unit - the Board, School General Projects	5,181
		263,843
Total Primary Government - Internal Service Funds		\$ 266,699

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Receivable Fund	Payable Fund	Amount
Component Unit - the Board, General Purpose School	Primary Government - General Primary Government - Employee Benefits	\$ 632,681 157,347 <hr/> 790,028
Component Unit - the Board, School Construction	Primary Government - General Primary Government - Public Improvement	30,413 11,478 <hr/> 41,891
Total Component Unit - the Board		<hr/> <hr/> \$ 831,919
Component Unit - the District	Primary Government - Employee Benefits	<hr/> <hr/> \$ 2,423

Advances from/to Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Primary Government -Major Fund: General	Component Unit - the District	<hr/> <hr/> \$ 3,419,250

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Due to/from Other Funds - The Board:

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose School	School Federal Projects School General Projects	\$ 9,934,506 173,430 <hr/> 10,107,936
Capital Projects - School Construction	School Federal Projects	553,325
<u>Nonmajor Special Revenue Funds:</u>		
School Federal Projects	General Purpose School School General Projects	265,838 466 <hr/> 266,304
School General Projects	General Purpose School School Federal Projects	213,884 116,359 <hr/> 330,243
Total Board of Education		<hr/> <hr/> \$ 11,257,808

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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, 2011, is as follows:

Primary Government:

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 6,246,535
	Hotel/Motel Tax	150,000
	Capital Leasing	1,000,000
		<u>7,396,535</u>
Debt Service	General	<u>194,207</u>
Total Major Governmental Funds		<u>7,590,742</u>
<u>Nonmajor Governmental Funds:</u>		
Special Revenue Funds:		
State and Federal Grants	General	249,418
Governmental Library	General	86,334
Public Library	General	<u>1,960,500</u>
Solid Waste	General	<u>55,348</u>
Total Nonmajor Governmental Funds		<u>2,351,600</u>
Total Governmental Funds		<u>\$ 9,942,342</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions (Continued)

Transfers - In	Transfers - Out	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	Engineering & Public Works	\$ 225,000
Central Maintenance	General	323,470
	Engineering & Public Works	14,239
		<u>337,709</u>
Self Insurance Healthcare	General	<u>377,178</u>
Total Internal Service Funds		<u><u>\$ 939,887</u></u>

In addition, payments of \$1,066,205 were made from the Pension Trust – Defined Benefit Funds for the County retirement Board administrative expenses.

Transfers Within Component Unit – the Board:

Transfers - In	Transfers - Out	Amount
<u>Special Revenue Funds (Nonmajor):</u>		
General Purpose School	Central Cafeteria	\$ 400,000
	School General Projects	330
		<u>400,330</u>
School General Projects	General Purpose School	139,582
	School Federal Projects	1,408,749
		<u>1,548,331</u>
School Federal Projects	General Purpose School	<u>62,712</u>
Total Board of Education		<u><u>\$ 2,011,373</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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	\$ 281,296
Primary Government - Central Maintenance	Component Unit - the District	\$ 2,326
Primary Government - Debt Service (Major Fund)	Component Unit - the Board, General Purpose School Component Unit - the Board, School Construction	\$ 7,143,383 <u>18,802,665</u>
Total Primary Government - Debt Service		<u>\$ 25,946,048</u>
Primary Government - Employee Benefits (Proprietary Fund)	Component Unit - the Board, Pension Trust - Defined Benefit	\$ 501,922
Component Unit - General Purpose School	Primary Government - General	\$ 1,182,000
Component Unit - School General Projects	Primary Government - General	\$ 2,641,874
Component Unit - School Construction	Primary Government - Public Improvement	\$ 29,004,906
Component Unit - The District	Primary Government - General	\$ 582,828

During the fiscal year, the Primary Government issued refunding bonds that refunded capital lease obligations that had been incurred by the County and by the Board. The Board's liability for capital leases was \$21,920,052 prior to the refunding. As the Primary Government has assumed the bonded debt obligation for the Board's refunded capital lease obligations, the \$21,920,052 has been reported as a payment from the Primary Government to the Board in the government-wide financial statements.

Transactions between the Board and its Component Unit:

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Component Unit - Great Schools Partnership	The Board, School General Projects	\$ 2,641,874

In addition, the Board's School General Projects Fund received payments from the Partnership for various programs totaling \$3,210,531.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Deferred/Unearned Revenues

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

	Deferred Revenue	Unearned Revenue
Primary Government - Major Funds:		
<u>General Fund:</u>		
Unearned revenue	\$ 47,413	\$ 47,413
Taxes receivable, earned in current fiscal year	6,723,915	-
Taxes receivable, applicable to subsequent fiscal year	101,450,473	101,450,473
Notes receivable, applicable to subsequent fiscal year	4,927,250	4,927,250
	113,149,051	106,425,136
 <u>Debt Service Fund:</u>		
Taxes receivable, earned in current fiscal year	2,151,773	-
Taxes receivable, applicable to subsequent fiscal year	32,422,316	32,422,316
Notes receivable, applicable to subsequent fiscal year	6,020,000	6,020,000
	40,594,089	38,442,316
Primary Government - Nonmajor Funds:		
<u>General Grants Fund:</u>		
Unexpended grant funds	4,777,113	4,777,113
 <u>Internal Service - Employee Benefits Fund:</u>		
Unearned revenue	24,573	24,573
 <u>Internal Service - Self Insurance Risk Management Fund:</u>		
Unearned revenue	2,750,000	2,750,000
 <u>Internal Service - Building Operations Fund:</u>		
Unearned revenue	7,894	7,894
 <u>Internal Service - Self Insurance Healthcare Fund:</u>		
Unearned revenue	13,230	13,230
 Total Internal Service Funds	2,795,697	2,795,697
 Total - Primary Government	\$ 161,315,950	\$ 152,440,262

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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	\$ 7,487,668	\$ -
Taxes receivable, applicable to subsequent fiscal year	112,955,166	112,955,166
	120,442,834	112,955,166
Component Unit - the Board - Nonmajor Funds		
<u>School Federal Projects:</u>		
Unexpended grant funds	22,766	22,766
<u>School General Projects:</u>		
Unexpended grant funds	1,523,021	1,523,021
<u>Central Cafeteria:</u>		
Unearned revenue	243,325	243,325
Total Component Unit - the Board	\$ 122,231,946	\$ 114,744,278

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, 2011. The future minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30	Primary Government
2012	\$ 2,400
2013	2,400
2014	2,400
2015	2,400
2016	2,400
2017-2021	12,000
2022-2023	4,800
Total	\$ 28,800

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases (Continued)

Capital Leases

The District, a component unit of the County, leased various equipment through capital leasing arrangements. The District's capital lease obligations were paid in full in FY 2011.

At the beginning of the fiscal year, the Primary Government and the Board of Education, a component unit of the County, had capital lease obligations outstanding related to energy management equipment. The lease obligations were refunded in FY 2011 from proceeds from the issuance of Refunding Bonds Series 2010C. See Note H.

H. Long-Term Liabilities

Capital Outlay Note

In June 2008 and December 2008, the County issued general obligation notes payable bearing interest at 3.5% in the amounts of \$3,263,507 and \$3,538,969, respectively, to purchase capital equipment. During the fiscal year, the outstanding balances of \$1,000,000 and \$2,000,000 were paid in full.

Bond Anticipation Note

In June 2009, the County issued a bond anticipation note totaling \$30,000,000, plus an issuance premium of \$332,400. The proceeds were used for capital purposes. The note bore interest at 2.5%, payable semiannually, with a single payment of principal due on June 1, 2011. During the fiscal year, the outstanding principal, plus accrued interest, was refunded from the proceeds of the issuance of Refunding Bonds Series 2010B.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

General Obligation and Public Improvement Bonds

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

	Interest Rate	Last Maturity Date	Principal Balance
Governmental Activities:			
General Obligation - Refunding Series 2001	4.50-5.50%	4/1/2012	\$ 594,887
General Obligation Public Improvement, Series 2001	5.00-5.50%	5/1/2012	2,515,625
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	24,297,796
General Obligation - Refunding Bonds, Series 2003	4.00-5.00%	4/1/2014	17,105,926
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	33,884,633
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	10,401,589
General Obligation - Series 2004	Variable Rate Swap to 4.00%	6/1/2029	44,160,000
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	27,986,863
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	46,428,573
General Obligation - Series 2007	Variable Rate (.1% at 6/30/11)	6/1/2034	50,450,000
General Obligation - Series 2007 (Taxable)	4.75-5.75%	6/1/2027	54,575,000
General Obligation - Series 2008	Variable Rate (.96% at 6/30/11)	6/1/2029	24,388,000
General Obligation - Series 2009	3.00-4.00%	6/1/2018	4,040,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	998,437
General Obligation - Refunding Bonds, Series 2010B	2.00-5.00%	4/1/2035	30,115,000
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	10,840,000
General Obligation - Series 2010D (Federally Taxable Build America Bonds)	1.125-6.00% (1)	6/1/2035	17,000,000
Total Bonded Debt to be repaid by Governmental Activities			<u>404,761,105</u>
The Board:			
Qualified Zone Academy Bonds	0.00%	11/1/2011	215,467
General Obligation - Refunding Series 2001	4.50-5.50%	4/1/2012	1,355,114
General Obligation Public Improvement, Series 2001	5.00-5.50%	5/1/2012	1,509,375
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	40,882,204
General Obligation - Refunding Series 2003	4.00-5.00%	4/1/2014	15,809,074
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	30,890,367
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	14,663,411
General Obligation - Series 2004	Variable Rate Swap to 4.00%	6/1/2029	23,040,000
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	16,723,137
General Obligation - Refunding Series 2005B	3.65-5.00%	5/1/2018	8,105,000
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	25,071,427
General Obligation - Series 2007	Variable Rate (.1% at 6/30/11)	6/1/2034	18,550,000
General Obligation - Series 2008	Variable Rate (.96% at 6/30/11)	6/1/2029	13,132,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	14,976,563
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	20,925,000
General Obligation - Qualified School Construction Bonds	.0% (2)	7/1/2027	29,236,000
Total Bonded Debt to be repaid by the Board			<u>286,425,363</u>
Total Bonded Debt			<u>\$ 691,186,468</u>

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

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

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

Fiscal Year Ending June 30,	Primary Government Debt			To be Repaid By:		
	Principal	Interest	Total	County	Board	Total
2012	\$ 35,615,702	\$ 32,759,119	\$ 68,374,821	\$ 36,636,097	\$ 31,738,724	\$ 68,374,821
2013	37,699,281	31,155,711	68,854,992	36,776,712	32,078,280	68,854,992
2014	38,849,281	29,410,477	68,259,758	36,814,191	31,445,567	68,259,758
2015	40,989,281	27,593,985	68,583,266	34,852,664	33,730,602	68,583,266
2016	41,264,281	25,611,783	66,876,064	34,954,655	31,921,409	66,876,064
2017 - 2021	168,461,405	102,722,569	271,183,974	157,079,806	114,104,168	271,183,974
2022 - 2026	125,496,405	71,190,869	196,687,274	127,855,940	68,831,334	196,687,274
2027 - 2031	123,410,832	37,425,413	160,836,245	108,665,883	52,170,362	160,836,245
2032 - 2035	79,400,000	8,695,163	88,095,163	60,963,879	27,131,284	88,095,163
Total	\$ 691,186,468	\$ 366,565,089	\$ 1,057,751,557	\$ 634,599,827	\$ 423,151,730	\$ 1,057,751,557

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$229,838,722 and \$136,726,367 respectively, for a total of \$366,565,089.

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, 2011:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
Primary Government					
Bonded Debt	\$ 613,970,935	\$ 108,911,000	\$ (31,695,467)	\$ 691,186,468	\$ 35,615,702
Unamortized Bond Premium	9,536,360	2,458,913	(1,769,210)	10,226,063	1,738,119
Unamortized Amount on Refunding	(6,312,981)	-	997,354	(5,315,627)	(961,188)
Notes Payable	33,000,000	-	(33,000,000)	-	-
Capital Lease	11,651,171	-	(11,651,171)	-	-
Compensated Absences	5,050,523	4,716,024	(4,634,965)	5,131,582	4,618,423
Total - Primary Government	\$ 666,896,008	\$ 116,085,937	\$ (81,753,459)	\$ 701,228,486	\$ 41,011,056
Component Unit - the Board					
Capital Leases	\$ 22,463,907	\$ -	\$ (22,463,907)	\$ -	\$ -
Compensated Absences	2,431,988	2,674,457	(2,781,059)	2,325,386	2,092,847
Total Component Unit - the Board	\$ 24,895,895	\$ 2,674,457	\$ (25,244,966)	\$ 2,325,386	\$ 2,092,847
Component Unit - the District					
Capital Lease	\$ 660,000	\$ -	\$ (660,000)	\$ -	\$ -
Compensated Absences	238,247	294,518	(267,311)	265,454	238,909
Total - the District	\$ 898,247	\$ 294,518	\$ (927,311)	\$ 265,454	\$ 238,909

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Current Refunding Issue

The County issued \$30,115,000 fixed-rate general obligation bonds, Series 2010B, to provide funds for the current refunding of the County's 2009 bond anticipation note.

In addition, the County issued \$32,560,000 fixed-rate general obligation bonds, Series 2010C, to provide funds for the current refunding of the capital lease obligations that had been incurred for the acquisition of energy management equipment.

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, 2011, \$45,625,000 of bonds outstanding is considered defeased.

Interest Rate Swaps

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

Objective of the interest rate swap. In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$72 million Series C-1-A variable-rate bonds. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate. The swap agreement has been determined to be an effective hedge, and is therefore accounted for as a hedging derivative instrument.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$72 million and the associated variable-rate bond has a \$72 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series C-1-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2011, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-1.24%
Net interest rate swap payments		2.71%
Variable-rate bond coupon payments		0.10%
Synthetic interest rate on bonds		2.81%

Fair value. As of June 30, 2011, the swap had a negative fair value of (\$6,812,054). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2011, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2011, with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch, respectively.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

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

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

Swap payments and associated debt. As of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2012	\$ 2,075,000	\$ 64,775	\$ 1,754,050	\$	3,893,825
2013	2,200,000	62,700	1,697,861		3,960,561
2014	2,325,000	60,500	1,638,287		4,023,787
2015	2,475,000	58,175	1,575,328		4,108,503
2016	2,625,000	55,700	1,508,307		4,189,007
2017-2021	15,675,000	235,875	6,387,287		22,298,162
2022-2026	21,225,000	147,125	3,984,016		25,356,141
2027-2029	16,175,000	33,000	893,611		17,101,611
	<u>\$ 64,775,000</u>	<u>\$ 717,850</u>	<u>\$ 19,438,747</u>	<u>\$</u>	<u>84,931,597</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, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Objective of the interest rate swap. In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$70 million Series VI-A-1 variable-rate bonds. The intention of the swap was to effectively change the County’s variable interest rate on the bonds to a synthetic fixed rate. The swap agreement has been determined to be an ineffective hedge, and is therefore accounted for as an investment derivative instrument.

Terms. Under the swap, the Authority pays a fixed payment of 3.745 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$70 million and the associated variable-rate bond has a \$70 million original principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-A-1 Bonds. The bonds’ variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the “SIFMA”). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2011, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.40%
Variable payment to Authority	% of LIBOR	-1.16%
Net interest rate swap payments		2.24%
Variable-rate bond coupon payments		0.10%
Synthetic interest rate on bonds		2.34%

Fair value. As of June 30, 2011, the swap had a negative fair value of (\$4,993,231). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2011, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap’s fair value. The swap counterparty, Morgan Keegan Financial Products (“MKFP”) was rated “A+” by Standard and Poor’s as of June 30, 2011, with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody’s, Standard & Poor’s and Fitch, respectively.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

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

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

Swap payments and associated debt. As of June 30, 2011, 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
2012	\$ 800,000	\$ 67,200	\$ 1,504,736	\$ 2,371,936
2013	900,000	66,400	1,486,822	2,453,222
2014	1,000,000	65,500	1,466,669	2,532,169
2015	2,000,000	64,500	1,444,278	3,508,778
2016	3,000,000	62,500	1,399,494	4,461,994
2017-2021	18,040,000	263,490	5,900,042	24,203,532
2022-2026	23,840,000	162,220	3,632,414	27,634,634
2027-2029	17,620,000	35,830	802,302	18,458,132
	<u>\$ 67,200,000</u>	<u>\$ 787,640</u>	<u>\$ 17,636,757</u>	<u>\$ 85,624,397</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (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. The swap agreement has been determined to be an effective hedge, and is therefore accounted for as a hedging derivative instrument.

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.89 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$77 million and the associated variable-rate bond has a \$77 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series D-3-A Bonds. The bonds’ variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the “SIFMA”). The bonds and the related swap agreement mature on June 1, 2034. As of June 30, 2011, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.89%
Variable payment to Authority	% of LIBOR	-1.24%
Net interest rate swap payments		2.65%
Variable-rate bond coupon payments		0.96%
Synthetic interest rate on bonds		3.61%

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Fair value. As of June 30, 2011, the swap had a negative fair value of (\$8,432,341). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2011, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2011, with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch, respectively.

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Liabilities (Continued)

Swap payments and associated debt. As of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds			Total
	Principal	Interest	Net Interest Rate Swap Payment	
2012	\$ 1,475,000	\$ 686,400	\$ 1,896,117	\$ 4,057,517
2013	1,600,000	672,240	1,857,001	4,129,241
2014	1,725,000	656,880	1,814,571	4,196,451
2015	1,850,000	640,320	1,768,825	4,259,145
2016	2,000,000	622,560	1,719,765	4,342,325
2017-2021	11,850,000	2,801,760	7,739,605	22,391,365
2022-2026	5,375,000	2,347,200	6,483,925	14,206,125
2027-2031	19,475,000	2,010,720	5,554,430	27,040,150
2032-2034	26,150,000	508,800	1,405,513	28,064,313
	<u>\$ 71,500,000</u>	<u>\$ 10,946,880</u>	<u>\$ 30,239,752</u>	<u>\$ 112,686,632</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity

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

	<u>Major Funds</u>				
	<u>General</u>	<u>Constitutional Officers</u>	<u>Capital Projects Public Improvement</u>	<u>Debt Service</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventories	\$ 110,063	\$ -	\$ -	\$ -	\$ 110,063
Prepays	104,294	-	-	130,741	235,035
Long-term Receivables	-	-	-	5,725,000	5,725,000
Investment in Joint Venture	5,666,092	-	-	-	5,666,092
Restricted for:					
Finance and Administration	340,516	1,300,129	-	-	1,640,645
Administration of Justice	731,552	1,316,156	-	-	2,047,708
Public Safety	71,838	-	-	-	71,838
Public Health & Welfare	708,041	-	-	-	708,041
Social and Cultural	360,802	-	-	-	360,802
Debt Service	-	-	-	185,410	185,410
Capital Projects	-	-	14,214,533	-	14,214,533
Committed to:					
Social and Cultural	9,294	-	-	-	9,294
Debt Service	-	-	-	16,110,331	16,110,331
Assigned to:					
Finance and Administration	350,980	-	-	-	350,980
Administration of Justice	36,281	-	-	-	36,281
Public Safety	43,804	-	-	-	43,804
Public Health & Welfare	350,229	-	-	-	350,229
Social and Cultural	9,100	-	-	-	9,100
Other General Government	67,573	-	-	-	67,573
Capital Projects	100,000	-	-	-	100,000
Unassigned:	43,521,876	-	-	-	43,521,876
Total fund balances	<u>\$ 52,582,335</u>	<u>\$ 2,616,285</u>	<u>\$ 14,214,533</u>	<u>\$ 22,151,482</u>	<u>\$ 91,564,635</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity (Continued)

Nonmajor Governmental Funds

	<u>State and Federal Grants</u>	<u>Governmental Library</u>	<u>Public Library</u>	<u>Solid Waste</u>	<u>Hotel/Motel Tax</u>	<u>Drug Control</u>	<u>Engineering & Public Works</u>	<u>ADA Construction</u>	<u>Total</u>
Fund balances:									
Nonspendable:									
Inventories	\$ 15,511	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,511
Prepays	39,340	-	-	-	-	-	-	-	39,340
Restricted for:									
Administration of Justice	10,175	-	-	-	-	-	-	-	10,175
Public Safety	2,973	-	-	-	-	1,353,838	-	-	1,356,811
Public Health & Welfare	1,345,615	-	-	-	-	-	-	-	1,345,615
Social and Cultural	107,280	-	570,768	-	544,884	-	-	-	1,222,932
Other General Government	16,367	-	-	-	-	-	-	-	16,367
Committed to:									
Public Health & Welfare	248,397	-	-	1,201,302	-	-	-	-	1,449,699
Social and Cultural	-	55,826	-	-	-	-	-	-	55,826
Engineering & Public Works	-	-	-	-	-	-	3,142,250	-	3,142,250
Capital Projects	-	-	-	-	-	-	-	1,375,216	1,375,216
Total fund balances	\$ 1,785,658	\$ 55,826	\$ 570,768	\$ 1,201,302	\$ 544,884	\$ 1,353,838	\$ 3,142,250	\$ 1,375,216	\$ 10,029,742

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Fund Equity (Continued)

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

	<u>Major Funds</u>		<u>Nonmajor Special Revenue Funds</u>			<u>Total</u>
	<u>General Purpose Schools</u>	<u>School Construction Capital Projects</u>	<u>School Federal Projects</u>	<u>School General Projects</u>	<u>Central Cafeteria</u>	
Fund balances:						
Nonspendable:						
Inventories	\$ 789,181	\$ -	\$ -	\$ -	\$ -	\$ 789,181
Prepays	1,149,471	-	-	-	-	1,149,471
Restricted for:						
Education	-	-	12,378	-	-	12,378
Capital Projects	-	26,082,535	-	-	-	26,082,535
Committed to:						
Education	2,940,000	-	-	357,074	7,025,607	10,322,681
Debt Service	-	-	-	-	-	-
Capital Projects	-	4,755,344	-	-	-	4,755,344
Assigned to:						
Education	2,179,068	-	-	-	-	2,179,068
Unassigned:	27,141,440	-	-	-	-	27,141,440
 Total fund balances	<u>\$ 34,199,160</u>	<u>\$ 30,837,879</u>	<u>\$ 12,378</u>	<u>\$ 357,074</u>	<u>\$ 7,025,607</u>	<u>\$ 72,432,098</u>

J. Property Taxes

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Property Taxes (Continued)

Taxes were levied at a rate of \$2.36 per \$100 of assessed values. Tax collections of \$229,121,578 for fiscal year 2011 were approximately 95 percent of the total tax levy.

The 2011 fiscal year property tax rate of \$2.36 was divided between the County and the Board as follows:

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

The 2012 fiscal year property tax rate of \$2.36 is divided as follows:

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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 2011 fiscal year, the joint venture received 92 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$355,284 for the year ended June 30, 2011. 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 2011 fiscal year, the joint venture received 62 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, 2011

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, 2011, the County appropriated operating subsidies of \$1,352,352 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	\$	459,174
Management Fee		150,000
Total Revenues		609,174
Total Expenses		(609,063)
Net Income	\$	111

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, 2011

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Financing

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

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

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

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

	Self Insurance Healthcare Fund - Medical Claims		Self Insurance Fund - General Liability, and Workers' Compensation	
	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2010
Unpaid Claims - Beginning Balance	\$ 1,828,825	\$ 1,587,442	\$ 4,571,407	\$ 5,445,226
Incurred Claims (Including IBNR's)	22,898,253	22,099,432	2,710,222	799,480
Claim Payments	(22,551,497)	(21,858,049)	(1,991,197)	(1,673,299)
Unpaid Claims - Ending Balance	<u>\$ 2,175,581</u>	<u>\$ 1,828,825</u>	<u>\$ 5,290,432</u>	<u>\$ 4,571,407</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Financing (Continued)

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

D. Other Post Employment Benefits

Plan Description

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

Funding Policies

The contribution requirements of the County healthcare plan members and the County are established in the annual budget approved by County Commission. The required contribution is based on the annual premiums for the healthcare plan. The participant pays a portion of the premium cost and the County pays the remaining premiums. For health insurance, the retiree contributes 100% of all premium payments. For the fiscal year ended June 30, 2011, the retirees contributed \$338,096 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, 2011

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 46.49% of premium payments for the combined participants, the share of claims related to retirees represents a higher percentage of the total claims. Accordingly, contributions reflected in the OPEB calculations have been adjusted to reflect that a portion of contributions for active employees are subsidizing the retiree claims.

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

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

Annual Required Contribution	\$	265,415
Interest on net OPEB Obligation		14,687
Adjustment to annual required contribution		(16,300)
Annual OPEB Cost		263,802
Contribution made		(122,664)
Increase (decrease) in net OPEB obligation		141,138
Net OPEB obligation July 1, 2010		367,156
Net OPEB obligation June 30, 2011	\$	508,294

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 281,467	53.90%	\$ 129,744
June 30, 2010	252,381	41.80%	367,156
June 30, 2011	263,802	46.49%	508,294

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the County healthcare plan was 0% funded. The actuarial accrued liability for benefits for June 30, 2011 was \$2,569,789, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,569,789.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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, 2009 valuation, the projected unit credit cost method was used. The actuarial assumptions included a funded interest rate of 4.0% and a participation rate of 12%. Annual health care costs are assumed to increase 9% in the first year of valuation. Future annual increases are assumed to grade uniformly to 5% by the year 2017. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2010 was 26 years.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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, 2011, the amount of any liabilities that could result from such audits cannot be determined. However, the County believes that any such amounts would not have a material adverse effect on the County's financial position.

The County and the Board utilize encumbrance accounting in their governmental funds. Encumbrances outstanding at June 30, 2011 that have been reappropriated in the subsequent year are as follows:

Primary Government:

Major Funds:	
General	\$ 446,679
Capital Projects Public Improvement	7,524,379
Nonmajor Governmental Funds	844,159
Total Primary Government	<u>\$ 8,815,217</u>

Componet Unit - the Board:

Major Funds:	
General Purpose School	\$ 324,668
School Construction Capital Projects	4,520,405
Nonmajor Governmental Funds	697,229
Total Component Unit - the Board	<u>\$ 5,542,302</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

The County and the Board have several outstanding construction projects as of June 30, 2011. The County also has a five-year Capital Improvement Plan which addresses major capital needs for the County and the Board. Although the Capital Improvement Plan does not represent legal appropriations or contractual commitments, it does represent priorities as determined by the County and the Board.

The following represents capital projects funds spent to date, current contractual obligations, and future plans as presented in the Capital Improvement Plan for the five fiscal years beginning July 1, 2011 and ending June 30, 2015:

	Spent to Date	Contractual Commitment Remaining at June 30, 2010	Capital Improvement Plan July 1, 2012 - June 30, 2016
<u>Primary Government:</u>			
Ballcamp Road Improvements	\$ 16,683,930	\$ -	\$ -
Energy Management Project - County	14,003,824	-	-
Dry Gap Pike	5,891,653	-	-
Stormwater Management Plan	6,554,976	-	-
Outlet Mall Drive/Synder Road	326,636	3,133,412	-
Parkside Drive Extension	9,169,021	51,315	-
Dutchtown Road Functional Planning	9,323,078	3,879,960	-
Other Projects	96,590,353	459,692	6,936,235
Total - Primary Government	\$ 158,543,471	\$ 7,524,379	\$ 6,936,235
<u>Component Unit - the Board:</u>			
Physical Plant Upgrades	\$ 9,924,860	\$ 4,220,066	\$ 3,700,000
Gibbs Elementary School	15,368,694	36,026	-
Cedar Bluff - K-3	20,030,831	-	-
Elementary Growth	1,198,659	-	-
New Southwest Elementary School	-	-	17,055,000
Other Projects	128,941,070	264,313	7,345,000
Total - the Board	\$ 175,464,114	\$ 4,520,405	\$ 28,100,000

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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, 2011

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, 2011. 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, 2011

NOTE IV. OTHER INFORMATION (Continued)

G. Constitutional Officers (Continued)

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

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds
Constitutional Officers						
<u>Special Revenue Fund:</u>						
Revenues	\$ 7,670,382	\$ 5,111,206	\$ 1,581,552	\$ 3,555,139	\$ 1,430,411	\$ 2,369,676
Expenditures	(2,866,829)	(3,839,347)	(1,532,775)	(3,829,546)	(1,231,240)	(1,942,847)
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,803,553	1,271,859	48,777	(274,407)	199,171	426,829
Fees Remitted to County General Fund	(5,034,654)	(480,388)	-	-	(288,980)	(442,513)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Fees Remitted	\$ (231,101)	\$ 791,471	\$ 48,777	\$ (274,407)	\$ (89,809)	\$ (15,684)
Fees Remitted to County General Fund	\$ 5,034,654	\$ 480,388	-	-	\$ 288,980	\$ 442,513
Expenditures:						
Personal Services/ Employee Benefits	-	-	-	-	-	(5,726)
Contracted Services	(223,413)	(490,778)	(113,196)	(198,109)	(91,514)	(375,609)
Supplies and Materials	(30,569)	(100,787)	(20,008)	(83,792)	(21,942)	(18,975)
Capital Outlay	-	(23,724)	-	-	-	-
Other Charges	(108,861)	(189,081)	(92,320)	(320,863)	(197,413)	(134,947)
Total General Fund Expenditures	(362,843)	(804,370)	(225,524)	(602,764)	(310,869)	(535,257)
Excess (Deficiency) of Fees Remitted Over (Under) General Fund Expenditures	\$ 4,671,811	\$ (323,982)	\$ (225,524)	\$ (602,764)	\$ (21,889)	\$ (92,744)

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE IV. OTHER INFORMATION (Continued)

H. Accounting Pronouncements

The County adopted GASB Statement No. 59, *Financial Instruments Omnibus*, required for periods beginning after June 15, 2010, in fiscal 2011. This Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The adoption of this Statement did not have a material effect on the County's financial condition and results of operations.

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

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

The County plans to adopt GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, required for fiscal periods beginning after December 15, 2011, in fiscal 2013. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE IV. OTHER INFORMATION (Continued)

H. Accounting Pronouncements (Continued)

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

The County plans to adopt GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions--an amendment of GASB Statement No. 53*, required for fiscal periods beginning after June 15, 2011, in fiscal 2012. This Statement sets forth criteria that establish when an effective hedging relationship continues and hedge accounting should continue to be applied after the replacement of a swap counterparty or a swap counterparty's credit support provider. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE V: EMPLOYEE RETIREMENT PLANS

A. General Information

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Contribution Plans

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

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

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

At June 30, 2011, there were 5,766 active plan members. During the year, the employer and member contributions (prior to forfeitures) amounted to \$7,800,115 and \$7,800,115 respectively.

Effective July 1, 2007, the Asset Accumulation Program incorporated both a 401(a) Plan and a 457(b) Plan in the Defined Contribution Plan for Knox County participants and classified Board participants. The Knox County Voluntary 457 Plan incorporates voluntary pre-tax contributions by the participant with an employer match based on length of service with the County and/or Board. The employer will match:

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Contribution Plans (Continued)

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

As of June 30, 2011, there were 935 Plan members. During the year, member contributions (prior to forfeitures) amounted to \$1,572,422 and the employer contributed \$1,473,935.

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, 2011

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Contribution Plans (Continued)

- (3) Retirees are eligible for an additional distribution of a specific amount approved by the Board annually to help defer the retiree’s medical costs. The history of this distribution is as follows:

Calendar Year 1999	\$600
Calendar Year 2000	\$600
Calendar Year 2001	\$840
Calendar Year 2002	\$420
Calendar Year 2003	\$120
Calendar Year 2004	\$0
Calendar Year 2005	\$120
Calendar Year 2006	\$120
Calendar Year 2007	\$120
Calendar Year 2008	\$120
Calendar Year 2009	\$120
Calendar Year 2010	\$120
Calendar Year 2011	\$120

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

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

At June 30, 2011, the Medical Retirement Plan had 2,065 members and 755 of them contributed funds to the plan. During the year employer and member contributions amounted to \$61,769 and \$254,414, respectively.

