

# KNOX COUNTY TENNESSEE



For The Year Ended June 30, 2017

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Tim Burchett, County Mayor

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2017**  
*Table of Contents*

INTRODUCTORY SECTION	i-xi xii xiii-xiv	Letter of Transmittal GFOA Certificate of Achievement Roster of Publicly Elected Officials/Organization Chart
FINANCIAL SECTION	xv-xvii xviii-xxxv	Independent Auditor's Report Management's Discussion and Analysis (Unaudited) Basic Financial Statements: Government-wide Financial Statements: 1 Statement of Net Position 2 Statement of Activities Fund Financial Statements 3 Balance Sheet - Governmental Funds 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 5 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds 6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 7 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) General Fund 8 Statement of Net Position - Proprietary Funds 9 Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds 10 Statement of Cash Flows - Proprietary Funds 11 Statement of Fiduciary Net Position - Fiduciary Funds 12 Statement of Changes in Fiduciary Net Position 13-128 Notes to the Financial Statements
REQUIRED SUPPLEMENTAL INFORMATION SECTION	129 130 131 132 133 134 135	Required Supplementary Information: Schedule of Changes in County's Net Position Liability and Related Ratios Schedule of County's and Board's Employer Pension Contributions Schedule of Investment Returns Schedule of Changes in Knox County Executive and Official's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Knox County Executives and Official's Public Pension Plan of TCRS Schedule of Knox County Executive and Official's Employer Contributions Based on Participation in the Public Employee Pension Plan of TCRS Knox County Executive and Official's Schedule of Knox County Schools' Proportionate Share of the Net Pension Liability (Asset) Teacher Legacy Pension Plan of TCRS Schedule of Knox County Schools' Employer Contributions Teacher Legacy Pension Plan of TCRS

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2017**  
*Table of Contents (Continued)*

REQUIRED SUPPLEMENTAL INFORMATION SECTION (Continued)	136 137 138 138 139 139 140 140	Schedule of Knox County Schools' Proportionate Share of the Net Pension Liability (Asset) Teacher Retirement Plan of TCRS Schedule of Knox County Schools' Employer Contributions Teacher Retirement Plan of TCRS Schedule of Funding Progress OPEB - Employee Disability Plan Schedule of Employer OPEB Contributions - Employee Disability Plan Schedule of Funding Progress OPEB - Retiree Healthcare Plan Schedule of Employer OPEB Contributions - Retiree Healthcare Plan Schedule of Funding Progress OPEB - Local Education Employee Group Plan Schedule of Employer OPEB Contributions - Local Education Employee Group Plan
SUPPLEMENTAL SECTION	141 142 143 144 145-147 148 149 150 151 152 153 154 155 156	Combining and Individual Fund Statements and Schedules: Comparative Balance Sheets - General Fund Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - General Fund Comparative Balance Sheets - Public Improvement Capital Projects Fund (Major) Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Public Improvement Capital Projects Fund (Major) Schedule of Construction Project Expenditures - Budget and Actual - Public Improvement Capital Projects Fund (Major) Comparative Balance Sheets - Debt Service Fund (Major) Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Debt Service Fund (Major) Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Debt Service Fund (Major) Combining Balance Sheets - Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds Combining Balance Sheets - Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Combining Balance Sheets - Constitutional Officers' Special Revenue Fund Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Constitutional Officers' Special Revenue Fund

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2017**  
*Table of Contents (Continued)*

SUPPLEMENTAL SECTION (Continued)	157	Comparative Balance Sheets - Federal, State and Other Grants Fund
	158	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Federal, State and Other Grants Fund
	159	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Federal, State and Other Grants Fund
	160	Comparative Balance Sheets - Governmental Library Fund
	161	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Library Fund
	162	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Governmental Library Fund
	163	Comparative Balance Sheets - Public Library Fund
	164	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Public Library Fund
	165	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Public Library Fund
	166	Comparative Balance Sheets - Solid Waste Fund
	167	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Solid Waste Fund
	168	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Solid Waste Fund
	169	Comparative Balance Sheets - Hotel/Motel Tax Fund
	170	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Hotel/Motel Tax Fund
	171	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Hotel/Motel Tax Fund
	172	Comparative Balance Sheets - Drug Control Fund
	173	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Drug Control Fund
	174	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Drug Control Fund
	175	Comparative Balance Sheets - Engineering & Public Works Fund
	176	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Engineering & Public Works Fund

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2017**  
*Table of Contents (Continued)*

SUPPLEMENTAL SECTION (Continued)	177	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Engineering & Public Works Fund
	178	Comparative Balance Sheets - ADA Construction Capital Projects Fund
	179	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - ADA Construction Capital Projects Fund
	180	Comparative Statements of Net Position - Three Ridges Golf Course Fund
	181	Comparative Statements of Revenues, Expenses and Changes in Net Position - Three Ridges Golf Course Fund
	182	Comparative Statements of Cash Flows - Three Ridges Golf Course Fund
	183	Combining Statement of Net Position - Internal Service Funds
	184	Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds
	185	Combining Statement of Cash Flows - Internal Service Funds
	186	Comparative Statements of Net Position - Vehicle Service Center Fund
	187	Comparative Statements of Revenues, Expenses and Changes in Net Position - Vehicle Service Center Fund
	188	Comparative Statements of Net Position - Mailroom Fund
	189	Comparative Statements of Revenues, Expenses and Changes in Net Position - Mailroom Fund
	190	Comparative Statements of Net Position - Employee Benefits Fund
	191	Comparative Statements of Revenues, Expenses and Changes in Net Position - Employee Benefits Fund
	192	Comparative Statements of Net Position - Self Insurance Fund
	193	Comparative Statements of Revenues, Expenses and Changes in Net Position - Self Insurance Fund
	194	Comparative Statements of Net Position - Building Operations Fund
	195	Comparative Statements of Revenues, Expenses and Changes in Net Position - Building Operations Fund
	196	Comparative Statements of Net Position - Technical Support Service Fund
	197	Comparative Statements of Revenues, Expenses and Changes in Net Position - Technical Support Service Fund
	198	Comparative Statements of Net Position - Capital Leasing Fund
	199	Comparative Statements of Revenues, Expenses and Changes in Net Position - Capital Leasing Fund
	200	Comparative Statements of Net Position - Self Insurance Healthcare Fund
	201	Comparative Statements of Revenues, Expenses and Changes in Net Position - Self Insurance Healthcare Fund
	202	Combining Statement of Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds
	203	Combining Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2017**  
*Table of Contents (Continued)*

SUPPLEMENTAL SECTION (Continued)	204	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Closed Defined Benefit Plan
	205	Comparative Statements of Changes in Fiduciary Net Position - Pension Trust Fund - Closed Defined Benefit Plan
	206	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Asset Accumulation Plan
	207	Comparative Statements of Changes in Fiduciary Net Position - Pension Trust Fund - Asset Accumulation Plan
	208	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Voluntary 457 Plan
	209	Comparative Statements of Changes in Fiduciary Net Position - Pension Trust Fund - Voluntary 457 Plan
	210	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Medical Expense Retirement Plan
	211	Comparative Statements of Changes in Fiduciary Net Position - Pension Trust Fund - Medical Expense Retirement Plan
	212	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Uniformed Officers Pension Plan
	213	Comparative Statements of Changes in Fiduciary Net Position - Pension Trust Fund - Uniformed Officers Pension Plan
	214	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Sheriff's Total Accumulation Retirement Plan
	215	Comparative Statements of Changes in Fiduciary Net Position - Pension Trust Fund - Sheriff's Total Accumulation Retirement Plan
	216	Comparative Statements of Fiduciary Net Position - Other Employee Benefit Trust Fund - Employee Disability Plan
	217	Comparative Statements of Changes in Fiduciary Net Position - Other Employee Benefit Trust Fund - Employee Disability Plan
	218	Statement of Fiduciary Net Position - Other Employee Benefit Trust Fund - Retiree Healthcare Plan
	219	Statement of Changes in Fiduciary Net Position - Other Employee Benefit Trust Fund - Retiree Healthcare Plan
	220	Combining Statement of Fiduciary Assets and Liabilities - Agency Funds
	221	Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds
	222	Combining Statement of Net Position - Nonmajor Component Units
	223	Combining Statement of Activities - Nonmajor Component Units
	224-225	Schedule of Debt Service Requirements - Primary Government and Board
	226-227	Schedule of Debt Service Requirements - General Bonded Debt - Primary Government
	228-229	Schedule of Debt Service Requirements - General Bonded Debt - Discretely Presented Component Unit - Knox County Board of Education
	230	Schedule of Salaries and Bonds of Principal Elected Officials

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2017**  
*Table of Contents (Continued)*

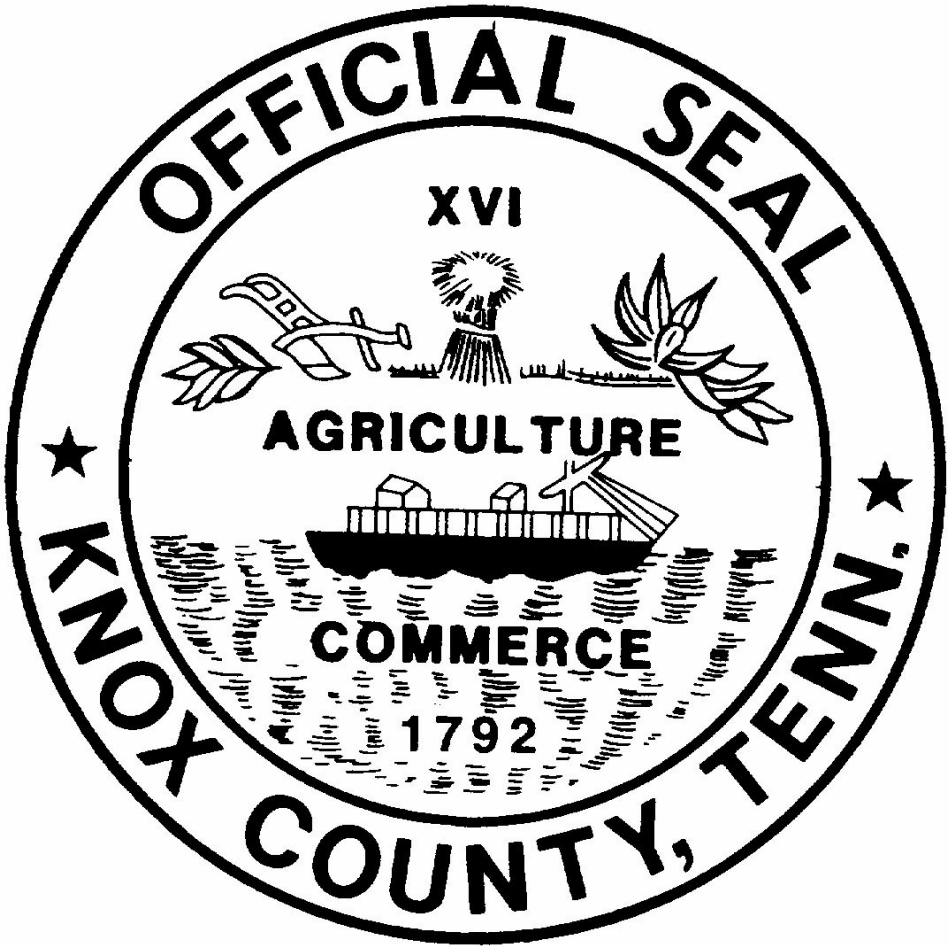
COMPONENT UNIT - BOARD OF EDUCATION SECTION	231	Discretely Presented Governmental Component Unit - Knox County Board of Education: Statement of Net Position
	232	Statement of Activities
	233	Balance Sheet - Governmental Funds
	234	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
	235	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
	236	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
	237	Comparative Balance Sheets - General Fund - General Purpose School
	238	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - General Fund - General Purpose School
	239	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - General Fund - General Purpose School
	240	Comparative Balance Sheets - School Construction Capital Projects Fund
	241	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - School Construction Capital Projects Fund
	242	Schedule of Construction Project Expenditures - Budget and Actual - School Construction Capital Projects Fund
	243	Combining Balance Sheet - Nonmajor Governmental Funds
	244	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
	245	Comparative Balance Sheets - School Federal Projects Fund
	246	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - School Federal Projects Fund
	247	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - School Federal Projects Fund
	248	Comparative Balance Sheets - School General Projects Fund
	249	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - School General Projects Fund
	250	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - School General Projects Fund

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2017**  
*Table of Contents (Continued)*

COMPONENT UNIT -	251	Comparative Balance Sheets - Central Cafeteria Fund
BOARD OF EDUCATION	252	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Central Cafeteria Fund
SECTION	253	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Central Cafeteria Fund
(Continued)	254	Statement of Fiduciary Net Position - Fiduciary Funds
	255	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Teacher's Plan (Defined Benefit Plan)
	256	Comparative Statements of Changes in Fiduciary Net Position - Pension Trust Fund - Teacher's Plan (Defined Benefit Plan)
	257	Comparative Statements of Changes in Fiduciary Assets and Liabilities - Agency Fund - Internal School Funds
STATISTICAL SECTION		Financial Trends Information:
(UNAUDITED)	258	Net Position by Component
	259-261	Changes in Net Position
	262	Primary Government Activities Tax Revenues by Source
	263	Component Units Activities Tax Revenues by Source
	264	Reporting Unit Activities Tax Revenues by Source
	265	Fund Balances of Governmental Funds
	266	Changes in Fund Balances of Governmental Funds
		Revenue Capacity Information:
	267	Assessed Value and Estimated Actual Value of Taxable Property
	268	Property Tax Rates
	269	Principal Property Taxpayers
	270	Property Tax Levies and Collections
		Debt Capacity Information:
	271	Ratios of Outstanding Debt by Type
	272	Ratios of General Bonded Debt Outstanding
	273	Direct and Overlapping Governmental Activities Debt
		Demographic and Economic Information:
	274	Demographic and Economic Statistics
	275	Principal Employers
		Operating Information:
	276	Full-time Equivalent County Government Employees by Function
	277	Operating Indicators by Function
	278	Capital Asset Statistics by Function



# Introductory Section





## OFFICE OF COUNTY MAYOR TIM BURCHETT

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

January 23, 2018

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, 2017, 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 changes in financial position of the various funds of the County and its component units. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

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

State law requires that the County obtain an annual audit of its books and records. The independent audit performed by Pugh & Company, P. C., Certified Public Accountants, has been obtained to fulfill that requirement. The auditors have issued an unmodified ("clean") opinion on the County's financial statements for the year ended June 30, 2017. The independent auditor's 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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), The Development Corporation of Knox County (the Corporation), and the Knox County Railroad Authority (KCRA) are reported as discretely presented component units. The County and its component units provide a full range of services including, but not limited to, the construction and maintenance of highways, streets and infrastructure, public health and welfare, police protection, emergency telephone services, elementary and secondary education, community services, sanitation services, and recreational and cultural events. Because of the close relationship between the County and the Board and the fact that the Board does not issue financial statements separate from those of the County, several of the supplemental schedules and other financial information have been consolidated to more properly reflect the joint activities of the County and the Board.

### ***GOVERNMENTAL STRUCTURE***

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

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

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

- General Fund balance has increased by over \$22 million from the beginning of FY 2011 to the FY 2017 end of year.
- Restored 177 hours of operation per week within our public library system with no additional impact on the 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 annually.

- Sold unnecessary county vehicles, resulting in thousands of dollars in cost-avoidance savings through reduced maintenance, fuel and liability costs.
- Reduced Knox County's debt obligations by over \$29 million since taking office.
- Identified a funding mechanism to use one-time dollars to pay for the construction of a new Carter Elementary School, therefore eliminating a potential \$8 million in traditional bond interest payments. The school opened on time for the 2013-2014 school year.
- 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.
- 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.
- Supported the Halls and Northeast Knox greenway projects, as well as the Knox-Blount greenway project.
- Constructed and opened the Concord "Pet Safe" Dog Park.
- Restored the stream bank along Beaver Creek at Halls Community Park.
- Made parking improvements at the Knox County Sports Park.
- Saved the building that formerly was used for the Oakwood Elementary School. The condition of the building had deteriorated, and its future was uncertain. The County worked with developers and others in the private sector to make needed upgrades and repairs to the facility, which is now being used for senior housing. This provides additional services to the community and places the property back on the County tax roll.
- Saved Historic Knoxville High School, which is now being redeveloped for private use.
- Sold State Street properties, which are now under development as a mixed-use residential project known as Marble Alley.
- Opened the new Karns Senior Center, bringing the total number of Knox County senior centers to six.
- Helped launch a youth dental program in partnership with the Great Schools Partnership, Knox County Schools and the Elgin Children's Foundation.
- Opened a larger, safer and more efficient Knox County Solid Waste convenience center in the Karns community.
- Opened the new Clayton Park in the Halls Community.
- Broke ground on the new Plumb Creek Park.
- Broke ground on two new Gibbs and Hardin Valley middle schools.
- Opened or expanded two disc golf courses at Powell Station Park and Tommy Schumpert Park.
- Completed 5.3MW solar project that will save taxpayers approximately \$14 million over the next 30 years.
- Supported Zoo Knoxville's master plan with a 5-year, \$5 million capital commitment.
- Added 70 acres to I.C. King Park, which will lead to improved amenities and a new, safer entrance to the park.

- Led the Midway Business Park rezoning process through a series of public input sessions and public meetings.
- Worked with partners in the Sheriff’s Office, City of Knoxville and the State of Tennessee to secure funding and execute a contract with the Helen Ross McNabb Center to operate the Behavioral Health Urgent Care Center, a jail-diversion program aimed at helping those with behavioral and mental health disorders get treatment
- Issued an RFP for the sale and redevelopment of the Andrew Johnson Building, a historic building on prime real estate located in downtown Knoxville that currently houses the Knox County Schools administration.
- Since taking office in 2010, saved taxpayers approximately \$13 million in interest savings through bond refinancing opportunities.

***Legislative Initiatives***

*Impact of State Funding:* Knox County, like the other 94 county governments in Tennessee, receives significant support from state-shared revenues -- mainly in the form of education and highway dollars. Because of this dependence, the legislative activities of the Tennessee General Assembly are carefully monitored. Thanks to the continuing leadership of our Governor, the State again passed a responsible, balanced budget. We at the local level are thankful for the fiscal responsibility demonstrated by the state budget. A healthy state budget means more stable and predictable revenues for all cities and counties.

***Capital Improvement Initiatives***

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

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

*General Construction/Renovation:*

- General Project Management
- City County Improvements/Developments
- Various Maintenance Improvements
- Jail Improvements

*Road Construction/Improvements:*

- Parkside Drive Extension
- General Road Improvements
- Ebenezer/Gleason Intersection
- Schaad Road

*School Construction/Renovations:*

- Physical Plant Upgrades
- Pond Gap
- Gibbs Middle
- Hardin Valley Middle

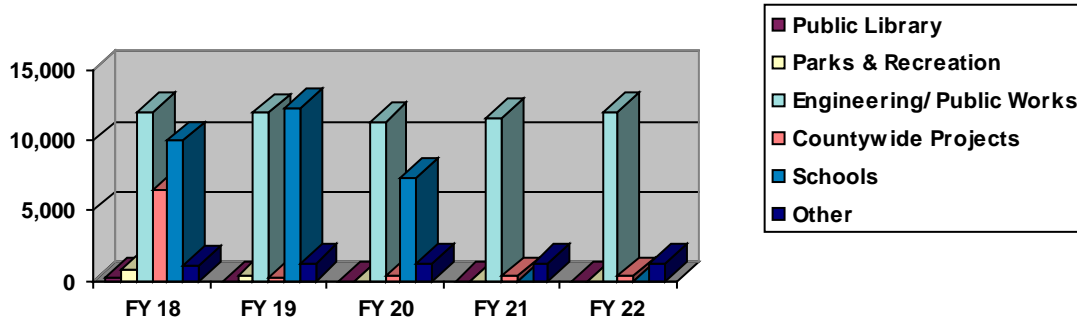
*School Construction/Renovations:*

- HVAC Upgrades
- Energy Management Project
- Security Camera System

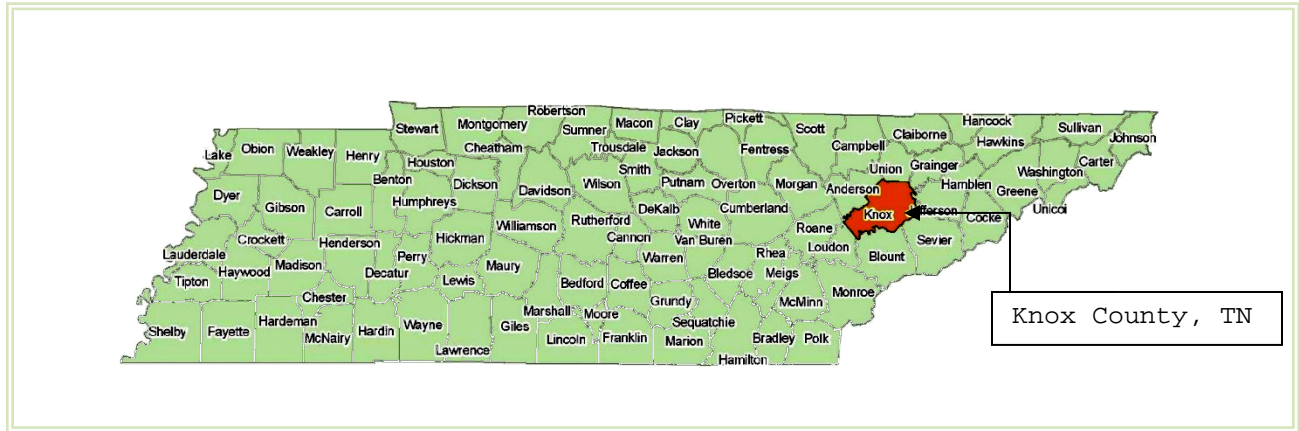
The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

Project Description	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	TOTAL
Libraries	\$ 193	\$ 0	\$ 0	\$ 0	\$ 0	\$ 193
Countywide Projects	6,550	200	300	300	300	7,650
Parks & Recreation	800	350	0	0	0	1,150
Engineering & Public Works	12,100	11,980	11,335	11,685	12,060	59,160
Building Improvements & Other	1,100	1,200	1,200	1,200	1,200	5,900
Schools	10,000	12,400	7,400	0	0	29,800
<b>Total – Approved Projects</b>	<b>\$ 30,743</b>	<b>\$ 26,130</b>	<b>\$ 20,235</b>	<b>\$ 13,185</b>	<b>\$ 13,560</b>	<b>\$ 103,853</b>

***Five Year Capital Plan  
(In Thousands of Dollars)***



## **ABOUT KNOX COUNTY**



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 2016 census demographic population data reported that 456,132 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 2016 population was reported at 186,239. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 22,282. 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, Campbell, Grainger, Loudon, Morgan, Roane 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 2017 estimates, there were approximately 1,025 wholesale establishments, 1,521 retail establishments, and more than 6,105 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 818 manufacturing firms, which produce a large variety of items including medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts.

### ***Business Climate***

The County has a history of being a regional leader in economic activity. The County offers premier location opportunities for high-technology and precision manufacturing firms. The University of Tennessee, Tennessee Valley Authority and the Oak Ridge National Laboratory help to provide a stable, secure employment base. The Knoxville area is home to many medium-sized manufacturing and distribution operations as well as customer service centers. The Knoxville area boasts a strong and reliable workforce, and low union membership rates. These assets, combined with an excellent location at the intersections of Interstates 40, 75 and 81, make Knox County a great location for any business. The County is also well served by 125 truck lines, two railroads, six airlines, and three local river terminals that provide direct links to the Great Lakes and to the Gulf of Mexico. The Knoxville area 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. The Knoxville MSA ranks as one of the top southeastern urban areas with an index of 86.4 compared to the average of all participating cities of 100. The County has over 6,200 acres of park and recreation space, with approximately 177 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, providing numerous cultural opportunities. Live entertainment includes touring Broadway productions and many concerts at numerous venues throughout the area, including the historic, beautifully renovated Tennessee and Bijou theaters.

### ***Industrial Investment***

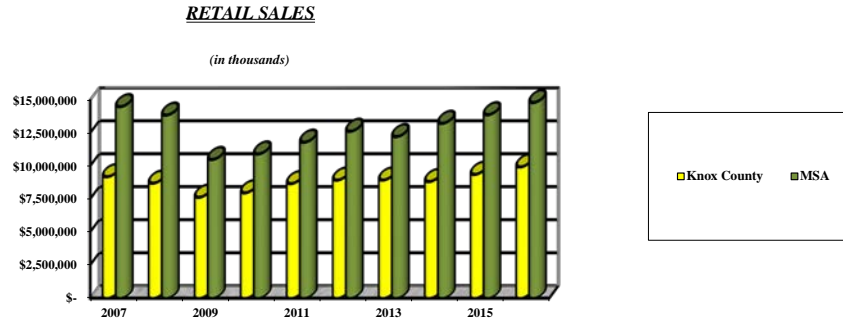
The Knoxville MSA has been recognized nationally as a leading location to live and do business. In 2017, The Brookings Institution ranked the Knoxville metro area as the 53rd best-performing in the country based on its showing in job growth, unemployment, output (gross product), and house prices. Among metro areas in Tennessee, Knoxville was second only to Nashville (9th best nationally). Commerce and industry vary from the media success of Scripps Television Networks (HGTV, DIY, Food, Cooking, 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, Keurig Green Mountain, Bush Brothers, Pilot/Flying J Travel Centers, and Denso Manufacturing.

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, PetSafe/Radio Systems Corporation, and Regal Entertainment. Knox County has 7 business parks and a Technology Corridor to meet a wide range of corporate facility needs. In 2016, approximately 3,278 new jobs were created in Knox County among the more than 6,831 jobs created across the metro area.



***Commercial Development***

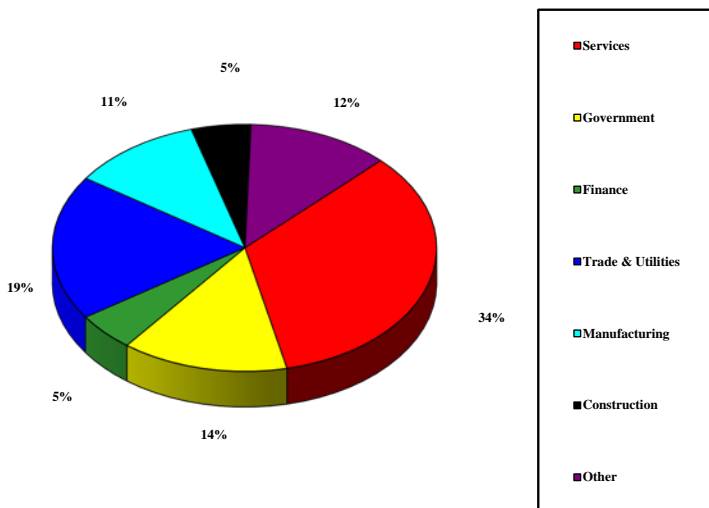
Four regional shopping malls and over 200 shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Knox County has traditionally been the regional hub of the MSA. The 2016 retail sales in the MSA grossed over \$14.3 billion, with approximately 69% of that total generated in Knox County.



***Tourism***

Although industry frequently is considered the core of an economic base, secondary and tertiary activities also make important contributions to economic development. The convention and tourism business 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 which had over 11.3 million guests in 2016.

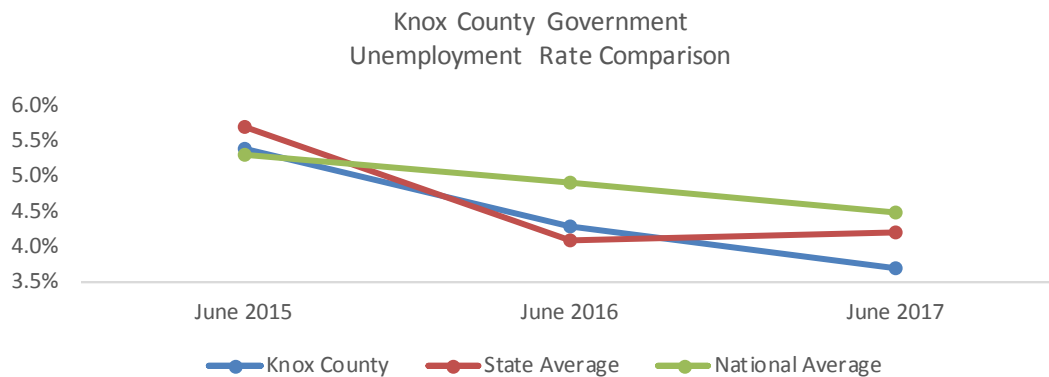
***Non-Agricultural Employment***



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

### *Unemployment*

Historically, Knox County's unemployment rate has been low relative to the state and national rates. For the month of June 2017, the seasonally unadjusted unemployment rates for the County, state and nation stood at 3.7%, 4.2% and 4.5%, respectively. The County's rate, while in line with the nation's, reflects a half percentage decrease from the corresponding rate from June 2016, and national rate reflects a moderate reduction. The state rate reflects a minimal increase. These rates indicate improvements in economic conditions for local and federal, but a slight decline in the state as a whole.



### **Per Capita Income**

In 2015, Knox County's per capita income was \$44,849. This represents an increase of 4.3 percent compared to 2014.

## ***FINANCIAL INFORMATION***

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

For the annual budget process, the FY 2017 adopted budget provided for a modest increase (1.1%) in General Fund expenditures. Most of the budgeted increase was for needed additional expenditures for public safety. Education funding, provided for in the General Purpose School Fund (the general fund for the Board of Education component unit) has also increased by more than \$15.5 million. The increases in budgeted funds for public safety and education reflect the Mayor's commitment to ensure that adequate funding is provided for these essential functions. By careful budgeting of expenditures in the overall budget, other essential services to Knox County citizens (road maintenance, parks and recreation, library services, etc.) have been maintained at appropriate levels. Revenues have been

estimated conservatively, and actual results exceeded the budget. Much of this was due to local taxes, other local revenues and funding from the State that exceeded originally budgeted estimates.

The planned reduction in the County's bonded debt levels are dependent on both the levels of debt service payments and the amounts of new debt added. Debt service expenditures are provided for in the County's annual budgets, and the amounts of debt retirement have been provided for based on the required upcoming debt service. The amount of new debt to be added is dependent on the amount needed for projects approved in the County's adopted Capital Improvement Plan, which covers the upcoming five-year period. This funding mechanism provides for a matching of debt service expenditures with the useful lives of the assets acquired with the bond proceeds. In order to reduce the overall levels of bonded debt, it has been necessary to reduce the approved projects to be funded from debt proceeds. This reduction is being accomplished. The total bonded debt as of June 30, 2017 of \$662,479,361 is \$28,707,107 less than fiscal year 2011. This change resulted from the payments of bonded debt in the current year exceeding new issuances. Additional reductions are planned in future years to accomplish the Mayor's stated goal of reducing County bonded debt.

### ***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, 2016. This was the twenty-first 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 twenty-second consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2017 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***

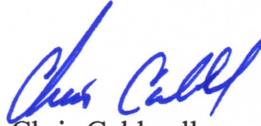
The preparation of the CAFR was made possible by the dedicated service of the Department of Finance. Those involved have our sincere appreciation for the individual and collective contributions made in the preparation of the report. Perry Benshoof, Jack Blackburn, Jennifer Bodie, Jeff Clark, Dora Compton, Susan Corlew, Taylor Frazier, Patti Galvan-Balzer, Andrew Jansen, Peter Lin, and Melanie Wilck all went above and beyond the call of duty to design and generate this report. Thank you very much for your professional dedication in this effort. Thank you to the entire Department of Finance for your efforts to "get the job done well," every day. You serve the citizens of Knox County very well.

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

Sincerely,



Tim Burchett  
Knox County Mayor



Chris Caldwell  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Knox County  
Tennessee**

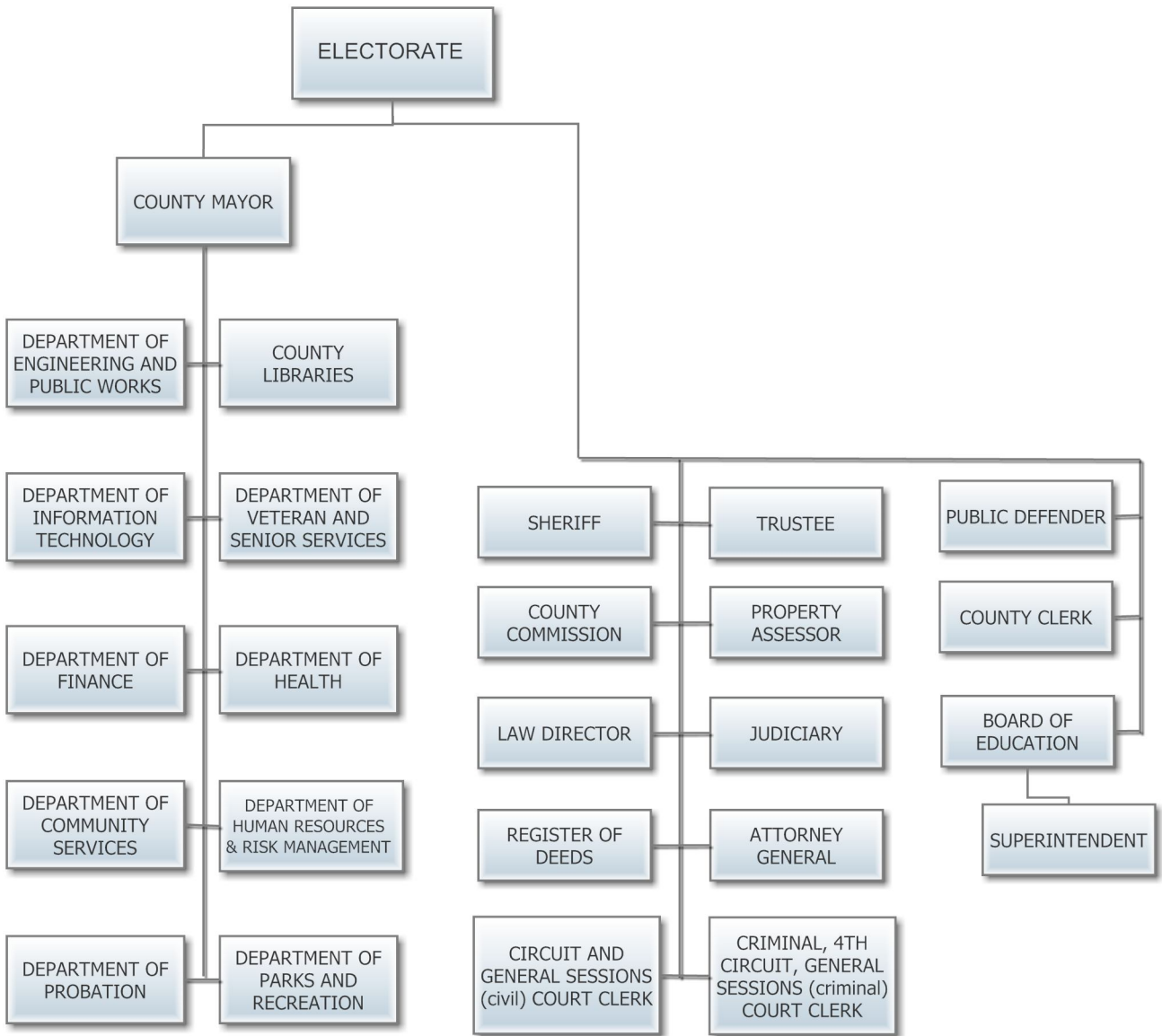
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO



**KNOX COUNTY, TENNESSEE**  
**COUNTY ORGANIZATIONAL STRUCTURE**  
 As of June 30, 2017





**KNOX COUNTY, TENNESSEE**  
ROSTER OF ELECTED OFFICIALS AND OTHERS  
As of June 30, 2017

**Elected Officials:**

Assessor of Property - John Whitehead  
Attorney General - Charme P. Allen  
Circuit/General Sessions (civil) & Juvenile Clerk - Cathy Shanks  
County Clerk - Foster D. Arnett, Jr.  
County Mayor - Tim Burchett  
Criminal/Fourth Circuit/Sessions (criminal) Clerk - Mike Hammond  
Law Director - Richard Armstrong  
Public Defender - Mark Stephens  
Register of Deeds - Sherry Witt  
Sheriff - Jimmy "J.J." Jones  
Trustee - Ed Shouse

**Board of Commissioners:**

Brad Anders	Hugh Nystrom
Ed Brantley	John Schoonmaker
Charles Busler	Randy Smith
Michele Carringer	Bob Thomas
Carson Dailey	Dave Wright - Chairman
Evelyn Gill	

**Board of Education:**

Patti Bounds - Chairman	Mike McMillan
Gloria Deathridge	Tony Norman
Lynne Fugate	Jennifer Owen
Terry Hill	Amber Rountree
Susan Horn	

**Superintendent of Schools:**

Bob Thomas

**Audit Committee:**

David Shields - Chairman  
Jim Morrison  
Hugh Nystrom  
John Schoonmaker  
Dave Wright

**Finance Director:**

Chris Caldwell

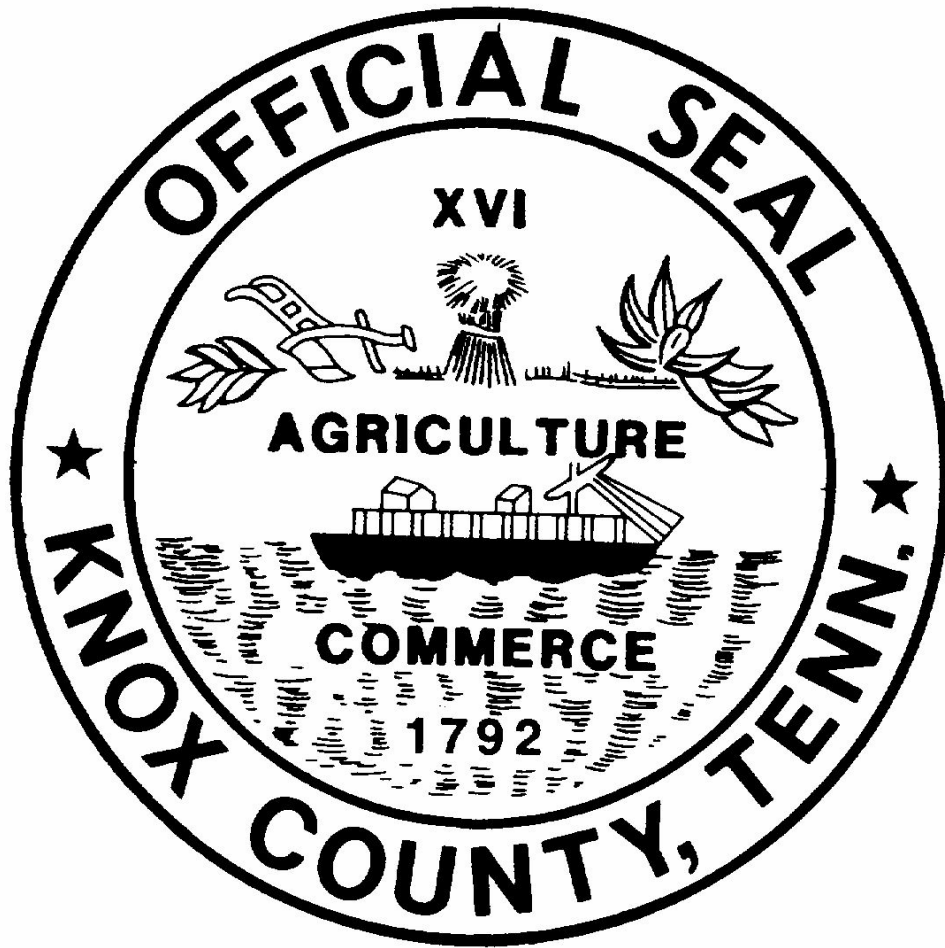
**Pension Board:**

Ed Brantley - Chairman  
Chris Caldwell (Designee of the County Mayor)  
Hugh Nystrom  
Bob Thomas  
John Schoonmaker  
Robin Moody  
Tracy Foster  
Jennifer Hemmelgarn  
Zack Webb

**Retirement Office:**

Kim Bennett, Executive Director

# Financial Section





**KNOXVILLE OFFICE:**  
315 NORTH CEDAR BLUFF ROAD – SUITE 200  
KNOXVILLE, TENNESSEE 37923  
TELEPHONE 865-769-0660



**OAK RIDGE OFFICE:**  
800 OAK RIDGE TURNPIKE – SUITE A404  
OAK RIDGE, TENNESSEE 37830  
TELEPHONE 865-769-1657

PUGH & COMPANY, P.C.  
www.pughcpas.com

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, County Commissioners  
and Audit Committee of  
Knox County, Tennessee  
Knoxville, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, budgetary comparison statement of the general fund, and the aggregate remaining fund information of Knox County, Tennessee (the "County") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Development Corporation of Knox County ("TDC"), a discretely presented Component Unit reported in the financial statements of the County. The TDC comprises 2.20% of total assets and deferred outflows, 8.49% of net position and 0.11% of revenues of the County. We did not audit the financial statements of the Great Schools Partnership Charitable Trust (the "Partnership"), a discretely presented Component Unit reported in the financial statements of the Knox County Board of Education (the "Board"). The Partnership comprises 1.12% of total assets and deferred outflows, 0.50% of net position and 1.06% of the revenues of the Board. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the TDC and the Partnership is based solely 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 from material misstatement.



An independently owned member  
**RSM US Alliance**

XV



**TSCPA**  
Members of the Tennessee Society  
Of Certified Public Accountants

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented Component Units, each major fund, and the aggregate remaining fund information of the County and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison statement of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note IV.1 to the financial statements, the County and Board of Education (the "Board"), a discretely presented component unit of the County, corrected prior years' accounting errors by recording adjustments to the 2017 beginning of year net position in the government-wide statement of net position (County and Board) and the beginning of year fund balance in the governmental funds balance sheet (County). Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages xviii through xxxv and the schedules of changes in net pension liabilities or assets, investment returns, employer contributions and schedule of funding progress of the various pension and other post-employment benefit plans on pages 129 through 140 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, supplemental section which includes the combining and individual non-major fund financial statements, Component Unit - Board of Education section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in the supplemental section and the Component Unit - Board of Education section, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information included in the introductory section and the statistical section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards* and *Uniform Guidance***

In accordance with *Government Auditing Standards*, we have also issued, in a separately bound document, our report dated January 23, 2018, 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. In addition, we have also issued, in the same bound document, our report dated January 23, 2018, on the County's compliance for each major federal program, internal control over compliance and the schedules of expenditures of federal awards and state financial assistance as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the Tennessee Comptroller of the Treasury.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
January 23, 2018

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

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, 2017. 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-xi of this report. All amounts, unless otherwise indicated, are expressed in dollars.

## **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the governmental activities of the Knox County Primary Government were exceeded by its liabilities and deferred inflows at the close of the most recent fiscal year by \$39,731,423 (deficit net position). This amount includes a negative \$311,592,681 of unrestricted net position. The negative unrestricted net position and total net position amounts resulted from the process by which the Primary Government issues debt on behalf of the Board of Education component unit. See footnote on page 1.
- The Primary Government's change in net position for its governmental activities was a decrease of \$55,170,732. Total net position for the Primary Government (governmental and business-type activities) decreased by \$55,239,031.
- The Primary Government's governmental funds reported total fund balances of \$115,123,726, a decrease of \$6,954,599 for the fiscal year.
- The Knox County Government's total bonded debt at the end of the year totaled \$662,479,361, an increase of 7.7% compared to the prior year total of \$614,988,642. Of the current year total, \$381,869,285 pertains to County general government activities and \$280,610,076 pertains to the Knox County Board of Education component unit. Bond principal paid in the current year totaled \$42,774,281 and debt issued totaled \$90,265,000.
- The County Property Tax Rate was \$2.32 for the fiscal year. There was no change from the prior year rate.

## **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 are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplemental information and 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.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

The statement of net position presents information on all the Knox County Government's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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), The Development Corporation (The Corporation), 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 and Corporation issue separate financial statements. The Board and the Authority do not issue separate financial statements. The government-wide financial statements can be found on pages 1 and 2 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.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

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, Capital Projects Public Improvement Fund and the Debt Service Fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 3-7 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 to account for the operations of the Three Ridges Golf Course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Knox County Government's various functions. Knox County Government uses internal service funds to account for its fleet service operations, mailroom operations, employee benefits activities (including retirement), self-insurance activities, building operations, technical support operations, self-insurance healthcare activities, 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 8-10 of this report.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

**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 11-12 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 13-128 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 and other post-employment benefits to its employees and retirees. Required supplementary information can be found on pages 129-140 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds and the individual fund statements are presented on pages 141-179. Combining and individual fund statements for proprietary funds can be found on pages 180-201 of this report.

FY 2016 comparative amounts for the County have been restated where indicated within this management discussion and analysis to include the effects of prior period adjustments recorded in 2017, which resulted in a total reduction to the net position of \$ 1,738,571 (\$ 572,839 increase in fund balance). In addition, the Board recorded prior period adjustments in 2017 to record liabilities related to OPEB and sick leave. See Note IV.I for details.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position - Primary Government -- Governmental Activities**

	<b>June 30,</b>	
	<b>2017</b>	<b>2016 (Restated)</b>
Current and Other Assets	\$ 343,143,381	\$ 352,451,679
Capital Assets	608,601,415	609,534,524
Total Assets	951,744,796	961,986,203
Deferred Outflows of Resources	44,866,452	58,030,181
Long-term Liabilities Outstanding	768,668,577	731,584,924
Other Liabilities	94,809,622	100,426,148
Total Liabilities	863,478,199	832,011,072
Deferred Inflows of Resources	172,864,472	172,566,003
Net Position:		
Net Investment in Capital Assets	262,771,208	267,670,250
Restricted	9,090,050	9,000,894
Unrestricted (Deficit)	(311,592,681)	(261,231,835)
Total Net Position (Deficit)	\$ (39,731,423)	\$ 15,439,309

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

**Governmental Net Position.** Current and other assets consist primarily of receivables, mostly taxes, and cash and investments. By far the largest portion of the Knox County Government's net position 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. The reasons for changes in capital assets are discussed later in this section.

An additional portion of the Knox County Primary Government's governmental activities net position represents resources that are subject to external restriction on how they may be used. As shown below, these restrictions include Debt Service, Public Health and Welfare, Public Safety, Social and Cultural Services and Other Purposes. The remaining balance of unrestricted net position deficit of \$311,592,681 reflects a negative change of \$50,360,846 compared to the prior year unrestricted net position deficit of \$261,231,835, as restated. The reasons for the negative change in net position are discussed in the section describing governmental activities.

**Knox County Primary Government**  
**Governmental Activities Net Position Comparison**  
**June 30,**

	<b>2017</b>	<b>2016 (Restated)</b>	<b>Variance</b>
Net Investment in Capital Assets	\$ 262,771,208	\$ 267,670,250	\$ (4,899,042)
Restricted:			
Debt Service	260,242	83,528	176,714
Public Health and Welfare	2,489,011	2,232,080	256,931
Public Safety	3,459,586	2,890,001	569,585
Social and Cultural Services	1,457,361	2,219,077	(761,716)
Other Purposes	1,423,850	1,576,208	(152,358)
Total Restricted Net Position	9,090,050	9,000,894	89,156
Unrestricted (Deficit):	(311,592,681)	(261,231,835)	(50,360,846)
Total Net Position (Deficit)	\$ (39,731,423)	\$ 15,439,309	\$ (55,170,732)

The unrestricted net position balance represents funds that would normally be available to be used to meet the government's ongoing obligations to citizens and creditors. The primary reason for the deficit balance as of June 30, 2017 results from the County's recognition of long-term debt issued on behalf of the Knox County Board of Education. Because the Board cannot by law issue its own debt, the County issues debt on behalf of the Board, and pays the proceeds to the Board. The Board then uses these proceeds for its capital purposes, and records the capital assets on its own Statement of Net Position. 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



**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

statements. At June 30, 2017, the amount of bonds, capital leases and loans issued by the County on behalf of the Board still outstanding was \$315,143,800, compared to the prior year amount of \$276,280,509. If these liabilities were shown with the Board's amounts to match the capital assets, the County would have had positive unrestricted net position of its governmental activities of \$3,551,119 in 2017 and \$15,048,674 (restated) in 2016.

At the end of the current fiscal year, positive balances in total net position are reported for the total reporting unit and for each of the separate component units. The primary government reported a deficit net position during the current fiscal year which was largely attributable to the issuance of bonds allocated to the Board. The total reporting unit's net position increase is primarily attributable to the underlying positive change in net position of the Board of Education component unit, totaling \$73,919,972.

**Governmental activities.** Governmental activities decreased the Knox County Primary Government's net position by \$55,170,732 in 2017. This amount results mainly from debt issued by the County and paid to the Board. In FY 2017, the County issued \$90,265,000 series 2017 general obligation bonds, of which \$63,750,000 was allocated to the school construction fund, primarily to support the construction of the two new middle schools. For the government-wide financial statements, the County recognized long-term liabilities from the entire proceeds from issuance of the bonds. However, the payment to the component unit of \$63,750,000 results in an expense to the primary government. If this expense to the primary government had not been incurred, the County would have recognized a positive change of \$8,579,268 in net position rather than the reported reduction in net position of \$55,170,732.

The following table shows the changes in the Statement of Activities for the Primary Government-Governmental Activities for the fiscal years ended June 30, 2017 and 2016.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

**Knox County Primary Government**  
**Governmental Activities**

	<b>Year Ended June 30,</b>		
	<b>2017</b>	<b>2016 *</b>	<b>Variance</b>
<b>Program Revenues:</b>			
Charges for Services	\$ 48,095,335	\$ 48,033,851	\$ 61,484
Operating Grants and Contributions	21,644,878	21,710,980	(66,102)
<b>General Revenues</b>			
Local Taxes	219,372,686	216,391,798	2,980,888
Payments from Component Units	16,414,092	17,117,442	(703,350)
Intergovernmental Revenues	13,192,160	13,380,140	(187,980)
Other General Revenues	8,211,031	3,534,790	4,676,241
<b>Total Revenues</b>	<b>326,930,182</b>	<b>320,169,001</b>	<b>6,761,181</b>
<b>Expenses:</b>			
Finance and Administration	37,614,449	36,885,718	728,731
Administration of Justice	26,713,176	25,571,043	1,142,133
Public Safety	90,286,734	88,917,847	1,368,887
Public Health and Welfare	36,369,021	34,280,078	2,088,943
Social and Cultural Services	24,626,710	21,782,470	2,844,240
Agricultural and Natural Resources	518,339	490,451	27,888
Other General Government	22,918,688	28,462,563	(5,543,875)
Engineering & Public Works	30,849,914	26,950,361	3,899,553
Debt Service	23,918,523	23,272,301	646,222
Payments to Component Units	88,010,360	30,215,504	57,794,856
<b>Total Expenses</b>	<b>381,825,914</b>	<b>316,828,336</b>	<b>64,997,578</b>
<b>Excess (Deficiency) of Revenues over (under)</b>			
Expenses before Transfers	(54,895,732)	3,340,665	(58,236,397)
Transfers to Other Funds	(275,000)	(200,000)	(75,000)
<b>Change in Net Position</b>	<b>\$ (55,170,732)</b>	<b>\$ 3,140,665</b>	<b>\$ (58,311,397)</b>

\* FY 2016 amounts are as previously reported and do not include the effects of prior period adjustments. See Note IV.I. It was not practicable to ascertain the amounts applicable to the different categories of governmental activities shown for 2016.

**Program revenues** include charges for services, which consist of various items such as fees for services, licenses, and fines. Charges for services relate to numerous and various government functions. These items represent an aggregation of numerous transactions, and there is not a concentration of revenues in any area. These tend, therefore, to be relatively stable from year to year. Program revenues also include operating grants, which consist largely of grants received

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

from the federal and state governments. The current year revenues consist of various amounts received for government functions, and amounts are comparable to the prior year totals.

**General Revenues** include local taxes, payments from component units, intergovernmental revenues, and other general revenues. The change in local taxes is mostly related to property taxes and a relatively stable overall tax base. Payments from component units primarily consist of the amounts received for the Board's portion of debt service related to the debt obligations that the Primary Government incurred on behalf of the Board. Intergovernmental revenues consist of state shared revenues from various tax collections at the state level. Other general revenues consist primarily of investment revenue and other miscellaneous. The change in the current year is primarily attributable to increased investment revenues. In 2017, investment revenue was \$5,884,298. The 2016 corresponding total was \$702,349, for a net increase of \$5,181,949. The largest component of investment revenue in each year is related to the change in fair value of an interest rate swap accounted for as an investment derivative instrument. In 2017, the change in fair value was a positive \$3,092,460, whereas the corresponding amount in 2016 was a negative \$2,318,351, resulting in a difference between the years of \$5,410,811. Although generally accepted accounting principles require recognition of this amount in the statement of activities, it should be noted that the County intends to hold the interest rate swap until maturity, and therefore the County has not realized any actual gain or loss in financial assets related to this amount.

**Expenses** for the Primary Government are categorized into functional areas. The change in current year was largely attributable to the increase in the amounts paid to the Board component unit of \$61,333,536. The amounts paid to the Board are primarily the result of debt issued by the County on behalf of the Board. As previously noted, the County issues debt on behalf of the Board for capital purposes because the Board may not incur its own debt obligations. Therefore, the net proceeds of such debt issues are paid to the Board, thus resulting in an expense to the Primary Government. Expenses in other categories were in line with expectations. Increases were experienced in the areas of finance and administration, administration of justice, public safety, public health and welfare and social and cultural services, which reflected necessary increases in the cost of providing essential government services.

**Proprietary Net Position and Business-type Activities.** Proprietary activities included as business-type activities in the government-wide statements consist solely of the operations of the County's Three Ridges Golf Course, an enterprise fund. The following tables describe the results and changes in the current and prior years. The golf course is supported by user fees: greens fees, cart fees, pro shop and snack bar. The County's general fund made a transfer to the golf course for additional support. The results of operations for the golf course include the effects of depreciation, a noncash expense, totaling \$55,011. If the effects of depreciation were removed from the results of operations, the golf course would have had a decrease in net position of \$13,288. Of the ending net position, \$489,809 was invested in capital assets, with the remaining deficit amount of \$45,569 unrestricted. These amounts reflect the results of ordinary business operations.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

**Net Position-Primary Government-Business-type Activities**

	June 30,		Variance
	2017	2016	
Current and Other Assets	\$ 39,222	\$ 99,293	\$ (60,071)
Capital Assets	489,809	509,820	(20,011)
Total Assets	<u>529,031</u>	<u>609,113</u>	<u>(80,082)</u>
Current Liabilities	39,442	69,201	(29,759)
Noncurrent Liabilities	45,349	27,373	17,976
Total Liabilities	<u>84,791</u>	<u>96,574</u>	<u>(11,783)</u>
Net Position:			
Invested in Capital Assets	489,809	509,820	(20,011)
Unrestricted	<u>(45,569)</u>	<u>2,719</u>	<u>(48,288)</u>
Total Net Position	<u>\$ 444,240</u>	<u>\$ 512,539</u>	<u>\$ (68,299)</u>

**Primary Government-Business-type Activities**

	Year Ended June 30,		Variance
	2017	2016	
Program Revenues:			
Charges for Services	\$ 759,401	\$ 788,756	\$ (29,355)
Expenses:			
Operating Expenses	1,137,700	1,063,627	74,073
Operating Income (Loss)	<u>(378,299)</u>	<u>(274,871)</u>	<u>(103,428)</u>
Non-Operating Revenues			
Capital Contributions	35,000	-	35,000
Income (Loss) before transfers	<u>(343,299)</u>	<u>(274,871)</u>	<u>(68,428)</u>
Transfers:			
Transfer from Other Funds	275,000	200,000	75,000
Change in Net Position	<u>(68,299)</u>	<u>(74,871)</u>	<u>6,572</u>
Net Position, July 1	512,539	587,410	(74,871)
Net Position, June 30	<u>\$ 444,240</u>	<u>\$ 512,539</u>	<u>\$ (68,299)</u>

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

**FINANCIAL ANALYSIS OF THE 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, unassigned 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.

The categories of fund balance are:

**Nonspendable** fund balance relates 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 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.

The following table shows the changes in the fund balance categories:

**Primary Government--Governmental Fund Balances**

	<b>June 30,</b>		
	<b>2017</b>	<b>2016 (Restated)</b>	<b>Variance</b>
Nonspendable	\$ 5,733,329	\$ 6,076,686	\$ (343,357)
Restricted	15,062,753	14,978,362	84,391
Committed	24,505,174	33,651,153	(9,145,979)
Assigned	5,920,711	6,589,067	(668,356)
Unassigned	63,901,759	60,783,057	3,118,702
<b>Total Fund Balances</b>	<b>\$ 115,123,726</b>	<b>\$ 122,078,325</b>	<b>\$ (6,954,599)</b>

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$115,123,726, a decrease of \$6,954,599 in comparison with the prior year restated total of \$122,078,325. The majority of the overall decrease resulted from operations of the County's debt service fund. Factors that affected the results for each of those individual funds are discussed below.

The General Fund is the chief operating fund of the Knox County Government. The results of the fund balances in the General Fund are indicated in the table below. Unassigned fund balance represents 36.7% of actual expenditures compared to 35.0% last year. The County has adopted a formal fund balance policy calling for the maintenance of a minimum level of unassigned fund balance equivalent to three months (25%) of regular operating expenditures plus transfers out. The County strives to maintain levels exceeding that minimum level in order to provide for unanticipated needs. The actual results reflect the achievement of this goal. Factors that affected the results of operations of the major Governmental Funds are discussed further in the following sections.

**General Fund - Fund Balances**

	<b>June 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>Variance</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Nonspendable	\$ 5,628,804	\$ 5,962,005	\$ (333,201)
Restricted	2,381,149	2,450,091	(68,942)
Committed	2,525,359	2,297,348	228,011
Assigned	387,963	789,441	(401,478)
Unassigned	<u>63,901,759</u>	<u>60,783,057</u>	<u>3,118,702</u>
Total Fund Balances	<u>\$ 74,825,034</u>	<u>\$ 72,281,942</u>	<u>\$ 2,543,092</u>

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. The results of the fund balances in the Debt Service Fund are indicated in the table below. The majority of the fund balance consists of amounts committed for debt service purposes by County Commission. The County had planned for a decrease in the Debt Service Fund, and had budgeted for \$16,088,700 to be applied to the current year budget. As the current year result of operations was a decrease in fund balance of \$9,354,084, the fund experienced a positive variance of \$6,734,616 of actual results compared to the final budget. This resulted from the significant savings from conservatively budgeting for its expenses that the County experienced from its variable rate debt, combined with the County's practice of issuing debt as close to the time of the anticipated cash needs as practicable in order to minimize total interest costs. The County plans to continue its conservative financial planning. During the current year the fund made a one-time payment of \$9,968,536 to the Board.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

**Debt Service Fund - Fund Balances**

	<b>June 30,</b>		
	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>Variance</b></u>
Restricted	\$ 260,242	\$ 83,528	\$ 176,714
Committed	<u>14,656,634</u>	<u>24,187,432</u>	<u>(9,530,798)</u>
 Total Fund Balances	 <u>\$ 14,916,876</u>	 <u>\$ 24,270,960</u>	 <u>\$ (9,354,084)</u>

The Public Improvement Capital Projects Fund experienced a net increase in fund balance in 2017, as seen on the following table. 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 as low as practicable. During FY 2017, the County issued debt while also spending proceeds from debt. The remaining fund balance represents amounts available to be spent for future capital projects, a normal result for this fund.