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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 benefits, and death benefits to the Plan members and their beneficiaries.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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, 2011 was as follows:

Description	County DB Plan	Uniformed Officers' DB Plan	Teachers' DB Plan
Actives Contributing	143	722	29
Actives Not Contributing, DC Plan	4,355	-	-
Retirees, Beneficiaries, and Disableds	191	46	443
Retirees, DC Plan	1,606	-	-
Inactives with Contribution Accounts	268	9	10
Inactives, DC Plan	335	-	-
Total Participants	6,898	777	482

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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, 2011

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

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

Funding Policy

In the *County DB Plan*, plan members are required to make contributions at the rate of 5.0% of earnable compensation. The County, however, is required to make contributions only to the extent necessary to maintain the funded status of the plan as actuarially determined. The employer contribution rate for the year ending June 30, 2011 was 39.0%.

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 127.17% of annual covered payroll for the year ending June 30, 2011.

In the *Uniform Officers Pension Plan*, participants contribute 6% of earnable compensation until they have 30 years of credited service with the UOPP Plan. The participant makes no contribution if he or she has 30 plus years of service. The County is required to make contributions to the extent necessary to achieve the funding status of the plan as actuarially determined. The employer contribution rate was 15.06% of annual covered payroll for the year ending June 30, 2011.

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, 2011 was 9.05% of annual covered payroll.

The employer contribution requirement for Knox County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2011, 2010 and 2009 were \$19,981,105, \$14,055,635, \$13,901,667, 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, 2011

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

Knox County Mayor and Officials are required to contribute at an actuarially determined rate; the rate for the County for the fiscal year ending June 30, 2011 was 10.76% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Knox County Mayor and Officials is established and may be amended by the TCRS Board of Trustees. The annual required contributions for the current year were determined as part of actuarial valuations using the following significant assumptions:

	Primary Government		Component Unit - The Board	
	County DB Plan	Uniformed Officers DB Plan	TCRS	Teachers' DB Plan
Actuarial Valuation Date	January 1, 2011	January 1, 2011	July 1, 2009	January 1, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Frozen Entry Age	Entry Age Normal
Actuarial Valuation of Assets	Smoothed Market	Smoothed Market	Smoothed Market	Smoothed Market
	Value Over 5 Years	Value Over 5 Years	Value Over 10 Years	Value Over 5 Years
Inflation Rate	3.00%	3.00%	3.50%	3.00%
Investment Return	7.50%	7.50%	7.50%	7.50%
Projected Salary Increases	3.50%	3.50%	4.75%	3.00%
Post Retirement Increases				
(Cost of Living Adjustments)	3.00%	3.00%	2.50%	3.00%

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

In the TCRS, the unfunded actuarial liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 20 years.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2011

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		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
NPO: Net Pension									
Obligation (Asset),									
Beginning of Year*	\$ (3,966,626)	\$ (3,748,306)	\$ (3,879,482)	\$ (603,049)	\$ (299,792)	\$ -	\$ 3,193,028	\$ 3,220,628	\$ 3,299,910
Annual Pension Cost:									
Annual Required									
Contribution (ARC)	1,218,164	1,877,420	98,387	4,094,421	4,263,867	2,525,395	1,217,506	1,898,484	198,608
Interest on									
NPO (Asset)	(297,497)	(281,123)	(290,961)	(45,229)	(22,484)	-	239,477	241,547	247,493
Adjustments to									
ARC**	331,022	312,803	323,750	50,326	25,018	-	(266,464)	(268,767)	(275,383)
Total Annual Pension Cost	1,251,689	1,909,100	131,176	4,099,518	4,266,401	2,525,395	1,190,519	1,871,264	170,718
Contributions Made	1,218,164	2,127,420	-	4,297,664	4,569,658	2,825,187	1,217,506	1,898,864	250,000
Increase (Decrease)									
in NPO (Asset)	33,525	(218,320)	131,176	(198,146)	(303,257)	(299,792)	(26,987)	(27,600)	(79,282)
NPO (Asset),									
End of Year	\$ (3,933,101)	\$ (3,966,626)	\$ (3,748,306)	\$ (801,195)	\$ (603,049)	\$ (299,792)	\$ 3,166,041	\$ 3,193,028	\$ 3,220,628
Amortization Period									
(in years)	25	25	25	25	25	25	25	25	25
Interest Rate (per annum)	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

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

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

Trend Information (TCRS)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 81,837	100.00%	\$ -
June 30, 2010	\$ 78,009	100.00%	\$ -
June 30, 2009	\$ 49,523	100.00%	\$ -

Required Supplementary Information Section



KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2011

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - EAN (prior to 1/1/09 Aggregate) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
County DB Plan:						
1/1/1997	\$ 80,067,931	\$ 80,067,931	\$ -	100.00%	\$ 18,757,024	0.00%
1/1/1998	89,622,330	89,622,330	-	100.00%	16,839,606	0.00%
1/1/1999	89,289,817	89,289,817	-	100.00%	11,894,535	0.00%
1/1/2000	90,400,104	90,400,104	-	100.00%	10,582,373	0.00%
1/1/2001	90,876,819	90,876,819	-	100.00%	10,292,951	0.00%
1/1/2002	90,458,876	90,458,876	-	100.00%	9,245,646	0.00%
1/1/2003	84,553,434	84,553,434	-	100.00%	8,081,941	0.00%
1/1/2004	81,996,895	81,996,895	-	100.00%	7,552,549	0.00%
1/1/2005	79,398,895	79,398,895	-	100.00%	6,799,378	0.00%
1/1/2006	78,756,498	78,756,498	-	100.00%	6,141,456	0.00%
1/1/2007	82,094,299	82,094,299	-	100.00%	5,510,340	0.00%
1/1/2008	79,179,398	79,179,398	-	100.00%	5,112,493	0.00%
1/1/2009	56,512,743	75,435,555	18,922,812	74.92%	5,310,881	356.30%
1/1/2010	61,231,126	75,999,563	14,768,437	80.57%	4,637,314	318.47%
1/1/2011	60,419,535	75,562,269	15,142,734	79.96%	3,835,987	394.75%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - EAN (prior to 1/1/05 Aggregate) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Teachers' DB Plan:						
1/1/1997	\$ 31,532,498	\$ 31,532,498	\$ -	100.00%	\$ 16,518,534	0.00%
1/1/1998	55,425,760	55,425,760	-	100.00%	16,280,062	0.00%
1/1/1999	62,622,721	62,622,721	-	100.00%	15,714,131	0.00%
1/1/2000	70,243,735	70,243,735	-	100.00%	14,392,249	0.00%
1/1/2001	69,634,862	69,634,862	-	100.00%	14,009,264	0.00%
1/1/2002	72,917,044	72,917,044	-	100.00%	13,254,219	0.00%
1/1/2003	71,458,839	71,458,839	-	100.00%	12,286,006	0.00%
1/1/2004	73,472,465	73,472,465	-	100.00%	11,014,729	0.00%
1/1/2005	74,889,828	82,120,286	7,230,458	91.20%	7,595,733	95.19%
1/1/2006	75,174,360	83,066,476	7,892,116	90.50%	6,274,664	125.78%
1/1/2007	84,154,462	84,362,290	207,828	99.75%	5,236,764	3.97%
1/1/2008	83,327,598	84,657,462	1,329,864	98.43%	4,102,017	32.42%
1/1/2009	61,496,011	83,991,358	22,495,347	73.22%	2,018,191	1114.63%
1/1/2010	69,493,440	79,131,091	9,637,651	87.82%	1,050,650	917.30%
1/1/2011	70,428,532	78,267,707	7,839,175	89.98%	823,283	952.18%

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2011

Schedules of Funding Progress (Continued)

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

1/1/2008	\$ 97,974,663	\$ 104,812,621	\$ 6,837,958	93.48%	\$ 24,238,059	28.21%
1/1/2009	85,035,207	115,217,224	30,182,017	73.80%	25,671,228	117.57%
1/1/2010	103,280,780	128,135,474	24,854,694	80.60%	27,198,799	91.38%
1/1/2011	108,614,901	136,916,313	28,301,412	79.33%	27,274,742	103.76%

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

TCRS (Amounts Expressed in Thousands):

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

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

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

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2011

Schedules of Employer Contributions
(Last Ten Fiscal Years)

Year Ended June 30,	County DB Plan			Uniformed Officers' DB Plan			Teachers' DB Plan		
	Annual Required Contribution	Actual Contribution	Percentage Contributed	Annual Required Contribution	Actual Contribution	Percentage Contributed	Annual Required Contribution	Actual Contribution	Percentage Contributed
1999	\$ -	\$ -	N/A	\$ -	\$ -	N/A	\$ 773,683	\$ 778,642	100.64%
2000	-	-	N/A	-	-	N/A	357,275	343,534	96.15%
2001	-	-	N/A	-	-	N/A	-	400,000	N/A
2002	-	-	N/A	-	-	N/A	344,411	600,000	174.21%
2003	-	-	N/A	-	-	N/A	412,445	600,000	145.47%
2004	-	-	N/A	-	-	N/A	784,838	784,838	100.00%
2005	-	-	N/A	-	-	N/A	881,447	881,447	100.00%
2006	-	-	N/A	-	-	N/A	739,370	739,370	100.00%
2007	-	-	N/A	-	-	N/A	771,772	771,772	100.00%
2008	-	100,000	N/A	1,823,530	1,823,530	100.00%	135,786	135,786	100.00%
2009	98,387	-	0.00%	2,525,395	2,825,187	111.87%	198,608	250,000	125.88%
2010	1,877,420	2,127,420	113.32%	4,263,867	4,569,658	107.17%	1,898,484	1,898,864	100.02%
2011	1,218,164	1,218,164	100.00%	4,094,421	4,297,664	104.96%	1,217,506	1,217,506	100.00%

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, 2011**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Local Taxes	\$ 129,213,788	\$ 117,282,000	\$ 121,594,774	\$ 4,312,774
Licenses and Permits	3,299,000	3,305,000	3,342,613	37,613
Fines, Forfeitures and Penalties	2,562,100	2,617,551	1,861,142	(756,409)
Charges for Current Services	4,600,000	4,621,750	4,418,626	(203,124)
Other Local Revenues	6,211,081	6,222,576	5,843,758	(378,818)
State of Tennessee	7,213,380	7,396,772	9,589,371	2,192,599
Federal Government	1,100,000	1,100,000	702,981	(397,019)
Other Governments and Citizen Groups	212,988	269,928	438,135	168,207
Payments from Component Units	281,597	281,597	281,296	(301)
Increase in Equity Interest in Joint Venture	-	-	349,085	349,085
Total Revenues	<u>154,693,934</u>	<u>143,097,174</u>	<u>148,421,781</u>	<u>5,324,607</u>
Expenditures				
Current:				
Finance and Administration	25,604,955	26,144,163	24,726,600	1,417,563
Finance and Administration - Payments to Component Unit	3,823,874	3,823,874	3,823,874	-
Administration of Justice	17,379,547	17,415,327	16,949,427	465,900
Public Safety	67,212,655	68,712,751	68,452,589	260,162
Public Safety - Payments to Component Unit	326,200	326,200	326,200	-
Public Health and Welfare	23,412,724	23,417,624	21,489,850	1,927,774
Public Health and Welfare - Payments to Component Unit	256,628	256,628	256,628	-
Social and Cultural Services	4,820,081	4,843,760	4,761,659	82,101
Agricultural and Natural Resources	443,964	447,358	380,453	66,905
Other General Government	8,142,361	11,321,377	10,620,159	701,218
Total Expenditures	<u>151,422,989</u>	<u>156,709,062</u>	<u>151,787,439</u>	<u>4,921,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,270,945</u>	<u>(13,611,888)</u>	<u>(3,365,658)</u>	<u>10,246,230</u>
Other Financing Sources (Uses)				
Note Proceeds	576,000	576,000	-	(576,000)
Transfers from Other Funds	7,991,140	7,991,140	7,396,535	(594,605)
Transfers to Other Funds	(15,293,457)	(3,246,455)	(3,246,455)	-
Total Other Financing Uses	<u>(6,726,317)</u>	<u>5,320,685</u>	<u>4,150,080</u>	<u>(1,170,605)</u>
Net Change in Fund Balances	<u>\$ (3,455,372)</u>	<u>\$ (8,291,203)</u>	784,422	<u>\$ 9,075,625</u>
Fund Balances, July 1			<u>51,797,913</u>	
Fund Balances, June 30			<u>\$ 52,582,335</u>	

See accompanying notes to Required Supplementary Information.

KNOX COUNTY, TENNESSEE
Note to Required Supplementary Information
June 30, 2011

Budgetary Reporting

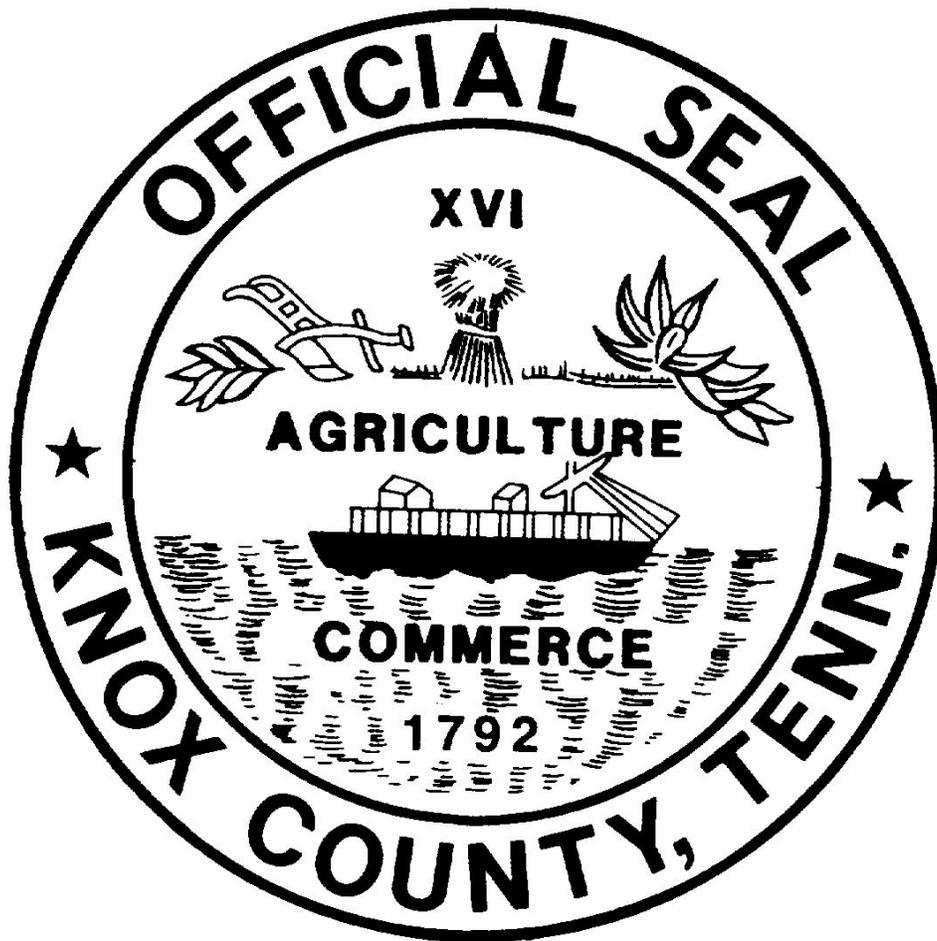
The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) – General Fund presents comparisons of the original and final legally adopted budget with actual data.

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

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

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

Supplemental Section



GENERAL FUND

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

KNOX COUNTY, TENNESSEE

**General Fund
Comparative Balance Sheets
June 30, 2011 and June 30, 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 8,579,364	\$ 11,156,371
Receivables (Net of Allowances for Uncollectibles):		
Accounts	9,916,072	9,324,835
Property Taxes	109,536,840	105,394,199
Notes	1,508,000	1,619,000
Investments	34,742,907	28,910,170
Due from Other Funds	2,294,848	3,087,805
Due from Component Units	699,231	353,023
Due from Other Governments	75,344	49,953
Inventories	110,063	95,139
Prepaid Items	104,294	237,209
Investment in Joint Venture	5,666,092	5,317,007
Advances to Component Units	3,419,250	3,580,250
TOTAL ASSETS	<u><u>\$ 176,652,305</u></u>	<u><u>\$ 169,124,961</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 8,725,692	\$ 7,139,670
Due to Other Funds	1,532,133	487,159
Due to Component Units	663,094	162,351
Deferred Revenue	113,149,051	109,537,868
TOTAL LIABILITIES	<u>124,069,970</u>	<u>117,327,048</u>
 Fund Balances:		
Nonspendable	5,880,449	5,649,357
Restricted	2,212,749	2,376,381
Committed	9,294	1,383,837
Assigned	957,967	347,123
Unassigned	43,521,876	42,041,215
TOTAL FUND BALANCES	<u>52,582,335</u>	<u>51,797,913</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 176,652,305</u></u>	<u><u>\$ 169,124,961</u></u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2011 and June 30, 2010

	2011	2010
Revenues		
Local Taxes	\$ 121,594,774	\$ 128,845,482
Licenses and Permits	3,342,613	3,252,786
Fines, Forfeitures and Penalties	1,861,142	2,923,102
Charges for Current Services	4,418,626	4,770,392
Other Local Revenues	5,843,758	3,227,966
State of Tennessee	9,589,371	9,186,252
Federal Government	702,981	983,063
Other Governments and Citizen Groups	438,135	118,373
Payments from Component Units	281,296	268,656
Increase in Equity Interest in Joint Venture	349,085	-
Total Revenues	148,421,781	153,576,072
Expenditures		
Current:		
General Government:		
Finance and Administration	24,726,600	24,714,594
Finance and Administration - Payments to Component Unit	3,823,874	3,823,874
Administration of Justice	16,949,427	17,742,642
Public Safety	68,452,589	65,625,515
Public Safety - Payments to Component Unit	326,200	326,200
Public Health and Welfare	21,489,850	22,501,731
Public Health and Welfare - Payments to Component Unit	256,628	256,628
Social and Cultural Services	4,761,659	4,652,601
Agricultural and Natural Resources	380,453	413,675
Other General Government	10,620,159	8,951,211
Decrease in Equity Interest in Joint Venture	-	528,848
Total Expenditures	151,787,439	149,537,519
Excess (Deficiency) of Revenues Over Over (Under) Expenditures	(3,365,658)	4,038,553
Other Financing Sources (Uses)		
Transfers from Other Funds	7,396,535	10,341,158
Transfers to Other Funds	(3,246,455)	(15,859,571)
Total Other Financing Uses	4,150,080	(5,518,413)
Net Change in Fund Balances	784,422	(1,479,860)
Fund Balances, July 1	51,797,913	53,277,773
Fund Balances, June 30	\$ 52,582,335	\$ 51,797,913

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, 2011

(With Comparative Totals for June 30, 2010)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2011	2010
ASSETS								
Cash and Cash Equivalents	\$ 292,620	\$ 830,460	\$ 464,287	\$ 537,690	\$ 441,662	\$ 274,703	\$ 2,841,422	\$ 2,866,063
TOTAL ASSETS	\$ 292,620	\$ 830,460	\$ 464,287	\$ 537,690	\$ 441,662	\$ 274,703	\$ 2,841,422	\$ 2,866,063
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to Other Funds	\$ 97,654	\$ -	\$ -	\$ -	\$ 127,483	\$ -	\$ 225,137	\$ 479,025
Fund Balances:								
Restricted	194,966	830,460	464,287	537,690	314,179	274,703	2,616,285	2,387,038
TOTAL LIABILITIES AND FUND BALANCES	\$ 292,620	\$ 830,460	\$ 464,287	\$ 537,690	\$ 441,662	\$ 274,703	\$ 2,841,422	\$ 2,866,063

KNOX COUNTY, TENNESSEE

**Constitutional Officers' Special Revenue Fund
Combining Schedule of Revenues, Expenditures
And Changes in Fund Balances
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2011	2010
Revenues								
Charges for Services	\$ 7,668,647	\$ 5,102,759	\$ 1,581,552	\$ 3,555,139	\$ 1,430,411	\$ 2,363,581	\$ 21,702,089	\$ 21,316,960
Interest Income	1,735	8,447	-	-	-	6,095	16,277	6,720
Total Revenues	7,670,382	5,111,206	1,581,552	3,555,139	1,430,411	2,369,676	21,718,366	21,323,680
Expenditures								
Current:								
General Government:								
Salaries - County Officials	121,183	99,748	117,596	133,042	136,632	123,884	732,085	627,316
Salaries - Staff	1,805,066	2,758,239	1,040,145	2,903,716	700,654	1,241,888	10,449,708	10,900,268
Employee Benefits and Payroll Taxes	596,289	900,637	364,698	784,388	265,238	418,701	3,329,951	3,536,939
Travel	18,951	7,108	6,336	8,400	-	9,100	49,895	100,527
Other	325,340	73,615	4,000	-	128,716	149,274	680,945	749,272
Total Expenditures	2,866,829	3,839,347	1,532,775	3,829,546	1,231,240	1,942,847	15,242,584	15,914,322
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,803,553	1,271,859	48,777	(274,407)	199,171	426,829	6,475,782	5,409,358
Other Financing Uses								
Transfers to Other Funds	(5,034,654)	(480,388)	-	-	(288,980)	(442,513)	(6,246,535)	(6,854,002)
Net Change in Fund Balances	(231,101)	791,471	48,777	(274,407)	(89,809)	(15,684)	229,247	(1,444,644)
Fund Balances, July 1	426,067	38,989	415,510	812,097	403,988	290,387	2,387,038	3,831,682
Fund Balances, June 30	\$ 194,966	\$ 830,460	\$ 464,287	\$ 537,690	\$ 314,179	\$ 274,703	\$ 2,616,285	\$ 2,387,038

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.

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)
Comparative Balance Sheets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 13,367,258	\$ 6,153,442
Accounts Receivable (Net of Allowances for Uncollectibles):	119,818	150,462
Due from Other Funds	309,434	224,400
Due from Component Units	<u>700,000</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 14,496,510</u></u>	<u><u>\$ 6,528,304</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 263,503	\$ 921,575
Due to Other Funds	6,996	-
Due to Component Units	<u>11,478</u>	<u>11,478</u>
TOTAL LIABILITIES	<u>281,977</u>	<u>933,053</u>
 Fund Balances:		
Restricted	<u>14,214,533</u>	<u>5,595,251</u>
TOTAL FUND BALANCES	<u>14,214,533</u>	<u>5,595,251</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 14,496,510</u></u>	<u><u>\$ 6,528,304</u></u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Investment Earnings	\$ (47,452)	\$ 2,167
Other Local Revenues	-	771
State of Tennessee	32,771	140,000
Federal Government	-	7,914
Other Governments and Citizen Groups	<u>257,635</u>	<u>-</u>
Total Revenues	<u>242,954</u>	<u>150,852</u>
Expenditures		
Capital Projects	8,468,283	22,624,556
Debt Proceeds Paid to Component Unit	29,004,906	14,822,428
Debt Issuance Costs	<u>441,307</u>	<u>247,856</u>
Total Expenditures	<u>37,914,496</u>	<u>37,694,840</u>
Deficiency of Revenues Under Expenditures	<u>(37,671,542)</u>	<u>(37,543,988)</u>
Other Financing Sources		
Long-term Bonds Issued	46,236,000	16,000,000
Premium on Long-term Debt Issued	54,824	58,806
Capital Lease Proceeds	<u>-</u>	<u>11,651,171</u>
Total Other Financing Sources	<u>46,290,824</u>	<u>27,709,977</u>
Net Change in Fund Balances	8,619,282	(9,834,011)
Fund Balances, July 1	<u>5,595,251</u>	<u>15,429,262</u>
Fund Balances, June 30	<u>\$ 14,214,533</u>	<u>\$ 5,595,251</u>

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)
 Schedule of Construction Project Expenditures-
 Budget And Actual
 For the year ended June 30, 2011

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Knob Creek Bridge	\$ 232,519	\$ 232,369	\$ -	\$ 232,369	\$ 150
Bridge Replacement	4,640,146	3,616,713	126,994	3,743,707	896,439
Hardin Valley Road	28,940	-	28,940	28,940	-
Ballcamp Improvements	17,924,704	16,683,930	-	16,683,930	1,240,774
Lovell Road	2,609,599	2,609,258	-	2,609,258	341
Dry Gap Pike	6,121,944	5,173,262	718,391	5,891,653	230,291
Maynardville/Norris/Emory	2,206,672	564,152	237,611	801,763	1,404,909
Parkside Drive Extension	9,236,671	8,720,362	448,659	9,169,021	67,650
Dutchtown Road Functional Plan	15,289,169	8,912,562	410,516	9,323,078	5,966,091
Gallaher View Road	3,348,055	2,461,177	614,052	3,075,229	272,826
Tazewell Pike / Emory Road	54,509	54,094	-	54,094	415
Dutchtown Innovation	622,889	103,577	519,312	622,889	-
Outlet Mall Drive/Synder Road Connect	3,992,000	129,314	197,322	326,636	3,665,364
National Drive-John Sevier Highway	85,063	6,500	56,355	62,855	22,208
<i>Total Road Construction</i>	<i>66,392,880</i>	<i>49,267,270</i>	<i>3,358,152</i>	<i>52,625,422</i>	<i>13,767,458</i>
<i>Building Renovations:</i>					
Juvenile Court/ Detention	14,066,140	13,961,340	37,926	13,999,266	66,874
Juvenile Justice CIP '11	9,797	-	-	-	9,797
Knox Central	1,542,243	1,000,875	118,279	1,119,154	423,089
AJ/ Dwight Kessel Garage	1,416,573	1,201,177	79,192	1,280,369	136,204
City/County Improvement	12,483,254	9,369,841	1,525,778	10,895,619	1,587,635
Knox County Health Renovations	10,911,402	10,785,402	112,235	10,897,637	13,765
Old Courthouse Renovation	2,630,540	1,204,331	54,735	1,259,066	1,371,474
Detention Facility	1,561,917	1,464,631	87,387	1,552,018	9,899
Detention Facility Expansion 2006	13,996,762	13,996,324	-	13,996,324	438
Jail Improvements	128,000	-	119,114	119,114	8,886
<i>Total Building Renovations</i>	<i>58,746,628</i>	<i>52,983,921</i>	<i>2,134,646</i>	<i>55,118,567</i>	<i>3,628,061</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, 2011**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures (Continued)					
<i>Capital Projects (Continued):</i>					
<i>Building Construction:</i>					
South Sportsplex	500,000	-	-	-	500,000
Lawson McGhee Library	598,784	498,784	47,360	546,144	52,640
Various Library Branches	506,261	226,261	-	226,261	280,000
Carter Senior Center	1,289,632	1,259,549	30,083	1,289,632	-
<i>Total Building Construction:</i>	<u>2,894,677</u>	<u>1,984,594</u>	<u>77,443</u>	<u>2,062,037</u>	<u>832,640</u>
<i>Other:</i>					
Seven Island Foot Bridge	1,746,757	249,830	33,698	283,528	1,463,229
Halls Greenway	210,220	154,903	-	154,903	55,317
Knox-Blount Greenway-Phase I	360,197	-	-	-	360,197
Knox-Blount Greenway-Phase II	145,198	-	-	-	145,198
Park Facility Improvement	554,105	167,512	253,395	420,907	133,198
Rifle Range Road Park	3,812,500	3,769,042	1,890	3,770,932	41,568
Ten Mile Creek Greenway	289,909	267,886	-	267,886	22,023
Greenways	50,000	-	2,065	2,065	47,935
Technology Upgrade - Libraries	1,250,000	241,100	-	241,100	1,008,900
Finance Software Upgrade	1,569,308	1,125,207	210,321	1,335,528	233,780
PBA Project Management	3,016,303	2,566,303	450,000	3,016,303	-
Energy Management Project - County	16,176,571	12,622,104	1,381,720	14,003,824	2,172,747
Solway Yard Waste Facility	1,386,400	1,362,090	1,165	1,363,255	23,145
Stormwater Management	8,655,669	6,259,846	295,130	6,554,976	2,100,693
Dutchtown Convenience Center	571,892	510,555	-	510,555	61,337
Geometric Improvements	2,313,824	1,185,000	148,558	1,333,558	980,266
County Sidewalk	79,614	-	72,670	72,670	6,944
Powell Middle School	15,650,000	15,358,025	16,509	15,374,534	275,466
Family Investment - Renovation	111,000	-	30,921	30,921	80,079
<i>Total Other</i>	<u>57,949,467</u>	<u>45,839,403</u>	<u>2,898,042</u>	<u>48,737,445</u>	<u>9,212,022</u>
<i>Total Capital Projects</i>	<u>\$ 185,983,652</u>	<u>\$ 150,075,188</u>	<u>\$ 8,468,283</u>	<u>\$ 158,543,471</u>	<u>\$ 27,440,181</u>

DEBT SERVICE FUND - MAJOR

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

KNOX COUNTY, TENNESSEE

Debt Service Fund (Major) Comparative Balance Sheets June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,313,829	\$ 7,995,344
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	35,014,024	33,668,412
Notes	9,245,000	9,245,000
Investments	11,580,969	7,706,555
Due from Other Funds	194,207	-
Prepaid Items	130,741	-
Advance to Other Governments	2,500,000	6,000,000
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 62,978,770</u>	<u>\$ 64,615,311</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 8,799	\$ 48,553
Due to Other Funds	224,400	224,400
Deferred Revenue	40,594,089	39,363,625
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>40,827,288</u>	<u>39,636,578</u>
 Fund Balances:		
Nonspendable	5,855,741	9,225,000
Restricted	185,410	209,415
Committed	16,110,331	15,544,318
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>22,151,482</u>	<u>24,978,733</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,978,770</u>	<u>\$ 64,615,311</u>

KNOX COUNTY, TENNESSEE**Debt Service Fund (Major)**
Comparative Statements of Revenues, Expenditures
And Changes in Fund BalancesFor the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Local Taxes	\$ 31,879,441	\$ 30,800,583
Other Governments/Citizen Groups	125,494	129,126
Interest Earned	1,069,078	166,065
Other Local Revenues	946,025	-
Payments from Component Units	<u>25,946,048</u>	<u>26,164,220</u>
Total Revenues	<u>59,966,086</u>	<u>57,259,994</u>
Expenditures		
Debt Service:		
Trustee's Commission	639,603	622,401
Principal	34,695,467	31,080,467
Interest	25,297,513	22,292,340
Other Debt Service	2,392,461	2,990,434
Refunding Bonds Issuance Costs	<u>923,104</u>	<u>78,957</u>
Total Expenditures	<u>63,948,148</u>	<u>57,064,599</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,982,062)</u>	<u>195,395</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	194,207	194,107
Transfers to Other Funds	-	(2,472,000)
Refunding Bonds Issued	62,675,000	4,550,000
Premium on Refunding Bonds	2,404,089	148,957
Payment to Holders of Refunded Debt	<u>(64,118,485)</u>	<u>(4,620,000)</u>
Total Other Financing Sources (Uses)	<u>1,154,811</u>	<u>(2,198,936)</u>
Net Change in Fund Balances	(2,827,251)	(2,003,541)
Fund Balance, July 1	<u>24,978,733</u>	<u>26,982,274</u>
Fund Balance, June 30	<u>\$ 22,151,482</u>	<u>\$ 24,978,733</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, 2011 and June 30, 2010

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 30,812,000	\$ 30,812,000	\$ 31,879,441	\$ 1,067,441	\$ 30,251,000	\$ 30,800,583	\$ 549,583
Other Governments/Citizen Groups	390,757	390,757	125,494	(265,263)	840,350	129,126	(711,224)
Interest Earned	1,761,185	1,761,185	1,069,078	(692,107)	1,800,000	166,065	(1,633,935)
Other Local Revenues	-	-	946,025	946,025	-	-	-
Payments from Component Units	25,946,048	25,946,048	25,946,048	-	26,164,220	26,164,220	-
Total Revenues	58,909,990	58,909,990	59,966,086	1,056,096	59,055,570	57,259,994	(1,795,576)
Expenditures							
Debt Service:							
Trustee's Commission	702,100	702,100	639,603	62,497	700,000	622,401	77,599
Principal	32,975,467	35,475,467	34,695,467	780,000	31,490,638	31,080,467	410,171
Interest	31,311,248	28,148,748	25,297,513	2,851,235	32,009,362	22,292,340	9,717,022
Other Debt Service	1,761,185	2,461,185	2,392,461	68,724	1,800,000	2,990,434	(1,190,434)
Refunding Bonds Issuance Costs	-	923,104	923,104	-	-	78,957	(78,957)
Total Expenditures	66,750,000	67,710,604	63,948,148	3,762,456	66,000,000	57,064,599	8,935,401
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,840,010)	(8,800,614)	(3,982,062)	4,818,552	(6,944,430)	195,395	7,139,825
Other Financing Sources (Uses)							
Transfers from Other Funds	268,874	268,874	194,207	(74,667)	194,107	194,107	-
Transfers to Other Funds	-	-	-	-	(2,472,000)	(2,472,000)	-
Refunding Bonds Issued	-	62,675,000	62,675,000	-	-	4,550,000	(4,550,000)
Premium on Refunding Bonds	-	2,404,089	2,404,089	-	-	148,957	(148,957)
Payment to Holders of Refunded Debt	-	(64,118,485)	(64,118,485)	-	-	(4,620,000)	4,620,000
Total Other Financing Sources (Uses)	268,874	1,229,478	1,154,811	(74,667)	(2,277,893)	(2,198,936)	78,957
Net Change in Fund Balances	(7,571,136)	(7,571,136)	(2,827,251)	4,743,885	(9,222,323)	(2,003,541)	7,218,782
Fund Balance, July 1	24,978,733	24,978,733	24,978,733	-	26,982,274	26,982,274	-
Fund Balance, June 30	\$ 17,407,597	\$ 17,407,597	\$ 22,151,482	\$ 4,743,885	\$ 17,759,951	\$ 24,978,733	\$ 7,218,782

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.

KNOX COUNTY, TENNESSEE

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2011

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 8,400,695	\$ 1,417,325	\$ 9,818,020
Receivables (Net of Allowance for Uncollectibles):			
Accounts	7,616,736	-	7,616,736
Notes	3,671,195	-	3,671,195
Due from Other Funds	319,258	-	319,258
Inventories	15,511	-	15,511
Prepaid Items	39,340	-	39,340
TOTAL ASSETS	\$ 20,062,735	\$ 1,417,325	\$ 21,480,060
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 4,649,312	\$ 42,109	\$ 4,691,421
Due to Other Funds	1,981,784	-	1,981,784
Deferred Revenue	4,777,113	-	4,777,113
TOTAL LIABILITIES	11,408,209	42,109	11,450,318
Fund Balances:			
Nonspendable	54,851	-	54,851
Restricted	3,951,900	-	3,951,900
Committed	4,647,775	1,375,216	6,022,991
TOTAL FUND BALANCES	8,654,526	1,375,216	10,029,742
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,062,735	\$ 1,417,325	\$ 21,480,060

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2011**

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
Revenues			
Local Taxes	\$ 24,832,231	\$ -	\$ 24,832,231
Fines, Forfeitures and Penalties	385,960	-	385,960
Charges for Current Services	856,507	-	856,507
Other Local Revenues	1,870,245	-	1,870,245
State of Tennessee	7,375,814	-	7,375,814
Federal Government	11,414,899	-	11,414,899
Other Governments and Citizen Groups	848,010	-	848,010
Total Revenues	47,583,666	-	47,583,666
Expenditures			
Current:			
Administration of Justice	218,363	-	218,363
Public Safety	3,886,141	-	3,886,141
Public Health and Welfare	10,991,493	-	10,991,493
Social and Cultural Services	13,320,773	-	13,320,773
Other General Government	9,157,557	-	9,157,557
Engineering and Public Works	11,736,732	-	11,736,732
Capital Projects	-	507,657	507,657
Total Expenditures	49,311,059	507,657	49,818,716
Deficiency of Revenues Under Expenditures	(1,727,393)	(507,657)	(2,235,050)
Other Financing Sources (Uses)			
Transfers from Other Funds	2,351,600	-	2,351,600
Transfers to Other Funds	(389,239)	-	(389,239)
Total Other Financing Sources (Uses)	1,962,361	-	1,962,361
Net Change in Fund Balances	234,968	(507,657)	(272,689)
Fund Balances, July 1	8,419,558	1,882,873	10,302,431
Fund Balances, June 30	\$ 8,654,526	\$ 1,375,216	\$ 10,029,742

KNOX COUNTY, TENNESSEE

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2011

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total Nonmajor Special Revenue Funds
ASSETS								
Cash and Cash Equivalents	\$ 452,472	\$ 58,542	\$ 1,114,472	\$ 1,324,699	\$ 1,385,192	\$ 1,382,430	\$ 2,682,888	\$ 8,400,695
Receivables (Net of Allowance for Uncollectibles):								
Accounts	4,020,140	5,745	149,670	158,296	1,036,644	24,377	2,221,864	7,616,736
Notes	3,671,195	-	-	-	-	-	-	3,671,195
Due from Other Funds	299,772	-	91	19,395	-	-	-	319,258
Inventories	15,511	-	-	-	-	-	-	15,511
Prepaid Items	39,340	-	-	-	-	-	-	39,340
TOTAL ASSETS	\$ 8,498,430	\$ 64,287	\$ 1,264,233	\$ 1,502,390	\$ 2,421,836	\$ 1,406,807	\$ 4,904,752	\$ 20,062,735
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts Payable and Accrued Liabilities	\$ 703,384	\$ 8,461	\$ 380,875	\$ 154,333	\$ 1,726,952	\$ 49,427	\$ 1,625,880	\$ 4,649,312
Due to Other Funds	1,232,275	-	312,590	146,755	150,000	3,542	136,622	1,981,784
Deferred Revenue	4,777,113	-	-	-	-	-	-	4,777,113
TOTAL LIABILITIES	6,712,772	8,461	693,465	301,088	1,876,952	52,969	1,762,502	11,408,209
Fund Balances:								
Nonspendable	54,851	-	-	-	-	-	-	54,851
Restricted	1,482,410	-	570,768	-	544,884	1,353,838	-	3,951,900
Committed	248,397	55,826	-	1,201,302	-	-	3,142,250	4,647,775
TOTAL FUND BALANCES	1,785,658	55,826	570,768	1,201,302	544,884	1,353,838	3,142,250	8,654,526
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,498,430	\$ 64,287	\$ 1,264,233	\$ 1,502,390	\$ 2,421,836	\$ 1,406,807	\$ 4,904,752	\$ 20,062,735

KNOX COUNTY, TENNESSEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2011

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total Nonmajor Special Revenue Funds
Revenues								
Local Taxes	\$ -	\$ 58,975	\$ 10,372,176	\$ 3,000,000	\$ 5,152,412	\$ -	\$ 6,248,668	\$ 24,832,231
Fines, Forfeitures and Penalties	54,840	-	-	-	-	315,550	15,570	385,960
Charges for Current Services	426,775	7,290	329,610	92,832	-	-	-	856,507
Other Local Revenues	451,541	1,961	7,393	757,166	-	231,184	421,000	1,870,245
State of Tennessee	1,899,686	-	97,902	396,496	-	-	4,981,730	7,375,814
Federal Government	11,404,209	-	-	-	-	10,690	-	11,414,899
Other Governments and Citizen Groups	802,347	30,000	15,663	-	-	-	-	848,010
Total Revenues	15,039,398	98,226	10,822,744	4,246,494	5,152,412	557,424	11,666,968	47,583,666
Expenditures								
Current:								
Administration of Justice	218,363	-	-	-	-	-	-	218,363
Public Safety	3,339,813	-	-	-	-	546,328	-	3,886,141
Public Health and Welfare	7,123,006	-	-	3,868,487	-	-	-	10,991,493
Social and Cultural Services	605,375	180,183	12,535,215	-	-	-	-	13,320,773
Other General Government	4,439,928	-	-	-	4,717,629	-	-	9,157,557
Engineering and Public Works	-	-	-	-	-	-	11,736,732	11,736,732
Total Expenditures	15,726,485	180,183	12,535,215	3,868,487	4,717,629	546,328	11,736,732	49,311,059
Excess (Deficiency) of Revenues Over (Under) Expenditures	(687,087)	(81,957)	(1,712,471)	378,007	434,783	11,096	(69,764)	(1,727,393)
Other Financing Sources (Uses)								
Transfers from Other Funds	249,418	86,334	1,960,500	55,348	-	-	-	2,351,600
Transfers to Other Funds	-	-	-	-	(150,000)	-	(239,239)	(389,239)
Total Other Financing Sources (Uses)	249,418	86,334	1,960,500	55,348	(150,000)	-	(239,239)	1,962,361
Net Change in Fund Balances	(437,669)	4,377	248,029	433,355	284,783	11,096	(309,003)	234,968
Fund Balance, July 1	2,223,327	51,449	322,739	767,947	260,101	1,342,742	3,451,253	8,419,558
Fund Balance, June 30	\$ 1,785,658	\$ 55,826	\$ 570,768	\$ 1,201,302	\$ 544,884	\$ 1,353,838	\$ 3,142,250	\$ 8,654,526

KNOX COUNTY, TENNESSEE

**State and Federal Grants Special Revenue Fund
Comparative Balance Sheets
June 30, 2011 and June 30, 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 452,472	\$ 663,565
Receivables (Net of Allowances for Uncollectibles):		
Accounts	4,020,140	5,320,232
Notes	3,671,195	3,665,472
Due from Other Funds	299,772	185,433
Inventories	15,511	5,773
Prepaid Items	39,340	4,866
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 8,498,430</u>	<u>\$ 9,845,341</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 703,384	\$ 826,276
Due to Other Funds	1,232,275	2,079,767
Deferred Revenue	4,777,113	4,715,971
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>6,712,772</u>	<u>7,622,014</u>
Fund Balances:		
Nonspendable	54,851	10,639
Restricted	1,482,410	1,784,883
Committed	248,397	427,805
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>1,785,658</u>	<u>2,223,327</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,498,430</u>	<u>\$ 9,845,341</u>

KNOX COUNTY, TENNESSEE

State and Federal Grants Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 54,840	\$ 57,047
Charges for Current Services	426,775	413,981
Other Local Revenues	451,541	291,611
State of Tennessee	1,899,686	3,640,976
Federal Government	11,404,209	8,289,846
Other Governmental and Citizen Groups	<u>802,347</u>	<u>346,763</u>
Total Revenues	<u>15,039,398</u>	<u>13,040,224</u>
Expenditures		
Current:		
General Government:		
Administration of Justice	218,363	173,379
Public Safety	3,339,813	2,893,540
Public Health and Welfare	7,123,006	7,893,630
Social and Cultural Services	605,375	948,238
Other General Government	<u>4,439,928</u>	<u>2,553,786</u>
Total Expenditures	<u>15,726,485</u>	<u>14,462,573</u>
Deficiency of Revenues		
Under Expenditures	<u>(687,087)</u>	<u>(1,422,349)</u>
Other Financing Sources		
Transfers from Other Funds	<u>249,418</u>	<u>703,179</u>
Net Change in Fund Balances	(437,669)	(719,170)
Fund Balances, July 1	<u>2,223,327</u>	<u>2,942,497</u>
Fund Balances, June 30	<u>\$ 1,785,658</u>	<u>\$ 2,223,327</u>

KNOX COUNTY, TENNESSEE

**State and Federal Grants Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2011 and June 30, 2010**

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 14,000	\$ 291,788	\$ 323,844	\$ 32,056	\$ 285,304	\$ 301,312	\$ 16,008
Federal Government	-	857,525	584,748	(272,777)	808,459	506,915	(301,544)
Total Revenues	14,000	1,149,313	908,592	(240,721)	1,093,763	808,227	(285,536)
Expenditures							
Current:							
General Government:							
Personal Services	189,932	777,758	553,835	223,923	755,131	572,801	182,330
Employee Benefits	-	236,018	170,350	65,668	193,672	138,216	55,456
Contracted Services	10,000	272,699	169,303	103,396	256,414	210,727	45,687
Supplies and Materials	-	114,642	65,254	49,388	115,317	91,910	23,407
Other Charges	-	310,599	103,622	206,977	157,036	11,914	145,122
Capital Outlay	-	152,664	46,319	106,345	298,293	158,133	140,160
Total Expenditures	199,932	1,864,380	1,108,683	755,697	1,775,863	1,183,701	592,162
Excess (Deficiency) of Revenues Over (Under) Expenditures	(185,932)	(715,067)	(200,091)	514,976	(682,100)	(375,474)	306,626
Other Financing Sources							
Transfers from Other Funds	-	-	-	-	199,932	199,932	-
Net Change in Fund Balances	(185,932)	(715,067)	(200,091)	514,976	(482,168)	(175,542)	306,626
Fund Balances, July 1	767,241	767,241	767,241	-	942,783	942,783	-
Fund Balances, June 30	\$ 581,309	\$ 52,174	\$ 567,150	\$ 514,976	\$ 460,615	\$ 767,241	\$ 306,626
Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):							
Fund Balance (Budget Basis)			\$ 567,150		\$ 767,241		
Entity Difference:							
Unbudgeted Funds			1,218,508		1,456,086		
Fund Balance (GAAP Basis)			<u>\$ 1,785,658</u>		<u>\$ 2,223,327</u>		

KNOX COUNTY, TENNESSEE

**Governmental Library Special Revenue Fund
Comparative Balance Sheets
June 30, 2011 and June 30, 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 58,542	\$ 68,537
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>5,745</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 64,287</u>	<u>\$ 68,537</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>\$ 8,461</u>	<u>\$ 17,088</u>
TOTAL LIABILITIES	<u>8,461</u>	<u>17,088</u>
Fund Balances:		
Committed	<u>55,826</u>	<u>51,449</u>
TOTAL FUND BALANCES	<u>55,826</u>	<u>51,449</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 64,287</u>	<u>\$ 68,537</u>

KNOX COUNTY, TENNESSEE

**Governmental Library Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2011 and June 30, 2010**

	<u>2011</u>	<u>2010</u>
Revenues		
Local Taxes	\$ 58,975	\$ 58,091
Charges for Current Services	7,290	7,080
Other Local Revenues	1,961	2,345
Other Governments and Citizens Groups	<u>30,000</u>	<u>30,000</u>
Total Revenues	<u>98,226</u>	<u>97,516</u>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	<u>180,183</u>	<u>189,492</u>
Deficiency of Revenues Under Expenditures	<u>(81,957)</u>	<u>(91,976)</u>
Other Financing Sources		
Transfers from Other Funds	<u>86,334</u>	<u>86,334</u>
Net Change in Fund Balances	4,377	(5,642)
Fund Balances, July 1	<u>51,449</u>	<u>57,091</u>
Fund Balances, June 30	<u>\$ 55,826</u>	<u>\$ 51,449</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, 2011 and June 30, 2010**

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 64,866	\$ 64,866	\$ 58,975	\$ (5,891)	\$ 67,030	\$ 58,091	\$ (8,939)
Charges for Current Services	11,100	11,100	7,290	(3,810)	9,039	7,080	(1,959)
Other Local Revenues	2,700	2,700	1,961	(739)	2,597	2,345	(252)
Other Governments and Citizens Groups	30,000	30,000	30,000	-	30,000	30,000	-
Total Revenues	108,666	108,666	98,226	(10,440)	108,666	97,516	(11,150)
Expenditures							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	49,415	49,615	49,604	11	49,715	49,703	12
Employee Benefits	14,482	14,708	14,709	(1)	14,382	14,355	27
Contracted Services	9,129	9,129	7,808	1,321	9,115	8,376	739
Supplies and Materials	109,310	108,884	95,556	13,328	109,125	104,481	4,644
Other Charges	12,664	12,664	12,506	158	12,663	12,577	86
Total Expenditures	195,000	195,000	180,183	14,817	195,000	189,492	5,508
Excess (Deficiency) of Revenues Over (Under) Expenditures	(86,334)	(86,334)	(81,957)	4,377	(86,334)	(91,976)	(5,642)
Other Financing Sources							
Transfers from Other Funds	86,334	86,334	86,334	-	86,334	86,334	-
Net Change in Fund Balances	-	-	4,377	4,377	-	(5,642)	(5,642)
Fund Balances, July 1	51,449	51,449	51,449	-	57,091	57,091	-
Fund Balances, June 30	\$ 51,449	\$ 51,449	\$ 55,826	\$ 4,377	\$ 57,091	\$ 51,449	\$ (5,642)

KNOX COUNTY, TENNESSEE

Public Library Special Revenue Fund

Comparative Balance Sheets

June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,114,472	\$ 563,324
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	149,670	233,779
Due from Other Funds	91	-
Prepaid Items	<u>-</u>	<u>177,019</u>
TOTAL ASSETS	<u>\$ 1,264,233</u>	<u>\$ 974,122</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 380,875	\$ 270,149
Due to Other Funds	312,590	381,128
Due to Component Units	<u>-</u>	<u>106</u>
TOTAL LIABILITIES	<u>693,465</u>	<u>651,383</u>
 Fund Balances:		
Restricted	<u>570,768</u>	<u>322,739</u>
TOTAL FUND BALANCES	<u>570,768</u>	<u>322,739</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,264,233</u>	<u>\$ 974,122</u>

KNOX COUNTY, TENNESSEE

Public Library Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Local Taxes	\$ 10,372,176	\$ 1,100,012
Charges for Current Services	329,610	330,528
Other Local Revenues	7,393	9,595
State of Tennessee	97,902	93,500
Other Governments and Citizens Groups	15,663	15,848
	<hr/>	<hr/>
Total Revenues	10,822,744	1,549,483
	<hr/>	<hr/>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	12,535,215	12,700,583
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(1,712,471)	(11,151,100)
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers from Other Funds	1,960,500	11,420,000
Transfers to Other Funds	-	(200,000)
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	1,960,500	11,220,000
	<hr/>	<hr/>
Net Change in Fund Balances	248,029	68,900
	<hr/>	<hr/>
Fund Balances, July 1	322,739	253,839
	<hr/>	<hr/>
Fund Balances, June 30	\$ 570,768	\$ 322,739
	<hr/> <hr/>	<hr/> <hr/>

KNOX COUNTY, TENNESSEE

**Public Library Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2011 and June 30, 2010**

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 1,200,000	\$ 10,200,000	\$ 10,372,176	\$ 172,176	\$ 1,230,000	\$ 1,100,012	\$ (129,988)
Charges for Current Services	323,000	323,000	329,610	6,610	303,000	330,528	27,528
Other Local Revenues	9,000	9,000	7,393	(1,607)	14,000	9,595	(4,405)
State of Tennessee	-	97,902	97,902	-	98,500	93,500	(5,000)
Other Governments and Citizens Groups	-	-	15,663	15,663	20,000	15,848	(4,152)
Total Revenues	1,532,000	10,629,902	10,822,744	192,842	1,665,500	1,549,483	(116,017)
Expenditures							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	6,348,448	6,358,413	6,216,544	141,869	6,318,581	6,318,580	1
Employee Benefits	1,872,677	1,875,866	1,847,785	28,081	1,826,811	1,826,788	23
Contracted Services	1,234,889	1,255,977	1,234,931	21,046	1,409,453	1,402,174	7,279
Supplies and Materials	3,180,537	3,190,451	3,068,732	121,719	2,875,602	2,830,440	45,162
Other Charges	102,449	87,449	82,331	5,118	82,392	81,844	548
Capital Outlay	13,000	124,655	84,892	39,763	240,824	240,757	67
Total Expenditures	12,752,000	12,892,811	12,535,215	357,596	12,753,663	12,700,583	53,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,220,000)	(2,262,909)	(1,712,471)	550,438	(11,088,163)	(11,151,100)	(62,937)
Other Financing Sources (Uses)							
Transfers from Other Funds	11,220,000	2,262,909	1,960,500	(302,409)	11,220,000	11,420,000	200,000
Transfers to Other Funds	-	-	-	-	(200,000)	(200,000)	-
Total Other Financing Sources (Uses)	11,220,000	2,262,909	1,960,500	(302,409)	11,020,000	11,220,000	200,000
Net Change in Fund Balances	-	-	248,029	248,029	(68,163)	68,900	137,063
Fund Balances, July 1	322,739	322,739	322,739	-	253,839	253,839	-
Fund Balances, June 30	\$ 322,739	\$ 322,739	\$ 570,768	\$ 248,029	\$ 185,676	\$ 322,739	\$ 137,063

KNOX COUNTY, TENNESSEE

Solid Waste Special Revenue Fund

Comparative Balance Sheets

June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,324,699	\$ 1,065,032
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	158,296	70,789
Due from Other Funds	<u>19,395</u>	<u>27,558</u>
TOTAL ASSETS	<u><u>\$ 1,502,390</u></u>	<u><u>\$ 1,163,379</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 154,333	\$ 140,024
Due to Other Funds	<u>146,755</u>	<u>255,408</u>
TOTAL LIABILITIES	<u>301,088</u>	<u>395,432</u>
 Fund Balances:		
Committed	<u>1,201,302</u>	<u>767,947</u>
TOTAL FUND BALANCES	<u>1,201,302</u>	<u>767,947</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,502,390</u></u>	<u><u>\$ 1,163,379</u></u>

KNOX COUNTY, TENNESSEE

Solid Waste Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Local Taxes	\$ 3,000,000	\$ -
Charges for Current Services	92,832	-
Other Local Revenues	757,166	518,208
State of Tennessee	<u>396,496</u>	<u>493,047</u>
Total Revenues	<u>4,246,494</u>	<u>1,011,255</u>
Expenditures		
Current:		
General Government:		
Public Health and Welfare	<u>3,868,487</u>	<u>4,074,488</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>378,007</u>	<u>(3,063,233)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	55,348	3,050,912
Transfers to Other Funds	<u>-</u>	<u>(100,000)</u>
Total Other Financing Sources (Uses)	<u>55,348</u>	<u>2,950,912</u>
Net Change in Fund Balances	433,355	(112,321)
Fund Balances, July 1	<u>767,947</u>	<u>880,268</u>
Fund Balances, June 30	<u>\$ 1,201,302</u>	<u>\$ 767,947</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, 2011 and June 30, 2010**

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ -	\$ 3,000,000	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -
Charges for Current Services	84,000	84,000	92,832	8,832	-	-	-
Other Local Revenues	376,000	376,000	757,166	381,166	378,000	518,208	140,208
State of Tennessee	458,500	458,500	396,496	(62,004)	428,500	493,047	64,547
Total Revenues	918,500	3,918,500	4,246,494	327,994	806,500	1,011,255	204,755
Expenditures							
Current:							
General Government:							
Public Health and Welfare:							
Personal Services	711,206	701,774	701,772	2	713,166	713,165	1
Employee Benefits	262,246	275,784	275,648	136	250,576	250,573	3
Contracted Services	3,053,036	3,009,233	2,514,915	494,318	3,039,445	2,723,366	316,079
Supplies and Materials	97,675	186,651	176,884	9,767	203,200	190,025	13,175
Other Charges	171,976	165,150	164,650	500	172,687	165,432	7,255
Litter and Trash Collection:							
Contracted Services	950	28,403	9,370	19,033	25,114	8,378	16,736
Supplies and Materials	10,250	38,145	25,248	12,897	40,748	23,549	17,199
Total Expenditures	4,307,339	4,405,140	3,868,487	536,653	4,444,936	4,074,488	370,448
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,388,839)	(486,640)	378,007	864,647	(3,638,436)	(3,063,233)	575,203
Other Financing Sources (Uses)							
Transfers from Other Funds	3,060,000	115,348	55,348	(60,000)	3,093,912	3,050,912	(43,000)
Transfers to Other Funds	-	-	-	-	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	3,060,000	115,348	55,348	(60,000)	2,993,912	2,950,912	(43,000)
Net Change in Fund Balances	(328,839)	(371,292)	433,355	804,647	(644,524)	(112,321)	532,203
Fund Balances, July 1	767,947	767,947	767,947	-	880,268	880,268	-
Fund Balances, June 30	\$ 439,108	\$ 396,655	\$ 1,201,302	\$ 804,647	\$ 235,744	\$ 767,947	\$ 532,203

KNOX COUNTY, TENNESSEE

Hotel/Motel Tax Special Revenue Fund
Comparative Balance Sheets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,385,192	\$ 1,144,243
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>1,036,644</u>	<u>955,024</u>
TOTAL ASSETS	<u><u>\$ 2,421,836</u></u>	<u><u>\$ 2,099,267</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,726,952	\$ 1,788,428
Due to Other Funds	<u>150,000</u>	<u>50,738</u>
TOTAL LIABILITIES	<u>1,876,952</u>	<u>1,839,166</u>
 Fund Balances:		
Restricted	<u>544,884</u>	<u>260,101</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,421,836</u></u>	<u><u>\$ 2,099,267</u></u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Local Taxes	\$ 5,152,412	\$ 4,830,079
Other Local Revenues	<u>-</u>	<u>9,818</u>
Total Revenues	<u>5,152,412</u>	<u>4,839,897</u>
Expenditures		
Current:		
General Government:		
Other General Government	<u>4,717,629</u>	<u>4,461,752</u>
Excess of Revenues Over Expenditures	434,783	378,145
Other Financing Uses		
Transfers to Other Funds	<u>(150,000)</u>	<u>(250,000)</u>
Net Change in Fund Balances	284,783	128,145
Fund Balances, July 1	<u>260,101</u>	<u>131,956</u>
Fund Balances, June 30	<u>\$ 544,884</u>	<u>\$ 260,101</u>

KNOX COUNTY, TENNESSEE

**Hotel/Motel Tax Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2011 and June 30, 2010**

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 5,000,000	\$ 5,000,000	\$ 5,152,412	\$ 152,412	\$ 5,073,750	\$ 4,830,079	\$ (243,671)
Other Local Revenues	-	-	-	-	-	9,818	9,818
Total Revenues	5,000,000	5,000,000	5,152,412	152,412	5,073,750	4,839,897	(233,853)
Expenditures							
Current:							
General Government:							
Other General Government:	4,590,500	4,660,885	4,717,629	(56,744)	4,853,000	4,461,752	391,248
Total Expenditures	4,590,500	4,660,885	4,717,629	(56,744)	4,853,000	4,461,752	391,248
Excess of Revenues Over Expenditures	409,500	339,115	434,783	95,668	220,750	378,145	157,395
Other Financing Uses							
Transfers to Other Funds	(409,500)	(339,115)	(150,000)	189,115	(705,192)	(250,000)	455,192
Net Change in Fund Balances	-	-	284,783	284,783	(484,442)	128,145	612,587
Fund Balances, July 1	260,101	260,101	260,101	-	131,956	131,956	-
Fund Balances, June 30	\$ 260,101	\$ 260,101	\$ 544,884	\$ 284,783	\$ (352,486)	\$ 260,101	\$ 612,587

KNOX COUNTY, TENNESSEE

Drug Control Special Revenue Fund

Comparative Balance Sheets

June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,382,430	\$ 1,418,277
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	24,377	15,921
Prepaid Expenses	<u>-</u>	<u>1,686</u>
TOTAL ASSETS	<u><u>\$ 1,406,807</u></u>	<u><u>\$ 1,435,884</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 49,427	\$ 92,428
Due to Other Funds	<u>3,542</u>	<u>714</u>
TOTAL LIABILITIES	<u>52,969</u>	<u>93,142</u>
 Fund Balances:		
Restricted	<u>1,353,838</u>	<u>1,342,742</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,406,807</u></u>	<u><u>\$ 1,435,884</u></u>

KNOX COUNTY, TENNESSEE

Drug Control Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 315,550	\$ 425,306
Other Local Revenues	231,184	97,781
Federal Government	<u>10,690</u>	<u>10,088</u>
Total Revenues	<u>557,424</u>	<u>533,175</u>
Expenditures		
Current:		
General Government:		
Public Safety	<u>546,328</u>	<u>581,654</u>
Net Change in Fund Balances	11,096	(48,479)
Fund Balances, July 1	<u>1,342,742</u>	<u>1,391,221</u>
Fund Balances, June 30	<u><u>\$ 1,353,838</u></u>	<u><u>\$ 1,342,742</u></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, 2011 and June 30, 2010**

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Fines, Forfeitures, and Penalties	\$ 470,000	\$ 470,000	\$ 315,550	\$ (154,450)	\$ 470,000	\$ 425,306	\$ (44,694)
Other Local Revenues	-	-	231,184	231,184	-	97,781	97,781
Federal Government	-	11,690	10,690	(1,000)	-	10,088	10,088
Total Revenues	470,000	481,690	557,424	75,734	470,000	533,175	63,175
Expenditures							
Current:							
General Government:							
Public Safety:							
Personal Services	-	18,070	18,070	-	-	-	-
Employee Benefits	-	9,012	9,011	1	-	-	-
Contracted Services	215,000	403,205	313,997	89,208	427,807	337,116	90,691
Supplies and Materials	112,000	113,702	83,766	29,936	112,000	108,225	3,775
Other Charges	43,000	43,000	22,686	20,314	43,000	20,530	22,470
Capital Outlay	100,000	100,000	98,798	1,202	115,800	115,783	17
Total Expenditures	470,000	686,989	546,328	140,661	698,607	581,654	116,953
Net Change in Fund Balances	-	(205,299)	11,096	216,395	(228,607)	(48,479)	180,128
Fund Balances, July 1	1,342,742	1,342,742	1,342,742	-	1,391,221	1,391,221	-
Fund Balances, June 30	\$ 1,342,742	\$ 1,137,443	\$ 1,353,838	\$ 216,395	\$ 1,162,614	\$ 1,342,742	\$ 180,128

KNOX COUNTY, TENNESSEE

Engineering & Public Works Special Revenue Fund
Comparative Balance Sheets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,682,888	\$ 2,386,895
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	2,221,864	1,888,964
Due from Other Funds	<u>-</u>	<u>2,460</u>
TOTAL ASSETS	<u><u>\$ 4,904,752</u></u>	<u><u>\$ 4,278,319</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,625,880	\$ 612,540
Due to Other Funds	<u>136,622</u>	<u>214,526</u>
TOTAL LIABILITIES	<u>1,762,502</u>	<u>827,066</u>
 Fund Balances:		
Committed	<u>3,142,250</u>	<u>3,451,253</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,904,752</u></u>	<u><u>\$ 4,278,319</u></u>

KNOX COUNTY, TENNESSEE

**Engineering & Public Works Special Revenue Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances**

For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Local Taxes	\$ 6,248,668	\$ 5,887,782
Fines, Forfeitures, and Penalties	15,570	22,750
Other Local Revenues	421,000	629,500
State of Tennessee	<u>4,981,730</u>	<u>5,359,260</u>
Total Revenues	<u>11,666,968</u>	<u>11,899,292</u>
Expenditures		
Current:		
Engineering & Public Works	<u>11,736,732</u>	<u>11,875,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(69,764)	23,669
Other Financing Uses:		
Transfers to Other Funds	<u>(239,239)</u>	<u>(260,000)</u>
Net Change in Fund Balances	(309,003)	(236,331)
Fund Balances, July 1	<u>3,451,253</u>	<u>3,687,584</u>
Fund Balances, June 30	<u>\$ 3,142,250</u>	<u>\$ 3,451,253</u>