**Public Improvement Capital Projects Fund - Fund Balances**

	<b>June 30,</b>		
	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>Variance</b></u>
Restricted	\$ 5,972,703	\$ 5,977,468	\$ (4,765)
Committed	<u>250,000</u>	<u>-</u>	<u>250,000</u>
 Total Fund Balance	 <u>\$ 6,222,703</u>	 <u>\$ 5,977,468</u>	 <u>\$ 245,235</u>

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

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

Net position of all the internal service funds at year-end 2017 is shown in the table below. The majority of the variance was due primarily to the employee benefits, self-insurance and self-insurance healthcare funds net position decrease of \$2,606,462, increase of \$2,853,176, and increase of \$4,407,866, respectively. During FY 2017 the employee benefits fund experienced an increase in benefits paid of \$2,431,611 related to the voluntary workforce reduction program and a \$1,250,000 contribution to fund the increased benefits related to the post-retirement incentive medical trust that was adopted in the current year. The self-insurance fund experienced a decrease in claims expense by \$3,318,030 which was due to less than expected claims activity for the year and a decreased liability resulting from the actuary study. The self-insurance fund also received \$1,590,000 from the Board to support their worker's compensation liability which is now part of the County's. The self-insurance healthcare fund experienced a decrease in claims expense by \$2,618,830 and an increase in revenue charges for services of \$3,149,725. 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. As the intent of these funds is to "break even," these results are in line with expectations, and reflect the variability and uncertainty in predicting the activity for the year. The total net position at year-end reflects a modest accumulated net position for these funds over time, in line with expectations.

**Net Position-Proprietary Funds-Internal Service Funds**

	<b>June 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>Variance</b>
Net Position - All ISF	\$ 15,520,799	\$ 10,776,792	\$ 4,744,007
Charges for Services	\$ 83,361,617	\$ 76,978,480	\$ 6,383,137
Change in Net Position as a % of Charges for Services	5.7%		

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The total fund balance of the County's General Fund increased by \$2,543,092 during 2017, compared to last year's \$2,533,005 increase. The General Fund's original budget planned for a net use of fund balance for the year of \$3,411,252. Therefore, the actual unassigned fund balance of \$63,901,759 was \$5,954,344 greater than originally planned. Key elements in the comparison of the budget to actual results for the General Fund are shown in the following table:



**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

**General Fund - Budget vs. Actual**

**Year Ended June 30, 2017**

	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance</b></u>
Local Taxes	\$ 135,945,231	\$ 137,889,375	\$ 1,944,144
State of Tennessee	12,598,149	13,198,822	600,673
Federal Government	1,199,000	1,122,518	(76,482)
Other	18,264,730	20,349,218	2,084,488
<b>Total Revenues</b>	<u><u>\$ 168,007,110</u></u>	<u><u>\$ 172,559,933</u></u>	<u><u>\$ 4,552,823</u></u>
Finance and Administration	\$ 30,823,824	\$ 30,411,641	\$ 412,183
Administration of Justice	17,961,822	17,799,016	162,806
Public Safety	81,838,359	81,543,655	294,704
Public Health and Welfare	22,655,932	22,453,195	202,737
Social and Cultural Services	5,477,612	5,314,393	163,219
Agricultural and Natural Resources	522,009	518,339	3,670
Other General Government	16,727,185	15,814,789	912,396
Equity Interest in Joint Venture	180,513	180,513	-
<b>Total Expenditures</b>	<u><u>\$ 176,187,256</u></u>	<u><u>\$ 174,035,541</u></u>	<u><u>\$ 2,151,715</u></u>

The largest item affecting the variance in local taxes was a \$1,435,521 increase over budget in actual business tax revenues. While the County has the ability to raise tax rates, the government has chosen to keep tax rates steady (adjusted only for the effects of reappraisal) to not further burden County taxpayers. Therefore, revenues were budgeted conservatively and in line with the previous year. Various other revenues exceeded the conservatively budgeted amounts, which also contributed to the General Fund positive budgetary outcome. The General Fund budget was adopted in amounts intended to provide funds for essential services. Expenditures reflected the close monitoring of the budget to achieve results as planned.

Differences in expenditures between the original budget and the final amended budget were within the normal course of County business and totaled a net \$4,531,532 increase in the total budget. 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. Key elements in the comparison of the original budget to final budget for the General Fund are shown in the following table:

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

**General Fund - Original Budget vs. Final Amended Budget**  
**Year Ended June 30, 2017**

	<u>Original</u>	<u>Final</u>	<u>Variance</u>
Local Taxes	\$ 135,391,000	\$ 135,945,231	\$ 554,231
State of Tennessee	10,160,980	12,598,149	2,437,169
Federal Government	1,199,000	1,199,000	-
Other	17,823,759	18,264,730	440,971
Total Revenues	<u>\$ 164,574,739</u>	<u>\$ 168,007,110</u>	<u>\$ 3,432,371</u>
Finance and Administration	\$ 31,659,372	\$ 30,823,824	\$ 835,548
Administration of Justice	17,710,754	17,961,822	(251,068)
Public Safety	81,119,990	81,838,359	(718,369)
Public Health and Welfare	22,480,564	22,655,932	(175,368)
Social and Cultural Services	5,144,205	5,477,612	(333,407)
Agricultural and Natural Resources	514,285	522,009	(7,724)
Other General Government	13,026,554	16,727,185	(3,700,631)
Equity Interest in Joint Venture	-	180,513	(180,513)
Total Expenditures	<u>\$ 171,655,724</u>	<u>\$ 176,187,256</u>	<u>\$ (4,531,532)</u>

**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, 2017, of \$1,040,123,987, which compares to the prior year total of \$1,017,209,720. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net increase in the investment in capital assets for the current fiscal year was \$22,914,267 or 2.25%, which reflects the depreciation expense for the year in amounts less than capital additions.

Spending for major capital asset additions during the current fiscal year included the following: energy management projects, security and HVAC upgrades and two new middle schools (Board), Parkside drive extension, Ebenezer/Gleason intersection, Schaad Road, County additions/renovations, City/County Building Improvements, various school upgrades, numerous road projects, and various other projects.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

The County reported capital assets for its governmental activities as of June 30, 2017 as described in the table below. The County's 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 decrease in the current year change is due mainly to depreciation. The County maintains a commitment to reduce borrowing for capital purposes which results in an overall lower amount of capital asset additions compared to previous years. Although a certain level of long-term borrowing for capital purposes is necessary 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.

**Knox County Primary Government**  
**Governmental Activities Capital Assets**

	<b>2017</b>	<b>2016</b>	<b>Variance</b>
Beginning Balance, July 1	\$ 1,023,553,890	\$ 994,033,145	\$ 29,520,745
Current Year Change	27,743,213	29,520,745	(1,777,532)
Capital Assets	1,051,297,103	1,023,553,890	27,743,213
Less: Accumulated Depreciation	442,695,688	414,019,366	28,676,322
Ending Balance, June 30	\$ 608,601,415	\$ 609,534,524	\$ (933,109)

Additional information on the Knox County Government's capital assets can be found in Note III.C of this report. Significant construction commitments in progress at year-end can be found in Note IV.F of this report.

**Long-term debt.** At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$662,479,361, compared to \$614,988,642 at the end of 2016. All of the bonded debt was backed by the full faith and credit of the County government. \$280,610,076 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remaining \$381,869,285 of the Knox County Government's debt represents bonds issued for general government purposes. The following schedule shows the changes in bonded debt allocated to the entity responsible for payment thereof.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
 June 30, 2017

**Bonded Debt Changes During FY 2017:**

<u>Rollforward of Debt:</u>	<u>Primary Government</u>	<u>Board</u>	<u>Total</u>
Beginning Balance	\$ 371,971,565	\$ 243,017,077	\$ 614,988,642
Principal Paid	(21,782,280)	(20,992,001)	(42,774,281)
Proceeds From Debt Issuances	31,680,000	58,585,000	90,265,000
Ending Balance - Bonds	<u>\$ 381,869,285</u>	<u>\$ 280,610,076</u>	<u>\$ 662,479,361</u>

Knox County's total bonded debt increased by \$47,490,719 or 7.7% during the current fiscal year. This was due to the issuance of the series 2017 general obligation bonds for \$90,265,000, most of which was used for the construction of the two new middle schools at Hardin Valley and Gibbs. The current year increase in bonded debt was planned, and combined with reductions already achieved in previous years, will keep the County on track to maintain the Mayor's commitment to lower the overall bonded debt levels of the County.

**Other Debt Changes During FY 2017:**

<u>Rollforward of Debt:</u>	<u>Primary Government</u>	<u>Board</u>	<u>Total</u>
Beginning Balance	\$ 50,611,141	\$ 4,670,383	\$ 55,281,524
Additions	8,436,587	-	8,436,587
Deductions	(5,271,449)	(242,605)	(5,514,054)
Ending Balance	<u>\$ 53,776,279</u>	<u>\$ 4,427,778</u>	<u>\$ 58,204,057</u>

Knox County's other debt described in the table above consist of unamortized bond premium, capital lease obligations, and loans payable. This debt increased by \$2,922,533 during the current fiscal year due mainly to an increase in unamortized bond premium of \$6,717,751 related to the series 2017 bond issue premium, less current year amortization expense.

Knox County's debt is rated "AA+" by Standard & Poor's. In addition, the County's debt is rated "Aa1" by Moody's. These ratings were reaffirmed subsequent to June 30, 2017.

State statutes set no limit for the amount of general obligation debt a county may issue. Current bonded debt outstanding for the County Government is \$662,479,361. This translates to approximately \$1,452 per capita. This compares to the FY 2016 per capita amount of \$1,313.

Additional information on the Knox County's long-term debt can be found in the Note III.J to the Financial Statements of this report and on pages 224-229.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2017

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

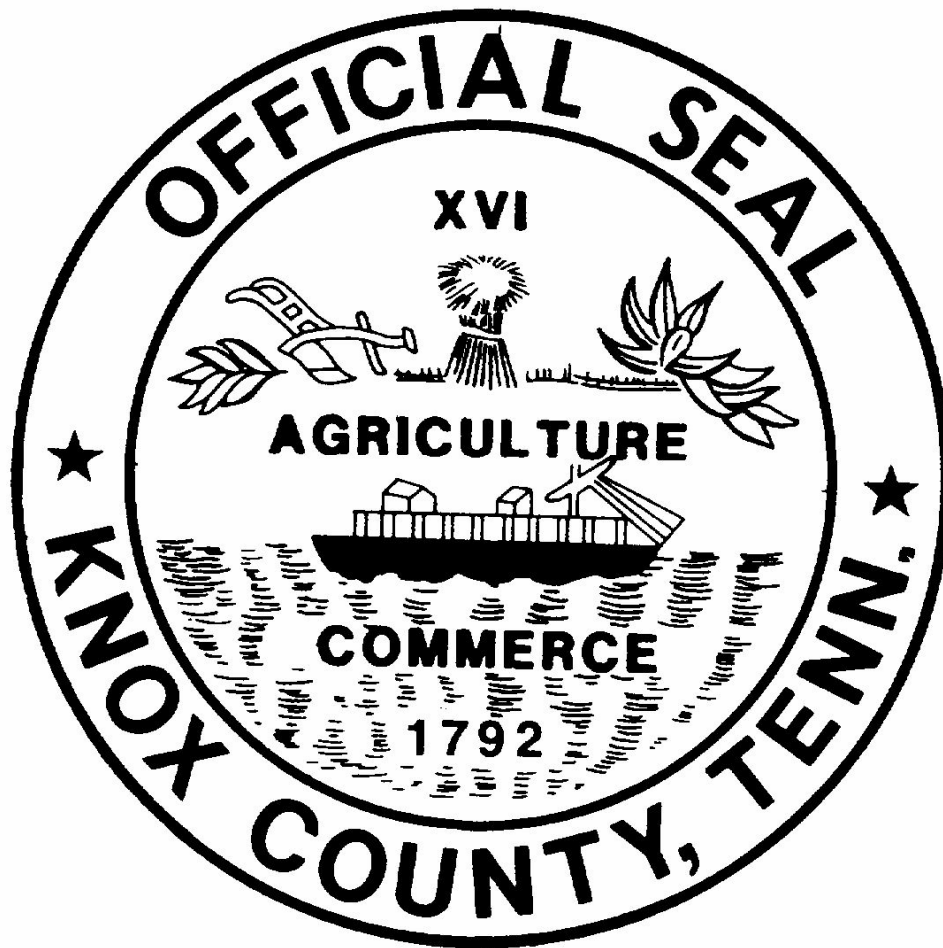
- The unemployment rate for Knox County for June 2017 was 3.7%, which is a decrease from the final unemployment rate figure of 4.3% for June 2016. For comparison, the state's average rate was 4.2% for June 2017, and 4.1% for June 2016. The national unemployment averages were 4.5% for June 2017 and 4.9% for June 2016.
- The General Fund budget adopted for 2018 reflects a budget totaling \$181,452,430. The budget anticipates using \$1.4 million from fund balance and a minor anticipated use of restricted resources.
- Additional information regarding the County's budget may be found at [https://knoxcounty.org/finance/pdfs/2017\\_2018\\_budget/adopted\\_budget\\_detail.pdf](https://knoxcounty.org/finance/pdfs/2017_2018_budget/adopted_budget_detail.pdf)
- The County plans to adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during FY 2018. This statement is expected to have a significant negative effect on the government-wide financial statements of the Board of Education and the County's total reporting unit.

**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/finance/annual\\_reports.php](http://www.knoxcounty.org/finance/annual_reports.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 Position**

June 30, 2017

	Primary Government			Component Units		Total Reporting Unit
	Governmental Activities	Business-type Activities	Total	Knox County Board of Education	Nonmajor Component Units	
<b>Assets</b>						
Cash and Cash Equivalents	\$ 53,972,158	\$ -	\$ 53,972,158	\$ 14,367,904	\$ 40,580,270	\$ 108,920,332
Investments, at Fair Value	71,097,664	-	71,097,664	69,468,334	-	140,565,998
Accounts Receivable	29,032,652	2,280	29,034,932	43,321,401	88,798	72,445,131
Local Taxes Receivable, net	174,225,486	-	174,225,486	105,747,011	-	279,972,497
Loans Receivable	3,859,429	-	3,859,429	-	-	3,859,429
Internal Balances	34,888	(34,888)	-	-	-	-
Due from Component Units	487,524	-	487,524	-	-	487,524
Due from Primary Government	-	-	-	91,042	-	91,042
Advances to Other Governments	2,445,000	-	2,445,000	-	-	2,445,000
Inventories	431,748	71,830	503,578	1,972,015	-	2,475,593
Land Held for Resale	-	-	-	-	18,313,093	18,313,093
Prepaid Items	266,230	-	266,230	399,384	79,298	744,912
Other Assets	-	-	-	1,000	-	1,000
Net Pension Asset	-	-	-	668,960	-	668,960
Other Post-Employment Benefits Asset	2,133,764	-	2,133,764	-	-	2,133,764
Equity Interest in Joint Venture	5,156,838	-	5,156,838	-	-	5,156,838
Capital Assets:						
Land and Construction in Process	115,472,028	880	115,472,908	57,752,273	1,033,460	174,258,641
Other Capital Assets, Net of Accumulated Depreciation	493,129,387	488,929	493,618,316	363,408,567	8,838,463	865,865,346
<b>Total Assets</b>	<u>951,744,796</u>	<u>529,031</u>	<u>952,273,827</u>	<u>657,197,891</u>	<u>68,933,382</u>	<u>1,678,405,100</u>
<b>Deferred Outflows of Resources</b>						
Deferred Outflows Related to Pensions	19,341,674	-	19,341,674	69,806,029	-	89,147,703
Deferred Outflows of Unamortized Amount on Refundings	4,519,705	-	4,519,705	-	-	4,519,705
Deferred Outflows of Hedging Derivatives	21,005,073	-	21,005,073	-	-	21,005,073
<b>Total Deferred Outflows of Resources</b>	<u>44,866,452</u>	<u>-</u>	<u>44,866,452</u>	<u>69,806,029</u>	<u>-</u>	<u>114,672,481</u>
<b>Liabilities</b>						
Accounts Payable	17,143,341	28,804	17,172,145	61,987,499	991,257	80,150,901
Due to Component Units	91,042	-	91,042	-	-	91,042
Due to Primary Government	-	-	-	486,637	887	487,524
Unearned Revenue	2,230,662	-	2,230,662	297,990	-	2,528,652
Accrued Interest	3,617,946	-	3,617,946	-	-	3,617,946
Self-insurance Liability	16,945,156	-	16,945,156	3,523,930	-	20,469,086
Net Pension Liability	68,088,825	-	68,088,825	48,000,810	-	116,089,635
Long-term Obligations:						
Other Post-Employment Benefits Obligation	789,282	-	789,282	11,170,487	-	11,959,769
Fair Value of Interest Rate Swap Derivatives	27,826,423	-	27,826,423	-	-	27,826,423
Other Long-term Obligations:						
Due in Less than One Year	54,781,475	10,638	54,792,113	4,020,599	343,832	59,156,544
Due in More than One Year	671,964,047	45,349	672,009,396	22,324,957	-	694,334,353
<b>Total Liabilities</b>	<u>863,478,199</u>	<u>84,791</u>	<u>863,562,990</u>	<u>151,812,909</u>	<u>1,335,976</u>	<u>1,016,711,875</u>
<b>Deferred Inflows of Resources</b>						
Deferred Inflows Related to Pensions	3,120,854	-	3,120,854	47,450,538	-	50,571,392
Deferred Inflows of Property Taxes and Other Receivables	169,743,618	-	169,743,618	102,505,754	-	272,249,372
<b>Total Deferred Inflows of Resources</b>	<u>172,864,472</u>	<u>-</u>	<u>172,864,472</u>	<u>149,956,292</u>	<u>-</u>	<u>322,820,764</u>
<b>Net Position</b>						
Investment in Capital Assets	-	489,809	489,809	417,662,599	9,871,923	428,024,331
Net Investment in Capital Assets (see note below)	262,771,208	-	262,771,208	(929,538)	-	(53,302,130)
Restricted for:						
Debt Service	260,242	-	260,242	-	-	260,242
Public Health and Welfare Purposes	2,489,011	-	2,489,011	-	-	2,489,011
Public Safety Purposes	3,459,586	-	3,459,586	-	-	3,459,586
Education Purposes	-	-	-	8,738,840	-	8,738,840
Capital Purposes-Education	-	-	-	24,038,745	-	24,038,745
Social and Cultural Purposes	1,457,361	-	1,457,361	-	-	1,457,361
Other Purposes	1,423,850	-	1,423,850	-	26,966	1,450,816
Unrestricted (see note below)	(311,592,681)	(45,569)	(311,638,250)	(24,275,927)	57,698,517	36,928,140
<b>Total Net Position (Deficit)</b>	<u>\$ (39,731,423)</u>	<u>\$ 444,240</u>	<u>\$ (39,287,183)</u>	<u>\$ 425,234,719</u>	<u>\$ 67,597,406</u>	<u>\$ 453,544,942</u>

The sum of the rows that report the net position categories for Net Investment in Capital Assets and Net Position-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 \$315,143,800 results because the debt incurred by the Primary Government on behalf of the Board of Education Component Unit reduces the unrestricted net position of the Primary Government, whereas the related assets are reported in the Board Component Unit totals. For the Total Reporting Unit, the \$315,143,800 is deducted from the amount shown for Net Investment in Capital Assets to show the matching of the total assets with the total debt. In addition, the Board's capital assets acquired with funds provided by the primary government are included in the Investment in Capital Assets category, as the Board incurred no related capital debt.

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

**KNOX COUNTY, TENNESSEE**

**Statement of Activities**  
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Primary Government			Net (Expense) Revenue and Changes in Net Position		Total Reporting Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units		
								The Board	Nonmajor Component Units	
<b>Primary government:</b>										
Governmental activities:										
Finance and Administration	\$ 37,614,449	\$ 22,201,488	\$ -	\$ -	\$ (15,412,961)	\$ (15,412,961)				\$ (15,412,961)
Finance and Administration-Payment to Component Unit	5,603,874	-	-	-	(5,603,874)	(5,603,874)				(5,603,874)
Administration of Justice	26,713,176	11,398,813	171,349	-	(15,143,014)	(15,143,014)				(15,143,014)
Public Safety	90,286,734	5,500,881	3,309,112	-	(81,476,741)	(81,476,741)				(81,476,741)
Public Safety-Payment to Component Unit	856,322	-	-	-	(856,322)	(856,322)				(856,322)
Public Health and Welfare	36,369,021	7,310,677	8,505,394	-	(20,552,950)	(20,552,950)				(20,552,950)
Public Health and Welfare-Payment to Component Unit	166,628	-	-	-	(166,628)	(166,628)				(166,628)
Social and Cultural Services	24,626,710	890,986	697,608	-	(23,038,116)	(23,038,116)				(23,038,116)
Agricultural and Natural Resources	518,339	-	-	-	(518,339)	(518,339)				(518,339)
Other General Government	22,918,688	318,940	1,287,459	-	(21,312,289)	(21,312,289)				(21,312,289)
Other General Government-Payment to Component Unit	665,000	-	-	-	(665,000)	(665,000)				(665,000)
Engineering and Public Works	30,849,914	473,550	7,673,956	-	(22,702,408)	(22,702,408)				(22,702,408)
Education - Payment to Component Unit	80,718,536	-	-	-	(80,718,536)	(80,718,536)				(80,718,536)
Debt Service - Interest and Fees	23,918,523	-	-	-	(23,918,523)	(23,918,523)				(23,918,523)
<b>Total governmental activities</b>	<b>381,825,914</b>	<b>48,095,335</b>	<b>21,644,878</b>	<b>-</b>	<b>(312,085,701)</b>	<b>(312,085,701)</b>				<b>(312,085,701)</b>
Business-type activities:										
Three Ridges Golf Course	1,137,700	759,401	35,000	-	-	\$ (343,299)				(343,299)
<b>Total primary government</b>	<b>\$ 382,963,614</b>	<b>\$ 48,854,736</b>	<b>\$ 21,679,878</b>	<b>\$ -</b>	<b>(312,085,701)</b>	<b>(343,299)</b>				<b>(312,429,000)</b>
<b>Component units:</b>										
Board of Education	\$ 545,621,091	\$ 14,437,600	\$ 70,587,194	\$ -			\$ (460,596,297)			(460,596,297)
Nonmajor Component Units	10,332,635	6,912,184	2,061,269	-			-	\$ (1,359,182)		(1,359,182)
<b>Total component units</b>	<b>\$ 555,953,726</b>	<b>\$ 21,349,784</b>	<b>\$ 72,648,463</b>	<b>\$ -</b>			<b>(460,596,297)</b>	<b>(1,359,182)</b>		<b>(461,955,479)</b>
<b>General Revenues:</b>										
Property Taxes					172,140,229	-	172,140,229	99,362,165	-	271,502,394
Sales Taxes					12,761,525	-	12,761,525	146,399,387	-	159,160,912
Lodging Taxes					7,993,966	-	7,993,966	-	-	7,993,966
Business Taxes					9,535,521	-	9,535,521	-	-	9,535,521
Wheel Taxes					11,909,088	-	11,909,088	1,650,161	-	13,559,249
Other Local Taxes					5,032,357	-	5,032,357	1,083,847	-	6,116,204
Investment Revenue					5,884,298	-	5,884,298	232,773	268,985	6,386,056
Payments from Component Units					16,414,092	-	16,414,092	-	-	16,414,092
Payments from Primary Government					-	-	-	86,322,410	1,825,891	88,148,301
Intergovernmental Revenues					13,192,160	-	13,192,160	2,090,702	-	15,282,862
Other Revenues					575,280	-	575,280	-	-	575,280
Other Governments and Citizens Groups					308,350	-	308,350	-	96,520	404,870
Miscellaneous					1,443,103	-	1,443,103	110,930	-	1,554,033
Grants and Contributions Not Restricted for Specific Programs					-	-	-	-	1,719,140	1,719,140
State of Tennessee - Basic Education Program					-	-	-	197,263,894	-	197,263,894
<b>Transfers</b>					<b>(275,000)</b>	<b>275,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>256,914,969</b>	<b>275,000</b>	<b>257,189,969</b>	<b>534,516,269</b>	<b>3,910,536</b>	<b>795,616,774</b>
Change in Net Position					(55,170,732)	(68,299)	(55,239,031)	73,919,972	2,551,354	21,232,295
Net Position, July 1, as restated					15,439,309	512,539	15,951,848	351,314,747	65,046,052	432,312,647
Net Position, June 30 (Deficit)					<b>\$ (39,731,423)</b>	<b>\$ 444,240</b>	<b>\$ (39,287,183)</b>	<b>\$ 425,234,719</b>	<b>\$ 67,597,406</b>	<b>\$ 453,544,942</b>

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



**KNOX COUNTY, TENNESSEE**

**Balance Sheet  
Governmental Funds**

June 30, 2017

	<b>General</b>	<b>Capital Projects Public Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 5,065,823	\$ 956,082	\$ 955,339	\$ 15,149,938	\$ 22,127,182
Investments, at Fair Value	51,620,411	9,742,414	9,734,839	-	71,097,664
Receivables:					
Accounts, Net	20,022,630	100	20,000	8,341,467	28,384,197
Local Taxes	117,485,325	-	56,740,161	-	174,225,486
Notes and Loans	756,000	250,000	1,455,000	1,398,429	3,859,429
Due from Other Funds	1,523,982	10,818	-	1,194,640	2,729,440
Advances to Other Entity	-	-	2,445,000	-	2,445,000
Inventories	274,746	-	-	67,095	341,841
Prepaid Items	197,220	-	-	37,430	234,650
Investments in Joint Venture	5,156,838	-	-	-	5,156,838
<b>TOTAL ASSETS</b>	<b>\$ 202,102,975</b>	<b>\$ 10,959,414</b>	<b>\$ 71,350,339</b>	<b>\$ 26,188,999</b>	<b>\$ 310,601,727</b>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Liabilities	\$ 7,652,691	\$ 4,736,711	\$ 6,259	\$ 3,022,169	\$ 15,417,830
Due to Other Funds	1,901,216	-	-	1,875,235	3,776,451
Due to Component Units	91,042	-	-	-	91,042
Unearned Revenue	98,180	-	-	2,132,482	2,230,662
<b>TOTAL LIABILITIES</b>	<b>9,743,129</b>	<b>4,736,711</b>	<b>6,259</b>	<b>7,029,886</b>	<b>21,515,985</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Property Taxes and Notes Receivable	117,534,812	-	56,427,204	-	173,962,016
<b>FUND BALANCES</b>					
Nonspendable	5,628,804	-	-	104,525	5,733,329
Restricted	2,381,149	5,972,703	260,242	6,448,659	15,062,753
Committed	2,525,359	250,000	14,656,634	7,073,181	24,505,174
Assigned	387,963	-	-	5,532,748	5,920,711
Unassigned	63,901,759	-	-	-	63,901,759
<b>TOTAL FUND BALANCES</b>	<b>74,825,034</b>	<b>6,222,703</b>	<b>14,916,876</b>	<b>19,159,113</b>	<b>115,123,726</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 202,102,975</b>	<b>\$ 10,959,414</b>	<b>\$ 71,350,339</b>	<b>\$ 26,188,999</b>	<b>\$ 310,601,727</b>

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 Position

June 30, 2017

---

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

Ending Fund Balance - Governmental Funds	\$	115,123,726	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.			608,382,146
The other post-employment benefits asset is not available to pay for current-period expenditures and, therefore, is not reported as an asset in the fund financial statements.			2,133,764
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 position.			15,520,799
Long-term liabilities, including bonds payable and related unamortized premium, loans payable, capital lease obligations, other post-employment benefit obligation, compensated absences, net pension liability, the fair value of interest rate swaps, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.			
Bonds Payable	\$	662,479,361	
Unamortized Bond Premium		14,844,945	
Fair Value of Interest Rate Swaps, net		6,821,350	
Loans Payable		3,009,968	
Accrued Interest		3,617,946	
Capital Lease Obligations		35,921,366	
Net Pension Liability		68,088,825	
Other Post-employment Benefit Obligation		789,282	
Compensated Absences		10,277,738	(805,850,781)
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts are recorded as deferred inflows of resources in the fund financial statements but have been recognized as revenues under the accrual basis in the statement of net position.			4,218,398
Deferred outflows of unamortized amounts on refundings (\$4,519,705) and deferred outflows related to pensions (\$19,341,674) increase the amount of net position reported in the statement of net position, but are not reported as assets in the funds. Similarly, deferred inflows related to pensions (\$3,120,854) decrease the amount of net position reported in the statement of net position, but are not reported as liabilities in the funds.			20,740,525
Net Position of Governmental Activities	\$		<u>(39,731,423)</u>

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

**KNOX COUNTY, TENNESSEE**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Governmental Funds**

For the Year Ended June 30, 2017

	<b>General</b>	<b>Capital Projects Public Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
County Property Taxes	\$ 119,970,100	\$ -	\$ 52,794,221	\$ -	\$ 172,764,321
Local Option Sales Taxes	4,891,714	-	-	7,869,811	12,761,525
Lodging Taxes	-	-	-	7,993,966	7,993,966
Business Taxes	9,535,521	-	-	-	9,535,521
Wheel Taxes	549,149	-	-	11,359,939	11,909,088
Other Local Taxes	2,942,891	-	-	2,089,466	5,032,357
Licenses and Permits	4,893,377	-	-	-	4,893,377
Fines, Forfeitures and Penalties	2,399,222	-	-	1,056,609	3,455,831
Charges for Current Services	7,674,607	-	-	27,668,245	35,342,852
Other Local Revenues	5,119,448	354,105	2,476,499	1,649,261	9,599,313
State of Tennessee	13,198,822	1,110,113	-	9,338,540	23,647,475
Federal Government	1,122,518	-	-	8,256,201	9,378,719
Other Governments and Citizen Groups	262,564	-	-	330,205	592,769
Payments from Component Units	-	-	12,870,448	-	12,870,448
<b>Total Revenues</b>	<b>172,559,933</b>	<b>1,464,218</b>	<b>68,141,168</b>	<b>77,612,243</b>	<b>319,777,562</b>
<b>Expenditures</b>					
Current:					
Finance and Administration	24,807,767	-	-	8,754,389	33,562,156
Finance and Administration - Payments to Component Unit	5,603,874	-	-	-	5,603,874
Administration of Justice	17,799,016	-	-	8,142,858	25,941,874
Public Safety	80,687,333	-	-	2,263,748	82,951,081
Public Safety - Payments to Component Unit	856,322	-	-	-	856,322
Public Health and Welfare	22,286,567	-	-	13,219,991	35,506,558
Public Health and Welfare - Payments to Component Unit	166,628	-	-	-	166,628
Social and Cultural Services	5,314,393	-	-	13,780,865	19,095,258
Agricultural and Natural Resources	518,339	-	-	-	518,339
Other General Government	15,149,789	11,100	-	9,582,154	24,743,043
Other General Government - Payments to Component Unit	665,000	-	-	-	665,000
Engineering and Public Works	-	-	-	14,825,664	14,825,664
Decrease in Equity Interest in Joint Venture	180,513	-	-	-	180,513
Debt Proceeds Paid to Component Unit	-	70,750,000	-	-	70,750,000
Debt Issuance Costs	-	481,587	-	-	481,587
Payments to Component Unit	-	-	9,968,536	-	9,968,536
Capital Projects	-	29,114,026	-	268,583	29,382,609
Debt Service					
Other Debt Service	-	-	1,517,275	-	1,517,275
Trustee's Commission	-	-	1,080,628	-	1,080,628
Principal	-	-	43,456,544	-	43,456,544
Interest	-	-	21,369,057	-	21,369,057
<b>Total Expenditures</b>	<b>174,035,541</b>	<b>100,356,713</b>	<b>77,392,040</b>	<b>70,838,252</b>	<b>422,622,546</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,475,608)</b>	<b>(98,892,495)</b>	<b>(9,250,872)</b>	<b>6,773,991</b>	<b>(102,844,984)</b>
<b>Other financing sources (uses)</b>					
Transfers from Other Funds	10,900,778	437,752	196,788	4,834,277	16,369,595
Transfers to Other Funds	(6,882,078)	(1,609)	(300,000)	(11,997,110)	(19,180,797)
Long-term Bonds Issued	-	90,265,000	-	-	90,265,000
Premium on Long-term Debt Issued	-	8,436,587	-	-	8,436,587
<b>Total Other Financing Sources (Uses)</b>	<b>4,018,700</b>	<b>99,137,730</b>	<b>(103,212)</b>	<b>(7,162,833)</b>	<b>95,890,385</b>
<b>Net Change in Fund Balances</b>	<b>2,543,092</b>	<b>245,235</b>	<b>(9,354,084)</b>	<b>(388,842)</b>	<b>(6,954,599)</b>
<b>Fund Balances, July 1, as Restated</b>	<b>72,281,942</b>	<b>5,977,468</b>	<b>24,270,960</b>	<b>19,547,955</b>	<b>122,078,325</b>
<b>Fund Balances, June 30</b>	<b>\$ 74,825,034</b>	<b>\$ 6,222,703</b>	<b>\$ 14,916,876</b>	<b>\$ 19,159,113</b>	<b>\$ 115,123,726</b>

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, 2017

---

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

Net Change in Fund Balances - Total Governmental Funds		\$ (6,954,599)
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 (\$30,385,431) exceeded capital outlays (\$28,371,717) in the current period.		(2,013,714)
Capital assets contributed by developers are not recognized as revenues in the fund financial statements, but are recognized as revenues in the statement of activities.		1,140,608
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.		4,218,398
Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities.		(4,842,490)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. 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 position. Debt proceeds (\$90,265,000) exceeded principal payments (\$46,326,894) by this amount.		(43,938,106)
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$993,367). In addition, the amortization of bond premium results in reduction of expenses of \$1,718,836. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		725,469
Debt issued at a premium provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position.		(8,436,587)
The decrease in the fair value of an interest rate swap accounted for as an investment derivative instrument in the statement of activities did not use current resources in governmental funds.		3,092,460
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.		4,744,007
Certain assets, liabilities, deferred inflows, and deferred outflows accounted for using the economic resources focus and accrual basis of accounting are reported in the Statement of Net Position but are not reported in the fund financial statements, which include only items that are accounted for using current financial resources measurement and modified accrual basis of accounting. These amounts do not provide or require the use of current financial resources and, therefore, are not reflected in the revenues or expenditures of governmental funds:		
Increase (decrease) in assets and deferred outflows:		
Other Post-employment Benefit Asset	\$ 582,998	
Deferred Outflows Related to Pensions	(4,490,230)	(3,907,232)
(Increase) decrease in liabilities and deferred inflows:		
Accrued Interest	(3,658)	
Net Pension Liability	2,889,122	
Deferred Inflows Related to Pensions	(2,863,664)	
Other Post-employment Benefit Liability	510,956	
Compensated Absences Liability	468,298	1,001,054
Change in Net Position of Governmental Activities		<u>\$ (55,170,732)</u>

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

**KNOX COUNTY, TENNESSEE**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (GAAP Basis) - General Fund  
For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
County Property Taxes	\$ 119,012,000	\$ 119,496,303	\$ 119,970,100	\$ 473,797
Local Option Sales Taxes	4,990,500	4,990,500	4,891,714	(98,786)
Business Taxes	8,100,000	8,100,000	9,535,521	1,435,521
Wheel Taxes	525,000	525,000	549,149	24,149
Other Local Taxes	2,763,500	2,833,428	2,942,891	109,463
Licenses and Permits	4,692,750	4,692,750	4,893,377	200,627
Fines, Forfeitures and Penalties	1,906,100	2,082,483	2,399,222	316,739
Charges for Current Services	6,666,200	6,792,185	7,674,607	882,422
Other Local Revenues	4,277,738	4,395,987	5,119,448	723,461
State of Tennessee	10,160,980	12,598,149	13,198,822	600,673
Federal Government	1,199,000	1,199,000	1,122,518	(76,482)
Other Governments and Citizen Groups	280,971	301,325	262,564	(38,761)
Total Revenues	<u>164,574,739</u>	<u>168,007,110</u>	<u>172,559,933</u>	<u>4,552,823</u>
<b>Expenditures</b>				
Current:				
Finance and Administration	26,055,498	25,219,950	24,807,767	412,183
Finance and Administration - Payments to Component Unit	5,603,874	5,603,874	5,603,874	-
Administration of Justice	17,710,754	17,961,822	17,799,016	162,806
Public Safety	80,793,790	80,982,037	80,687,333	294,704
Public Safety - Payments to Component Unit	326,200	856,322	856,322	-
Public Health and Welfare	22,223,936	22,399,304	22,286,567	112,737
Public Health and Welfare - Payments to Component Unit	256,628	256,628	166,628	90,000
Social and Cultural Services	5,144,205	5,477,612	5,314,393	163,219
Agricultural and Natural Resources	514,285	522,009	518,339	3,670
Other General Government	12,361,554	16,062,185	15,149,789	912,396
Other General Government - Payments to Component Unit	665,000	665,000	665,000	-
Decrease in Equity Interest in Joint Venture	-	180,513	180,513	-
Total Expenditures	<u>171,655,724</u>	<u>176,187,256</u>	<u>174,035,541</u>	<u>2,151,715</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(7,080,985)</u>	<u>(8,180,146)</u>	<u>(1,475,608)</u>	<u>6,704,538</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	8,185,000	8,185,000	10,900,778	2,715,778
Transfers to Other Funds	(4,515,267)	(6,793,562)	(6,882,078)	(88,516)
Total Other Financing Sources	<u>3,669,733</u>	<u>1,391,438</u>	<u>4,018,700</u>	<u>2,627,262</u>
<b>Net Change in Fund Balances</b>	<u>\$ (3,411,252)</u>	<u>\$ (6,788,708)</u>	2,543,092	<u>\$ 9,331,800</u>
Fund Balances, July 1			<u>72,281,942</u>	
Fund Balances, June 30			<u>\$ 74,825,034</u>	

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

---

**KNOX COUNTY, TENNESSEE**

**Statement of Net Position**

**Proprietary Funds**

June 30, 2017

---

	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ -	\$ 31,844,976
Receivables:		
Accounts	2,280	648,455
Internal Balances	(34,888)	-
Due from Other Funds	-	1,264,457
Due from Component Units	-	487,524
Inventories	71,830	89,907
Prepaid Items	-	31,580
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	39,222	34,366,899
<b>Capital Assets:</b>		
Capital Assets (Net of Accumulated Depreciation)	489,809	219,269
	<hr/>	<hr/>
TOTAL ASSETS	529,031	34,586,168
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	28,804	1,725,511
Due to Other Funds	-	182,558
Claims Liability	-	16,945,156
Compensated Absences Payable	10,638	190,929
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	39,442	19,044,154
<b>Noncurrent Liabilities:</b>		
Compensated Absences Payable	45,349	21,215
	<hr/>	<hr/>
TOTAL LIABILITIES	84,791	19,065,369
<b>NET POSITION (DEFICIT)</b>		
Investment in Capital Assets	489,809	219,269
Unrestricted	(45,569)	15,301,530
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 444,240	\$ 15,520,799
	<hr/> <hr/>	<hr/> <hr/>

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

**KNOX COUNTY, TENNESSEE**

**Statement of Revenues, Expenses and Changes in Net Position**

**Proprietary Funds**

For the Year Ended June 30, 2017

	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>		
Charges for Services	\$ 759,401	\$ 83,361,617
Payments from Component Unit	-	1,590,000
Total Operating Revenues	<u>759,401</u>	<u>84,951,617</u>
<b>Operating Expenses</b>		
Cost of Services	1,030,964	19,847,184
Depreciation and Amortization	55,011	86,332
Medical Claims	-	24,379,440
Retirement Contributions	-	31,213,315
VWRP Employee Benefits	-	2,431,611
OPEB 35% Health Contributions	-	1,250,000
Other Employee Benefits	-	880,340
Worker's Compensation & Other Claims	-	1,921,741
Other Expenses	51,725	711,376
Total Operating Expenses	<u>1,137,700</u>	<u>82,721,339</u>
<b>Operating Income (Loss)</b>	<u>(378,299)</u>	<u>2,230,278</u>
<b>Nonoperating Revenue (Expenses)</b>		
Capital Contributions	35,000	-
Subrogation Loss	-	(22,473)
Total Nonoperating Revenue (Expenses)	<u>35,000</u>	<u>(22,473)</u>
<b>Income (Loss) before Transfers</b>	<u>(343,299)</u>	<u>2,207,805</u>
<b>Transfers</b>		
Transfers to Other Funds	-	(141,420)
Transfers from Other Funds	275,000	2,677,622
Total Transfers	<u>275,000</u>	<u>2,536,202</u>
<b>Change in Net Position</b>	(68,299)	4,744,007
<b>Total Net Position, July 1</b>	<u>512,539</u>	<u>10,776,792</u>
<b>Total Net Position, June 30</b>	<u>\$ 444,240</u>	<u>\$ 15,520,799</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, 2017

	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Operating Activities</b>		
Cash Received from Customers	\$ 763,866	\$ -
Cash Received from Interfund Services Provided	-	85,667,422
Cash Received from Component Unit	-	1,590,000
Cash Paid to Employees	(524,013)	(2,223,683)
Cash Paid for Goods and Services	(520,314)	(20,215,011)
Cash Paid on Behalf of Employees	-	(60,462,331)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(280,461)</u>	<u>4,356,397</u>
<b>Noncapital Financing Activities</b>		
Transfers from Other Funds	-	2,677,622
Transfers to Other Funds	-	(141,420)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>-</u>	<u>2,536,202</u>
<b>Capital and Related Financing Activities</b>		
Transfers from Other Funds for Capital Purposes	275,000	-
Capital Contributions	35,000	-
Acquisition and Construction of Capital Assets	(35,000)	(26,329)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>275,000</u>	<u>(26,329)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(5,461)	6,866,270
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>5,461</u>	<u>24,978,706</u>
<b>End of Year</b>	<u>\$ -</u>	<u>\$ 31,844,976</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
Operating Income (Loss)	\$ (378,299)	\$ 2,230,278
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	55,011	86,332
Change in Assets and Liabilities:		
Decrease in Accounts Receivable	4,465	466,367
Decrease in Due from Other Funds	-	1,664,730
Decrease in Due from Component Units	-	174,708
Decrease in Inventories	8,079	143,245
Decrease in Prepaid Items	7,178	148,601
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(22,147)	299,091
Increase (Decrease) in Due to Other Funds	34,888	(3,005)
Decrease in Due to Component Units	-	(712)
Increase in Compensated Absences	10,364	24,153
Decrease in Claims Liabilities	-	(877,391)
Total Adjustments	<u>97,838</u>	<u>2,126,119</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ (280,461)</u>	<u>\$ 4,356,397</u>

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



---

**KNOX COUNTY, TENNESSEE****Statement of Fiduciary Net Position****Fiduciary Funds**June 30, 2017

---

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,011,725	\$ 27,415,992
Investments, at Fair Value:		
Mutual Funds	263,351,485	-
Collective Investment Trusts	207,549,669	-
Interest-earning Investment Contracts	52,080,980	-
Investments, at Contract Value:		
Guaranteed Investment Contracts	18,312,378	-
Total Investments	<u>541,294,512</u>	<u>-</u>
Receivables:		
Accounts	-	8,465,272
Employee Contributions	459,432	-
Employer Contributions	345,157	-
Notes Receivable from Participants	3,187,274	-
Receivable from Other Plans	202,803	-
Receivable from Investment Sold	210,500	-
Accrued Interest and Dividends	35,745	-
Total Receivables	<u>4,440,911</u>	<u>8,465,272</u>
Total Assets	<u>549,747,148</u>	<u>\$ 35,881,264</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	-	\$ 11,036,673
Accounts Payable - Administrative Expenses	447,120	-
Accounts Payable - To Other Plans	202,802	-
Due to Other Governments	-	7,185,265
Due to Litigants, Heirs and Others	-	17,659,326
Total Liabilities	<u>649,922</u>	<u>\$ 35,881,264</u>
<b>NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS</b>	<u>\$ 549,097,226</u>	

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

---

**KNOX COUNTY, TENNESSEE**

**Statement of Changes in Fiduciary Net Position  
Pension and Other Employee Benefit Trust Funds  
For the Year Ended June 30, 2017**

---

**ADDITIONS**

Contributions:	
Employer	\$ 20,600,993
Employees	13,885,526
Rollovers	<u>1,094,027</u>
Total Contributions	<u>35,580,546</u>
Investment Income (Loss):	
Interest and Dividend Income	9,890,867
Interest on Notes Receivable from Participants	84,849
Net Depreciation in Fair Value of Investments	<u>50,683,621</u>
Total Investment Income	<u>60,659,337</u>
Less Investment Expenses	<u>(722,189)</u>
Net Investment Income	<u>59,937,148</u>
Other:	
Transfers from Other Plans	<u>735,605</u>
Total Additions	<u>96,253,299</u>

**DEDUCTIONS**

Benefits and Refunds	32,564,808
Administrative Expenses	1,807,399
Transfers to Other Plans	<u>735,605</u>
Total Deductions	<u>35,107,812</u>

**CHANGE IN NET POSITION** 61,145,487

**NET POSITION - RESTRICTED  
FOR PENSION, OPEB, AND RETIREMENT  
BENEFITS, BEGINNING OF YEAR**

487,951,739

**NET POSITION - RESTRICTED  
FOR PENSION, OPEB, AND RETIREMENT  
BENEFITS, END OF YEAR**

\$ 549,097,226

*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, 2017*

Index

**Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A.	Reporting Entity	13-15
B.	Government-wide and Fund Financial Statements	15-16
C.	Measurement Focus, Basis of Accounting, and Financial Statement Presentation	16-19
D.	Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity	20-26
E.	Additional Information	26

**Note II - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A.	Budgetary Data	27-30
----	----------------	-------

**Note III - DETAILED NOTES ON ALL FUNDS**

A.	Deposits and Investments	31-39
B.	Receivables	40-42
C.	Capital Assets	42-44
D.	Interfund and Component Unit Receivables and Payables	45-48
E.	Transfers and Similar Transactions	49-51
F.	Accounts Payable and Accrued Liabilities	52
G.	Unearned Revenue	53
H.	Deferred Inflows	53
I.	Leases	54
J.	Long-Term Liabilities	55-66
K.	Fund Equity	67-69
L.	Property Taxes	69-70
M.	Tax Abatements	71-72

**Note IV - OTHER INFORMATION**

A.	Joint Ventures	73-74
B.	Related Organizations	75
C.	Risk Management	75-76
D.	Other Post Employment Benefits	77-85
E.	On-Behalf Payments	85
F.	Commitments and Contingencies	85-86
G.	Constitutional Officers	87
H.	Accounting Pronouncements	88-89
I.	Restatements	89-90
J.	Contingency/Subsequent Event	91

**Note V - EMPLOYEE RETIREMENT PLANS**

A.	General Information	91-92
B.	Single-Employer Defined Benefit Plans	92-102
C.	Agent Multiple-Employer Defined Benefit Plan	103-109
D.	Cost Sharing Multiple-Employer Defined Benefit Plans	110-124
E.	Defined Contribution Plans	124-127
F.	Multiple-Employer Defined Contribution Plans	127-128

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

**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 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 89 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2016 - 2017 school year was 58,427 with a full time equivalent average daily attendance of 55,004. During the previous year, the full time equivalent average daily membership was 57,929 with a full time equivalent average daily attendance of 54,563.

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. All fees are collected and remitted to the District through the State of Tennessee Emergency Communications Board (TECB). Revenues are recognized by the District in the period allocated by the TECB.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

**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 **Development Corporation of Knox County** (the Corporation) is a not-for-profit organization organized for the primary purpose of promoting and encouraging community and economic development within the boundaries of Knox County. The Corporation is governed by an eleven-member board: four members appointed by the County, two members appointed by the City of Knoxville, and five members who are citizens of Knox County. For those five citizen members, terms are staggered so that one member's term ends each year. Appointments are made by nomination from the entire Corporation board, and presented to County Commission for approval. Commission may reject a board nomination; however, the Corporation board's nomination becomes effective upon the third nomination event. The County has agreed to provide a portion of the Corporation's funding, and therefore the Corporation has imposed a financial burden on the County.

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

The Development Corporation of Knox County  
17 Market Square, # 201  
Knoxville, TN 37902-1405

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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**A. Reporting Entity (Continued)**

***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. During fiscal year 2014, the Partnership entered into an agreement with a separate not-for-profit organization whereby that organization became a supporting organization of the Partnership. Amounts presented in the financial statements reflect this combined reporting presentation.

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 generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The government-wide financial statements (i.e., the statement of net position 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

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*.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

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

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

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

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



KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2017

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

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

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

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

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

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

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund. The major revenue sources are property taxes and local option sales tax.

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 major revenue source is proceeds from debt issuances.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds. The major revenue source is property tax collections.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*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, and (7) accounting for the payment of employee health insurance claims.

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

The *pension trust and other employee benefit 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 and other employee benefit trust funds account for the assets of the County's defined benefit pension plan, defined contribution pension plan, defined contribution medical retirement plan, the pension trust funds for Uniformed Officers, the employee disability plan, and the retiree healthcare 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

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 subdivision developers pending completion of road and hydrology requirements, (3) cash held by the County on behalf of several external agencies and County joint ventures, and (4) funds held by various elected officials on behalf of state agencies and/or other funds.

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

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

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

***Component Units***

The Board of Education uses two major governmental funds (general fund and school construction capital projects), three nonmajor governmental (special revenue) funds, and fiduciary funds (pension trust fund, agency). These fund types use the same measurement focus and basis of accounting as those of the County. KCRA follows the County's governmental funds measurement focus and basis of accounting. The District follows the County's proprietary funds measurement focus and basis of accounting. The Corporation's separately issued financial statements also are accounted for as a proprietary fund. The Partnership's separately issued financial statements are prepared in accordance with the requirements of the Financial Accounting Standards Board (FASB). The financial data included for the Partnership in this Comprehensive Annual Financial Report has been formatted to comply with the classification and display requirements of the Governmental Accounting Standards Board (GASB).

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, 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 County and Board record investment income where approved and allocated in the annual budget, primarily to the County's General Fund, Debt Service Fund, Public Improvement Fund, School General Fund, and School Construction 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.

Investments are reported at fair value. Realized gains and (losses) from the sale of investments are calculated separately from the change in the fair value. Realized gains or (losses) in the current period include unrealized amounts from prior periods. Purchases and sales of securities are recorded on the trade-date basis. Interest income is recorded on the accrual basis.

Investments - Fiduciary Fund - The pension trust fund's investments except for guaranteed investment contracts (GIC), are stated at fair value. Guaranteed investment contracts are valued at contract value. Investment income includes realized gains (losses) from the sale of investments, unrealized gains (losses) in the change in market values, and interest and dividend income earned during the year. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

***Receivables, Payables, and Unearned Revenue***

In the County's and Board's fund financial reporting, transactions between County funds and Board 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."

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)**

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 unearned 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 inflows of resources 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 1<sup>st</sup>, and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1<sup>st</sup> of the ensuing fiscal year. Property tax payments are due by February 28 of the following 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 inflows in the fund financial statements and in the government-wide financial statements as of June 30<sup>th</sup>.

Property taxes receivable are also reported as of June 30<sup>th</sup> for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property taxes receivable are presented on the fund balance sheet with offsetting deferred inflows to reflect amounts not available as of June 30<sup>th</sup>. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred inflows. 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)**

***Inventories and Prepaid Assets***

The County and Board maintain material inventory balances in their 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) as amended by GASB Statement No. 72, *Fair Value Measurement and Application*, requires the County to recognize all its derivative instruments on the Statement of Net Position at fair value.

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 Position 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. (I) 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 and Board define capital assets as assets with an initial, individual cost of more than \$10,000 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 acquisition value at the date of donation.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)**

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 and Board'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 - 10

It is the County's, Board'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. The County's and Board's policy for retiring employees is that they may be paid for unused sick leave in varying amounts up to a maximum of \$10,000 for the County and one year's salary for the Board. Vacation, compensatory, and sick leave benefits 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. 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. (See Note IV-I)

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2017

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)**

***Risk Financing Activities***

Knox County and its component units are exposed to various risks of loss associated with general liability claims. The County is self-insured for such risks. The majority of general liability claims are accounted for in the Self Insurance Fund, an internal service fund. The County's policy is to utilize the Self Insurance Fund to account for claims that meet certain criteria. Claims that meet these criteria include those that are reasonably expected to occur from time to time as the result of normal recurring activities, claims that do not appear to result from gross negligence or intent, that are expected to be settled within a reasonable period of time and that are not expected to be in unusual amounts, and claims that have not resulted in death or catastrophic injury. On occasion, events occur giving rise to claims that do not meet the County's criteria for recording in the Self Insurance Fund. Such claims are accounted for in the appropriate governmental fund.

***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.

Governmental fund types recognize bond premiums and discounts 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, 2017*

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)**

***Fund Equity***

In the governmental fund financial statements and the component unit, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the County and Board are bound to honor constraints related to 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 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 passed by Commission (legislative branch), which have also been approved by the County Mayor (executive branch.)

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

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.) The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)**

The County has adopted a policy requiring that a minimum level of unassigned fund balance in the General Fund equal to three months (25%) of regular, ongoing operating expenditures be maintained. Generally, when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted amounts are expended first, and then unrestricted funds are used. Generally, when expenditures are incurred utilizing unrestricted funds, unassigned amounts are expended first, then assigned amounts, then committed amounts. Net position in government-wide and proprietary fund financial statements are classified as investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by County law.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

**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, 2017*

**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 Capital Projects Funds.

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. Budgetary control is at the total fund level.

The County's Public Improvement Capital Projects Fund, Americans with Disabilities Act (ADA) Construction 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.

Budgets for portions of the County's State, Federal and Other Grants Fund and all of the Board's School General 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, 2017*

**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, 2017*

**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 for budgetary control purposes 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 are not treated as expenditures for financial reporting purposes. Outstanding encumbrances are reappropriated in the subsequent year. Significant encumbrances at June 30, 2017 include \$387,963 for the County's General Fund and \$375,216 for the Board's General Fund. Significant commitments related to the County's Public Improvement Fund and the Board's School Construction Fund are described in Note IV F.

***Supplemental Appropriations***

The following schedule shows the annual budget originally adopted expenditures and transfers out for the County and the Board, and the revisions to that budget as authorized by the County Commission, for the year ended June 30, 2017:

Fund	Original Budget	Revisions	Final Budget
Governmental Funds:			
General Fund	\$ 176,170,991	\$ 6,809,827	\$ 182,980,818
Special Revenue Funds:			
State, Federal and Other Grants	160,000	1,623,923	1,783,923
Governmental Library	110,000	109	110,109
Public Library	13,330,687	283,044	13,613,731
Solid Waste	4,053,443	198,591	4,252,034
Hotel/Motel Tax	7,200,000	1,953,121	9,153,121
Drug Control	769,500	157,044	926,544
Engineering & Public Works	14,786,946	881,313	15,668,259
Total Special Revenue Funds	40,410,576	5,097,145	45,507,721
Debt Service Fund	74,500,000	9,968,536	84,468,536
Total - Governmental Funds	\$ 291,081,567	\$ 21,875,508	\$ 312,957,075

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

**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	\$ 453,500,000	\$ 1,299,326	\$ 454,799,326
Special Revenue Fund:			
Central Cafeteria	27,373,500	1,721,195	29,094,695
Total - the Board	<u>\$ 480,873,500</u>	<u>\$ 3,020,521</u>	<u>\$ 483,894,021</u>

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2016 reappropriated during fiscal year 2017, 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, 2017*

**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 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. LGIP investments are reported at amortized cost using a stable net asset value. State statutes require the state treasurer to administer the Pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held in the Pool at the balance sheet date. There are no minimum or maximum dollar limits on the size of withdrawal transactions. In most cases, a withdrawal will be honored the same day it is requested. However, withdrawals of \$5,000,000 or more will be honored the next working day after request.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's governmental activities investments follow their adopted investment policy and are monitored and managed by an Investment Committee, 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 so that the changing interest rates will cause only minimal deviations in the net asset value. Investment maturities shall not exceed three years without the approval of the Investment Committee or greater than five years without the approval from the Director of State and Local Finance or as otherwise provided by State Statute. Investments of bond proceeds shall not exceed two years without the approval

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

**Interest Rate Risk, (Continued),**

of the Investment Committee. The County's investments are primarily 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 (see separately issued Pension Trust Fund Statements), 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 and the Board's governmental activities investments and the activities of the County's and the Board's Pension Trust funds:

	Primary Government Governmental Activities		Pension Board Fiduciary Activities	
	Fair Value or Carrying Amount	Weighted Average Maturity (Years)	Fair Value or Carrying Amount	Weighted Average Maturity (Years)
Cash Equivalents Classified as Investments	\$ 23,522		\$ 4,957,187	
Certificate of Deposits held greater than 90 days	2,031,040		-	
Collective Investment Trusts	-		260,396,918	
Interest-earning Investment Contracts	-		53,799,332	
Mutual Funds	-		266,419,275	
Fixed Income Securities:				
U.S. Treasuries	44,862,550	0.852	-	
Federal Agency Mortgage Backed Securities	12,176,580	0.260	-	
Federal Agency Debt Securities	39,728,851	0.470	-	
Municipal Bonds	35,871,995	0.840	-	
Total Fixed Income Securities	132,639,976		-	
Investments, at Contract Value:				
Guaranteed Investment Contracts	-		18,312,379	
Total Investments:	\$ 134,694,538		\$ 603,885,091	

The Pension Board investments are allocated to the County's and Board's pension trust funds of \$545,306,237 and \$58,578,854, respectively. The Pension Board investments include the Post-Retirement Incentive Medical Trust (Retiree Healthcare Plan) adopted in 2017 as described in Note IV D. The Pension Board does not operate the trust account. It is managed by the Knox County Finance Department with the direction of USI.



KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2017

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

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

*Custodial credit risk*

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

A portion of the County's, the Board's and the District's deposits at June 30, 2017 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*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's adopted investment policy is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and preservation of principal and liquidity. The County will limit credit risk, the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the investment policy and as allowed under Title 5, Chapter 8 of the Tennessee Code Annotated and by diversifying the investment portfolio so that potential losses from any type of security or from any individual securities will be minimized and by limiting investments to specified credit ratings.

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 and Board's governmental activities and the County's and Board's Pension Trust funds investments in fixed-income securities is as follows:

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

	<u>Primary Government Governmental Activities</u>		<u>Standard &amp; Poor's and Moody's Credit Ratings</u>	
	Fair Value			
U.S. Treasuries	\$ 44,862,550		Aaa	Moody's
Federal Agency Mortgage Backed Securities	12,176,580		AA+	S&P
Federal Agency Debt Securities	21,754,828		AA+	S&P
Federal Agency Debt Securities	3,197,935		Aaa	Moody's
Federal Agency Debt Securities	14,776,088		NR	Not Rated
Municipal Bonds	2,433,986		AAA	S&P
Municipal Bonds	668,519		Aa3	Moody's
Municipal Bonds	1,082,149		Aa2	Moody's
Municipal Bonds	445,870		Aa1	Moody's
Municipal Bonds	7,110,830		AA+	S&P
Municipal Bonds	4,315,684		AA-	S&P
Municipal Bonds	8,162,486		AA	S&P
Municipal Bonds	4,545,321		A+	S&P
Municipal Bonds	7,107,150		A	S&P
Total Fixed Income Securities	<u>\$ 132,639,976</u>			

The County's and Board'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 other than U.S. Treasuries that represent 5 percent or more of total investments.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

***Concentration of Credit Risk***

The County's governmental investment activities will diversify the overall portfolio to eliminate the risk of loss from an over concentration of assets in a specific class of security, a specific maturity, and/or a specific issuer. According to the County's investment policies, the maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

U.S. Treasury	100% maximum
Federal Agency/Instrumentalities	100% maximum
Tennessee LGIP	50% maximum
Repurchase Agreements	20% maximum
Commercial Paper	30% maximum
Bankers' Acceptances	10% maximum
Insured/Collateralized Certificates of Deposit	100% maximum
State, County and Municipal Obligations	50% maximum

The combined amount of bankers' acceptances and commercial paper shall not exceed forty percent (40%) of the total book value of the portfolio at the date of acquisition.

The County's and Board's Portfolio will be further diversified to limit the exposure to any one issuer. No more than three (3%) or five million dollars, whichever is less, of the County's portfolio will be invested in the securities of any single issuer.

***Investments Measured at Fair Value***

GASB Statement No. 72 generally requires that investments be measured at fair value and establishes a hierarchy of inputs to valuation techniques used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, primarily include certain U.S. Government obligations, common stock and preferred stock equities. These investments are traded daily in public markets in the United States and other foreign countries. The fair value of these investments is based on the last reported sales price on the last day of the fiscal year.

Investments that trade in markets that are not considered to be actively traded on a daily basis, but are valued based on quoted market prices, dealer and broker quotations, bid prices, or alternative pricing sources using observable inputs, are classified within Level 2. These include certain U.S. Government and foreign obligations, interest-earning investment contracts – certificates of deposit (participating), investment grade corporate bonds and bank loans, certain mortgage and asset backed securities, less-liquid listed securities, certain government agency securities, and foreign currency exchange purchase and sales contracts. Common and collective trust funds, investment entities and short-term investment funds, whose underlying assets are primarily invested in securities that are actively traded, are measured based upon the redemption value of each unit on the last business day of the plan year.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 investments include private equity funds, real estate investment, limited partnerships, certain mortgage and asset backed and common and collective trust funds that are primarily invested in real estate. The fair value of these investments is determined by estimates provided by independent pricing sources in asset classes, non-binding bid prices from industry vendors and managers, and the net asset value on the last day of plan year.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

The fair value measurements of the County and the Board's investments at June 30, 2017 are as follows:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Primary Government - Governmental Activities</u>				
Investments by Fair Value Level				
Debt Securities:				
US Treasury	\$ 44,862,550	\$ 44,862,550	\$ -	\$ -
Fixed Government Agency	51,905,431	-	51,905,431	-
Tax-Free Municipal Securities	35,871,995	-	35,871,995	-
Total Debt Securities by Fair Value Level	132,639,976	44,862,550	87,777,426	-
Interest-earning Investment Contracts - Certificates of	2,031,040	-	2,031,040	-
Total Investment by Fair Value Level	\$ 134,671,016	\$ 44,862,550	\$ 89,808,466	\$ -

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities and certificates of deposit are classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. The certificates of deposit are participating as defined by GASB and meet the criteria for fair value reporting. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Fiduciary Activities - Primary Government and Board</u>				
Equity Investments:				
Mutual Funds	\$ 266,419,275	\$ 266,419,275	\$ -	\$ -
Interest Earning Investment Contracts	53,799,332	-	-	53,799,332
Total Investments Measured at Fair Value	\$ 320,218,607	\$ 266,419,275	\$ -	\$ 53,799,332

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

The following is a description of the valuation techniques used to measure investments at fair value for the Fiduciary Activities:

*Interest-Bearing Deposits and Money Market Funds:* Valued at purchase price, which approximates fair value.

*Debt Securities:* Typically this category includes corporate bonds, U.S. Treasuries, Federal agency debt securities and Federal agency mortgage backed securities. Values are based upon quotes obtained from national or international exchanges and classified as level 1 or 2 of the fair value hierarchy.

*Mutual Funds:* Valued at quoted market prices which represent the net asset value of shares held by the plans at year end and classified as level 1 of the fair value hierarchy.

*Collective Investment Trusts (Investments Measured at the NAV):* Fair value for these investments are not readily determinable and instead, as a practical expedient, fair value is determined based on the Net Asset Value (NAV) per share. Fair value is determined based on the collective trust's share price multiplied by the number of shares owned, as based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end. Investments measured at the NAV are excluded from the fair value hierarchy. These collective investment trusts are external investment pools not registered with the SEC and are, instead, regulated primarily by the Office of the Comptroller of the Currency (OCC) as well as various, DOL, FDIC and state banking laws.

*Interest Earning Investment Contracts:* The stable value investments held inside the contracts with an insurance company are not actively traded and significant other observable inputs are not available. The contracts are included in the financial statements at fair value, as reported by the insurance company, and classified as Level 3 of the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the plan administrator believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the valuation techniques used in the fair value measurements from the prior year.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

<u>Investments Measured at the Net Asset Value (NAV)</u>	<u>Total</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Collective Investment Trusts:			
Domestic Equity Funds	\$ 61,681,416	Daily	2 days
Domestic Bond Funds	90,105,890	Daily	0-3 days
International Equity Funds	79,867,248	Daily, Semi-monthly	2-5 days
Real Estate Funds	<u>28,742,364</u>	Monthly, Quarterly	30-90 days
 Total Investments Measured at the NAV	 <u>\$ 260,396,918</u>		

The following is a description of the valuation technique used to measure investments at the net asset value (NAV) per share:

1. *Domestic Equity Funds*: This type includes investments in one collective investment trust that invests mainly in large capitalization U.S. common stocks. The fair value of the investment in this type has been determined using the NAV per share of the investments.
2. *Domestic Bond Funds*: This type includes investments in two collective investment trusts that invest mainly in U.S. Treasury Inflation Protected Securities (TIPS) and U.S. corporate high yield bonds. The fair value of the investment in this type has been determined using the NAV per share of the investments.
3. *International Equity Funds*: This type includes investments in three collective investment trusts that hold approximately 90 percent of the funds' investments in non-U.S. common stocks and preferred and approximately 10 percent of the funds' investments in foreign cash and other assets. The fair values of the investments in this type have been determined using the NAV per share of the investments.
4. *Real Estate Funds*: This type includes two collective investment funds that invest primarily in securities of real estate investment trusts, other companies in the real estate industry, and direct ownership of real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.

The GICs are group annuity contracts that offer full guarantees on principal and interest by the insurance company (issuer). The contracts are fully benefit-responsive. GICs are recorded at their contract value and are a promise to pay interest at crediting rates which are announced in advance and guaranteed for a specified period of time as outlined in the group annuity contracts. Contract value represents deposits made to the contracts, plus earnings at guaranteed crediting rates, less withdrawals and fees.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**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		Nonmajor Governmental Funds	Internal Service	Enterprise Fund	Total	
			Public Improvement	-				-	Primary Government
Receivables:									
Taxes	\$119,236,319	\$57,594,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$176,830,790	\$ -
Accounts	20,022,630	20,000	100	8,341,467	648,455	2,280	29,034,932	12,101,594	804,589
Contributions	-	-	-	-	-	-	-	-	-
Gross Receivables	139,258,949	57,614,471	100	8,341,467	648,455	2,280	205,865,722	12,906,183	-
Less: Allowances for Uncollectibles	(1,750,994)	(854,310)	-	-	-	-	(2,605,304)	-	-
Net Total Receivables	<u>\$137,507,955</u>	<u>\$56,760,161</u>	<u>\$ 100</u>	<u>\$ 8,341,467</u>	<u>\$ 648,455</u>	<u>\$ 2,280</u>	<u>\$203,260,418</u>	<u>\$ 12,906,183</u>	<u>-</u>

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

<b><u>Component Units:</u></b>	<u>Government-wide Totals</u>			
	<u>The Board</u>	<u>The Partnership</u>	<u>The District</u>	<u>The Corporation</u>
Receivables:				
Taxes	\$ 107,335,713	\$ -	\$ -	\$ -
Accounts	30,599,087	390,831	78,894	9,904
Gross Receivables	137,934,800	390,831	78,894	9,904
Less: Allowances for Uncollectibles	(1,588,702)	(11,362)	-	-
Net Total Receivables	<u>\$ 136,346,098</u>	<u>\$ 379,469</u>	<u>\$ 78,894</u>	<u>\$ 9,904</u>



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**B. Receivables (Continued)**

The General Fund has the following note receivable at June 30, 2017:

- (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, 2017, \$756,000 remained outstanding.

The County's Debt Service Fund has the following note receivable at June 30, 2017:

- (1) Note receivable from the West Knox Utility District of Knox County (WKUD) has a current balance of \$1,455,000. The basis of this note is an agreement made by the County to participate with the district to expedite utility relocation and upgrading necessary for construction of improved roadways within the northwest portion of the County. The district was advanced up to \$2,000,000, which was disbursed by the County in installments upon receipt of draw notices. The note is non-interest bearing and is payable in four varying installments every five years. The amount to be repaid also includes \$140,000, recognized as revenue when received, that the district must pay to cover the County's administrative, accounting and financial costs associated with the agreement. The final installment of this note receivable is due August 11, 2018.

The County's Public Improvement Fund has the following loan receivable at June 30, 2017:

- (1) Loan receivable from Helen Ross McNabb Center was originated during the fiscal year ended June 30, 2017. The initial balance of \$250,000 is the balance at June 30, 2017. The non-interest bearing loan is for the purpose of providing funding for improvements to a facility that the County owns and McNabb occupies. The County and McNabb are splitting the cost of the improvements. Repayment of the loan will be made in 10 annual installments of \$25,000 through 2026, contingent on McNabb continuing to occupy the space and continuing to provide certain services to the County.

The State, Federal and Other Grants Special Revenue Fund had \$1,398,429 of notes receivable at June 30, 2017. 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**B. Receivables (Continued)**

*Advances to Other Entity*

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, \$35,000 in fiscal year 2014 and \$20,000 in fiscal 2017 towards the advances leaving a balance due to the County of \$2,445,000.

**C. Capital Assets**

Activity in the County's and the Component Unit's capital assets for the fiscal year ended June 30, 2017, was the following:

**Primary Government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 103,116,230	\$ 1,898,295	\$ -	\$ 105,014,525
Construction in Progress	44,530,594	18,898,895	52,971,986	10,457,503
Total Capital Assets, not being depreciated	147,646,824	20,797,190	52,971,986	115,472,028
Capital Assets being depreciated:				
Buildings	215,046,848	22,080,926	-	237,127,774
Land Improvements	24,739,311	839,534	-	25,578,845
Machinery and Equipment	50,040,556	17,468,756	1,759,296	65,750,016
Intangible Assets	16,322,426	800,162	36,146	17,086,442
Infrastructure	569,757,925	20,524,073	-	590,281,998
Total Capital Assets being depreciated	875,907,066	61,713,451	1,795,442	935,825,075
Less Accumulated Depreciation for:				
Buildings	99,262,011	8,502,428	-	107,764,439
Land Improvements	16,358,114	936,895	-	17,295,009
Machinery and Equipment	38,167,055	3,709,550	1,759,296	40,117,309
Intangible Assets	12,967,033	3,058,336	36,146	15,989,223
Infrastructure	247,265,153	14,264,555	-	261,529,708
Total Accumulated Depreciation	414,019,366	30,471,764	1,795,442	442,695,688
Total Capital Assets being depreciated, net	461,887,700	31,241,687	-	493,129,387
Governmental Activities Capital Assets, net	\$ 609,534,524	\$ 52,038,877	\$ 52,971,986	\$ 608,601,415

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**C. Capital Assets (Continued)**

**Primary Government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type Activities:</b>				
<b>Three Ridges Golf Course:</b>				
Land and Construction in Progress	\$ 880	\$ -	\$ -	\$ 880
Buildings	754,504	-	-	754,504
Machinery and Equipment	429,234	35,000	-	464,234
Computer Software	25,448	-	-	25,448
Land Improvements	66,463	-	-	66,463
Less: Accumulated Depreciation	(766,709)	(55,011)	-	(821,720)
<b>Total</b>	<b>\$ 509,820</b>	<b>\$ (20,011)</b>	<b>\$ -</b>	<b>\$ 489,809</b>

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

Finance and Administration	\$ 4,052,293
Administration of Justice	771,302
Public Safety	3,308,766
Public Health and Welfare	862,463
Social and Cultural Services	5,531,452
Other General Government	932,130
Engineering & Public Works	<u>15,013,358</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 30,471,764</u></b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**C. Capital Assets (Continued)**

**Component Unit – the Board**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 22,836,345	\$ 353,628	\$ 5,875	\$ 23,184,098
Construction in Progress	12,343,631	35,316,191	13,091,647	34,568,175
Total Capital Assets, not being depreciated	<u>35,179,976</u>	<u>35,669,819</u>	<u>13,097,522</u>	<u>57,752,273</u>
Capital Assets being depreciated:				
Buildings	538,978,746	12,614,853	-	551,593,599
Land Improvements	4,709,845	4,785,163	-	9,495,008
Machinery and Equipment	99,209,459	7,875,458	689,319	106,395,598
Intangible Assets	2,002,779	207,108	-	2,209,887
Total Capital Assets being depreciated	<u>644,900,829</u>	<u>25,482,582</u>	<u>689,319</u>	<u>669,694,092</u>
Less Accumulated Depreciation for:				
Buildings	223,779,262	13,520,038	-	237,299,300
Land Improvements	1,754,301	601,061	-	2,355,362
Machinery and Equipment	55,943,157	10,005,426	689,319	65,259,264
Intangible Assets	1,131,221	310,409	-	1,441,630
Total Accumulated Depreciation	<u>282,607,941</u>	<u>24,436,934</u>	<u>689,319</u>	<u>306,355,556</u>
Total Capital Assets being depreciated, net	<u>362,292,888</u>	<u>1,045,648</u>	<u>-</u>	<u>363,338,536</u>
Governmental Activities Capital Assets, net	<u>\$ 397,472,864</u>	<u>\$ 36,715,467</u>	<u>\$ 13,097,522</u>	<u>\$ 421,090,809</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

**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, 2017, 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	\$ 826,812
	State, Federal and Other Grants	480,307
	Vehicle Service Center	181,975
	Three Ridges Golf Course	34,888
		1,523,982
Public Improvement	Engineering & Public Works	10,818
Total Major Governmental Funds		1,534,800
<u>Nonmajor Special Revenue Funds:</u>		
State, Federal and Other Grants	General	544,640
Solid Waste	General	150,000
	Engineering & Public Works	500,000
		650,000
Total Nonmajor Governmental Funds		1,194,640
Total Governmental Funds		\$ 2,729,440

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

Receivable Fund	Payable Fund	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 59,130
	State, Federal and Other Grants	496
	Public Library	1,036
	Solid Waste	8,229
	Engineering & Public Works	46,304
	Technical Support	68
		<u>115,263</u>
Mailroom Services	General	19,798
	State, Federal and Other Grants	9
	Solid Waste	7
	Engineering & Public Works	231
	Employee Benefits	399
	Self Insurance	116
		<u>20,560</u>
Employee Benefits	General	553,966
	State, Federal and Other Grants	986
		<u>554,952</u>
Self Insurance Healthcare	General	<u>573,682</u>
Total Internal Service Funds		<u>\$ 1,264,457</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

**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 - Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the District	\$ 887
Employee Benefits	Component Unit - the Board, General Purpose School	58,505
Self Insurance	Component Unit - the Board, General Purpose School	417,052
Building Operations	Component Unit - the Board, General Purpose School	11,080
Total Primary Government - Internal Service Funds		487,524
Total Primary Government		\$ 487,524
Component Unit - the Board, General Purpose School	Primary Government - General	\$ 91,042
Total Component Unit - the Board		\$ 91,042

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

**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	\$ 7,341,646
	School General Projects	873,375
	Central Cafeteria	1,389,193
		9,604,214
 <u>Nonmajor Special Revenue Funds:</u>		
School Federal Projects	General Purpose School	295,393
	School General Projects	1,300
		296,693
 School General Projects	General Purpose School	 1,279,246
	School Federal Projects	140,145
		1,419,391
 Total Board of Education		 \$ 11,320,298



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

**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, 2017, is as follows:

***Primary Government:***

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 10,759,358
	Capital Leasing	141,420
		<u>10,900,778</u>
Debt Service	General	195,179
	Public Improvement	1,609
		<u>196,788</u>
Public Improvement	Constitutional Officers	100,000
	Debt Service	300,000
	Engineering & Public Works	37,752
		<u>437,752</u>
Total Major Governmental Funds		<u>11,535,318</u>
<u>Nonmajor Governmental Funds:</u>		
Special Revenue Funds:		
State, Federal and Other Grants	General	<u>408,060</u>
Public Library	General	1,150,000
	Hotel/Motel	600,000
		<u>1,750,000</u>
Solid Waste	General	150,000
	Engineering & Public Works	500,000
		<u>650,000</u>
Engineering & Public Works	General	<u>2,026,217</u>
Total Nonmajor Governmental Funds		<u>4,834,277</u>
Total Governmental Funds		<u>\$ 16,369,595</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

Transfers - In	Transfers - Out	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 600,000
Employee Benefits	General	1,550,000
Self Insurance	General	270,000
Mailroom	General	52,122
Technical Support	General	205,500
Total Internal Service Funds		<u>\$ 2,677,622</u>
<u>Enterprise Fund:</u>		
Three Ridges Golf Course	General	\$ 275,000
Total Enterprise Fund		<u>\$ 275,000</u>

In addition, payments of \$1,958,364 were made from the Pension Trust – Defined Benefit and Disability Plans to the General Fund 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	\$ 1,460,008
School General Projects	General Purpose School	6,486,818
	School Federal Projects	636,899
		<u>7,123,717</u>
School Federal Projects	General Purpose School	27,174
Total Board of Education		<u>\$ 8,610,899</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

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

<u>Revenues and Other Sources</u>	<u>Expenses/Expenditures and Other Uses</u>	<u>Amount</u>
Primary Government - Debt Service (Major Fund)	Component Unit - the Board, General Purpose School	\$ 12,865,715
	Component Unit - the Board, School Construction	<u>4,733</u>
Total Primary Government		<u>\$ 12,870,448</u>
Component Unit - General Purpose School	Primary Government - General	<u>\$ 3,102,000</u>
Component Unit - School Construction	Primary Government - Debt Service	9,968,536
	Primary Government - Public Improvement	<u>70,750,000</u>
		<u>80,718,536</u>
Component Unit - Great Schools Partnership	Primary Government - General	<u>2,501,874</u>
Total Component Units		<u>\$ 86,322,410</u>

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

<u>Revenues and Other Sources</u>	<u>Expenses/Expenditures and Other Uses</u>	<u>Amount</u>
The Board, School General Projects	Component Unit, Great Schools Partnership	<u>\$ 325,574</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**F. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities for the County's individual major funds and nonmajor governmental, internal service, and enterprise fund in the aggregate, as of year-end, are:

**Primary Government**

	Major Governmental Funds							Total Primary Government
	General	Debt Service	Capital Projects Public Improvement	Nonmajor Governmental Funds	Internal Service	Enterprise Fund		
Accounts Payable to Vendors	\$ 5,593,027	\$ 6,259	\$ 4,736,711	\$ 2,516,693	\$ 1,673,148	\$ 17,460	\$ 14,543,298	
Accrued Personnel Costs	2,059,664	-	-	505,476	52,363	11,344	2,628,847	
Total Accounts Payable and Accrued Liabilities	\$ 7,652,691	\$ 6,259	\$ 4,736,711	\$ 3,022,169	\$ 1,725,511	\$ 28,804	\$ 17,172,145	

Accounts payable and accrued liabilities for the County's component unit, as of year-end, are:

**Component Unit:**

<u>The Board</u>	General	School Federal Projects	Central Cafeteria	School Projects	School Construction	Total Component Unit
	Accounts Payable to Vendors	\$ 4,187,209	\$ 120,555	\$ 559,341	\$ 46,123	\$ 6,548,432
Accrued Personnel Costs	50,187,969	-	-	-	-	50,187,969
Total Accounts Payable and Accrued Liabilities	\$ 54,375,178	\$ 120,555	\$ 559,341	\$ 46,123	\$ 6,548,432	\$ 61,649,629

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**G. Unearned Revenues**

Amounts reported as unearned revenue in the fund financial statements consist of the following:

	Fund Financial Statements
Primary Government - Major Funds:	
<u>General Fund:</u>	
Unearned revenue	\$ 98,180
Primary Government - Nonmajor Funds:	
<u>General Grants Fund:</u>	
Unexpended grant funds	2,132,482
Total - Primary Government	\$ 2,230,662
Component Unit - the Board - Nonmajor Funds:	
<u>Central Cafeteria:</u>	
Unearned revenue	297,990
Total Component Unit - the Board	\$ 297,990

**H. Deferred Inflows**

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

	Fund Financial Statements	Government-wide Financial Statements
Primary Government - Major Funds:		
<u>General Fund:</u>		
Taxes receivable, delinquent	\$ 2,840,191	\$ -
Taxes receivable, applicable to subsequent fiscal year	113,938,621	113,938,621
Notes receivable, applicable to subsequent fiscal year	756,000	756,000
	117,534,812	114,694,621
<u>Debt Service Fund:</u>		
Taxes receivable, delinquent	1,378,207	-
Taxes receivable, applicable to subsequent fiscal year	55,048,997	55,048,997
	56,427,204	55,048,997
Total - Primary Government	\$ 173,962,016	\$ 169,743,618
Component Unit - the Board - Major Fund		
<u>General Purpose School:</u>		
Taxes receivable, delinquent	\$ 2,577,910	\$ -
Taxes receivable, applicable to subsequent fiscal year	102,416,739	102,416,739
Accounts receivable, applicable to subsequent fiscal year	89,015	89,015
Total Component Unit - the Board	\$ 105,083,664	\$ 102,505,754

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**I. Leases**

***Capital Leases***

All capital leases pertain to governmental activities.

The Primary Government and the Board lease various land, buildings and equipment through capital leasing arrangements. The Primary Government's and the Board's capital lease obligations are reflected as liabilities in the Statement of Net Position.

The future minimum lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Primary Government</u>	<u>Component Unit - The Board</u>
2018	\$ 2,925,023	\$ 425,004
2019	2,968,886	425,004
2020	3,013,820	425,004
2021	3,059,849	425,004
2022	3,107,006	425,004
2023 - 2027	16,284,017	2,125,020
2028 - 2032	11,149,991	1,487,514
2033 - 2037	4,778,343	-
Total Minimum Lease Payments	\$ 47,286,935	\$ 5,737,554
Less: Amounts Representing Interest	<u>(11,365,569)</u>	<u>(1,309,776)</u>
Present Value of Minimum Lease Payments	<u>\$ 35,921,366</u>	<u>\$ 4,427,778</u>

As of June 30, 2017, assets recorded under capital leases totaled \$114,001,585 (\$75,710,437 equipment, \$879,609 land, and \$37,411,539 buildings and improvements). Related accumulated amortization totaled \$52,594,834. Amortization of assets recorded under capital leases is included with depreciation expense.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**J. Long-Term Liabilities**

*Loans Payable*

All loans payable pertain to governmental activities.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 415,303	\$ 21,149	\$ 436,452
2019	418,428	18,024	436,452
2020	421,576	14,876	436,452
2021	424,750	11,702	436,452
2022	427,947	8,505	436,452
2023 - 2025	901,964	7,347	909,311
Total	<u>\$ 3,009,968</u>	<u>\$ 81,603</u>	<u>\$ 3,091,571</u>

The Partnership has reported non-capital related loans payable of \$5,680,000, of which \$2,345,000 is due in less than one year, with the remaining \$3,335,000 due in more than one year.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**J. 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 existing debt issued pursuant to the establishment of the Uniformed Officers Pension Plan, all County bonded debt was issued for capital purposes. All bonded debt pertains to governmental activities.

For financial reporting purposes, the portion of those bond issues related to the Board are recorded as payments from the primary government 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 position. 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 position.

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, 2017*

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

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

	Interest Rate	Last Maturity Date	Principal Balance
<b>Governmental Activities:</b>			
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	25,549,216
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	6,438,486
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	36,997,142
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	13,797,400
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	39,448,054
General Obligation - Series 2007	Variable Rate (1.22% at 6/30/17)	6/1/2034	50,450,000
General Obligation - Series 2008	Variable Rate (.91% at 6/30/17)	6/1/2029	18,492,500
General Obligation - Series 2009	3.00-4.00%	6/1/2018	640,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	989,059
General Obligation - Refunding Bonds, Series 2010B	2.00-5.00%	4/1/2035	28,965,000
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	6,475,000
General Obligation - Series 2010D (Federally Taxable Build America Bonds)	1.125-6.00% (1)	6/1/2035	16,775,000
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	5,030,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	19,600,250
General Obligation - Series 2014A	2.125 - 5.00%	6/1/2036	13,985,000
General Obligation - Refunding Series 2014B	0.25 - 3.23%	6/1/2027	47,500,000
General Obligation - Refunding Series 2015	5.00%	4/1/2019	3,242,178
General Obligation - Series 2016	1.0 - 5.0%	6/1/2036	15,815,000
General Obligation - Series 2017	3.0 - 5.0%	6/1/2037	31,680,000
<b>Total Bonded Debt to be repaid by Governmental Activities</b>			<b>381,869,285</b>
<b>The Board:</b>			
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	24,750,784
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	9,076,514
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	19,302,858
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	8,232,600
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	21,301,946
General Obligation - Series 2007	Variable Rate (1.22% at 6/30/17)	6/1/2034	18,550,000
General Obligation - Series 2008	Variable Rate (.91% at 6/30/17)	6/1/2029	9,957,500
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	14,835,941
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	12,635,000
General Obligation - Qualified School Construction Bonds	.0% (2)	7/1/2027	18,594,361
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	7,970,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	16,934,750
General Obligation - Series 2014A	2.125 - 5.00%	6/1/2036	14,485,000
General Obligation - Refunding Series 2014B	0.25 - 3.23%	6/1/2027	1,325,000
General Obligation - Refunding Series 2015	5.00%	4/1/2019	5,187,822
General Obligation - Series 2016	1.0 - 5.0%	6/1/2036	18,885,000
General Obligation - Series 2017	3.0 - 5.0%	6/1/2037	58,585,000
<b>Total Bonded Debt to be repaid by the Board</b>			<b>280,610,076</b>
<b>Total Bonded Debt</b>			<b>\$ 662,479,361</b>

(1) Stated interest rates on the Build America Bonds do not include the effects of the interest subsidy expected to be received from the federal government pursuant to the federal Build America Bonds program. The interest rate subsidy, 35% at issuance of the bonds, is being reduced due to sequestration by the federal government. At June 30, 2017, the sequestration rate was 6.9%.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**J. 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
2018	\$ 42,219,281	\$ 28,377,338	\$ 70,596,619	\$ 38,238,170	\$ 32,358,449	\$ 70,596,619
2019	43,239,281	26,415,346	69,654,627	38,212,308	31,442,319	69,654,627
2020	41,299,281	24,690,505	65,989,786	37,141,363	28,848,423	65,989,786
2021	39,254,281	22,974,314	62,228,595	36,280,337	25,948,258	62,228,595
2022	33,434,281	21,530,982	54,965,263	31,724,568	23,240,695	54,965,263
2023 - 2027	175,705,980	89,111,103	264,817,083	153,162,241	111,654,842	264,817,083
2028 - 2032	177,351,976	45,559,588	222,911,564	133,689,802	89,221,762	222,911,564
2033 - 2037	109,975,000	9,697,191	119,672,191	65,421,976	54,250,215	119,672,191
<b>Total</b>	<b>\$ 662,479,361</b>	<b>\$ 268,356,367</b>	<b>\$ 930,835,728</b>	<b>\$ 533,870,765</b>	<b>\$ 396,964,963</b>	<b>\$ 930,835,728</b>

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$152,001,480 and \$116,354,887, respectively, for a total of \$268,356,367.

***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, 2017:

	Balance July 1 (Restated)	Additions	Deductions	Balance June 30	Current Portion
<b><u>Primary Government</u></b>					
Bonded Debt	\$ 614,988,642	\$ 90,265,000	\$ (42,774,281)	\$ 662,479,361	\$ 42,219,281
Unamortized Bond Premium	8,127,194	8,436,587	(1,718,836)	14,844,945	2,097,032
Loans Payable	4,912,794	-	(1,902,826)	3,009,968	415,303
Capital Leases	37,571,153	-	(1,649,787)	35,921,366	1,741,110
Compensated Absences	10,979,649	9,162,250	(9,596,030)	10,545,869	8,117,820
<b>Total - Primary Government</b>	<b>\$ 676,579,432</b>	<b>\$ 107,863,837</b>	<b>\$ (57,641,760)</b>	<b>\$ 726,801,509</b>	<b>\$ 54,590,546</b>
<b><u>Component Unit - the Board</u></b>					
Compensated Absences	\$ 14,636,744	\$ 5,748,073	\$ (4,147,039)	\$ 16,237,778	\$ 3,768,111
Capital Lease	4,670,383	-	(242,605)	4,427,778	252,488
<b>Total Component Unit - the Board</b>	<b>\$ 19,307,127</b>	<b>\$ 5,748,073</b>	<b>\$ (4,389,644)</b>	<b>\$ 20,665,556</b>	<b>\$ 4,020,599</b>
<b><u>Component Unit - the District</u></b>					
Compensated Absences	\$ 313,509	\$ 434,200	\$ (403,877)	\$ 343,832	\$ 343,832
<b>Total - the District</b>	<b>\$ 313,509</b>	<b>\$ 434,200</b>	<b>\$ (403,877)</b>	<b>\$ 343,832</b>	<b>\$ 343,832</b>

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2017

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

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

***Changes in General Long-Term Liabilities (Continued)***

For the primary government, compensated absences totaling \$55,987 pertains to the non-major enterprise fund, with the remaining long-term liabilities related to governmental activities.

***Subsequent Event – Debt Issuance***

In December 2017, the County issued \$57,780,000 in general obligation bonds to provide funds for the advance refunding of the County's General Obligation Refunding Bonds, Series 2010B and the General Obligation Bonds, Series 2013. The bonds bear interest at rates from 2.0% to 5.0% and mature in varying amounts through 2035.

***Interest Rate Swaps***

The County's Statement of Net Position includes interest rate swap derivatives with a negative fair value totaling (\$27,826,423). The fair value of these derivatives was measured using Level 2 inputs, which were valued using a market approach that considers benchmark interest rates and foreign exchange rates.

***Series C-1-A***

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**J. 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). At inception, the swap had a notional amount of \$72 million and the associated variable-rate bond had 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, 2017, 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		0.91%
Synthetic interest rate on bonds		3.62%

*Fair value.* As of June 30, 2017, the swap had a negative fair value of (\$7,593,392), a change of \$3,154,172 compared to the June 30, 2016 balance of (\$10,747,564). 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, 2017, 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, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "BBB" by Standard and Poor's as of June 30, 2017, with its Credit Support Provider, Deutsche Bank, rated Baa2/A-/A- by Moody's, Standard & Poor's and Fitch, respectively.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**J. 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, 2017, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2018	2,950,000	457,730	1,362,398	4,770,128
2019	3,125,000	430,885	1,282,496	4,838,381
2020	3,300,000	402,448	1,197,854	4,900,302
2021	3,525,000	372,418	1,108,472	5,005,890
2022	3,750,000	340,340	1,012,995	5,103,335
2023-2027	22,550,000	1,145,690	3,410,057	27,105,747
2028-2029	11,100,000	153,108	455,713	11,708,821
	<u>\$ 50,300,000</u>	<u>\$ 3,302,619</u>	<u>\$ 9,829,985</u>	<u>\$ 63,432,604</u>

***Series VI-A-1***

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

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

*Terms.* Under the swap, the Authority pays a fixed payment of 3.40 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR). At inception, the swap had a notional amount of \$70 million and the associated variable-rate bond had 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, 2017, 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		0.91%
Synthetic interest rate on bonds		3.15%

*Fair value.* As of June 30, 2017, the swap had a negative fair value of (\$6,821,350), a change of \$3,092,460 compared to the June 30, 2016 balance of (\$9,913,810). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*Credit risk.* As of June 30, 2017, 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, Raymond James Financial Products (“RJFP”, formerly Morgan Keegan Financial Products) was rated “BBB” by Standard and Poor’s as of June 30, 2017, with its Credit Support Provider, Deutsche Bank, rated Baa2/A-/A- by Moody’s, Standard & Poor’s and Fitch, respectively.

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

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

*Swap payments and associated debt.* As of June 30, 2017, 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		Total
	Principal	Interest	Swap Payment		
2018	3,400,000	\$ 512,330	\$ 1,260,996	\$	5,173,326
2019	3,600,000	481,390	1,184,844		5,266,234
2020	3,810,000	448,630	1,104,212		5,362,842
2021	4,030,000	413,959	1,018,876		5,462,835
2022	4,260,000	377,286	928,613		5,565,899
2023-2027	25,160,000	1,259,258	3,099,408		29,518,666
2028-2029	12,040,000	165,711	407,864		12,613,575
	<u>\$ 56,300,000</u>	<u>\$ 3,658,564</u>	<u>\$ 9,004,813</u>	<u>\$</u>	<u>68,963,377</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*Series D-3-A*

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

*Objective of the interest rate swap.* In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$77 million Series D-3-A variable-rate bonds. The intention of the swap was to effectively change the County’s variable interest rate on the bonds to a synthetic fixed rate. The swap agreement has been determined to be an effective hedge, and is therefore accounted for as a hedging derivative instrument. The fair value of the hedging derivative instrument is reported in the Statement of Net Position as a long-term obligation. Accumulated changes in fair values are reported as deferred outflows in the Statement of Net Position.

*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). At inception, the swap had a notional amount of \$77 million and the associated variable-rate bond had 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, 2017, 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		1.31%
Synthetic interest rate on bonds		3.96%



KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2017

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

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

*Fair value.* As of June 30, 2017, the swap had a negative fair value of (\$13,411,681), a change of \$4,525,960 compared to the June 30, 2016 balance of (\$17,937,641). 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, 2017, 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, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "BBB" by Standard and Poor's as of June 30, 2017, with its Credit Support Provider, Deutsche Bank, rated Baa2/A-/A- by Moody's, Standard & Poor's and Fitch, respectively.

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*Swap payments and associated debt.* As of June 30, 2017, 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		
2018	2,250,000	\$ 793,834	\$ 1,611,420	\$	4,655,254
2019	2,375,000	764,433	1,551,738		4,691,171
2020	2,500,000	733,398	1,488,740		4,722,138
2021	2,625,000	700,730	1,422,427		4,748,157
2022	1,075,000	666,429	1,352,797		3,094,226
2023-2027	5,475,000	3,124,701	6,342,896		14,942,597
2028-2032	26,675,000	2,482,447	5,039,170		34,196,617
2033-2034	17,775,000	350,855	712,208		18,838,063
	<u>\$ 60,750,000</u>	<u>\$ 9,616,827</u>	<u>\$ 19,521,396</u>	<u>\$</u>	<u>89,888,223</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**K. 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>Total</u>
	<u>General</u>	<u>Capital Projects Public Improvement</u>	<u>Debt Service</u>	
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Inventories	\$ 274,746	\$ -	\$ -	\$ 274,746
Prepays	197,220	-	-	197,220
Investment in Joint Venture	5,156,838	-	-	5,156,838
	<u>5,628,804</u>	<u>-</u>	<u>-</u>	<u>5,628,804</u>
<b>Restricted for:</b>				
Finance and Administration	304,416	-	-	304,416
Administration of Justice	674,975	-	-	674,975
Public Safety	344,013	-	-	344,013
Public Health & Welfare	1,029,241	-	-	1,029,241
Social and Cultural	28,504	-	-	28,504
Debt Service	-	-	260,242	260,242
Capital Projects	-	5,972,703	-	5,972,703
	<u>2,381,149</u>	<u>5,972,703</u>	<u>260,242</u>	<u>8,614,094</u>
<b>Committed to:</b>				
Finance and Administration	275,000	-	-	275,000
Administration of Justice	397,636	-	-	397,636
Public Safety	534,514	-	-	534,514
Public Health & Welfare	399,875	-	-	399,875
Social and Cultural	100,000	-	-	100,000
Other General Government	818,334	-	-	818,334
Debt Service	-	-	14,656,634	14,656,634
Capital Projects	-	250,000	-	250,000
	<u>2,525,359</u>	<u>250,000</u>	<u>14,656,634</u>	<u>17,431,993</u>
<b>Assigned to:</b>				
Finance and Administration	126,220	-	-	126,220
Administration of Justice	3,743	-	-	3,743
Public Safety	156,498	-	-	156,498
Public Health & Welfare	6,218	-	-	6,218
Social and Cultural	93,488	-	-	93,488
Other General Government	1,796	-	-	1,796
	<u>387,963</u>	<u>-</u>	<u>-</u>	<u>387,963</u>
<b>Unassigned:</b>	<u>63,901,759</u>	<u>-</u>	<u>-</u>	<u>63,901,759</u>
Total fund balances	<u>\$ 74,825,034</u>	<u>\$ 6,222,703</u>	<u>\$ 14,916,876</u>	<u>\$ 95,964,613</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**K. Fund Equity (Continued)**

	State, Federal and Other Grants	Constitutional Officers	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total
<b>Fund balances:</b>									
<b>Nonspendable:</b>									
Inventories	\$ 67,095	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,095
Prepays	12,518	-	-	12,392	-	12,500	-	20	37,430
	<u>79,613</u>	<u>-</u>	<u>-</u>	<u>12,392</u>	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>20</u>	<u>104,525</u>
<b>Restricted for:</b>									
Administration of Justice	163,633	-	-	-	-	-	-	-	163,633
Public Safety	267,049	-	-	-	-	-	2,848,524	-	3,115,573
Public Health & Welfare	1,459,770	-	-	-	-	-	-	-	1,459,770
Social and Cultural	53,298	-	-	-	-	1,375,559	-	-	1,428,857
Other General Government	274,660	-	-	-	-	-	-	-	274,660
Highway Grants	6,166	-	-	-	-	-	-	-	6,166
	<u>2,224,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,375,559</u>	<u>2,848,524</u>	<u>-</u>	<u>6,448,659</u>
<b>Committed to:</b>									
Public Health & Welfare	-	-	-	-	1,301,613	-	-	-	1,301,613
Social and Cultural	-	-	43,555	1,882,336	-	-	-	-	1,925,891
Engineering & Public Works	-	-	-	-	-	-	-	3,845,677	3,845,677
	<u>-</u>	<u>-</u>	<u>43,555</u>	<u>1,882,336</u>	<u>1,301,613</u>	<u>-</u>	<u>-</u>	<u>3,845,677</u>	<u>7,073,181</u>
<b>Assigned to:</b>									
Finance and Administration	-	1,877,235	-	-	-	-	-	-	1,877,235
Administration of Justice	-	3,655,513	-	-	-	-	-	-	3,655,513
	<u>-</u>	<u>5,532,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,532,748</u>
Total fund balances	<u>\$ 2,304,189</u>	<u>\$ 5,532,748</u>	<u>\$ 43,555</u>	<u>\$ 1,894,728</u>	<u>\$ 1,301,613</u>	<u>\$ 1,388,059</u>	<u>\$ 2,848,524</u>	<u>\$ 3,845,697</u>	<u>\$ 19,159,113</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**K. Fund Equity (Continued)**

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

	<b>General Purpose Schools</b>	<b>School Construction Capital Projects</b>	<b>School Federal Projects</b>	<b>School General Projects</b>	<b>Central Cafeteria</b>	<b>Total</b>
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Inventories	\$ 969,494	\$ -	\$ -	\$ 401,957	\$ 600,564	\$ 1,972,015
Prepays	376,746	-	850	7,695	-	385,291
	<u>1,346,240</u>	<u>-</u>	<u>850</u>	<u>409,652</u>	<u>600,564</u>	<u>2,357,306</u>
<b>Restricted for:</b>						
Education	-	24,038,745	-	-	8,547,508	32,586,253
<b>Committed to:</b>						
Education	-	-	-	1,053,969	-	1,053,969
<b>Assigned to:</b>						
Education	375,216	-	-	-	-	375,216
<b>Unassigned:</b>						
	<u>23,396,726</u>	<u>-</u>	<u>(850)</u>	<u>-</u>	<u>-</u>	<u>23,395,876</u>
Total fund balances	<u>\$ 25,118,182</u>	<u>\$ 24,038,745</u>	<u>\$ -</u>	<u>\$ 1,463,621</u>	<u>\$ 9,148,072</u>	<u>\$ 59,768,620</u>

**L. 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, 2017*

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

**L. Property Taxes (Continued)**

Taxes were levied at a rate of \$2.32 per \$100 of assessed values. Tax collections of \$256,216,373 for fiscal year 2017 were approximately 97.6 percent of the total tax levy.

The 2017 fiscal year property tax rate of \$2.32 was divided between the County and the Board as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 0.97	41.81%
Debt Service Fund	0.47	20.26%
Total - Primary Government	1.44	62.07%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	0.88	37.93%
Total Tax Levy	\$ 2.32	100.00%

The 2018 fiscal year property tax rate of \$2.32 as approved in the 2018 budget is divided between the County and the Board as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 0.97	41.81%
Debt Service Fund	0.47	20.26%
Total - Primary Government	1.44	62.07%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	0.88	37.93%
Total Tax Levy	\$ 2.32	100.00%

Subsequent to the adoption of the 2018 budget, the reappraisal of County property values was completed. The property tax rate was adjusted to reflect the results of the revised property tax base. The new rate of \$2.12 is allocated to the General Fund, Debt Service Fund, and School's General Fund as \$.89, \$.43, and \$.80, respectively.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**M. Tax Abatements**

Knox County, Tennessee is committed to enhancing the development and improvement of its local business environment and economy, especially in areas that will ultimately improve the quality of life enjoyed by its citizens. In furtherance of this objective Knox County has established a program using economic incentives based on tax abatement tools to attract and retain, on a basis competitive with other local governments, businesses that provide the types of employment, capital investment, community involvement and financial impact sought by Knox County and its citizens. Knox County established two incentive programs, the first being the Payment in Lieu of Taxes (PILOT). This program considers and evaluates on a case-by-case basis certain economic and business development opportunities. The PILOT's are administered for Knox County by The Industrial Development Board of the County of Knox (the "IDB"), a nonprofit quasi-governmental corporation that was established in 1966 pursuant to the Tennessee Industrial Development Corporation Act (the "Act"), Tenn. Code Ann. §§7-53-101. The IDB is authorized to negotiate and accept payments in lieu of ad valorem taxes in furtherance of the IDB's public purposes of economic welfare to maintain and increase employment opportunities and household income. As such, the IDB acts as a conduit organization for property tax abatements through PILOT agreements. Consideration is given on a case-by-case basis and includes analyses of job creation, economic impact, capital investment and wage rates. Housing authorities are also permitted by state law to undertake payment in lieu of tax programs and tax increment financing programs. State law permits these types of financing by housing authorities only in designated redevelopment areas approved by the City and County. Applicants for tax increment financing for projects located in redevelopment areas are referred to the Knoxville Community Development Corporation (KCDC).

Many of the tax abatement agreements entered into by the County also involve the City of Knoxville if they are located within the city limits. All of the tax abatement agreements entered into by the City will involve a County portion. The abatements are determined by a base appraisal of the property when the agreement is made.

During the fiscal year ended June 30, 2017, there were 42 PILOT agreements in force with net tax abatements totaling \$2,290,464. With the significant number of abatements in place the County chose to describe herein only those abatements that were greater than \$500,000 of which those tax abatement agreements are described below with the terms in effect for the fiscal year reported. The agreements include a provision for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**M. Tax Abatements (Continued)**

Green Mountain Coffee Roasters – The PILOT abatement commenced on August 1, 2008 with Green Mountain’s commitment for construction, development, renovation, improvement, equipping, and installation of equipment for a coffee roasting and distribution facility located in the Forks of the River Industrial Park. This project will result in the creation of at least 360 jobs paying wages on average of \$29,167 per year. Green Mountain will make a capital investment in the project of at least \$30,000,000. The project will take measures in purchasing equipment and making improvements necessary to reduce air pollutants to a level not exceeding 50% of the maximum allowable level permitted under a minor source permit for particulate matter as issued by the Knox County Air Quality Department. The abatement period is 15 years for real and personal property taxes. The abatement for June 30, 2017 was \$1,494,937.

The second incentive program is the Tax Increment Financing (TIF) which is an economic development tool used by the County to allocate all or a portion of the new, additional taxes generated by a project over a limited period of time to pay for public infrastructure and other improvements related to that project. Tax increment is the difference in tax revenues generated by the project in the plan area after the project has been completed, compared with the tax revenues generated in the plan area before the development plan was adopted. The difference in these tax revenues pays the costs of improvements to the public infrastructure serving the plan area.

In the County (typically for those areas outside qualified redevelopment and urban renewal project areas), the IDB has established policies and procedures for the facilitation of Tax Increment Financing. The County IDB’s TIF Program is primarily for economic development projects that provide improvement to public infrastructure in blighted and under-utilized areas of Knox County and in other properties designated by Knox County Commission and Knoxville City Council. TIF notes are not included in the County’s general debt obligations. The structure of these transactions allows the County, through agreements with private developers, to utilize the new incremental revenue streams to accelerate funding of improvements.

During the fiscal year ended June 30, 2017, there were 30 TIF agreements in force with net tax abatements totaling \$1,826,512. These abatements are used to make payments on the TIF notes for the benefit of the developers.

The remaining 41 PILOT agreements totaling \$795,526 in tax abatements at June 30, 2017 are all similar in nature incorporating the requirements mentioned above which include renovating buildings for the betterment and welfare of the citizens of the communities where they are located.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

**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 (GIS). 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 2017 fiscal year, the joint venture received 91 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$393,174 for the year ended June 30, 2017. The County does not retain an equity interest in the joint venture. The financial results of Geographic Information Systems have maintained adequate levels. Since the support for Geographic Information Systems is shared with two other entities, the County considers its involvement to be low risk. 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 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. The County contributed \$6,907,362 to the PBA for development, management, and maintenance of County projects during 2017. Complete separate financial statements for PBA may be obtained at Room M-22, City County Building, and 400 Main Street, Knoxville, TN 37902.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

**NOTE IV. OTHER INFORMATION**

**A. Joint Ventures (Continued)**

Condensed financial information for GIS and PBA as of June 30, 2017 and for the year then ended, is as follows:

ASSETS	<u>GIS</u>	<u>PBA</u>
Cash and Cash Equivalents	\$ 562,575	\$ 5,537,193
Receivables	-	1,259,597
Inventory	-	12,250
Prepays	5,353	101,641
Capital Assets - Net	<u>274,998</u>	<u>5,442,665</u>
Total Assets	<u>842,926</u>	<u>12,353,346</u>
LIABILITIES AND NET POSITION		
Liabilities		
Accounts Payable and Accrued Liabilities	50,546	1,941,489
Due To Others	-	916,753
Customer Deposits	-	12,214
Compensated Absences	30,825	481,139
Unearned Revenue	<u>-</u>	<u>2,625</u>
Total Liabilities	<u>81,371</u>	<u>3,354,220</u>
Net Position		
Investment in Capital Assets	274,998	5,442,665
Unrestricted	<u>486,557</u>	<u>3,556,461</u>
Total Net Position	<u>\$ 761,555</u>	<u>\$ 8,999,126</u>
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Total Operating Revenues	\$ 1,539,096	\$ 16,363,612
Total Operating Expenses	<u>(1,460,736)</u>	<u>(15,714,968)</u>
Operating Income (Loss)	78,360	648,644
Non-Operating Revenues	4,856	28,043
Non-Operating Expenses	-	(1,879,197)
Capital Contributions	-	1,150,000
Extraordinary Item - Transfer of Capital Assets	<u>-</u>	<u>(2,174,945)</u>
Increase (Decrease) in Net Position	83,216	(2,227,455)
Net Position, Beginning of Year	<u>678,339</u>	<u>11,226,581</u>
Net Position, End of Year	<u>\$ 761,555</u>	<u>\$ 8,999,126</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

**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, 2017, the County appropriated operating subsidies of \$1,887,419 to the Community Action Committee.

In 2017, the County and the Knoxville Convention & Visitors Bureau, Inc., dba “Visit Knoxville” were parties to a contract whereby Visit Knoxville performed tourism marketing services for Knox County. Visit Knoxville received a percentage of hotel-motel tax collections as compensation for these services. During the year ended June 30, 2017, the County appropriated operating subsidies of \$3,165,611 to Visit Knoxville related to this contract. The County appoints certain board members of Visit Knoxville.

**C. Risk Management**

The County has established the Self Insurance Healthcare Fund for risks associated with employees’ health plan and the Self Insurance Fund for the majority of risks associated with the general liability and workers’ compensation claim settlements. In the Self Insurance Fund, each participating fund with eligible employees is charged a premium calculated using trends in actual claims experience. The Board and the District (component units), the Geographic Information Systems (joint venture 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 one or both of the plans. The Self Insurance Healthcare and the Self Insurance Fund are accounted for as internal service funds where assets are set aside for claim settlements. The County retains the risk of loss to a limit of \$450,000 for each employee in any plan year for health coverage and \$750,000 for each employee (except the Sheriff’s Department which is \$1,250,000 per employee) in any plan year for worker’s compensation coverage by obtaining stop/loss commercial insurance policies that covers claims beyond these limits.

Effective July 1, 2016 the Board elected to provide worker’s compensation for all certified employees in addition to its classified employees. Worker’s compensation coverage for all School’s employees was added to the Knox County’s self insured worker’s compensation policy at that time.

At June 30, 2017, Humana and OptumRx are the third-party administrators of the County’s self-insured healthcare plans. In the Self Insurance Healthcare Fund, a premium is charged to the participating fund, 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**C. Risk Management (Continued)**

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. The County has an independent actuary develop the estimates for claims liabilities including IBNR on an annual basis. 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 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
Unpaid Claims - Beginning Balance	\$ 1,909,589	\$ 1,780,523	\$ 15,912,958	\$ 13,043,037
Incurred Claims (Including IBNR's)	24,196,246	26,815,077	1,921,741	5,239,771
Claim Payments	(24,273,993)	(26,686,011)	(2,721,385)	(2,369,850)
Unpaid Claims - Ending Balance	<u>\$ 1,831,842</u>	<u>\$ 1,909,589</u>	<u>\$ 15,113,314</u>	<u>\$ 15,912,958</u>

The Self Insurance Fund had a deficit net position balance of \$743,412 at June 30, 2017. Management plans to eliminate the deficit by increasing charges for services and by implementing additional procedures designed to reduce claims costs by additional monitoring and settlement procedures.

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.

Certain self insurance liabilities of the Board that are for unexpected and unusual claims are reported directly in the Board of Education's Statement of Net Position. As of June 30, 2017, the liabilities were \$3,523,930.

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2017

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

**D. Other Post Employment Benefits**

*Retiree Healthcare*

*Plan Description*

As authorized by County Resolution, the County provides post-retirement health care benefits for County retirees and their dependents. This benefit is provided for employees and retirees who are participants in the UOPP, STAR, Closed Defined Benefit, or Asset Accumulation Plans. Retirees may participate only until they reach age 65 (except for a few “grandfathered” retirees who still have active medical insurance). The retiree is responsible for paying 100 percent of the related premium. The retirees who have chosen to participate in the County's medical insurance plan have not been evaluated on a separate experience rating from those of existing County and Board employees. Therefore, participating retirees contribute the same premium as existing employees, plus the amount the employer contributes for existing employees. Under this arrangement the retiree contributions are expected to be less than their expected health care cost, and a portion of the premiums the County pays on behalf of its active employees is deemed to subsidize the retirees’ costs. This implicit subsidy is an Other Post-employment Benefit (OPEB) as defined by GASB Statement No. 45. Also, effective 10/1/2016, the Plan was amended to provide an employer subsidy to retirees prior to age 65. Knox County will subsidize 35% of the premium (for individual coverage only) for a participant who retires at age 55 and over with at least 30 years of service, or who retires at age 57 or over with at least 25 years of service. The subsidy will continue until the participant becomes Medicare eligible. Knox County also established a Trust to facilitate future funding of the employer subsidy. The County’s medical insurance plan, a single-employer defined benefit plan, does not issue a separate financial report.

*Funding Policies*

The contribution requirements of the County healthcare plan members and the County are established in the annual budget approved by County Commission. The required contribution is based on the annual premiums for the healthcare plan. The active employees pay a portion of the premium cost and the County pays the remaining premiums. For health insurance, the retiree contributes 100% of all premium payments except for the retirees included in the employer 35% subsidy. For the fiscal year ended June 30, 2017, the retirees contributed \$456,300 and Knox County contributed \$13,766 in retiree subsidies to the active Humana medical plans.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*Retiree Healthcare (Continued)*

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

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

The plan contains both active employees and retirees. Although the County's 2017 contribution is 27.40% 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	\$ 1,013,233
Interest on net OPEB obligation	91,017
Adjustment to annual required contribution	<u>(85,767)</u>
Annual OPEB Cost	1,018,483
Contribution made to OPEB Trust	(1,250,000)
Expected Benefit Payments	<u>(279,439)</u>
Increase (decrease) in net OPEB obligation	(510,956)
Net OPEB obligation July 1, 2016	<u>1,300,238</u>
Net OPEB obligation June 30, 2017	<u><u>\$ 789,282</u></u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*Retiree Healthcare (Continued)*

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, 2015	\$ 305,965	51.22%	\$ 1,086,893
June 30, 2016	336,808	36.70%	1,300,238
June 30, 2017	1,018,483	27.40%	789,282

***Funded Status and Funding Progress***

As of October 1, 2016, the most recent amended actuarial valuation date, the County healthcare plan was 0% funded and the actuarial accrued liability (AAL) for benefits was \$9,983,537. During FY 2017, the County created the Post-Retirement Medical Trust and made an initial deposit of \$1,250,000. As of June 30, 2017 there was \$1,272,335 in assets resulting in a net unfunded (AAL) of \$8,711,202, which is a funded ratio of 13%. The schedule of funding progress immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

***Actuarial Valuations***

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*Retiree Healthcare (Continued)*

*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 October 1, 2016 valuation, the projected unit credit cost method was used to value assets (fair value). The actuarial assumptions included a funded interest rate of 7.0% and a participation rate of 10%. Annual health care costs are assumed to increase 8.5% in the first year of valuation. Future annual increases are assumed to grade uniformly to 4.35% by the year 2050. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The estimated annual payroll increase is 2.5%. The remaining amortization period at June 30, 2016 was 25.68 years.

*Disability Plan*

*Plan Description*

As authorized by County Resolution, the County provides disability benefits for eligible employees of the County and Board who are participants in the UOPP, STAR, Closed Defined Benefit, or Asset Accumulation Plans and who become disabled after January 1, 2014. The Plan, a single-employer OPEB plan, is administered by the Knox County Retirement and Pension Board. Participating employees become eligible after five years of credited service, unless the disability occurs as a result of an act required to perform duties in the course of employment, in which case there is no service requirement. The employer pays 100 percent of the related premium. In the event of disability, eligible employees receive benefits equal to 60% of pre-disability compensation as of the date of the disability, subject to offset by Social Security, workers' compensation, and adjustments for earned income. Benefits continue until the employee is no longer disabled, reaches Social Security normal retirement age, or begins receiving benefits from a County-funded retirement plan, whichever is earliest. The Plan issues a stand-alone report, which may be obtained at Suite 371, City County Building, and 400 Main Street, Knoxville, TN 37902.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*Disability Plan (Continued)*

*Funding Policies*

Annual required contributions to the Plan are determined each year as part of the actuarial valuation process. The annual required contributions for the current year were determined using the following significant assumptions:

Actuarial Measurement Date	June 30, 2017
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level % of Payroll, Closed
Remaining Amortization Period	17 years
Actuarial Valuation of Assets	Smoothed Market Value Over 5 Years
Inflation Rate	1.95%
Investment Return	7.00%
Projected Salary Increases	3.00%
Post Retirement Increases (Cost of Living Adjustments)	None

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

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	\$ 461,490
Interest on net OPEB Obligation	(108,554)
Adjustment to annual required contribution	148,446
Annual OPEB Cost	<u>501,382</u>
Contribution made	<u>(1,084,380)</u>
Increase (decrease) in net OPEB obligation	(582,998)
Net OPEB obligation July 1, 2016	<u>(1,550,766)</u>
Net OPEB (asset) obligation June 30, 2017	<u><u>\$ (2,133,764)</u></u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*Disability Plan (Continued)*

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2015	\$ 534,678	205.61%	\$ (918,716)
June 30, 2016	551,473	214.61%	(1,550,766)
June 30, 2017	501,382	216.28%	(2,133,764)

***Funded Status and Funding Progress***

As of July 1, 2017, the most recent actuarial valuation date, the County plan was 45.53% funded. The actuarial accrued liability for benefits for June 30, 2017 was \$2,790,372, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,519,816. The market value of plan net assets was \$1,270,556. Covered payroll totaled \$162,812,962, and the UAAL as a percentage of covered payroll was 0.93%.

***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 regarding future employment and mortality 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 statement, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*Disability Plan (Continued)*

*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.

*Local Education Group Plan*

*Plan Description*

The Board participates in the Local Education Group Insurance Plan for health care benefits for certain eligible certified teachers and administrators. The plan is administered by the State of Tennessee. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by and insurance committee created by Tennessee Code Annotated (TCA) 8-27-01. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in the Medicare Supplement Plan, which does not include pharmacy benefits. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR), which is available on the State's website at [Comprehensive Annual Financial Reports](#). Employees hired on or after July 1, 2015 are not eligible to continue insurance coverage at retirement in either the Local Education Group Insurance Plan or the Medicare Supplement Plan.

*Funding Policy*

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*Local Education Group Plan (Continued)*

*Annual OPEB Cost and Net OPEB Obligation*

Annual Required Contribution (ARC)	\$ 2,967,000
Interest on the net OPEB obligation	388,173
Adjustment to the ARC	(389,732)
Annual OPEB cost	<u>2,965,441</u>
Amount of contribution	<u>(2,146,249)</u>
Increase (decrease) in net OPEB obligation	819,192
Net OPEB obligation, beginning of year (See Note IV. I)	<u>10,351,295</u>
Net OPEB obligation, end of year	<u><u>\$ 11,170,487</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
6/30/2015	Local Education Group	\$ 2,244,991	76%	\$ 9,258,624
6/30/2016	Local Education Group	2,866,606	62%	10,351,295
6/30/2017	Local Education Group	2,965,441	72%	11,170,487

***Funded Status and Funding Progress***

The funded status of the plan as of July 1, 2015 was as follows (values expressed in thousands):

Actuarial valuation date	7/1/2015
Actuarial accrued liability (AAL)	\$ 26,187
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	26,187
Actuarial value of assets as a % of the AAL	0%
Covered Payroll (active plan members)	234,394
UAAL as a % of covered payroll	11%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the 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 liability for benefits.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

*Local Education Group Plan (Continued)*

*Actuarial Methods and Assumptions*

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2015 actuarial valuation for the plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6 percent in fiscal year 2017. The rate decreases by decrements to an ultimate rate of 4.7 percent by fiscal year 2050. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

**E. On-Behalf Payments**

The State of Tennessee made the following on-behalf payments for the Board during the year ended June 30, 2017:

*Medicare Supplement Plan* – Since teachers are considered state employees per state statutes, the State of Tennessee makes a contribution (on-behalf payment) for retired teachers to this Plan through the TCRS. The on-behalf payment for 2017 was \$470,975 and has been recorded as a revenue and expenditure in the General Purpose School Fund.