KNOX COUNTY, TENNESSEE

**Engineering & Public Works Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balance - Budget And Actual (GAAP Basis)
For the years ended June 30, 2011 and June 30, 2010**

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 5,850,000	\$ 5,850,000	\$ 6,248,668	\$ 398,668	\$ 5,879,434	\$ 5,887,782	\$ 8,348
Fines, Forfeitures and Penalties	32,000	32,000	15,570	(16,430)	-	-	-
Other Local Revenues	-	-	421,000	421,000	619,500	652,250	32,750
State of Tennessee	4,906,812	4,906,812	4,981,730	74,918	5,917,170	5,359,260	(557,910)
Other Governments and Citizens Groups	24,000	24,000	-	(24,000)	24,000	-	(24,000)
Total Revenues	10,812,812	10,812,812	11,666,968	854,156	12,440,104	11,899,292	(540,812)
Expenditures							
Current:							
Engineering & Public Works:							
Administration:							
Personal Services	1,177,815	1,159,565	1,159,563	2	1,136,559	1,136,559	-
Employee Benefits	381,647	364,609	364,608	1	367,083	367,083	-
Contracted Services	89,450	91,008	84,361	6,647	119,347	100,187	19,160
Supplies and Materials	89,800	93,800	92,469	1,331	142,471	128,489	13,982
Other Charges	87,411	87,888	87,888	-	87,048	87,048	-
Highways and Bridge Maintenance:							
Personal Services	2,639,569	2,689,196	2,689,196	-	2,666,676	2,666,675	1
Employee Benefits	991,880	1,009,407	1,009,406	1	923,530	923,530	-
Contracted Services	711,946	849,767	845,352	4,415	873,441	870,995	2,446
Supplies and Materials	2,593,979	2,626,341	2,624,182	2,159	3,631,694	3,630,757	937
Other Charges	351,710	351,710	351,710	-	351,713	351,711	2
Capital Outlay	-	500	500	-	-	-	-
Various Highway:							
Personal Services	522,961	530,092	530,091	1	530,295	530,295	-
Employee Benefits	182,968	183,239	183,238	1	180,081	180,081	-
Contracted Services	191,185	443,920	423,129	20,791	253,929	186,782	67,147
Supplies and Materials	193,020	924,663	419,661	505,002	906,824	333,371	573,453
Other Charges	103,631	103,631	102,195	1,436	107,924	107,924	-
Capital Outlay	203,840	795,793	769,183	26,610	1,113,707	274,136	839,571
Total Expenditures	10,512,812	12,305,129	11,736,732	568,397	13,392,322	11,875,623	1,516,699
Excess (Deficiency) of Revenues Over (Under) Expenditures	300,000	(1,492,317)	(69,764)	1,422,553	(952,218)	23,669	975,887
Other Financing Uses							
Transfer To Other Funds	(300,000)	(269,962)	(239,239)	30,723	(400,000)	(260,000)	140,000
Net Change in Fund Balances	-	(1,762,279)	(309,003)	1,453,276	(1,352,218)	(236,331)	1,115,887
Fund Balances, July 1	3,451,253	3,451,253	3,451,253	-	3,687,584	3,687,584	-
Fund Balances, June 30	\$ 3,451,253	\$ 1,688,974	\$ 3,142,250	\$ 1,453,276	\$ 2,335,366	\$ 3,451,253	\$ 1,115,887

KNOX COUNTY, TENNESSEE

ADA Construction Capital Projects Fund (Nonmajor)

Comparative Balance Sheets

June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 1,417,325</u>	<u>\$ 1,926,440</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>\$ 42,109</u>	<u>\$ 43,567</u>
 Fund Balance		
Committed	<u>1,375,216</u>	<u>1,882,873</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,417,325</u>	<u>\$ 1,926,440</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Local Taxes	\$ -	\$ -
Expenditures		
Capital Projects:		
Capital Projects	<u>507,657</u>	<u>189,853</u>
Net Change in Fund Balances	(507,657)	(189,853)
Fund Balances, July 1	<u>1,882,873</u>	<u>2,072,726</u>
Fund Balances, June 30	<u><u>\$ 1,375,216</u></u>	<u><u>\$ 1,882,873</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, 2011 and June 30, 2010**

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures							
Capital Projects:							
Contracted Services	45,000	45,000	5,430	39,570	45,000	49,315	(4,315)
Supplies & Materials	55,000	55,000	-	55,000	55,000	-	55,000
Other Charges	10,000	10,000	-	10,000	10,000	-	10,000
Capital Outlay	290,000	290,000	502,227	(212,227)	290,000	140,538	149,462
Total Expenditures	400,000	400,000	507,657	(107,657)	400,000	189,853	210,147
Net Change in Fund Balances	(400,000)	(400,000)	(507,657)	(107,657)	(400,000)	(189,853)	210,147
Fund Balances, July 1	1,882,873	1,882,873	1,882,873	-	2,072,726	2,072,726	-
Fund Balances, June 30	\$ 1,482,873	\$ 1,482,873	\$ 1,375,216	\$ (107,657)	\$ 1,672,726	\$ 1,882,873	\$ 210,147

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

ENTERPRISE FUND

Enterprise Funds account for operations that provide services primarily to the general public on a user charge basis.

Three Ridges Golf Course Fund: This fund accounts for the operations of the Three Ridges Golf Course.

KNOX COUNTY, TENNESSEE

Three Ridges Golf Course Fund
Comparative Statements of Net Assets

June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 310,370	\$ 303,069
Accounts Receivable	5,366	3,847
Inventories	62,981	49,952
Prepaid Items	5,378	7,229
	<u>384,095</u>	<u>364,097</u>
TOTAL CURRENT ASSETS		
Capital Assets:		
Land	880	880
Buildings	747,515	747,515
Machinery and Equipment	454,869	438,599
Computer Software	25,448	25,448
Land Improvements	66,463	66,463
Accumulated Depreciation	(576,501)	(446,315)
	<u>718,674</u>	<u>832,590</u>
Capital Assets (Net of Accumulated Depreciation)		
	<u>718,674</u>	<u>832,590</u>
TOTAL ASSETS	<u>1,102,769</u>	<u>1,196,687</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	38,400	25,604
Due to State of Tennessee	-	7,724
Due to Other Funds	19,304	11,577
Compensated Absences	22,742	13,423
	<u>80,446</u>	<u>58,328</u>
TOTAL CURRENT LIABILITIES		
Noncurrent Liabilities:		
Compensated Absences	2,527	1,491
	<u>2,527</u>	<u>1,491</u>
TOTAL LIABILITIES	<u>82,973</u>	<u>59,819</u>
NET ASSETS		
Invested in Capital Assets	718,674	832,590
Unrestricted	301,122	304,278
	<u>1,019,796</u>	<u>1,136,868</u>
TOTAL NET ASSETS	<u>\$ 1,019,796</u>	<u>\$ 1,136,868</u>

KNOX COUNTY, TENNESSEE

**Three Ridges Golf Course Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Assets - Budget And Actual (GAAP Basis)
For the Years Ended June 30, 2011 and June 30, 2010**

	2011				2010			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues								
Golf Fees	\$ 515,002	\$ 515,002	\$ 455,062	\$ (59,940)	\$ 515,002	\$ 515,002	\$ 474,228	\$ (40,774)
Cart and Range Fees	392,766	392,766	282,222	(110,544)	392,766	392,766	280,302	(112,464)
Pro Shop	111,198	111,198	94,020	(17,178)	111,198	111,198	70,557	(40,641)
Snack Bar	143,731	143,731	96,033	(47,698)	143,731	143,731	92,969	(50,762)
Total Operating Revenues	1,162,697	1,162,697	927,337	(235,360)	1,162,697	1,162,697	918,056	(244,641)
Operating Expenses								
Personal Services	349,070	368,734	374,435	(5,701)	349,070	376,970	371,229	5,741
Employee Benefits	89,106	96,441	90,911	5,530	89,106	89,606	77,323	12,283
Contracted Services	118,300	116,300	52,853	63,447	149,100	84,000	64,814	19,186
Supplies and Materials	315,600	317,651	287,461	30,190	366,800	327,500	245,069	82,431
Other Charges	290,621	263,622	108,563	155,059	208,621	163,918	82,540	81,378
Depreciation	-	-	130,186	(130,186)	-	120,703	120,703	-
Total Operating Expenses	1,162,697	1,162,748	1,044,409	118,339	1,162,697	1,162,697	961,678	201,019
Change in Net Assets	-	(51)	(117,072)	(117,021)	-	-	(43,622)	(43,622)
Net Assets, July 1	1,136,868	1,136,868	1,136,868	-	1,180,490	1,180,490	1,180,490	-
Net Assets, June 30	\$ 1,136,868	\$ 1,136,817	\$ 1,019,796	\$ (117,021)	\$ 1,180,490	\$ 1,180,490	\$ 1,136,868	\$ (43,622)

KNOX COUNTY, TENNESSEE

**Three Ridges Golf Course Fund
Comparative Statements of Cash Flows**

For the Years Ended June 30, 2011 and June 30, 2010

	2011	2010
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 925,821	\$ 921,417
Payments to Vendors	(449,603)	(432,230)
Payments to Employees	(452,647)	(436,969)
	23,571	52,218
Cash Flows Used in Capital and Related Financing Activities		
Purchase of Equipment	(16,270)	(59,584)
	(16,270)	(59,584)
Net Increase (Decrease) in Cash and Cash Equivalents	7,301	(7,366)
Cash and Cash Equivalents - Beginning of Year	303,069	310,435
Cash and Cash Equivalents - End of Year	\$ 310,370	\$ 303,069
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Loss	\$ (117,072)	\$ (43,622)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	130,186	120,703
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,519)	3,360
(Increase) decrease in receivable from other governments		-
(Increase) in Inventory	(13,029)	(15,631)
Decrease in Prepaid Items	1,851	1,851
Increase (Decrease) in Accounts Payable and Accrued Liabilities	12,795	(21,859)
(Decrease) in Due to State of Tennessee	(7,724)	(1,058)
Increase (Decrease) in Due to Other Funds	7,727	(1,128)
Increase in Compensated Absences Payable	10,356	9,602
	23,571	52,218
Net Cash Provided by Operating Activities	\$ 23,571	\$ 52,218

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, 2011

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
ASSETS									
Current Assets:									
Cash and Cash Equivalents	\$ 59,866	\$ 232,544	\$ -	\$ 11,171,465	\$ 2,293,063	\$ 472,015	\$ 141,420	\$ 1,558,398	\$ 15,928,771
Receivables:									
Accounts	115,377	697	253,779	-	337,192	-	-	10,822	717,867
Due from Other Funds	203,870	18,916	59,798	-	-	-	-	776,653	1,059,237
Due from Component Units	2,856	-	263,843	-	-	-	-	-	266,699
Notes Receivable	-	-	-	24,480	-	-	-	-	24,480
Inventories	185,287	28,337	-	-	-	-	-	-	213,624
Prepaid Items	2,995	-	31,374	-	-	-	-	-	34,369
TOTAL CURRENT ASSETS	570,251	280,494	608,794	11,195,945	2,630,255	472,015	141,420	2,345,873	18,245,047
Capital Assets:									
Machinery and Equipment	141,092	-	-	33,352	72,217	249,134	7,582,501	-	8,078,296
Accumulated Depreciation	(117,762)	-	-	(33,352)	(69,658)	(134,392)	(7,526,828)	-	(7,881,992)
Capital Assets (Net of Accumulated Depreciation)	23,330	-	-	-	2,559	114,742	55,673	-	196,304
TOTAL ASSETS	593,581	280,494	608,794	11,195,945	2,632,814	586,757	197,093	2,345,873	18,441,351
LIABILITIES									
Current liabilities:									
Accounts Payable and Accrued Liabilities	90,078	3,867	259,856	180,600	140,650	554	-	300	675,905
Due to Other Funds	72,311	-	109,711	196	4,474	538	-	-	187,230
Due to Component Units	-	-	159,770	-	-	-	-	-	159,770
Deferred Revenue	-	-	24,573	2,750,000	7,894	-	-	13,230	2,795,697
Claims Liabilities	-	-	-	5,290,432	-	-	-	2,175,581	7,466,013
Compensated Absences Payable	66,843	-	-	23,845	-	-	-	-	90,688
TOTAL CURRENT LIABILITIES	229,232	3,867	553,910	8,245,073	153,018	1,092	-	2,189,111	11,375,303
Noncurrent Liabilities:									
Compensated Absences Payable	7,427	-	-	2,650	-	-	-	-	10,077
TOTAL LIABILITIES	236,659	3,867	553,910	8,247,723	153,018	1,092	-	2,189,111	11,385,380
NET ASSETS									
Invested in Capital Assets	23,330	-	-	-	2,559	114,742	55,673	-	196,304
Unrestricted	333,592	276,627	54,884	2,948,222	2,477,237	470,923	141,420	156,762	6,859,667
TOTAL NET ASSETS	\$ 356,922	\$ 276,627	\$ 54,884	\$ 2,948,222	\$ 2,479,796	\$ 585,665	\$ 197,093	\$ 156,762	\$ 7,055,971

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2011

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
Operating Revenues									
Charges for Services	\$ 3,175,799	\$ 276,438	\$ 27,139,538	\$ 3,235,463	\$ 7,342,153	\$ 387,353	\$ -	\$ 23,933,728	\$ 65,490,472
Operating Expenses									
Cost of Sales and Services	2,058,783	248,248	-	-	-	-	-	-	2,307,031
General and Administration	1,138,724	-	164,521	497,521	7,255,536	301,265	-	1,074,471	10,432,038
Depreciation and Amortization	4,453	-	-	-	1,505	23,210	95,417	-	124,585
Medical Claims	-	-	571,042	-	-	-	-	23,180,353	23,751,395
Retirement Contributions	-	-	25,491,535	-	-	-	-	-	25,491,535
Other Employee Benefits	-	-	868,701	-	-	-	-	-	868,701
Worker's Compensation Claims	-	-	-	1,050,426	-	-	-	-	1,050,426
Other Expenses	116,137	-	-	2,578,679	-	4,700	-	-	2,699,516
Total Operating Expenses	3,318,097	248,248	27,095,799	4,126,626	7,257,041	329,175	95,417	24,254,824	66,725,227
Operating Income (Loss)	(142,298)	28,190	43,739	(891,163)	85,112	58,178	(95,417)	(321,096)	(1,234,755)
Nonoperating Revenues									
Subrogation Payments	-	-	-	1,854	-	-	-	-	1,854
Payments from Component Units	-	-	-	-	2,326	-	-	-	2,326
Total Nonoperating Revenues	-	-	-	1,854	2,326	-	-	-	4,180
Income (Loss) before Transfers	(142,298)	28,190	43,739	(889,309)	87,438	58,178	(95,417)	(321,096)	(1,230,575)
Transfers									
Transfers to Other Funds	-	-	-	-	-	-	(1,000,000)	-	(1,000,000)
Transfers from Other Funds	225,000	-	-	-	337,709	-	-	377,178	939,887
Total transfers	225,000	-	-	-	337,709	-	(1,000,000)	377,178	(60,113)
Change in Net Assets	82,702	28,190	43,739	(889,309)	425,147	58,178	(1,095,417)	56,082	(1,290,688)
Total Net Assets, July 1	274,220	248,437	11,145	3,837,531	2,054,649	527,487	1,292,510	100,680	8,346,659
Total Net Assets, June 30	\$ 356,922	\$ 276,627	\$ 54,884	\$ 2,948,222	\$ 2,479,796	\$ 585,665	\$ 197,093	\$ 156,762	\$ 7,055,971

KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows
Internal Service Funds

For the Year Ended June 30, 2011

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
Operating Activities									
Cash Received from Interfund Services Provided	\$ 3,132,550	\$ 281,353	\$ 27,125,472	\$ 6,067,154	\$ 7,350,114	\$ 388,288	\$ -	\$ 24,155,320	\$ 68,500,251
Cash Paid to Employees	(795,726)	-	-	(295,601)	-	-	-	-	(1,091,327)
Cash Paid for Goods and Services	(2,252,920)	(243,357)	(164,521)	(3,614,415)	(7,236,992)	(334,276)	(18,125)	(1,074,471)	(14,939,077)
Cash Paid on Behalf of Employees	(268,774)	-	(27,740,314)	(101,530)	-	-	-	(22,833,297)	(50,943,915)
Net Cash Provided by (Used in) Operating Activities	(184,870)	37,996	(779,363)	2,055,608	113,122	54,012	(18,125)	247,552	1,525,932
Noncapital Financing Activities									
Subrogation Payments	-	-	-	10,429	-	-	-	-	10,429
Payments from Component Units	-	-	-	-	2,326	-	-	-	2,326
Transfers from Other Funds	225,000	-	-	-	337,709	-	-	377,178	939,887
Transfers to Other Funds	-	-	-	-	-	-	(1,000,000)	-	(1,000,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	225,000	-	-	10,429	340,035	-	(1,000,000)	377,178	(47,358)
Capital and Related Financing Activities									
Acquisition and Construction of Capital Assets	(5,669)	-	-	-	-	(52,388)	-	-	(58,057)
Net Cash Used in Capital and Related Financing Activities	(5,669)	-	-	-	-	(52,388)	-	-	(58,057)
Net Increase (Decrease) in Cash and Cash Equivalents	34,461	37,996	(779,363)	2,066,037	453,157	1,624	(1,018,125)	624,730	1,420,517
Cash and Cash Equivalents Beginning of Year	25,405	194,548	779,363	9,105,428	1,839,906	470,391	1,159,545	933,668	14,508,254
End of Year	\$ 59,866	\$ 232,544	\$ -	\$ 11,171,465	\$ 2,293,063	\$ 472,015	\$ 141,420	\$ 1,558,398	\$ 15,928,771
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities									
Operating Income (Loss)	\$ (142,298)	\$ 28,190	\$ 43,739	\$ (891,163)	\$ 85,112	\$ 58,178	\$ (95,417)	\$ (321,096)	\$ (1,234,755)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:									
Depreciation and Amortization	4,453	-	-	-	1,505	23,210	95,417	-	124,585
Change in Assets and Liabilities:									
(Increase) Decrease in Accounts Receivable	(19,606)	37	28,774	1,691	67	-	-	7,961	18,924
(Increase) Decrease in Due from Other Funds	(24,968)	4,878	(45,408)	-	-	935	-	206,386	141,823
Decrease in Due from Component Units	1,325	-	4,498	80,000	-	-	-	-	85,823
(Increase) Decrease in Inventories	(56,446)	2,949	-	-	-	-	-	-	(53,497)
Increase in Prepaid Items	-	-	31,923	-	-	-	-	-	31,923
Increase (Decrease) in Accounts Payable and Accrued Liabilities	58,813	1,942	(525,320)	(599,648)	54,420	(22,038)	(18,125)	300	(1,049,656)
Increase (Decrease) in Due to Other Funds	4,112	-	(318,559)	(448)	(35,876)	(6,273)	-	-	(357,044)
Increase in Due to Component Units	-	-	2,920	-	-	-	-	-	2,920
Decrease in Compensated Absences	(10,255)	-	-	(3,849)	-	-	-	-	(14,104)
Increase in Claims Liabilities	-	-	-	719,025	-	-	-	346,756	1,065,781
Increase (Decrease) in Deferred Revenues	-	-	(1,930)	2,750,000	7,894	-	-	7,245	2,763,209
Total Adjustments	(42,572)	9,806	(823,102)	2,946,771	28,010	(4,166)	77,292	568,648	2,760,687
Net Cash Provided by (Used in) Operating Activities	\$ (184,870)	\$ 37,996	\$ (779,363)	\$ 2,055,608	\$ 113,122	\$ 54,012	\$ (18,125)	\$ 247,552	\$ 1,525,932

KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund
Comparative Statements of Net Assets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 59,866	\$ 25,405
Accounts Receivable	115,377	95,771
Due from Other Funds	203,870	178,902
Due from Component Units	2,856	4,181
Inventories	185,287	128,841
Prepaid Items	<u>2,995</u>	<u>2,995</u>
TOTAL CURRENT ASSETS	<u>570,251</u>	<u>436,095</u>
Capital Assets:		
Machinery and Equipment	141,092	135,423
Accumulated Depreciation	<u>(117,762)</u>	<u>(113,309)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>23,330</u>	<u>22,114</u>
TOTAL ASSETS	<u>593,581</u>	<u>458,209</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	90,078	31,265
Due to Other Funds	72,311	68,199
Compensated Absences	<u>66,843</u>	<u>76,072</u>
TOTAL CURRENT LIABILITIES	<u>229,232</u>	<u>175,536</u>
Noncurrent Liabilities:		
Compensated Absences	<u>7,427</u>	<u>8,453</u>
TOTAL LIABILITIES	<u>236,659</u>	<u>183,989</u>
NET ASSETS		
Invested in Capital Assets	23,330	22,114
Unrestricted	<u>333,592</u>	<u>252,106</u>
TOTAL NET ASSETS	<u>\$ 356,922</u>	<u>\$ 274,220</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, 2011 and June 30, 2010**

	2011				2010			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues								
Charges for Sales and Services	\$ 3,700,000	\$ 3,700,000	\$ 3,175,799	\$ (524,201)	\$ 3,831,065	\$ 3,831,065	\$ 3,042,371	\$ (788,694)
Operating Expenses								
Costs of Sales and Services	2,663,591	2,663,591	2,058,783	604,808	2,785,000	2,785,000	1,894,294	890,706
General and Administrative	1,190,450	1,190,450	1,138,724	51,726	1,200,106	1,200,106	1,181,460	18,646
Depreciation and Amortization	9,775	9,775	4,453	5,322	9,775	9,775	6,077	3,698
Other Expenses	136,184	136,184	116,137	20,047	136,184	136,184	136,106	78
Total Operating Expenses	4,000,000	4,000,000	3,318,097	681,903	4,131,065	4,131,065	3,217,937	913,128
Loss before Transfers	(300,000)	(300,000)	(142,298)	157,702	(300,000)	(300,000)	(175,566)	124,434
Transfers								
Transfers from Other Funds	300,000	300,000	225,000	(75,000)	300,000	300,000	160,000	(140,000)
Change in Net Assets	-	-	82,702	82,702	-	-	(15,566)	(15,566)
Net Assets, July 1	274,220	274,220	274,220	-	289,786	289,786	289,786	-
Net Assets, June 30	\$ 274,220	\$ 274,220	\$ 356,922	\$ 82,702	\$ 289,786	\$ 289,786	\$ 274,220	\$ (15,566)

KNOX COUNTY, TENNESSEE

Mailroom Fund
Comparative Statements of Net Assets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 232,544	\$ 194,548
Accounts Receivable	697	734
Due from Other Funds	18,916	23,794
Inventories	<u>28,337</u>	<u>31,286</u>
TOTAL ASSETS	<u>280,494</u>	<u>250,362</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>3,867</u>	<u>1,925</u>
TOTAL LIABILITIES	<u>3,867</u>	<u>1,925</u>
NET ASSETS		
Unrestricted	<u><u>\$ 276,627</u></u>	<u><u>\$ 248,437</u></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, 2011 and June 30, 2010

	2011				2010			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues								
Charges for Sales and Services	\$ 325,000	\$ 325,000	\$ 276,438	\$ (48,562)	\$ 325,000	\$ 325,000	\$ 299,582	\$ (25,418)
Operating Expenses								
Costs of Sales and Services	325,000	325,000	248,248	76,752	325,000	325,000	277,306	47,694
Change in Net Assets	-	-	28,190	28,190	-	-	22,276	22,276
Net Assets, July 1	248,437	248,437	248,437	-	226,161	226,161	226,161	-
Net Assets, June 30	\$ 248,437	\$ 248,437	\$ 276,627	\$ 28,190	\$ 226,161	\$ 226,161	\$ 248,437	\$ 22,276

KNOX COUNTY, TENNESSEE

Employee Benefits Fund
Comparative Statements of Net Assets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 779,363
Accounts Receivable	253,779	282,553
Due from Other Funds	59,798	14,390
Due from Component Units	263,843	268,341
Prepaid Items	<u>31,374</u>	<u>63,297</u>
TOTAL ASSETS	<u>608,794</u>	<u>1,407,944</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	259,856	785,176
Due to Other Funds	109,711	428,270
Due to Component Units	159,770	156,850
Deferred Revenue	<u>24,573</u>	<u>26,503</u>
TOTAL LIABILITIES	<u>553,910</u>	<u>1,396,799</u>
NET ASSETS		
Unrestricted	<u>\$ 54,884</u>	<u>\$ 11,145</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, 2011 and June 30, 2010**

	2011				2010			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues								
Charges for Sales and Services	\$ 30,088,974	\$ 30,088,974	\$ 27,139,538	\$ (2,949,436)	\$ 28,000,000	\$ 31,012,000	\$ 28,110,732	\$ (2,901,268)
Operating Expenses								
Finance and Administration:								
General and Administrative	71,485	104,845	164,521	(59,676)	202,485	214,485	189,196	25,289
Medical Claims	700,000	700,000	571,042	128,958	650,000	1,150,000	668,029	481,971
Retirement Contributions	30,407,131	28,417,129	25,491,535	2,925,594	26,552,515	28,622,515	27,526,147	1,096,368
Other Employee Benefits	(1,089,642)	867,000	868,701	(1,701)	595,000	595,000	913,122	(318,122)
Total Operating Expenses	30,088,974	30,088,974	27,095,799	2,993,175	28,000,000	30,582,000	29,296,494	1,285,506
Operating Income (Loss)	-	-	43,739	43,739	-	430,000	(1,185,762)	(1,615,762)
Nonoperating Revenues								
Payments Received for Administrative Expenses	-	-	-	-	-	-	441,564	441,564
Payments from Component Units	-	-	-	-	-	-	486,643	486,643
Total Nonoperating Revenues	-	-	-	-	-	-	928,207	928,207
Income (Loss) before Transfers	-	-	43,739	43,739	-	430,000	(257,555)	(687,555)
Transfers								
Transfers from Other Funds	-	-	-	-	-	-	199,213	199,213
Transfers to Other Funds	-	-	-	-	-	(430,000)	(428,000)	2,000
Total Transfers	-	-	-	-	-	(430,000)	(228,787)	201,213
Change in Net Assets	-	-	43,739	43,739	-	-	(486,342)	(486,342)
Net Assets, July 1	11,145	11,145	11,145	-	497,487	497,487	497,487	-
Net Assets, June 30	\$ 11,145	\$ 11,145	\$ 54,884	\$ 43,739	\$ 497,487	\$ 497,487	\$ 11,145	\$ (486,342)

KNOX COUNTY, TENNESSEE

Self Insurance Fund
Comparative Statements of Net Assets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 11,171,465	\$ 9,105,428
Accounts Receivable	-	1,691
Notes Receivable	24,480	33,055
Due from Component Units	-	80,000
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	11,195,945	9,220,174
	<hr/>	<hr/>
Capital Assets:		
Machinery and Equipment	33,352	33,352
Accumulated Depreciation	(33,352)	(33,352)
	<hr/>	<hr/>
Capital Assets (Net of Accumulated Depreciation)	-	-
	<hr/>	<hr/>
TOTAL ASSETS	11,195,945	9,220,174
	<hr/>	<hr/>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	180,600	780,248
Due to Other Funds	196	644
Claims Liability	5,290,432	4,571,407
Compensated Absences	23,845	27,310
Deferred Revenue	2,750,000	-
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	8,245,073	5,379,609
	<hr/>	<hr/>
Noncurrent Liabilities:		
Compensated Absences	2,650	3,034
	<hr/>	<hr/>
TOTAL LIABILITIES	8,247,723	5,382,643
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	2,948,222	3,837,531
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 2,948,222	\$ 3,837,531
	<hr/> <hr/>	<hr/> <hr/>

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, 2011 and June 30, 2010**

	2011				2010			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues								
Charges for Sales and Services	\$ 3,240,621	\$ 3,240,621	\$ 3,235,463	\$ (5,158)	\$ 3,240,621	\$ 3,240,621	\$ 3,366,909	\$ 126,288
Operating Expenses								
General and Administrative	614,204	614,204	497,521	116,683	489,680	479,680	458,685	20,995
Depreciation and Amortization	3,556	3,556	-	3,556	3,556	3,556	592	2,964
Workers' Compensation Costs	2,232,240	1,710,740	1,050,426	660,314	2,356,764	2,356,764	1,852,732	504,032
Other Liability Costs	2,150,000	2,695,255	2,578,679	116,576	2,150,000	2,160,000	702,080	1,457,920
Total Operating Expenses	5,000,000	5,023,755	4,126,626	897,129	5,000,000	5,000,000	3,014,089	1,985,911
Operating Income (Loss)	(1,759,379)	(1,783,134)	(891,163)	891,971	(1,759,379)	(1,759,379)	352,820	2,112,199
Nonoperating Revenues								
Subrogations Payments	15,000	15,000	1,854	(13,146)	15,000	15,000	442	(14,558)
Change in Net Assets	(1,744,379)	(1,768,134)	(889,309)	878,825	(1,744,379)	(1,744,379)	353,262	2,097,641
Net Assets, July 1	3,837,531	3,837,531	3,837,531	-	3,484,269	3,484,269	3,484,269	-
Net Assets, June 30	\$ 2,093,152	\$ 2,069,397	\$ 2,948,222	\$ 878,825	\$ 1,739,890	\$ 1,739,890	\$ 3,837,531	\$ 2,097,641

KNOX COUNTY, TENNESSEE

Central Maintenance Fund
Comparative Statements of Net Assets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,293,063	\$ 1,839,906
Accounts Receivable	<u>337,192</u>	<u>337,259</u>
TOTAL CURRENT ASSETS	<u>2,630,255</u>	<u>2,177,165</u>
Capital Assets:		
Machinery and Equipment	72,217	72,217
Accumulated Depreciation	<u>(69,658)</u>	<u>(68,153)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>2,559</u>	<u>4,064</u>
TOTAL ASSETS	<u>2,632,814</u>	<u>2,181,229</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	140,650	86,230
Due to Other Funds	4,474	40,350
Deferred Revenue	<u>7,894</u>	<u>-</u>
TOTAL LIABILITIES	<u>153,018</u>	<u>126,580</u>
NET ASSETS		
Invested in Capital Assets	2,559	4,064
Unrestricted	<u>2,477,237</u>	<u>2,050,585</u>
TOTAL NET ASSETS	<u>\$ 2,479,796</u>	<u>\$ 2,054,649</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, 2011 and June 30, 2010**

	2011				2010			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues								
Charges for Sales and Services	\$ 7,055,197	\$ 7,105,432	\$ 7,342,153	\$ 236,721	\$ 6,672,032	\$ 6,672,032	\$ 7,368,461	\$ 696,429
Operating Expenses								
General and Administrative	7,055,197	7,443,377	7,255,536	187,841	6,722,304	6,781,764	6,770,657	11,107
Depreciation and Amortization	-	-	1,505	(1,505)	-	2,020	2,016	4
Total Operating Expenses	7,055,197	7,443,377	7,257,041	186,336	6,722,304	6,783,784	6,772,673	11,111
Operating Income	-	(337,945)	85,112	423,057	(50,272)	(111,752)	595,788	707,540
Nonoperating Revenues								
Payment from Component Unit	-	236	2,326	2,090	-	-	-	-
Income before Transfers	-	(337,709)	87,438	425,147	(50,272)	(111,752)	595,788	707,540
Transfers								
Transfers In - Other Funds	-	337,709	337,709	-	-	-	-	-
Change in Net Assets	-	-	425,147	425,147	(50,272)	(111,752)	595,788	707,540
Net Assets, July 1	2,054,649	2,054,649	2,054,649	-	1,458,861	1,458,861	1,458,861	-
Net Assets, June 30	\$ 2,054,649	\$ 2,054,649	\$ 2,479,796	\$ 425,147	\$ 1,408,589	\$ 1,347,109	\$ 2,054,649	\$ 707,540

KNOX COUNTY, TENNESSEE

Technical Support Service Fund

Comparative Statements of Net Assets

June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 472,015	\$ 470,391
Due from Other Funds	-	935
TOTAL CURRENT ASSETS	<u>472,015</u>	<u>471,326</u>
Capital Assets:		
Machinery and Equipment	249,134	196,746
Accumulated Depreciation	<u>(134,392)</u>	<u>(111,182)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>114,742</u>	<u>85,564</u>
TOTAL ASSETS	<u>586,757</u>	<u>556,890</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	554	22,592
Due to Other Funds	<u>538</u>	<u>6,811</u>
TOTAL LIABILITIES	<u>1,092</u>	<u>29,403</u>
NET ASSETS		
Invested in Capital Assets	114,742	85,564
Unrestricted	<u>470,923</u>	<u>441,923</u>
TOTAL NET ASSETS	<u><u>\$ 585,665</u></u>	<u><u>\$ 527,487</u></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, 2011 and June 30, 2010

	2011				2010			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues								
Charges for Sales and Services	\$ 401,000	\$ 401,000	\$ 387,353	\$ (13,647)	\$ 411,000	\$ 411,000	\$ 403,713	\$ (7,287)
Operating Expenses								
General and Administrative	271,000	371,000	301,265	69,735	344,924	444,924	249,109	195,815
Depreciation and Amortization	15,300	25,300	23,210	2,090	15,300	15,300	9,905	5,395
Other Expense	114,700	4,700	4,700	-	114,776	14,776	375	14,401
Total Operating Expenses	401,000	401,000	329,175	71,825	475,000	475,000	259,389	215,611
Change in Net Assets	-	-	58,178	58,178	(64,000)	(64,000)	144,324	208,324
Net Assets, July 1	527,487	527,487	527,487	-	383,163	383,163	383,163	-
Net Assets, June 30	\$ 527,487	\$ 527,487	\$ 585,665	\$ 58,178	\$ 319,163	\$ 319,163	\$ 527,487	\$ 208,324

KNOX COUNTY, TENNESSEE

Capital Leasing Fund
Comparative Statements of Net Assets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 141,420	\$ 1,159,545
Capital Assets:		
Machinery and Equipment	7,582,501	8,008,723
Accumulated Depreciation	<u>(7,526,828)</u>	<u>(7,857,633)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>55,673</u>	<u>151,090</u>
TOTAL ASSETS	<u>197,093</u>	<u>1,310,635</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>-</u>	<u>18,125</u>
NET ASSETS		
Invested in Capital Assets	55,673	151,090
Unrestricted	<u>141,420</u>	<u>1,141,420</u>
TOTAL NET ASSETS	<u>\$ 197,093</u>	<u>\$ 1,292,510</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, 2011 and June 30, 2010

	2011				2010			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues								
Charges for Sales and Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses								
Costs of Sales and Services	-	-	-	-	18,125	18,125	-	18,125
Depreciation and Amortization	500,000	500,000	95,417	404,583	775,000	756,875	314,290	442,585
Total Operating Expenses	500,000	500,000	95,417	404,583	775,000	775,000	314,290	460,710
Operating Loss	(500,000)	(500,000)	(95,417)	404,583	(775,000)	(775,000)	(314,290)	460,710
Nonoperating Revenues								
Gain on Disposal of Capital Asset	-	-	-	-	-	-	5,381	5,381
Transfers								
Transfers to Other Funds	(1,000,000)	(1,000,000)	(1,000,000)	-	(2,165,000)	(2,165,000)	(1,000,000)	1,165,000
Change in Net Assets	(1,500,000)	(1,500,000)	(1,095,417)	404,583	(2,940,000)	(2,940,000)	(1,308,909)	1,631,091
Net Assets, July 1	1,292,510	1,292,510	1,292,510	-	2,601,419	2,601,419	2,601,419	-
Net Assets, June 30	\$ (207,490)	\$ (207,490)	\$ 197,093	\$ 404,583	\$ (338,581)	\$ (338,581)	\$ 1,292,510	\$ 1,631,091

KNOX COUNTY, TENNESSEE

Self Insurance Healthcare Fund
Comparative Statements of Net Assets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,558,398	\$ 933,668
Accounts Receivable	10,822	18,783
Due from Other Funds	<u>776,653</u>	<u>983,039</u>
TOTAL ASSETS	<u>2,345,873</u>	<u>1,935,490</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	300	-
Claims Liability	2,175,581	1,828,825
Deferred Revenue	<u>13,230</u>	<u>5,985</u>
TOTAL LIABILITIES	<u>2,189,111</u>	<u>1,834,810</u>
NET ASSETS		
Unrestricted	<u>156,762</u>	<u>100,680</u>
TOTAL NET ASSETS	<u><u>\$ 156,762</u></u>	<u><u>\$ 100,680</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, 2011 and June 30, 2010

	2011				2010			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues								
Charges for Sales and Services	\$ 24,000,000	\$ 24,544,000	\$ 23,933,728	\$ (610,272)	\$ 21,925,638	\$ 24,000,000	\$ 22,079,198	\$ (1,920,802)
Operating Expenses								
General and Administrative	3,636,433	1,235,775	1,074,471	161,304	1,562,071	1,371,424	1,099,309	272,115
Medical Claims	20,363,567	23,308,225	23,180,353	127,872	20,363,567	22,628,576	22,613,992	14,584
Total Operating Expenses	24,000,000	24,544,000	24,254,824	289,176	21,925,638	24,000,000	23,713,301	286,699
Loss before Transfers	-	-	(321,096)	(321,096)	-	-	(1,634,103)	(1,634,103)
Transfers								
Transfers from Other Funds	-	-	377,178	377,178	-	-	1,483,039	1,483,039
Change in Net Assets	-	-	56,082	56,082	-	-	(151,064)	(151,064)
Net Assets, July 1	100,680	100,680	100,680	-	251,744	251,744	251,744	-
Net Assets, June 30	\$ 100,680	\$ 100,680	\$ 156,762	\$ 56,082	\$ 251,744	\$ 251,744	\$ 100,680	\$ (151,064)

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, 2011

	Defined Benefit Plan	Defined Contribution Plan	Voluntary 457 Plan	Medical Retirement Plan	Uniformed Officers Plan	Total
ASSETS						
Investments	\$ 55,289,349	\$ 212,720,612	\$ 8,595,215	\$ 5,703,455	\$ 110,673,244	\$ 392,981,875
TOTAL ASSETS	55,289,349	212,720,612	8,595,215	5,703,455	110,673,244	392,981,875
LIABILITIES						
Accounts Payable and Accrued Liabilities	87,352	-	-	-	128,221	215,573
NET ASSETS						
Held in Trust for: Pension Benefits	\$ 55,201,997	\$ 212,720,612	\$ 8,595,215	\$ 5,703,455	\$ 110,545,023	\$ 392,766,302

KNOX COUNTY, TENNESSEE
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the year ended June 30, 2011

	Defined Benefit Plan	Defined Contribution Plan	Voluntary 457 Plan	Medical Retirement Plan	Uniformed Officers Plan	Total
Additions						
Contributions:						
Employer	\$ 1,218,164	\$ 7,800,115	\$ 1,473,935	\$ 61,765	\$ 4,161,015	\$ 14,714,994
Employees	290,990	7,800,115	1,572,422	254,414	1,448,557	11,366,498
Transfers from Other Plans	-	279,526	111,795	-	36,091	427,412
Total Contributions	1,509,154	15,879,756	3,158,152	316,179	5,645,663	26,508,904
Investment Earnings:						
Interest and Dividend Income	438,721	-	-	-	574,856	1,013,577
Net Appreciation in Fair Value of Investments	11,121,468	33,290,369	1,093,995	450,105	20,470,192	66,426,129
Total Investment Earnings	11,560,189	33,290,369	1,093,995	450,105	21,045,048	67,439,706
Less Investment Expenses	(212,547)	-	-	-	(331,878)	(544,425)
Net Investment Earnings	11,347,642	33,290,369	1,093,995	450,105	20,713,170	66,895,281
Total Additions	12,856,796	49,170,125	4,252,147	766,284	26,358,833	93,404,185
Deductions						
Benefits and Refunds	7,439,957	16,309,233	503,172	688,676	2,436,279	27,377,317
Administrative Expenses	501,922	-	-	-	564,283	1,066,205
Transfers to Other Plans	280,928	-	-	-	-	280,928
Total Deductions	8,222,807	16,309,233	503,172	688,676	3,000,562	28,724,450
Change in Net Assets	4,633,989	32,860,892	3,748,975	77,608	23,358,271	64,679,735
Total Net Assets Held in Trust for Pension Benefits, July 1	50,568,008	179,859,720	4,846,240	5,625,847	87,186,752	328,086,567
Total Net Assets Held in Trust for Pension Benefits, June 30	\$ 55,201,997	\$ 212,720,612	\$ 8,595,215	\$ 5,703,455	\$ 110,545,023	\$ 392,766,302

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Receivables:		
Contributions	\$ -	\$ 4,538
Investments	<u>55,289,349</u>	<u>50,609,478</u>
TOTAL ASSETS	<u>55,289,349</u>	<u>50,614,016</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	<u>87,352</u>	<u>46,008</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 55,201,997</u>	<u>\$ 50,568,008</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan
For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Additions		
Contributions:		
Employees	\$ 290,990	\$ 249,503
Employer	<u>1,218,164</u>	<u>2,127,420</u>
Total Contributions	<u>1,509,154</u>	<u>2,376,923</u>
Investment Earnings:		
Interest and Dividend Income	438,721	608,176
Net Appreciation (Depreciation) in Fair Value of Investments	<u>11,121,468</u>	<u>6,594,675</u>
Total Investment Earnings (Losses)	11,560,189	7,202,851
Less Investment Expenses	<u>(212,547)</u>	<u>(200,067)</u>
Net Investment Earnings (Losses)	<u>11,347,642</u>	<u>7,002,784</u>
Total Additions	<u>12,856,796</u>	<u>9,379,707</u>
Deductions		
Benefits and Refunds	7,439,957	7,143,695
Administrative Expenses	501,922	506,110
Transfers to Other Plans	<u>280,928</u>	<u>273,672</u>
Total Deductions	<u>8,222,807</u>	<u>7,923,477</u>
Change in Net Assets	4,633,989	1,456,230
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>50,568,008</u>	<u>49,111,778</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 55,201,997</u>	<u>\$ 50,568,008</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Defined Contribution Plan
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 212,720,612</u>	<u>\$ 179,859,720</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 212,720,612</u>	<u>\$ 179,859,720</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Assets
Pension Trust Fund - Defined Contribution Plan
For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Additions		
Contributions:		
Employer	\$ 7,800,115	\$ 9,569,282
Employees	7,800,115	8,007,986
Transfers from Other Plans	<u>279,526</u>	<u>79,992</u>
Total Contributions	15,879,756	17,657,260
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>33,290,369</u>	<u>16,117,783</u>
Total Additions	<u>49,170,125</u>	<u>33,775,043</u>
Deductions		
Benefits and Refunds	<u>16,309,233</u>	<u>9,190,176</u>
Total Deductions	<u>16,309,233</u>	<u>9,190,176</u>
Change in Net Assets	32,860,892	24,584,867
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>179,859,720</u>	<u>155,274,853</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u><u>\$ 212,720,612</u></u>	<u><u>\$ 179,859,720</u></u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Voluntary 457 Plan
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 8,595,215</u>	<u>\$ 4,846,240</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 8,595,215</u>	<u>\$ 4,846,240</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Additions		
Contributions:		
Employer	\$ 1,473,935	\$ -
Employee	1,572,422	1,790,833
Transfers from Other Plans	<u>111,795</u>	<u>-</u>
Total Contributions	3,158,152	1,790,833
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>1,093,995</u>	<u>361,666</u>
Total Additions	<u>4,252,147</u>	<u>2,152,499</u>
Deductions		
Benefits and Refunds	<u>503,172</u>	<u>395,619</u>
Change in Net Assets	3,748,975	1,756,880
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>4,846,240</u>	<u>3,089,360</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u><u>\$ 8,595,215</u></u>	<u><u>\$ 4,846,240</u></u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Medical Retirement Defined Contribution Plan
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 5,703,455</u>	<u>\$ 5,625,847</u>
TOTAL ASSETS	<u>5,703,455</u>	<u>5,625,847</u>
NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 5,703,455</u>	<u>\$ 5,625,847</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Assets Pension Trust Fund - Medical Retirement Defined Contribution Plan For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Additions		
Contributions:		
Employees	\$ 254,414	\$ 276,486
Employer	<u>61,765</u>	<u>65,950</u>
Total Contributions	316,179	342,436
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investments	<u>450,105</u>	<u>297,984</u>
Total Additions	<u>766,284</u>	<u>640,420</u>
Deductions		
Benefits and Refunds	<u>688,676</u>	<u>441,746</u>
Change in Net Assets	77,608	198,674
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>5,625,847</u>	<u>5,427,173</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 5,703,455</u>	<u>\$ 5,625,847</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Assets
Pension Trust Fund - Uniformed Officers Pension Plan
For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Receivables:		
Contributions	\$ -	\$ 287,561
Investments	<u>110,673,244</u>	<u>86,961,514</u>
TOTAL ASSETS	<u>110,673,244</u>	<u>87,249,075</u>
 LIABILITIES		
Accounts Payable	<u>128,221</u>	<u>62,323</u>
 NET ASSETS		
Held in Trust For:		
Pension Benefits	<u>\$ 110,545,023</u>	<u>\$ 87,186,752</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2011 and June 30, 2010

	2011	2010
Additions		
Contributions:		
Employees	\$ 1,448,557	\$ 1,776,795
Employer	4,161,015	4,569,658
Transfers From Other Plans	36,091	162,803
Total Contributions	<u>5,645,663</u>	<u>6,509,256</u>
Investment Earnings:		
Interest and Dividend Income	574,856	738,029
Net Appreciation (Depreciation) in Fair Value of Investments	20,470,192	8,035,060
Total Investment Earnings (Losses)	21,045,048	8,773,089
Less Investment Expenses	<u>(331,878)</u>	<u>(229,395)</u>
Net Investment Earnings (Losses)	<u>20,713,170</u>	<u>8,543,694</u>
Total Additions	<u>26,358,833</u>	<u>15,052,950</u>
Deductions		
Benefits and Refunds	2,436,279	2,039,420
Administrative Expenses	564,283	397,657
Total Deductions	<u>3,000,562</u>	<u>2,437,077</u>
Change in Net Assets	23,358,271	12,615,873
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>87,186,752</u>	<u>74,570,879</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u><u>\$ 110,545,023</u></u>	<u><u>\$ 87,186,752</u></u>

KNOX COUNTY, TENNESSEE
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011
(With comparative totals for June 30, 2010)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2011	2010
ASSETS							
Cash and Cash Equivalents	\$ -	\$ 140,435	\$ 336,446	\$ 1,766,881	\$ 26,293,544	\$ 28,537,306	\$ 24,657,690
Receivables:							
Accounts	6,616,824	-	-	-	476,232	7,093,056	6,779,181
TOTAL ASSETS	<u>\$ 6,616,824</u>	<u>\$ 140,435</u>	<u>\$ 336,446</u>	<u>\$ 1,766,881</u>	<u>\$ 26,769,776</u>	<u>\$ 35,630,362</u>	<u>\$ 31,436,871</u>
LIABILITIES							
Accounts Payable and Accrued Liabilities	\$ 6,616,824	\$ -	\$ 336,446	\$ 1,766,881	\$ -	\$ 8,720,151	\$ 8,223,554
Due to Other Governments	-	-	-	-	5,191,109	5,191,109	5,125,470
Due to Litigants, Heirs and Others	-	140,435	-	-	21,578,667	21,719,102	18,087,847
TOTAL LIABILITIES	<u>\$ 6,616,824</u>	<u>\$ 140,435</u>	<u>\$ 336,446</u>	<u>\$ 1,766,881</u>	<u>\$ 26,769,776</u>	<u>\$ 35,630,362</u>	<u>\$ 31,436,871</u>

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2011	2010
Assets and Liabilities, July 1	\$ 6,303,958	\$ 130,210	\$ 290,446	\$ 1,629,150	\$ 23,083,107	\$ 31,436,871	\$ 31,413,171
Additions	38,507,033	140,435	95,000	7,903,729	86,360,432	133,006,629	116,306,068
Deductions	(38,194,167)	(130,210)	(49,000)	(7,765,998)	(82,673,763)	(128,813,138)	(116,282,368)
Assets and Liabilities, June 30	\$ 6,616,824	\$ 140,435	\$ 336,446	\$ 1,766,881	\$ 26,769,776	\$ 35,630,362	\$ 31,436,871

KNOX COUNTY, TENNESSEE

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

June 30, 2011

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total
ASSETS								
Cash and Cash Equivalents	\$ 88,978,832	\$ 4,040,132	\$ 4,488,077	\$ 4,080,145	\$ 6,405,637	\$ 1,187,960	\$ 164,922	\$ 109,345,705
Investments	46,323,876	-	286,948	-	2,229,591	-	-	48,840,415
Accounts Receivable	-	368,173	93,026	-	-	15,033	-	476,232
Total Assets	\$ 135,302,708	\$ 4,408,305	\$ 4,868,051	\$ 4,080,145	\$ 8,635,228	\$ 1,202,993	\$ 164,922	\$ 158,662,352
LIABILITIES								
Due to Other Governments	\$ -	\$ 3,555,345	\$ -	\$ 718,884	\$ 22	\$ 916,858	\$ -	\$ 5,191,109
Due to Litigants, Heirs and Others	5,958,934	22,500	4,403,764	2,823,571	8,193,544	11,432	164,922	21,578,667
Fee and Commission Account	292,620	830,460	464,287	537,690	441,662	274,703	-	2,841,422
Amounts Held in Custody for								
Other County Funds:								
General Fund	44,431,157	-	-	-	-	-	-	44,431,157
Special Revenue Funds	7,269,785	-	-	-	-	-	-	7,269,785
Debt Service Fund	15,709,388	-	-	-	-	-	-	15,709,388
Capital Projects Fund - Component Units	44,209,698	-	-	-	-	-	-	44,209,698
Capital Projects Fund - Public Improvement	(1,317,350)	-	-	-	-	-	-	(1,317,350)
Capital Projects Fund - ADA Construction	1,417,325	-	-	-	-	-	-	1,417,325
Internal Service Funds	14,867,310	-	-	-	-	-	-	14,867,310
Fiduciary Funds/Other	2,154,220	-	-	-	-	-	-	2,154,220
Enterprise Funds	309,621	-	-	-	-	-	-	309,621
Total Liabilities	\$ 135,302,708	\$ 4,408,305	\$ 4,868,051	\$ 4,080,145	\$ 8,635,228	\$ 1,202,993	\$ 164,922	\$ 158,662,352

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, Register and Sheriff
Combined Schedule of Cash Receipts, Disbursements and Balances
For the Year Ended June 30, 2011**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total
Receipts								
Fund Accounts	\$ 748,965,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 748,965,260
Litigants, Heirs and Others	125,985,421	-	7,792,654	1,433,083	6,589,784	166,075	2,820,476	144,787,493
State of Tennessee	-	23,927,532	376,292	1,140,871	87,568	9,160,387	-	34,692,650
Knox County	-	19,602,965	2,725,877	3,868,269	339,274	-	-	26,536,385
Fees and Commissions	7,670,382	5,111,206	1,581,552	3,555,139	1,430,411	2,369,676	-	21,718,366
Cities - Clerk Collections	-	-	-	370,391	-	-	-	370,391
Total Receipts	882,621,063	48,641,703	12,476,375	10,367,753	8,447,037	11,696,138	2,820,476	977,070,545
Disbursements	(877,620,231)	(48,007,874)	(12,636,655)	(10,471,409)	(6,894,135)	(11,895,589)	(2,849,970)	(970,375,863)
Excess (Deficiency) of Receipts Over (Under) Disbursements	5,000,832	633,829	(160,280)	(103,656)	1,552,902	(199,451)	(29,494)	6,694,682
Balances, July 1, 2010	130,301,876	3,774,476	5,028,331	4,183,801	7,082,326	1,402,444	194,416	151,967,670
Balances, June 30, 2011	\$ 135,302,708	\$ 4,408,305	\$ 4,868,051	\$ 4,080,145	\$ 8,635,228	\$ 1,202,993	\$ 164,922	\$ 158,662,352

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, and Register
Combined Analysis of Fee and Commission Accounts
For the Year Ended June 30, 2011**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total
Revenues							
Fees and Commissions	\$ 7,668,647	\$ 5,102,759	\$ 1,581,552	\$ 3,555,139	\$ 1,430,411	\$ 2,363,581	\$ 21,702,089
Interest Earned	1,735	8,447	-	-	-	6,095	16,277
Total Revenues	7,670,382	5,111,206	1,581,552	3,555,139	1,430,411	2,369,676	21,718,366
Expenditures							
Salaries-Staff	1,805,066	2,758,239	1,040,145	2,903,716	700,654	1,241,888	10,449,708
Payroll Taxes/Benefits	596,289	900,637	364,698	784,388	265,238	418,701	3,329,951
County Official/Administrative Officer	121,183	99,748	117,596	133,042	136,632	123,884	732,085
Travel	18,951	7,108	6,336	8,400	-	9,100	49,895
Other Expenditures	325,340	73,615	4,000	-	128,716	149,274	680,945
Total Expenditures	2,866,829	3,839,347	1,532,775	3,829,546	1,231,240	1,942,847	15,242,584
Other (Sources) Uses							
Fees and Commissions to County (General Fund)	5,030,325	730,388	-	-	199,197	540,513	6,500,423
Total Expenditures and Other Uses	7,897,154	4,569,735	1,532,775	3,829,546	1,430,437	2,483,360	21,743,007
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(226,772)	541,471	48,777	(274,407)	(26)	(113,684)	(24,641)
Balances, July 1, 2010	519,392	288,989	415,510	812,097	441,688	388,387	2,866,063
Balances, June 30, 2011	\$ 292,620	\$ 830,460	\$ 464,287	\$ 537,690	\$ 441,662	\$ 274,703	\$ 2,841,422

KNOX COUNTY, TENNESSEE

**Knox County Primary Government
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2011**

Fiscal Year Ending June 30,	\$39,467,607 General Obligation Refunding Series 2001		\$50,000,000 General Obligation Public Improvement Series 2001		\$31,200,221 General Obligation Refunding Series 2002A		\$33,086,700 General Obligation Refunding Bonds Series 2003		\$5,321,983 General Obligation Refunding Bonds Series 2003A		\$40,000,000 General Obligation Series 2003		\$14,337,717 General Obligation Refunding Series 2004		\$46,000,000 General Obligation Series 2004		\$29,083,377 General Obligation Refunding Series 2005A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	594,887	\$ 29,744	\$ 2,515,625	\$ 138,359	\$ 2,867,488	\$ 1,374,268	\$ 5,433,464	\$ 855,296	\$ -	\$ 248,939	\$ 1,214,400	\$ 1,616,022	\$ -	\$ 520,940	\$ 525,714	\$ 1,766,400	\$ -	\$ 1,376,231
2013	-	-	-	-	3,748,390	1,168,784	5,695,912	583,623	-	248,939	1,278,367	1,564,255	-	520,940	591,429	1,745,371	2,626,750	1,376,231
2014	-	-	-	-	3,626,100	977,704	5,976,550	298,827	-	248,939	1,345,117	1,509,368	-	520,940	657,143	1,721,714	2,724,489	1,255,719
2015	-	-	-	-	7,280,815	700,601	-	-	-	248,939	1,420,750	1,451,364	-	520,940	1,314,286	1,695,429	2,837,499	1,120,226
2016	-	-	-	-	1,573,077	332,976	-	-	3,163,596	248,939	1,499,183	1,389,617	1,888,180	520,940	1,971,429	1,642,857	2,931,640	978,996
2017	-	-	-	-	1,648,077	258,255	-	-	1,815,180	90,759	1,577,600	1,324,128	2,074,923	422,540	2,102,857	1,564,000	3,069,085	834,511
2018	-	-	-	-	1,730,770	179,970	-	-	-	-	1,665,617	1,254,896	2,122,646	319,557	2,234,286	1,479,886	3,209,585	683,049
2019	-	-	-	-	1,823,079	93,432	-	-	-	-	1,752,933	1,181,299	2,240,917	214,205	2,365,714	1,390,514	3,362,301	524,457
2020	-	-	-	-	-	-	-	-	-	-	1,843,733	1,103,336	2,074,923	102,983	2,503,714	1,295,886	3,524,181	358,113
2021	-	-	-	-	-	-	-	-	-	-	1,953,000	1,021,007	-	-	2,648,286	1,195,737	3,701,333	183,552
2022	-	-	-	-	-	-	-	-	-	-	2,064,367	933,064	-	-	2,799,429	1,089,806	-	-
2023	-	-	-	-	-	-	-	-	-	-	1,978,567	839,508	-	-	2,957,143	977,829	-	-
2024	-	-	-	-	-	-	-	-	-	-	2,097,367	740,339	-	-	3,128,000	859,543	-	-
2025	-	-	-	-	-	-	-	-	-	-	2,225,050	634,933	-	-	3,298,857	734,423	-	-
2026	-	-	-	-	-	-	-	-	-	-	2,353,433	522,666	-	-	3,482,857	602,469	-	-
2027	-	-	-	-	-	-	-	-	-	-	2,489,317	403,538	-	-	3,666,857	463,154	-	-
2028	-	-	-	-	-	-	-	-	-	-	2,487,500	276,925	-	-	3,857,429	316,480	-	-
2029	-	-	-	-	-	-	-	-	-	-	2,638,332	142,829	-	-	4,054,570	162,183	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 594,887	\$ 29,744	\$ 2,515,625	\$ 138,359	\$ 24,297,796	\$ 5,085,990	\$ 17,105,926	\$ 1,737,746	\$ 4,978,776	\$ 1,335,454	\$33,884,633	\$17,909,094	\$10,401,589	\$ 3,663,985	\$44,160,000	\$20,703,681	\$27,986,863	\$ 8,691,085

continued

KNOX COUNTY, TENNESSEE

Knox County Primary Government
 Schedule of Debt Service Requirements
 General Bonded Debt (Continued)
 June 30, 2011

Fiscal Year Ending June 30,	\$50,000,000 General Obligation Series 2005		\$50,450,000 General Obligation Series 2007		\$57,000,000 General Obligation (Taxable) Series 2007		\$26,000,000 General Obligation Series 2008		\$4,550,000 Women's Basketball Hall of Fame		\$1,000,000 Build America Bonds Series 2010A		\$30,115,000 Refunding Bonds Series 2010B		\$11,120,000 Refunding Bonds Series 2010C		\$17,000,000 Build America Bonds Series 2010D		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2012	\$ 957,792	\$ 2,089,286	\$ -	\$ 2,522,500	\$ 1,050,000	\$ 3,035,237	\$ 867,750	\$ 1,219,400	\$ 520,000	\$ 139,963	\$ 1,563	\$ 53,086	\$ -	\$ 1,122,750	\$ 670,000	\$ 353,100	\$ 25,000	\$ 930,893	\$ 17,243,683
2013	1,038,961	2,046,185	-	2,522,500	1,100,000	2,985,362	910,000	1,176,012	540,000	124,363	1,563	53,063	25,000	1,122,750	690,000	336,350	25,000	930,612	18,271,372	18,505,340
2014	1,120,130	1,999,432	-	2,522,500	1,450,000	2,927,612	955,500	1,130,512	555,000	108,163	1,563	53,032	25,000	1,122,250	710,000	315,650	25,000	930,237	19,171,592	17,642,599
2015	1,201,299	1,949,026	-	2,522,500	1,500,000	2,851,488	1,004,250	1,082,737	575,000	90,125	1,563	52,989	300,000	1,121,750	735,000	294,350	50,000	929,738	18,220,462	16,632,202
2016	1,298,701	1,894,968	-	2,522,500	2,000,000	2,772,738	1,053,000	1,032,525	590,000	70,000	1,563	52,942	400,000	1,115,750	765,000	264,950	50,000	928,588	19,185,369	15,769,286
2017	1,363,636	1,836,526	-	2,522,500	2,250,000	2,667,738	1,105,000	979,875	620,000	46,400	1,563	52,888	400,000	1,105,750	795,000	234,350	50,000	927,275	18,872,921	14,867,495
2018	1,461,039	1,775,162	-	2,522,500	2,300,000	2,550,738	1,163,500	924,625	640,000	21,600	17,188	52,828	515,000	1,095,750	830,000	202,550	50,000	925,713	17,939,631	13,988,824
2019	1,542,208	1,709,416	-	2,522,500	2,400,000	2,429,988	1,218,750	866,450	-	-	17,188	52,141	700,000	1,082,875	865,000	169,350	50,000	923,963	18,338,090	13,160,590
2020	1,623,377	1,640,016	-	2,522,500	2,525,000	2,302,788	1,280,500	805,512	-	-	32,813	51,368	1,100,000	1,063,625	895,000	143,400	250,000	922,063	17,653,241	12,311,590
2021	1,704,545	1,566,964	-	2,522,500	5,450,000	2,162,650	1,345,500	741,487	-	-	39,062	49,876	450,000	1,008,625	925,000	116,550	250,000	911,750	18,466,726	11,480,698
2022	698,052	1,490,260	-	2,522,500	5,725,000	1,860,175	1,413,750	674,212	-	-	45,312	48,098	1,400,000	995,125	955,000	88,800	500,000	900,500	15,600,910	10,602,540
2023	649,351	1,458,847	-	2,522,500	6,025,000	1,542,437	1,482,000	603,525	-	-	45,312	46,036	1,450,000	953,125	985,000	60,150	500,000	878,000	16,072,373	9,881,957
2024	681,818	1,429,627	-	2,522,500	6,300,000	1,196,000	1,556,750	529,425	-	-	43,750	43,974	1,500,000	909,625	1,020,000	30,600	500,000	855,500	16,827,685	9,117,133
2025	714,286	1,398,945	-	2,522,500	6,650,000	833,750	1,634,750	451,587	-	-	40,625	41,984	1,500,000	862,750	-	-	500,000	833,000	16,563,568	8,313,872
2026	746,753	1,366,802	-	2,522,500	7,000,000	451,375	1,716,000	369,850	-	-	76,562	40,135	1,500,000	814,000	-	-	500,000	810,500	17,375,605	7,500,297
2027	762,987	1,333,198	4,734,257	2,522,500	850,000	48,875	1,803,750	284,050	-	-	6,250	35,963	1,700,000	754,000	-	-	1,300,000	785,500	17,313,418	6,630,778
2028	795,455	1,298,864	5,611,649	2,285,787	-	-	1,891,500	193,862	-	-	6,250	35,616	1,800,000	686,000	-	-	1,350,000	714,000	17,799,783	5,807,534
2029	827,922	1,263,068	5,904,112	2,005,205	-	-	1,985,750	99,287	-	-	6,250	35,269	1,750,000	614,000	-	-	1,400,000	639,750	18,566,936	4,961,591
2030	5,032,468	1,225,812	6,178,297	1,709,999	-	-	-	-	-	-	67,187	34,922	2,000,000	544,000	-	-	1,450,000	562,750	14,727,952	4,077,483
2031	5,227,273	999,351	6,507,319	1,401,084	-	-	-	-	-	-	67,187	31,194	2,100,000	464,000	-	-	1,500,000	483,000	15,401,779	3,378,629
2032	5,438,312	764,123	6,818,062	1,075,718	-	-	-	-	-	-	73,437	27,330	2,200,000	380,000	-	-	1,575,000	400,500	16,104,811	2,647,671
2033	5,649,351	519,399	7,165,362	734,815	-	-	-	-	-	-	79,687	23,108	2,300,000	292,000	-	-	1,625,000	306,000	16,819,400	1,875,322
2034	5,892,857	265,179	7,530,942	376,547	-	-	-	-	-	-	85,937	18,525	2,400,000	200,000	-	-	1,700,000	208,500	17,609,736	1,068,751
2035	-	-	-	-	-	-	-	-	-	-	239,062	13,626	2,600,000	104,000	-	-	1,775,000	106,500	4,614,062	224,126
Totals	\$ 46,428,573	\$ 33,320,456	\$ 50,450,000	\$ 49,949,155	\$ 54,575,000	\$ 32,618,951	\$ 24,388,000	\$ 13,164,933	\$ 4,040,000	\$ 600,614	\$ 998,437	\$ 999,993	\$ 30,115,000	\$ 19,534,500	\$ 10,840,000	\$ 2,610,150	\$ 17,000,000	\$ 17,744,832	\$ 404,761,105	\$ 229,838,722