*Teacher Group Insurance Plan* – The State of Tennessee makes a contribution (on-behalf payment) for retired teachers who participate in the State administered Teacher Group Insurance Plan through TCRS. The on-behalf payment for 2017 was \$1,164,665 and has been recorded as a revenue and expenditure in the General Purpose School Fund.

**F. 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

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, 2017, the amount of any liabilities that could result from such audits cannot be determined. However, the County believes that any such amounts would not have a material adverse effect on the County's financial position.

The County and the Board have several outstanding construction projects as of June 30, 2017. 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. Funding for the first year of the adopted Capital Improvement Plan has been appropriated by action of the County Commission.

The following represents capital projects funds spent to date and current contractual obligations.

	Spent to Date	Contractual Commitment Remaining at June 30, 2017
<u>Primary Government:</u>		
Schaad Road	\$ 1,393,568	\$ 1,714,023
Karns Connector	2,116,996	4,452,686
Parkside Drive Extension	15,425,493	910,068
Other Projects	157,527,550	2,122,993
<b>Total - Primary Government</b>	<b>\$ 176,463,607</b>	<b>\$ 9,199,770</b>
<u>Component Unit - the Board:</u>		
Physical Plant Upgrades	\$ 6,666,412	\$ 383,113
Gibbs Middle School	9,980,775	14,371,733
Hardin Valley Middle School	19,312,194	17,341,408
Pond Gap Elementary	6,400,229	2,993,847
Security Upgrades	6,927,453	173,916
Other Projects	42,174,932	1,549,592
<b>Total - the Board</b>	<b>\$ 91,461,995</b>	<b>\$ 36,813,609</b>

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**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.

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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**H. Accounting Pronouncements**

The County adopted, for the separately issued Pension Statements, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, required for fiscal periods beginning after June 15, 2016, in fiscal 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The County adopted GASB Statement No. 77, *Tax Abatement Disclosures*, required for fiscal periods beginning after December 15, 2015, in fiscal 2017 (see Note III-M). This Statement addresses financial statements prepared by state and local governments in conformity with generally accepted accounting principles and how those statements provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

The County adopted GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, required for fiscal periods beginning after June 15, 2016, in fiscal 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**H. Accounting Pronouncements (Continued)**

The County plans to adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, required for fiscal periods beginning after June 15, 2017, in fiscal 2018. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement will have a significant effect on the government-wide financial statements of the Board of Education component unit and the County's total reporting unit.

**I. Restatements**

County

During the current fiscal year, the County received information indicating that certain balances and activities relating to the data collection fees collected in prior years by the Criminal Court Clerk's Office had been recorded in the Agency Fund rather than being recorded properly as part of the Constitutional Officers Special Revenue Fund. As a result, the beginning Constitutional Officers Special Revenue fund balance reported in the County's governmental fund financial statements has been restated by \$572,839. The beginning net position of governmental activities in the government-wide financial statements also has been increased by this amount.

In a previous year, the County adopted a policy providing for termination payments related to unused sick leave balances for retiring employees who meet certain eligibility requirements allowing them to receive payments. Under that policy, the County had provided for an estimate of the liability for the accrued termination payments; however, during the current year-end review of the accounts and related activity it was determined that the recorded liability was understated. As a result, the beginning net position reported in the government-wide financial statements of the primary government for governmental activities has been restated to reflect a reduction of \$2,311,410. This change had no effect on governmental fund balances as previously reported.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**I. Restatements (Continued)**

Board

During the current year-end closing of the books and records, it was determined that the Board of Education component unit had a previously unrecorded liability for an obligation for retiree healthcare other post-employment benefit (OPEB) that should have been recorded in previous years. The benefits provided to retirees are provided through an agent multiple-employer defined benefit OPEB plan administered by the State of Tennessee. The Board's liability pertains to the portion of the total plan liability allocable to the Board's retirees. As a result, the beginning net position in the government-wide financial statements of the component unit's net position for governmental activities has been restated to reflect a reduction of \$10,351,295. This change had no effect on governmental fund balances as previously reported (see Note IV.D Other Post Employment Benefits, Local Education Group Plan).

Also, in a previous year the Board of Education component unit adopted a policy providing for termination payments related to unused sick leave balances for retiring employees who meet certain eligibility requirements. During the current year-end review of the accounts and related activity it was determined that the liability related to these future termination payments had not been appropriately reported in the government-wide financial statements for the Board of Education component unit. As a result, the beginning net position in the government-wide financial statements of the component unit's net position for governmental activities has been restated to reflect a reduction of \$11,978,838. This change had no effect on governmental fund balances as previously reported.

As a result of these adjustments, fund balances and net position as of the beginning of the fiscal year have been restated, as follows:

	Beginning Fund Balance/ Net Position, as Previously Reported	Record Data Collection Fee Balances	Record Additional Sick Leave Termination Payments	Record Retiree Healthcare OPEB	Beginning Fund Balance/ Net Position, as Restated
Fund Balance:					
Primary Government:					
Constitutional Officers					
Special Revenue Fund	\$ 5,226,787	\$ 572,839	\$ -	\$ -	\$ 5,799,626
Net Position:					
Primary Government - Governmental					
Activities	\$ 17,177,880	\$ 572,839	\$ (2,311,410)	\$ -	\$ 15,439,309
Component Unit - the Board:					
Governmental Activities	\$ 371,453,713	\$ -	\$ (11,978,838)	\$ (10,351,295)	\$ 349,123,580

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**J. Contingency/ Subsequent Event**

On November 22, 2017, Knox County (County) filed suit against the Knox County Retirement and Pension Board and System asserting discrepancies in the administration of the Knox County Uniformed Officers Pension Plan (UOPP) compared to the Knox County Charter. The County is contesting the treatment of accrued leave in the calculation of retirement benefits under the UOPP Plan. The lawsuit is in the initial discovery stage and the impact of the lawsuit on benefit payments of the UOPP Plan or on the County is not known at this stage. However, it is the opinion of management that the disposition or ultimate resolution of this suit will not have a material effect on the financial position of the County.

**NOTE V: EMPLOYEE RETIREMENT PLANS**

**A. General Information**

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

The County participates in the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer retirement system (PERS). The County's plan in TCRS is titled the Knox County Executive And Officials Plan. A single actuarial evaluation is computed for the Knox County Executive And Officials plan by TCRS. TCRS prepares a separate financial report for the operations and activities of this plan, which are not included in the County's reporting entity and are not included in the accompanied financial statements.

The Board participates in the TCRS through two different plans, the Teacher Legacy Pension Plan and the Teacher Retirement Plan. These two plans are cost sharing multiple-employer pension plans administered by TCRS. The Knox County Schools contribute to the State Employees, Teachers, and Higher Education Employees' Pension Plan (SETHEEPP). The Board also allows certified teachers and administrators to participate in one of two multiple-employer defined contribution plans as administered by the Tennessee Department of Treasury (see Note V-F).

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**A. General Information (Continued)**

The four defined contribution plans, the three single-employer defined benefit plans and the one OPEB defined benefit (employee disability) plan are part of the County's financial reporting entity and are included in the accompanying financial statements. The operations of the Knox County Closed Defined Benefit Plan (County DB Plan), the County's Asset Accumulation Plan (County DC Plan), the Sheriff's Total Accumulation Retirement Plan (STAR DC Plan), the Employee Disability Plan (OPEB) Plan, the County's Uniformed Officers Pension Plan (UOPP DB Plan), Voluntary 457 Plan (DC Plan) and the County's Medical Expense Retirement Defined Contribution Plan (MERP DC Plan) are recorded as County pension and other employee benefit trust funds. The operations of the Board's Teacher's Defined Benefit Plan (Teacher's DB Plan) are recorded in the Board's pension trust fund. Complete separate financial statements for the four defined contribution plans, the three defined benefit plans, and the OPEB plan may be obtained by contacting the Knox County Retirement and Pension Board at Suite 371, City County Building, and 400 Main Street, Knoxville, TN 37902.

Since the County's and Board's Plans are sponsored by a governmental entity, these Plans are not subject to the statutory provisions of the Employee Retirement Income Security Act of 1974 (ERISA). In addition, none of the accompanying governmental defined benefit plans are insured by the U.S. Pension Benefit Guaranty Corporation.

**B. Single-Employer Defined Benefit Plans**

**Summary of Significant Accounting Policies**

*Pensions* - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Knox County's (County) Plans (the County DB Plan, the Uniformed Officers Pension Plan (UOPP), and the Knox County Board of Education (Board) Plan (the Teacher's DB Plan) and additions to or deductions from the County, UOPP, and Teacher's DB Plan's fiduciary net position have been determined on the same basis as they are reported by Knox County, and the Knox County Board of Education for the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Defined Benefit Pension Plans**

*Plan Description* - The County's defined benefit pension plans, (County and UOPP DB Plans), and the Board's defined benefit pension plan (Teacher's DB Plan) provides pensions to plan members and their beneficiaries. The County DB Plan was 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. The County DB Plan was closed to new participants effective September 30, 1991. The UOPP DB Plan was approved by the voters of Knox County during the November 2006

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2017

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

**B. Single-Employer Defined Benefit Plans (Continued)**

**General Information about the Defined Benefit Pension Plans (Continued)**

elections. The Plan was established July 1, 2007 with approximately 600 sworn Sheriff's Office employees electing to transfer their retirement balance from the County DC Plan to the UOPP DB Plan. The amount transferred from the participant's accounts totaled \$39,429,351. In addition, during FY 2007, Knox County issued \$57 million of pension obligation bonds, and transferred the proceeds (net of issuance costs) totaling \$56,510,846 to the plan. During the November 2012 elections, voters approved to close the UOPP DB Plan to new hires or rehires effective January 1, 2014. The Teacher's DB Plan was established under Article IX of the Knox County Employee Benefit System. The Teacher's DB Plan is closed to new plan members. The County, UOPP, and the Teacher's DB Plans are single-employer defined benefit pension plans administered by the Knox County Retirement and Pension Board.

*Benefits Provided* - The County DB Plan provides pensions to any person who is an active employee hired before the close date of September 30, 1991. The plan also provides death and disability benefits to participants and their beneficiaries. Normal retirement monthly benefits for County DB Plan participants are equal to credited service multiplied by the greater of 1.75% of average monthly compensation or \$30. The average monthly compensation is calculated using the employee's 60 consecutive months of highest compensation prior to retirement, or such lesser number of months of credited service actually completed. Credited service is equal to all contributions, uninterrupted service expressed in years and decimal fraction of a year based on completed calendar months. The normal retirement date for participants is the first day of the month coinciding with or next following attainment of age 65 or, if later, 5 years of credited service, or, if an elected official, the later of his 55<sup>th</sup> birthday and completion of 5 years of credited service. Employees may retire at age 55 after 5 years of service but accrued benefits are reduced by 5/12% for each month that the early retirement precedes normal retirement. All participants are eligible for non-duty disability benefits after 5 years of credited service and for duty-related disability benefits upon hire. Disability retirement benefits are payable immediately to age 65 and equal to 50% of average monthly compensation plus 10% of average monthly compensation if there is at least one dependent child minus the sum of monthly primary social security at time of disability, monthly workers' compensation benefits, and monthly disability pension reduction, but not less than \$150. Pre-retirement death benefits (in the line of duty) are payable in the amount of 37.5% of the average monthly compensation at date of death minus 75% of all social security benefits payable. Pre-retirement death benefits (not in the line of duty) requires participants to have reached age 55 and have a minimum service of 5 years. Benefits are payable at 100% joint and survivor benefit accrued to date of death. If the participant completed 5 years of service, but had not yet attained age 55, the benefit payable to the beneficiary is equal to the participant's contributions plus a 100% match by the employer, both of which accumulate at 3% interest compounded annually. Post-retirement death benefits equal to \$300 multiplied by years of service up to 30 years are paid in a lump sum. The County DB Plan includes a Cost of Living increase of 3% per annum of the participant's original benefit. The

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2017

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

**B. Single-Employer Defined Benefit Plans (Continued)**

**General Information about the Defined Benefit Pension Plans (Continued)**

UOPP DB Plan provides pensions to officers employed by the Sheriff's Office on or after June 1, 2007, and most recently employed or reemployed before January 1, 2014. Normal monthly retirement benefits are equal to the greater of 2.5% of average monthly compensation multiplied by service up to a maximum of 30 years or \$10 multiplied by service up to a maximum of 25 years. The normal retirement date is the first day of the month coinciding with or next following attainment of age 50 or, if later, the date the participant completes (or would have completed if the participant remained continuously employed until then) 25 years of service. A participant with 5 or more years of service who retires prior to their normal retirement date shall be entitled to the greater of 2% of average monthly compensation multiplied by the participant's projected service (maximum of 25 years), multiplied by the participant's actual service, and divided by the participant's projected service or \$10 multiplied by service up to a maximum of 25 years. The average monthly compensation of a participant is averaged over any 2 twelve month periods, whether or not consecutive but which do not overlap, from date of employment, including periods prior to the effective date of the plan, which produce the highest monthly average. A participant may receive early retirement benefits of the greater of the actuarial equivalent of 2% average monthly compensation multiplied by the participant's projected service (maximum of 25 years), multiplied by the participant's actual service, and divided by the participant's projected service or \$10 multiplied by service up to a maximum of 25 years. Disability benefits are payable to participants (in the line of duty) equal to 50% of average monthly compensation. A participant (not in the line of duty) is eligible to receive the greater of 2% of average monthly compensation multiplied by the participant's service (maximum of 25 years) multiplied by the participant's actual service and divided by the participant's projected service or \$10 multiplied by service up to a maximum of 25 years. All participants who become disabled prior to January 1, 2014 are eligible to receive this benefit. Pre-retirement death benefits (in the line of duty) for the participant's surviving spouse are payable monthly for life in the amount of the greater of 2% of average monthly compensation multiplied by the participant's service (maximum of 25 years) or \$250. Pre-retirement death benefits (not in the line of duty) for the participant's surviving spouse are payable monthly for life in the amount of the greater of 1% of average monthly compensation multiplied by the participant's service (maximum of 25 years) or \$10 multiplied by service up to a maximum of 25 years. Participants must have completed 5 years of service. Post-retirement death benefits are payable to the participant's surviving spouse in the greater of 50% of the participant's normal retirement benefit immediately prior to death or \$10 multiplied by service up to a maximum of 25 years. The UOPP DB Plan includes a Cost of Living adjustment annually of 3% plus (if a participant is over 62 years old) one half of the amount by which the percentage increase in the Consumer Price Index for the 12 months ending September 30 preceding the year of adjustment exceeds 3%, not to exceed 1%.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**B. Single-Employer Defined Benefit Plans (Continued)**

**General Information about the Defined Benefit Pension Plans (Continued)**

The Teacher’s DB Plan provides pensions to any person who is a “teacher” as defined by the Court of Appeals in its opinion of December 30, 1987 in the case of Knox County v. the City of Knoxville, et al, and who is entitled to maintain membership in a local pension system as a result of their membership in any applicable plan of the City of Knoxville Pension System on June 30, 1987, and who thereafter is employed as a result of the City of Knoxville ceasing to operate a separate school system and is so regularly employed by the Knox County Board of Education. Each participant shall be eligible to retire at age 62, the normal retirement date or on the first day of any of the thirty-five months next following age 62. The normal retirement benefit, a monthly benefit payable for life, computed as of normal retirement date as 1/12<sup>th</sup> of credited service multiplied by the sum of Benefit Rate A times average earnings and Benefit Rate B times average excess earnings. Benefit Rate A and Benefit Rate B shall vary according to the participant’s last birthday at the time benefit payments are to commence, as follows:

<u>Age</u>	<u>Benefit Rate A</u>	<u>Benefit Rate B</u>
62 or earlier	0.75%	1.50%
63	0.78%	1.58%
64	0.84%	1.66%
65 or later	0.88%	1.76%

This amount is then reduced by the benefit accrued under the applicable City of Knoxville retirement plan as of June 30, 1987. The monthly benefit, including 50% of the primary Social Security benefit, shall not be less than \$10 per year of credited service, with a maximum of \$250. After completing 25 years of credited service, participants are eligible for early retirement benefits. Upon early retirement, a participant may elect to receive either a deferred monthly benefit equal to his accrued benefit commencing at normal retirement date or a reduced benefit equal to the actuarially equivalent benefit commencing immediately. Participants are eligible for Disability (not in the line of duty) after completing 15 years of credited service. Accrued benefits are based on credited service at time of disablement, payable immediately, plus a lump sum equal to six times the accrued monthly benefit. Participants who are disabled in the course of performance of duty are eligible for disability. The accrued benefit is based on credited service projected to age 62, payable immediately and reduced by any workers’ compensation benefits paid. A participant must complete 15 years of credited service to be eligible for death benefits. Death benefits are payable as 50% of the monthly benefit that the participant would have been entitled to if he/she had elected the 50% joint and survivor form of payment, payable at the earliest time benefits could have commenced to the participant. The Teacher’s DB Plan includes a Cost of Living adjustment of 3% per annum of the participant’s original benefit.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**B. Single-Employer Defined Benefit Plans (Continued)**

**General Information about the Defined Benefit Pension Plans (Continued)**

*Employees Covered by Benefit Terms* - At January 1, 2017, the valuation date, the following participants were covered by the benefit terms:

	County DB Plan	UOPP DB Plan	Teacher's DB Plan
Inactive employees or beneficiaries currently receiving benefits	787	160	433
Inactive employees entitled to, but not yet receiving benefits	23	28	-
Active employees	54	546	-
	<u>864</u>	<u>734</u>	<u>433</u>

*Contributions* - Provisions and contribution requirements in the County and the Teacher's DB Plans are established and may be amended by the Knox County Retirement and Pension Board in compliance with state law. For the UOPP DB Plan, some provisions and employee changes are limited based on wording in the Knox County Charter (Article VII, Section 7.05) while other provisions and employer contributions can be determined by the Knox County Retirement and Pension Board in compliance with state law. The Knox County Retirement and Pension Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by participants during the year, with an additional amount to finance net pension liabilities. Prior to July 1, 1991, County DB Plan participants contributed 5% of annual earnings. Effective July 1, 1991, all participant contributions were assumed by the County under Section 414(h) of the Internal Revenue Code. In the UOPP DB Plan, each participant shall contribute to the fund an amount equal to 6% of annual earnings. The employee accumulation will receive 4% simple interest. No participant contributions shall be required after a participant has completed 30 years of service. Each participant in the Teacher's DB Plan shall contribute an amount equal to 3% of base earnings (that part of earnings in any calendar year which does not exceed \$4,800 per annum) plus 5% of excess earnings (that part of earnings in any calendar year which are in excess of base earnings). For FY 2017, the employer contributions for the County, UOPP, and the Teacher's DB Plans were approximately 186.55%, 16.67%, and N/A, respectively, of annual covered payroll.

**Net Pension Liability**

The County, UOPP, and Teacher's DB Plans' net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of January 1, 2017.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**B. Single-Employer Defined Benefit Plans (Continued)**

**Net Pension Liability (Continued)**

*Actuarial Assumptions* - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for the County, UOPP, and Teacher's DB Plans.

	County DB Plan	UOPP DB Plan	Teacher's DB Plan
Actuarial Cost Method:	Individual Entry Age Normal Cost	Individual Entry Age Normal Cost	Individual Entry Age Normal Cost
Amortization Method:	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed
Remaining Amortization Period:	16 Years	26 Years	16 Years
Asset Valuation Method for Actuarial Determined Contributions:	5-year smoothed subject to a 10% corridor around the market value of assets	5-year smoothed subject to a 20% corridor around the market value of assets	5-year smoothed subject to a 10% corridor around the market value of assets
Discount and Investment Rate of Return:	7.00%	7.00%	7.00%
Salary Increases:	3.00%	3.00%	N/A
Cost of Living Increase	3.00%	3.125%	3.00%
Inflation	1.95%	1.95%	1.95%
Age at Retirement:	65 and five years of service	Participants hired before age 40, age 57 and 30 years of credited service. Participants hired after age 40, age 50 and 25 years	60 or immediately if older (25 years of service or greater), 62 or immediately if older (less than 25 years of service)
Mortality Table:	1983 Group Annuity (Male and Female)	1984 Unisex	1983 Group Annuity (Male and Female)
Disability Table:	RR 96-7 Post 94	RR 96-7 Post 94	N/A
Experience Study:	January 1, 2002 to December 31, 2011	January 1, 2008 to December 31, 2011	January 1, 2002 to December 31, 2011

*Expected Investment Rate of Return and Asset Allocation* - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The actual exposure and target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**B. Single-Employer Defined Benefit Plans (Continued)**

**Net Pension Liability (Continued)**

County and Teacher's DB Plans	Actual Exposure	Target Allocation
Investment Type:		
U.S. Equities	27%	22% - 33%
Non - U.S. Equities	27%	22% - 33%
Core Fixed Income	15%	12% - 18%
High Yield Fixed Income	15%	12% - 18%
U.S. Treasury Inflation Protected Securities	4%	3% - 7%
Private Real Estate	8%	5% - 9%
U.S. Real Estate (REITS)	2%	1% - 5%
Short-term and Cash and Cash Equivalents	2%	0% - 5%
Total	<u>100%</u>	
<u>UOPP DB Plan</u>		
Investment Type:		
U.S. Equities	30%	24% - 36%
Non - U.S. Equities	31%	24% - 36%
Core Fixed Income	11%	10% - 16%
High Yield Fixed Income	11%	9% - 14%
U.S. Treasury Inflation Protected Securities	4%	3% - 7%
Private Real Estate	8%	6% - 10%
U.S. Real Estate (REITS)	3%	1% - 5%
Short-term and Cash and Cash Equivalents	2%	0% - 5%
Total	<u>100%</u>	

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**B. Single-Employer Defined Benefit Plans (Continued)**

**Net Pension Liability (Continued)**

Best estimates of arithmetic real rates of return, net of assumed inflation rate, for each major investment classification included in the pension plan's target asset allocation as of June 30, 2017 are as follows:

Defined Benefit Plans (All Plans)	June 30, 2017 Long-Term Expected Real Rate of Return
Investment Type	
U.S. Equities	6.50%
Non - U.S. Equities	6.70%
Core Fixed Income	3.60%
High Yield Fixed Income	5.10%
U.S. Treasury Inflation Protected Securities	3.00%
Private Real Estate	5.75%
U.S. Real Estate (REITS)	5.30%

The assumed inflation rate is 1.95% per annum.

*Rates of Return* - The annual money-weighted rates of returns on defined benefit pension plan investments, net of pension plan expenses for the year ended June 30, 2017 were as follows:

Defined Benefit Plans:	2017
County DB Plan	11.98%
UOPP DB Plan	12.92%
Teacher's DB Plan	12.24%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

*Discount Rate* - The discount rate used to measure the total pension liability for each DB Plan was 7%. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the County, UOPP, and Teacher's DB Plans' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**B. Single-Employer Defined Benefit Plans (Continued)**

**Net Pension Liability (Continued)**

*Tennessee State Law for Local Government Sponsored Defined Benefit Plans* - In May 2014, the Tennessee General Assembly passed “The Public Employee Defined Benefit Financial Security Act of 2014”, Tennessee Code Section 9-3-501, which will require Knox County and the Knox County Board of Education to make annual employer contributions equal to 100% of its actuarially determined contributions (ADC), use the entry age normal cost method, limit future pension benefit improvements if the net pension plan funded ratio is less than 60% and other requirements beginning in fiscal year 2016 with various provisions phased in through FY 2020. As of June 30, 2017, the County DB Plan’s funded ratio was 59.81%. State law provides for penalties in the event that the funding level is below 60%, if the entity additionally provides benefit enhancements and fails to make contributions equal to the ADC. As the County made the required contributions and did not enhance benefits, there were no penalties.

**Changes in the Net Pension Liability**

The changes in the net pension liability for the plans for the fiscal year ended June 30, 2017 are as follows (dollar amounts in thousands):

	<u>County DB Plan</u>			<u>UOPP DB Plan</u>			<u>Teachers' DB Plan</u>		
	Increase (Decrease)			Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)	
Balance at June 30, 2016	\$ 74,711	\$ 42,321	\$ 32,390	\$ 189,642	\$ 151,192	\$ 38,450	\$ 70,670	\$ 58,047	\$ 12,623
Changes for the Year:									
Service Cost	161	-	161	3,163	-	3,163	-	-	-
Interest	4,982	-	4,982	13,252	-	13,252	4,719	-	4,719
Difference between Expected and Actual Experience	(851)	-	(851)	11,652	-	11,652	(775)	-	(775)
Change of Assumptions	-	-	-	(2,659)	-	(2,659)	-	-	-
Contribution - Employer	-	3,119	(3,119)	-	4,077	(4,077)	-	727	(727)
Contribution - Employee	-	96	(96)	-	1,579	(1,579)	-	-	-
Net Investment Income (Loss)	-	4,970	(4,970)	-	19,443	(19,443)	-	6,814	(6,814)
Benefit Payments including Refunds of Employee									
Contributions	(7,539)	(7,539)	-	(7,089)	(7,089)	-	(6,633)	(6,633)	-
Administrative Expense	-	(188)	188	-	(411)	411	-	(171)	171
Other Changes	-	(35)	35	-	-	-	-	-	-
Net Changes	(3,247)	423	(3,670)	18,319	17,599	720	(2,689)	737	(3,426)
Balance at June 30, 2017	\$ 71,464	\$ 42,744	\$ 28,720	\$ 207,961	\$ 168,791	\$ 39,170	\$ 67,981	\$ 58,784	\$ 9,197

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**B. Single-Employer Defined Benefit Plans (Continued)**

**Changes in the Net Pension Liability (Continued)**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the County, UOPP, and Teacher's DB Plans, calculated using the discount rate of 7%, as well as what the net pension liability (asset) would be for each plan if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate as of June 30, 2017:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County DB Plan Net Pension Liability	\$ 34,733,224	\$ 28,719,508	\$ 23,522,893
UOPP DB Plan Net Pension Liability	\$ 69,021,312	\$ 39,169,351	\$ 14,585,930
Teachers' DB Plan Net Pension Liability	\$ 14,528,393	\$ 9,196,676	\$ 4,525,299

*Pension Plan Fiduciary Net Position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports (or in the County, UOPP, and Teacher's DB Plans accompanying Pension Trust Fund financial statements).

**Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2017, the County and the Board recognized pension expense of \$3,610,936, \$8,104,366, and \$1,177,271, for the County, UOPP, and Teacher's Plans, respectively. At June 30, 2017, the County, UOPP, and Teacher's Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>County DB Plan</u>		<u>UOPP DB Plan</u>		<u>Teachers' DB Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 84,602	\$ 750,942	\$ 13,655,314	\$ -	\$ -	\$ -
Changes of assumptions	418,870	-	1,512,306	2,369,912	-	-
Net difference between projected and actual earnings on pension plan investments	1,253,373	-	2,148,044	-	1,666,901	-
Total	<u>\$ 1,756,845</u>	<u>\$ 750,942</u>	<u>\$ 17,315,664</u>	<u>\$ 2,369,912</u>	<u>\$ 1,666,901</u>	<u>\$ -</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**B. Single-Employer Defined Benefit Plans (Continued)**

**Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

<u>Years ended June 30,</u>	<u>County DB Plan</u>	<u>UOPP DB Plan</u>	<u>Teachers' DB Plan</u>
2018	\$ 932,146	\$ 3,377,211	\$ 942,950
2019	428,674	3,377,213	942,948
2020	77,698	1,988,069	367,674
2021	(432,615)	(181,357)	(586,671)
2022	-	1,603,273	-
Thereafter	-	4,781,343	-
Total	<u>\$ 1,005,903</u>	<u>\$ 14,945,752</u>	<u>\$ 1,666,901</u>

**Payable to Pension Plans**

At June 30, 2017, the County and the Board did not report a payable for any outstanding amount of employer contributions to the Plans required for the year ended June 30, 2017.

**Trend Information**

The schedules of changes in the County, UOPP, and Teacher's DB Plans' net pension liabilities and related ratios, the schedule of County and Board's employer contributions, and schedule of investment returns are presented in required supplementary information (RSI) following the notes to financial statements, and present multiyear trend information about whether each Plan's fiduciary net position is increasing or decreasing over time relative to the total pension liability and net pension liability and whether the County's and the Board's contributions are in accordance with the actuarially determined amounts.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**C. Agent Multiple-Employer Defined Benefit Plan**

**Summary of Significant Accounting Policies**

*Pensions* - For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Knox County Executive And Officials' participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Knox County Executive And Officials' fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**General Information about the Pension Plan**

*Plan Description* - Certain elected officials (employees) of Knox County are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided* - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**C. Agent Multiple-Employer Defined Benefit Plan (Continued)**

**General Information about the Pension Plan (Continued)**

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 1/2%. A 1% COLA is granted if the CPI change is between 1/2% and 1%. Members who leave employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms* - At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	6
Total	10

*Contributions* - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary and Knox County makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, employer contributions made by Knox County were \$122,413 based on a rate of 10.86% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Knox County state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**C. Agent Multiple-Employer Defined Benefit Plan (Continued)**

**Net Pension Liability (Asset)**

Knox County Executive And Officials' net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions* - The total pension liability as of the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Reporting Date	June 30, 2017
Measurement Date	June 30, 2016
Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	3.00%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%.
Investment Rate of Return	7.5%, net of investment expense, including inflation
Discount Rate	7.5% per annum, compounded annually
Cost of Living Adjustments	2.50%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**C. Agent Multiple-Employer Defined Benefit Plan (Continued)**

**Net Pension Liability (Asset) (Continued)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-term Securities	0.00%	1%
Total		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**C. Agent Multiple-Employer Defined Benefit Plan (Continued)**

**Net Pension Liability (Asset) (Continued)**

*Discount Rate* - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Knox County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015	\$ 2,093,527	\$ 1,955,717	\$ 137,810
Changes for the Year:			
Service Cost	45,891	-	45,891
Interest	157,436	-	157,436
Differences between expected and actual experience	64,944	-	64,944
Contributions - Employer	-	105,298	(105,298)
Contributions - Employees	-	48,435	(48,435)
Net Investment Income	-	52,836	(52,836)
Benefit Payments, including refunds of employee contributions	(80,538)	(80,538)	-
Administrative Expense	-	(454)	454
Net Change	187,733	125,577	62,156
Balance at June 30, 2016	\$ 2,281,260	\$ 2,081,294	\$ 199,966

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**C. Agent Multiple-Employer Defined Benefit Plan (Continued)**

**Net Pension Liability (Asset) (Continued)**

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate* - The following presents the net pension liability (asset) of Knox County Executive And Officials calculated using the discount rate of 7.5%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Knox County Executive And Official's Net Pension Liability (Asset)	<u>\$ 460,350</u>	<u>\$ 199,966</u>	<u>\$ (21,716)</u>

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources**

*Pension Expense* - For the year ended June 30, 2017, Knox County recognized a pension expense of \$68,210.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - For the year ended June 30, 2017, Knox County Executive And Officials reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 76,197	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	70,555	-
Contributions Subsequent to the Measurement date of June 30, 2016	<u>122,413</u>	<u>-</u>
Total	<u>\$ 269,165</u>	<u>\$ -</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**C. Agent Multiple-Employer Defined Benefit Plan (Continued)**

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2016,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30:	Amounts
2018	\$ 62,271
2019	29,371
2020	35,790
2021	19,320

In the table above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Payable to the Pension Plan**

At June 30, 2017, Knox County did not report a payable outstanding. Contributions were paid to the pension plan as required for the year ended June 30, 2017.

**Trend Information**

The schedule of changes in the Knox County Executive And Officials Plan’s net position liability and related ratios and the schedule of Knox County Executive And Officials Plan’s contributions are presented in required supplementary information (RSI) following the notes to financial statements, and present multiyear trend information about whether the Plan’s fiduciary net position is increasing or decreasing over time relative to the total pension liability and net pension liability and whether Knox County’s contributions are in accordance with the actuarially determined amounts.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans**

**Teacher's Legacy Plan**

**Summary of Significant Accounting Policies**

*Pensions* - For purposes of measuring the net pension liability (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

**General Information about the Pension Plan**

*Plan Description* - Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Knox County Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan was closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Boards of Education (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2017

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher's Legacy Plan (Continued)**

**General Information about the Pension Plan (Continued)**

*Benefits Provided* - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest 5 consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with 5 years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of livings adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 1/2%. A 1% COLA is granted if the CPI change is between 1/2% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions* - Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary and the LEAs make employer contributions at the rate set by the Board of Trustees of TCRS as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Knox County Schools for the year ended June 30, 2017 to the Teacher Legacy Pension Plan were \$19,584,444 which is 9.04% of covered payroll. At June 30, 2017, there were 3,902 active Board participants. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher's Legacy Plan (Continued)**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Liabilities (Assets)* - At June 30, 2017, Knox County Schools reported a liability of \$38,804,134 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Knox County Schools' proportion of the net pension liability was based on Knox County Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, Knox County Schools' proportion was 6.21%. The proportion measured as of June 30, 2015 was 6.26%.

*Pension Expense* - For the year ended June 30, 2017, Knox County Schools recognized pension expense of \$4,947,965.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - For the year ended June 30, 2017, Knox County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 1,633,016	\$ 46,978,948
Net Difference between Projected and Actual Earnings on Pension Plan Investments	43,325,341	-
Changes in Proportion of Net Pension Liability (Asset)	1,815,275	394,461
Board's Contributions Subsequent to the Measurement date of June 30, 2016	<u>19,584,444</u>	<u>-</u>
Total	<u>\$ 66,358,076</u>	<u>\$ 47,373,409</u>



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher’s Legacy Plan (Continued)**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Knox County Schools’ employer contributions of \$19,584,444, reported as pension related deferred outflows of resources subsequent to the measurement date of June 30, 2016, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. The increase in the net pension liability in 2017 is primarily due to a \$1.1 billion actuary investment loss at the state level that is being amortized through deferred outflows over five years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30:</u>	<u>Amounts</u>
2018	\$ (6,885,961)
2019	(6,885,961)
2020	13,897,178
2021	2,415,241
2022	(3,140,274)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial Assumptions* - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following assumptions applied to all periods included the measurement:

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher's Legacy Plan (Continued)**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Reporting Date	June 30, 2017
Measurement Date	June 30, 2016
Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	3.00%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%.
Investment Rate of Return	7.5%, net of investment expense, including inflation
Discount Rate	7.5% per annum, compounded annually
Cost of Living Adjustments	2.50%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher’s Legacy Plan (Continued)**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best- estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-term Securities	0.00%	1%
Total		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher’s Legacy Plan (Continued)**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Discount Rate* - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Knox County Schools will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents Knox County Schools’ proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5%, as well as what Knox County Schools’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Knox County Schools' Proportionate Share of the Net Pension Liability (Asset)	\$ 213,080,171	\$ 38,804,134	\$ (105,558,277)

*Pension Plan Fiduciary Net Position* - Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2017, Knox County Schools did not report a payable since all required employer contributions were made to the pension plan before the year ended June 30, 2017.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher's Legacy Plan (Continued)**

**Trend Information**

The schedule of Knox County Schools' proportionate share of the net pension liability (asset) in the Teacher Legacy Pension Plan and related ratios and the schedule of contributions are presented in required supplementary information (RSI) following the notes to financial statements, and present multiyear trend information about whether the Plan's fiduciary net position is increasing or decreasing over time relative to the total pension liability and net pension liability (asset) and whether the Knox County School's contributions are in accordance with the actuarially determined amounts.

**Teacher Retirement Plan**

**Summary of Significant Accounting Policies**

*Pensions* - For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan. Investments are reported at fair value.

**General Information about the Pension Plan**

*Plan Description* - Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Knox County Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher Retirement Plan (Continued)**

**General Information about the Pension Plan (Continued)**

*Benefits Provided* - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with 5 years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service-related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 1/2%. A 1% COLA is granted if the CPI change is between 1/2% and 1%. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions* - Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5% of salary and the LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, unless the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2017 to the Teacher Retirement Plan were \$1,595,419, which is 4.0% of covered payroll. At June 30, 2017, there were 1,040 active Board participants. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher Retirement Plan (Continued)**

**Mandatory Defined Contribution Plan**

As part of this plan, teachers hired after July 1, 2014 are required to participate in the State of Tennessee 401(k) Plan (see Note V - F) which requires the Board to make mandatory employer contributions of 5.0% of the participant's compensation.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Liabilities (Assets)* – At June 30, 2017, Knox County Schools reported an asset of \$668,960 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. Knox County Schools' proportion of the net pension asset was based on Knox County Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, Knox County Schools' proportion was 6.43%. The proportion measured as of June 30, 2015 was 6.83%.

*Pension Expense* – For the year ended June 30, 2017, Knox County Schools recognized pension expense of \$561,006.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher Retirement Plan (Continued)**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Deferred Outflows of Resources and Deferred Inflows of Resources* - For the year ended June 30, 2017, Knox County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 64,819	\$ 77,129
Net Difference between Projected and Actual Earnings on Pension Plan Investments	109,529	-
Changes in Proportion of Net Pension Liability (Asset)	11,285	-
Board's Contributions Subsequent to the Measurement date of June 30, 2016	1,595,419	-
Total	\$ 1,781,052	\$ 77,129

Knox County School's employer contributions of \$1,595,419 reported as pension related deferred outflows of resources, subsequent to the measurement date of June 30, 2016, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30:	Amounts
2018	\$ 28,018
2019	28,018
2020	28,018
2021	22,794
2022	(670)
Thereafter	2,326

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher Retirement Plan (Continued)**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Actuarial Assumptions* - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Reporting Date	June 30, 2017
Measurement Date	June 30, 2016
Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	3.00%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%.
Investment Rate of Return	7.5%, net of investment expense, including inflation
Discount Rate	7.5% per annum, compounded annually
Cost of Living Adjustments	2.50%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher Retirement Plan (Continued)**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best- estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market technique projects the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-term Securities	0.00%	1%
Total		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher Retirement Plan (Continued)**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Discount Rate* - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Knox County Schools will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents Knox County Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5%, as well as what Knox County Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Knox County Schools' Proportionate Share of the Net Pension Liability (Asset)	\$ 315,893	\$ (668,960)	\$ (1,394,597)

*Pension Plan Fiduciary Net Position* - Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2017, Knox County Schools did not report a payable since all required employer contributions were made to the pension plan before the year ended June 30, 2017.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**D. Cost Sharing Multiple-Employer Defined Benefit Plans (Continued)**

**Teacher Retirement Plan (Continued)**

**Trend Information**

The schedule of Knox County School's proportionate share of net pension liability (asset) in the Teacher Retirement Plan's and related ratios and the schedule of contributions are presented in required supplementary information (RSI) following the notes to financial statements, and present multiyear trend information about whether the Plan's fiduciary net position is increasing or decreasing over time relative to the total pension liability and net pension liability whether the Knox County School's contributions are in accordance with the actuarially determined amounts.

**E. Defined Contribution Plans**

Plan provisions and contribution requirements for the defined contribution plans are established and may be amended by the Knox County Retirement and Pension Board. Administrative costs of the plans are paid with plan assets in the DB Plans and the Disability (OPEB) Plan. Forfeitures from the DC Plans are used to fund the Disability (OPEB) Plan.

**Participant Loans – Defined Contribution Plans**

Effective September 1, 2016, the Asset Accumulation Plan and STAR was amended to allow for loans to active participants. Loan eligibility requirements are:

- Actively employed
- Fully vested (Asset Plan, 5 years; STAR, 10 years)
- Minimum account balance of \$20,000
- Minimum loan amount - \$5,000
- Maximum loan amount – 25% of account balance up to \$50,000
- Maximum loan term may not exceed 5 years
- Only one loan permitted at any time

**Participant Loan Program Sunset**

Unless extended by the Board, this Participant Loan Program will end on June 30, 2018. No loans may be originated after June 30, 2018.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

**Asset Accumulation Plan**

The *Asset Accumulation Plan* is a defined contribution plan established by Knox County under Section 401(a)(9) of the Internal Revenue Code. The plan covers a majority of the full time employees of the County and classified employees of the School Board. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Participation begins on the first day of employment and all eligible employees not participating in another County, Board or state retirement plan are required to participate. The plan requires all participants to contribute a minimum of 6% of compensation and the employer matching contribution is 6%. Participants are 100% vested in the employer contributions after completing five years of credited service.

At June 30, 2017, there were 4,368 active plan members. During the year, the County’s and Board’s employer and member contributions amounted to \$8,965,477 and \$8,965,477 respectively.

**Voluntary 457 Plan**

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%

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

In January 2008, the Pension Board added two additional outside 457 vendors as investment alternatives. Knoxville Teachers Credit Union (Board employees only) and Security Benefit were added January 1, 2008 and volunteer contributions made by participants in the Asset Accumulation Plan would also be eligible for the match offered by the employer. In September 2008, Nationwide, a third 457 vendor was added to the Program. Security Benefit was terminated as a 457(b) provider as of November 2015. Each vendor prepares separate financial reports and is not included in the Knox County Voluntary 457 Plan Trust.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**E. 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. Beginning July 2015, participants in UOPP and STAR were allowed to make contributions to the County's 457(b), but the County makes no matching contributions.

As of June 30, 2017, there were 851 Plan members in the Knox County Voluntary 457(b) Plan. During the year, member contributions amounted to \$2,596,005 and the County and Board contributed \$1,784,952.

**Medical Expense Retirement Plan (MERP)**

The *Medical Expense Retirement Plan*, a voluntary defined contribution plan, was established by the County 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 and Pension Board.

Beginning in fiscal year 2015, the employer match for active employees of 50% up to a calendar year employer maximum of \$208. This commitment for funding is for 5 years.

At June 30, 2017, the Medical Expense Retirement Plan had 1,344 members and 975 of them contributed funds to the plan. During the year employer and member contributions amounted to \$104,561 and \$230,086, respectively.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

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

**Sheriff's Total Accumulation Retirement Plan (STAR)**

In November 2012, the Knox County voters approved the closing of the Uniform Officers Pension Plan (UOPP) to all new officers and to have the Pension Board design another plan for officers employed by the Knox County Sheriff's Department. Effective January 1, 2014, the UOPP Plan was closed to all new-hires or re-hires. The new officer plan is called the *Sheriff's Total Accumulation Retirement Plan (STAR)*. STAR is a Defined Contribution Plan where the officer contributes 6% of pay and the County contributes a total of 12% of pay. Vesting by the officer is 10 year cliff vesting on the first 10% employer contribution and 15 year cliff vesting on the remaining 2% employer contribution. Employees have the responsibility of investing their contribution plus the 10% employer contribution from an array of investment options. The Pension Board manages the investment of the additional 2% of the employer contributions.

At June 30, 2017, the STAR Plan had 291 members. During the year employees contributed \$419,170 and the employer contributed \$698,464 for the basic 10% contribution and \$139,721 for the 2% supplemental contribution.

**F. Multiple-Employer Defined Contribution Plans**

**State of Tennessee 401(k) Plan - Teachers Hired Before July 1, 2014**

The TCRS Teacher Legacy Defined Benefit Plan (see Note V-D) allows Knox County Board of Education (Board) teachers and other certified personnel hired before July 1, 2014, to participate in the State of Tennessee 401(k) Plan as administered by the Tennessee Department of Treasury. Participation in this plan is optional and is 100% funded by participant's elective contributions. The Board does not make employer contributions to this plan. Plan benefits are dependent solely on amounts contributed by participants plus investment earnings. Employees are eligible to participate on the first day of employment.

At June 30, 2017 there were 27 active participants. During the year participant contributions amounted to \$131,153.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2017*

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

**F. Multiple-Employer Defined Contribution Plans (Continued)**

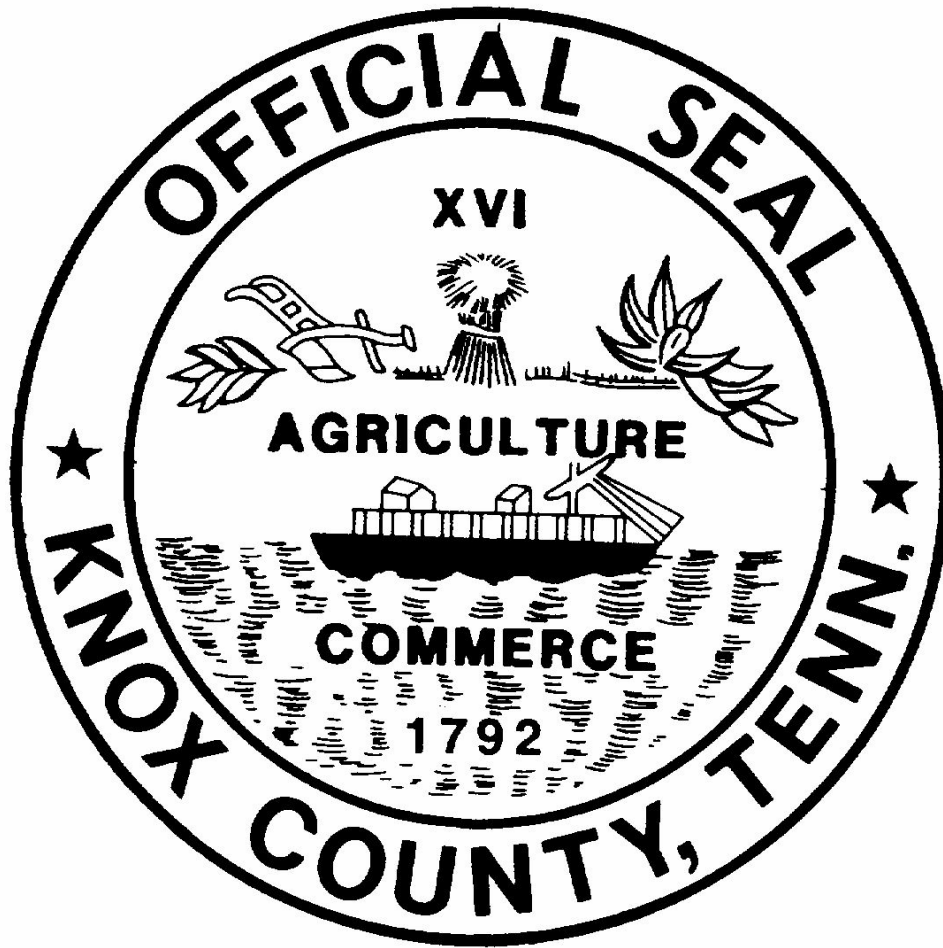
**State of Tennessee 401(k) Plan - Teachers Hired After July 1, 2014**

The TCRS Teacher Retirement Defined Benefit Plan (see Note V-D) requires all Knox County Board of Education (Board) teachers and other certified personnel hired after July 1, 2014, to participate in the State of Tennessee 401(k) Plan as administered by the Tennessee Department of Treasury. Participation is mandatory and begins on the first day of employment. The Board is required to make mandatory employer contributions of 5.0% of the participant's compensation. Elective employee deferrals are optional but can be up to the annual maximum amount permitted by the Internal Revenue Service. Participants are 100% immediately vested in the employer contributions. Plan benefits depend solely on amounts contributed to the plan plus investment earnings.

At June 30, 2017 there were 1,040 active participants. During the year the Board employer and participant contributions amounted to \$2,053,585 and \$619,642, respectively.



# Required Supplemental Information Section



**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2017*

**KNOX COUNTY RETIREMENT AND PENSION BOARD AND SYSTEM**  
**PENSION TRUST FUNDS OF KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF CHANGES IN COUNTY'S NET PENSION**  
**LIABILITY AND RELATED RATIOS**

**Last Three Fiscal Years Ending June 30**

(Dollar Amounts in Thousands)

	2017			2016			2015		
	Closed Defined Benefit Plan	UOPP	Teacher's Plan	Closed Defined Benefit Plan	UOPP	Teacher's Plan	Closed Defined Benefit Plan	UOPP	Teacher's Plan
<b>Single-Employer Defined Benefit Plans</b>									
Total Pension Liability									
Service Cost	\$ 162	\$ 3,163	\$ -	\$ 176	\$ 3,387	\$ -	\$ 164	\$ 3,605	\$ -
Interest	4,982	13,252	4,719	5,149	12,354	4,906	5,126	11,498	5,073
Differences between Expected and Actual Experience	(851)	11,652	(775)	(225)	1,812	(937)	447	2,569	(821)
Changes of Assumptions	-	(2,659)	-	-	1,900	-	2,214	-	-
Benefits Payment, including Refunds of Employee Contributions	(7,539)	(7,089)	(6,633)	(7,425)	(5,723)	(6,655)	(7,817)	(4,757)	(6,617)
Net Change in Total Pension Liability	(3,246)	18,319	(2,689)	(2,325)	13,730	(2,686)	134	12,915	(2,365)
Total Pension Liability - Beginning of Year *	74,710	189,642	70,670	77,035	175,912	73,356	76,901	162,997	75,721
Total Pension Liability - End of Year (a)	<u>\$ 71,464</u>	<u>\$ 207,961</u>	<u>\$ 67,981</u>	<u>\$ 74,710</u>	<u>\$ 189,642</u>	<u>\$ 70,670</u>	<u>\$ 77,035</u>	<u>\$ 175,912</u>	<u>\$ 73,356</u>
Plan Fiduciary Net Position									
Contributions - Employer	\$ 3,119	\$ 4,077	\$ 727	\$ 3,160	\$ 3,553	\$ 832	\$ 2,695	\$ 3,449	\$ 1,134
Contributions - Employees	96	1,579	1	94	1,620	4	109	1,654	9
Net Investment Income (Loss)	4,970	19,443	6,814	(419)	(214)	(437)	1,288	3,493	1,733
Other	-	-	-	-	-	-	6	-	-
Benefits Paid, including									
Refunds of Employee Contributions	(7,539)	(7,089)	(6,633)	(7,425)	(5,723)	(6,655)	(7,817)	(4,757)	(6,617)
Administrative Expenses	(187)	(410)	(172)	(229)	(439)	(122)	(355)	(788)	(274)
Transfers to Other DC Plans for Disability Benefits	(35)	-	-	(39)	-	-	(45)	-	-
Net Change in Plan Fiduciary Net Position	424	17,600	737	(4,858)	(1,203)	(6,378)	(4,119)	3,051	(4,015)
Plan Fiduciary Net Position, Beginning of Year	42,320	151,192	58,047	47,178	152,395	64,425	51,297	149,344	68,440
Plan Fiduciary Net Position, End of Year (b)	<u>\$ 42,744</u>	<u>\$ 168,792</u>	<u>\$ 58,784</u>	<u>\$ 42,320</u>	<u>\$ 151,192</u>	<u>\$ 58,047</u>	<u>\$ 47,178</u>	<u>\$ 152,395</u>	<u>\$ 64,425</u>
County's Net Pension Liability - Ending (a)-(b)	<u>\$ 28,720</u>	<u>\$ 39,169</u>	<u>\$ 9,197</u>	<u>\$ 32,390</u>	<u>\$ 38,450</u>	<u>\$ 12,623</u>	<u>\$ 29,857</u>	<u>\$ 23,517</u>	<u>\$ 8,931</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.81%	81.17%	86.47%	56.65%	79.72%	82.13%	61.24%	86.63%	87.82%
Covered Payroll **	\$ 1,672	\$ 24,457	\$ -	\$ 1,953	\$ 27,464	\$ -	\$ 2,038	\$ 29,171	\$ -
County's Net Pension Liability as a Percentage of Covered Payroll	1717.81%	160.16%	N/A	1659.59%	140.00%	N/A	1465.01%	80.62%	N/A

**Note:** Fiscal year 2015 was the first year that GASB 68 was adopted. Additional years will be added in the future.

\* The liability values the January 1 data is rolled forward to June 30 using a 7.0% discounted rate.

\*\* The covered payroll is for the twelve month period ended January 1 of each year and covered payroll for the Teacher's Plan is \$0 since all active employees are over Normal Retirement Age.

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2017*

**KNOX COUNTY RETIREMENT AND PENSION BOARD AND SYSTEM**  
**PENSION TRUST FUNDS OF KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF COUNTY'S AND BOARD'S EMPLOYER PENSION CONTRIBUTIONS**

**Last Three Fiscal Years Ending June 30**

**(Dollar Amounts in Thousands)**

	2017			2016			2015		
	Closed Defined Benefit Plan	UOPP	Teacher's Plan	Closed Defined Benefit Plan	UOPP	Teacher's Plan	Closed Defined Benefit Plan	UOPP	Teacher's Plan
<b>Single-Employer Defined Benefit Plans</b>									
Actuarially Determined Contribution (ADC)	\$ 3,119	\$ 4,077	\$ 727	\$ 3,111	\$ 3,547	\$ 832	\$ 2,660	\$ 3,434	\$ 1,134
Contributions in Relation to the Actuarially Determined Contribution	3,119	4,077	727	3,160	3,553	832	2,695	3,449	1,134
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ (49)	\$ (6)	\$ -	\$ (35)	\$ (15)	\$ -
Covered Payroll *	\$ 1,672	\$ 24,457	\$ -	\$ 1,953	\$ 27,469	\$ -	\$ 2,038	\$ 29,171	\$ -
Contributions as a Percentage of Covered Payroll	186.55%	16.67%	N/A	161.82%	12.94%	N/A	132.22%	11.82%	N/A

Notes:

\* Covered payroll is for the 12 month period ended January 1. The covered payroll for the Teacher's Plan is \$0 since all active employees are over Normal Retirement Age.

A. 2015 was the first year that GASB 68 was adopted. Additional years will be added in the future.

B. Valuation Dates: January 1.

Measurement Dates: July 1 to June 30.

Actuarial determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry Age, Normal Cost (All Plans)
Amortization Method	Level Dollar, Closed Period (All Plans)
Remaining Amortization Period	16 Years (Closed DB, Teacher's Plan) and 26 Years (UOPP)
Asset Valuation Method	Closed DB and Teacher's Plan: 5-year smoothed subject to a 10% corridor around the market value of assets. UOPP: 5-year smoothed subject to a 20% corridor around the market value of assets.
Salary Increases	3% (Closed DB and UOPP), N/A for Teacher's Plan
Cost of Living Increases	3% (Closed DB and Teacher's Plan) and 3.25% (UOPP)
Investment Rate of Return	7%, Net of Pension Plan Investment Expense, including inflation (All Plans)
Retirement Age	Closed DB: 65 Years and 5 Years of Service Teacher's: 60 Years UOPP: Participants hired before age 40, age 57 and 30 years of credited service. Participants hired after 40, age 50 and 25 years of credited service.
Mortality Table	1983 Group Annuity Mortality Table for males and females (Closed DB and Teacher's Plan) and 1984 Unisex (UOPP)
Disability Table	RR 96-7 Post 94 (Closed DB and UOPP), N/A for Teacher's Plan
Distribution	100% Annuity

KNOX COUNTY, TENNESSEE  
**Required Supplementary Information**  
*June 30, 2017*

**KNOX COUNTY RETIREMENT AND PENSION BOARD AND SYSTEM  
PENSION TRUST FUNDS OF KNOX COUNTY, TENNESSEE  
SCHEDULE OF INVESTMENT RETURNS**

**Last Three Fiscal Years Ending June 30**

	2017			2016			2015		
	Closed		Teacher's	Closed		Teacher's	Closed		Teacher's
	Defined	Benefit Plan		Defined	Benefit Plan		Defined	Benefit Plan	
<b><u>Single-Employer Defined Benefit Plans</u></b>	<u>Benefit Plan</u>	<u>UOPP</u>	<u>Plan</u>	<u>Benefit Plan</u>	<u>UOPP</u>	<u>Plan</u>	<u>Benefit Plan</u>	<u>UOPP</u>	<u>Plan</u>
Annual Money-Weight Rate of Return									
(Loss) Net of Investment Expenses	<u>11.98%</u>	<u>12.92%</u>	<u>12.24%</u>	<u>(0.90%)</u>	<u>(0.14%)</u>	<u>(0.70%)</u>	<u>2.59%</u>	<u>2.34%</u>	<u>2.62%</u>

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2017*

**SCHEDULE OF CHANGES IN KNOX COUNTY EXECUTIVE AND OFFICIAL'S NET PENSION  
LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE  
KNOX COUNTY EXECUTIVES AND OFFICIAL'S PUBLIC PENSION PLAN OF TCRS**

**Last Three Fiscal Years Ending June 30\***

<b>Agent Multiple-Employer Defined Benefit Plan - TCRS</b>	<b>2017*</b>	<b>2016*</b>	<b>2015*</b>
Total Pension Liability			
Service Cost	\$ 45,891	\$ 38,325	\$ 52,980
Interest	157,436	142,449	134,723
Differences between Expected and Actual Experience	64,944	91,692	9,345
Benefits Payment, including Refunds of Employee Contributions	<u>(80,538)</u>	<u>(79,872)</u>	<u>(78,871)</u>
Net Change in Total Pension Liability	187,733	192,594	118,177
Total Pension Liability - Beginning of Year	<u>2,093,527</u>	<u>1,900,933</u>	<u>1,782,756</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 2,281,260</u></u>	<u><u>\$ 2,093,527</u></u>	<u><u>\$ 1,900,933</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 105,298	\$ 102,177	\$ 90,961
Contributions - Employees	48,435	47,000	42,505
Net Investment Income	52,836	57,404	256,275
Benefits Paid, including			
Refunds of Employee Contributions	(80,538)	(79,872)	(78,871)
Administrative Expenses	<u>(454)</u>	<u>(305)</u>	<u>(313)</u>
Net Change in Plan Fiduciary Net Position	125,577	126,404	310,557
Plan Fiduciary Net Position, Beginning of Year	<u>1,955,717</u>	<u>1,829,313</u>	<u>1,518,756</u>
Plan Fiduciary Net Position, End of Year (b)	<u><u>\$ 2,081,294</u></u>	<u><u>\$ 1,955,717</u></u>	<u><u>\$ 1,829,313</u></u>
Net Pension Liability (asset) - Ending (a)-(b)	<u><u>\$ 199,966</u></u>	<u><u>\$ 137,810</u></u>	<u><u>\$ 71,620</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.23%	93.42%	96.23%
Covered Payroll	\$ 968,701	\$ 939,994	\$ 850,101
Net Pension Liability (asset) as a Percentage of Covered Payroll	20.64%	14.66%	8.42%

Note:

\* The amounts presented were determined as of June 30 of the prior year (measurement date).

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2017*

**SCHEDULE OF KNOX COUNTY EXECUTIVE AND OFFICIAL'S EMPLOYER CONTRIBUTIONS  
 BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS  
 KNOX COUNTY EXECUTIVE AND OFFICIAL'S**

**Last Four Fiscal Years Ending June 30**

<b>Agent Multiple-Employer Defined Benefit Plan - TCRS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially Determined Contribution (ADC)	\$ 122,413	\$105,298	\$ 102,177	\$ 90,961
Contributions in Relation to the Actuarially Determined Contribution	<u>122,413</u>	<u>105,298</u>	<u>102,177</u>	<u>90,961</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,126,703	\$968,701	\$ 939,994	\$ 850,101
Contributions as a Percentage of Covered Payroll	10.86%	10.87%	10.87%	10.70%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**NOTES:**

Valuation Date: Actuarially determined contribution rates for the year ended June 30, 2017 were calculated based on the June 30, 2015 valuation.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Various
Asset Valuation Method	10-year smoothed within a 20% corridor to market value
Inflation	3%
Salary Increases	Graded salary ranges from 8.97 to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.5%, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50%

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2017*

**SCHEDULE OF KNOX COUNTY SCHOOLS'**  
**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**TEACHER LEGACY PENSION PLAN OF TCRS**

**Last Three Fiscal Years Ending June 30\***

<b><u>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</u></b>	<b><u>2017*</u></b>	<b><u>2016*</u></b>	<b><u>2015*</u></b>
Knox County School's Proportion of the Net Pension Liability (Asset)	6.21%	6.26%	6.25%
Knox County School's Proportionate Share of the Net Pension Liability (Asset)	\$ 38,804,134	\$ 2,564,810	\$ (1,016,013)
Knox County School's Covered Payroll	\$ 224,140,267	\$ 234,393,501	\$ 245,412,756
Knox County School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	17.31%	1.09%	(0.41%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.14%	99.81%	100.08%

\* The amounts presented were determined as of June 30 of the prior year (measurement date).