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2011**

Fiscal Year Ending June 30,	\$2,585,603 Qualified Zone Academy		\$17,277,393 General Obligation Refunding Series 2001		\$30,000,000 General Obligation Public Improvement Series 2001		\$51,799,779 General Obligation Refunding Series 2002A		\$30,578,300 General Obligation Refunding Bonds Series 2003		\$12,123,017 General Obligation Refunding Bonds Series 2003A		\$32,000,000 General Obligation Series 2003		\$20,212,283 General Obligation Refunding Series 2004	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 215,467	\$ -	\$ 1,355,114	\$ 67,756	\$ 1,509,375	\$ 83,017	\$ 4,397,512	\$ 2,107,544	\$ 5,021,536	\$ 790,454	\$ -	\$ 567,061	\$ 860,600	\$ 1,298,853	\$ -	\$ 743,685
2013	-	-	-	-	-	-	6,136,610	1,913,454	5,264,088	539,377	-	567,061	921,633	1,257,245	-	743,685
2014	-	-	-	-	-	-	5,788,900	1,560,859	5,523,450	276,173	-	567,061	979,883	1,213,132	-	743,685
2015	-	-	-	-	-	-	13,719,185	1,320,137	-	-	-	567,061	1,054,250	1,166,511	-	743,685
2016	-	-	-	-	-	-	2,516,923	532,760	-	-	7,206,404	567,061	1,125,817	1,116,883	2,661,820	743,685
2017	-	-	-	-	-	-	2,636,923	413,208	-	-	4,134,820	206,741	1,197,400	1,064,247	2,925,077	603,210
2018	-	-	-	-	-	-	2,769,230	287,954	-	-	-	-	1,284,383	1,008,604	2,992,354	456,193
2019	-	-	-	-	-	-	2,916,921	149,492	-	-	-	-	1,372,067	949,451	3,159,083	305,795
2020	-	-	-	-	-	-	-	-	-	-	-	-	1,456,267	886,789	2,925,077	147,017
2021	-	-	-	-	-	-	-	-	-	-	-	-	1,572,000	820,618	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	1,685,633	749,936	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	1,996,433	674,742	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	2,127,633	595,036	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	2,274,950	510,317	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	2,421,567	420,084	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	2,585,683	324,337	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-	2,887,500	222,575	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	3,086,668	114,796	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 215,467	\$ -	\$ 1,355,114	\$ 67,756	\$ 1,509,375	\$ 83,017	\$ 40,882,204	\$ 8,285,408	\$ 15,809,074	\$ 1,606,004	\$ 11,341,224	\$ 3,042,046	\$ 30,890,367	\$ 14,394,156	\$ 14,663,411	\$ 5,230,640

continued

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service (Requirements)
General Bonded Debt (Continued)
June 30, 2011

Fiscal Year Ending June 30,	\$24,000,000 General Obligation Series 2004		\$18,526,623 General Obligation Refunding Series 2005A		\$11,150,000 Refunding Bonds Series 2005B		\$27,000,000 General Obligation Series 2005		\$18,550,000 General Obligation Series 2007		\$14,000,000 General Obligation Series 2008		\$15,000,000 Build America Bonds Series 2010A		\$21,440,000 Refunding Bonds Series 2010C		\$29,236,000 Qualified School Construction Bonds Series 2010		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
	2012	\$ 274,286	\$ 921,600	\$ -	\$ 843,109	\$ 995,000	\$ 389,744	\$ 517,208	\$ 1,128,214	\$ -	\$ 927,500	\$ 467,250	\$ 656,600	\$ 23,437	\$ 796,301	\$ 1,215,000	\$ 683,025	\$ 1,520,234	\$ 1,362,242	\$ 18,372,019	\$ 13,366,705
2013	308,571	910,629	1,583,250	843,109	1,040,000	344,173	561,039	1,104,940	-	927,500	490,000	633,238	23,437	795,949	1,275,000	652,650	1,824,281	1,417,361	19,427,909	12,650,371	
2014	342,857	898,286	1,645,511	769,281	1,095,000	296,229	604,870	1,079,693	-	927,500	514,500	608,738	23,437	795,480	1,335,000	614,400	1,824,281	1,417,361	19,677,689	11,767,878	
2015	685,714	884,571	1,717,501	686,274	1,150,000	243,998	648,701	1,052,474	-	927,500	540,750	583,013	23,437	794,848	1,405,000	574,350	1,824,281	1,417,361	22,768,819	10,961,783	
2016	1,028,571	857,143	1,728,360	599,754	1,210,000	188,798	701,299	1,023,282	-	927,500	567,000	555,975	23,437	794,145	1,485,000	518,150	1,824,281	1,417,361	22,078,912	9,842,497	
2017	1,097,143	816,000	1,815,915	511,239	1,275,000	130,113	736,364	991,724	-	927,500	595,000	527,625	23,437	793,324	1,575,000	458,750	1,824,281	1,417,361	19,836,360	8,861,042	
2018	1,165,714	772,114	1,905,415	418,451	1,340,000	67,000	788,961	958,588	-	927,500	626,500	497,875	257,812	792,434	1,670,000	395,750	1,824,281	1,417,361	16,624,650	7,999,824	
2019	1,234,286	725,486	2,002,699	321,293	-	-	832,792	923,084	-	927,500	656,250	466,550	257,812	782,121	1,770,000	328,950	1,824,281	1,417,361	16,026,191	7,297,083	
2020	1,306,286	676,114	2,105,819	219,387	-	-	876,623	885,609	-	927,500	689,500	433,738	492,187	770,520	1,855,000	275,850	1,824,281	1,417,361	13,531,040	6,639,885	
2021	1,381,714	623,863	2,218,667	112,448	-	-	920,455	846,161	-	927,500	724,500	399,263	585,938	748,124	1,945,000	220,200	1,824,281	1,417,361	11,172,555	6,115,538	
2022	1,460,571	568,594	-	-	-	-	376,948	804,740	-	927,500	761,250	363,038	679,688	721,465	2,040,000	161,850	1,824,281	1,417,361	8,828,371	5,714,484	
2023	1,542,857	510,171	-	-	-	-	350,649	787,778	-	927,500	798,000	324,975	679,688	690,539	2,135,000	100,650	1,824,281	1,417,361	9,326,908	5,433,716	
2024	1,632,000	448,457	-	-	-	-	368,182	771,998	-	927,500	838,250	285,075	656,250	659,614	1,220,000	36,600	1,824,281	1,417,361	8,666,596	5,141,641	
2025	1,721,143	383,177	-	-	-	-	385,714	755,430	-	927,500	880,250	243,163	609,375	629,754	-	-	1,824,281	1,417,361	7,695,713	4,866,702	
2026	1,817,143	314,331	-	-	-	-	403,247	738,073	-	927,500	924,000	199,150	1,148,438	602,028	-	-	1,824,281	1,417,361	6,538,676	4,618,527	
2027	1,913,143	241,646	-	-	-	-	412,013	719,927	1,740,743	927,500	971,250	152,950	93,750	539,437	-	-	-	2,003,856	1,417,361	9,720,438	4,323,158
2028	2,012,571	165,120	-	-	-	-	429,545	701,386	2,063,351	840,463	1,018,500	104,388	93,750	534,234	-	-	-	171,976	139,589	8,677,193	2,707,755
2029	2,115,430	84,617	-	-	-	-	447,078	682,057	2,170,888	737,295	1,069,250	53,463	-	529,031	-	-	-	-	-	8,983,064	2,201,259
2030	-	-	-	-	-	-	2,717,532	661,938	2,271,703	628,751	-	-	1,007,813	523,828	-	-	-	-	-	5,997,048	1,814,517
2031	-	-	-	-	-	-	2,822,727	539,649	2,392,681	515,166	-	-	1,007,813	467,894	-	-	-	-	-	6,223,221	1,522,709
2032	-	-	-	-	-	-	2,936,688	412,627	2,506,938	395,532	-	-	1,101,563	409,945	-	-	-	-	-	6,545,189	1,218,104
2033	-	-	-	-	-	-	3,050,649	280,476	2,634,638	270,185	-	-	1,195,313	346,605	-	-	-	-	-	6,880,600	897,266
2034	-	-	-	-	-	-	3,182,143	143,196	2,769,058	138,453	-	-	1,289,063	277,875	-	-	-	-	-	7,240,264	559,524
2035	-	-	-	-	-	-	-	-	-	-	-	-	3,585,938	204,399	-	-	-	-	-	3,585,938	204,399
Totals	\$ 23,040,000	\$ 10,801,919	\$ 16,723,137	\$ 5,324,345	\$ 8,105,000	\$ 1,660,055	\$ 25,071,427	\$ 17,993,044	\$ 18,550,000	\$ 18,365,845	\$ 13,132,000	\$ 7,088,817	\$ 14,976,563	\$ 14,999,894	\$ 20,925,000	\$ 5,021,175	\$ 29,236,000	\$ 22,762,246	\$ 286,425,363	\$ 136,726,367	

KNOX COUNTY, TENNESSEE

Schedule of Salaries and Bonds of Principal Elected Officials
For the year ended June 30, 2011

OFFICIAL	AUTHORIZATION FOR SALARY	SALARY PAID DURING YEAR	BOND AMOUNT	SURETY
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 128,896	\$ 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.	\$ 128,973	\$ 300,000	Hartford Fire Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 106,856	\$ 50,000	Hartford Fire Insurance
County Mayor*	Section 8-24-102, T.C.A.	\$ 123,457	\$ 50,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 143,219	\$ 250,000	Hartford Fire Insurance
Law Director	Section 3.08, Knox County Charter	\$ 153,865	\$ -	
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 134,761	\$ 100,000	Hartford Fire Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 135,836	\$ 25,000	Hartford Fire Insurance
Trustee *	Section 8-24-102 (k), T.C.A.	\$ 90,394	\$ 15,226,673	Hartford Fire Insurance

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

KNOX COUNTY, TENNESSEE

**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source¹
June 30, 2011 and 2010
(In Thousands of Dollars)**

	<u>2011</u>	<u>2010</u>
Governmental Funds Capital Assets:		
Land	\$ 99,278	\$ 97,800
Buildings	212,305	197,836
Improvements Other than Buildings	20,448	20,408
Machinery and Equipment	32,673	28,288
Intangibles	21,624	19,781
Infrastructure	514,345	501,425
Construction in Progress	49,115	71,286
Total Governmental Funds Capital Assets	<u>\$ 949,788</u>	<u>\$ 936,824</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 3,980	\$ 2,087
Special Revenue Funds	2,543	1,316
Capital Projects Funds	943,265	933,421
Total Governmental Funds Capital Assets	<u>\$ 949,788</u>	<u>\$ 936,824</u>

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

KNOX COUNTY, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity¹

June 30, 2011

(In Thousands of Dollars)

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery And Equipment	Intangibles	Infrastructure	Construction In Progress	Total
General Government:								
Finance and Administration	\$ -	\$ 264	\$ 16	\$ 2,368	\$ 9,263	\$ -	\$ 30	\$ 11,941
Administration of Justice	1,150	22,046	70	380	10,949	-	25	34,620
Public Safety	366	54,892	29	15,403	742	-	724	72,156
Public Health and Welfare	4,256	36,491	881	3,358	-	-	62	45,048
Social and Cultural Services	20,263	67,533	19,452	2,864	117	-	3,914	114,143
Other General Government	4,349	28,793	-	4,456	467	-	15,407	53,472
Total General Government	30,384	210,019	20,448	28,829	21,538	-	20,162	331,380
Engineering & Public Works	68,894	2,286	-	3,844	86	514,345	28,953	618,408
Total Governmental Funds Capital Assets	\$ 99,278	\$ 212,305	\$ 20,448	\$ 32,673	\$ 21,624	\$ 514,345	\$ 49,115	\$ 949,788

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

KNOX COUNTY, TENNESSEE

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
For the Fiscal Year Ended June 30, 2011
(In Thousands of Dollars)**

Function and Activity	Governmental Funds Capital Assets July 1, 2010	Additions	Deductions	Governmental Funds Capital Assets June 30, 2011
General Government:				
Finance and Administration	\$ 11,810	\$ 1,387	\$ 1,256	\$ 11,941
Administration of Justice	34,595	25	-	34,620
Public Safety	69,397	16,877	14,118	72,156
Public Health and Welfare	44,916	132	-	45,048
Social and Cultural Services	114,381	918	1,156	114,143
Other General Government	47,705	5,767	-	53,472
Total General Government	<u>322,804</u>	<u>25,106</u>	<u>16,530</u>	<u>331,380</u>
Engineering & Public Works	<u>614,020</u>	<u>20,337</u>	<u>15,949</u>	<u>618,408</u>
Total Governmental Funds Capital Assets	<u>\$ 936,824</u>	<u>\$ 45,444</u>	<u>\$ 32,479</u>	<u>\$ 949,788</u>

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

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, 2011

	Board of Education	Component Unit	
	Total -- Governmental Activities	Great Schools Partnership	Total Component Unit
Assets			
Cash and Cash Equivalents	\$ 76,488,519	\$ 734,819	\$ 77,223,338
Accounts Receivable	49,138,600	2,920,652	52,059,252
Property Taxes Receivable, net	121,962,596	-	121,962,596
Due from Primary Government	831,919	-	831,919
Inventories	1,025,387	817	1,026,204
Prepaid Items	1,149,471	-	1,149,471
Capital Assets:			
Land and Construction in Process	45,876,029	-	45,876,029
Other Capital Assets, Net of Accumulated Depreciation	290,297,772	-	290,297,772
Total Assets	586,770,293	3,656,288	590,426,581
Liabilities			
Accounts Payable	54,287,333	295,209	54,582,542
Due to Knox County Primary Government	1,645,115	-	1,645,115
Unearned Revenue	114,744,278	-	114,744,278
Long-term Liability--Accrued Pension Obligation	3,166,041	-	3,166,041
Other Long-term Obligations:			
Due in Less than One Year	2,092,847	-	2,092,847
Due in More than One Year	232,539	-	232,539
Total Liabilities	176,168,153	295,209	176,463,362
Net Assets			
Invested in Capital Assets	336,173,801	-	336,173,801
Restricted for:			
Capital Projects	26,082,535	-	26,082,535
Other Purposes	12,378	-	12,378
Net Assets - Unrestricted	48,333,426	3,361,079	51,694,505
	\$ 410,602,140	\$ 3,361,079	\$ 413,963,219

Knox County Board of Education

Statement of Activities

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education Governmental Activities	Component Unit The Partnership	Total Component Unit
Knox County Board of Education:							
Governmental activities:							
Education	\$ 451,450,907	\$ 16,617,259	\$ 77,206,009	\$ -	\$ (357,627,639)		\$ (357,627,639)
Education - Payment to Primary Government	25,946,048	-	-	-	(25,946,048)		(25,946,048)
Education - Payment to Component Unit	2,641,874	-	-	-	(2,641,874)		(2,641,874)
Total primary government	\$ 480,038,829	\$ 16,617,259	\$ 77,206,009	\$ -	(386,215,561)		(386,215,561)
Component unit:							
Great Schools Partnership	\$ 4,594,887	\$ 4,187	\$ 4,613,347	\$ -		\$ 22,647	22,647
Total component units	\$ 4,594,887	\$ 4,187	\$ 4,613,347	\$ -		22,647	22,647
General Revenues:							
Property Taxes					112,371,639	-	112,371,639
Sales Taxes					119,973,142	-	119,973,142
Wheel Taxes					1,525,119	-	1,525,119
Other Local Taxes					1,006,769	-	1,006,769
Interest Income					106,696	-	106,696
Other Revenues					1,344,157	-	1,344,157
Grants and Contributions Not Restricted for Specific Programs					145,735,671	-	145,735,671
Payments from Knox County Primary Government					54,748,832	-	54,748,832
Payments from Knox County Board of Education					-	2,641,874	2,641,874
Total General Revenues					436,812,025	2,641,874	439,453,899
Change in Net Assets					50,596,464	2,664,521	53,260,985
Net Assets, July 1					360,005,676	696,558	360,702,234
Net Assets, June 30					\$ 410,602,140	\$ 3,361,079	\$ 413,963,219

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Balance Sheet

Governmental Funds

June 30, 2011

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 40,535,936	\$ 29,723,656	\$ 6,228,927	\$ 76,488,519
Receivables (Net of Allowance for Uncollectibles):				
Accounts	26,022,508	3,359,659	19,756,433	49,138,600
Property Taxes	121,962,596	-	-	121,962,596
Due from Other Funds	10,107,936	553,325	596,547	11,257,808
Due from Primary Government	790,028	41,891	-	831,919
Inventories	789,181	-	236,206	1,025,387
Prepaid Items	1,149,471	-	-	1,149,471
TOTAL ASSETS	\$ 201,357,656	\$ 33,678,531	\$ 26,818,113	\$ 261,854,300
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 45,447,816	\$ 2,140,652	\$ 6,698,865	\$ 54,287,333
Due to Other Funds	479,722	-	10,778,086	11,257,808
Due to Primary Government	788,124	700,000	156,991	1,645,115
Deferred Revenue	120,442,834	-	1,789,112	122,231,946
TOTAL LIABILITIES	167,158,496	2,840,652	19,423,054	189,422,202
Fund Balance:				
Nonspendable	1,938,652	-	-	1,938,652
Restricted	-	26,082,535	12,378	26,094,913
Committed	2,940,000	4,755,344	7,382,681	15,078,025
Assigned	2,179,068	-	-	2,179,068
Unassigned	27,141,440	-	-	27,141,440
TOTAL FUND BALANCES	34,199,160	30,837,879	7,395,059	72,432,098
TOTAL LIABILITIES AND FUND BALANCES	\$ 201,357,656	\$ 33,678,531	\$ 26,818,113	\$ 261,854,300

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, 2011

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

Ending Fund Balance - Governmental Funds	\$ 72,432,098
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	336,173,801
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.	7,487,668
Long-term liabilities, consisting of compensated absences (\$2,325,386) and pension obligation (\$3,166,041), are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,491,427)</u>
Net Assets of Governmental Activities	<u><u>\$ 410,602,140</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, 2011

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local Taxes	\$ 215,232,565	\$ 18,288,221	\$ -	\$ 233,520,786
Licenses and Permits	30,162	-	10,771	40,933
Charges for Current Services	986,454	-	10,014,158	11,000,612
Other Local Revenues	2,101,832	-	3,813,825	5,915,657
State of Tennessee	160,101,384	-	2,666,937	162,768,321
Federal Government	647,344	-	59,769,161	60,416,505
Other Governments and Citizen Groups	-	-	763,683	763,683
Interest Earned	-	84,981	-	84,981
Payments from Primary Government	1,182,000	-	2,641,874	3,823,874
Debt Proceeds Received from Primary Government	-	29,004,906	-	29,004,906
	<u>380,281,741</u>	<u>47,378,108</u>	<u>79,680,409</u>	<u>507,340,258</u>
Expenditures				
Current:				
Education	362,832,424	-	75,481,167	438,313,591
Capital Outlay	-	20,292,003	-	20,292,003
Payments to Primary Government	7,143,383	18,802,665	-	25,946,048
Payments to Component Unit	-	-	2,641,874	2,641,874
Other Charges	-	181,483	-	181,483
	<u>369,975,807</u>	<u>39,276,151</u>	<u>78,123,041</u>	<u>487,374,999</u>
Excess of Revenues Over Expenditures	<u>10,305,934</u>	<u>8,101,957</u>	<u>1,557,368</u>	<u>19,965,259</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	400,330	-	1,611,043	2,011,373
Transfers to Other Funds	(202,294)	-	(1,809,079)	(2,011,373)
	<u>198,036</u>	<u>-</u>	<u>(198,036)</u>	<u>-</u>
Net Change in Fund Balances	10,503,970	8,101,957	1,359,332	19,965,259
Fund Balance, July 1	<u>23,695,190</u>	<u>22,735,922</u>	<u>6,035,727</u>	<u>52,466,839</u>
Fund Balance, June 30	<u>\$ 34,199,160</u>	<u>\$ 30,837,879</u>	<u>\$ 7,395,059</u>	<u>\$ 72,432,098</u>

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, 2011

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

Net Change in Fund Balances - Total Governmental Funds	\$ 19,965,259
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 (\$20,333,836) exceeded depreciation (\$13,675,110) in the current period.	6,658,726
The Primary Government provided funding to the Board to refund previously existing capital lease obligations. This transaction did not provide current resources to governmental funds, but resulted in the recognition of revenue in the statement of activities.	21,920,052
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements.	7,487,668
Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities.	(6,112,685)
The repayment of the capital leases, made prior to the refunding transaction, reduced long-term liabilities in the statement of net assets.	543,855
The decrease in the liability for compensated absences of \$106,602 and the reduction of the net pension obligation of \$26,987 resulted in the reduction of expenses. These amounts do not require the use of current financial resources and, therefore, are not reflected in the expenditures of governmental funds.	<u>133,589</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 50,596,464</u></u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Balance Sheets
June 30, 2011 and June 30, 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 40,535,936	\$ 38,711,872
Receivables (Net of Allowance for Uncollectibles):		
Accounts	26,022,508	20,716,197
Property Taxes	121,962,596	117,330,656
Due from Other Governments	-	1,233
Due from Primary Government	790,028	248,965
Due from Component Unit	-	36,336
Due from Other Funds	10,107,936	6,841,768
Prepaid Items	1,149,471	605,443
Inventories	789,181	934,440
TOTAL ASSETS	\$ 201,357,656	\$ 185,426,910
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 45,447,816	\$ 43,494,379
Due to Other Funds	479,722	1,135,018
Due to Primary Government	788,124	570,641
Due to Component Unit	-	347,421
Deferred Revenue	120,442,834	116,184,261
TOTAL LIABILITIES	167,158,496	161,731,720
Fund Balances:		
Nonspendable	1,938,652	1,539,883
Committed	2,940,000	-
Assigned	2,179,068	2,060,686
Unassigned	27,141,440	20,094,621
TOTAL FUND BALANCES	34,199,160	23,695,190
TOTAL LIABILITIES AND FUND BALANCES	\$ 201,357,656	\$ 185,426,910

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, 2011 and June 30, 2010**

	<u>2011</u>	<u>2010</u>
Revenues		
Local Taxes	\$ 215,232,565	\$ 207,285,597
Licenses and Permits	30,162	28,110
Charges for Current Services	986,454	619,304
Other Local Revenues	2,101,832	3,072,315
State of Tennessee	160,101,384	155,837,369
Federal Government	647,344	636,405
Other Governments and Citizen Groups	-	90,963
Payment from Primary Government	1,182,000	-
Payment from Component Units	-	1,183,168
	<u>380,281,741</u>	<u>368,753,231</u>
Total Revenues		
Expenditures		
Current:		
Education	362,832,424	359,106,054
Payments to Primary Government	7,143,383	6,361,555
Payments to Component Unit	-	1,723,181
	<u>369,975,807</u>	<u>367,190,790</u>
Total Expenditures		
Excess of Revenues Over Expenditures	<u>10,305,934</u>	<u>1,562,441</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	400,330	400,000
Transfers to Other Funds	(202,294)	(4,050,558)
	<u>198,036</u>	<u>(3,650,558)</u>
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	10,503,970	(2,088,117)
Fund Balances, July 1	<u>23,695,190</u>	<u>25,783,307</u>
Fund Balances, June 30	<u>\$ 34,199,160</u>	<u>\$ 23,695,190</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, 2011 and June 30, 2010

	2011				2010			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Local Taxes	\$ 212,789,500	\$ 212,789,500	\$ 215,232,565	\$ 2,443,065	\$ 212,389,500	\$ 207,285,597	\$ (5,103,903)	
Licenses and Permits	36,000	36,000	30,162	(5,838)	36,000	28,110	(7,890)	
Charges for Current Services	1,191,800	1,191,800	986,454	(205,346)	1,191,800	619,304	(572,496)	
Other Local Revenues	3,835,820	3,835,820	2,101,832	(1,733,988)	3,110,799	3,072,315	(38,484)	
State of Tennessee	155,781,712	156,755,712	160,101,384	3,345,672	155,185,700	155,837,369	651,669	
Federal Government	537,000	574,815	647,344	72,529	598,499	636,405	37,906	
Other Governments and Citizen Groups	-	-	-	-	-	90,963	90,963	
Payments from Primary Government	1,183,168	1,183,168	1,182,000	(1,168)	-	-	-	
Payments from Component Unit	-	-	-	-	1,183,168	1,183,168	-	
Total Revenues	375,355,000	376,366,815	380,281,741	3,914,926	373,695,466	368,753,231	(4,942,235)	
Expenditures								
Current:								
Education:								
Personal Services	252,511,891	251,878,403	245,425,501	6,452,902	254,227,724	245,753,669	8,474,055	
Employee Benefits	64,954,046	66,155,431	66,096,681	58,750	60,292,180	59,906,396	385,784	
Contracted Services	21,039,614	21,515,334	21,341,187	174,147	20,996,406	20,822,862	173,544	
Supplies and Materials	21,672,157	23,335,678	22,959,816	375,862	24,682,441	24,485,891	196,550	
Other Charges	10,784,921	10,583,240	6,665,285	3,917,955	7,456,230	7,232,627	223,603	
Capital Outlay	598,988	489,338	343,954	145,384	941,596	904,609	36,987	
Payments to Primary Government	7,143,383	7,143,383	7,143,383	-	6,361,555	6,361,555	-	
Payments to Component Unit	-	-	-	-	1,723,181	1,723,181	-	
Total Expenditures	378,705,000	381,100,807	369,975,807	11,125,000	376,681,313	367,190,790	9,490,523	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,350,000)	(4,733,992)	10,305,934	15,039,926	(2,985,847)	1,562,441	4,548,288	

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, 2011 and June 30, 2010

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)							
Transfers from Other Funds	400,000	400,000	400,330	330	400,000	400,000	-
Transfers to Other Funds	-	(202,294)	(202,294)	-	(4,050,558)	(4,050,558)	-
Total Other Financing Sources (Uses)	400,000	197,706	198,036	330	(3,650,558)	(3,650,558)	-
Net Change in Fund Balances	(2,950,000)	(4,536,286)	10,503,970	15,040,256	(6,636,405)	(2,088,117)	4,548,288
Fund Balances, July 1	23,695,190	23,695,190	23,695,190	-	25,783,307	25,783,307	-
Fund Balances, June 30	\$ 20,745,190	\$ 19,158,904	\$ 34,199,160	\$ 15,040,256	\$ 19,146,902	\$ 23,695,190	\$ 4,548,288

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Balance Sheets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 29,723,656	\$ 22,149,476
Accounts	3,359,659	2,985,683
Due from Other Funds	553,325	-
Due from Primary Government	41,891	77,420
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 33,678,531</u>	<u>\$ 25,212,579</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,140,652	\$ 1,050,984
Due to Other Funds	-	1,425,673
Due to Primary Government	700,000	-
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>2,840,652</u>	<u>2,476,657</u>
Fund Balance:		
Restricted	26,082,535	17,315,064
Committed	4,755,344	5,420,858
	<hr/>	<hr/>
TOTAL FUND BALANCE	<u>30,837,879</u>	<u>22,735,922</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 33,678,531</u>	<u>\$ 25,212,579</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances**
For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Local Taxes	\$ 18,288,221	\$ 17,493,716
Interest Earned	84,981	65,942
Debt Proceeds Received from Primary Government	<u>29,004,906</u>	<u>14,822,428</u>
Total Revenues	<u>47,378,108</u>	<u>32,382,086</u>
Expenditures		
Capital Projects	20,292,003	18,979,670
Payments to Primary Government	18,802,665	19,802,665
Other Charges	<u>181,483</u>	<u>145,080</u>
Total Expenditures	<u>39,276,151</u>	<u>38,927,415</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,101,957</u>	<u>(6,545,329)</u>
Other Financing Sources		
Capital Lease Proceeds	<u>-</u>	<u>13,042,168</u>
Net Change in Fund Balance	8,101,957	6,496,839
Fund Balances, July 1	<u>22,735,922</u>	<u>16,239,083</u>
Fund Balances, June 30	<u>\$ 30,837,879</u>	<u>\$ 22,735,922</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, 2011 and June 30, 2010**

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Taxes	\$ 17,775,000	\$ 17,775,000	\$ 18,288,221	\$ 513,221	\$ 18,600,000	\$ 17,493,716	\$ (1,106,284)
Other Local Revenue	600,000	600,000	30,413	(569,587)	600,000	65,942	(534,058)
Total Revenues	18,375,000	18,375,000	18,318,634	(56,366)	19,200,000	17,559,658	(1,640,342)
Expenditures							
Other Charges:							
Payments to Primary Government	18,977,665	18,977,665	18,802,665	175,000	19,802,665	19,802,665	-
Other Charges	-	-	181,483	(181,483)	-	-	-
Total Expenditures	18,977,665	18,977,665	18,984,148	(6,483)	19,802,665	19,802,665	-
Net Change in Fund Balance	(602,665)	(602,665)	(665,514)	(62,849)	(602,665)	(2,243,007)	(1,640,342)
Fund Balances, July 1 (Budget Basis)	-	-	-	-	-	-	-
Fund Balances, June 30 (Budget Basis)	\$ (602,665)	\$ (602,665)	\$ (665,514)	\$ (62,849)	\$ (602,665)	\$ (2,243,007)	\$ (1,640,342)
Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):							
Fund Balance (Budget Basis)			\$ (665,514)			\$ (2,243,007)	
Timing Differences:							
Project Length Budgets			31,503,393			24,978,929	
Fund Balance (GAAP Basis)			<u>\$ 30,837,879</u>			<u>\$ 22,735,922</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, 2011

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Physical Plant Upgrades	\$ 23,049,887	\$ -	\$ 9,924,860	\$ 9,924,860	\$ 13,125,027
Foundation Stabilization	750,000	744,619	5,381	750,000	-
Elementary Growth	1,200,000	1,195,168	3,491	1,198,659	1,341
Amherst Elementary	16,077,296	16,056,251	9,582	16,065,833	11,463
Cedar Bluff K-3	20,036,668	19,983,108	47,723	20,030,831	5,837
Brickey Elementary	14,410,824	14,402,699	8,125	14,410,824	-
New Holston Middle	11,944,500	11,860,746	10,519	11,871,265	73,235
West High Library / Cafeteria	2,200,000	2,198,246	1,754	2,200,000	-
Gibbs Elementary School	15,404,720	15,380,601	(11,907)	15,368,694	36,026
Powell Middle	1,128,543	1,121,609	-	1,121,609	6,934
Karns High Addition and Renovations	3,000,000	2,973,679	26,321	3,000,000	-
Ball Camp ES Addition/Renovation	5,425,000	417,364	4,117,927	4,535,291	889,709
Southwest Elementary	800,000	-	81,375	81,375	718,625
School Energy Savings Project	25,252,988	18,953,346	5,979,410	24,932,756	320,232
Hardin Valley High School	50,000,000	49,884,675	87,442	49,972,117	27,883
<i>Total Capital Projects:</i>	<u>\$ 190,680,426</u>	<u>\$ 155,172,111</u>	<u>\$ 20,292,003</u>	<u>\$ 175,464,114</u>	<u>\$ 15,216,312</u>
Project Expenditures			\$ 20,292,003		
Adjustment for expenditures budgeted on an annual basis and other non-project expenditures				18,984,148	
Total School Construction Fund Expenditures				<u>\$ 39,276,151</u>	