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2017*

**SCHEDULE OF KNOX COUNTY SCHOOLS' EMPLOYER CONTRIBUTIONS**  
**TEACHER LEGACY PENSION PLAN OF TCRS**

**Last Four Fiscal Years Ending June 30**

<b>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</b>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 19,584,444	\$ 20,262,260	\$ 21,188,757	\$ 21,792,648
Contributions in Relation to the Contractually Required Contribution	<u>19,584,444</u>	<u>20,262,260</u>	<u>21,188,757</u>	<u>21,792,648</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Knox County School's Covered Payroll	\$ 216,642,427	\$ 224,140,267	\$ 234,393,501	\$ 245,412,706
Contributions as a Percentage of Knox County School's Covered Payroll	9.04%	9.04%	9.04%	8.88%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**NOTES:**

Valuation Date: Actuarially determined contribution rates for the year ended June 30, 2017 were calculated based on the June 30, 2015 valuation.

**Methods and Assumptions used to Determine Contribution Rates:**

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	7 years
Asset Valuation Method	10-year smoothed within a 20% corridor to market value
Inflation	
Salary Increases	Graded salary ranges from 8.97 to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.5%, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	



**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2017*

**SCHEDULE OF KNOX COUNTY SCHOOLS'  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
TEACHER RETIREMENT PLAN OF TCRS**

**Last Two Fiscal Year Ending June 30\***

<u>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</u>	<u>2017*</u>	<u>2016*</u>
Knox County School's Proportion of the Net Pension Liability (Asset)	6.43%	6.97%
Knox County School's Proportionate Share of the Net Pension Liability (Asset)	\$ (668,960)	\$ (280,487)
Knox County School's Covered Payroll	\$ 28,274,452	\$ 14,486,226
Knox County School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(2.37)%	(1.94)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	121.88%	127.46%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**NOTES:**

Valuation Date: Actuarially determined contribution rates for the year ended June 30, 2017 were calculated based on a June 30, 2015 valuation.

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2017*

**SCHEDULE OF KNOX COUNTY SCHOOLS' EMPLOYER CONTRIBUTIONS**  
**TEACHER RETIREMENT PLAN OF TCRS**

**Last Three Fiscal Years Ending June 30**

<u>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Contractually Required Contribution	\$ 1,595,419	\$ 707,767	\$ 362,156
Contributions in Relation to the Contractually Required Contribution	<u>1,595,419</u>	<u>1,130,975</u>	<u>579,452</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (423,208)</u>	<u>\$ (217,296)</u>
Knox County School's Covered Payroll	\$ 39,885,536	\$ 28,274,452	\$ 14,486,226
Contributions as a Percentage of Knox County School's Covered Payroll	4.00%	4.00%	4.00%

Note:

\* This plan started July 1, 2014.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.  
Years will be added to this schedule in future fiscal years until 10 years of information is available.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	7 years
Asset Valuation Method	10-year smoothed within a 20% corridor to market value
Inflation	3%
Salary Increases	Graded salary ranges from 8.97 to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.5%, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50%

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2017*

**Schedule of Funding Progress OPEB – Employee Disability Plan:  
(Last Four Fiscal Years)**

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Liability (AAL) - EAN (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll ** (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
OPEB - Employee Disability Plan:						
6/30/2017	\$ 1,270,556	\$ 2,790,372	\$ 1,519,816	45.53%	\$ 162,812,962	0.93%
6/30/2016	1,451,902	3,036,796	1,584,894	47.81%	156,080,523	1.02%
6/30/2015	1,247,594	2,309,559	1,061,965	54.02%	160,261,808	0.66%
6/30/2014	367,920	1,983,227	1,615,307	18.55%	152,946,739	1.06%

\*\* Includes payroll for all employees eligible for a disability benefit under the Closed DB, Asset Accumulation, UOPP and STAR plans.

**Schedule of Employer OPEB Contributions – Employee Disability Plan  
(Last Four Fiscal Years)**

OPEB - Employee Disability Plan

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2017	\$ 461,490	\$ 1,084,380	235%	\$ (2,133,764)
2016	530,426	1,183,523	223%	(1,550,766)
2015	527,447	1,099,376	208%	(918,716)
2014	N/A	354,018	N/A	(354,018)

Note: (A) The effective date of this Plan is January 1, 2014, therefore there was no actuarial required contribution for FY 2014. Additional years will be added in the future.

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2017*

**Schedule of Funding Progress OPEB – Retiree Healthcare Plan:  
(Last Four Actuarial Valuation Years)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b - a)/c)
OPEB - Retiree Healthcare Plan:						
10/1/2016	\$ -	\$ 9,983,537	\$ 9,983,537	0.00%	N/A	N/A
7/1/2015	-	2,749,997	2,749,997	0.00%	N/A	N/A
7/1/2013	-	2,809,911	2,809,911	0.00%	N/A	N/A
7/1/2011	-	2,623,061	2,623,061	0.00%	N/A	N/A

**Schedule of Employer OPEB Contributions – Retiree Healthcare Plan  
(Last Two Fiscal Years)**

OPEB - Retiree Healthcare Plan

Year Ended June 30,	Annual OPEB Cost	Percentage of Actual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 1,018,483	27.4%	\$ 789,282
2016	336,808	36.7%	1,300,238

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2017*

**Schedule of Funding Progress OPEB – Local Education Employee Group Plan:  
(Last Three Actuarial Valuation Years)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) (b-a/c)
<b>OPEB - Local Education Employee Group Plan:</b>						
7/1/2015	\$ -	\$ 26,187	\$ 26,187	0.00%	\$ 234,394	N/A
7/1/2013	-	20,750	20,750	0.00%	256,977	N/A
7/1/2011	-	26,639	26,639	0.00%	281,765	N/A

Note: Amounts in thousands

**Schedule of Employer OPEB Contributions – Local Education Employee Group Plan  
(Last Three Fiscal Years)**

OPEB - Local Education Employee Group Plan

Year Ended June 30,	Annual OPEB Cost	Percentage of Actual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 2,965,441	72%	\$ 11,170,487
2016	2,866,606	62%	10,351,295
2015	2,244,991	76%	9,258,624

# 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, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,065,823	\$ 15,176,981
Investments, at Fair Value	51,620,411	54,860,946
Receivables (Net of Allowances for Uncollectibles):		
Accounts	20,022,630	9,697,254
Local Taxes	117,485,325	115,465,978
Notes	756,000	892,000
Due from Other Funds	1,523,982	956,895
Inventories	274,746	427,863
Prepaid Items	197,220	196,792
Investments in Joint Venture	5,156,838	5,337,350
<b>TOTAL ASSETS</b>	<u><u>\$ 202,102,975</u></u>	<u><u>\$ 203,012,059</u></u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 7,652,691	\$ 11,512,573
Due to Other Funds	1,901,216	3,419,692
Due to Component Units	91,042	147,314
Unearned Revenue	98,180	60,501
<b>TOTAL LIABILITIES</b>	<u>9,743,129</u>	<u>15,140,080</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Taxes and Notes Receivable	<u>117,534,812</u>	<u>115,590,037</u>
<b>FUND BALANCES</b>		
Nonspendable	5,628,804	5,962,005
Restricted	2,381,149	2,450,091
Committed	2,525,359	2,297,348
Assigned	387,963	789,441
Unassigned	63,901,759	60,783,057
<b>TOTAL FUND BALANCES</b>	<u>74,825,034</u>	<u>72,281,942</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u><u>\$ 202,102,975</u></u>	<u><u>\$ 203,012,059</u></u>



**KNOX COUNTY, TENNESSEE**

**General Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances  
For the Years Ended June 30, 2017 and 2016**

	2017	2016
<b>Revenues</b>		
County Property Taxes	\$ 119,970,100	\$ 118,263,054
Local Option Sales Taxes	4,891,714	4,425,487
Business Taxes	9,535,521	9,301,725
Wheel Taxes	549,149	532,699
Other Local Taxes	2,942,891	2,991,976
Licenses and Permits	4,893,377	4,415,268
Fines, Forfeitures and Penalties	2,399,222	2,716,773
Charges for Current Services	7,674,607	7,152,072
Other Local Revenues	5,119,448	4,827,617
State of Tennessee	13,198,822	13,883,964
Federal Government	1,122,518	1,208,814
Other Governments and Citizen Groups	262,564	588,883
Total Revenues	172,559,933	170,308,332
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	24,807,767	24,536,766
Finance and Administration - Payments to Component Unit	5,603,874	9,553,874
Administration of Justice	17,799,016	17,389,378
Public Safety	80,687,333	79,193,115
Public Safety - Payments to Component Unit	856,322	326,200
Public Health and Welfare	22,286,567	20,242,281
Public Health and Welfare - Payments to Component Unit	166,628	166,628
Social and Cultural Services	5,314,393	5,123,600
Agricultural and Natural Resources	518,339	490,451
Other General Government	15,149,789	15,709,676
Other General Government - Payments to Component Unit	665,000	625,000
Decrease in Equity Interest in Joint Venture	180,513	153,036
Total Expenditures	174,035,541	173,510,005
Deficiency of Revenues		
Under Expenditures	(1,475,608)	(3,201,673)
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	10,900,778	10,741,900
Transfers to Other Funds	(6,882,078)	(5,007,222)
Total Other Financing Sources	4,018,700	5,734,678
Net Change in Fund Balances	2,543,092	2,533,005
Fund Balances, July 1	72,281,942	69,748,937
Fund Balances, June 30	\$ 74,825,034	\$ 72,281,942

## **CAPITAL PROJECTS FUNDS - MAJOR**

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

**Public Improvement Fund:** This fund is used to account for the County construction projects in process. These public improvement construction projects include, but are not limited to, highway projects, sewer lines, recreation facilities, public library facilities, City-County Building renovations, Knox Central facilities, and golf course improvements.

---

**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)**  
**Comparative Balance Sheets**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 956,082	\$ 1,776,560
Investments, at Fair Value	9,742,414	6,780,566
Receivables (Net of Allowances for Uncollectibles):		
Accounts	100	1,052
Loans	250,000	-
Due from Other Funds	10,818	378,598
Due from Component Units	-	1,351
	<u>-</u>	<u>1,351</u>
<b>TOTAL ASSETS</b>	<u>\$ 10,959,414</u>	<u>\$ 8,938,127</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 4,736,711	\$ 2,800,415
Due to Other Funds	-	1,442
Due to Component Units	-	158,802
	<u>-</u>	<u>158,802</u>
<b>TOTAL LIABILITIES</b>	<u>4,736,711</u>	<u>2,960,659</u>
 <b>Fund Balances:</b>		
Restricted	5,972,703	5,977,468
Committed	250,000	-
	<u>250,000</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>6,222,703</u>	<u>5,977,468</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 10,959,414</u>	<u>\$ 8,938,127</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, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Investment Earnings	\$ -	\$ 1,609
Other Local Revenues	354,105	456,435
State of Tennessee	1,110,113	96,412
Other Governments and Citizen Groups	-	498,094
	<hr/>	<hr/>
Total Revenues	1,464,218	1,052,550
	<hr/>	<hr/>
<b>Expenditures</b>		
Capital Projects	29,114,026	26,501,590
Debt Proceeds Paid to Component Unit	70,750,000	19,385,000
Public Safety-Payments to Component Unit	-	158,802
Debt Issuance Costs	481,587	196,957
Other	11,100	1,959
	<hr/>	<hr/>
Total Expenditures	100,356,713	46,244,308
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(98,892,495)	(45,191,758)
	<hr/>	<hr/>
<b>Other Financing Sources (Uses)</b>		
Long-term Bonds Issued	90,265,000	35,900,000
Premium on Long-term Debt Issued	8,436,587	2,206,016
Transfers from Other Funds	437,752	411,890
Transfers to Other Funds	(1,609)	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	99,137,730	38,517,906
	<hr/>	<hr/>
Net Change in Fund Balances	245,235	(6,673,852)
	<hr/>	<hr/>
Fund Balances, July 1	5,977,468	12,651,320
	<hr/>	<hr/>
Fund Balances, June 30	<u>\$ 6,222,703</u>	<u>\$ 5,977,468</u>

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)  
 Schedule of Construction Project Expenditures-  
 Budget And Actual

For the Year Ended June 30, 2017

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Knob Creek Bridge	\$ 578,925	\$ 313,968	\$ -	\$ 313,968	\$ 264,957
Bob Gray Roundabouts	1,417,067	1,170,285	-	1,170,285	246,782
Bridge Replacement	7,681,782	6,154,151	146,086	6,300,237	1,381,545
Lovell Road	2,997,627	2,609,258	-	2,609,258	388,369
Maynardville/Norris/Emory	1,829,730	1,820,709	8,999	1,829,708	22
Parkside Drive Extension	16,084,572	13,064,394	2,361,099	15,425,493	659,079
Karns Connector	4,830,570	748,448	1,368,548	2,116,996	2,713,574
National Drive-John Sevier Highway	994,951	867,607	111,424	979,031	15,920
General Road Improvements	1,165,773	436,233	282,128	718,361	447,412
State Road Projects	7,303,600	4,098,729	1,592,404	5,691,133	1,612,467
Gibbs Middle School - New Road/Drives	601,073	-	675,704	675,704	(74,631)
Hardin Valley Middle School - New Road/Drive	847,913	-	847,913	847,913	-
Schaeffer Road Relocation	1,143,631	93,734	398,612	492,346	651,285
Fox Lonas Drive Improvement	388,943	-	-	-	388,943
General Culvert Maintenance	419,884	279,884	82,159	362,043	57,841
Ebenezer/Gleason Intersection	3,179,007	556,277	2,307,807	2,864,084	314,923
Emory/Fairview/Thompson Road	1,000,000	-	832,400	832,400	167,600
West Beaver Creek Relocation	1,000,000	-	-	-	1,000,000
Schaad Road Phase II	12,239,740	735,561	658,007	1,393,568	10,846,172
Buttermilk Road Realignment	250,000	-	-	-	250,000
<i>Total Road Construction</i>	<i>65,954,788</i>	<i>32,949,238</i>	<i>11,673,290</i>	<i>44,622,528</i>	<i>21,332,260</i>
<i>Building Renovations:</i>					
Juvenile Court/ Detention	14,390,588	14,571,295	74,881	14,646,176	(255,588)
County Wide Renovations	200,000	-	-	-	200,000
Knox Central	1,860,037	2,705,499	12,045	2,717,544	(857,507)
Knox Central CIP '11	78,632	225	-	225	78,407
Fairview Technical Center	153,500	51,812	4,295	56,107	97,393
John Tarleton	159,134	148,085	-	148,085	11,049
John Tarleton Admin. Building	750,000	253,481	1,066,361	1,319,842	(569,842)
AJ/ Dwight Kessel Garage	3,139,371	1,953,462	6,703	1,960,165	1,179,206
City/County Improvement	15,296,019	14,197,854	499,100	14,696,954	599,065
Knox County Health Renovations	11,743,466	11,439,956	24,671	11,464,627	278,839
Old Courthouse Renovation	4,083,040	3,186,943	67,800	3,254,743	828,297
Jail Improvements	1,111,550	830,848	223,799	1,054,647	56,903
ADA Improvements	920,000	360,421	653,059	1,013,480	(93,480)
Family Justice Center	248,700	124,499	49,560	174,059	74,641
E-911 Center	684,855	123,313	131,357	254,670	430,185
Northshore Drive & Choto Road	631,387	621,925	9,462	631,387	-
Courtroom Improvement	6,500	-	-	-	6,500
<i>Total Building Renovations</i>	<i>55,456,779</i>	<i>50,569,618</i>	<i>2,823,093</i>	<i>53,392,711</i>	<i>2,064,068</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, 2017

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Building Construction:</i>					
South Sportsplex	107,000	-	-	-	107,000
Lawson McGhee Library	1,400,543	1,104,064	279,875	1,383,939	16,604
Carter Branch Library	40,000	-	31,225	31,225	8,775
Senior Centers	81,800	39,984	36,697	76,681	5,119
Medical Examiner	4,250,000	5,668,891	9,729	5,678,620	(1,428,620)
Karns Senior Center	1,500,000	1,393,398	40,118	1,433,516	66,484
Safety Center	1,000,000	-	-	-	1,000,000
<i>Total Building Construction:</i>	<u>8,379,343</u>	<u>8,206,337</u>	<u>397,644</u>	<u>8,603,981</u>	<u>(224,638)</u>
<i>Other:</i>					
Knox-Blount Greenway-Phase I	360,198	13,195	-	13,195	347,003
Halls Park - School Link Phase II	202,660	333,791	-	333,791	(131,131)
Knox-Blount Greenway-Phase II	145,198	49,247	-	49,247	95,951
Powell Community Center	200,000	-	201,814	201,814	(1,814)
Plumb Creek Dog Park	100,000	-	-	-	100,000
Park Facility Improvement	1,286,766	840,802	60,815	901,617	385,149
Greenways	33,253	17,856	15,397	33,253	-
Major Equipment - Three Ridges	35,000	-	35,000	35,000	-
Technology Upgrade - Libraries	1,250,000	531,978	68,009	599,987	650,013
Criminal Court Imaging System	400,000	-	284,021	284,021	115,979
Finance Software Upgrade	1,569,308	1,427,590	-	1,427,590	141,718
PBA Project Management	6,619,294	4,541,995	141,729	4,683,724	1,935,570
Public Defender	87,000	-	34,227	34,227	52,773
Telecommunications Upgrades	110,302	85,349	24,953	110,302	-
Forensic Center Major Upgrade	20,000	-	15,300	15,300	4,700
Energy Management Project - County	16,176,571	19,491,782	(5,487,054)	14,004,728	2,171,843
Energy Management Project - Phase II	10,514,141	-	10,374,942	10,374,942	139,199
Major Equipment - Engineering & Public Works	1,465,203	615,024	629,578	1,244,602	220,601
Major Equipment - Information Technology	533,838	236,301	126,120	362,421	171,417
Major Equipment - Sheriff's Department	5,350,177	1,764,276	2,301,097	4,065,373	1,284,804
Major Equipment - Parks & Recreation	390,145	169,338	147,345	316,683	73,462
Major Equipment - Fire Prevention	53,726	26,000	27,000	53,000	726
Major Equipment - Public Library	223,973	35,906	188,055	223,961	12
Major Equipment - Codes Administration	75,000	25,000	43,278	68,278	6,722
Major Equipment - Solid Waste	57,709	28,390	-	28,390	29,319
Major Equipment - Circuit Court	80,000	79,804	-	79,804	196
Major Equipment - Juvenile Court	32,000	30,032	-	30,032	1,968
Major Equipment - Criminal Court	80,000	78,821	-	78,821	1,179
Major Equipment - Medical Examiner	60,000	58,698	-	58,698	1,302
Major Equipment - Animal Center	100,000	25,504	-	25,504	74,496
Major Equipment - Soil Conservation	25,000	-	25,000	25,000	-
Major Equipment - John Tarleton	500,000	-	502,298	502,298	(2,298)
Major Equipment - Sheriff's Radios	2,204,437	-	2,204,437	2,204,437	-
Solway Yard Waste Facility	1,386,400	1,363,255	-	1,363,255	23,145
Stormwater Management	14,357,620	12,924,461	837,249	13,761,710	595,910

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)**  
**Schedule of Construction Project Expenditures-**  
**Budget And Actual (Continued)**

For the Year Ended June 30, 2017

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
Tazewell Pike Convenience Center	100,000	-	-	-	100,000
Geometric Improvements	3,731,171	2,904,046	168,289	3,072,335	658,836
County Sidewalk	1,430,290	840,776	384,370	1,225,146	205,144
Major Equipment - Engineering & Public Works	2,850,260	2,847,602	2,658	2,850,260	-
Safety Projects	476,275	-	105,466	105,466	370,809
Powell Center Office Addition	4,671	-	4,671	4,671	-
Plumb Creek	300,000	10,250	31,605	41,855	258,145
Facility Improvements	681,541	354,221	327,320	681,541	-
Carter Conv. Center Expansion	750,000	-	-	-	750,000
Major Equipment - Juvenile Service Ctr.	23,000	8,923	7,405	16,328	6,672
Major Equipment - Fleet Service	24,200	-	-	-	24,200
Major Equipment - Animal Center	400,000	273,280	94,716	367,996	32,004
Ameresco Solar Project - County	3,158,684	2,865,895	292,789	3,158,684	-
I.C. King Park Expansion	1,225,000	725,000	100	725,100	499,900
Public Access to Beaver Creek	50,000	-	-	-	50,000
<i>Total Other</i>	81,290,011	55,624,388	14,219,999	69,844,387	11,445,624
<i>Total Capital Projects</i>	\$ 211,080,921	\$ 147,349,581	\$ 29,114,026	\$ 176,463,607	\$ 34,617,314

## **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, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 955,339	\$ 6,997,571
Investments, at Fair Value	9,734,839	-
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	56,740,161	55,879,328
Notes	1,455,000	7,475,000
Accounts	20,000	-
Due from Component Units	-	13,022,088
Advance to Other Entity	2,445,000	2,465,000
	<u>2,445,000</u>	<u>2,465,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 71,350,339</u></u>	<u><u>\$ 85,838,987</u></u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 6,259	\$ 6,761
	<u>6,259</u>	<u>6,761</u>
<b>TOTAL LIABILITIES</b>	<u>6,259</u>	<u>6,761</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Taxes and Notes Receivable	<u>56,427,204</u>	<u>61,561,266</u>
<b>FUND BALANCES</b>		
Restricted	260,242	83,528
Committed	14,656,634	24,187,432
	<u>14,916,876</u>	<u>24,270,960</u>
<b>TOTAL FUND BALANCES</b>	<u>14,916,876</u>	<u>24,270,960</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u><u>\$ 71,350,339</u></u>	<u><u>\$ 85,838,987</u></u>

---

## KNOX COUNTY, TENNESSEE

### Debt Service Fund (Major) Comparative Statements of Revenues, Expenditures And Changes in Fund Balances For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Property Taxes	\$ 52,794,221	\$ 52,316,064
Other Local Revenues	2,476,499	2,580,575
Payments from Component Units	12,870,448	13,022,088
Total Revenues	<u>68,141,168</u>	<u>67,918,727</u>
<b>Expenditures</b>		
Debt Service:		
Trustee's Commission	1,080,628	1,074,820
Principal	43,456,544	44,203,336
Interest	21,369,057	20,742,805
Other Debt Service	1,517,275	1,533,600
Payments to Component Units	9,968,536	-
Total Expenditures	<u>77,392,040</u>	<u>67,554,561</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,250,872)</u>	<u>364,166</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	196,788	195,390
Transfers to Other Funds	(300,000)	-
Total Other Financing Sources (Uses)	<u>(103,212)</u>	<u>195,390</u>
Net Change in Fund Balances	(9,354,084)	559,556
Fund Balances, July 1	<u>24,270,960</u>	<u>23,711,404</u>
Fund Balances, June 30	<u>\$ 14,916,876</u>	<u>\$ 24,270,960</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, 2017 and 2016**

	2017				2016		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Property Taxes	\$ 53,038,000	\$ 53,038,000	\$ 52,794,221	\$ (243,779)	\$ 51,974,000	\$ 52,316,064	\$ 342,064
Other Local Revenues	2,280,942	2,280,942	2,476,499	195,557	1,892,052	2,580,575	688,523
Payments from Component Units	12,865,715	12,865,715	12,870,448	4,733	13,022,088	13,022,088	-
<b>Total Revenues</b>	<b>68,184,657</b>	<b>68,184,657</b>	<b>68,141,168</b>	<b>(43,489)</b>	<b>66,888,140</b>	<b>67,918,727</b>	<b>1,030,587</b>
<b>Expenditures</b>							
Debt Service:							
Trustee's Commission	1,100,000	1,100,000	1,080,628	19,372	1,100,000	1,074,820	25,180
Principal	43,456,544	43,456,544	43,456,544	-	44,744,716	44,203,336	541,380
Interest	27,943,456	27,943,456	21,369,057	6,574,399	27,655,284	20,742,805	6,912,479
Other Debt Service	2,000,000	2,000,000	1,517,275	482,725	2,000,000	1,533,600	466,400
Payments to Component Units	-	9,968,536	9,968,536	-	-	-	-
<b>Total Expenditures</b>	<b>74,500,000</b>	<b>84,468,536</b>	<b>77,392,040</b>	<b>7,076,496</b>	<b>75,500,000</b>	<b>67,554,561</b>	<b>7,945,439</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,315,343)	(16,283,879)	(9,250,872)	7,033,007	(8,611,860)	364,166	8,976,026
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	195,179	195,179	196,788	1,609	195,387	195,390	3
Transfers to Other Funds	-	-	(300,000)	(300,000)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>195,179</b>	<b>195,179</b>	<b>(103,212)</b>	<b>(298,391)</b>	<b>195,387</b>	<b>195,390</b>	<b>3</b>
<b>Net Change in Fund Balances</b>	<b>(6,120,164)</b>	<b>(16,088,700)</b>	<b>(9,354,084)</b>	<b>6,734,616</b>	<b>(8,416,473)</b>	<b>559,556</b>	<b>8,976,029</b>
Fund Balances, July 1	24,270,960	24,270,960	24,270,960	-	23,711,404	23,711,404	-
Fund Balances, June 30	\$ 18,150,796	\$ 8,182,260	\$ 14,916,876	\$ 6,734,616	\$ 15,294,931	\$ 24,270,960	\$ 8,976,029

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

### **CAPITAL PROJECTS FUND**

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

---

**KNOX COUNTY, TENNESSEE**

**Combining Balance Sheet  
Nonmajor Governmental Funds**

June 30, 2017

---

	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 15,149,938	\$ -	\$ 15,149,938
Receivables (Net of Allowance for Uncollectibles):			
Accounts	8,341,467	-	8,341,467
Notes	1,398,429	-	1,398,429
Due from Other Funds	1,194,640	-	1,194,640
Inventories	67,095	-	67,095
Prepaid Items	37,430	-	37,430
<b>TOTAL ASSETS</b>	<b>\$ 26,188,999</b>	<b>\$ -</b>	<b>\$ 26,188,999</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ 3,022,169	\$ -	\$ 3,022,169
Due to Other Funds	1,875,235	-	1,875,235
Unearned Revenue	2,132,482	-	2,132,482
<b>TOTAL LIABILITIES</b>	<b>7,029,886</b>	<b>-</b>	<b>7,029,886</b>
<b>Fund Balances:</b>			
Nonspendable	104,525	-	104,525
Restricted	6,448,659	-	6,448,659
Committed	7,073,181	-	7,073,181
Assigned	5,532,748	-	5,532,748
<b>TOTAL FUND BALANCES</b>	<b>19,159,113</b>	<b>-</b>	<b>19,159,113</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 26,188,999</b>	<b>\$ -</b>	<b>\$ 26,188,999</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2017**

	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Local Option Sales Taxes	\$ 7,869,811	\$ -	\$ 7,869,811
Lodging Taxes	7,993,966	-	7,993,966
Wheel Taxes	11,359,939	-	11,359,939
Other Local Taxes	2,089,466	-	2,089,466
Fines, Forfeitures and Penalties	1,056,609	-	1,056,609
Charges for Current Services	27,668,245	-	27,668,245
Other Local Revenues	1,649,261	-	1,649,261
State of Tennessee	9,338,540	-	9,338,540
Federal Government	8,256,201	-	8,256,201
Other Governments and Citizen Groups	330,205	-	330,205
<b>Total Revenues</b>	<b>77,612,243</b>	<b>-</b>	<b>77,612,243</b>
<b>Expenditures</b>			
Current:			
Finance and Administration	8,754,389	-	8,754,389
Administration of Justice	8,142,858	-	8,142,858
Public Safety	2,263,748	-	2,263,748
Public Health and Welfare	13,219,991	-	13,219,991
Social and Cultural Services	13,780,865	-	13,780,865
Other General Government	9,582,154	-	9,582,154
Engineering and Public Works	14,825,664	-	14,825,664
Capital Projects	-	268,583	268,583
<b>Total Expenditures</b>	<b>70,569,669</b>	<b>268,583</b>	<b>70,838,252</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>7,042,574</b>	<b>(268,583)</b>	<b>6,773,991</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	4,834,277	-	4,834,277
Transfers to Other Funds	(11,997,110)	-	(11,997,110)
<b>Total Other Financing Sources (Uses)</b>	<b>(7,162,833)</b>	<b>-</b>	<b>(7,162,833)</b>
<b>Net Change in Fund Balances</b>	<b>(120,259)</b>	<b>(268,583)</b>	<b>(388,842)</b>
<b>Fund Balances, July 1, as Restated</b>	<b>19,279,372</b>	<b>268,583</b>	<b>19,547,955</b>
<b>Fund Balances, June 30</b>	<b>\$ 19,159,113</b>	<b>\$ -</b>	<b>\$ 19,159,113</b>

**KNOX COUNTY, TENNESSEE**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds**

June 30, 2017

	<b>Constitutional Officers</b>	<b>Federal, State And Other Grants</b>	<b>Governmental Library</b>	<b>Public Library</b>	<b>Solid Waste</b>	<b>Hotel/Motel Tax</b>	<b>Drug Control</b>	<b>Engineering &amp; Public Works</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>ASSETS</b>									
Cash and Cash Equivalents	\$ 6,359,560	\$ -	\$ 17,043	\$ 997,236	\$ 597,813	\$ 1,904,278	\$ 2,838,990	\$ 2,435,018	\$ 15,149,938
Receivables (Net of Allowance for Uncollectibles):									
Accounts	-	3,242,095	32,258	1,096,013	183,228	1,427,506	9,534	2,350,833	8,341,467
Notes	-	1,398,429	-	-	-	-	-	-	1,398,429
Due from Other Funds	-	544,640	-	-	650,000	-	-	-	1,194,640
Inventories	-	67,095	-	-	-	-	-	-	67,095
Prepaid Items	-	12,518	-	12,392	-	12,500	-	20	37,430
<b>TOTAL ASSETS</b>	<b>\$ 6,359,560</b>	<b>\$ 5,264,777</b>	<b>\$ 49,301</b>	<b>\$ 2,105,641</b>	<b>\$ 1,431,041</b>	<b>\$ 3,344,284</b>	<b>\$ 2,848,524</b>	<b>\$ 4,785,871</b>	<b>\$ 26,188,999</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts Payable and Accrued Liabilities	\$ -	\$ 346,308	\$ 5,746	\$ 209,877	\$ 121,192	\$ 1,956,225	\$ -	\$ 382,821	\$ 3,022,169
Due to Other Funds	826,812	481,798	-	1,036	8,236	-	-	557,353	1,875,235
Unearned Revenue	-	2,132,482	-	-	-	-	-	-	2,132,482
<b>TOTAL LIABILITIES</b>	<b>826,812</b>	<b>2,960,588</b>	<b>5,746</b>	<b>210,913</b>	<b>129,428</b>	<b>1,956,225</b>	<b>-</b>	<b>940,174</b>	<b>7,029,886</b>
Fund Balances:									
Nonspendable	-	79,613	-	12,392	-	12,500	-	20	104,525
Restricted	-	2,224,576	-	-	-	1,375,559	2,848,524	-	6,448,659
Committed	-	-	43,555	1,882,336	1,301,613	-	-	3,845,677	7,073,181
Assigned	5,532,748	-	-	-	-	-	-	-	5,532,748
<b>TOTAL FUND BALANCES</b>	<b>5,532,748</b>	<b>2,304,189</b>	<b>43,555</b>	<b>1,894,728</b>	<b>1,301,613</b>	<b>1,388,059</b>	<b>2,848,524</b>	<b>3,845,697</b>	<b>19,159,113</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,359,560</b>	<b>\$ 5,264,777</b>	<b>\$ 49,301</b>	<b>\$ 2,105,641</b>	<b>\$ 1,431,041</b>	<b>\$ 3,344,284</b>	<b>\$ 2,848,524</b>	<b>\$ 4,785,871</b>	<b>\$ 26,188,999</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2017**

	<b>Constitutional Officers</b>	<b>Federal, State And Other Grants</b>	<b>Governmental Library</b>	<b>Public Library</b>	<b>Solid Waste</b>	<b>Hotel/Motel Tax</b>	<b>Drug Control</b>	<b>Engineering &amp; Public Works</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Revenues</b>									
Local Option Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,500,000	\$ -	\$ -	\$ 5,369,811	\$ 7,869,811
Lodging Taxes	-	-	-	-	-	7,993,966	-	-	7,993,966
Wheel Taxes	-	-	-	11,359,939	-	-	-	-	11,359,939
Other Local Taxes	-	-	61,657	-	-	-	-	2,027,809	2,089,466
Fines, Forfeitures and Penalties	-	150	-	-	19,423	-	1,023,886	13,150	1,056,609
Charges for Current Services	26,806,878	528,777	4,630	327,960	-	-	-	-	27,668,245
Other Local Revenues	18,049	338,369	201	166,231	591,741	-	74,270	460,400	1,649,261
State of Tennessee	-	3,385,430	-	45,500	503,230	-	-	5,404,380	9,338,540
Federal Government	-	8,193,627	-	6,400	-	-	56,174	-	8,256,201
Other Governments and Citizen Groups	-	277,093	30,000	23,112	-	-	-	-	330,205
<b>Total Revenues</b>	<b>26,824,927</b>	<b>12,723,446</b>	<b>96,488</b>	<b>11,929,142</b>	<b>3,614,394</b>	<b>7,993,966</b>	<b>1,154,330</b>	<b>13,275,550</b>	<b>77,612,243</b>
<b>Expenditures</b>									
Current:									
Finance and Administration	8,754,389	-	-	-	-	-	-	-	8,754,389
Administration of Justice	7,478,058	562,971	101,829	-	-	-	-	-	8,142,858
Public Safety	-	1,544,718	-	-	-	-	719,030	-	2,263,748
Public Health and Welfare	-	8,972,848	-	-	4,247,143	-	-	-	13,219,991
Social and Cultural Services	-	308,299	-	13,472,566	-	-	-	-	13,780,865
Other General Government	-	1,588,743	-	-	-	7,993,411	-	-	9,582,154
Engineering and Public Works	-	18,955	-	-	-	-	-	14,806,709	14,825,664
<b>Total Expenditures</b>	<b>16,232,447</b>	<b>12,996,534</b>	<b>101,829</b>	<b>13,472,566</b>	<b>4,247,143</b>	<b>7,993,411</b>	<b>719,030</b>	<b>14,806,709</b>	<b>70,569,669</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>10,592,480</b>	<b>(273,088)</b>	<b>(5,341)</b>	<b>(1,543,424)</b>	<b>(632,749)</b>	<b>555</b>	<b>435,300</b>	<b>(1,531,159)</b>	<b>7,042,574</b>
<b>Other Financing Sources (Uses)</b>									
Transfers from Other Funds	-	408,060	-	1,750,000	650,000	-	-	2,026,217	4,834,277
Transfers to Other Funds	(10,859,358)	-	-	-	-	(600,000)	-	(537,752)	(11,997,110)
<b>Total Other Financing Sources (Uses)</b>	<b>(10,859,358)</b>	<b>408,060</b>	<b>-</b>	<b>1,750,000</b>	<b>650,000</b>	<b>(600,000)</b>	<b>-</b>	<b>1,488,465</b>	<b>(7,162,833)</b>
<b>Net Change in Fund Balances</b>	<b>(266,878)</b>	<b>134,972</b>	<b>(5,341)</b>	<b>206,576</b>	<b>17,251</b>	<b>(599,445)</b>	<b>435,300</b>	<b>(42,694)</b>	<b>(120,259)</b>
<b>Fund Balances, July 1, as Restated</b>	<b>5,799,626</b>	<b>2,169,217</b>	<b>48,896</b>	<b>1,688,152</b>	<b>1,284,362</b>	<b>1,987,504</b>	<b>2,413,224</b>	<b>3,888,391</b>	<b>19,279,372</b>
<b>Fund Balances, June 30</b>	<b>\$ 5,532,748</b>	<b>\$ 2,304,189</b>	<b>\$ 43,555</b>	<b>\$ 1,894,728</b>	<b>\$ 1,301,613</b>	<b>\$ 1,388,059</b>	<b>\$ 2,848,524</b>	<b>\$ 3,845,697</b>	<b>\$ 19,159,113</b>



**KNOX COUNTY, TENNESSEE**

**Constitutional Officers' Special Revenue Fund**

**Combining Balance Sheets**

June 30, 2017

(With Comparative Totals for June 30, 2016)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2017	2016, Restated
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 478,681	\$ 1,774,233	\$ 321,249	\$ 2,880,104	\$ 454,160	\$ 451,133	\$ 6,359,560	\$ 6,340,804
<b>TOTAL ASSETS</b>	<b>\$ 478,681</b>	<b>\$ 1,774,233</b>	<b>\$ 321,249</b>	<b>\$ 2,880,104</b>	<b>\$ 454,160</b>	<b>\$ 451,133</b>	<b>\$ 6,359,560</b>	<b>\$ 6,340,804</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Due to Other Funds	\$ 191,041	\$ 473,673	\$ -	\$ -	\$ -	\$ 162,098	\$ 826,812	\$ 541,178
<b>TOTAL LIABILITIES</b>	<b>191,041</b>	<b>473,673</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162,098</b>	<b>826,812</b>	<b>541,178</b>
<b>Fund Balances:</b>								
Assigned	287,640	1,300,560	321,249	2,880,104	454,160	289,035	5,532,748	5,799,626
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 478,681</b>	<b>\$ 1,774,233</b>	<b>\$ 321,249</b>	<b>\$ 2,880,104</b>	<b>\$ 454,160</b>	<b>\$ 451,133</b>	<b>\$ 6,359,560</b>	<b>\$ 6,340,804</b>

**KNOX COUNTY, TENNESSEE**

**Constitutional Officers' Special Revenue Fund  
Combining Schedule of Revenues, Expenditures  
And Changes in Fund Balances  
For the Year Ended June 30, 2017**

(With Comparative Totals for the Year Ended June 30, 2016)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2017	(A) 2016, Restated
<b>Revenues</b>								
Charges for Services	\$ 9,299,879	\$ 5,939,565	\$ 1,573,132	\$ 5,764,260	\$ 1,394,026	\$ 2,836,016	\$ 26,806,878	\$ 27,534,160
Investment Revenue	2,174	8,730	-	-	-	7,145	18,049	16,512
<b>Total Revenues</b>	<b>9,302,053</b>	<b>5,948,295</b>	<b>1,573,132</b>	<b>5,764,260</b>	<b>1,394,026</b>	<b>2,843,161</b>	<b>26,824,927</b>	<b>27,550,672</b>
<b>Expenditures</b>								
Current:								
Salaries - County Officials	155,689	119,837	88,438	131,821	131,822	124,355	751,962	738,267
Salaries - Staff	1,770,896	2,816,100	1,135,487	3,353,485	773,612	1,362,786	11,212,366	10,647,778
Employee Benefits and Payroll Taxes	607,938	1,061,231	389,643	1,161,602	298,596	500,951	4,019,961	3,828,634
Travel	-	8,400	5,420	-	-	8,723	22,543	22,343
Other	13	57,197	-	6,964	1,168	160,273	225,615	262,443
<b>Total Expenditures</b>	<b>2,534,536</b>	<b>4,062,765</b>	<b>1,618,988</b>	<b>4,653,872</b>	<b>1,205,198</b>	<b>2,157,088</b>	<b>16,232,447</b>	<b>15,499,465</b>
Excess of Revenues Over Expenditures	6,767,517	1,885,530	(45,856)	1,110,388	188,828	686,073	10,592,480	12,051,207
<b>Other Financing Uses</b>								
Transfers to Other Funds	(6,861,234)	(1,805,565)	-	(1,275,000)	(231,668)	(685,891)	(10,859,358)	(10,741,900)
<b>Net Change in Fund Balances</b>	<b>(93,717)</b>	<b>79,965</b>	<b>(45,856)</b>	<b>(164,612)</b>	<b>(42,840)</b>	<b>182</b>	<b>(266,878)</b>	<b>1,309,307</b>
Fund Balances, July 1, Restated	381,357	1,220,595	367,105	3,044,716	497,000	288,853	5,799,626	4,490,319
<b>Fund Balances, June 30</b>	<b>\$ 287,640</b>	<b>\$ 1,300,560</b>	<b>\$ 321,249</b>	<b>\$ 2,880,104</b>	<b>\$ 454,160</b>	<b>\$ 289,035</b>	<b>\$ 5,532,748</b>	<b>\$ 5,799,626</b>

(A) - For FY 2016, there was a prior period adjustment to increase beginning of year fund balance by \$560,986 and increase net change in fund balance by \$11,853. See Note IV.H.

---

**KNOX COUNTY, TENNESSEE**

**Federal, State and Other Grants Fund  
Comparative Balance Sheets**

June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Receivables (Net of Allowances for Uncollectibles):		
Accounts	\$ 3,242,095	\$ 2,671,793
Notes	1,398,429	1,915,906
Due from Other Funds	544,640	531,056
Inventories	67,095	69,985
Prepaid Items	<u>12,518</u>	<u>20,185</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,264,777</u></u>	<u><u>\$ 5,208,925</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 346,308	\$ 522,299
Due to Other Funds	481,798	251,862
Unearned Revenue	<u>2,132,482</u>	<u>2,265,547</u>
<b>TOTAL LIABILITIES</b>	<u>2,960,588</u>	<u>3,039,708</u>
 <b>Fund Balances:</b>		
Nonspendable	79,613	90,170
Restricted	<u>2,224,576</u>	<u>2,079,047</u>
<b>TOTAL FUND BALANCES</b>	<u>2,304,189</u>	<u>2,169,217</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 5,264,777</u></u>	<u><u>\$ 5,208,925</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Federal, State and Other Grants Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 150	\$ 51,615
Charges for Current Services	528,777	797,530
Other Local Revenues	338,369	327,192
State of Tennessee	3,385,430	2,182,206
Federal Government	8,193,627	8,971,224
Other Governmental and Citizen Groups	<u>277,093</u>	<u>69,878</u>
Total Revenues	<u>12,723,446</u>	<u>12,399,645</u>
<b>Expenditures</b>		
Current:		
General Government:		
Administration of Justice	562,971	585,210
Public Safety	1,544,718	1,294,842
Public Health and Welfare	8,972,848	9,234,021
Social and Cultural Services	308,299	953,536
Other General Government	1,588,743	1,235,071
Engineering and Public Works	<u>18,955</u>	<u>134,670</u>
Total Expenditures	<u>12,996,534</u>	<u>13,437,350</u>
Deficiency of Revenues		
Under Expenditures	<u>(273,088)</u>	<u>(1,037,705)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>408,060</u>	<u>453,180</u>
Net Change in Fund Balances	134,972	(584,525)
Fund Balances, July 1	<u>2,169,217</u>	<u>2,753,742</u>
Fund Balances, June 30	<u>\$ 2,304,189</u>	<u>\$ 2,169,217</u>

**KNOX COUNTY, TENNESSEE**

**Federal, State and Other Grants Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the Years Ended June 30, 2017 and 2016**

	2017				2016		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 160,000	\$ 345,893	\$ 347,628	\$ 1,735	\$ 391,524	\$ 392,774	\$ 1,250
Other Local Revenues	-	66,891	66,831	(60)	78,786	81,458	2,672
Federal Government	-	550,239	481,640	(68,599)	487,283	413,219	(74,064)
<b>Total Revenues</b>	<b>160,000</b>	<b>963,023</b>	<b>896,099</b>	<b>(66,924)</b>	<b>957,593</b>	<b>887,451</b>	<b>(70,142)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Personal Services	-	855,300	662,365	192,935	805,382	638,669	166,713
Employee Benefits	-	303,900	246,788	57,112	282,928	228,642	54,286
Contracted Services	145,334	311,898	176,686	135,212	262,564	181,080	81,484
Supplies and Materials	-	181,298	63,953	117,345	140,632	66,830	73,802
Other Charges	14,666	81,557	81,497	60	96,125	96,124	1
Capital Outlay	-	49,970	-	49,970	39,000	-	39,000
<b>Total Expenditures</b>	<b>160,000</b>	<b>1,783,923</b>	<b>1,231,289</b>	<b>552,634</b>	<b>1,626,631</b>	<b>1,211,345</b>	<b>415,286</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(820,900)	(335,190)	485,710	(669,038)	(323,894)	345,144
<b>Other Financing Sources</b>							
Transfers from Other Funds	-	132,462	300,000	167,538	-	300,000	300,000
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(688,438)</b>	<b>(35,190)</b>	<b>653,248</b>	<b>(669,038)</b>	<b>(23,894)</b>	<b>645,144</b>
Fund Balances, July 1	159,495	159,495	159,495	-	183,389	183,389	-
Fund Balances, June 30	<u>\$ 159,495</u>	<u>\$ (528,943)</u>	<u>\$ 124,305</u>	<u>\$ 653,248</u>	<u>\$ (485,649)</u>	<u>\$ 159,495</u>	<u>\$ 645,144</u>
<b>Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):</b>							
Fund Balances (Budget Basis)			\$ 124,305			\$ 159,495	
Entity Difference:							
Unbudgeted Funds			<u>2,179,884</u>			<u>2,009,722</u>	
Fund Balances (GAAP Basis)			<u>\$ 2,304,189</u>			<u>\$ 2,169,217</u>	

---

**KNOX COUNTY, TENNESSEE**

**Governmental Library Fund  
Comparative Balance Sheets**

June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 17,043	\$ 17,449
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	32,258	31,994
Due from Other Funds	<u>-</u>	<u>6,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 49,301</u>	<u>\$ 55,443</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>\$ 5,746</u>	<u>\$ 6,547</u>
<b>TOTAL LIABILITIES</b>	<u>5,746</u>	<u>6,547</u>
<b>Fund Balances:</b>		
Committed	<u>43,555</u>	<u>48,896</u>
<b>TOTAL FUND BALANCES</b>	<u>43,555</u>	<u>48,896</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 49,301</u>	<u>\$ 55,443</u>

---

**KNOX COUNTY, TENNESSEE**

**Governmental Library Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the Years Ended June 30, 2017 and 2016

---

	2017	2016
<b>Revenues</b>		
Litigation Tax	\$ 61,657	\$ 63,232
Charges for Current Services	4,630	3,733
Other Local Revenues	201	151
Other Governments and Citizens Groups	30,000	30,000
Total Revenues	96,488	97,116
<b>Expenditures</b>		
Current:		
General Government:		
Administration of Justice	101,829	101,990
Deficiency of Revenues Under Expenditures	(5,341)	(4,874)
<b>Other Financing Sources</b>		
Transfers from Other Funds	-	6,000
Net Change in Fund Balances	(5,341)	1,126
Fund Balances, July 1	48,896	47,770
Fund Balances, June 30	\$ 43,555	\$ 48,896

**KNOX COUNTY, TENNESSEE**

**Governmental Library Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the Years Ended June 30, 2017 and 2016**

	2017				2016		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Litigation Tax	\$ 59,800	\$ 59,800	\$ 61,657	\$ 1,857	\$ 61,000	\$ 63,232	\$ 2,232
Charges for Current Services	4,750	4,750	4,630	(120)	6,000	3,733	(2,267)
Other Local Revenues	450	450	201	(249)	1,600	151	(1,449)
Other Governments and Citizens Groups	30,000	30,000	30,000	-	31,000	30,000	(1,000)
<b>Total Revenues</b>	<b>95,000</b>	<b>95,000</b>	<b>96,488</b>	<b>1,488</b>	<b>99,600</b>	<b>97,116</b>	<b>(2,484)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Administration of Justice:							
Personal Services	26,369	25,271	22,812	2,459	23,175	22,676	499
Employee Benefits	3,100	3,112	3,111	1	18,764	3,094	15,670
Contracted Services	8,650	8,759	6,220	2,539	8,659	7,168	1,491
Supplies and Materials	71,000	71,000	67,720	3,280	67,100	67,071	29
Other Charges	881	1,967	1,966	1	2,011	1,981	30
<b>Total Expenditures</b>	<b>110,000</b>	<b>110,109</b>	<b>101,829</b>	<b>8,280</b>	<b>119,709</b>	<b>101,990</b>	<b>17,719</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,000)	(15,109)	(5,341)	9,768	(20,109)	(4,874)	15,235
<b>Other Financing Sources</b>							
Transfers from Other Funds	15,000	15,000	-	(15,000)	20,000	6,000	(14,000)
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(109)</b>	<b>(5,341)</b>	<b>(5,232)</b>	<b>(109)</b>	<b>1,126</b>	<b>1,235</b>
Fund Balances, July 1 Over Expenditures	48,896	48,896	48,896	-	47,770	47,770	-
<b>Fund Balances, June 30</b>	<b>\$ 48,896</b>	<b>\$ 48,787</b>	<b>\$ 43,555</b>	<b>\$ (5,232)</b>	<b>\$ 47,661</b>	<b>\$ 48,896</b>	<b>\$ 1,235</b>



---

**KNOX COUNTY, TENNESSEE**

**Public Library Fund  
Comparative Balance Sheets  
June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 997,236	\$ 1,176,626
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	1,096,013	1,024,207
Prepaid Items	<u>12,392</u>	<u>12,011</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,105,641</u></u>	<u><u>\$ 2,212,844</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 209,877	\$ 521,137
Due to Other Funds	<u>1,036</u>	<u>3,555</u>
<b>TOTAL LIABILITIES</b>	<u>210,913</u>	<u>524,692</u>
 <b>Fund Balances:</b>		
Nonspendable	12,392	12,011
Committed	<u>1,882,336</u>	<u>1,676,141</u>
<b>TOTAL FUND BALANCES</b>	<u>1,894,728</u>	<u>1,688,152</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,105,641</u></u>	<u><u>\$ 2,212,844</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Public Library Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Wheel Taxes	\$ 11,359,939	\$ 11,019,627
Charges for Current Services	327,960	302,695
Other Local Revenues	166,231	145,065
State of Tennessee	45,500	45,500
Federal Government	6,400	6,400
Other Governments and Citizens Groups	23,112	24,112
Total Revenues	<u>11,929,142</u>	<u>11,543,399</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>13,472,566</u>	<u>12,932,242</u>
Deficiency of Revenues Under Expenditures	<u>(1,543,424)</u>	<u>(1,388,843)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	<u>1,750,000</u>	<u>1,730,000</u>
Total Other Financing Sources	<u>1,750,000</u>	<u>1,730,000</u>
Net Change in Fund Balances	206,576	341,157
Fund Balances, July 1	<u>1,688,152</u>	<u>1,346,995</u>
Fund Balances, June 30	<u>\$ 1,894,728</u>	<u>\$ 1,688,152</u>

**KNOX COUNTY, TENNESSEE**

**Public Library Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the Years Ended June 30, 2017 and 2016**

	2017				2016		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Wheel Taxes	\$ 11,000,000	\$ 11,000,000	\$ 11,359,939	\$ 359,939	\$ 11,025,000	\$ 11,019,627	\$ (5,373)
Charges for Current Services	310,000	310,000	327,960	17,960	340,000	302,695	(37,305)
Other Local Revenues	132,000	165,574	166,231	657	132,000	145,065	13,065
State of Tennessee	45,500	45,500	45,500	-	45,500	45,500	-
Federal Government	6,400	6,400	6,400	-	6,400	6,400	-
Other Governments and Citizens Groups	-	-	23,112	23,112	-	24,112	24,112
<b>Total Revenues</b>	<b>11,493,900</b>	<b>11,527,474</b>	<b>11,929,142</b>	<b>401,668</b>	<b>11,548,900</b>	<b>11,543,399</b>	<b>(5,501)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	6,993,502	7,033,975	7,010,421	23,554	6,853,885	6,707,014	146,871
Employee Benefits	2,230,737	2,265,937	2,265,937	-	2,222,241	2,102,132	120,109
Contracted Services	1,308,020	1,356,234	1,301,219	55,015	1,280,020	1,232,969	47,051
Supplies and Materials	1,871,600	1,944,220	1,883,084	61,136	1,929,565	1,814,346	115,219
Other Charges	926,828	933,155	931,695	1,460	929,328	929,299	29
Capital Outlay	-	80,210	80,210	-	146,482	146,482	-
<b>Total Expenditures</b>	<b>13,330,687</b>	<b>13,613,731</b>	<b>13,472,566</b>	<b>141,165</b>	<b>13,361,521</b>	<b>12,932,242</b>	<b>429,279</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,836,787)	(2,086,257)	(1,543,424)	542,833	(1,812,621)	(1,388,843)	423,778
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	1,750,000	1,750,000	1,750,000	-	1,730,000	1,730,000	-
<b>Net Change in Fund Balances</b>	<b>(86,787)</b>	<b>(336,257)</b>	<b>206,576</b>	<b>542,833</b>	<b>(82,621)</b>	<b>341,157</b>	<b>423,778</b>
Fund Balances, July 1	1,688,152	1,688,152	1,688,152	-	1,346,995	1,346,995	-
<b>Fund Balances, June 30</b>	<b>\$ 1,601,365</b>	<b>\$ 1,351,895</b>	<b>\$ 1,894,728</b>	<b>\$ 542,833</b>	<b>\$ 1,264,374</b>	<b>\$ 1,688,152</b>	<b>\$ 423,778</b>

---

**KNOX COUNTY, TENNESSEE**

**Solid Waste Fund  
Comparative Balance Sheets  
June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 597,813	\$ 612,334
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	183,228	149,794
Due from Other Funds	<u>650,000</u>	<u>603,110</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,431,041</u></u>	<u><u>\$ 1,365,238</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 121,192	\$ 76,428
Due to Other Funds	<u>8,236</u>	<u>4,448</u>
<b>TOTAL LIABILITIES</b>	<u>129,428</u>	<u>80,876</u>
 <b>Fund Balances:</b>		
Committed	<u>1,301,613</u>	<u>1,284,362</u>
<b>TOTAL FUND BALANCES</b>	<u>1,301,613</u>	<u>1,284,362</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,431,041</u></u>	<u><u>\$ 1,365,238</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Solid Waste Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Local Option Sales Taxes	\$ 2,500,000	\$ 2,500,000
Fines, Forfeitures, and Penalties	19,423	62,899
Other Local Revenues	591,741	320,683
State of Tennessee	<u>503,230</u>	<u>488,098</u>
Total Revenues	<u>3,614,394</u>	<u>3,371,680</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Health and Welfare	<u>4,247,143</u>	<u>4,030,289</u>
Deficiency of Revenues Under Expenditures	<u>(632,749)</u>	<u>(658,609)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	<u>650,000</u>	<u>600,000</u>
Total Other Financing Sources	<u>650,000</u>	<u>600,000</u>
Net Change in Fund Balances	17,251	(58,609)
Fund Balances, July 1	<u>1,284,362</u>	<u>1,342,971</u>
Fund Balances, June 30	<u>\$ 1,301,613</u>	<u>\$ 1,284,362</u>

**KNOX COUNTY, TENNESSEE**

**Solid Waste Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the Years Ended June 30, 2017 and 2016**

	2017				2016		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Option Sales Taxes	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 2,500,000	\$ -
Fines, Forfeitures, and Penalties	55,000	55,000	19,423	(35,577)	55,000	62,899	7,899
Other Local Revenues	350,000	382,428	591,741	209,313	550,000	320,683	(229,317)
State of Tennessee	474,563	474,563	503,230	28,667	465,000	488,098	23,098
<b>Total Revenues</b>	<b>3,379,563</b>	<b>3,411,991</b>	<b>3,614,394</b>	<b>202,403</b>	<b>3,570,000</b>	<b>3,371,680</b>	<b>(198,320)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Public Health and Welfare:							
Personal Services	836,089	872,409	868,374	4,035	827,682	827,682	-
Employee Benefits	366,809	338,810	338,810	-	323,490	309,896	13,594
Contracted Services	2,415,010	2,647,776	2,647,776	-	2,416,211	2,387,649	28,562
Supplies and Materials	76,105	54,167	54,167	-	72,377	60,292	12,085
Other Charges	277,877	289,877	289,021	856	286,617	286,594	23
Litter and Trash Collection:							
Personal Services	41,589	30,115	30,115	-	37,371	25,017	12,354
Employee Benefits	19,714	4,158	4,158	-	19,621	10,008	9,613
Contracted Services	6,250	6,283	6,283	-	6,250	3,282	2,968
Supplies and Materials	14,000	8,439	8,439	-	15,000	10,929	4,071
Capital Outlay	-	-	-	-	108,940	108,940	-
<b>Total Expenditures</b>	<b>4,053,443</b>	<b>4,252,034</b>	<b>4,247,143</b>	<b>4,891</b>	<b>4,113,559</b>	<b>4,030,289</b>	<b>83,270</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(673,880)	(840,043)	(632,749)	207,294	(543,559)	(658,609)	(115,050)
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	575,000	725,000	650,000	(75,000)	475,000	600,000	125,000
<b>Total Other Financing Sources (Uses)</b>	<b>575,000</b>	<b>725,000</b>	<b>650,000</b>	<b>(75,000)</b>	<b>475,000</b>	<b>600,000</b>	<b>125,000</b>
<b>Net Change in Fund Balances</b>	<b>(98,880)</b>	<b>(115,043)</b>	<b>17,251</b>	<b>132,294</b>	<b>(68,559)</b>	<b>(58,609)</b>	<b>9,950</b>
Fund Balances, July 1	1,284,362	1,284,362	1,284,362	-	1,342,971	1,342,971	-
Fund Balances, June 30	\$ 1,185,482	\$ 1,169,319	\$ 1,301,613	\$ 132,294	\$ 1,274,412	\$ 1,284,362	\$ 9,950

---

**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Fund  
Comparative Balance Sheets  
June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,904,278	\$ 3,064,748
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	1,427,506	1,414,845
Prepaid Items	<u>12,500</u>	<u>12,500</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,344,284</u></u>	<u><u>\$ 4,492,093</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>\$ 1,956,225</u>	<u>\$ 2,504,589</u>
<b>TOTAL LIABILITIES</b>	<u>1,956,225</u>	<u>2,504,589</u>
 <b>Fund Balances:</b>		
Nonspendable	12,500	12,500
Restricted	<u>1,375,559</u>	<u>1,975,004</u>
<b>TOTAL FUND BALANCES</b>	<u>1,388,059</u>	<u>1,987,504</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,344,284</u></u>	<u><u>\$ 4,492,093</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Lodging Taxes	<u>\$ 7,993,966</u>	<u>\$ 7,993,988</u>
<b>Expenditures</b>		
Current:		
General Government:		
Other General Government	<u>7,993,411</u>	<u>6,571,964</u>
Excess of Revenues Over Expenditures	555	1,422,024
<b>Other Financing Uses</b>		
Transfers to Other Funds	<u>(600,000)</u>	<u>(600,000)</u>
Net Change in Fund Balances	(599,445)	822,024
Fund Balances, July 1	<u>1,987,504</u>	<u>1,165,480</u>
Fund Balances, June 30	<u><u>\$ 1,388,059</u></u>	<u><u>\$ 1,987,504</u></u>



**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Fund**  
**Comparative Schedules of Revenues, Expenditures**  
**And Changes in Fund Balances - Budget and Actual (GAAP Basis)**  
For the Years Ended June 30, 2017 and 2016

	2017				2016		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Lodging Taxes	\$ 7,200,000	\$ 7,974,692	\$ 7,993,966	\$ 19,274	\$ 7,159,395	\$ 7,993,988	\$ 834,593
<b>Expenditures</b>							
Current:							
General Government:							
Other General Government:	6,600,000	8,553,121	7,993,411	559,710	6,754,395	6,571,964	182,431
Excess of Revenues Over Expenditures	600,000	(578,429)	555	578,984	405,000	1,422,024	1,017,024
<b>Other Financing Uses</b>							
Transfers to Other Funds	(600,000)	(600,000)	(600,000)	-	(600,000)	(600,000)	-
Net Change in Fund Balances	-	(1,178,429)	(599,445)	578,984	(195,000)	822,024	1,017,024
Fund Balances, July 1	1,987,504	1,987,504	1,987,504	-	1,165,480	1,165,480	-
Fund Balances, June 30	\$ 1,987,504	\$ 809,075	\$ 1,388,059	\$ 578,984	\$ 970,480	\$ 1,987,504	\$ 1,017,024

---

**KNOX COUNTY, TENNESSEE**

**Drug Control Fund**  
**Comparative Balance Sheets**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,838,990	\$ 2,466,069
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>9,534</u>	<u>9,066</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,848,524</u></u>	<u><u>\$ 2,475,135</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ -	\$ 61,784
Due to Other Funds	<u>-</u>	<u>127</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>61,911</u>
<b>Fund Balances:</b>		
Restricted	<u>2,848,524</u>	<u>2,413,224</u>
<b>TOTAL FUND BALANCES</b>	<u>2,848,524</u>	<u>2,413,224</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,848,524</u></u>	<u><u>\$ 2,475,135</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Drug Control Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 1,023,886	\$ 694,329
Other Local Revenues	74,270	155,514
Federal Government	<u>56,174</u>	<u>65,195</u>
Total Revenues	<u>1,154,330</u>	<u>915,038</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Safety	<u>719,030</u>	<u>679,452</u>
Total Expenditures	<u>719,030</u>	<u>679,452</u>
Net Change in Fund Balance	435,300	235,586
Fund Balances, July 1	<u>2,413,224</u>	<u>2,177,638</u>
Fund Balances, June 30	<u><u>\$ 2,848,524</u></u>	<u><u>\$ 2,413,224</u></u>

**KNOX COUNTY, TENNESSEE**

**Drug Control Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the Years Ended June 30, 2017 and 2016**

	2017				2016		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Fines, Forfeitures, and Penalties	\$ 649,500	\$ 649,500	\$ 1,023,886	\$ 374,386	\$ 649,520	\$ 694,329	\$ 44,809
Other Local Revenues	120,000	120,000	74,270	(45,730)	125,000	155,514	30,514
Federal Government	-	-	56,174	56,174	-	65,195	65,195
<b>Total Revenues</b>	<b>769,500</b>	<b>769,500</b>	<b>1,154,330</b>	<b>384,830</b>	<b>774,520</b>	<b>915,038</b>	<b>140,518</b>
<b>Expenditures</b>							
Current:							
General Government:							
Public Safety:							
Contracted Services	268,000	423,514	316,258	107,256	386,650	260,886	125,764
Supplies and Materials	226,500	228,030	72,084	155,946	183,233	153,063	30,170
Other Charges	15,000	15,000	20,009	(5,009)	62,020	16,699	45,321
Capital Outlay	260,000	260,000	310,679	(50,679)	260,000	248,804	11,196
<b>Total Expenditures</b>	<b>769,500</b>	<b>926,544</b>	<b>719,030</b>	<b>207,514</b>	<b>891,903</b>	<b>679,452</b>	<b>212,451</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(157,044)</b>	<b>435,300</b>	<b>592,344</b>	<b>(117,383)</b>	<b>235,586</b>	<b>352,969</b>
<b>Fund Balances, July 1</b>	<b>2,413,224</b>	<b>2,413,224</b>	<b>2,413,224</b>	<b>-</b>	<b>2,177,638</b>	<b>2,177,638</b>	<b>-</b>
<b>Fund Balances, June 30</b>	<b>\$ 2,413,224</b>	<b>\$ 2,256,180</b>	<b>\$ 2,848,524</b>	<b>\$ 592,344</b>	<b>\$ 2,060,255</b>	<b>\$ 2,413,224</b>	<b>\$ 352,969</b>

---

**KNOX COUNTY, TENNESSEE**

**Engineering & Public Works Fund**

**Comparative Balance Sheets**

June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,435,018	\$ 3,368,728
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	2,350,833	2,248,459
Prepaid Items	20	-
Due from Other Funds	<u>-</u>	<u>1,442</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,785,871</u></u>	<u><u>\$ 5,618,629</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 382,821	\$ 1,091,398
Due to Other Funds	<u>557,353</u>	<u>638,840</u>
<b>TOTAL LIABILITIES</b>	<u>940,174</u>	<u>1,730,238</u>
 <b>Fund Balances:</b>		
Nonspendable	20	-
Committed	<u>3,845,677</u>	<u>3,888,391</u>
<b>TOTAL FUND BALANCES</b>	<u>3,845,697</u>	<u>3,888,391</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 4,785,871</u></u>	<u><u>\$ 5,618,629</u></u>

---

**KNOX COUNTY, TENNESSEE**

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

For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Local Option Sales Taxes	\$ 5,369,811	\$ 5,034,783
Other Local Taxes	2,027,809	2,047,231
Fines, Forfeitures, and Penalties	13,150	5,150
Charges for Current Services	-	551
Other Local Revenues	460,400	136,400
State of Tennessee	<u>5,404,380</u>	<u>5,333,988</u>
Total Revenues	<u>13,275,550</u>	<u>12,558,103</u>
<b>Expenditures</b>		
Current:		
Engineering & Public Works	<u>14,806,709</u>	<u>13,319,634</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,531,159)	(761,531)
<b>Other Financing Uses:</b>		
Transfers from Other Funds	2,026,217	1,000,000
Transfers to Other Funds	<u>(537,752)</u>	<u>(625,984)</u>
Total Other Financing Sources (Uses)	<u>1,488,465</u>	<u>374,016</u>
Net Change in Fund Balances	(42,694)	(387,515)
Fund Balances, July 1	<u>3,888,391</u>	<u>4,275,906</u>
Fund Balances, June 30	<u>\$ 3,845,697</u>	<u>\$ 3,888,391</u>

**KNOX COUNTY, TENNESSEE**

**Engineering & Public Works Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the Years Ended June 30, 2017 and 2016**

	2017				2016			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Local Option Sales Taxes	\$ 5,230,946	\$ 5,230,946	\$ 5,369,811	\$ 138,865	\$ 5,330,946	\$ 5,034,783	\$ (296,163)	
Other Local Taxes	2,030,000	2,030,000	2,027,809	(2,191)	2,025,000	2,047,231	22,231	
Fines, Forfeitures and Penalties	5,000	5,000	13,150	8,150	5,000	5,150	150	
Charges for Current Services	-	-	-	-	-	551	551	
Other Local Revenues	35,000	35,000	460,400	425,400	17,000	136,400	119,400	
State of Tennessee	5,386,000	5,386,000	5,404,380	18,380	5,261,000	5,333,988	72,988	
<b>Total Revenues</b>	<b>12,686,946</b>	<b>12,686,946</b>	<b>13,275,550</b>	<b>588,604</b>	<b>12,638,946</b>	<b>12,558,103</b>	<b>(80,843)</b>	
<b>Expenditures</b>								
Current:								
Engineering & Public Works:								
Administration:								
Personal Services	1,737,109	1,730,085	1,730,085	-	1,382,870	1,382,870	-	
Employee Benefits	566,065	563,068	563,068	-	457,761	457,735	26	
Contracted Services	95,833	100,262	100,262	-	108,241	107,116	1,125	
Supplies and Materials	50,650	42,687	42,687	-	43,197	41,505	1,692	
Other Charges	279,900	282,403	282,403	-	280,446	280,120	326	
Highways and Bridge Maintenance:								
Personal Services	2,940,524	3,009,843	3,009,843	-	3,040,652	3,040,652	-	
Employee Benefits	1,206,989	1,222,082	1,222,082	-	1,176,690	1,176,690	-	
Contracted Services	1,002,350	1,166,669	1,116,779	49,890	971,008	939,216	31,792	
Supplies and Materials	4,753,506	4,618,157	4,618,157	-	3,963,286	3,963,246	40	
Other Charges	515,000	515,732	515,732	-	515,346	515,346	-	
Capital Outlay	-	722	722	-	-	-	-	
Various Highway:								
Personal Services	476,686	483,373	483,373	-	603,508	598,427	5,081	
Employee Benefits	184,994	184,456	184,456	-	210,411	209,592	819	
Contracted Services	180,314	206,282	198,737	7,545	210,247	193,494	16,753	
Supplies and Materials	142,800	698,030	482,001	216,029	699,794	203,505	496,289	
Other Charges	79,226	79,226	79,226	-	79,226	79,226	-	
Capital Outlay	-	177,096	177,096	-	205,261	130,894	74,367	
<b>Total Expenditures</b>	<b>14,211,946</b>	<b>15,080,173</b>	<b>14,806,709</b>	<b>273,464</b>	<b>13,947,944</b>	<b>13,319,634</b>	<b>628,310</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,525,000)	(2,393,227)	(1,531,159)	862,068	(1,308,998)	(761,531)	547,467	
Other Financing Sources (Uses)								
Transfer From Other Funds	2,000,000	2,026,217	2,026,217	-	1,000,000	1,000,000	-	
Transfer To Other Funds	(575,000)	(588,086)	(537,752)	50,334	(634,906)	(625,984)	8,922	
<b>Total Other Financing Sources (Uses)</b>	<b>1,425,000</b>	<b>1,438,131</b>	<b>1,488,465</b>	<b>50,334</b>	<b>365,094</b>	<b>374,016</b>	<b>8,922</b>	
<b>Net Change in Fund Balances</b>	<b>(100,000)</b>	<b>(955,096)</b>	<b>(42,694)</b>	<b>912,402</b>	<b>(943,904)</b>	<b>(387,515)</b>	<b>556,389</b>	
Fund Balances, July 1	3,888,391	3,888,391	3,888,391	-	4,275,906	4,275,906	-	
<b>Fund Balances, June 30</b>	<b>\$ 3,788,391</b>	<b>\$ 2,933,295</b>	<b>\$ 3,845,697</b>	<b>\$ 912,402</b>	<b>\$ 3,332,002</b>	<b>\$ 3,888,391</b>	<b>\$ 556,389</b>	

---

**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund**

**Comparative Balance Sheets**

June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 628,164</u>
<b>TOTAL ASSETS</b>	<u><u>\$ -</u></u>	<u><u>\$ 628,164</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Due to Other Funds	<u>\$ -</u>	<u>\$ 359,581</u>
<b>Fund Balances:</b>		
Committed	<u>-</u>	<u>268,583</u>
<b>TOTAL FUND BALANCE</b>	<u>-</u>	<u>268,583</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ -</u></u>	<u><u>\$ 628,164</u></u>



---

**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Local Taxes	\$ -	\$ -
<b>Expenditures</b>		
Capital Projects	<u>268,583</u>	<u>92,536</u>
Deficiency of Revenues Under Expenditures	(268,583)	(92,536)
<b>Other Financing Uses:</b>		
Transfers to Other Funds	<u>-</u>	<u>(359,581)</u>
Net Change in Fund Balances	(268,583)	(452,117)
Fund Balances, July 1	<u>268,583</u>	<u>720,700</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ 268,583</u></u>

## **NONMAJOR 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 Position**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ -	\$ 5,461
Accounts Receivable	2,280	6,745
Inventories	71,830	79,909
Prepaid Items	-	7,178
	<u>74,110</u>	<u>99,293</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>Capital Assets:</b>		
Capital Assets (Net of Accumulated Depreciation)	489,809	509,820
	<u>563,919</u>	<u>609,113</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	28,804	50,951
Due to Other Funds	34,888	-
Compensated Absences Payable	10,638	18,250
	<u>74,330</u>	<u>69,201</u>
<b>TOTAL CURRENT LIABILITIES</b>		
<b>Noncurrent Liabilities:</b>		
Compensated Absences Payable	45,349	27,373
	<u>119,679</u>	<u>96,574</u>
<b>TOTAL LIABILITIES</b>		
<b>NET POSITION</b>		
Investment in Capital Assets	489,809	509,820
Unrestricted (Deficit)	(45,569)	2,719
	<u>\$ 444,240</u>	<u>\$ 512,539</u>
<b>TOTAL NET POSITION</b>		

---

**KNOX COUNTY, TENNESSEE**

**Three Ridges Golf Course Fund**  
**Comparative Statements of Revenues, Expenses**  
**and Changes in Net Position**

For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Golf Fees	\$ 386,585	\$ 403,844
Cart and Range Fees	196,189	210,411
Pro Shop	96,758	90,157
Snack Bar	79,869	84,344
	<u>759,401</u>	<u>788,756</u>
Total Operating Revenues		
<b>Operating Expenses</b>		
Personal Services	400,693	380,323
Employee Benefits	115,659	97,340
Contracted Services	153,510	137,526
Supplies and Materials	338,505	316,801
Other Charges	74,322	72,538
Depreciation	55,011	59,099
	<u>1,137,700</u>	<u>1,063,627</u>
Total Operating Expenses		
Operating Income (Loss)	<u>(378,299)</u>	<u>(274,871)</u>
<b>Non-Operating Revenues</b>		
Capital Contributions	<u>35,000</u>	<u>-</u>
<b>Income (Loss) before Transfers</b>	(343,299)	(274,871)
<b>Transfers</b>		
Transfers from Other Funds	<u>275,000</u>	<u>200,000</u>
Change in Net Position	(68,299)	(74,871)
Net Position, July 1	<u>512,539</u>	<u>587,410</u>
Net Position, June 30	<u>\$ 444,240</u>	<u>\$ 512,539</u>

**KNOX COUNTY, TENNESSEE**

**Three Ridges Golf Course Fund**  
**Comparative Statements of Cash Flows**  
For the Years Ended June 30, 2017 and 2016

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers and Users	\$ 763,866	\$ 790,161
Payments to Vendors	(520,314)	(534,073)
Payments to Employees	(524,013)	(472,429)
	(280,461)	(216,341)
<b>Cash Flows Used by Capital and Related Financing Activities</b>		
Transfers from Other Funds	275,000	200,000
Capital Contributions	35,000	-
Acquisition and Construction of Capital Assets	(35,000)	-
	275,000	200,000
Net Increase (Decrease) in Cash and Cash Equivalents	(5,461)	(16,341)
Cash and Cash Equivalents - Beginning of Year	5,461	21,802
Cash and Cash Equivalents - End of Year	\$ -	\$ 5,461
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	\$ (378,299)	\$ (274,871)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	55,011	59,099
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	4,465	1,405
(Increase) in Inventory	8,079	(3,067)
Decrease in Prepaid Items	7,178	(7,178)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(22,147)	7,935
Increase (Decrease) in Due to Other Funds	34,888	-
Increase in Compensated Absences Payable	10,364	336
	(280,461)	(216,341)
Net Cash Provided (Used) by Operating Activities	\$ (280,461)	\$ (216,341)

## 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 gasoline and maintenance services for County vehicles.

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

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

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

**Building Operations 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 Position**  
**Internal Service Funds**  
June 30, 2017

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>ASSETS</b>									
<b>Current Assets:</b>									
Cash and Cash Equivalents	\$ -	\$ 273,643	\$ 710,032	\$ 14,054,619	\$ 6,769,256	\$ 390,198	\$ -	\$ 9,647,228	\$ 31,844,976
Receivables:									
Accounts	79,895	655	304,739	296	244,072	-	-	18,798	648,455
Due from Other Funds	115,263	20,560	554,952	-	-	-	-	573,682	1,264,457
Due from Component Units	887	-	58,505	417,052	11,080	-	-	-	487,524
Inventories	64,087	25,820	-	-	-	-	-	-	89,907
Prepaid Items	2,095	-	20,153	7,050	-	-	-	2,282	31,580
<b>TOTAL CURRENT ASSETS</b>	<b>262,227</b>	<b>320,678</b>	<b>1,648,381</b>	<b>14,479,017</b>	<b>7,024,408</b>	<b>390,198</b>	<b>-</b>	<b>10,241,990</b>	<b>34,366,899</b>
<b>Capital Assets:</b>									
Machinery and Equipment	210,545	-	-	-	-	585,936	-	-	796,481
Accumulated Depreciation	(105,016)	-	-	-	-	(472,196)	-	-	(577,212)
Capital Assets (Net of Accumulated Depreciation)	105,529	-	-	-	-	113,740	-	-	219,269
<b>TOTAL ASSETS</b>	<b>367,756</b>	<b>320,678</b>	<b>1,648,381</b>	<b>14,479,017</b>	<b>7,024,408</b>	<b>503,938</b>	<b>-</b>	<b>10,241,990</b>	<b>34,586,168</b>
<b>LIABILITIES</b>									
<b>Current liabilities:</b>									
Accounts Payable and Accrued Liabilities	90,329	5,276	1,321,996	57,454	187,168	43,931	-	19,357	1,725,511
Due to Other Funds	181,975	-	399	116	-	68	-	-	182,558
Claims Liabilities	-	-	-	15,113,314	-	-	-	1,831,842	16,945,156
Compensated Absences Payable	70,123	7,728	42,841	46,390	-	23,847	-	-	190,929
<b>TOTAL CURRENT LIABILITIES</b>	<b>342,427</b>	<b>13,004</b>	<b>1,365,236</b>	<b>15,217,274</b>	<b>187,168</b>	<b>67,846</b>	<b>-</b>	<b>1,851,199</b>	<b>19,044,154</b>
<b>Noncurrent Liabilities:</b>									
Compensated Absences Payable	7,791	859	4,760	5,155	-	2,650	-	-	21,215
<b>TOTAL LIABILITIES</b>	<b>350,218</b>	<b>13,863</b>	<b>1,369,996</b>	<b>15,222,429</b>	<b>187,168</b>	<b>70,496</b>	<b>-</b>	<b>1,851,199</b>	<b>19,065,369</b>
<b>NET POSITION</b>									
Investment in Capital Assets	105,529	-	-	-	-	113,740	-	-	219,269
Unrestricted	(87,991)	306,815	278,385	(743,412)	6,837,240	319,702	-	8,390,791	15,301,530
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ 17,538</b>	<b>\$ 306,815</b>	<b>\$ 278,385</b>	<b>\$ (743,412)</b>	<b>\$ 6,837,240</b>	<b>\$ 433,442</b>	<b>\$ -</b>	<b>\$ 8,390,791</b>	<b>\$ 15,520,799</b>

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenses and Changes in Net Position  
Internal Service Funds

For the Year Ended June 30, 2017

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>Operating Revenues</b>									
Charges for Services	\$ 2,308,328	\$ 265,476	\$ 33,777,496	\$ 4,913,947	\$ 10,751,646	\$ 393,535	\$ -	\$ 30,951,189	\$ 83,361,617
Payments from Component Unit	-	-	-	1,590,000	-	-	-	-	1,590,000
Total Operating Revenues	2,308,328	265,476	33,777,496	6,503,947	10,751,646	393,535	-	30,951,189	84,951,617
<b>Operating Expenses</b>									
Cost of Services	2,811,357	375,986	1,975,498	1,429,377	9,888,961	1,018,928	-	2,347,077	19,847,184
Depreciation and Amortization	17,643	-	-	-	-	68,689	-	-	86,332
Medical Claims	-	-	183,194	-	-	-	-	24,196,246	24,379,440
Retirement Contributions	-	-	31,213,315	-	-	-	-	-	31,213,315
VWRP Employee Benefits	-	-	2,431,611	-	-	-	-	-	2,431,611
OPEB 35% Health Contributions	-	-	1,250,000	-	-	-	-	-	1,250,000
Other Employee Benefits	-	-	880,340	-	-	-	-	-	880,340
Worker's Compensation & Other Claims	-	-	-	1,921,741	-	-	-	-	1,921,741
Other Expenses	163,840	-	-	547,180	-	356	-	-	711,376
Total Operating Expenses	2,992,840	375,986	37,933,958	3,898,298	9,888,961	1,087,973	-	26,543,323	82,721,339
<b>Operating Income (Loss)</b>	(684,512)	(110,510)	(4,156,462)	2,605,649	862,685	(694,438)	-	4,407,866	2,230,278
<b>Nonoperating Revenues (Expenses)</b>									
Subrogation Loss	-	-	-	(22,473)	-	-	-	-	(22,473)
Total Nonoperating Revenues (Expenses)	-	-	-	(22,473)	-	-	-	-	(22,473)
<b>Income (Loss) before Transfers</b>	(684,512)	(110,510)	(4,156,462)	2,583,176	862,685	(694,438)	-	4,407,866	2,207,805
<b>Transfers</b>									
Transfers to Other Funds	-	-	-	-	-	-	(141,420)	-	(141,420)
Transfers from Other Funds	600,000	52,122	1,550,000	270,000	-	205,500	-	-	2,677,622
Total Transfers	600,000	52,122	1,550,000	270,000	-	205,500	(141,420)	-	2,536,202
<b>Change in Net Position</b>	(84,512)	(58,388)	(2,606,462)	2,853,176	862,685	(488,938)	(141,420)	4,407,866	4,744,007
<b>Total Net Position (Deficit), July 1</b>	102,050	365,203	2,884,847	(3,596,588)	5,974,555	922,380	141,420	3,982,925	10,776,792
<b>Total Net Position (Deficit), June 30</b>	\$ 17,538	\$ 306,815	\$ 278,385	\$ (743,412)	\$ 6,837,240	\$ 433,442	\$ -	\$ 8,390,791	\$ 15,520,799



KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2017

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>Operating Activities</b>									
Cash Received from Interfund Services Provided	\$ 2,325,683	\$ 264,626	\$ 34,911,822	\$ 4,886,647	\$ 10,858,069	\$ 393,535	\$ -	\$ 32,027,040	\$ 85,667,422
Cash Received from Component Unit	-	-	-	1,590,000	-	-	-	-	1,590,000
Cash Paid to Employees	(901,035)	(69,454)	(477,669)	(462,418)	-	(313,107)	-	-	(2,223,683)
Cash Paid for Goods and Services	(1,654,222)	(242,241)	(1,354,907)	(4,078,774)	(9,924,791)	(612,999)	-	(2,347,077)	(20,215,011)
Cash Paid on Behalf of Employees	(344,097)	(35,685)	(35,722,465)	(149,066)	-	(96,313)	-	(24,114,705)	(60,462,331)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(573,671)</b>	<b>(82,754)</b>	<b>(2,643,219)</b>	<b>1,786,389</b>	<b>933,278</b>	<b>(628,884)</b>	<b>-</b>	<b>5,565,258</b>	<b>4,356,397</b>
<b>Noncapital Financing Activities</b>									
Transfers from Other Funds	600,000	52,122	1,550,000	270,000	-	205,500	-	-	2,677,622
Transfers to Other Funds	-	-	-	-	-	-	(141,420)	-	(141,420)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>600,000</b>	<b>52,122</b>	<b>1,550,000</b>	<b>270,000</b>	<b>-</b>	<b>205,500</b>	<b>(141,420)</b>	<b>-</b>	<b>2,536,202</b>
<b>Capital and Related Financing Activities</b>									
Acquisition and Construction of Capital Assets	(26,329)	-	-	-	-	-	-	-	(26,329)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(26,329)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,329)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>-</b>	<b>(30,632)</b>	<b>(1,093,219)</b>	<b>2,056,389</b>	<b>933,278</b>	<b>(423,384)</b>	<b>(141,420)</b>	<b>5,565,258</b>	<b>6,866,270</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>-</b>	<b>304,275</b>	<b>1,803,251</b>	<b>11,998,230</b>	<b>5,835,978</b>	<b>813,582</b>	<b>141,420</b>	<b>4,081,970</b>	<b>24,978,706</b>
<b>End of Year</b>	<b>\$ -</b>	<b>\$ 273,643</b>	<b>\$ 710,032</b>	<b>\$ 14,054,619</b>	<b>\$ 6,769,256</b>	<b>\$ 390,198</b>	<b>\$ -</b>	<b>\$ 9,647,228</b>	<b>\$ 31,844,976</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>									
Operating Income (Loss)	\$ (684,512)	\$ (110,510)	\$ (4,156,462)	\$ 2,605,649	\$ 862,685	\$ (694,438)	\$ -	\$ 4,407,866	\$ 2,230,278
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:									
Depreciation and Amortization	17,643	-	-	-	-	68,689	-	-	86,332
Change in Assets and Liabilities:									
(Increase) Decrease in Accounts Receivable	19,305	(158)	169,892	(296)	117,503	-	-	160,121	466,367
(Increase) Decrease in Due from Other Funds	(1,334)	(692)	751,026	-	-	-	-	915,730	1,664,730
(Increase) Decrease in Due from Component Units	(616)	-	213,408	(27,004)	(11,080)	-	-	-	174,708
Decrease in Inventories	126,582	16,663	-	-	-	-	-	-	143,245
Increase in Prepaid Items	-	-	(5,296)	(7,050)	-	-	-	160,947	148,601
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(42,274)	3,356	377,060	8,409	(16,101)	(29,700)	-	(1,659)	299,091
Increase (Decrease) in Due to Other Funds	16,027	-	(75)	(8)	(19,017)	68	-	-	(3,005)
Decrease in Due to Component Units	-	-	-	-	(712)	-	-	-	(712)
Increase (Decrease) in Compensated Absences	(24,492)	8,587	7,228	6,333	-	26,497	-	-	24,153
Decrease in Claims Liabilities	-	-	-	(799,644)	-	-	-	(77,747)	(877,391)
Total Adjustments	110,841	27,756	1,513,243	(819,260)	70,593	65,554	-	1,157,392	2,126,119
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (573,671)</b>	<b>\$ (82,754)</b>	<b>\$ (2,643,219)</b>	<b>\$ 1,786,389</b>	<b>\$ 933,278</b>	<b>\$ (628,884)</b>	<b>\$ -</b>	<b>\$ 5,565,258</b>	<b>\$ 4,356,397</b>

---

**KNOX COUNTY, TENNESSEE**

**Vehicle Service Center Fund**  
**Comparative Statements of Net Position**

June 30, 2017 and 2016

---

	2017	2016
<b>ASSETS</b>		
<b>Current Assets:</b>		
Accounts Receivable	\$ 79,895	\$ 99,200
Due from Other Funds	115,263	113,929
Due from Component Units	887	271
Inventories	64,087	190,669
Prepaid Items	2,095	2,095
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	262,227	406,164
<b>Capital Assets:</b>		
Machinery and Equipment	210,545	213,206
Accumulated Depreciation	(105,016)	(116,363)
	<hr/>	<hr/>
Capital Assets (Net of Accumulated Depreciation)	105,529	96,843
	<hr/>	<hr/>
TOTAL ASSETS	367,756	503,007
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	90,329	132,603
Due to Other Funds	181,975	165,948
Compensated Absences	70,123	92,165
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	342,427	390,716
<b>Noncurrent Liabilities:</b>		
Compensated Absences	7,791	10,241
	<hr/>	<hr/>
TOTAL LIABILITIES	350,218	400,957
<b>NET POSITION</b>		
Investment in Capital Assets	105,529	96,843
Unrestricted	(87,991)	5,207
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 17,538	\$ 102,050

---

**KNOX COUNTY, TENNESSEE**

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

For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 2,308,328	\$ 2,201,318
<b>Operating Expenses</b>		
Cost of Services	2,811,357	2,619,032
Depreciation and Amortization	17,643	13,452
Other Expenses	163,840	163,868
Total Operating Expenses	2,992,840	2,796,352
Loss before Transfers	(684,512)	(595,034)
<b>Transfers</b>		
Transfers from Other Funds	600,000	696,327
Change in Net Position	(84,512)	101,293
Net Position, July 1	102,050	757
Net Position, June 30	\$ 17,538	\$ 102,050

---

**KNOX COUNTY, TENNESSEE**

**Mailroom Fund**  
**Comparative Statements of Net Position**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 273,643	\$ 304,275
Accounts Receivable	655	497
Due from Other Funds	20,560	19,868
Inventories	<u>25,820</u>	<u>42,483</u>
<b>TOTAL ASSETS</b>	<u>320,678</u>	<u>367,123</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	5,276	1,920
Compensated Absences	<u>7,728</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>13,004</u>	<u>1,920</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>859</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>13,863</u>	<u>1,920</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 306,815</u>	<u>\$ 365,203</u>

---

**KNOX COUNTY, TENNESSEE**

**Mailroom Fund**  
**Comparative Statements of Revenues, Expenses**  
**and Changes in Net Position**

For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Charges for Services	<u>\$ 265,476</u>	<u>\$ 258,712</u>
<b>Operating Expenses</b>		
Cost of Services	<u>375,986</u>	<u>237,645</u>
Total Operating Expenses	<u>375,986</u>	<u>237,645</u>
Income (Loss) before Transfers	<u>(110,510)</u>	<u>21,067</u>
<b>Transfers</b>		
Transfers from Other Funds	<u>52,122</u>	<u>-</u>
Change in Net Position	(58,388)	21,067
Net Position, July 1	<u>365,203</u>	<u>344,136</u>
Net Position, June 30	<u><u>\$ 306,815</u></u>	<u><u>\$ 365,203</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Employee Benefits Fund**  
**Comparative Statements of Net Position**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 710,032	\$ 1,803,251
Accounts Receivable	304,739	474,631
Due from Other Funds	554,952	1,305,978
Due from Component Units	58,505	271,913
Prepaid Items	20,153	14,857
	<u>1,648,381</u>	<u>3,870,630</u>
<b>TOTAL ASSETS</b>		
	<u>1,648,381</u>	<u>3,870,630</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	1,321,996	944,936
Due to Other Funds	399	474
Compensated Absences	42,841	36,336
	<u>1,365,236</u>	<u>981,746</u>
<b>TOTAL CURRENT LIABILITIES</b>		
	<u>1,365,236</u>	<u>981,746</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	4,760	4,037
	<u>4,760</u>	<u>4,037</u>
<b>TOTAL LIABILITIES</b>		
	<u>1,369,996</u>	<u>985,783</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 278,385</u>	<u>\$ 2,884,847</u>

---

**KNOX COUNTY, TENNESSEE**

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

For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 33,777,496	\$ 30,798,062
<b>Operating Expenses</b>		
Finance and Administration:		
Cost of Services	1,975,498	1,910,224
Medical Claims	183,194	348,871
Retirement Contributions	31,213,315	28,178,853
VWRP Employee Benefits	2,431,611	-
OPEB 35% Health Contributions	1,250,000	-
Other Employee Benefits	880,340	826,951
Total Operating Expenses	<u>37,933,958</u>	<u>31,264,899</u>
Loss before Transfers	<u>(4,156,462)</u>	<u>(466,837)</u>
<b>Transfers</b>		
Transfers from Other Funds	<u>1,550,000</u>	<u>1,300,000</u>
Total Transfers	<u>1,550,000</u>	<u>1,300,000</u>
Change in Net Position	(2,606,462)	833,163
Net Position, July 1	<u>2,884,847</u>	<u>2,051,684</u>
Net Position, June 30	<u>\$ 278,385</u>	<u>\$ 2,884,847</u>

---

**KNOX COUNTY, TENNESSEE**

**Self Insurance Fund**  
**Comparative Statements of Net Position**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 14,054,619	\$ 11,998,230
Accounts Receivable	296	-
Notes Receivable	-	22,473
Due from Component Units	417,052	390,048
Prepaid Items	7,050	-
	<u>14,479,017</u>	<u>12,410,751</u>
<b>TOTAL CURRENT ASSETS</b>	<u>14,479,017</u>	<u>12,410,751</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and		
Accrued Liabilities	57,454	49,045
Due to Other Funds	116	124
Claims Liability	15,113,314	15,912,958
Compensated Absences	46,390	40,691
	<u>15,217,274</u>	<u>16,002,818</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>15,217,274</u>	<u>16,002,818</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	5,155	4,521
	<u>5,155</u>	<u>4,521</u>
<b>TOTAL LIABILITIES</b>	<u>15,222,429</u>	<u>16,007,339</u>
<b>NET POSITION (DEFICIT)</b>		
Unrestricted	<u>\$ (743,412)</u>	<u>\$ (3,596,588)</u>



---

**KNOX COUNTY, TENNESSEE**

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

For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 4,913,947	\$ 4,449,740
Payments From Component Unit	1,590,000	298,024
Total Operating Revenues	<u>6,503,947</u>	<u>4,747,764</u>
<b>Operating Expenses</b>		
Cost of Services	1,429,377	919,437
Workers' Compensation & Other Claims	1,921,741	5,239,771
Other Expenses	547,180	177,249
Total Operating Expenses	<u>3,898,298</u>	<u>6,336,457</u>
Operating Income (Loss)	<u>2,605,649</u>	<u>(1,588,693)</u>
<b>Nonoperating Expenses</b>		
Subrogations Loss	<u>(22,473)</u>	<u>-</u>
Total Nonoperating Expenses	<u>(22,473)</u>	<u>-</u>
Income (Loss) before Transfers	<u>2,583,176</u>	<u>(1,588,693)</u>
<b>Transfers</b>		
Transfers From Other Funds	<u>270,000</u>	<u>-</u>
Change in Net Position	2,853,176	(1,588,693)
Net Position (Deficit), July 1	<u>(3,596,588)</u>	<u>(2,007,895)</u>
Net Position (Deficit), June 30	<u>\$ (743,412)</u>	<u>\$ (3,596,588)</u>

---

**KNOX COUNTY, TENNESSEE**

**Building Operations Fund**  
**Comparative Statements of Net Position**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 6,769,256	\$ 5,835,978
Accounts Receivable	244,072	361,575
Due from Component Units	<u>11,080</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<u>7,024,408</u>	<u>6,197,553</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	187,168	203,269
Due to Other Funds	-	19,017
Due to Component Units	<u>-</u>	<u>712</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>187,168</u>	<u>222,998</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 6,837,240</u>	<u>\$ 5,974,555</u>

---

**KNOX COUNTY, TENNESSEE**

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

For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Charges for Services	<u>\$ 10,751,646</u>	<u>\$ 11,084,964</u>
<b>Operating Expenses</b>		
Cost of Services	<u>9,888,961</u>	<u>9,954,479</u>
Change in Net Position	862,685	1,130,485
Net Position, July 1	<u>5,974,555</u>	<u>4,844,070</u>
Net Position, June 30	<u><u>\$ 6,837,240</u></u>	<u><u>\$ 5,974,555</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Technical Support Service Fund**  
**Comparative Statements of Net Position**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 390,198	\$ 813,582
<b>TOTAL CURRENT ASSETS</b>	<u>390,198</u>	<u>813,582</u>
<b>Capital Assets:</b>		
Machinery and Equipment	585,936	585,936
Accumulated Depreciation	<u>(472,196)</u>	<u>(403,507)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>113,740</u>	<u>182,429</u>
<b>TOTAL ASSETS</b>	<u>503,938</u>	<u>996,011</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	43,931	73,631
Due to Other Funds	68	-
Compensated Absences	<u>23,847</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>67,846</u>	<u>73,631</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>2,650</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>70,496</u>	<u>73,631</u>
<b>NET POSITION</b>		
Investment in Capital Assets	113,740	182,429
Unrestricted	<u>319,702</u>	<u>739,951</u>
<b>TOTAL NET POSITION</b>	<u>\$ 433,442</u>	<u>\$ 922,380</u>

---

**KNOX COUNTY, TENNESSEE**

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

For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 393,535	\$ 384,220
<b>Operating Expenses</b>		
Cost of Services	1,018,928	193,306
Depreciation and Amortization	68,689	69,916
Other Expense	356	354
Total Operating Expenses	<u>1,087,973</u>	<u>263,576</u>
Income (Loss) before Transfers	<u>(694,438)</u>	<u>120,644</u>
<b>Transfers</b>		
Transfers from Other Funds	<u>205,500</u>	<u>-</u>
Change in Net Position	(488,938)	120,644
Net Position, July 1	<u>922,380</u>	<u>801,736</u>
Net Position, June 30	<u><u>\$ 433,442</u></u>	<u><u>\$ 922,380</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Capital Leasing Fund**  
**Comparative Statements of Net Position**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ -	\$ 141,420
<b>Capital Assets:</b>		
Machinery and Equipment	-	4,231,558
Accumulated Depreciation	-	(4,231,558)
Capital Assets (Net of Accumulated Depreciation)	-	-
<b>TOTAL ASSETS</b>	-	141,420
<b>NET POSITION</b>		
Unrestricted	\$ -	\$ 141,420

---

**KNOX COUNTY, TENNESSEE**

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

For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Charges for Services	\$ -	\$ -
<b>Operating Expenses</b>		
Depreciation and Amortization	-	4,565
Income (Loss) before Transfers	-	(4,565)
<b>Transfers</b>		
Transfers to Other Funds	(141,420)	-
Change in Net Position	(141,420)	(4,565)
Net Position, July 1	141,420	145,985
Net Position, June 30	<u>\$ -</u>	<u>\$ 141,420</u>

---

**KNOX COUNTY, TENNESSEE**

**Self Insurance Healthcare Fund**  
**Comparative Statements of Net Position**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 9,647,228	\$ 4,081,970
Accounts Receivable	18,798	178,919
Due from Other Funds	573,682	1,489,412
Prepaid Items	<u>2,282</u>	<u>163,229</u>
<b>TOTAL ASSETS</b>	<u>10,241,990</u>	<u>5,913,530</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	19,357	21,016
Claims Liability	<u>1,831,842</u>	<u>1,909,589</u>
<b>TOTAL LIABILITIES</b>	<u>1,851,199</u>	<u>1,930,605</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 8,390,791</u>	<u>\$ 3,982,925</u>



---

**KNOX COUNTY, TENNESSEE**

**Self Insurance Healthcare Fund**  
**Comparative Statements of Revenues, Expenses**  
**and Changes in Net Position**

For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Charges for Services	<u>\$ 30,951,189</u>	<u>\$ 27,801,464</u>
<b>Operating Expenses</b>		
Cost of Services	2,347,077	2,461,918
Medical Claims	<u>24,196,246</u>	<u>26,815,076</u>
Total Operating Expenses	<u>26,543,323</u>	<u>29,276,994</u>
Change in Net Position	4,407,866	(1,475,530)
Net Position, July 1	<u>3,982,925</u>	<u>5,458,455</u>
Net Position, June 30	<u><u>\$ 8,390,791</u></u>	<u><u>\$ 3,982,925</u></u>

## FIDUCIARY FUNDS

Trust funds are used to account for assets held by the County in a trustee capacity. Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

### **PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS**

**Pension Trust Fund Closed Defined Benefit Plan:** 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 Asset Accumulation Plan:** This fund is used to account for the accumulation of resources for retirement 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 Defined Contribution Medical Expense Retirement Plan:** 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 for Uniformed Officers Pension Plan:** 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 (defined benefit plan).

**Pension Trust Fund for Sheriff's Total Accumulation Retirement Plan:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County Sheriff's Total Accumulation Retirement Plan (defined contribution plan).

**Employee Disability Plan (Other Postemployment Benefit Plan):** This fund is used to provide resources should an employee become disabled prior to retirement. Eligible employees must also be participants in one of the defined benefit or defined contribution plans.

**Retiree Healthcare Plan (Other Postemployment Benefit Plan):** This fund is used to provide post-retirement health care benefits for County retirees and their dependents.

### **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.

**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 Position**  
**Pension and Other Employee Benefit Trust Funds**  
June 30, 2017

	Closed Defined Benefit Plan	Asset Accumulation Plan	Voluntary 457 Plan	Medical Expense Retirement Plan	Uniformed Officers Pension Plan	Sheriff's Total Accumulation Retirement Plan	Employee Disability Plan	Retiree Healthcare Plan	Total
<b>ASSETS</b>									
Cash and Cash equivalents	\$ 687,713	\$ 152,407	\$ -	\$ -	\$ 3,109,002	\$ 62,603	\$ -	\$ -	\$ 4,011,725
Investments, at Fair Value:									
Mutual Funds	2,230,647	227,378,245	15,593,838	4,065,421	10,357,235	1,666,787	874,981	1,184,331	263,351,485
Collective Investment Trusts	39,675,667	8,582,760	2,412,569	1,254,331	155,487,887	53,748	82,707	-	207,549,669
Interest-earning Investment Contracts	-	50,028,534	694,216	385,992	-	615,583	268,651	88,004	52,080,980
Investments, at Contract Value:									
Guaranteed Investment Contracts	-	17,022,236	1,290,142	-	-	-	-	-	18,312,378
Total Investments	41,906,314	303,011,775	19,990,765	5,705,744	165,845,122	2,336,118	1,226,339	1,272,335	541,294,512
Receivables:									
Employee Contributions	2,624	240,503	129,724	10,160	58,099	18,322	-	-	459,432
Employer Contributions	-	308,406	-	-	108	36,643	-	-	345,157
Notes Receivable from Participants	-	3,187,274	-	-	-	-	-	-	3,187,274
Receivable from Other Plans	-	-	-	-	-	-	202,803	-	202,803
Receivable for Investment Sold	210,500	-	-	-	-	-	-	-	210,500
Accrued Interest and Dividends	829	31,161	-	-	3,755	-	-	-	35,745
Total Receivables	213,953	3,767,344	129,724	10,160	61,962	54,965	202,803	-	4,440,911
Total Assets	42,807,980	306,931,526	20,120,489	5,715,904	169,016,086	2,453,686	1,429,142	1,272,335	549,747,148
<b>LIABILITIES</b>									
Accounts Payable - Administrative Expenses	63,757	-	-	-	224,777	-	158,586	-	447,120
Accounts Payable - To Other Plans	-	140,199	-	-	-	62,603	-	-	202,802
Total Liabilities	63,757	140,199	-	-	224,777	62,603	158,586	-	649,922
<b>NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS</b>									
	\$ 42,744,223	\$ 306,791,327	\$ 20,120,489	\$ 5,715,904	\$ 168,791,309	\$ 2,391,083	\$ 1,270,556	\$ 1,272,335	\$ 549,097,226

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Changes in Fiduciary Net Position  
Pension and Other Employee Benefit Trust Funds  
For the Year Ended June 30, 2017**

	Closed Defined Benefit Plan	Asset Accumulation Plan	Voluntary 457 Plan	Medical Expense Retirement Plan	Uniformed Officers Pension Plan	Sheriff's Total Accumulation Retirement Plan	Employee Disability Plan	Retiree Healthcare Plan	Total
<b>ADDITIONS</b>									
Contributions:									
Employer	\$ 3,118,848	\$ 10,750,430	\$ -	\$ 104,561	\$ 4,077,479	\$ 838,185	\$ 461,490	\$ 1,250,000	\$ 20,600,993
Employees	95,978	8,965,477	2,596,005	230,086	1,578,810	419,170	-	-	13,885,526
Rollovers	-	968,642	123,406	-	-	1,979	-	-	1,094,027
Total Contributions	3,214,826	20,684,549	2,719,411	334,647	5,656,289	1,259,334	461,490	1,250,000	35,580,546
Investment Income (Loss):									
Interest and Dividend Income	154,927	8,752,624	199,166	145,467	549,888	20,623	37,569	30,603	9,890,867
Interest on Notes Receivable from Participants	-	84,849	-	-	-	-	-	-	84,849
Net Appreciation (Depreciation) in Fair Value of Investments	4,993,630	23,498,886	1,942,777	500,702	19,437,201	169,978	140,447	-	50,683,621
Total Investment Income (Loss)	5,148,557	32,336,359	2,141,943	646,169	19,987,089	190,601	178,016	30,603	60,659,337
Less Investment Expenses	(178,253)	-	-	-	(543,936)	-	-	-	(722,189)
Net Investment Income (Loss)	4,970,304	32,336,359	2,141,943	646,169	19,443,153	190,601	178,016	30,603	59,937,148
Other:									
Transfers from Other Plans	-	44,010	68,705	-	-	-	622,890	-	735,605
Total Additions	8,185,130	53,064,918	4,930,059	980,816	25,099,442	1,449,935	1,262,396	1,280,603	96,253,299
<b>DEDUCTIONS</b>									
Benefits and Refunds	7,538,772	16,562,233	665,039	350,069	7,089,358	104,395	254,942	-	32,564,808
Administrative Expenses	188,228	16,711	-	-	410,734	-	1,183,458	8,268	1,807,399
Transfers to Other Plans	35,224	465,581	68,705	-	-	160,753	5,342	-	735,605
Total Deductions	7,762,224	17,044,525	733,744	350,069	7,500,092	265,148	1,443,742	8,268	35,107,812
<b>CHANGE IN NET POSITION</b>	422,906	36,020,393	4,196,315	630,747	17,599,350	1,184,787	(181,346)	1,272,335	61,145,487
<b>NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS, BEGINNING OF YEAR</b>									
	42,321,317	270,770,934	15,924,174	5,085,157	151,191,959	1,206,296	1,451,902	-	487,951,739
<b>NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS, END OF YEAR</b>									
	\$ 42,744,223	\$ 306,791,327	\$ 20,120,489	\$ 5,715,904	\$ 168,791,309	\$ 2,391,083	\$ 1,270,556	\$ 1,272,335	\$ 549,097,226

---

## KNOX COUNTY, TENNESSEE

### Comparative Statements of Fiduciary Net Position Pension Trust Fund - Closed Defined Benefit Plan

June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 687,713	\$ 65,089
Investments, at Fair Value:		
Mutual Funds	2,230,647	2,206,193
Collective Investment Trusts	39,675,667	34,336,808
Corporate Bonds	-	733,104
U.S. Treasuries	-	2,978,058
Federal Agency Debt Securities	-	161,250
Federal Agency Mortgage Backed Securities	-	1,932,004
Total Investments	<u>41,906,314</u>	<u>42,347,417</u>
Receivables:		
Employee Contributions	2,624	2,535
Receivables for Investments Sold	210,500	-
Accrued Interest and Dividends	829	27,889
Total Receivable	<u>213,953</u>	<u>30,424</u>
Total Assets	<u>42,807,980</u>	<u>42,442,930</u>
<b>LIABILITIES</b>		
Accounts Payable - Administrative Expenses	63,757	80,927
Accounts Payable - Investments Purchased	-	40,686
Total Liabilities	<u>63,757</u>	<u>121,613</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<u>\$ 42,744,223</u>	<u>\$ 42,321,317</u>

---

**KNOX COUNTY, TENNESSEE****Comparative Statements of Changes in Fiduciary Net Position  
Pension Trust Fund - Closed Defined Benefit Plan  
For the Years Ended June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 3,118,848	\$ 3,160,060
Employees	95,978	93,544
Total Contributions	<u>3,214,826</u>	<u>3,253,604</u>
Investment Income (Loss):		
Interest and Dividend Income	154,927	286,433
Net Appreciation (Depreciation) in Fair Value of Investments	<u>4,993,630</u>	<u>(439,916)</u>
Total Investment Income (Loss)	5,148,557	(153,483)
Less Investment Expenses	<u>(178,253)</u>	<u>(265,586)</u>
Net Investment Income (Loss)	<u>4,970,304</u>	<u>(419,069)</u>
Total Additions	<u>8,185,130</u>	<u>2,834,535</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	7,538,772	7,424,676
Administrative Expenses	188,228	228,654
Transfers to Other Plans	<u>35,224</u>	<u>38,696</u>
Total Deductions	<u>7,762,224</u>	<u>7,692,026</u>
<b>CHANGE IN NET POSITION</b>	422,906	(4,857,491)
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR</b>	<u>42,321,317</u>	<u>47,178,808</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR</b>	<u><u>\$ 42,744,223</u></u>	<u><u>\$ 42,321,317</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Position**  
**Pension Trust Fund - Asset Accumulation Plan**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 152,407	\$ 644,831
Investments, at Fair Value:		
Mutual Funds	227,378,245	213,501,514
Collective Investment Trusts	8,582,760	33,689,709
Interest-earning Investment Contracts	50,028,534	22,709,536
Investments, at Contract Value:		
Guaranteed Investment Contracts	17,022,236	-
Total Investments	<u>303,011,775</u>	<u>269,900,759</u>
Receivables:		
Employee Contributions	240,503	191,760
Employer Contributions	308,406	208,641
Notes Receivable from Participants	3,187,274	-
Accrued Interest and Dividends	31,161	-
Total Receivables	<u>3,767,344</u>	<u>400,401</u>
Total Assets	<u>306,931,526</u>	<u>270,945,991</u>
<b>LIABILITIES</b>		
Accounts Payable - To Other Plans	<u>140,199</u>	<u>175,057</u>
<b>NET POSITION - RESTRICTED FOR</b>		
<b>    PENSION AND RETIREMENT BENEFITS</b>	<u>\$ 306,791,327</u>	<u>\$ 270,770,934</u>

---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Position**  
**Pension Trust Fund - Asset Accumulation Plan**  
For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 10,750,430	\$ 9,914,030
Employees	8,965,477	8,305,970
Rollovers	968,642	432,597
	<u>20,684,549</u>	<u>18,652,597</u>
Investment Income (Loss):		
Interest and Dividend Income	8,752,624	3,000,424
Interest on Notes Receivable from Participants	84,849	-
Net Appreciation (Depreciation) in Fair Value of Investments	23,498,886	(4,436,701)
	<u>32,336,359</u>	<u>(1,436,277)</u>
Net Investment Income (Loss)		
Other Additions:		
Transfers from Other Plans	44,010	40,988
	<u>53,064,918</u>	<u>17,257,308</u>
Total Additions		
<b>DEDUCTIONS</b>		
Benefits and Refunds	16,562,233	18,798,198
Administrative Expenses	16,711	1,000
Transfer to Other Plans	465,581	559,242
	<u>17,044,525</u>	<u>19,358,440</u>
Total Deductions		
<b>CHANGE IN NET POSITION</b>	36,020,393	(2,101,132)
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR</b>	<u>270,770,934</u>	<u>272,872,066</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR</b>	<u>\$ 306,791,327</u>	<u>\$ 270,770,934</u>



---

**KNOX COUNTY, TENNESSEE**

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

June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	\$ 15,593,838	\$ 12,913,144
Collective Investment Trusts	2,412,569	2,132,242
Interest-earning Investment Contracts	694,216	849,421
Investments, at Contract Value:		
Guaranteed Investment Contracts	<u>1,290,142</u>	<u>-</u>
 Total Investments	 <u>19,990,765</u>	 <u>15,894,807</u>
 Receivables:		
Employee Contributions	 <u>129,724</u>	 <u>29,367</u>
 Total Assets	 <u>20,120,489</u>	 <u>15,924,174</u>
 <b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	 <u><u>\$ 20,120,489</u></u>	 <u><u>\$ 15,924,174</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Position**  
**Pension Trust Fund - Voluntary 457 Plan**  
For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>		
Contributions:		
Employee	\$ 2,596,005	\$ 2,094,590
Rollovers	<u>123,406</u>	<u>278,581</u>
Total Contributions	<u>2,719,411</u>	<u>2,373,171</u>
Investment Income (Loss):		
Interest and Dividend Income	199,166	167,034
Net Appreciation (Depreciation) in Fair Value of Investments	<u>1,942,777</u>	<u>(265,205)</u>
Net Investment Income (Loss)	<u>2,141,943</u>	<u>(98,171)</u>
Other Additions:		
Transfers from Other Plans	<u>68,705</u>	<u>-</u>
Total Additions	<u>4,930,059</u>	<u>2,275,000</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	665,039	874,085
Transfers to Other Plans	<u>68,705</u>	<u>-</u>
Total Deductions	<u>733,744</u>	<u>874,085</u>
<b>CHANGE IN NET POSITION</b>	4,196,315	1,400,915
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR</b>	<u>15,924,174</u>	<u>14,523,259</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR</b>	<u><u>\$ 20,120,489</u></u>	<u><u>\$ 15,924,174</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Position**  
**Pension Trust Fund - Medical Expense Retirement Plan**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	\$ 4,065,421	\$ 3,615,765
Collective Investment Trusts	1,254,331	1,121,137
Interest-earning Investment Contracts	385,992	345,153
	<u>5,705,744</u>	<u>5,082,055</u>
 Receivables:		
Employee Contributions	10,160	2,101
Employer Contributions	-	1,001
	<u>10,160</u>	<u>3,102</u>
 Total Assets	<u>5,715,904</u>	<u>5,085,157</u>
 <b>NET POSITION - RESTRICTED FOR</b>		
<b>PENSION AND RETIREMENT BENEFITS</b>	<u>\$ 5,715,904</u>	<u>\$ 5,085,157</u>

---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Position  
Pension Trust Fund - Medical Expense Retirement Plan  
For the Years Ended June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 104,561	\$ 105,251
Employees	230,086	220,302
Total Contributions	<u>334,647</u>	<u>325,553</u>
Investment Income (Loss):		
Interest and Dividend Income	145,467	83,283
Net Appreciation (Depreciation) in Fair Value of Investments	<u>500,702</u>	<u>(221,795)</u>
Net Investment Income (Loss)	<u>646,169</u>	<u>(138,512)</u>
Total Additions	<u>980,816</u>	<u>187,041</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	350,069	501,993
Transfers to Other Plans	-	2,963
Total Deductions	<u>350,069</u>	<u>504,956</u>
<b>CHANGE IN NET POSITION</b>	630,747	(317,915)
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR</b>	<u>5,085,157</u>	<u>5,403,072</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR</b>	<u><u>\$ 5,715,904</u></u>	<u><u>\$ 5,085,157</u></u>

---

## KNOX COUNTY, TENNESSEE

### Comparative Statements of Fiduciary Net Position Pension Trust Fund - Uniformed Officers Pension Plan

June 30, 2017 and 2016

---

	2017	2016
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,109,002	\$ 1,940,122
Investments, at Fair Value:		
Mutual Funds	10,357,235	8,546,294
Collective Investment Trusts	155,487,887	121,706,634
Corporate Bonds	-	2,160,643
U.S. Treasuries	-	10,114,890
Federal Agency Debt Securities	-	540,273
Federal Agency Mortgage Backed Securities	-	6,398,550
Total Investments	<u>165,845,122</u>	<u>149,467,284</u>
Receivables:		
Employee Contributions	58,099	-
Employer Contributions	108	-
Accrued Interest and Dividends	3,755	89,535
Total Receivables	<u>61,962</u>	<u>89,535</u>
Total Assets	<u>169,016,086</u>	<u>151,496,941</u>
<b>LIABILITIES</b>		
Accounts Payable - Administrative Expenses	224,777	187,085
Accounts Payable - Investments Purchased	-	117,897
Total Liabilities	<u>224,777</u>	<u>304,982</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<u><u>\$ 168,791,309</u></u>	<u><u>\$ 151,191,959</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Position  
Pension Trust Fund - Uniformed Officers Pension Plan  
For the Years Ended June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 4,077,479	\$ 3,553,311
Employees	<u>1,578,810</u>	<u>1,619,506</u>
Total Contributions	<u>5,656,289</u>	<u>5,172,817</u>
Investment Income (Loss):		
Interest and Dividend Income	549,888	975,508
Net Appreciation (Depreciation) in Fair Value of Investments	<u>19,437,201</u>	<u>(535,422)</u>
Total Investment Income	19,987,089	440,086
Less Investment Expenses	<u>(543,936)</u>	<u>(653,632)</u>
Net Investment Income (Loss)	<u>19,443,153</u>	<u>(213,546)</u>
Total Additions	<u>25,099,442</u>	<u>4,959,271</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	7,089,358	5,722,723
Administrative Expenses	<u>410,734</u>	<u>439,588</u>
Total Deductions	<u>7,500,092</u>	<u>6,162,311</u>
<b>CHANGE IN NET POSITION</b>	17,599,350	(1,203,040)
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR</b>	<u>151,191,959</u>	<u>152,394,999</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR</b>	<u>\$ 168,791,309</u>	<u>\$ 151,191,959</u>

---

## KNOX COUNTY, TENNESSEE

### Comparative Statements of Fiduciary Net Position Pension Trust Fund - Sheriff's Total Accumulation Retirement Plan June 30, 2017 and 2016

---

	2017	2016
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 62,603	\$ 10,342
Investments, at Fair Value:		
Mutual Funds	1,666,787	1,076,557
Collective Investment Trusts	53,748	98,325
Interest-earning Investment Contract	615,583	31,414
Total Investments	2,336,118	1,206,296
Receivables:		
Employee Contributions	18,322	-
Employer Contributions	36,643	-
Total Receivables	54,965	-
Total Assets	2,453,686	1,216,638
<b>LIABILITIES</b>		
Accounts Payable - to Other Plans	62,603	10,342
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<b>\$ 2,391,083</b>	<b>\$ 1,206,296</b>

---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Position**  
**Pension Trust Fund - Sheriff's Total Accumulation Retirement Plan**  
For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 838,185	\$ 530,579
Employees	419,170	265,285
Rollovers	<u>1,979</u>	<u>2,278</u>
Total Contributions	<u>1,259,334</u>	<u>798,142</u>
Investment Income:		
Interest and Dividend Income	20,623	11,484
Net Appreciation in Fair Value of Investments	<u>169,978</u>	<u>13,889</u>
Net Investment Income	<u>190,601</u>	<u>25,373</u>
Total Additions	<u>1,449,935</u>	<u>823,515</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	104,395	32,865
Transfers to Other Plans	<u>160,753</u>	<u>90,893</u>
Total Deductions	<u>265,148</u>	<u>123,758</u>
<b>CHANGE IN NET POSITION</b>	1,184,787	699,757
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR</b>	<u>1,206,296</u>	<u>506,539</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR</b>	<u>\$ 2,391,083</u>	<u>\$ 1,206,296</u>



---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Position  
Other Employee Benefit Trust Fund - Employee Disability Plan**

June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	\$ 874,981	\$ 965,006
Collective Investment Trusts	82,707	298,869
Interest-earning Investment Contract	<u>268,651</u>	<u>91,654</u>
Total Investments	<u>1,226,339</u>	<u>1,355,529</u>
Receivables:		
Receivable from Other Plans	<u>202,803</u>	<u>185,398</u>
Total Receivables	<u>202,803</u>	<u>185,398</u>
Total Assets	<u>1,429,142</u>	<u>1,540,927</u>
<b>LIABILITIES</b>		
Accounts Payable - Administrative Expenses	<u>158,586</u>	<u>89,025</u>
<b>NET POSITION - RESTRICTED FOR OPEB BENEFITS</b>	<u><u>\$ 1,270,556</u></u>	<u><u>\$ 1,451,902</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Position  
Other Employee Benefit Trust Fund - Employee Disability Plan  
For the Years Ended June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 461,490	\$ 530,426
Investment Income (Loss):		
Interest and Dividend Income	37,569	61,327
Net Depreciation in Fair Value of Investments	140,447	(122,075)
Net Investment Income (Loss)	178,016	(60,748)
Other Additions:		
Transfers From Other Plans	622,890	653,097
Total Additions	1,262,396	1,122,775
<b>DEDUCTIONS</b>		
Benefits and Refunds	254,942	141,788
Administrative Expenses	1,183,458	774,388
Transfers to Other Plans	5,342	2,291
Total Deductions	1,443,742	918,467
<b>CHANGE IN NET POSITION</b>	(181,346)	204,308
<b>NET POSITION - RESTRICTED FOR OPEB BENEFITS, BEGINNING OF YEAR</b>	1,451,902	1,247,594
<b>NET POSITION - RESTRICTED FOR OPEB BENEFITS, END OF YEAR</b>	\$ 1,270,556	\$ 1,451,902

---

**KNOX COUNTY, TENNESSEE**

**Statement of Fiduciary Net Position**  
**Other Employee Benefit Trust Fund - Retiree Healthcare Plan**  
June 30, 2017