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2011

	School Federal Projects	School General Projects	Central Cafeteria	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 1,759,137	\$ 4,469,790	\$ 6,228,927
Receivables (Net of Allowance for Uncollectibles):				
Accounts	15,299,816	1,469,901	2,986,716	19,756,433
Due from Other Funds	266,304	330,243	-	596,547
Inventories	-	-	236,206	236,206
TOTAL ASSETS	\$ 15,566,120	\$ 3,559,281	\$ 7,692,712	\$ 26,818,113
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 4,882,693	\$ 1,392,392	\$ 423,780	\$ 6,698,865
Due to Other Funds	10,604,190	173,896	-	10,778,086
Due to Primary Government	44,093	112,898	-	156,991
Deferred Revenue	22,766	1,523,021	243,325	1,789,112
TOTAL LIABILITIES	15,553,742	3,202,207	667,105	19,423,054
Fund Balances:				
Restricted	12,378	-	-	12,378
Committed	-	357,074	7,025,607	7,382,681
TOTAL FUND BALANCES	12,378	357,074	7,025,607	7,395,059
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,566,120	\$ 3,559,281	\$ 7,692,712	\$ 26,818,113

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2011

	School Federal Projects	School General Projects	Central Cafeteria	Total Nonmajor Governmental Funds
Revenues				
Licenses and Permits	\$ -	\$ 10,771	\$ -	\$ 10,771
Charges for Current Services	-	1,026,412	8,987,746	10,014,158
Other Local Revenues	-	3,491,320	322,505	3,813,825
State of Tennessee	70,962	2,304,593	291,382	2,666,937
Federal Government	44,881,018	349,153	14,538,990	59,769,161
Other Governments and Citizen Groups	247,100	516,583	-	763,683
Payments from Primary Government	-	2,641,874	-	2,641,874
Total Revenues	45,199,080	10,340,706	24,140,623	79,680,409
Expenditures				
Current:				
Education	43,853,043	10,187,776	21,440,348	75,481,167
Payment to Component Unit	-	2,641,874	-	2,641,874
Total Expenditures	43,853,043	12,829,650	21,440,348	78,123,041
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,346,037	(2,488,944)	2,700,275	1,557,368
Other Financing Sources (Uses)				
Transfers from Other Funds	62,712	1,548,331	-	1,611,043
Transfers to Other Funds	(1,408,749)	(330)	(400,000)	(1,809,079)
Total Other Financing Sources (Uses)	(1,346,037)	1,548,001	(400,000)	(198,036)
Net Change in Fund Balances	-	(940,943)	2,300,275	1,359,332
Fund Balance, July 1	12,378	1,298,017	4,725,332	6,035,727
Fund Balance, June 30	\$ 12,378	\$ 357,074	\$ 7,025,607	\$ 7,395,059

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Special Revenue Fund
Comparative Balance Sheets
June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 15,299,816	\$ 9,430,836
Due From Other Funds	266,304	1,563,441
Prepaid Items	-	50,942
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 15,566,120</u>	<u>\$ 11,045,219</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 4,882,693	\$ 3,654,518
Due to Other Funds	10,604,190	7,322,472
Due to Component Unit	-	71
Due to Primary Government	44,093	52,020
Deferred Revenue	22,766	3,760
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>15,553,742</u>	<u>11,032,841</u>
 Fund Balances:		
Restricted	<u>12,378</u>	<u>12,378</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,566,120</u>	<u>\$ 11,045,219</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Special Revenue Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
For the years ended June 30, 2011 and June 30, 2010**

	<u>2011</u>	<u>2010</u>
Revenues		
State of Tennessee	\$ 70,962	\$ 92,028
Federal Government	44,881,018	44,351,206
Other Governments and Citizen Groups	<u>247,100</u>	<u>-</u>
Total Revenues	<u>45,199,080</u>	<u>44,443,234</u>
Expenditures		
Current:		
Education	<u>43,853,043</u>	<u>44,505,896</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,346,037</u>	<u>(62,662)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	62,712	62,712
Transfers to Other Funds	<u>(1,408,749)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,346,037)</u>	<u>62,712</u>
Net Change in Fund Balances	-	50
Fund Balances, July 1	<u>12,378</u>	<u>12,328</u>
Fund Balances, June 30	<u>\$ 12,378</u>	<u>\$ 12,378</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, 2011 and June 30, 2010

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
State of Tennessee	\$ -	\$ 98,024	\$ 70,962	\$ (27,062)	\$ 98,037	\$ 92,028	\$ (6,009)
Federal Government	-	74,233,986	44,881,018	(29,352,968)	61,496,052	44,351,206	(17,144,846)
Other Governments and Citizen Groups	-	516,306	247,100	(269,206)	-	-	-
Total Revenues	-	74,848,316	45,199,080	(29,649,236)	61,594,089	44,443,234	(17,150,855)
Expenditures							
Current:							
Education:							
Personal Services	-	38,752,079	24,056,716	14,695,363	28,971,755	26,216,476	2,755,279
Employee Benefits	-	9,355,393	5,863,304	3,492,089	6,731,062	6,029,551	701,511
Contracted Services	-	7,332,044	4,531,930	2,800,114	6,060,230	3,657,145	2,403,085
Supplies and Materials	-	7,490,472	2,717,859	4,772,613	8,394,800	2,498,308	5,896,492
Other Charges	-	4,031,669	2,160,245	1,871,424	5,784,161	2,346,429	3,437,732
Capital Outlay	-	6,516,942	4,522,989	1,993,953	5,714,793	3,757,987	1,956,806
Total Expenditures	-	73,478,599	43,853,043	29,625,556	61,656,801	44,505,896	17,150,905
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1,369,717	1,346,037	(23,680)	(62,712)	(62,662)	50
Other Financing Sources (Uses)							
Transfer from Other Funds	-	62,712	62,712	-	62,712	62,712	-
Transfer to Other Funds	-	(1,432,429)	(1,408,749)	23,680	-	-	-
Total Other Financing Sources (Uses)	-	(1,369,717)	(1,346,037)	23,680	62,712	62,712	-
Net Change in Fund Balances	-	-	-	-	-	50	50
Fund Balances, July 1	-	12,378	12,378	-	12,328	12,328	-
Fund Balances, June 30	\$ -	\$ 12,378	\$ 12,378	\$ -	\$ 12,328	\$ 12,378	\$ 50

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School General Projects Special Revenue Fund
Comparative Balance Sheets
June 30, 2011 and June 30, 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 1,759,137	\$ 1,463,504
Receivables (Net of Allowance for Uncollectibles):		
Accounts	1,469,901	310,253
Due from Component Units	-	3,402
Due from Other Funds	330,243	2,881,776
Prepaid Items	-	136,472
TOTAL ASSETS	\$ 3,559,281	\$ 4,795,407
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,392,392	\$ 561,838
Due to Primary Government	112,898	78,514
Due to Other Funds	173,896	1,383,996
Deferred Revenue	1,523,021	1,473,042
TOTAL LIABILITIES	3,202,207	3,497,390
Fund Balances:		
Committed	357,074	1,298,017
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,559,281	\$ 4,795,407

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, 2011 and June 30, 2010**

	<u>2011</u>	<u>2010</u>
Revenues		
Licenses and Permits	\$ 10,771	\$ -
Charges for Current Services	1,026,412	743,091
Other Local Revenues	3,491,320	610,959
State of Tennessee	2,304,593	739,724
Federal Government	349,153	-
Other Governments and Citizens Groups	516,583	674,357
Payments from Primary Government	<u>2,641,874</u>	<u>3,823,874</u>
Total Revenues	<u>10,340,706</u>	<u>6,592,005</u>
Expenditures		
Current:		
Education	10,187,776	7,467,609
Payment to Component Unit	<u>2,641,874</u>	<u>3,823,874</u>
Total Expenditures	<u>12,829,650</u>	<u>11,291,483</u>
Deficiency of Revenues Under Expenditures	<u>(2,488,944)</u>	<u>(4,699,478)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	1,548,331	3,987,846
Transfers To Other Funds	<u>(330)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,548,001</u>	<u>3,987,846</u>
Net Change in Fund Balances	(940,943)	(711,632)
Fund Balances, July 1	<u>1,298,017</u>	<u>2,009,649</u>
Fund Balances, June 30	<u><u>\$ 357,074</u></u>	<u><u>\$ 1,298,017</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, 2011 and June 30, 2010

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Licenses and Permits	\$ -	\$ 7,755	\$ 10,771	\$ 3,016	\$ 5,242	\$ -	\$ (5,242)
Charges for Current Services	-	1,729,903	1,026,412	(703,491)	1,096,387	743,091	(353,296)
Other Local Revenues	-	4,041,755	3,491,320	(550,435)	740,983	610,959	(130,024)
State of Tennessee	-	3,080,019	2,304,593	(775,426)	1,705,150	739,724	(965,426)
Federal Government	-	378,200	349,153	(29,047)	-	-	-
Payments from Primary Government	-	2,641,874	2,641,874	-	3,823,874	3,823,874	-
Other Governments and Citizens Groups	-	651,937	516,583	(135,354)	848,027	674,357	(173,670)
Total Revenues	-	12,531,443	10,340,706	(2,190,737)	8,219,663	6,592,005	(1,627,658)
Expenditures							
Current:							
Education:							
Personal Services	-	6,582,531	5,928,493	654,038	2,797,001	1,657,391	1,139,610
Employee Benefits	-	1,494,028	1,373,680	120,348	549,778	257,343	292,435
Contracted Services	-	2,330,660	1,540,136	790,524	4,032,324	3,230,043	802,281
Supplies and Materials	-	1,980,676	1,171,152	809,524	3,966,827	2,158,168	1,808,659
Other Charges	-	225,241	149,534	75,707	217,261	91,753	125,508
Capital Outlay	-	127,413	24,781	102,632	245,702	72,911	172,791
Payment to Component Unit	-	2,641,874	2,641,874	-	3,823,874	3,823,874	-
Total Expenditures	-	15,382,423	12,829,650	2,552,773	15,632,767	11,291,483	4,341,284
Deficiency of Revenues Under Expenditures	-	(2,850,980)	(2,488,944)	362,036	(7,413,104)	(4,699,478)	2,713,626
Other Financing Sources (Uses)							
Transfers from Other Funds	-	2,021,839	1,548,331	(473,508)	3,987,846	3,987,846	-
Transfers to Other Funds	-	(330)	(330)	-	-	-	-
Total Other Financing Sources (Uses)	-	2,021,509	1,548,001	(473,508)	3,987,846	3,987,846	-
Net Change in Fund Balances	-	(829,471)	(940,943)	(111,472)	(3,425,258)	(711,632)	2,713,626
Fund Balances, July 1	-	1,298,017	1,298,017	-	2,009,649	2,009,649	-
Fund Balances, June 30	\$ -	\$ 468,546	\$ 357,074	\$ (111,472)	\$ (1,415,609)	\$ 1,298,017	\$ 2,713,626

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
Central Cafeteria Special Revenue Fund
Comparative Balance Sheets
June 30, 2011 and June 30, 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 4,469,790	\$ 3,830,609
Receivables (Net of Allowance for Uncollectibles):		
Accounts	2,986,716	1,153,412
Due from Other Funds	-	2,756
Inventories	236,206	192,608
TOTAL ASSETS	\$ 7,692,712	\$ 5,179,385
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 423,780	\$ 210,385
Due to Other Funds	-	22,582
Deferred Revenue	243,325	221,086
TOTAL LIABILITIES	667,105	454,053
Fund Balances:		
Committed	7,025,607	4,725,332
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,692,712	\$ 5,179,385

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, 2011 and June 30, 2010**

	<u>2011</u>	<u>2010</u>
Revenues		
Charges for Current Services	\$ 8,987,746	\$ 9,240,200
Other Local Revenues	322,505	279,013
State of Tennessee	291,382	243,591
Federal Government	14,538,990	13,678,500
	<hr/>	<hr/>
Total Revenues	24,140,623	23,441,304
	<hr/>	<hr/>
Expenditures		
Current:		
Education:		
Food Service	21,440,348	21,731,486
	<hr/>	<hr/>
Excess of Revenues Over Expenditures	2,700,275	1,709,818
	<hr/>	<hr/>
Other Financing Uses		
Transfers to Other Funds	(400,000)	(400,000)
	<hr/>	<hr/>
Net Change in Fund Balances	2,300,275	1,309,818
Fund Balances, July 1	4,725,332	3,415,514
	<hr/>	<hr/>
Fund Balances, June 30	\$ 7,025,607	\$ 4,725,332
	<hr/> <hr/>	<hr/> <hr/>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Central Cafeteria Special Revenue Fund
Comparative Schedules of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2011 and June 30, 2010**

	2011				2010		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 9,331,100	\$ 9,331,100	\$ 8,987,746	\$ (343,354)	\$ 10,242,000	\$ 9,240,200	\$ (1,001,800)
Other Local Revenues	339,000	339,000	322,505	(16,495)	380,500	279,013	(101,487)
State of Tennessee	246,000	246,000	291,382	45,382	246,523	243,591	(2,932)
Federal Government	13,506,100	13,506,100	14,538,990	1,032,890	12,713,000	13,678,500	965,500
Total Revenues	23,422,200	23,422,200	24,140,623	718,423	23,582,023	23,441,304	(140,719)
Expenditures							
Current:							
Education:							
Food Service:							
Personal Services	7,960,000	7,923,400	7,661,794	261,606	7,743,200	7,422,038	321,162
Employee Benefits	2,200,000	2,204,800	2,204,708	92	2,296,800	2,296,711	89
Contracted Services	569,100	569,100	524,237	44,863	576,681	566,338	10,343
Supplies & Materials	11,716,500	11,716,500	10,670,764	1,045,736	12,446,157	11,074,475	1,371,682
Other Charges	347,100	378,900	378,845	55	344,260	328,347	15,913
Capital Outlay	229,500	-	-	-	172,500	43,577	128,923
Total Expenditures	23,022,200	22,792,700	21,440,348	1,352,352	23,579,598	21,731,486	1,848,112
Excess of Revenues Over Expenditures	400,000	629,500	2,700,275	2,070,775	2,425	1,709,818	1,707,393
Other Financing Uses							
Transfers to Other Funds	(400,000)	(400,000)	(400,000)	-	(400,000)	(400,000)	-
Net Change in Fund Balances	-	229,500	2,300,275	2,070,775	(397,575)	1,309,818	1,707,393
Fund Balances, July 1	4,725,332	4,725,332	4,725,332	-	3,415,514	3,415,514	-
Fund Balances, June 30	\$ 4,725,332	\$ 4,954,832	\$ 7,025,607	\$ 2,070,775	\$ 3,017,939	\$ 4,725,332	\$ 1,707,393

KNOX COUNTY, TENNESSEE
Discretely Presented Component Unit
Knox County Board of Education
Statement of Fiduciary Net Assets
Fiduciary Funds
 June 30, 2011

	Pension Trust Funds	Agency Funds
ASSETS		
Investments	\$ 67,395,475	\$ -
Other Assets	-	7,027,324
TOTAL ASSETS	<u>67,395,475</u>	<u>\$ 7,027,324</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	93,960	\$ -
Liability for Student Activities	-	7,027,324
TOTAL LIABILITIES	<u>93,960</u>	<u>\$ 7,027,324</u>
NET ASSETS		
Held in Trust for:		
Pension Benefits	<u>\$ 67,301,515</u>	

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, 2011 and June 30, 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 67,395,475</u>	<u>\$ 58,925,205</u>
 LIABILITIES		
Accounts Payable	<u>93,960</u>	<u>50,182</u>
 NET ASSETS		
Held in Trust For:		
Pension Benefits	<u><u>\$ 67,301,515</u></u>	<u><u>\$ 58,875,023</u></u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Comparative Statements of Changes in Fiduciary Net Assets
Pension Trust Fund - Defined Benefit Plan
For the years ended June 30, 2011 and June 30, 2010**

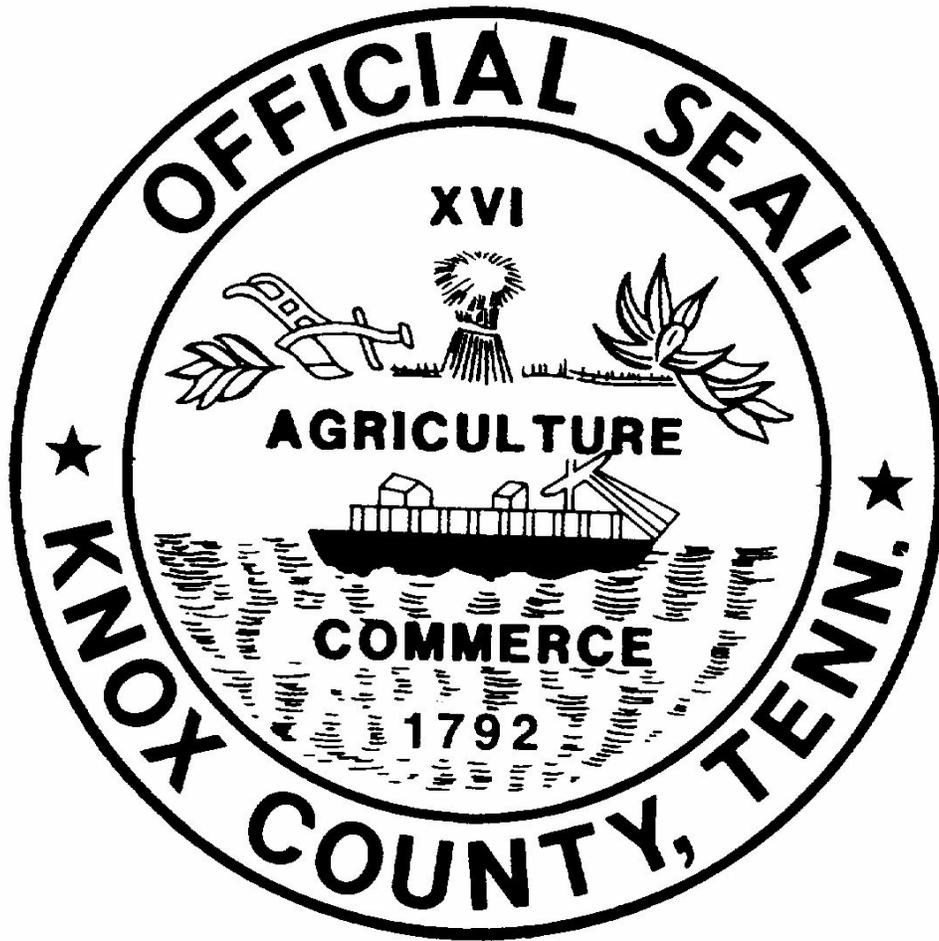
	<u>2011</u>	<u>2010</u>
Additions		
Contributions:		
Employer	\$ 1,217,506	\$ 1,898,864
Employee	92,038	111,028
Total Contributions	<u>1,309,544</u>	<u>2,009,892</u>
Investment Income:		
Interest and Dividend Income	524,290	701,949
Net Appreciation (Depreciation) in Fair Value of Investments	<u>13,214,177</u>	<u>7,575,947</u>
Total Investment Earnings (Losses)	13,738,467	8,277,896
Less Investment Expense	<u>(230,441)</u>	<u>(204,635)</u>
Net Investment Earnings (Losses)	<u>13,508,026</u>	<u>8,073,261</u>
Total Additions	<u>14,817,570</u>	<u>10,083,153</u>
Deductions		
Benefits and Refunds	5,889,156	5,642,762
Payments to Primary Government	<u>501,922</u>	<u>486,643</u>
Total Deductions	<u>6,391,078</u>	<u>6,129,405</u>
Change in Net Assets	8,426,492	3,953,748
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>58,875,023</u>	<u>54,921,275</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 67,301,515</u>	<u>\$ 58,875,023</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Agency Fund - Student Activity Fund**
Comparative Statements of Changes in Fiduciary Assets and Liabilities
For the years ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Assets and Liabilities, July 1	\$ 6,638,634	\$ 6,857,172
Additions	17,742,824	17,953,959
Deductions	<u>(17,354,134)</u>	<u>(18,172,497)</u>
Assets and Liabilities, June 30	<u>\$ 7,027,324</u>	<u>\$ 6,638,634</u>

Statistical Section



STATISTICAL SECTION (Unaudited)

This part of Knox County Government's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Knox County's overall financial health.

Contents	Page
Financial Trends	225-233
<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	234-237
<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	238-240
<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	241-242
<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	243-245
<i>These schedules contain service and infrastructure data to help the reader understand how the information in Knox County Government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year ended June 30, 2002; schedules presenting government-wide information include information beginning in that year.

KNOX COUNTY, TENNESSEE

Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary government										
Governmental activities										
Invested in capital assets, net of related debt	\$ 439,996,102	\$ 429,012,067	\$ 430,036,480	\$ 395,113,478	\$ 365,746,439	\$ 333,733,504	\$ 349,499,226	\$ 298,546,888	\$ 292,183,224	\$ 281,020,672
Restricted	33,485,986	32,646,617	34,559,910	60,297,870	68,750,828	68,165,803	33,687,672	38,289,171	27,202,060	23,180,877
Unrestricted	(141,993,533)	(130,655,604)	(148,747,919)	(150,361,587)	(204,425,615)	(205,476,472)	(244,843,510)	(216,381,847)	(234,271,029)	(252,750,590)
Total primary governmental activities net assets	<u>\$ 331,488,555</u>	<u>\$ 331,003,080</u>	<u>\$ 315,848,471</u>	<u>\$ 305,049,761</u>	<u>\$ 230,071,652</u>	<u>\$ 196,422,835</u>	<u>\$ 138,343,388</u>	<u>\$ 120,454,212</u>	<u>\$ 85,114,255</u>	<u>\$ 51,450,959</u>
Business-type activities										
Three Ridges Golf Course										
Invested in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 893,709	\$ 832,590	\$ 718,674
Unrestricted	-	-	-	-	-	-	-	286,781	304,278	301,122
Total business-type activities net assets	<u>\$ -</u>	<u>\$ 1,180,490</u>	<u>\$ 1,136,868</u>	<u>\$ 1,019,796</u>						
Component units										
Invested in capital assets, net of related debt	\$ 268,404,853	\$ 280,139,475	\$ 246,697,189	\$ 255,600,529	\$ 269,693,300	\$ 287,591,285	\$ 308,057,666	\$ 317,191,247	\$ 316,329,152	\$ 340,624,791
Restricted	21,543,330	4,029,664	5,045,320	9,118,222	16,479,581	16,556,546	4,118,075	16,585,893	13,121,345	26,094,913
Unrestricted	13,477,500	11,757,631	33,961,884	30,697,796	78,988,946	79,856,696	58,586,611	29,308,255	44,027,622	62,159,294
Total component units activities net assets	<u>\$ 303,425,683</u>	<u>\$ 295,926,770</u>	<u>\$ 285,704,393</u>	<u>\$ 295,416,547</u>	<u>\$ 365,161,827</u>	<u>\$ 384,004,527</u>	<u>\$ 370,762,352</u>	<u>\$ 363,085,395</u>	<u>\$ 373,478,119</u>	<u>\$ 428,878,998</u>
Total reporting unit activities net assets	<u>\$ 634,914,238</u>	<u>\$ 626,929,850</u>	<u>\$ 601,552,864</u>	<u>\$ 600,466,308</u>	<u>\$ 595,233,479</u>	<u>\$ 580,427,362</u>	<u>\$ 509,105,740</u>	<u>\$ 484,720,097</u>	<u>\$ 459,729,242</u>	<u>\$ 481,349,753</u>

KNOX COUNTY, TENNESSEE

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Primary government:										
Governmental activities:										
Finance and Administration	\$ 30,108,481	\$ 32,196,730	\$ 34,272,564	\$ 36,027,013	\$ 37,137,558	\$ 41,307,625	\$ 45,573,546	\$ 41,738,286	\$ 42,195,745	\$ 35,025,924
Finance and Administration - payment to component unit	-	-	-	-	2,570,000	4,148,000	6,385,000	4,018,649	3,823,874	3,823,874
Administration of Justice	11,003,409	11,828,805	12,635,947	13,701,681	16,568,869	15,277,291	16,211,461	15,651,510	15,691,782	24,277,040
Public Safety	44,075,976	48,108,309	61,702,000	59,055,357	61,608,268	66,374,696	68,125,715	71,388,947	74,109,826	72,135,474
Public Safety - payment to component unit	1,073,360	1,136,184	603,450	603,450	326,200	326,200	326,200	326,200	326,200	326,200
Public Health and Welfare	36,660,927	37,804,098	37,216,721	38,368,614	43,340,309	40,902,596	40,356,191	38,463,931	38,366,594	33,731,246
Public Health and Welfare - payment to component unit	-	-	562,635	562,635	646,990	256,628	166,628	166,628	256,628	256,628
Social and Cultural Services	13,546,306	15,766,968	15,130,591	16,592,017	19,562,356	22,529,501	21,148,707	21,651,989	21,594,069	21,140,636
Social and Cultural Services - payment to component unit	1,504,800	-	-	-	-	-	-	-	-	-
Agricultural and Natural Resources	318,902	335,090	346,591	390,615	402,907	425,395	461,142	433,295	413,675	380,453
Other General Government	16,313,593	20,170,170	20,354,933	16,622,981	24,327,500	29,449,900	13,151,278	21,017,395	16,893,864	20,252,535
Engineering & Public Works	21,001,851	21,881,988	23,223,425	21,570,330	24,718,942	24,647,845	22,815,377	23,605,027	24,009,373	24,045,860
Engineering & Public Works - payment to component unit	-	-	-	-	-	-	-	25,872	-	-
Education - payment to component unit	30,635,055	8,400,000	32,000,000	24,844,700	71,812,250	29,174,787	5,000,000	14,853,832	29,586,094	50,924,958
Debt Service - interest and fees	19,120,169	18,389,968	17,958,758	21,404,699	23,403,511	25,920,605	28,915,724	30,093,010	25,524,229	28,885,417
Debt Service - other	368,441	374,006	-	-	-	-	-	-	-	-
Total governmental activities	225,731,270	216,392,316	256,007,615	249,744,092	326,425,660	300,741,069	268,636,969	283,434,571	292,791,953	315,206,245
Business-type activities:										
Three Ridges Golf Course	-	-	-	-	-	-	-	464,137	961,678	1,044,409
Total primary government expenses	\$ 225,731,270	\$ 216,392,316	\$ 256,007,615	\$ 249,744,092	\$ 326,425,660	\$ 300,741,069	\$ 268,636,969	\$ 283,898,708	\$ 293,753,631	\$ 316,250,654
Component units:										
Board of Education	\$ 335,660,189	\$ 360,448,491	\$ 386,742,267	\$ 395,291,970	\$ 405,567,591	\$ 429,883,031	\$ 462,569,748	\$ 470,348,600	\$ 480,162,339	\$ 481,991,842
Knox County Railroad Authority	74,365	508,507	220,964	63,818	77,809	298,394	382,538	63,759	55,017	227,658
Knox County Emergency Communications District	6,185,897	6,008,787	6,840,936	7,148,453	6,468,004	6,302,412	6,394,749	6,922,634	6,653,464	6,428,917
Knox County Tourist Commission	1,916,595	-	-	-	-	-	-	-	-	-
Total component units expenses	\$ 343,837,046	\$ 366,965,785	\$ 393,804,167	\$ 402,504,241	\$ 412,113,404	\$ 436,483,837	\$ 469,347,035	\$ 477,334,993	\$ 486,870,820	\$ 488,648,417
Total reporting unit expenses	\$ 569,568,316	\$ 583,358,101	\$ 649,811,782	\$ 652,248,333	\$ 738,539,064	\$ 737,224,906	\$ 737,984,004	\$ 761,233,701	\$ 780,624,451	\$ 804,899,071

Continued

KNOX COUNTY, TENNESSEE

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues										
Primary government:										
Governmental activities:										
Charges for Services:										
Finance and Administration	\$ 23,459,317	\$ 24,360,351	\$ 26,732,880	\$ 28,316,120	\$ 20,316,983	\$ 20,508,747	\$ 23,475,489	\$ 18,291,849	\$ 19,541,913	\$ 19,359,362
Administration of Justice	3,421,390	3,099,291	3,212,895	3,657,019	11,071,804	11,190,419	12,348,218	10,535,989	9,990,310	10,101,442
Public Safety	662,636	789,430	903,493	1,032,281	533,509	499,320	983,881	1,333,523	1,330,976	1,439,718
Public Health and Welfare	4,180,347	4,085,553	5,086,478	4,901,207	5,349,029	5,182,137	4,283,390	4,252,529	4,050,480	4,244,236
Social and Cultural Services	1,591,060	805,230	2,206,814	1,873,889	1,122,961	1,193,157	1,327,729	1,324,927	1,117,171	880,631
Other General Government	265	114	21	5,697	2,412,907	1,984,775	88,337	249,935	85,295	689,972
Engineering & Public Works	10,664	2,492	50,692	20,570	53,041	-	20,105	214,851	652,250	436,570
Operating grants and contributions	18,997,160	20,962,543	23,108,400	22,760,584	23,799,473	20,535,731	15,232,355	13,162,718	16,546,478	18,111,952
Total governmental activities	52,322,839	54,105,004	61,301,673	62,567,367	64,659,707	61,094,286	57,759,504	49,366,321	53,314,873	55,263,883
Business-type activities:										
Three Ridges Golf Course	-	-	-	-	-	-	-	462,055	918,056	927,337
Total primary government program revenues	\$ 52,322,839	\$ 54,105,004	\$ 61,301,673	\$ 62,567,367	\$ 64,659,707	\$ 61,094,286	\$ 57,759,504	\$ 49,828,376	\$ 54,232,929	\$ 56,191,220
Component units:										
Charges for Services:										
Board of Education	\$ 11,766,285	\$ 11,023,657	\$ 11,723,822	\$ 12,199,060	\$ 12,406,982	\$ 13,452,161	\$ 13,744,165	\$ 12,545,538	\$ 14,558,045	\$ 16,621,446
Knox County Emergency Communications District	3,717,937	3,768,771	3,806,247	3,867,183	3,739,653	3,562,338	5,605,505	6,215,901	6,209,957	6,132,513
Knox County Tourist Commission	201,709	-	-	-	-	-	-	-	-	-
Operating grants and contributions	140,046,001	147,774,587	150,148,071	166,164,250	168,419,769	174,417,041	50,968,461	55,064,528	75,166,748	82,127,060
Capital grants and contributions	-	-	-	-	131,471	-	-	-	-	-
Total component units program revenues	\$ 155,731,932	\$ 162,567,015	\$ 165,678,140	\$ 182,230,493	\$ 184,697,875	\$ 191,431,540	\$ 70,318,131	\$ 73,825,967	\$ 95,934,750	\$ 104,881,019
Total reporting unit program revenues	\$ 208,054,771	\$ 216,672,019	\$ 226,979,813	\$ 244,797,860	\$ 249,357,582	\$ 252,525,826	\$ 128,077,635	\$ 123,654,343	\$ 150,167,679	\$ 161,072,239
Net (expenses)/revenues										
Primary government activities	\$ (173,408,431)	\$ (162,287,312)	\$ (194,705,942)	\$ (187,176,725)	\$ (261,765,953)	\$ (239,646,783)	\$ (210,877,465)	\$ (234,070,332)	\$ (239,520,702)	\$ (260,059,434)
Component units	(188,105,114)	(204,398,770)	(228,126,027)	(220,273,748)	(227,415,529)	(245,052,297)	(399,028,904)	(403,509,026)	(390,936,070)	(383,767,398)
Total net (expenses) revenues for reporting unit	\$ (361,513,545)	\$ (366,686,082)	\$ (422,831,969)	\$ (407,450,473)	\$ (489,181,482)	\$ (484,699,080)	\$ (609,906,369)	\$ (637,579,358)	\$ (630,456,772)	\$ (643,826,832)

Continued

KNOX COUNTY, TENNESSEE

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets										
Primary government:										
Governmental activities:										
Taxes										
Property taxes	\$ 107,481,587	\$ 112,175,848	\$ 113,293,837	\$ 116,504,303	\$ 117,697,785	\$ 124,861,193	\$ 128,874,750	\$ 140,608,170	\$ 134,655,757	\$ 142,138,781
Sales taxes	6,480,559	9,516,271	9,185,734	9,133,387	9,626,296	10,031,562	9,952,384	8,987,868	9,708,315	10,433,188
Lodging taxes	3,857,548	4,272,762	4,025,335	4,207,643	4,702,072	5,286,419	5,382,819	4,815,765	4,830,079	5,152,412
Business taxes	4,602,011	4,797,392	5,115,059	5,605,190	5,864,308	6,651,425	6,629,276	7,440,271	6,332,408	7,347,327
Wheel taxes	-	-	1,186,075	9,182,465	10,118,110	10,347,460	10,636,138	10,570,144	10,471,856	10,937,485
Other local taxes	3,326,165	3,229,268	3,249,019	3,671,045	3,649,170	3,667,617	3,793,818	4,317,993	4,669,629	4,620,907
Investment revenue	3,738,576	2,839,049	2,016,481	2,756,903	7,142,137	8,179,185	5,641,188	2,936,051	(1,678,577)	3,204,476
Other revenues	20,848,860	20,849,073	31,715,158	25,001,861	27,521,207	36,236,016	36,856,107	36,821,934	38,280,459	38,088,691
Contracts - other governments and citizens	1,017,769	1,679,555	1,797,835	307,354	466,759	584,683	419,470	851,750	294,120	1,236,916
Miscellaneous	-	(876)	-	7,864	-	152,406	1,122,914	11,700	517,094	3,118,883
Transfers	-	-	-	-	-	-	-	(1,182,572)	-	-
Total governmental activities	<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>	<u>216,179,074</u>	<u>208,081,140</u>	<u>226,279,066</u>
Business-type activities:										
Transfers										
	-	-	-	-	-	-	-	1,182,572	-	-
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>	<u>\$ 217,361,646</u>	<u>\$ 208,081,140</u>	<u>\$ 226,279,066</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	\$ 107,324,525	\$ 106,737,074	\$ 112,371,639
Sales taxes	98,456,334	99,196,928	104,990,997	109,296,323	118,690,397	125,062,455	125,522,010	116,296,501	114,769,928	119,973,142
Wheel taxes	-	-	1,186,075	1,500,000	1,500,000	1,459,461	1,500,030	1,490,723	1,494,272	1,525,119
Other local taxes	-	-	-	-	1,139,144	1,276,897	1,352,978	554,495	1,065,154	1,006,769
Investment revenue	365,736	215,361	222,216	361,331	2,003,350	2,746,738	1,739,023	418,377	120,512	132,360
Payments from primary government	33,213,215	9,536,184	33,166,085	26,010,785	75,355,440	33,905,615	11,877,828	19,391,181	33,992,796	55,331,660
Other revenues	5,573	-	-	-	-	-	-	4,525,727	1,420,641	1,372,773
Contracts - other governments and citizens	1,440,198	1,518,452	1,518,460	1,593,460	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140
Miscellaneous	-	1,000	-	-	-	-	-	-	109,577	4
Grants and Contributions Not Restricted for Specific Programs	-	-	-	-	-	-	142,038,000	144,111,400	139,899,700	145,735,671
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>	<u>\$ 395,832,069</u>	<u>\$ 401,328,794</u>	<u>\$ 439,168,277</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>	<u>\$ 613,193,715</u>	<u>\$ 609,409,934</u>	<u>\$ 665,447,343</u>
Change in Net Assets										
Primary government activities	\$ (22,055,356)	\$ (2,928,970)	\$ (23,121,409)	\$ (10,798,710)	\$ (74,978,109)	\$ (33,648,817)	\$ (1,568,601)	\$ (16,708,686)	\$ (31,439,562)	\$ (33,780,368)
Component units activities	29,240,624	(7,498,913)	1,882,768	9,712,154	69,745,280	18,842,700	(10,937,598)	(7,676,957)	10,392,724	55,400,879
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>\$ (12,506,199)</u>	<u>\$ (24,385,643)</u>	<u>\$ (21,046,838)</u>	<u>\$ 21,620,511</u>

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Property Tax	Sales Tax	Lodging Tax	Business Tax	Wheel Tax	Other Local Tax	Total
2002	\$ 107,481,587	\$ 6,480,559	\$ 3,857,548	\$ 4,602,011	\$ -	\$ 3,326,165	\$ 125,747,870
2003	112,175,848	9,516,271	4,272,762	4,797,392	-	3,229,268	133,991,541
2004	113,293,837	9,185,734	4,025,335	5,115,059	1,186,075 (1)	3,249,019	136,055,059
2005	116,504,303	9,133,387	4,207,643	5,605,190	9,182,465	3,671,045	148,304,033
2006	117,697,785	9,626,296	4,702,072	5,864,308	10,118,110	3,649,170	151,657,741
2007	124,861,193	10,031,562	5,286,419	6,651,425	10,347,460	3,667,617	160,845,676
2008	128,874,750	9,952,384	5,382,819	6,629,276	10,636,138	3,793,818	165,269,185
2009	140,608,170	8,987,868	4,815,765	7,440,271	10,570,144	4,317,993	176,740,211
2010	134,655,757	9,708,315	4,830,079	6,332,408	10,471,856	4,669,629	170,668,044
2011	142,138,781	10,433,188	5,152,412	7,347,327	10,937,485	4,620,907	180,630,100

(1) First year of tax.

Continued

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Property Tax	Sales Tax	Wheel Tax	Other Local Tax	Total
2002	\$ 83,864,682	\$ 98,456,334	\$ -	\$ -	\$ 182,321,016
2003	87,309,066	99,196,928	-	-	186,505,994
2004	88,924,962	104,990,997	1,186,075 (1)	-	195,102,034
2005	91,224,003	109,296,323	1,500,000	-	202,020,326
2006	96,753,338	118,690,397	1,500,000	1,139,144	218,082,879
2007	97,724,691	125,062,455	1,459,461	1,276,897	225,523,504
2008	102,342,297	125,522,010	1,500,030	1,352,978	230,717,315
2009	107,324,525	116,296,501	1,490,723	554,495	225,666,244
2010	106,737,074	114,769,928	1,494,272	1,065,154	224,066,428
2011	112,371,639	119,973,142	1,525,119	1,006,769	234,876,669

(1) First year of tax.

Continued

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Property Tax	Sales Tax	Lodging Tax	Business Tax	Wheel Tax	Other Local Tax	Total
2002	\$ 191,346,269	\$ 104,936,893	\$ 3,857,548	\$ 4,602,011	\$ -	\$ 3,326,165	\$ 308,068,886
2003	199,484,914	108,713,199	4,272,762	4,797,392	-	3,229,268	320,497,535
2004	202,218,799	114,176,731	4,025,335	5,115,059	2,372,150 (1)	3,249,019	331,157,093
2005	207,728,306	118,429,710	4,207,643	5,605,190	10,682,465	3,671,045	350,324,359
2006	214,451,123	128,316,693	4,702,072	5,864,308	11,618,110	4,788,314	369,740,620
2007	222,585,884	135,094,017	5,286,419	6,651,425	11,806,921	4,944,514	386,369,180
2008	231,217,047	135,474,394	5,382,819	6,629,276	12,136,168	5,146,796	395,986,500
2009	247,932,695	125,284,369	4,815,765	7,440,271	12,060,867	4,872,488	402,406,455
2010	241,392,831	124,478,243	4,830,079	6,332,408	11,966,128	5,734,783	394,734,472
2011	254,510,420	130,406,330	5,152,412	7,347,327	12,462,604	5,627,676	415,506,769

(1) First year of tax.

KNOX COUNTY, TENNESSEE

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Reserved	\$ 5,364,376	\$ 10,937,680	\$ 8,671,373	\$ 7,934,931	\$ 7,823,979	\$ 9,306,651	\$ 11,024,655	\$ 9,080,512	\$ 8,382,154	\$ -
Unreserved	36,120,754	38,472,540	39,593,912	40,799,145	49,774,563	46,495,324	48,348,469	44,197,261	43,415,759	-
Nonspendable	-	-	-	-	-	-	-	-	-	5,880,449
Restricted	-	-	-	-	-	-	-	-	-	2,212,749
Committed	-	-	-	-	-	-	-	-	-	9,294
Assigned	-	-	-	-	-	-	-	-	-	957,967
Unassigned	-	-	-	-	-	-	-	-	-	43,521,876
Total general fund	<u>\$ 41,485,130</u>	<u>\$ 49,410,220</u>	<u>\$ 48,265,285</u>	<u>\$ 48,734,076</u>	<u>\$ 57,598,542</u>	<u>\$ 55,801,975</u>	<u>\$ 59,373,124</u>	<u>\$ 53,277,773</u>	<u>\$ 51,797,913</u>	<u>\$ 52,582,335</u>
All other governmental funds										
Reserved	\$ 36,587,826	\$ 26,269,284	\$ 22,402,928	\$ 24,624,542	\$ 12,295,421	\$ 21,463,450	\$ 10,173,788	\$ 13,950,926	\$ 22,514,296	\$ -
Unreserved, reported in:										
Special revenue constitutional officers	2,512,960	2,560,175	3,563,157	4,793,783	3,784,117	3,826,048	5,405,844	3,831,682	2,387,038	-
Capital projects public improvement	(9,877,536)	(17,489,451)	(20,814,424)	5,645,300	(3,214,692)	(9,257,333)	(28,415,905)	12,367,955	(4,050,370)	-
Debt service	26,210,928	25,500,852	28,024,529	30,906,228	24,120,114	26,617,102	24,383,887	17,757,274	15,753,733	-
Other governmental funds	15,882,015	19,135,952	16,105,862	15,957,883	15,157,943	12,742,029	13,448,644	9,879,284	6,658,756	-
Nonspendable	-	-	-	-	-	-	-	-	-	5,910,592
Restricted	-	-	-	-	-	-	-	-	-	20,968,128
Committed	-	-	-	-	-	-	-	-	-	22,133,322
Total all other governmental funds	<u>\$ 71,316,193</u>	<u>\$ 55,976,812</u>	<u>\$ 49,282,052</u>	<u>\$ 81,927,736</u>	<u>\$ 52,142,903</u>	<u>\$ 55,391,296</u>	<u>\$ 24,996,258</u>	<u>\$ 57,787,121</u>	<u>\$ 43,263,453</u>	<u>\$ 49,012,042</u>

GASB Statement Number 54 implemented in fiscal year 2011.

KNOX COUNTY, TENNESSEE

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$128,776,863	\$134,082,211	\$136,756,864	\$148,071,025	\$156,075,279	\$161,129,442	\$165,894,884	\$169,892,631	\$171,522,503	\$178,306,446
Licenses and permits	2,379,483	2,840,878	3,226,481	3,472,814	3,741,911	3,623,663	3,696,245	3,415,502	3,252,786	3,342,613
Fines, forfeitures and penalties	3,033,556	2,846,280	2,856,308	3,231,893	4,058,576	4,126,768	4,366,159	4,114,621	3,428,205	2,247,102
Charges for current services	23,506,444	24,030,206	27,142,787	27,835,419	28,388,616	27,931,145	30,467,122	25,843,423	26,838,941	26,977,222
Other local revenues	2,955,393	4,416,726	4,271,988	4,383,663	4,470,506	2,590,971	10,018,778	5,049,121	4,787,595	8,660,028
State of Tennessee	20,558,477	19,612,800	19,657,610	19,312,368	16,370,956	21,319,794	19,645,086	17,799,336	18,913,035	16,997,956
Federal government	2,736,348	4,465,916	6,472,966	5,779,123	11,534,036	8,635,219	7,834,280	6,534,996	9,290,911	12,117,880
Other governments and citizen groups	1,966,116	730,942	2,321,912	1,455,388	1,040,630	3,830,345	1,738,118	1,347,906	640,110	1,669,274
Investment earnings	3,720,835	2,834,462	2,015,723	2,713,771	7,145,359	8,180,389	173,206	794,846	174,952	1,037,903
Payments from component units	15,795,391	16,457,417	27,473,875	20,838,840	21,649,922	23,229,518	23,614,046	24,914,174	26,432,876	26,227,344
Fees received from county officials	271,420	310,317	370,274	426,736	207,187	173,375	199,697	173,830	-	-
Increase in equity interest in joint venture	-	-	-	-	10,385	713,764	46,412	-	-	349,085
Total revenues	205,700,326	212,628,155	232,566,788	237,521,040	254,693,363	265,484,393	267,694,033	259,880,386	265,281,914	277,932,853
Expenditures										
Finance and administration	30,185,822	32,108,836	34,004,920	35,792,902	36,919,202	41,092,636	42,994,827	40,263,423	40,628,916	33,375,623
Finance and administration - payments to component units	-	-	-	1,000,000	2,570,000	4,148,000	6,385,000	4,018,649	3,823,874	3,823,874
Administration of justice	10,294,719	11,233,689	12,139,488	13,069,224	13,915,861	12,477,574	13,635,809	13,141,252	13,060,783	23,761,351
Public safety	41,576,515	46,654,053	55,531,601	57,235,374	59,624,309	64,460,665	66,148,272	69,556,725	72,519,183	72,338,730
Public safety - payments to component units	-	1,136,184	603,450	603,450	326,200	326,200	326,200	326,200	326,200	326,200
Public health and welfare	35,774,006	36,867,614	36,382,457	37,318,628	40,028,212	39,407,838	39,351,120	37,443,749	37,113,902	32,481,343
Public health and welfare - payments to component units	-	-	562,635	562,635	646,990	256,628	166,628	166,628	256,628	256,628
Social and cultural services	12,553,883	14,186,357	13,955,047	14,688,232	15,719,033	17,697,777	17,868,031	19,224,930	18,490,914	18,082,432
Agricultural and natural resources	318,902	335,090	346,591	390,615	402,907	425,395	461,142	433,295	413,675	380,453
Other general government	13,673,548	13,352,236	13,625,581	13,533,836	11,690,674	14,173,623	13,878,441	14,588,454	14,871,749	19,777,716
Engineering & Public Works	9,829,051	9,113,368	11,938,273	8,607,547	12,887,045	11,228,081	11,096,021	12,130,049	11,875,623	11,736,732
Engineering & Public Works - payments to component units	-	-	-	-	-	-	-	25,872	-	-
Decrease in equity interest in joint venture	-	-	442,629	457,224	-	-	-	20,682	528,848	-
Debt proceeds paid to component unit	-	-	32,000,000	24,000,000	27,000,000	18,550,000	-	14,000,000	14,822,428	29,004,906
Debt issuance cost	-	-	144,875	308,200	337,500	340,537	489,154	368,000	247,856	441,307
Payments to component units	2,578,160	-	-	5,500	44,994,500	10,750,000	5,000,000	-	-	-
Capital Outlay	20,992,178	31,512,938	40,140,959	24,273,922	37,596,153	47,004,907	26,612,521	18,427,009	22,814,409	8,975,940
Debt Service:										
Principal	17,985,467	21,455,467	18,790,467	20,040,468	21,370,468	22,980,467	24,185,467	28,550,620	31,080,467	34,695,467
Interest	18,634,020	18,251,918	18,567,892	21,439,049	23,704,393	25,102,520	27,307,441	29,218,581	22,292,340	25,297,513
Other charges	539,190	427,087	559,594	868,759	1,230,283	1,309,719	2,064,509	1,965,036	3,691,792	3,955,168
Total expenditures	214,935,461	236,634,837	289,736,459	274,195,565	350,963,730	331,732,567	297,970,583	303,869,154	308,859,587	318,711,383
Deficiency of revenues under expenditures	(9,235,135)	(24,006,682)	(57,169,671)	(36,674,525)	(96,270,367)	(66,248,174)	(30,276,550)	(43,988,768)	(43,577,673)	(40,778,530)
Other financing sources (uses)										
Transfers in	8,758,013	8,906,826	42,381,859	23,722,579	32,427,313	26,009,546	23,608,526	25,711,520	25,795,690	9,942,342
Transfers out	(9,245,787)	(11,410,264)	(43,446,859)	(23,933,579)	(34,077,313)	(27,309,546)	(80,419,372)	(28,898,609)	(26,010,479)	(9,882,229)
Capital lease proceeds	-	-	-	-	-	-	-	-	11,651,171	-
Refunding bonds issued	33,891,691	81,110,000	-	93,310,000	-	-	-	-	4,550,000	62,675,000
Bonds issued	50,000,000	13,099,424	72,000,000	70,000,000	77,000,000	69,000,000	57,000,000	40,000,000	16,000,000	46,236,000
Premium on debt issued	3,388,812	7,613,126	-	8,238,711	-	-	-	332,400	207,763	2,458,913
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)	-	-	-	-	-	-
Payments to holders of refunded debt	-	-	-	-	-	-	-	-	(4,620,000)	(64,118,485)
Notes issued	-	-	-	-	-	-	3,263,507	33,538,969	-	-
Decrease in equity interest in joint venture	-	(370,313)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	51,462,855	10,226,249	49,329,976	69,789,000	75,350,000	67,700,000	3,452,661	70,684,280	27,574,145	47,311,541
Net change in fund balances	\$ 42,227,720	\$(13,780,433)	\$ (7,839,695)	\$ 33,114,475	\$ (20,920,367)	\$ 1,451,826	\$(26,823,889)	\$ 26,695,512	\$(16,003,528)	\$ 6,533,011
Debt service as a percentage of noncapital expenditures	18.83%	19.20%	14.54%	16.49%	13.78%	15.94%	19.07%	20.37%	18.71%	19.74%

KNOX COUNTY, TENNESSEE

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Tax Years
(Unaudited)

Tax Year Ended June 30	Real Property		Personal Property	Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
2001	\$ 3,506,122,258	\$ 1,898,207,348	\$ 538,653,516	\$ 263,910,283	\$ 6,206,893,405	2.96	\$ 24,880,969,793	24.95%
2002	3,616,399,380	1,944,043,416	549,250,644	257,682,591	6,367,376,031	2.96	25,346,730,507	25.12%
2003	3,734,766,041	1,992,022,995	524,793,083	230,140,743	6,481,722,862	2.96	25,804,141,997	25.12%
2004	3,868,406,976	2,012,162,237	520,672,398	238,136,066	6,639,377,677	2.96	26,283,077,500	25.26%
2005	4,591,179,550	2,248,529,047	537,144,017	253,369,983	7,630,222,597	2.96	26,686,120,186	28.59%
2006	4,795,749,669	2,287,194,343	548,341,403	256,025,735	7,887,311,150	2.69	26,885,175,687	29.34%
2007	5,053,639,912	2,397,341,984	502,485,204	244,990,311	8,198,457,411	2.69	28,324,716,818	28.94%
2008	5,264,595,877	2,505,363,023	516,429,397	253,623,832	8,540,012,129	2.69	29,503,828,958	28.95%
2009	6,357,422,983	2,776,691,365	556,007,872	278,517,456	9,968,639,676	2.36	34,509,323,430	28.89%
2010	6,293,510,389	3,004,497,200	528,983,027	263,158,114	10,090,148,730	2.36	34,929,058,938	28.89%

Source: Knox County, Tennessee Trustee Department.

Notes: Assessment rates are set by Tennessee State Law as follows:

Real Property: Residential and Farm at 25% of value

Commercial and Industrial at 40% of value

Personal property at 30% of value

Public Utilities at 55% of value (Railroads 40%)

In FY 2009 a county-wide reappraisal was completed.

KNOX COUNTY, TENNESSEE

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

	Year Taxes Are Payable									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Knox County Direct Rates										
General	1.167	1.143	1.36	1.36	1.24	1.24	1.13	1.10	0.97	0.97
Public Library	0.134	0.135	-	-	-	-	-	-	-	-
Solid Waste	0.047	0.050	-	-	-	-	-	-	-	-
Debt Service	0.277	0.277	0.25	0.25	0.22	0.22	0.33	0.36	0.31	0.31
ADA Construction	0.012	0.012	-	-	-	-	-	-	-	-
Schools	1.323	1.343	1.35	1.35	1.23	1.23	1.23	1.23	1.08	1.08
Total direct rate	2.96	2.96	2.96	2.96	2.69	2.69	2.69	2.69	2.36	2.36
City of Knoxville Rates	2.70	2.70	3.05	2.81	2.81	2.81	2.81	2.81	2.46	2.46
Total direct & overlapping rates	5.66	5.66	6.01	5.77	5.50	5.50	5.50	5.50	4.82	4.82

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

KNOX COUNTY, TENNESSEE

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

<u>Taxpayer</u>	<u>Fiscal Year 2011</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	\$ 64,772,676	1	0.64%	\$ 95,462,295	1	1.53%
Verizon Wireless Tennessee	32,164,373	2	0.32%	-		-
West Town Mall LLC	26,700,440	3	0.26%	38,092,720	2	0.61%
Tennessee Holding LLC	21,816,880	4	0.22%	-		-
Behringer Harvard Riverview LLC	16,665,120	5	0.17%	-		-
AT&T Mobility LLC	15,486,937	6	0.15%	12,923,349	6	0.21%
Knoxville Center LLC	14,828,040	7	0.15%	30,231,440	3	0.48%
Concord Telephone Exchange	13,577,231	8	0.13%	10,468,984	7	0.17%
Rohm & Haas Co	12,775,881	9	0.13%	-		-
Parkside Drive LLC	12,721,600	10	0.13%	-		-
Norfolk Southern	-		-	16,127,598	4	0.26%
Parkway Properties LP	-		-	13,330,160	5	0.21%
Fort Sanders Alliance	-		-	10,437,280	8	0.17%
River View Tower/City	-		-	9,060,120	9	0.14%
Knoxville Cellular Telephone Company	-		-	8,645,175	10	0.14%
Totals	\$ 231,509,178		2.29%	\$ 244,779,121		3.92%

Source: Knox County, Tennessee Trustee Department.

KNOX COUNTY, TENNESSEE

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	186,105	177,651	95.5%	8,260	185,911	99.9%
2003	190,380	181,786	95.5%	8,405	190,191	99.9%
2004	193,545	186,380	96.3%	6,965	193,345	99.9%
2005	198,497	191,042	96.2%	7,180	198,222	99.9%
2006	206,932	198,584	96.0%	7,919	206,503	99.8%
2007	214,635	207,118	96.5%	6,819	213,937	99.7%
2008	223,369	215,195	96.3%	7,112	222,307	99.5%
2009	232,575	221,475	95.2%	8,625	230,100	98.9%
2010	237,740	227,064	95.5%	5,561	232,625	97.8%
2011	240,567	229,122	95.2%	-	229,122	95.2%

Source: Knox County, Tennessee Trustee Department.

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Primary Government		Component Units	Total Reporting Unit	Percentage of Personal Income (1)	Per Capita (2)
	General Obligation Bonds and Notes	Capital Leases	Capital Leases			
2002	\$ 401,860	\$ 265	\$ 3,484	\$ 405,609	3.50%	\$ 1,032
2003	386,824	55	2,950	389,829	3.27%	977
2004	430,534	-	6,714	437,248	3.48%	1,085
2005	478,868	-	5,652	484,520	3.64%	1,185
2006	534,497	-	4,552	539,049	3.81%	1,287
2007	580,517	-	3,409	583,926	3.88%	1,377
2008	616,596	-	12,930	629,526	4.02%	1,464
2009	632,121	-	11,767	643,888	4.19%	1,480
2010	616,971	11,651	23,124	651,746	4.16% (2)	1,481 (2)
2011	691,186	-	-	691,186	4.41% (2)	1,564 (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 241 for personal income and population data.

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

KNOX COUNTY, TENNESSEE

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
2002	\$ 401,860	\$ 26,211	\$ 375,649	1.48%	\$ 956
2003	386,824	25,501	361,323	1.40%	905
2004	430,534	28,025	402,509	1.53%	998
2005	478,868	28,906	449,962	1.69%	1,099
2006	534,498	24,116	510,382	1.90%	1,218
2007	580,517	26,613	553,904	1.96%	1,306
2008	613,332	24,384	588,948	2.00%	1,368
2009	627,121	17,757	609,364	1.77%	1,402
2010	613,971	15,754	598,217	1.71%	1,365
2011	691,186	16,296	674,890	1.93% (3)	1,528 (3)

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 234 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 241.

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

KNOX COUNTY, TENNESSEE

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2011
(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	\$ 691,186	100.00%	\$ 691,186
Subtotal, direct debt			<u>691,186</u>
City of Knoxville overlapping debt	180,170	100.00%	180,170
Town of Farragut overlapping debt	-		<u>-</u>
Total direct and overlapping debt			<u><u>\$ 871,356</u></u>

Note: Percentage of overlap based on assessed property values.

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Population (3)	Personal Income (amounts expressed in thousands) (1)	Per Capita Personal Income (1)	Median Age (3)	School Enrollment (3)	Unemployment Rate (2)
2002	392,829	\$ 11,580,797	\$ 29,583	36.9	98,074	4.0%
2003	399,155	11,920,331	30,059	37.6	99,998	4.3%
2004	403,311	12,572,396	31,417	38.0	96,563	4.1%
2005	409,324	13,301,853	32,815	37.5	92,507	4.8%
2006	418,888	14,142,669	33,996	37.8	92,507	4.5%
2007	424,257	15,033,901	35,491	37.3	107,039	3.3%
2008	430,444	15,666,206	36,342	37.6	110,198	3.8%
2009	434,617	15,371,687	35,278	37.1	112,688	8.5%
2010	438,169	15,666,206 (4)	36,342 (4)	37.6 (4)	112,688 (4)	7.8%
2011	441,721 (4)	15,666,206 (4)	36,342 (4)	37.6 (4)	112,688 (4)	8.0%

Data sources:

(1) Bureau of Economic Analysis, Regional Economic Accounts.

(2) Tennessee Department of Labor and Workforce Development.

(3) US Census Bureau/American Community Survey Profile.

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

KNOX COUNTY, TENNESSEE

**Principal Employers
Calendar Year 2010 and Nine Years Ago
(Unaudited)**

Employer (1)	2010			2001		
	Employees (2)	Rank	Percentage of Total Knoxville MSA Employment (3)	Employees (2)	Rank	Percentage of Total Knoxville MSA Employment (3)
U.S. Department of Energy, Oak Ridge Operations	13,925	1	4.07%	-		-
The University of Tennessee	9,326	2	2.72%	9,317	1	2.71%
Covenant Health	9,000	3	2.63%	8,000	2	2.33%
Knox County Public Schools	6,945	4	2.03%	7,230	3	2.10%
Mercy Health Partners	5,700	5	1.66%	-		-
Wal-Mart Stores	4,336	6	1.27%	2,413	9	0.70%
K-VA-T Food Stores	3,983	7	1.16%	-		-
University Health System	3,802	8	1.11%	3,088	6	0.90%
State of Tennessee, Regional Offices	3,750	9	1.10%	2,401	10	0.70%
Knox County Government	3,037	10	0.89%	2,500	7	0.73%
City of Knoxville	-		-	3,500	4	1.02%
St. Mary's Medical Center	-		-	3,470	5	1.01%
Clayton Homes	-		-	2,500	8	0.73%
Total	63,804		18.64%	44,419		12.92%

(1) Based on employers in the Knoxville metropolitan area which includes Anderson, Blount, Knox, Loudon, and Union Counties.

(2) Greater Knoxville Chamber of Commerce.

(3) Tennessee Department of Labor and Workforce Development.

KNOX COUNTY, TENNESSEE

**Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years
(Unaudited)**

	Full-time Equivalent Employees by Function									
Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	592	587	516	515	557	566	529	541	534	521
Public safety	839	836	872	867	902	938	979	969	975	1013
Public health and welfare	267	271	289	275	336	377	340	343	324	320
Highways	109	109	109	109	107	112	117	120	117	114
Social, cultural, and recreation	234	234	204	211	198	201	191	196	190	203
Total	2,041	2,037	1,990	1,977	2,100	2,194	2,156	2,169	2,140	2,171

Source: Knox County Budget.

KNOX COUNTY, TENNESSEE

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sheriff (1)										
Arrests	27,026	27,278	28,386	31,218	32,508	33,233	32,054	33,548	29,833	*
Accidents	3,592	4,125	4,026	4,868	4,889	5,972	4,321	4,500	3,441	*
Incidents	15,821	15,883	16,704	15,595	21,870	30,302	29,873	38,388	32,258	*
Health services (2)										
Clinical services										
Pediatric cases	11,886	11,178	11,162	10,850	10,537	9,947	8,254	7,570	8,542	3,558
Preventive health cases	14,092	13,198	18,161	13,749	14,571	12,502	12,725	11,812	33,630	24,902
WIC services	19,352	17,151	16,936	26,533	31,156	29,892	32,198	34,085	33,583	33,242
Communicable diseases treated	17,563	16,923	17,195	17,896	18,893	16,497	14,087	16,434	16,207	17,437
New prescriptions filled	93,579	110,602	86,573	58,778	48,771	33,913	6,839	9,837	8,653	7,459
Women's health visits	-	-	-	-	-	-	-	-	10,687	12,285
Social Services visits	-	-	-	-	-	-	-	-	10,923	13,103
Other health related visits	-	-	-	-	-	-	-	-	16,203	11,555
Engineering & public works (2)										
Street resurfacing (miles)	115	86	85	78	38	34	20	28	44	13
Road maintenance service orders processed	2,037	2,275	2,024	1,525	1,288	1,306	2,726	1,869	2,687	2,829
Litter reduction from right of way (miles)	187	300	417	361	538	817	238	720	830	1,046
Parks & recreation (2)										
Number of park shelter reservations	505	404	690	843	900	931	995	1,500	3,000	3,500
Total all participants on all teams	26,100	26,150	26,800	27,700	28,750	30,345	30,402	44,450	30,000	30,000
Total number of attendees at events	13,500	26,050	16,925	35,000	35,000	16,757	16,792	90,000	20,500	21,500

* Information not yet available.

(1) Information kept by calendar year.

(2) Information kept by fiscal year.

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

KNOX COUNTY, TENNESSEE

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

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Sheriff										
Detention Facility	1	1	1	1	1	1	1	1	1	1
Penal Farm	1	1	1	1	1	1	1	1	1	1
Patrol units	N/A	N/A	N/A	N/A	10	10	10	8	10	10
Engineering & public works										
Streets (lane miles)	N/A	N/A	N/A	N/A	2,033	2,033	2,033	2,033	2,033	2,089
Bridges	137	137	138	138	138	138	138	142	142	142
Traffic signals	46	46	47	49	51	53	55	58	59	64
Parks & recreation										
Parks acreage	2,437	2,584	2,915	2,874	3,026	3,051	3,076	3,122	3,296	3,296
Parks	35	40	40	43	45	46	47	47	49	49
Spray pools	-	-	-	2	2	3	3	3	3	3
Tennis courts	5	5	6	6	7	7	7	7	7	7

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