---

	<u>2017</u>
<b>ASSETS</b>	
Investments, at Fair Value:	
Mutual Funds	\$ 1,184,331
Interest-earning Investment Contract	<u>88,004</u>
Total Investments	<u>1,272,335</u>
Total Assets	<u>1,272,335</u>
<b>LIABILITIES</b>	
Accounts Payable - Administrative Expenses	<u>-</u>
<b>NET POSITION - RESTRICTED FOR OPEB BENEFITS</b>	<u><u>\$ 1,272,335</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Statement of Changes in Fiduciary Net Position**  
**Other Employee Benefit Trust Fund - Retiree Healthcare Plan**  
For the Year Ended June 30, 2017

---

	<u>2017</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	<u>\$ 1,250,000</u>
Investment Income (Loss):	
Interest and Dividend Income	<u>30,603</u>
Total Additions	<u>1,280,603</u>
<b>DEDUCTIONS</b>	
Administrative Expenses	<u>8,268</u>
Total Deductions	<u>8,268</u>
<b>CHANGE IN NET POSITION</b>	1,272,335
<b>NET POSITION - RESTRICTED FOR OPEB BENEFITS, BEGINNING OF YEAR</b>	<u>-</u>
<b>NET POSITION - RESTRICTED FOR OPEB BENEFITS, END OF YEAR</b>	<u>\$ 1,272,335</u>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Fiduciary Assets and Liabilities**

**Agency Funds**

June 30, 2017

(With Comparative Totals for June 30, 2016)

	Municipal Sales Tax	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
					2017	2016, Restated
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ -	\$ 843,446	\$ 2,532,690	\$ 24,039,856	\$ 27,415,992	\$ 27,419,734
Receivables:						
Accounts	7,660,537	-	-	804,735	8,465,272	8,466,290
<b>TOTAL ASSETS</b>	<u>\$ 7,660,537</u>	<u>\$ 843,446</u>	<u>\$ 2,532,690</u>	<u>\$ 24,844,591</u>	<u>\$ 35,881,264</u>	<u>\$ 35,886,024</u>
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	\$ 7,660,537	\$ 843,446	\$ 2,532,690	\$ -	\$ 11,036,673	\$ 9,788,054
Due to Other Governments	-	-	-	7,185,265	7,185,265	7,045,156
Due to Litigants, Heirs and Others	-	-	-	17,659,326	17,659,326	19,052,814
<b>TOTAL LIABILITIES</b>	<u>\$ 7,660,537</u>	<u>\$ 843,446</u>	<u>\$ 2,532,690</u>	<u>\$ 24,844,591</u>	<u>\$ 35,881,264</u>	<u>\$ 35,886,024</u>

**KNOX COUNTY, TENNESSEE**

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

For the Year Ended June 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	June 30, 2016, Restated	Additions	Deductions	June 30, 2017
<b><u>Municipal Sales Tax Fund</u></b>				
Assets:				
Accounts Receivable	\$ 7,844,176	\$ 48,937,644	\$ 49,121,283	\$ 7,660,537
Liabilities:				
Accounts Payable and Accrued Liability:	\$ 7,844,176	\$ 48,937,644	\$ 49,121,283	\$ 7,660,537
<b><u>Subdivision Bonds</u></b>				
Assets:				
Cash and Cash Equivalents	\$ 574,446	\$ 735,500	\$ 466,500	\$ 843,446
Liabilities:				
Accounts Payable and Accrued Liability:	\$ 574,446	\$ 735,500	\$ 466,500	\$ 843,446
<b><u>External Agencies Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$ 1,369,432	\$ 49,702,043	\$ 48,538,785	\$ 2,532,690
Liabilities:				
Accounts Payable and Accrued Liability:	\$ 1,369,432	\$ 49,702,043	\$ 48,538,785	\$ 2,532,690
<b><u>Constitutional Officers Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$ 25,475,856	\$ 104,783,206	\$ 106,219,206	\$ 24,039,856
Accounts Receivable	622,114	804,735	622,114	804,735
Total Assets	\$ 26,097,970	\$ 105,587,941	\$ 106,841,320	\$ 24,844,591
Liabilities:				
Due to Others	\$ 26,097,970	\$ 105,587,941	\$ 106,841,320	\$ 24,844,591
<b><u>Totals - All Agency Funds</u></b>				
Assets:				
Cash and Cash Equivalents	\$ 27,419,734	\$ 155,220,749	\$ 155,224,491	\$ 27,415,992
Accounts Receivable	8,466,290	49,742,379	49,743,397	8,465,272
Total Assets	\$ 35,886,024	\$ 204,963,128	\$ 204,967,888	\$ 35,881,264
Liabilities:				
Accounts Payable and Accrued Liability:	\$ 9,788,054	\$ 99,375,187	\$ 98,126,568	\$ 11,036,673
Due to Others	26,097,970	105,587,941	106,841,320	24,844,591
Total Liabilities	\$ 35,886,024	\$ 204,963,128	\$ 204,967,888	\$ 35,881,264

**KNOX COUNTY, TENNESSEE**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
June 30, 2017

	<b>Nonmajor Component Units</b>			<b>Total Nonmajor Component Units</b>
	<b>Knox County Emergency Communications District</b>	<b>Knox County Development Corporation</b>	<b>Knox County Railroad Authority</b>	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 19,513,448	\$ 21,053,542	\$ 13,280	\$ 40,580,270
Accounts Receivable	78,894	9,904	-	88,798
Land Held for Resale	-	18,313,093	-	18,313,093
Prepaid Items	52,614	26,684	-	79,298
Capital Assets:				
Land and Construction in Process	1,033,460	-	-	1,033,460
Other Capital Assets, Net of Accumulated Depreciation	8,836,630	1,833	-	8,838,463
<b>Total Assets</b>	<b>29,515,046</b>	<b>39,405,056</b>	<b>13,280</b>	<b>68,933,382</b>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	111,081	880,176	-	991,257
Due to Primary Government	887	-	-	887
Other Long-term Obligations:				
Due in Less than One Year	343,832	-	-	343,832
<b>Total Liabilities</b>	<b>455,800</b>	<b>880,176</b>	<b>-</b>	<b>1,335,976</b>
<b>Net Position</b>				
Investment in Capital Assets	9,870,090	1,833	-	9,871,923
Restricted for:				
Other Purposes	-	26,966	-	26,966
Unrestricted	19,189,156	38,496,081	13,280	57,698,517
<b>Total Net Position</b>	<b>\$ 29,059,246</b>	<b>\$ 38,524,880</b>	<b>\$ 13,280</b>	<b>\$ 67,597,406</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Activities  
Nonmajor Component Units  
For the Year Ended June 30, 2017**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Component Units</u>			<u>Total Nonmajor Component Units</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>The District</u>	<u>The Corporation</u>	<u>KCRA</u>	
Knox County Emergency Communications District	\$ 8,338,409	6,769,197	\$ 2,061,269	\$ -	\$ 492,057	\$ -	\$ -	492,057
Knox County Development Corporation	1,994,226	142,987	-	-	-	(1,851,239)	-	(1,851,239)
Knox County Railroad Authority	-	-	-	-	-	-	-	-
<b>Total component units</b>	<u>\$ 10,332,635</u>	<u>\$ 6,912,184</u>	<u>\$ 2,061,269</u>	<u>\$ -</u>	<u>492,057</u>	<u>(1,851,239)</u>	<u>-</u>	<u>(1,359,182)</u>
<b>General Revenues:</b>								
Investment Revenue					90,674	178,311	-	268,985
Payments from Primary Government					1,160,891	665,000	-	1,825,891
Other Governments and Citizens Groups					-	96,520	-	96,520
Grants and Contributions Not Restricted for Specific Programs					1,719,140	-	-	1,719,140
<b>Total General Revenues</b>					<u>2,970,705</u>	<u>939,831</u>	<u>-</u>	<u>3,910,536</u>
Change in Net Position					3,462,762	(911,408)	-	2,551,354
Net Position, July 1					25,596,484	39,436,288	13,280	65,046,052
Net Position, June 30					<u>\$ 29,059,246</u>	<u>\$ 38,524,880</u>	<u>\$ 13,280</u>	<u>\$ 67,597,406</u>



**KNOX COUNTY, TENNESSEE**

**Knox County Primary Government and Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt  
June 30, 2017**

Fiscal Year Ending June 30,	\$72,000,000 General Obligation Series 2003		\$34,550,000 General Obligation Refunding Series 2004		\$70,000,000 General Obligation Series 2004		\$47,610,000 General Obligation Refunding Series 2005A		\$77,000,000 General Obligation Series 2005		\$69,000,000 General Obligation Series 2007		\$40,000,000 General Obligation Series 2008		\$4,550,000 Women's Basketball Hall of Fame		\$16,000,000 Build America Bonds Series 2010A		\$30,115,000 Refunding Bonds Series 2010B		\$32,560,000 Refunding Bonds Series 2010C	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 2,950,000	\$ 2,263,500	\$ 5,115,000	\$ 775,750	\$ 3,400,000	\$ 2,252,000	\$ 5,115,000	\$ 1,101,500	\$ 2,250,000	\$ 2,733,750	\$ -	\$ 3,450,000	\$ 1,790,000	\$ 1,422,500	\$ 640,000	\$ 21,600	\$ 275,000	\$ 845,262	\$ 515,000	\$ 1,095,750	\$ 2,500,000	\$ 598,300
2019	3,125,000	2,130,750	5,400,000	520,000	3,600,000	2,116,000	5,365,000	845,750	2,375,000	2,632,500	-	3,450,000	1,875,000	1,333,000	-	-	275,000	834,262	700,000	1,082,875	2,635,000	498,300
2020	3,300,000	1,990,125	5,000,000	250,000	3,810,000	1,972,000	5,630,000	577,500	2,500,000	2,525,625	-	3,450,000	1,970,000	1,239,250	-	-	525,000	821,888	1,100,000	1,063,625	2,750,000	419,250
2021	3,525,000	1,841,625	-	-	4,030,000	1,819,600	5,920,000	296,000	2,625,000	2,413,125	-	3,450,000	2,070,000	1,140,750	-	-	625,000	798,000	450,000	1,008,625	2,870,000	336,750
2022	3,750,000	1,683,000	-	-	4,260,000	1,658,400	-	-	1,075,000	2,295,000	-	3,450,000	2,175,000	1,037,250	-	-	725,000	769,563	1,400,000	995,125	2,995,000	250,650
2023	3,975,000	1,514,250	-	-	4,500,000	1,488,000	-	-	1,000,000	2,246,625	-	3,450,000	2,280,000	928,500	-	-	725,000	736,575	1,450,000	953,125	3,120,000	160,800
2024	4,225,000	1,335,375	-	-	4,760,000	1,308,000	-	-	1,050,000	2,201,625	-	3,450,000	2,395,000	814,500	-	-	700,000	703,588	1,500,000	909,625	2,240,000	67,200
2025	4,500,000	1,145,250	-	-	5,020,000	1,117,600	-	-	1,100,000	2,154,375	-	3,450,000	2,515,000	694,750	-	-	650,000	671,738	1,500,000	862,750	-	-
2026	4,775,000	942,750	-	-	5,300,000	916,800	-	-	1,150,000	2,104,875	-	3,450,000	2,640,000	569,000	-	-	1,225,000	642,163	1,500,000	814,000	-	-
2027	5,075,000	727,875	-	-	5,580,000	704,800	-	-	1,175,000	2,053,125	6,475,000	3,450,000	2,775,000	437,000	-	-	100,000	575,400	1,700,000	754,000	-	-
2028	5,375,000	499,500	-	-	5,870,000	481,600	-	-	1,225,000	2,000,250	7,675,000	3,126,250	2,910,000	298,250	-	-	100,000	569,850	1,800,000	686,000	-	-
2029	5,725,000	257,625	-	-	6,170,000	246,800	-	-	1,275,000	1,945,125	8,075,000	2,742,500	3,055,000	152,750	-	-	100,000	564,300	1,750,000	614,000	-	-
2030	-	-	-	-	-	-	-	-	7,750,000	1,887,750	8,450,000	2,338,750	-	-	-	-	1,075,000	558,750	2,000,000	544,000	-	-
2031	-	-	-	-	-	-	-	-	8,050,000	1,539,000	8,900,000	1,916,250	-	-	-	-	1,075,000	499,088	2,100,000	464,000	-	-
2032	-	-	-	-	-	-	-	-	8,375,000	1,176,750	9,325,000	1,471,250	-	-	-	-	1,175,000	437,275	2,200,000	380,000	-	-
2033	-	-	-	-	-	-	-	-	8,700,000	799,875	9,800,000	1,005,000	-	-	-	-	1,275,000	369,713	2,300,000	292,000	-	-
2034	-	-	-	-	-	-	-	-	9,075,000	408,375	10,300,000	515,000	-	-	-	-	1,375,000	296,400	2,400,000	200,000	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,825,000	218,025	2,600,000	104,000	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 50,300,000</b>	<b>\$ 16,331,625</b>	<b>\$ 15,515,000</b>	<b>\$ 1,545,750</b>	<b>\$ 56,300,000</b>	<b>\$ 16,081,600</b>	<b>\$ 22,030,000</b>	<b>\$ 2,820,750</b>	<b>\$ 60,750,000</b>	<b>\$ 33,117,750</b>	<b>\$ 69,000,000</b>	<b>\$ 47,615,000</b>	<b>\$ 28,450,000</b>	<b>\$ 10,067,500</b>	<b>\$ 640,000</b>	<b>\$ 21,600</b>	<b>\$ 15,825,000</b>	<b>\$ 10,911,840</b>	<b>\$ 28,965,000</b>	<b>\$ 12,823,500</b>	<b>\$ 19,110,000</b>	<b>\$ 2,331,250</b>

*continued*

KNOX COUNTY, TENNESSEE

Knox County Primary Government and Board of Education  
 Schedule of Debt Service Requirements  
 General Bonded Debt (Continued)  
 June 30, 2017

Fiscal Year Ending June 30,	\$17,000,000 Build America Bonds Series 2010D		\$29,236,000 Qualified School Construction Bonds Series 2010		\$35,905,000 General Obligation Bonds Series 2012		\$39,075,000 General Obligation Bonds Series 2013		\$30,040,000 General Obligation Bonds Series 2014A		\$56,840,000 Refunding Bonds Series 2014B		\$16,020,000 Refunding Bonds Series 2015		\$35,900,000 General Obligation Bonds Series 2016		\$90,265,000 General Obligation Bonds Series 2017		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 50,000	\$ 925,713	\$ 1,824,281	\$ 1,417,361	\$ 700,000	\$ 355,600	\$ 1,510,000	\$ 1,346,594	\$ 1,080,000	\$ 992,662	\$ 4,390,000	\$ 1,252,618	\$ 4,105,000	\$ 421,500	\$ 1,475,000	\$ 1,110,126	\$ 2,535,000	\$ 3,995,252	\$ 42,219,281	\$ 28,377,338
2019	50,000	923,963	1,824,281	1,417,361	720,000	341,600	1,575,000	1,305,068	1,830,000	938,662	3,090,000	1,187,204	4,325,000	216,250	1,500,000	1,080,626	2,975,000	3,561,175	43,239,281	26,415,346
2020	250,000	922,063	1,824,281	1,417,361	735,000	327,200	1,625,000	1,257,819	1,920,000	847,162	3,140,000	1,131,586	-	-	2,100,000	1,065,626	3,120,000	3,412,425	41,299,281	24,690,505
2021	250,000	911,750	1,824,281	1,417,361	750,000	297,800	1,700,000	1,209,069	1,170,000	751,162	5,995,000	1,065,646	-	-	2,175,000	960,626	3,275,000	3,256,425	39,254,281	22,974,314
2022	500,000	900,500	1,824,281	1,417,361	780,000	282,800	1,750,000	1,158,069	1,230,000	692,662	6,105,000	925,364	-	-	1,425,000	922,563	3,440,000	3,092,675	33,434,281	21,530,982
2023	500,000	878,000	1,824,281	1,417,361	800,000	267,200	1,825,000	1,105,569	1,260,000	661,912	6,245,000	770,296	-	-	1,475,000	851,313	3,615,000	2,920,675	34,594,281	20,350,201
2024	500,000	855,500	1,824,281	1,417,361	825,000	249,200	1,875,000	1,050,818	1,285,000	635,138	6,340,000	602,930	-	-	1,525,000	777,563	3,790,000	2,739,925	34,834,281	19,118,348
2025	500,000	833,000	1,824,281	1,417,361	850,000	228,575	1,925,000	992,224	1,315,000	603,013	6,510,000	420,338	-	-	1,575,000	701,313	3,985,000	2,550,425	33,769,281	17,842,712
2026	500,000	810,500	1,824,281	1,417,361	875,000	205,200	1,975,000	929,662	1,350,000	573,425	6,675,000	223,086	-	-	1,625,000	622,563	4,180,000	2,351,175	35,594,281	16,572,560
2027	1,300,000	785,500	2,003,856	1,417,361	900,000	178,950	2,050,000	860,538	1,380,000	539,675	335,000	10,820	-	-	1,675,000	590,063	4,390,000	2,142,175	36,913,856	15,227,282
2028	1,350,000	714,000	1,719,976	1,395,899	950,000	151,950	2,100,000	778,538	1,425,000	498,275	-	-	-	-	1,750,000	544,000	4,615,000	1,922,675	37,316,976	12,410,727
2029	1,400,000	639,750	-	-	1,000,000	123,450	2,150,000	694,538	1,470,000	455,525	-	-	-	-	1,800,000	495,874	4,795,000	1,738,075	38,765,000	10,670,312
2030	1,450,000	562,750	-	-	1,000,000	93,450	2,225,000	608,538	1,515,000	411,425	-	-	-	-	1,875,000	446,374	5,035,000	1,498,325	32,375,000	8,950,112
2031	1,500,000	483,000	-	-	1,040,000	63,450	2,300,000	519,538	1,560,000	358,400	-	-	-	-	1,950,000	390,124	5,285,000	1,246,575	33,760,000	7,479,425
2032	1,575,000	400,500	-	-	1,075,000	32,250	2,350,000	427,538	1,615,000	303,800	-	-	-	-	2,000,000	331,624	5,445,000	1,088,025	35,135,000	6,049,012
2033	1,625,000	306,000	-	-	-	-	2,450,000	330,600	1,675,000	247,275	-	-	-	-	2,075,000	271,624	5,610,000	924,675	35,510,000	4,546,762
2034	1,700,000	208,500	-	-	-	-	2,525,000	224,024	1,735,000	188,650	-	-	-	-	2,150,000	209,374	5,775,000	756,375	37,035,000	3,006,698
2035	1,775,000	106,500	-	-	-	-	2,625,000	114,188	1,795,000	127,925	-	-	-	-	2,225,000	142,187	5,950,000	583,125	20,795,000	1,395,950
2036	-	-	-	-	-	-	-	-	1,860,000	65,100	-	-	-	-	2,325,000	72,656	6,130,000	404,625	10,315,000	542,381
2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,320,000	205,400	6,320,000	205,400
Totals	\$ 16,775,000	\$ 12,167,489	\$ 18,594,361	\$ 14,313,199	\$ 13,000,000	\$ 3,198,675	\$ 36,535,000	\$ 14,912,932	\$ 28,470,000	\$ 9,891,848	\$ 48,825,000	\$ 7,589,888	\$ 8,430,000	\$ 637,750	\$ 34,700,000	\$ 11,586,219	\$ 90,265,000	\$ 40,390,202	\$ 662,479,361	\$ 268,356,367

**KNOX COUNTY, TENNESSEE**

**Knox County Primary Government  
Schedule of Debt Service Requirements  
General Bonded Debt  
June 30, 2017**

Fiscal Year Ending June 30,	\$40,000,000 General Obligation Series 2003		\$14,337,717 General Obligation Refunding Series 2004		\$46,000,000 General Obligation Series 2004		\$29,083,377 General Obligation Refunding Series 2005A		\$50,000,000 General Obligation Series 2005		\$50,450,000 General Obligation Series 2007		\$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		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 1,665,617	\$ 1,254,896	\$ 2,122,646	\$ 319,557	\$ 2,234,286	\$ 1,479,886	\$ 3,209,585	\$ 683,049	\$ 1,461,039	\$ 1,775,162	\$ -	\$ 2,522,500	\$ 1,163,500	\$ 924,625	\$ 640,000	\$ 21,600	\$ 17,188	\$ 52,828	\$ 515,000	\$ 1,095,750	
2019	1,752,933	1,181,299	2,240,917	214,205	2,365,714	1,390,514	3,362,301	524,457	1,542,208	1,709,416	-	2,522,500	1,218,750	866,450	-	-	17,188	52,141	700,000	1,082,875	
2020	1,843,733	1,103,336	2,074,923	102,983	2,503,714	1,295,886	3,524,181	358,113	1,623,377	1,640,016	-	2,522,500	1,280,500	805,512	-	-	32,813	51,368	1,100,000	1,063,625	
2021	1,953,000	1,021,007	-	-	2,648,286	1,195,737	3,701,333	183,552	1,704,545	1,566,964	-	2,522,500	1,345,500	741,487	-	-	39,062	49,876	450,000	1,008,625	
2022	2,064,367	933,064	-	-	2,799,429	1,089,806	-	-	698,052	1,490,260	-	2,522,500	1,413,750	674,212	-	-	45,312	48,098	1,400,000	995,125	
2023	1,978,567	839,508	-	-	2,957,143	977,829	-	-	649,351	1,458,847	-	2,522,500	1,482,000	603,525	-	-	45,312	46,036	1,450,000	953,125	
2024	2,097,367	740,339	-	-	3,128,000	859,543	-	-	681,818	1,429,627	-	2,522,500	1,556,750	529,425	-	-	43,750	43,974	1,500,000	909,625	
2025	2,225,050	634,933	-	-	3,298,857	734,423	-	-	714,286	1,398,945	-	2,522,500	1,634,750	451,587	-	-	40,625	41,984	1,500,000	862,750	
2026	2,353,433	522,666	-	-	3,482,857	602,469	-	-	746,753	1,366,802	-	2,522,500	1,716,000	369,850	-	-	76,562	40,135	1,500,000	814,000	
2027	2,489,317	403,538	-	-	3,666,857	463,154	-	-	762,987	1,333,198	4,734,257	2,522,500	1,803,750	284,050	-	-	6,250	35,963	1,700,000	754,000	
2028	2,487,500	276,925	-	-	3,857,429	316,480	-	-	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	
2029	2,638,332	142,829	-	-	4,054,570	162,183	-	-	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	
2030	-	-	-	-	-	-	-	-	5,032,468	1,225,812	6,178,297	1,709,999	-	-	-	-	-	67,187	34,922	2,000,000	544,000
2031	-	-	-	-	-	-	-	-	5,227,273	999,351	6,507,319	1,401,084	-	-	-	-	-	67,187	31,194	2,100,000	464,000
2032	-	-	-	-	-	-	-	-	5,438,312	764,123	6,818,062	1,075,718	-	-	-	-	-	73,437	27,330	2,200,000	380,000
2033	-	-	-	-	-	-	-	-	5,649,351	519,399	7,165,362	734,815	-	-	-	-	-	79,687	23,108	2,300,000	292,000
2034	-	-	-	-	-	-	-	-	5,892,857	265,179	7,530,942	376,547	-	-	-	-	-	85,937	18,525	2,400,000	200,000
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	239,062	13,626	2,600,000	104,000
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 25,549,216</b>	<b>\$ 9,054,340</b>	<b>\$ 6,438,486</b>	<b>\$ 636,745</b>	<b>\$ 36,997,142</b>	<b>\$ 10,567,910</b>	<b>\$ 13,797,400</b>	<b>\$ 1,749,171</b>	<b>\$ 39,448,054</b>	<b>\$ 21,505,033</b>	<b>\$ 50,450,000</b>	<b>\$ 34,814,155</b>	<b>\$ 18,492,500</b>	<b>\$ 6,543,872</b>	<b>\$ 640,000</b>	<b>\$ 21,600</b>	<b>\$ 989,059</b>	<b>\$ 681,993</b>	<b>\$ 28,965,000</b>	<b>\$ 12,823,500</b>	

*continued*

**KNOX COUNTY, TENNESSEE**

**Knox County Primary Government  
Schedule of Debt Service Requirements  
General Bonded Debt (Continued)  
June 30, 2017**

Fiscal Year Ending June 30,	\$11,120,000 Refunding Bonds Series 2010C		\$17,000,000 Build America Bonds Series 2010D		\$17,090,000 General Obligation Bonds Series 2012		\$20,962,906 General Obligation Bonds Series 2013		\$15,505,000 General Obligation Bonds Series 2014A		\$52,810,000 Refunding Bonds Series 2014B		\$6,161,292 Refunding Bonds Series 2015		\$16,515,000 General Obligation Bonds Series 2016		\$31,680,000 General Obligation Bonds Series 2017		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 830,000	\$ 202,550	\$ 50,000	\$ 925,713	\$ 270,000	\$ 137,550	\$ 810,083	\$ 722,419	\$ 830,000	\$ 506,006	\$ 3,065,000	\$ 1,232,876	\$ 1,578,783	\$ 162,109	\$ 970,000	\$ 494,182	\$ 890,000	\$ 1,402,185	\$ 22,322,727	\$ 15,915,443
2019	865,000	169,350	50,000	923,963	280,000	132,150	844,954	700,141	1,245,000	464,506	3,090,000	1,187,204	1,663,395	83,170	1,000,000	474,782	1,045,000	1,249,825	23,283,360	14,928,948
2020	895,000	143,400	250,000	922,063	285,000	126,550	871,778	674,793	1,305,000	402,256	3,140,000	1,131,586	-	-	1,310,000	464,782	1,095,000	1,197,575	23,135,019	14,006,344
2021	925,000	116,550	250,000	911,750	295,000	115,150	912,014	648,640	525,000	337,006	5,995,000	1,065,646	-	-	1,360,000	399,282	1,150,000	1,142,825	23,253,740	13,026,597
2022	955,000	88,800	500,000	900,500	300,000	109,250	938,838	621,279	550,000	310,756	6,105,000	925,364	-	-	580,000	375,481	1,205,000	1,085,325	19,554,748	12,169,820
2023	985,000	60,150	500,000	878,000	310,000	103,250	979,074	593,114	565,000	297,006	6,245,000	770,296	-	-	600,000	346,481	1,270,000	1,025,075	20,016,447	11,474,742
2024	1,020,000	30,600	500,000	855,500	320,000	96,275	1,005,898	563,741	575,000	285,000	6,340,000	602,930	-	-	620,000	316,481	1,330,000	961,575	20,718,583	10,747,135
2025	-	-	500,000	833,000	330,000	88,275	1,032,722	532,307	590,000	270,625	6,510,000	420,338	-	-	640,000	285,481	1,400,000	895,075	20,416,290	9,972,223
2026	-	-	500,000	810,500	340,000	79,200	1,059,545	498,744	605,000	257,350	6,675,000	223,086	-	-	665,000	253,481	1,465,000	825,075	21,185,150	9,185,858
2027	-	-	1,300,000	785,500	345,000	69,000	1,099,780	461,661	620,000	242,225	335,000	10,820	-	-	685,000	240,181	1,540,000	751,825	21,088,198	8,357,615
2028	-	-	1,350,000	714,000	365,000	58,650	1,126,605	417,669	640,000	223,625	-	-	-	-	710,000	221,344	1,620,000	674,825	22,261,388	7,403,647
2029	-	-	1,400,000	639,750	390,000	47,700	1,153,429	372,605	660,000	204,425	-	-	-	-	735,000	201,818	1,685,000	610,025	23,190,365	6,398,164
2030	-	-	1,450,000	562,750	390,000	36,000	1,193,665	326,468	680,000	184,625	-	-	-	-	760,000	181,606	1,765,000	525,775	19,516,617	5,331,957
2031	-	-	1,500,000	483,000	400,000	24,300	1,233,901	278,721	700,000	160,825	-	-	-	-	790,000	158,806	1,855,000	437,525	20,380,680	4,438,806
2032	-	-	1,575,000	400,500	410,000	12,300	1,260,725	229,365	725,000	136,325	-	-	-	-	815,000	135,106	1,910,000	381,875	21,225,536	3,542,642
2033	-	-	1,625,000	306,000	-	-	1,314,373	177,360	750,000	110,950	-	-	-	-	850,000	110,656	1,970,000	324,575	21,703,773	2,598,863
2034	-	-	1,700,000	208,500	-	-	1,354,609	120,184	780,000	84,700	-	-	-	-	875,000	85,156	2,025,000	265,475	22,644,345	1,624,266
2035	-	-	1,775,000	106,500	-	-	1,408,257	61,259	805,000	57,400	-	-	-	-	900,000	57,812	2,090,000	204,725	9,817,319	605,322
2036	-	-	-	-	-	-	-	-	835,000	29,225	-	-	-	-	950,000	29,688	2,150,000	142,025	3,935,000	200,938
2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,220,000	72,150	2,220,000	72,150
<b>Totals</b>	<b>\$ 6,475,000</b>	<b>\$ 811,400</b>	<b>\$ 16,775,000</b>	<b>\$ 12,167,489</b>	<b>\$ 5,030,000</b>	<b>\$ 1,235,600</b>	<b>\$ 19,600,250</b>	<b>\$ 8,000,470</b>	<b>\$ 13,985,000</b>	<b>\$ 4,564,836</b>	<b>\$ 47,500,000</b>	<b>\$ 7,570,146</b>	<b>\$ 3,242,178</b>	<b>\$ 245,279</b>	<b>\$ 15,815,000</b>	<b>\$ 4,832,606</b>	<b>\$ 31,680,000</b>	<b>\$ 14,175,335</b>	<b>\$ 381,869,285</b>	<b>\$ 152,001,480</b>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt  
June 30, 2017**

Fiscal Year Ending June 30,	\$32,000,000 General Obligation Series 2003		\$20,212,283 General Obligation Refunding Series 2004		\$24,000,000 General Obligation Series 2004		\$18,526,623 General Obligation Refunding Series 2005A		\$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	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,284,383	\$ 1,008,604	\$ 2,992,354	\$ 456,193	\$ 1,165,714	\$ 772,114	\$ 1,905,415	\$ 418,451	\$ 788,961	\$ 958,588	\$ -	\$ 927,500	\$ 626,500	\$ 497,875	\$ 257,812	\$ 792,434	\$ 1,670,000	\$ 395,750
2019	1,372,067	949,451	3,159,083	305,795	1,234,286	725,486	2,002,699	321,293	832,792	923,084	-	927,500	656,250	466,550	257,812	782,121	1,770,000	328,950
2020	1,456,267	886,789	2,925,077	147,017	1,306,286	676,114	2,105,819	219,387	876,623	885,609	-	927,500	689,500	433,738	492,187	770,520	1,855,000	275,850
2021	1,572,000	820,618	-	-	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
2022	1,685,633	749,936	-	-	1,460,571	568,594	-	-	376,948	804,740	-	927,500	761,250	363,038	679,688	721,465	2,040,000	161,850
2023	1,996,433	674,742	-	-	1,542,857	510,171	-	-	350,649	787,778	-	927,500	798,000	324,975	679,688	690,539	2,135,000	100,650
2024	2,127,633	595,036	-	-	1,632,000	448,457	-	-	368,182	771,998	-	927,500	838,250	285,075	656,250	659,614	1,220,000	36,600
2025	2,274,950	510,317	-	-	1,721,143	383,177	-	-	385,714	755,430	-	927,500	880,250	243,163	609,375	629,754	-	-
2026	2,421,567	420,084	-	-	1,817,143	314,331	-	-	403,247	738,073	-	927,500	924,000	199,150	1,148,438	602,028	-	-
2027	2,585,683	324,337	-	-	1,913,143	241,646	-	-	412,013	719,927	1,740,743	927,500	971,250	152,950	93,750	539,437	-	-
2028	2,887,500	222,575	-	-	2,012,571	165,120	-	-	429,545	701,386	2,063,351	840,463	1,018,500	104,388	93,750	534,234	-	-
2029	3,086,668	114,796	-	-	2,115,430	84,617	-	-	447,078	682,057	2,170,888	737,295	1,069,250	53,463	93,750	529,031	-	-
2030	-	-	-	-	-	-	-	-	2,717,532	661,938	2,271,703	628,751	-	-	1,007,813	523,828	-	-
2031	-	-	-	-	-	-	-	-	2,822,727	539,649	2,392,681	515,166	-	-	1,007,813	467,894	-	-
2032	-	-	-	-	-	-	-	-	2,936,688	412,627	2,506,938	395,532	-	-	1,101,563	409,945	-	-
2033	-	-	-	-	-	-	-	-	3,050,649	280,476	2,634,638	270,185	-	-	1,195,313	346,605	-	-
2034	-	-	-	-	-	-	-	-	3,182,143	143,196	2,769,058	138,453	-	-	1,289,063	277,875	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,585,938	204,399	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 24,750,784</b>	<b>\$ 7,277,285</b>	<b>\$ 9,076,514</b>	<b>\$ 909,005</b>	<b>\$ 19,302,858</b>	<b>\$ 5,513,690</b>	<b>\$ 8,232,600</b>	<b>\$ 1,071,579</b>	<b>\$ 21,301,946</b>	<b>\$ 11,612,717</b>	<b>\$ 18,550,000</b>	<b>\$ 12,800,845</b>	<b>\$ 9,957,500</b>	<b>\$ 3,523,628</b>	<b>\$ 14,835,941</b>	<b>\$ 10,229,847</b>	<b>\$ 12,635,000</b>	<b>\$ 1,519,850</b>

*continued*

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt (Continued)  
June 30, 2017

Fiscal Year Ending June 30,	\$29,236,000		\$18,815,000		\$18,112,094		\$14,535,000		\$4,030,000		\$9,858,708		\$19,385,000		\$58,585,000		Totals		
	Qualified School Construction Bonds Series 2010		General Obligation Bonds Series 2012		General Obligation Bonds Series 2013		General Obligation Bonds Series 2014A		Refunding Bonds Series 2014B		Refunding Bonds Series 2015		General Obligation Bonds Series 2016		General Obligation Bonds Series 2017		Principal	Interest	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 1,824,281	\$ 1,417,361	\$ 430,000	\$ 218,050	\$ 699,917	\$ 624,175	\$ 250,000	\$ 486,656	\$ 1,325,000	\$ 19,742	\$ 2,526,217	\$ 259,391	\$ 615,944	\$ 505,000	\$ 615,944	\$ 1,645,000	\$ 2,593,067	\$ 19,896,554	\$ 12,461,895
2019	1,824,281	1,417,361	440,000	209,450	730,046	604,927	585,000	474,156	-	-	2,661,605	133,080	500,000	605,844	1,930,000	2,311,350	19,955,921	11,486,398	
2020	1,824,281	1,417,361	450,000	200,650	753,222	583,026	615,000	444,906	-	-	-	-	790,000	600,844	2,025,000	2,214,850	18,164,262	10,684,161	
2021	1,824,281	1,417,361	455,000	182,650	787,986	560,429	645,000	414,156	-	-	-	-	815,000	561,344	2,125,000	2,113,600	16,000,541	9,947,717	
2022	1,824,281	1,417,361	480,000	173,550	811,162	536,790	680,000	381,906	-	-	-	-	845,000	547,082	2,235,000	2,007,350	13,879,533	9,361,162	
2023	1,824,281	1,417,361	490,000	163,950	845,926	512,455	695,000	364,906	-	-	-	-	875,000	504,832	2,345,000	1,895,600	14,577,834	8,875,459	
2024	1,824,281	1,417,361	505,000	152,925	869,102	487,077	710,000	350,138	-	-	-	-	905,000	461,082	2,460,000	1,778,350	14,115,698	8,371,213	
2025	1,824,281	1,417,361	520,000	140,300	892,278	459,917	725,000	332,388	-	-	-	-	935,000	415,832	2,585,000	1,655,350	13,352,991	7,870,489	
2026	1,824,281	1,417,361	535,000	126,000	915,455	430,918	745,000	316,075	-	-	-	-	960,000	369,082	2,715,000	1,526,100	14,409,131	7,386,702	
2027	2,003,856	1,417,361	555,000	109,950	950,220	398,877	760,000	297,450	-	-	-	-	990,000	349,882	2,850,000	1,390,350	15,825,658	6,869,667	
2028	171,976	139,589	585,000	93,300	973,395	360,869	785,000	274,650	-	-	-	-	1,040,000	322,656	2,995,000	1,247,850	15,055,588	5,007,080	
2029	-	-	610,000	75,750	996,571	321,933	810,000	251,100	-	-	-	-	1,065,000	294,056	3,110,000	1,128,050	15,574,635	4,272,148	
2030	-	-	610,000	57,450	1,031,335	282,070	835,000	226,800	-	-	-	-	1,115,000	264,768	3,270,000	972,550	12,858,383	3,618,155	
2031	-	-	640,000	39,150	1,066,099	240,817	860,000	197,575	-	-	-	-	1,160,000	231,318	3,430,000	809,050	13,379,320	3,040,619	
2032	-	-	665,000	19,950	1,089,275	198,173	890,000	167,475	-	-	-	-	1,185,000	196,518	3,535,000	706,150	13,909,464	2,506,370	
2033	-	-	-	-	1,135,627	153,240	925,000	136,325	-	-	-	-	1,225,000	160,968	3,640,000	600,100	13,806,227	1,947,899	
2034	-	-	-	-	1,170,391	103,840	955,000	103,950	-	-	-	-	1,275,000	124,218	3,750,000	490,900	14,390,655	1,382,432	
2035	-	-	-	-	1,216,743	52,929	990,000	70,525	-	-	-	-	1,325,000	84,375	3,860,000	378,400	10,977,681	790,628	
2036	-	-	-	-	-	-	1,025,000	35,875	-	-	-	-	1,375,000	42,968	3,980,000	262,600	6,380,000	341,443	
2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,100,000	133,250	4,100,000	133,250	
Totals	\$ 18,594,361	\$ 14,313,199	\$ 7,970,000	\$ 1,963,075	\$ 16,934,750	\$ 6,912,462	\$ 14,485,000	\$ 5,327,012	\$ 1,325,000	\$ 19,742	\$ 5,187,822	\$ 392,471	\$ 18,885,000	\$ 6,753,613	\$ 58,585,000	\$ 26,214,867	\$ 280,610,076	\$ 116,354,887	

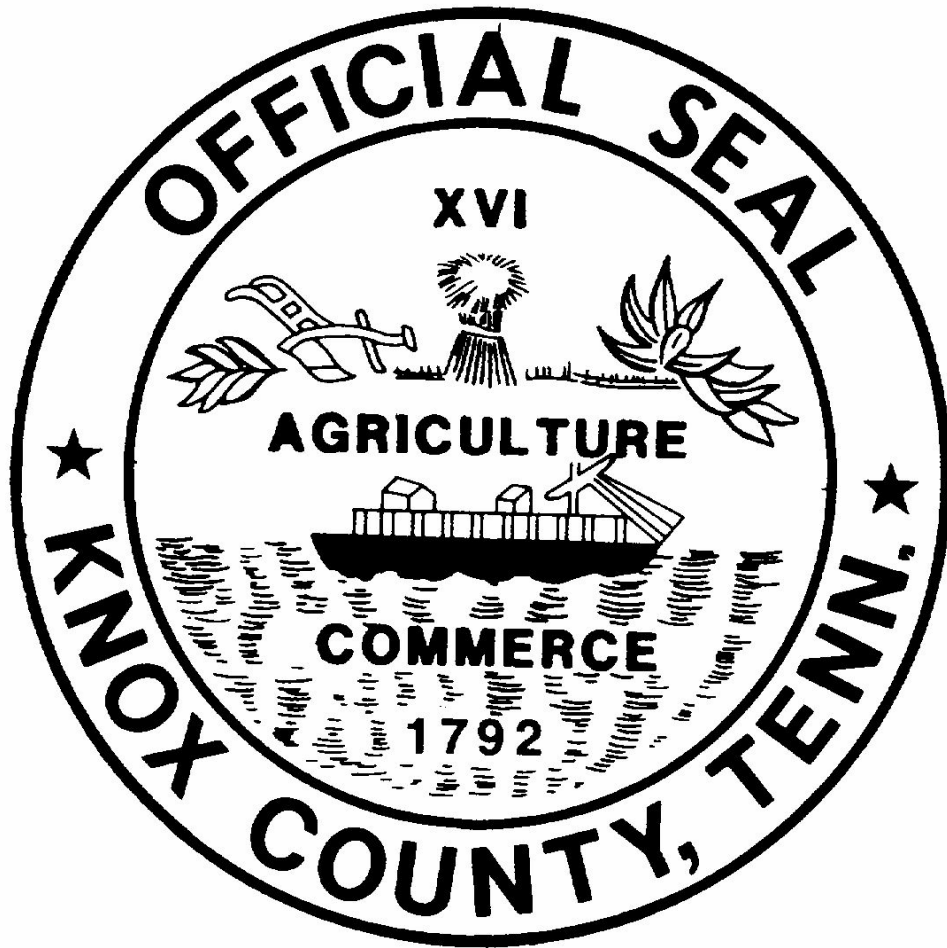
***KNOX COUNTY, TENNESSEE***

***Schedule of Salaries and Bonds of Principal Elected Officials  
For the year ended June 30, 2017***

OFFICIAL	AUTHORIZATION FOR SALARY	SALARY PAID DURING YEAR	BOND AMOUNT	SURETY
Assessor of Property *	Section 8-24-102 (k), T.C.A.	\$ 137,813	\$ 50,000	Hartford Fire Insurance
Attorney General	Section 8-6-104, T.C.A.	\$ 10,688	N/A	N/A
Circuit and Civil Sessions Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 131,821	\$ 400,000	Hartford Fire Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 119,837	\$ 110,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 170,521	\$ 100,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 131,821	\$ 250,000	Hartford Fire Insurance
Law Director	Section 3.08, Knox County Charter	\$ 170,520	N/A	N/A
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 119,838	\$ 100,000	Hartford Fire Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 159,194	\$ 100,000	Hartford Fire Insurance
Trustee	Section 8-24-102 (k), T.C.A.	\$ 119,837	\$ 17,431,456	Hartford Fire Insurance

\* Includes salaries for both incoming and outgoing Assessor of Property.

# 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 Position and Statement of Activities for the Board and its discretely presented component unit, the Great Schools Partnership.

### **MAJOR FUNDS**

#### **GENERAL FUND**

**General Purpose School Fund:** This fund is used to account for general operations of the Board. Major funding is provided through local tax levies and state education funds.

#### **CAPITAL PROJECTS FUND**

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

### **NONMAJOR GOVERNMENTAL FUNDS**

#### **SPECIAL REVENUE FUNDS**

**School Federal Projects Fund:** This fund is used to account for restricted federal revenues that must be expended on specific education programs.

**School General Projects Fund:** This fund is used to account for state, local and federal pass-through revenues which must be expended on specific education programs.

**Central Cafeteria Fund:** This fund is used to account for the cafeteria operations in each of the individual schools. The primary sources of funding are federal and state revenues for the school lunch program and sales to students and adults.

#### **FIDUCIARY FUND**

**Pension Trust Fund – Teacher’s Plan:** 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**

**Internal School 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 Position**

June 30, 2017

	<b>Board of Education</b>	<b>Component Unit</b>	
	<b>Total -- Governmental Activities</b>	<b>Great Schools Partnership</b>	<b>Total Component Unit</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 12,552,375	\$ 1,815,529	\$ 14,367,904
Investments	63,596,874	5,871,460	69,468,334
Accounts Receivable	42,941,932	379,469	43,321,401
Local Taxes Receivable, net	105,747,011	-	105,747,011
Due from Primary Government	91,042	-	91,042
Inventories	1,972,015	-	1,972,015
Prepaid Items	385,291	14,093	399,384
Other Assets	-	1,000	1,000
Net Pension Asset	668,960	-	668,960
Capital Assets:			
Land and Construction in Process	57,752,273	-	57,752,273
Other Capital Assets, Net of Accumulated Depreciation	363,338,536	70,031	363,408,567
<b>Total Assets</b>	<b>649,046,309</b>	<b>8,151,582</b>	<b>657,197,891</b>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows Related to Pensions	69,806,029	-	69,806,029
<b>Liabilities</b>			
Accounts Payable	61,649,629	337,870	61,987,499
Due to Knox County Primary Government	486,637	-	486,637
Unearned Revenue	297,990	-	297,990
Self-insurance Liability	3,523,930	-	3,523,930
Net Pension Liability	48,000,810	-	48,000,810
Long-term Obligation: Other Post-Employment Benefits Obligation	11,170,487	-	11,170,487
Other Long-term Obligations:			
Due in Less than One Year	4,020,599	-	4,020,599
Due in More than One Year	16,644,957	5,680,000	22,324,957
<b>Total Liabilities</b>	<b>145,795,039</b>	<b>6,017,870</b>	<b>151,812,909</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows Related to Pensions	47,450,538	-	47,450,538
Deferred Inflows of Property Taxes	102,505,754	-	102,505,754
<b>Total Deferred Outflows of Resources</b>	<b>149,956,292</b>	<b>-</b>	<b>149,956,292</b>
<b>Net Position (Deficit)</b>			
Investment in Capital Assets	417,592,568	70,031	417,662,599
Net Investment in Capital Assets	(929,538)	-	(929,538)
Restricted for:			
Education Purposes	8,547,508	191,332	8,738,840
Capital Purposes-Education	24,038,745	-	24,038,745
Unrestricted (Deficit)	(26,148,276)	1,872,349	(24,275,927)
<b>Total Net Position</b>	<b>\$ 423,101,007</b>	<b>\$ 2,133,712</b>	<b>\$ 425,234,719</b>

**Knox County Board of Education**

**Statement of Activities**

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education Governmental Activities	Component Unit The Partnership	Total Component Unit
<b>Knox County Board of Education:</b>							
Governmental activities:							
Education	\$ 522,929,617	\$ 14,437,600	\$ 66,517,585	\$ -	\$ (441,974,432)		\$ (441,974,432)
Education - Payment to Primary Government	16,414,092	-	-	-	(16,414,092)		(16,414,092)
<b>Total primary government</b>	<u>\$ 539,343,709</u>	<u>\$ 14,437,600</u>	<u>\$ 66,517,585</u>	<u>\$ -</u>	<u>(458,388,524)</u>		<u>(458,388,524)</u>
<b>Component unit:</b>							
Great Schools Partnership	\$ 6,277,382	\$ -	\$ 4,069,609	\$ -		\$ (2,207,773)	(2,207,773)
Great Schools Partnership - Payment to Knox County Board of Education	325,574	-	-	-		(325,574)	(325,574)
<b>Total component unit</b>	<u>\$ 6,602,956</u>	<u>\$ -</u>	<u>\$ 4,069,609</u>	<u>\$ -</u>		<u>(2,533,347)</u>	<u>(2,533,347)</u>
<b>General Revenues:</b>							
Property Taxes					99,362,165	-	99,362,165
Sales Taxes					146,399,387	-	146,399,387
Wheel Taxes					1,650,161	-	1,650,161
Other Local Taxes					1,083,847	-	1,083,847
Interest Income					269,188	(36,415)	232,773
Miscellaneous					100,497	10,433	110,930
State of Tennessee Basic Education Program					197,263,894	-	197,263,894
Payments from Knox County Primary Government					83,820,536	2,501,874	86,322,410
Intergovernmental Revenues					2,090,702	-	2,090,702
Payments from Component Unit					325,574	-	325,574
<b>Total General Revenues</b>					<u>532,365,951</u>	<u>2,475,892</u>	<u>534,841,843</u>
Change in Net Position					73,977,427	(57,455)	73,919,972
Net Position, July 1, as restated					349,123,580	2,191,167	351,314,747
Net Position, June 30					<u>\$ 423,101,007</u>	<u>\$ 2,133,712</u>	<u>\$ 425,234,719</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

**Balance Sheet**

**Governmental Funds**

June 30, 2017

	<b>General Purpose School</b>	<b>School Construction Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,507,555	\$ 2,733,454	\$ 6,311,366	\$ 12,552,375
Investments, at Fair Value	35,743,151	27,853,723	-	63,596,874
Receivables (Net of Allowance for Uncollectibles):				
Accounts	30,599,087	-	12,342,845	42,941,932
Local Taxes	105,747,011	-	-	105,747,011
Due from Other Funds	9,604,214	-	1,716,084	11,320,298
Due from Primary Government	91,042	-	-	91,042
Inventories	969,494	-	1,002,521	1,972,015
Prepaid Items	376,746	-	8,545	385,291
<b>TOTAL ASSETS</b>	<b>\$ 186,638,300</b>	<b>\$ 30,587,177</b>	<b>\$ 21,381,361</b>	<b>\$ 238,606,838</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 54,375,178	\$ 6,548,432	\$ 726,019	\$ 61,649,629
Due to Other Funds	1,574,639	-	9,745,659	11,320,298
Due to Primary Government	486,637	-	-	486,637
Unearned Revenue	-	-	297,990	297,990
<b>TOTAL LIABILITIES</b>	<b>56,436,454</b>	<b>6,548,432</b>	<b>10,769,668</b>	<b>73,754,554</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Taxes and Other Receivable	105,083,664	-	-	105,083,664
<b>FUND BALANCES</b>				
Nonspendable	1,346,240	-	1,011,066	2,357,306
Restricted	-	24,038,745	8,547,508	32,586,253
Committed	-	-	1,053,969	1,053,969
Assigned	375,216	-	-	375,216
Unassigned (Deficit)	23,396,726	-	(850)	23,395,876
<b>TOTAL FUND BALANCES</b>	<b>25,118,182</b>	<b>24,038,745</b>	<b>10,611,693</b>	<b>59,768,620</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 186,638,300</b>	<b>\$ 30,587,177</b>	<b>\$ 21,381,361</b>	<b>\$ 238,606,838</b>

---

**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 Position**  
June 30, 2017

---

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

Ending Fund Balance - Governmental Funds	\$	59,768,620
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		 421,090,809
 The net pension asset is not available to pay for current-period expenditures and, therefore, is not reported as an asset in the fund financial statements.		 668,960
 Deferred outflows related to pensions (\$69,806,029) increase the amount of net position reported in the statement of net position, but are not reported as assets in the funds. Similarly, deferred inflows related to pensions (\$47,450,538) decrease the amount of net position reported in the statements of net position, but are not reported as liabilities in the funds.		 22,355,491
 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.		 2,577,910
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated Absences	\$	16,237,778
Capital Lease Obligation		4,427,778
Self-insurance Liability		3,523,930
Other Post-Employment Benefits Liability		11,170,487
Net Pension Liability		48,000,810
		(83,360,783)
 Net Position of Governmental Activities	 \$	 423,101,007

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, 2017

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 99,821,200	\$ -	\$ -	\$ 99,821,200
Local Option Sales Taxes	146,399,387	-	-	146,399,387
Wheel Tax	1,650,161	-	-	1,650,161
Other Local Taxes	1,083,847	-	-	1,083,847
Licenses and Permits	35,550	-	1,938	37,488
Charges for Current Services	486,739	-	5,957,934	6,444,673
Other Local Revenues	3,069,582	236,098	6,150,395	9,456,075
State of Tennessee	202,466,773	-	2,910,788	205,377,561
Federal Government	596,332	-	58,330,189	58,926,521
Other Governments and Citizen Groups	750	-	411,221	411,971
Interest Earned	-	25,177	-	25,177
Payments from Primary Government	3,102,000	80,718,536	-	83,820,536
Payment from Component Unit	-	-	325,574	325,574
<b>Total Revenues</b>	<b>458,712,321</b>	<b>80,979,811</b>	<b>74,088,039</b>	<b>613,780,171</b>
<b>Expenditures</b>				
Current:				
Education	436,029,225	-	80,061,153	516,090,378
Capital Outlay	-	47,216,929	-	47,216,929
Payments to Primary Government	12,865,715	4,733	-	12,870,448
<b>Total Expenditures</b>	<b>448,894,940</b>	<b>47,221,662</b>	<b>80,061,153</b>	<b>576,177,755</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>9,817,381</b>	<b>33,758,149</b>	<b>(5,973,114)</b>	<b>37,602,416</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	1,460,008	-	7,150,891	8,610,899
Transfers to Other Funds	(6,513,992)	-	(2,096,907)	(8,610,899)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,053,984)</b>	<b>-</b>	<b>5,053,984</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>4,763,397</b>	<b>33,758,149</b>	<b>(919,130)</b>	<b>37,602,416</b>
<b>Fund Balances (Deficit), July 1</b>	<b>20,354,785</b>	<b>(9,719,404)</b>	<b>11,530,823</b>	<b>22,166,204</b>
<b>Fund Balances, June 30</b>	<b>\$ 25,118,182</b>	<b>\$ 24,038,745</b>	<b>\$ 10,611,693</b>	<b>\$ 59,768,620</b>

**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, 2017

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

Net Change in Fund Balances - Total Governmental Funds		\$ 37,602,416
<p>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 (\$48,054,879) exceeded depreciation (\$24,436,934) in the current period.</p>		
		23,617,945
<p>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.</p>		
		2,577,910
<p>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.</p>		
		(3,036,945)
<p>Certain assets, liabilities, deferred inflows, and deferred outflows accounted for using the economic resources focus and accrual basis of accounting are reported in the Statement of Net Position but are not reported in the fund financial statements, which encompasses only items that are accounted using current financial resources measurement and modified accrual basis of accounting. These amounts do not provide or require the use of current financial resources and, therefore, are not reflected in the revenues or expenditures of governmental funds:</p>		
<p>Increase (decrease) in assets and deferred outflows:</p>		
Net Pension Asset	\$ 388,473	
Deferred Outflows Related to Pensions	(7,778,109)	(7,389,636)
<p>(Increase) decrease in liabilities and deferred inflows:</p>		
Self-insurance Liability	162,640	
Other Post-Employment Benefits Liability	(819,192)	
Net Pension Liability	(32,813,325)	
Deferred Inflows Related to Pensions	55,434,043	
Compensated Absences Liability	(1,601,034)	
Capital Lease Liability	242,605	20,605,737
Change in Net Position of Governmental Activities		<u>\$ 73,977,427</u>

---

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Balance Sheets  
June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,507,555	\$ 42,507,804
Investments, at Fair Value	35,743,151	-
Receivables (Net of Allowance for Uncollectibles):		
Accounts	30,599,087	27,254,673
Local Taxes	105,747,011	104,938,567
Due from Primary Government	91,042	148,026
Due from Other Funds	9,604,214	14,534,599
Prepaid Items	376,746	588,679
Inventories	969,494	1,044,579
<b>TOTAL ASSETS</b>	<u><u>\$ 186,638,300</u></u>	<u><u>\$ 191,016,927</u></u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 54,375,178	\$ 51,948,247
Due to Other Funds	1,574,639	876,418
Due to Primary Government	486,637	13,635,696
<b>TOTAL LIABILITIES</b>	<u>56,436,454</u>	<u>66,460,361</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Taxes and Other Receivable	<u>105,083,664</u>	<u>104,201,781</u>
<b>FUND BALANCES</b>		
Nonspendable	1,346,240	1,633,258
Assigned	375,216	396,527
Unassigned	23,396,726	18,325,000
<b>TOTAL FUND BALANCES</b>	<u>25,118,182</u>	<u>20,354,785</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u><u>\$ 186,638,300</u></u>	<u><u>\$ 191,016,927</u></u>



---

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the Years Ended June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Property Taxes	\$ 99,821,200	\$ 99,237,175
Local Option Sales Taxes	146,399,387	144,321,391
Wheel Tax	1,650,161	1,600,726
Other Local Taxes	1,083,847	1,082,452
Licenses and Permits	35,550	35,872
Charges for Current Services	486,739	453,501
Other Local Revenues	3,069,582	2,635,837
State of Tennessee	202,466,773	187,133,432
Federal Government	596,332	528,049
Other Governments and Citizen Groups	750	95,185
Payment from Primary Government	3,102,000	7,052,000
Total Revenues	<u>458,712,321</u>	<u>444,175,620</u>
<b>Expenditures</b>		
Current:		
Education	436,029,225	419,378,983
Payments to Primary Government	12,865,715	13,320,112
Total Expenditures	<u>448,894,940</u>	<u>432,699,095</u>
Excess of Revenues Over Expenditures	<u>9,817,381</u>	<u>11,476,525</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	1,460,008	1,161,977
Transfers to Other Funds	(6,513,992)	(8,307,724)
Total Other Financing Sources (Uses)	<u>(5,053,984)</u>	<u>(7,145,747)</u>
Net Change in Fund Balances	4,763,397	4,330,778
Fund Balances, July 1	<u>20,354,785</u>	<u>16,024,007</u>
Fund Balances, June 30	<u>\$ 25,118,182</u>	<u>\$ 20,354,785</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, 2017 and 2016

	2017				2016			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Property Taxes	\$ 99,427,000	\$ 99,427,000	\$ 99,821,200	\$ 394,200	\$ 100,024,000	\$ 99,237,175	\$ (786,825)	
Local Option Sales Taxes	144,637,000	144,637,000	146,399,387	1,762,387	143,329,000	144,321,391	992,391	
Wheel Tax	1,575,000	1,575,000	1,650,161	75,161	1,525,000	1,600,726	75,726	
Other Local Taxes	1,037,000	1,037,000	1,083,847	46,847	1,090,000	1,082,452	(7,548)	
Licenses and Permits	32,000	32,000	35,550	3,550	30,000	35,872	5,872	
Charges for Current Services	550,000	550,000	486,739	(63,261)	700,000	453,501	(246,499)	
Other Local Revenues	1,475,000	2,287,800	3,069,582	781,782	1,407,000	2,635,837	1,228,837	
State of Tennessee	199,679,000	199,769,000	200,831,133	1,062,133	186,267,000	187,133,432	866,432	
Federal Government	526,000	526,000	596,332	70,332	475,000	528,049	53,049	
Other Governments and Citizen Groups	-	-	750	750	-	95,185	95,185	
Payments from Primary Government	3,102,000	3,102,000	3,102,000	-	7,052,000	7,052,000	-	
<b>Total Revenues</b>	<b>452,040,000</b>	<b>452,942,800</b>	<b>457,076,681</b>	<b>4,133,881</b>	<b>441,899,000</b>	<b>444,175,620</b>	<b>2,276,620</b>	
<b>Expenditures</b>								
Current:								
Education:								
Personal Services	292,352,165	293,679,544	293,363,754	315,790	285,315,479	285,265,390	50,089	
Employee Benefits	77,941,849	77,359,811	77,329,795	30,016	75,166,397	75,165,172	1,225	
Contracted Services	27,411,323	27,446,308	27,355,460	90,848	26,397,747	25,489,543	908,204	
Supplies and Materials	22,944,027	23,432,061	23,315,630	116,431	23,414,569	22,273,648	1,140,921	
Other Charges	10,569,856	12,887,561	12,592,084	295,477	11,134,150	10,797,782	336,368	
Capital Outlay	537,211	614,357	436,862	177,495	436,467	387,448	49,019	
Payments to Primary Government	12,865,694	12,865,694	12,865,715	(21)	13,022,088	13,320,112	(298,024)	
<b>Total Expenditures</b>	<b>444,622,125</b>	<b>448,285,336</b>	<b>447,259,300</b>	<b>1,026,036</b>	<b>434,886,897</b>	<b>432,699,095</b>	<b>2,187,802</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,417,875	4,657,464	9,817,381	5,159,917	7,012,103	11,476,525	4,464,422	
<b>Other Financing Sources (Uses)</b>								
Transfers from Other Funds	1,460,000	1,460,000	1,460,008	8	1,460,000	1,161,977	(298,023)	
Transfers to Other Funds	(8,877,875)	(6,513,990)	(6,513,992)	(2)	(8,699,355)	(8,307,724)	391,631	
<b>Total Other Financing Sources (Uses)</b>	<b>(7,417,875)</b>	<b>(5,053,990)</b>	<b>(5,053,984)</b>	<b>6</b>	<b>(7,239,355)</b>	<b>(7,145,747)</b>	<b>93,608</b>	
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(396,526)</b>	<b>4,763,397</b>	<b>5,159,923</b>	<b>(227,252)</b>	<b>4,330,778</b>	<b>4,558,030</b>	
Fund Balances, July 1	20,354,785	20,354,785	20,354,785	-	16,024,007	16,024,007	-	
<b>Fund Balances, June 30</b>	<b>\$ 20,354,785</b>	<b>\$ 19,958,259</b>	<b>\$ 25,118,182</b>	<b>\$ 5,159,923</b>	<b>\$ 15,796,755</b>	<b>\$ 20,354,785</b>	<b>\$ 4,558,030</b>	

Note: The revenue and expenditure totals in this statement do not include \$1,635,640 of non-cash on-behalf payments that are not included in the budget.

---

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Balance Sheets**  
June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,733,454	\$ -
Investments, at Fair Value	27,853,723	-
Receivables (Net of Allowance for Uncollectibles):		
Accounts	-	3,367
	<u>                        </u>	<u>                        </u>
<b>TOTAL ASSETS</b>	<u>\$ 30,587,177</u>	<u>\$ 3,367</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 6,548,432	\$ 1,540,829
Due to Other Funds	-	8,180,591
Due to Primary Government	-	1,351
	<u>                        </u>	<u>                        </u>
<b>TOTAL LIABILITIES</b>	<u>6,548,432</u>	<u>9,722,771</u>
<b>Fund Balances:</b>		
Restricted	24,038,745	-
Unassigned (Deficit)	-	(9,719,404)
	<u>                        </u>	<u>                        </u>
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>24,038,745</u>	<u>(9,719,404)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 30,587,177</u>	<u>\$ 3,367</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, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Other Local Revenues	\$ 236,098	\$ 9,037
Interest Earned	25,177	29,928
Payments from Primary Government	9,968,536	-
Debt Proceeds Received from Primary Government	<u>70,750,000</u>	<u>19,385,000</u>
Total Revenues	<u>80,979,811</u>	<u>19,423,965</u>
<b>Expenditures</b>		
Capital Projects	47,216,929	21,557,739
Payments to Primary Government	<u>4,733</u>	<u>-</u>
Total Expenditures	<u>47,221,662</u>	<u>21,557,739</u>
Net Change in Fund Balance	33,758,149	(2,133,774)
Fund Balances (Deficit), July 1	<u>(9,719,404)</u>	<u>(7,585,630)</u>
Fund Balances (Deficit), June 30	<u><u>\$ 24,038,745</u></u>	<u><u>\$ (9,719,404)</u></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, 2017*

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Physical Plant Upgrades	\$ 9,805,952	\$ -	\$ 6,666,412	\$ 6,666,412	\$ 3,139,540
Pond Gap Elementary	9,300,000	556,419	5,843,810	6,400,229	2,899,771
Shannondale Elementary	3,914,896	3,774,046	140,850	3,914,896	-
CTE Magnet High	3,785,000	3,610,795	35,187	3,645,982	139,018
Energy Management Project IIIC	14,872,404	15,034,925	73,128	15,108,053	(235,649)
Mooreland Heights Addition/Renovation	1,315,954	1,295,954	20,000	1,315,954	-
Security Upgrades	7,875,000	4,657,951	2,269,502	6,927,453	947,547
Tech Upgrades Systemwide	546,876	145,746	355,498	501,244	45,632
School Accessibility	100,000	-	-	-	100,000
HVAC Upgrades	4,585,000	2,783,506	725,971	3,509,477	1,075,523
Roofing Upgrades	3,915,000	701,206	1,333,100	2,034,306	1,880,694
Land Acquisition	350,000	339,802	222	340,024	9,976
BEP Growth Mod Class Relocation	1,144,391	103,115	941,256	1,044,371	100,020
Drive Parking Upgrades	500,000	95,980	386,692	482,672	17,328
Hardin Valley Middle School	32,500,000	967,126	18,345,068	19,312,194	13,187,806
Gibbs Middle School	26,500,000	1,123,608	8,857,167	9,980,775	16,519,225
Karns High Remedial Upgrades	738,124	732,174	5,950	738,124	-
Ameresco Solar Project	9,291,315	8,322,713	968,602	9,291,315	-
Inskip Elementary School - Addition	5,500,000	-	87,000	87,000	5,413,000
South Doyle High School - Library Upgrade	223,000	-	161,514	161,514	61,486
<i>Total Capital Projects:</i>	<u>\$ 136,762,912</u>	<u>\$ 44,245,066</u>	<u>\$ 47,216,929</u>	<u>\$ 91,461,995</u>	<u>\$ 45,300,917</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

June 30, 2017

	<b>School Federal Projects</b>	<b>School General Projects</b>	<b>Central Cafeteria</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 6,311,366	\$ 6,311,366
Receivables (Net of Allowance for Uncollectibles):				
Accounts	7,304,803	555,376	4,482,666	12,342,845
Due from Other Funds	296,693	1,419,391	-	1,716,084
Inventories	-	401,957	600,564	1,002,521
Prepaid Items	850	7,695	-	8,545
<b>TOTAL ASSETS</b>	<b>\$ 7,602,346</b>	<b>\$ 2,384,419</b>	<b>\$ 11,394,596</b>	<b>\$ 21,381,361</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 120,555	\$ 46,123	\$ 559,341	\$ 726,019
Due to Other Funds	7,481,791	874,675	1,389,193	9,745,659
Unearned Revenue	-	-	297,990	297,990
<b>TOTAL LIABILITIES</b>	<b>7,602,346</b>	<b>920,798</b>	<b>2,246,524</b>	<b>10,769,668</b>
<b>Fund Balances:</b>				
Nonspendable	850	409,652	600,564	1,011,066
Restricted	-	-	8,547,508	8,547,508
Committed	-	1,053,969	-	1,053,969
Unassigned (Deficit)	(850)	-	-	(850)
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>1,463,621</b>	<b>9,148,072</b>	<b>10,611,693</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,602,346</b>	<b>\$ 2,384,419</b>	<b>\$ 11,394,596</b>	<b>\$ 21,381,361</b>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

**Nonmajor Governmental Funds**

For the Year Ended June 30, 2017

	<b>School Federal Projects</b>	<b>School General Projects</b>	<b>Central Cafeteria</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Licenses and Permits	\$ -	\$ 1,938	\$ -	\$ 1,938
Charges for Current Services	-	789,907	5,168,027	5,957,934
Other Local Revenues	-	5,469,273	681,122	6,150,395
State of Tennessee	-	2,658,992	251,796	2,910,788
Federal Government	36,093,222	52,399	22,184,568	58,330,189
Other Governments and Citizen Groups	13,876	397,345	-	411,221
Payment from Component Unit	-	325,574	-	325,574
<b>Total Revenues</b>	<b>36,107,098</b>	<b>9,695,428</b>	<b>28,285,513</b>	<b>74,088,039</b>
<b>Expenditures</b>				
Education	35,497,373	18,397,703	26,166,077	80,061,153
<b>Total Expenditures</b>	<b>35,497,373</b>	<b>18,397,703</b>	<b>26,166,077</b>	<b>80,061,153</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>609,725</b>	<b>(8,702,275)</b>	<b>2,119,436</b>	<b>(5,973,114)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	27,174	7,123,717	-	7,150,891
Transfers to Other Funds	(636,899)	-	(1,460,008)	(2,096,907)
<b>Total Other Financing Sources (Uses)</b>	<b>(609,725)</b>	<b>7,123,717</b>	<b>(1,460,008)</b>	<b>5,053,984</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(1,578,558)</b>	<b>659,428</b>	<b>(919,130)</b>
<b>Fund Balances, July 1</b>	<b>-</b>	<b>3,042,179</b>	<b>8,488,644</b>	<b>11,530,823</b>
<b>Fund Balances, June 30</b>	<b>\$ -</b>	<b>\$ 1,463,621</b>	<b>\$ 9,148,072</b>	<b>\$ 10,611,693</b>

---

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Fund  
Comparative Balance Sheets  
June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 7,304,803	\$ 6,665,776
Due From Other Funds	296,693	81,533
Prepaid Items	850	11,983
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 7,602,346</u>	<u>\$ 6,759,292</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 120,555	\$ 581,933
Due to Other Funds	7,481,791	6,136,347
Due to Primary Government	-	41,012
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>7,602,346</u>	<u>6,759,292</u>
 <b>Fund Balances:</b>		
Nonspendable	850	11,983
Unassigned (Deficit)	(850)	(11,983)
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,602,346</u>	<u>\$ 6,759,292</u>



---

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the Years Ended June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
State of Tennessee	\$ -	\$ 86,737
Federal Government	36,093,222	35,973,298
Other Governments and Citizen Groups	<u>13,876</u>	<u>3,302,928</u>
Total Revenues	<u>36,107,098</u>	<u>39,362,963</u>
<b>Expenditures</b>		
Current:		
Education	<u>35,497,373</u>	<u>38,821,777</u>
Total Expenditures	<u>35,497,373</u>	<u>38,821,777</u>
Excess of Revenues Over Expenditures	<u>609,725</u>	<u>541,186</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	27,174	39,878
Transfers to Other Funds	<u>(636,899)</u>	<u>(593,442)</u>
Total Other Financing Uses	<u>(609,725)</u>	<u>(553,564)</u>
Net Change in Fund Balances	-	(12,378)
Fund Balances, July 1	<u>-</u>	<u>12,378</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School Federal Projects Fund  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
 For the Years Ended June 30, 2017 and 2016

	2017				2016		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
State of Tennessee	\$ -	\$ -	\$ -	\$ -	\$ 124,174	\$ 86,737	\$ (37,437)
Federal Government	-	40,515,626	36,093,222	(4,422,404)	41,663,750	35,973,298	(5,690,452)
Other Governments and Citizen Groups	-	55,125	13,876	(41,249)	4,313,526	3,302,928	(1,010,598)
<b>Total Revenues</b>	-	40,570,751	36,107,098	(4,463,653)	46,101,450	39,362,963	(6,738,487)
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	-	24,895,896	23,441,367	1,454,529	25,888,691	24,293,641	1,595,050
Employee Benefits	-	5,874,585	5,639,476	235,109	6,527,401	5,887,918	639,483
Contracted Services	-	1,339,628	1,181,305	158,323	1,967,404	1,389,122	578,282
Supplies and Materials	-	2,292,325	1,636,367	655,958	2,508,474	1,970,098	538,376
Other Charges	-	3,085,142	2,091,554	993,588	4,361,388	2,047,084	2,314,304
Capital Outlay	-	2,255,903	1,507,304	748,599	4,341,755	3,233,914	1,107,841
<b>Total Expenditures</b>	-	39,743,479	35,497,373	4,246,106	45,595,113	38,821,777	6,773,336
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	827,272	609,725	(217,547)	506,337	541,186	34,849
<b>Other Financing Sources (Uses)</b>							
Transfer from Other Funds	-	35,534	27,174	(8,360)	36,734	39,878	3,144
Transfer to Other Funds	-	(862,806)	(636,899)	225,907	(543,071)	(593,442)	(50,371)
<b>Total Other Financing Sources (Uses)</b>	-	(827,272)	(609,725)	217,547	(506,337)	(553,564)	(47,227)
<b>Net Change in Fund Balances</b>	-	-	-	-	-	(12,378)	(12,378)
<b>Fund Balances, July 1</b>	-	-	-	-	12,378	12,378	-
<b>Fund Balances, June 30</b>	\$ -	\$ -	\$ -	\$ -	\$ 12,378	\$ -	\$ (12,378)

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

---

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School General Projects Fund  
Comparative Balance Sheets  
June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 1,820,031
Receivables (Net of Allowance for Uncollectibles):		
Accounts	555,376	947,730
Due from Other Funds	1,419,391	1,270,091
Prepaid Items	7,695	43,456
Inventories	<u>401,957</u>	<u>633,136</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,384,419</u>	<u>\$ 4,714,444</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 46,123	\$ 313,300
Due to Primary Government	-	7,351
Due to Other Funds	874,675	672,446
Unearned Revenue	<u>-</u>	<u>679,168</u>
<b>TOTAL LIABILITIES</b>	<u>920,798</u>	<u>1,672,265</u>
<b>Fund Balances:</b>		
Nonspendable	409,652	676,592
Committed	<u>1,053,969</u>	<u>2,365,587</u>
<b>TOTAL FUND BALANCES</b>	<u>1,463,621</u>	<u>3,042,179</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,384,419</u>	<u>\$ 4,714,444</u>

---

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School General Projects Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the Years Ended June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Licenses and Permits	\$ 1,938	\$ 1,805
Charges for Current Services	789,907	965,175
Other Local Revenues	5,469,273	9,946,534
State of Tennessee	2,658,992	2,920,445
Federal Government	52,399	-
Other Governments and Citizens Groups	397,345	729,141
Payments from Component Unit	325,574	951,982
	<hr/>	<hr/>
Total Revenues	9,695,428	15,515,082
	<hr/>	<hr/>
<b>Expenditures</b>		
Current:		
Education	18,397,703	21,938,863
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(8,702,275)	(6,423,781)
	<hr/>	<hr/>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	7,123,717	8,848,909
Transfers to Other Funds	-	(274,590)
	<hr/>	<hr/>
Total Other Financing Sources	7,123,717	8,574,319
	<hr/>	<hr/>
Net Change in Fund Balances	(1,578,558)	2,150,538
Fund Balances, July 1	3,042,179	891,641
	<hr/>	<hr/>
Fund Balances, June 30	\$ 1,463,621	\$ 3,042,179
	<hr/> <hr/>	<hr/> <hr/>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School General Projects Fund  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
 For the Years Ended June 30, 2017 and 2016

	2017				2016		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Licenses and Permits	\$ -	\$ 1,800	\$ 1,938	\$ 138	\$ 2,300	\$ 1,805	\$ (495)
Charges for Current Services	-	657,109	789,907	132,798	904,027	965,175	61,148
Other Local Revenues	-	10,063,077	5,469,273	(4,593,804)	10,880,858	9,946,534	(934,324)
State of Tennessee	-	2,843,532	2,658,992	(184,540)	3,735,477	2,920,445	(815,032)
Federal Government	-	-	52,399	52,399	-	-	-
Payments from Component Unit	-	-	325,574	325,574	-	951,982	951,982
Other Governments and Citizens Groups	-	1,280,670	397,345	(883,325)	1,791,522	729,141	(1,062,381)
<b>Total Revenues</b>	-	14,846,188	9,695,428	(5,150,760)	17,314,184	15,515,082	(1,799,102)
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	-	5,225,957	5,056,522	169,435	7,302,068	6,733,663	568,405
Employee Benefits	-	1,371,067	1,363,084	7,983	1,761,283	1,612,044	149,239
Contracted Services	-	3,773,551	3,478,474	295,077	4,343,024	3,823,930	519,094
Supplies and Materials	-	10,279,052	7,679,500	2,599,552	11,464,809	9,521,161	1,943,648
Other Charges	-	251,232	138,603	112,629	316,266	227,107	89,159
Capital Outlay	-	1,209,738	681,520	528,218	1,166,545	20,958	1,145,587
<b>Total Expenditures</b>	-	22,110,597	18,397,703	3,712,894	26,353,995	21,938,863	4,415,132
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(7,264,409)	(8,702,275)	(1,437,866)	(9,039,811)	(6,423,781)	2,616,030
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	-	7,130,865	7,123,717	(7,148)	8,926,442	8,848,909	(77,533)
Transfers to Other Funds	-	(20,000)	-	20,000	-	(274,590)	(274,590)
<b>Total Other Financing Sources (Uses)</b>	-	7,110,865	7,123,717	12,852	8,926,442	8,574,319	(352,123)
<b>Net Change in Fund Balances</b>	-	(153,544)	(1,578,558)	(1,425,014)	(113,369)	2,150,538	2,263,907
Fund Balances, July 1	3,042,179	3,042,179	3,042,179	-	891,641	891,641	-
Fund Balances, June 30	\$ 3,042,179	\$ 2,888,635	\$ 1,463,621	\$ (1,425,014)	\$ 778,272	\$ 3,042,179	\$ 2,263,907

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 Fund  
Comparative Balance Sheets  
June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,311,366	\$ 7,894,634
Receivables (Net of Allowance for Uncollectibles):		
Accounts	4,482,666	1,846,550
Inventories	<u>600,564</u>	<u>200,305</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,394,596</u>	<u>\$ 9,941,489</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 559,341	\$ 1,143,014
Due to Other Funds	1,389,193	20,421
Unearned Revenue	<u>297,990</u>	<u>289,410</u>
<b>TOTAL LIABILITIES</b>	<u>2,246,524</u>	<u>1,452,845</u>
<b>Fund Balances:</b>		
Nonspendable	600,564	200,305
Restricted	<u>8,547,508</u>	<u>8,288,339</u>
<b>TOTAL FUND BALANCES</b>	<u>9,148,072</u>	<u>8,488,644</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 11,394,596</u>	<u>\$ 9,941,489</u>

---

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the Years Ended June 30, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Charges for Current Services	\$ 5,168,027	\$ 5,461,070
Other Local Revenues	681,122	627,892
State of Tennessee	251,796	249,687
Federal Government	<u>22,184,568</u>	<u>21,112,774</u>
Total Revenues	<u>28,285,513</u>	<u>27,451,423</u>
<b>Expenditures</b>		
Current:		
Education:		
Food Service	<u>26,166,077</u>	<u>25,609,791</u>
Excess of Revenues Over Expenditures	<u>2,119,436</u>	<u>1,841,632</u>
<b>Other Financing Uses</b>		
Transfers to Other Funds	<u>(1,460,008)</u>	<u>(1,460,008)</u>
Net Change in Fund Balances	659,428	381,624
Fund Balances, July 1	<u>8,488,644</u>	<u>8,107,020</u>
Fund Balances, June 30	<u>\$ 9,148,072</u>	<u>\$ 8,488,644</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Fund  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the Years Ended June 30, 2017 and 2016**

	2017				2016		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 5,390,000	\$ 5,390,000	\$ 5,168,027	\$ (221,973)	\$ 6,713,938	\$ 5,461,070	\$ (1,252,868)
Other Local Revenues	558,000	558,000	681,122	123,122	680,000	627,892	(52,108)
State of Tennessee	250,000	250,000	251,796	1,796	263,062	249,687	(13,375)
Federal Government	21,175,500	21,175,500	22,184,568	1,009,068	20,371,000	21,112,774	741,774
<b>Total Revenues</b>	<b>27,373,500</b>	<b>27,373,500</b>	<b>28,285,513</b>	<b>912,013</b>	<b>28,028,000</b>	<b>27,451,423</b>	<b>(576,577)</b>
<b>Expenditures</b>							
Current:							
Education:							
Food Service:							
Personal Services	8,400,000	8,400,000	8,394,280	5,720	8,500,000	8,233,568	266,432
Employee Benefits	2,525,500	2,525,500	2,442,405	83,095	2,621,000	2,396,016	224,984
Contracted Services	784,500	1,164,400	1,100,886	63,514	1,066,000	717,421	348,579
Supplies & Materials	13,810,000	13,646,216	12,587,323	1,058,893	13,934,257	13,172,235	762,022
Other Charges	218,500	248,100	248,086	14	296,000	206,003	89,997
Capital Outlay	175,000	1,650,479	1,393,097	257,382	438,418	884,548	(446,130)
<b>Total Expenditures</b>	<b>25,913,500</b>	<b>27,634,695</b>	<b>26,166,077</b>	<b>1,468,618</b>	<b>26,855,675</b>	<b>25,609,791</b>	<b>1,245,884</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,460,000	(261,195)	2,119,436	2,380,631	1,172,325	1,841,632	669,307
<b>Other Financing Uses</b>							
Transfers to Other Funds	(1,460,000)	(1,460,000)	(1,460,008)	(8)	(1,460,000)	(1,460,008)	(8)
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(1,721,195)</b>	<b>659,428</b>	<b>2,380,623</b>	<b>(287,675)</b>	<b>381,624</b>	<b>669,299</b>
Fund Balances, July 1	8,488,644	8,488,644	8,488,644	-	8,107,020	8,107,020	-
<b>Fund Balances, June 30</b>	<b>\$ 8,488,644</b>	<b>\$ 6,767,449</b>	<b>\$ 9,148,072</b>	<b>\$ 2,380,623</b>	<b>\$ 7,819,345</b>	<b>\$ 8,488,644</b>	<b>\$ 669,299</b>



**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2017

	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 945,462	\$ 10,088,980
Investments, at Fair Value:		
Mutual Funds	3,067,790	-
Collective Investment Trusts	54,565,602	-
Total Investments	57,633,392	-
Receivables:		
Receivable for Investments Sold	289,500	-
Accrued Interest and Dividends	1,140	-
Other Assets	-	97,024
Total Receivables	290,640	97,024
Total Assets	58,869,494	10,186,004
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	-	44,905
Accounts Payable - Administrative Expenses	84,716	-
Liability for Student Activities	-	10,139,558
Total Liabilities	84,716	\$ 10,184,463
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<b>\$ 58,784,778</b>	

---

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Comparative Statements of Fiduciary Net Position  
Pension Trust Fund - Teacher's Plan (Defined Benefit Plan)**

June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 945,462	\$ 88,887
Investments, at Fair Value:		
Mutual Funds	3,067,790	3,024,464
Collective Investment Trusts	54,565,602	47,072,225
Corporate Bonds	-	1,005,011
U.S. Treasuries	-	4,082,611
Federal Agency Debt Securities	-	221,057
Federal Agency Mortgage Backed Securities	-	2,648,578
Total Investments	<u>57,633,392</u>	<u>58,053,946</u>
Receivables:		
Employee Contributions	-	247
Receivable for Investments Sold	289,500	-
Accrued Interest and Dividends	1,140	38,234
Total Receivables	<u>290,640</u>	<u>38,481</u>
Total Assets	<u>58,869,494</u>	<u>58,181,314</u>
<b>LIABILITIES</b>		
Accounts Payable - Administrative Expenses	84,716	77,796
Accounts Payable - Investments Purchased	-	55,776
Total Liabilities	<u>84,716</u>	<u>133,572</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<u>\$ 58,784,778</u>	<u>\$ 58,047,742</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Comparative Statements of Changes in Fiduciary Net Position  
Pension Trust Fund - Teacher's Plan (Defined Benefit Plan)  
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 726,969	\$ 832,401
Employee	472	3,718
Total Contributions	<u>727,441</u>	<u>836,119</u>
Investment Income (Loss):		
Interest and Dividend Income	209,926	387,093
Net Appreciation (Depreciation) in Fair Value of Investments	<u>6,818,247</u>	<u>(483,914)</u>
Total Investment Income (Loss)	7,028,173	(96,821)
Less Investment Expense	<u>(214,684)</u>	<u>(339,930)</u>
Net Investment Income (Loss)	<u>6,813,489</u>	<u>(436,751)</u>
Total Additions	<u>7,540,930</u>	<u>399,368</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	6,633,292	6,654,509
Administrative Expenses	<u>170,602</u>	<u>121,781</u>
Total Deductions	<u>6,803,894</u>	<u>6,776,290</u>
<b>CHANGE IN NET POSITION</b>	737,036	(6,376,922)
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR</b>	<u>58,047,742</u>	<u>64,424,664</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR</b>	<u>\$ 58,784,778</u>	<u>\$ 58,047,742</u>

---

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Internal School Funds**

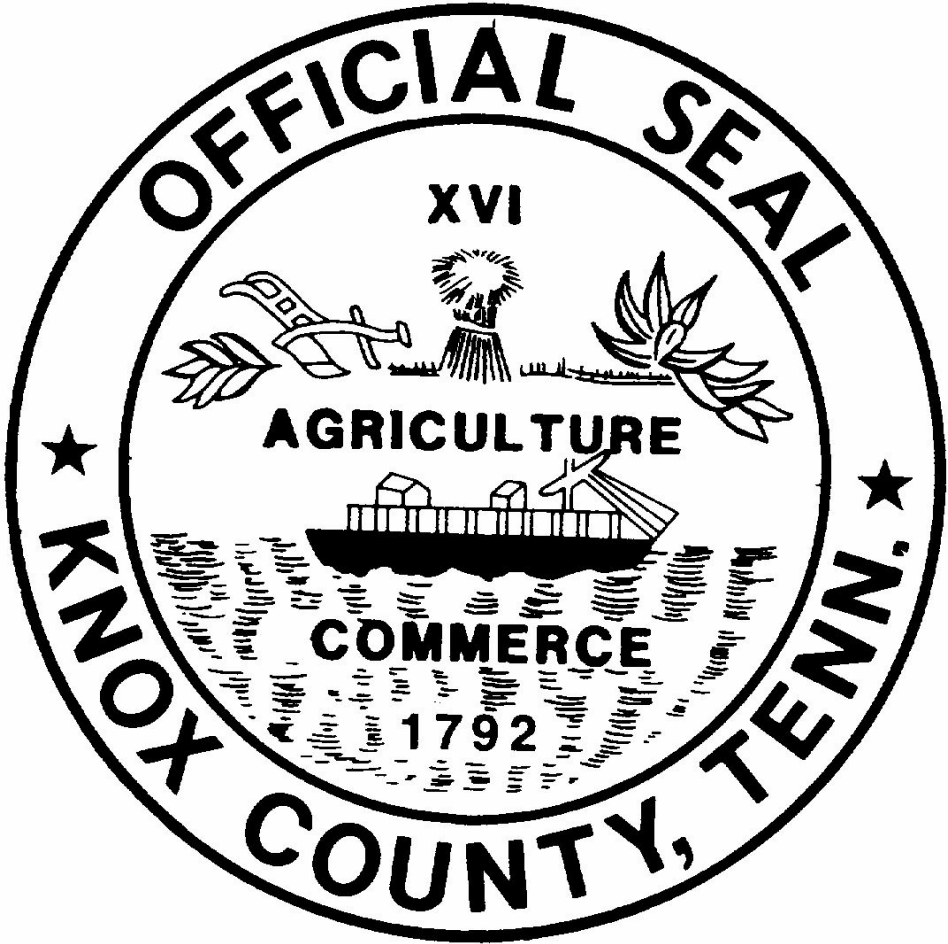
**Comparative Statements of Changes in Fiduciary Assets and Liabilities**

For the Years Ended June 30, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
Assets and Liabilities, July 1	\$ 10,242,835	\$ 8,886,223
Additions	20,590,304	21,553,248
Deductions	<u>(20,693,581)</u>	<u>(20,196,636)</u>
Assets and Liabilities, June 30	<u>\$ 10,139,558</u>	<u>\$ 10,242,835</u>

# Statistical Section



## STATISTICAL SECTION (Unaudited)

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

<b>Contents</b>	<b>Page</b>
Financial Trends	258-266
<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	267-270
<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	271-273
<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	274-275
<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	276-278
<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.

KNOX COUNTY, TENNESSEE

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Primary government										
Governmental activities										
Net investment in capital assets	\$ 349,499,266	\$ 298,546,888	\$ 292,183,224	\$ 281,020,672	\$ 276,642,614	\$ 290,649,727	\$ 284,908,028	\$ 267,497,791	\$ 267,670,250	\$ 262,771,208
Restricted	33,687,672	38,289,171	27,202,060	23,180,877	30,030,542	9,075,310	15,250,562	8,583,223	9,000,894	9,090,050
Unrestricted	(244,843,510)	(216,381,847)	(234,271,029)	(252,750,590)	(243,862,381)	(224,499,180)	(247,035,437)	(262,043,799)	(259,493,264)	(311,592,681)
Total primary governmental activities net position	\$ 138,343,428	\$ 120,454,212	\$ 85,114,255	\$ 51,450,959	\$ 62,810,775	\$ 75,225,857	\$ 53,123,153	\$ 14,037,215	\$ 17,177,880	\$ (39,731,423)
Business-type activities										
Three Ridges Golf Course										
Investment in capital assets	\$ -	\$ 893,709	\$ 832,590	\$ 718,674	\$ 634,436	\$ 503,880	\$ 453,946	\$ 568,919	\$ 509,820	\$ 489,809
Unrestricted	-	286,781	304,278	301,122	215,757	99,523	73,842	18,491	2,719	(45,569)
Total business-type activities net position	\$ -	\$ 1,180,490	\$ 1,136,868	\$ 1,019,796	\$ 850,193	\$ 603,403	\$ 527,788	\$ 587,410	\$ 512,539	\$ 444,240
Component units										
Investment in capital assets	\$ 308,057,666	\$ 317,191,247	\$ 316,329,152	\$ 340,624,791	\$ 356,215,731	\$ 397,859,173	\$ 412,116,052	\$ 411,265,432	\$ 407,165,376	\$ 426,604,984
Restricted	4,118,075	16,585,893	13,121,345	26,094,913	16,457,515	32,705,925	19,608,463	7,845,805	8,503,912	32,804,551
Unrestricted	58,586,611	29,308,255	44,027,622	62,159,294	103,278,242	59,856,270	51,357,504	(3,452,157)	23,021,644	33,422,590
Total component units activities net position	\$ 370,762,352	\$ 363,085,395	\$ 373,478,119	\$ 428,878,998	\$ 475,951,488	\$ 490,421,368	\$ 483,082,019	\$ 415,659,080	\$ 438,690,932	\$ 492,832,125
Total reporting unit activities net position	\$ 509,105,780	\$ 484,720,097	\$ 459,729,242	\$ 481,349,753	\$ 539,612,456	\$ 566,250,628	\$ 536,732,960	\$ 430,283,705	\$ 456,381,351	\$ 453,544,942

Note: See Note IV.I for Restatements to beginning balances included here in 2017.

It was not considered practicable to reflect the portion of these prior period adjustments applicable to the previous years prior to 2017 shown herein.

Knox County implemented GASB Statement Number 68 in fiscal year 2015.

KNOX COUNTY, TENNESSEE

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Primary government:										
Governmental activities:										
Finance and Administration	\$ 45,573,546	\$ 41,738,286	\$ 42,195,745	\$ 35,025,924	\$ 31,753,114	\$ 30,903,236	\$ 30,943,555	\$ 36,112,276	\$ 36,885,718	\$ 37,614,449
Finance and Administration - payment to component unit	6,385,000	4,018,649	3,823,874	3,823,874	3,823,874	6,653,874	6,753,874	6,553,874	9,553,874	5,603,874
Administration of Justice	16,211,461	15,651,510	15,691,782	24,277,040	22,434,428	22,734,428	23,299,693	24,414,379	25,571,043	26,713,176
Public Safety	68,125,715	71,388,947	74,109,826	72,135,474	72,565,353	73,855,455	77,888,346	82,717,157	88,917,847	90,286,734
Public Safety - payment to component unit	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	485,002	856,322
Public Health and Welfare	40,356,191	38,463,931	38,366,594	33,731,246	32,546,227	32,492,041	33,693,888	33,739,935	34,280,078	36,369,021
Public Health and Welfare - payment to component unit	166,628	166,628	256,628	256,628	256,628	256,628	211,628	166,628	166,628	166,628
Social and Cultural Services	21,148,707	21,651,989	21,594,069	21,140,636	19,036,194	19,130,136	19,921,048	20,521,029	21,782,470	24,626,710
Agricultural and Natural Resources	461,142	433,295	413,675	380,453	365,774	435,231	519,433	470,977	490,451	518,339
Other General Government	13,151,278	21,017,395	16,893,864	20,252,535	24,717,611	22,832,602	23,803,616	23,802,139	28,462,563	22,918,688
Other General Government - payment to component unit	-	-	-	-	-	675,000	600,000	600,000	625,000	665,000
Engineering & Public Works	22,815,377	23,605,027	24,009,373	24,045,860	21,964,447	23,555,325	25,155,488	26,515,062	26,950,361	30,849,914
Engineering & Public Works - payment to component unit	-	25,872	-	-	-	-	-	-	-	-
Education - payment to component unit	5,000,000	14,853,832	29,586,094	50,924,958	13,578,202	28,092,391	38,763,934	24,271,315	19,385,000	80,718,536
Debt Service - interest and fees	28,915,724	30,093,010	25,524,229	28,885,417	28,193,240	26,688,921	25,205,819	22,801,729	23,272,301	23,918,523
Debt Service - other	-	-	-	-	-	-	745,863	-	-	-
Total governmental activities	<u>268,636,969</u>	<u>283,434,571</u>	<u>292,791,953</u>	<u>315,206,245</u>	<u>271,561,592</u>	<u>288,631,468</u>	<u>307,832,385</u>	<u>303,012,700</u>	<u>316,828,336</u>	<u>381,825,914</u>
Business-type activities:										
Three Ridges Golf Course	-	464,137	961,678	1,044,409	1,147,603	1,124,565	937,604	1,000,090	1,063,627	1,137,700
Total primary government expenses	<u>\$ 268,636,969</u>	<u>\$ 283,898,708</u>	<u>\$ 293,753,631</u>	<u>\$ 316,250,654</u>	<u>\$ 272,709,195</u>	<u>\$ 289,756,033</u>	<u>\$ 308,769,989</u>	<u>\$ 304,012,790</u>	<u>\$ 317,891,963</u>	<u>\$ 382,963,614</u>
Component units:										
Board of Education	\$ 462,569,748	\$ 470,348,600	\$ 480,162,339	\$ 481,991,842	\$ 503,634,777	\$ 526,960,365	\$ 560,610,890	\$ 525,410,160	\$ 529,205,667	\$ 545,621,091
Nonmajor Component Units	6,777,287	6,986,393	6,708,481	6,656,575	6,461,195	7,194,181	7,397,708	7,538,326	9,131,983	10,332,635
Total component units expenses	<u>\$ 469,347,035</u>	<u>\$ 477,334,993</u>	<u>\$ 486,870,820</u>	<u>\$ 488,648,417</u>	<u>\$ 510,095,972</u>	<u>\$ 534,154,546</u>	<u>\$ 568,008,598</u>	<u>\$ 532,948,486</u>	<u>\$ 538,337,650</u>	<u>\$ 555,953,726</u>
Total reporting unit expenses	<u>\$ 737,984,004</u>	<u>\$ 761,233,701</u>	<u>\$ 780,624,451</u>	<u>\$ 804,899,071</u>	<u>\$ 782,805,167</u>	<u>\$ 823,910,579</u>	<u>\$ 876,778,587</u>	<u>\$ 836,961,276</u>	<u>\$ 856,229,613</u>	<u>\$ 938,917,340</u>

Note: Knox County implemented GASB Statement Number 68 in fiscal year 2015.

Note: See Note IV.I related to prior period adjustments in 2017. It was not considered practicable to show the effects of those adjustments on years prior to 2017.

Continued



KNOX COUNTY, TENNESSEE

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Program Revenues</b>										
Primary government:										
Governmental activities:										
Charges for Services:										
Finance and Administration	\$ 23,475,489	\$ 18,291,849	\$ 19,541,913	\$ 19,359,362	\$ 21,247,575	\$ 21,290,699	\$ 20,581,958	\$ 20,505,947	\$ 32,374,363	\$ 22,201,488
Administration of Justice	12,348,218	10,535,989	9,990,310	10,101,442	10,129,539	10,382,380	10,042,760	9,774,864	2,908,229	11,398,813
Public Safety	983,881	1,333,523	1,330,976	1,439,718	4,478,725	2,759,919	3,305,146	4,012,396	4,680,091	5,500,881
Public Health and Welfare	4,283,390	4,252,529	4,050,480	4,244,236	4,705,246	4,997,021	5,834,345	6,163,000	6,854,390	7,310,677
Social and Cultural Services	1,327,729	1,324,927	1,117,171	880,631	949,557	950,683	885,537	778,733	771,108	890,986
Other General Government	88,337	249,935	85,295	689,972	592,251	290,846	282,845	298,127	303,569	318,940
Engineering & Public Works	20,105	214,851	652,250	436,570	758,766	883,998	267,125	122,259	142,101	473,550
Operating grants and contributions	15,232,355	13,162,718	16,546,478	18,111,952	13,941,943	14,465,074	15,068,332	22,712,505	21,710,980	21,644,878
Total governmental activities	57,759,504	49,366,321	53,314,873	55,263,883	56,803,602	56,020,620	56,268,048	64,367,831	69,744,831	69,740,213
Business-type activities:										
Three Ridges Golf Course	-	462,055	918,056	927,337	978,000	877,775	861,989	798,212	788,756	759,401
Operating grants and contributions	-	-	-	-	-	-	-	-	-	35,000
Total business-type activities	-	462,055	918,056	927,337	978,000	877,775	861,989	798,212	788,756	794,401
Total primary government program revenues	\$ 57,759,504	\$ 49,828,376	\$ 54,232,929	\$ 56,191,220	\$ 57,781,602	\$ 56,898,395	\$ 57,130,037	\$ 65,166,043	\$ 70,533,587	\$ 70,534,614
Component units:										
Charges for Services:										
Board of Education	\$ 13,744,165	\$ 12,545,538	\$ 14,558,045	\$ 16,621,446	\$ 15,778,275	\$ 16,681,836	\$ 15,155,847	\$ 14,073,126	\$ 18,407,724	\$ 14,437,600
Nonmajor Component Units	5,605,505	6,215,901	6,209,957	6,132,513	6,457,347	6,499,035	6,078,468	6,035,939	6,533,341	6,912,184
Operating grants and contributions	50,968,461	55,064,528	75,166,748	82,127,060	75,304,345	70,894,629	68,863,832	71,924,758	71,824,933	72,648,463
Capital grants and contributions	-	-	-	-	-	747,638	883,814	-	-	-
Total component units program revenues	\$ 70,318,131	\$ 73,825,967	\$ 95,934,750	\$ 104,881,019	\$ 97,539,967	\$ 94,823,138	\$ 90,981,961	\$ 92,033,823	\$ 96,765,998	\$ 93,998,247
Total reporting unit program revenues	\$ 128,077,635	\$ 123,654,343	\$ 150,167,679	\$ 161,072,239	\$ 155,321,569	\$ 151,721,533	\$ 148,111,998	\$ 157,199,866	\$ 167,299,585	\$ 164,532,861
Net (expenses)/revenues										
Primary government activities	\$ (210,877,465)	\$ (234,070,332)	\$ (239,520,702)	\$ (260,059,434)	\$ (214,927,593)	\$ (232,857,638)	\$ (251,639,952)	\$ (238,846,747)	\$ (247,358,376)	\$ (312,429,000)
Component units	(399,028,904)	(403,509,026)	(390,936,070)	(383,767,398)	(412,556,005)	(439,331,408)	(477,026,637)	(440,914,663)	(441,571,652)	(461,955,479)
Total net (expenses) revenues for reporting unit	\$ (609,906,369)	\$ (637,579,358)	\$ (630,456,772)	\$ (643,826,832)	\$ (627,483,598)	\$ (672,189,046)	\$ (728,666,589)	\$ (679,761,410)	\$ (688,930,028)	\$ (774,384,479)

Note: Knox County implemented GASB Statement Number 68 in fiscal year 2015.

Note: See Note IV.I related to prior period adjustments in 2017. It was not considered practicable to show the effects of those adjustments on years prior to 2017.

Continued

KNOX COUNTY, TENNESSEE

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
Primary government:										
Governmental activities:										
Taxes										
Property taxes	\$ 128,874,750	\$ 140,608,170	\$ 134,655,757	\$ 142,138,781	\$ 139,862,073	\$ 144,007,522	\$ 145,415,011	\$ 166,869,259	\$ 170,481,050	\$ 172,140,229
Sales taxes	9,952,384	8,987,868	9,708,315	10,433,188	11,076,254	11,815,046	11,133,979	12,650,210	11,960,270	12,761,525
Lodging taxes	5,382,819	4,815,765	4,830,079	5,152,412	5,696,181	5,547,738	5,860,554	6,602,861	7,993,988	7,993,966
Business taxes	6,629,276	7,440,271	6,332,408	7,347,327	7,782,614	8,709,692	7,566,636	8,210,298	9,301,725	9,535,521
Wheel taxes	10,636,138	10,570,144	10,471,856	10,937,485	10,835,470	10,936,500	11,448,102	11,421,728	11,552,326	11,909,088
Other local taxes	3,793,818	4,317,993	4,669,629	4,620,907	2,935,940	4,942,341	4,970,986	5,000,245	5,102,439	5,032,357
Investment revenue	5,641,188	2,936,051	(1,678,577)	3,204,476	(4,260,317)	7,779,556	2,248,955	2,201,014	702,349	5,884,298
Other revenues	36,856,107	36,821,934	38,280,459	38,088,691	54,072,973	50,760,348	47,499,852	31,022,620	32,287,205	30,181,532
Contracts - other governments and citizens	419,470	851,750	294,120	1,236,916	96,628	264,452	728,102	381,842	296,117	308,350
Miscellaneous	1,122,914	11,700	517,094	3,118,883	667,645	262,735	966,103	828,323	746,701	1,443,103
Transfers	-	(1,182,572)	-	-	-	-	-	(250,000)	(200,000)	(275,000)
Total governmental activities	209,308,864	216,179,074	208,081,140	226,279,066	228,765,461	245,025,930	237,838,280	244,938,400	250,224,170	256,914,969
Business-type activities:										
Transfers	-	1,182,572	-	-	-	-	-	250,000	200,000	275,000
Total primary government	\$ 209,308,864	\$ 217,361,646	\$ 208,081,140	\$ 226,279,066	\$ 228,765,461	\$ 245,025,930	\$ 237,838,280	\$ 245,188,400	\$ 250,424,170	\$ 257,189,969
Component units:										
Taxes										
Property taxes	\$ 102,342,297	\$ 107,324,525	\$ 106,737,074	\$ 112,371,639	\$ 110,866,194	\$ 113,862,764	\$ 115,339,172	\$ 97,227,919	\$ 98,932,121	\$ 99,362,165
Sales taxes	125,522,010	116,296,501	114,769,928	119,973,142	128,588,400	127,612,963	128,518,755	136,469,187	144,321,391	146,399,387
Wheel taxes	1,500,030	1,490,723	1,494,272	1,525,119	1,501,397	1,515,396	1,561,822	1,607,094	1,600,726	1,650,161
Other local taxes	1,352,978	554,495	1,065,154	1,006,769	1,039,271	1,019,405	1,073,324	1,033,373	1,082,452	1,083,847
Investment revenue	1,739,023	418,377	120,512	132,360	42,669	166,662	229,295	286,000	498,372	501,758
Payments from component units	-	-	-	-	-	-	-	2,162,546	-	-
Payments from primary government	11,877,828	19,391,181	33,992,796	55,331,660	17,984,904	36,044,093	46,655,636	31,918,017	30,215,504	88,148,301
Other revenues	-	4,525,727	1,420,641	1,372,773	1,475,328	1,913,690	1,369,610	2,822,218	2,309,611	2,090,702
Contracts - other governments and citizens	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	78,725	90,080	5,658,174	368,295	96,520
Miscellaneous	-	-	109,577	4	503,211	377,361	219,340	122,317	88,892	110,930
Grants and Contributions Not Restricted for Specific Programs	142,038,000	144,111,400	139,899,700	145,735,671	161,206,791	171,210,229	175,368,140	176,444,300	185,186,140	1,719,140
State of Tennessee - Basic Education Program	-	-	-	-	-	-	-	-	-	197,263,894
Total component units	\$ 388,091,306	\$ 395,832,069	\$ 401,328,794	\$ 439,168,277	\$ 424,927,305	\$ 453,801,288	\$ 470,425,174	\$ 455,751,145	\$ 464,603,504	\$ 538,426,805
Total reporting unit	\$ 597,400,170	\$ 613,193,715	\$ 609,409,934	\$ 665,447,343	\$ 653,692,766	\$ 698,827,218	\$ 708,263,454	\$ 700,939,545	\$ 715,027,674	\$ 795,616,774
<b>Change in Net Position</b>										
Primary government activities	\$ (1,568,601)	\$ (16,708,686)	\$ (31,439,562)	\$ (33,780,368)	\$ 13,837,868	\$ 12,168,292	\$ (13,801,672)	\$ 6,341,653	\$ 3,065,794	\$ (55,239,031)
Component units activities	(10,937,598)	(7,676,957)	10,392,724	55,400,879	12,371,300	14,469,880	(6,601,463)	14,836,482	23,031,852	76,471,326
Total reporting unit	\$ (12,506,199)	\$ (24,385,643)	\$ (21,046,838)	\$ 21,620,511	\$ 26,209,168	\$ 26,638,172	\$ (20,403,135)	\$ 21,178,135	\$ 26,097,646	\$ 21,232,295

Note: Knox County implemented GASB Statement Number 68 in fiscal year 2015.

Note: See Note IV.I related to prior period adjustments in 2017. It was not considered practicable to show the effects of those adjustments on years prior to 2017.

---

**KNOX COUNTY, TENNESSEE**

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

---

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Lodging Tax</b>	<b>Business Tax</b>	<b>Wheel Tax</b>	<b>Other Local Tax</b>	<b>Total</b>
2008	\$ 128,874,750	\$ 9,952,384	\$ 5,382,819	\$ 6,629,276	\$ 10,636,138	\$ 3,793,818	\$ 165,269,185
2009	140,608,170	8,987,868	4,815,765	7,440,271	10,570,144	4,317,993	176,740,211
2010	134,655,757	9,708,315	4,830,079	6,332,408	10,471,856	4,669,629	170,668,044
2011	142,138,781	10,433,188	5,152,412	7,347,327	10,937,485	4,620,907	180,630,100
2012	139,862,073	11,076,254	5,696,181	7,782,614	10,835,470	2,935,940	178,188,532
2013	144,007,522	11,815,046	5,547,738	8,709,692	10,936,500	4,942,341	185,958,839
2014	145,415,011	11,133,979	5,860,554	7,566,636	11,448,102	4,970,986	186,395,268
2015	166,869,259	12,650,210	6,602,861	8,210,298	11,421,728	5,000,245	210,754,601
2016	170,481,050	11,960,270	7,993,988	9,301,725	11,552,326	5,102,439	216,391,798
2017	172,140,229	12,761,525	7,993,966	9,535,521	11,909,088	5,032,357	219,372,686

---

KNOX COUNTY, TENNESSEE

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

---

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Wheel Tax</b>	<b>Other Local Tax</b>	<b>Total</b>
2008	\$ 102,342,297	\$ 125,522,010	\$ 1,500,030	\$ 1,352,978	\$ 230,717,315
2009	107,324,525	116,296,501	1,490,723	554,495	225,666,244
2010	106,737,074	114,769,928	1,494,272	1,065,154	224,066,428
2011	112,371,639	119,973,142	1,525,119	1,006,769	234,876,669
2012	110,866,194	128,588,400	1,501,397	1,039,271	241,995,262
2013	113,862,764	127,612,963	1,515,396	1,019,405	244,010,528
2014	115,339,172	128,518,755	1,561,822	1,073,324	246,493,073
2015	97,227,919	136,469,187	1,607,094	1,033,373	236,337,573
2016	98,932,121	144,321,391	1,600,726	1,082,452	245,936,690
2017	99,362,165	146,399,387	1,650,161	1,083,847	248,495,560

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Lodging Tax</b>	<b>Business Tax</b>	<b>Wheel Tax</b>	<b>Other Local Tax</b>	<b>Total</b>
2008	\$ 231,217,047	\$ 135,474,394	\$ 5,382,819	\$ 6,629,276	\$ 12,136,168	\$ 5,146,796	\$ 395,986,500
2009	247,932,695	125,284,369	4,815,765	7,440,271	12,060,867	4,872,488	402,406,455
2010	241,392,831	124,478,243	4,830,079	6,332,408	11,966,128	5,734,783	394,734,472
2011	254,510,420	130,406,330	5,152,412	7,347,327	12,462,604	5,627,676	415,506,769
2012	250,728,267	139,664,654	5,696,181	7,782,614	12,336,867	3,975,211	420,183,794
2013	257,870,286	139,428,009	5,547,738	8,709,692	12,451,896	5,961,746	429,969,367
2014	260,754,183	139,652,734	5,860,554	7,566,636	13,009,924	6,044,310	432,888,341
2015	264,097,178	149,119,397	6,602,861	8,210,298	13,028,822	6,033,618	447,092,174
2016	269,413,171	156,281,661	7,993,988	9,301,725	13,153,052	6,184,891	462,328,488
2017	271,502,394	159,160,912	7,993,966	9,535,521	13,559,249	6,116,204	467,868,246

**KNOX COUNTY, TENNESSEE**

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Reserved	\$ 11,024,655	\$ 9,080,512	\$ 8,382,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	48,348,469	44,197,261	43,415,759	-	-	-	-	-	-	-
Nonspendable	-	-	-	5,880,449	6,182,114	7,249,342	6,760,134	5,933,564	5,962,005	5,628,804
Restricted	-	-	-	2,212,749	2,787,302	2,798,061	2,557,432	2,426,638	2,450,091	2,381,149
Committed	-	-	-	9,294	5,596,444	3,675,473	2,342,583	4,405,300	2,297,348	2,525,359
Assigned	-	-	-	957,967	465,211	1,089,640	1,401,378	1,130,360	789,441	387,963
Unassigned	-	-	-	43,521,876	44,259,130	51,452,742	53,026,996	55,853,075	60,783,057	63,901,759
Total general fund	<u>\$ 59,373,124</u>	<u>\$ 53,277,773</u>	<u>\$ 51,797,913</u>	<u>\$ 52,582,335</u>	<u>\$ 59,290,201</u>	<u>\$ 66,265,258</u>	<u>\$ 66,088,523</u>	<u>\$ 69,748,937</u>	<u>\$ 72,281,942</u>	<u>\$ 74,825,034</u>
All other governmental funds										
Reserved	\$ 10,173,788	\$ 13,950,926	\$ 22,514,296	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue constitutional officers	5,405,844	3,831,682	2,387,038	-	-	-	-	-	-	-
Capital projects public improvement	(28,415,905)	12,367,955	(4,050,370)	-	-	-	-	-	-	-
Debt service	24,383,887	17,757,274	15,753,733	-	-	-	-	-	-	-
Other governmental funds	13,448,644	9,879,284	6,658,756	-	-	-	-	-	-	-
Nonspendable	-	-	-	5,910,592	5,776,505	5,762,434	3,953,715	3,958,516	114,681	104,525
Restricted	-	-	-	20,968,128	27,243,240	6,277,249	12,693,130	18,807,905	12,528,271	12,681,604
Committed	-	-	-	22,133,322	23,331,278	25,942,402	29,062,822	27,427,505	31,353,805	21,979,815
Assigned	-	-	-	-	2,199,988	3,657,378	3,986,924	4,490,319	5,226,787	5,532,748
Total all other governmental funds	<u>\$ 24,996,258</u>	<u>\$ 57,787,121</u>	<u>\$ 43,263,453</u>	<u>\$ 49,012,042</u>	<u>\$ 58,551,011</u>	<u>\$ 41,639,463</u>	<u>\$ 49,696,591</u>	<u>\$ 54,684,245</u>	<u>\$ 49,223,544</u>	<u>\$ 40,298,692</u>

Note: See Note IV.I for Restatements to beginning balances included here in 2017.

It was not considered practicable to reflect the portion of these prior period adjustments applicable to the previous years prior to 2017 shown herein.

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 165,894,884	\$ 169,892,631	\$ 171,522,503	\$ 178,306,446	\$ 182,423,476	\$ 186,718,795	\$ 187,406,586	\$ 210,705,075	\$ 216,489,866	\$ 219,996,778
Licenses and permits	3,696,245	3,415,502	3,252,786	3,342,613	3,586,182	3,701,844	3,827,598	4,214,130	4,415,268	4,893,377
Fines, forfeitures and penalties	4,366,159	4,114,621	3,428,205	2,247,102	2,814,573	3,635,407	2,949,034	3,209,888	3,530,766	3,455,831
Charges for current services	30,467,122	25,843,423	26,838,941	26,977,222	27,430,317	30,445,612	31,070,318	31,212,825	35,719,504	35,342,852
Other local revenues	10,018,778	5,049,121	4,787,595	8,660,028	8,570,876	10,503,513	8,535,982	7,897,144	8,949,632	9,599,313
State of Tennessee	19,645,086	17,799,336	18,913,035	16,997,956	18,284,332	19,339,165	18,137,895	23,753,472	22,036,568	23,647,475
Federal government	7,834,280	6,534,996	9,290,911	12,117,880	11,120,469	10,233,153	11,238,152	11,797,202	10,245,233	9,378,719
Other governments and citizen groups	1,738,118	1,347,906	640,110	1,669,274	1,454,345	1,103,013	723,019	646,219	1,210,967	592,769
Investment earnings	173,206	794,846	174,952	1,037,903	2,111,750	2,214,606	2,023,800	15,686	18,121	-
Payments from component units	23,614,046	24,914,174	26,432,876	26,227,344	36,728,191	32,601,668	31,929,023	10,000,000	13,022,088	12,870,448
Increase in equity interest in joint venture	46,412	-	-	349,085	331,142	-	-	-	-	-
Total revenues	267,694,033	259,880,386	265,281,914	277,932,853	294,855,653	301,414,938	297,841,407	303,451,641	315,638,013	319,777,562
<b>Expenditures</b>										
Finance and administration	42,994,827	40,263,423	40,628,916	33,375,623	31,446,206	30,320,994	30,536,305	32,274,270	32,919,977	33,562,156
Finance and administration - payments to component unit	6,385,000	4,018,649	3,823,874	3,823,874	3,823,874	6,653,874	6,753,874	6,553,874	9,553,874	5,603,874
Administration of justice	13,635,809	13,141,252	13,060,783	23,761,351	21,973,316	22,221,820	22,787,276	23,901,527	25,031,458	25,941,874
Public safety	66,148,272	69,556,725	72,519,183	72,338,730	71,190,474	72,956,418	74,958,904	77,669,646	81,167,409	82,951,081
Public safety - payments to component unit	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	485,002	856,322
Public health and welfare	39,351,120	37,443,749	37,113,902	32,481,343	31,426,565	31,366,064	32,819,696	32,936,876	33,506,591	35,506,558
Public health and welfare - payments to component unit	166,628	166,628	256,628	256,628	256,628	256,628	211,628	166,628	166,628	166,628
Social and cultural services	17,868,031	19,224,930	18,490,914	18,082,432	16,594,500	16,367,637	17,294,876	17,763,250	19,111,368	19,095,258
Agricultural and natural resources	461,142	433,295	413,675	380,453	365,774	435,231	519,433	470,977	490,451	518,339
Other general government	13,878,441	14,588,454	14,871,749	19,777,716	18,887,075	20,439,302	21,365,998	22,879,165	23,518,670	24,743,043
Other general government - payments to component unit	-	-	-	-	-	-	600,000	600,000	625,000	665,000
Engineering & Public Works	11,096,021	12,130,049	11,875,623	11,736,732	10,498,407	10,873,216	11,782,056	12,203,508	13,454,304	14,825,664
Decrease in equity interest in joint venture	-	20,682	528,848	-	-	-	493,210	931,800	153,036	180,513
Debt proceeds paid to component unit	-	14,000,000	14,822,428	29,004,906	13,578,202	13,182,024	38,763,934	24,271,315	19,385,000	70,750,000
Debt issuance cost	489,154	368,000	247,856	441,307	106,387	-	745,863	209,442	196,957	481,587
Payments to component unit	5,000,000	-	-	-	-	-	-	-	-	9,968,536
Capital Outlay	26,612,521	18,427,009	22,814,409	8,975,940	8,146,618	29,757,038	18,415,728	18,251,855	26,594,126	29,382,609
Debt Service:										
Principal	24,185,467	28,550,620	31,080,467	34,695,467	35,615,702	37,766,083	40,630,308	43,975,347	44,203,336	43,456,544
Interest	27,307,441	29,218,581	22,292,340	25,297,513	25,888,063	24,982,926	23,577,780	20,716,774	20,742,805	21,369,057
Other charges	2,064,509	1,965,036	3,691,792	3,955,168	3,399,500	2,517,892	2,308,689	2,987,837	2,608,420	2,597,903
Total expenditures	297,970,583	303,869,154	308,859,587	318,711,383	293,523,491	320,423,347	344,891,758	339,090,291	353,914,412	422,622,546
Excess (deficiency) of revenues over (under) expenditures	(30,276,550)	(43,988,768)	(43,577,673)	(40,778,530)	1,332,162	(19,008,409)	(47,050,351)	(35,638,650)	(38,276,399)	(102,844,984)
<b>Other financing sources (uses)</b>										
Transfers in	23,608,526	25,711,520	25,795,690	9,942,342	16,198,023	17,216,767	15,910,827	12,166,476	15,138,360	16,369,595
Transfers out	(80,419,372)	(28,898,650)	(26,010,479)	(9,882,229)	(18,439,226)	(21,326,873)	(21,240,907)	(12,810,239)	(17,334,687)	(19,180,797)
Capital lease proceeds	-	-	11,651,171	-	-	13,182,024	14,872,404	12,450,000	-	-
Refunding bonds issued	-	-	4,550,000	62,675,000	21,505,000	-	-	72,860,000	-	-
Bonds issued	57,000,000	40,000,000	16,000,000	46,236,000	14,400,000	-	39,075,000	30,040,000	35,900,000	90,265,000
Loan issued	-	-	-	-	-	-	5,962,500	-	-	-
Premium on debt issued	-	332,400	207,763	2,458,913	1,367,889	-	350,920	1,484,442	2,206,016	8,436,587
Premium on refunding bonds	-	-	-	-	-	-	-	1,716,531	-	-
Payments to holders of refunded debt	-	-	(4,620,000)	(64,118,485)	(22,469,358)	-	-	(74,181,478)	-	-
Notes issued	3,263,507	33,538,969	-	-	5,000,000	-	-	-	-	-
Total other financing sources (uses)	3,452,661	70,684,280	27,574,145	47,311,541	17,562,328	9,071,918	54,930,744	43,725,732	35,909,689	95,890,385
Net change in fund balances	\$ (26,823,889)	\$ 26,695,512	\$ (16,003,528)	\$ 6,533,011	\$ 18,894,490	\$ (9,936,491)	\$ 7,880,393	\$ 8,087,082	\$ (2,366,710)	\$ (6,954,599)
Debt service as a percentage of noncapital expenditures	19.07%	20.37%	18.71%	19.74%	21.93%	20.75%	19.67%	20.16%	19.92%	16.44%

Note: See Note IV.I related to prior period adjustments in 2017. It was not considered practicable to show the effects of those adjustments on years prior to 2017.

**KNOX COUNTY, TENNESSEE**

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

Lien Date January 1 (See Note)	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						
2007	\$ 5,053,631,847	\$ 2,505,298,528	\$ 502,485,204	\$ 244,990,311	\$ 8,306,405,890	2.69	\$ 28,594,560,918	29.05%
2008	5,264,672,457	2,612,533,183	516,452,576	254,286,741	8,647,944,957	2.69	29,774,292,138	29.05%
2009	6,358,254,423	2,886,901,200	555,839,420	278,517,456	10,079,512,499	2.36	34,788,014,265	28.97%
2010	6,293,105,294	3,097,030,834	530,130,578	263,158,114	10,183,424,820	2.36	35,162,923,571	28.96%
2011	6,337,187,113	3,190,931,652	536,664,800	272,395,481	10,337,179,046	2.36	35,612,879,049	29.03%
2012	6,399,506,923	3,281,331,882	586,781,514	269,579,260	10,537,199,579	2.36	36,755,592,885	28.67%
2013	6,451,335,767	3,492,146,326	614,695,320	271,557,298	10,829,734,711	2.32	37,588,990,771	28.81%
2014	6,523,096,090	3,560,003,779	634,901,617	277,646,472	10,995,647,958	2.32	38,200,652,529	28.78%
2015	6,601,200,363	3,638,894,245	619,109,450	281,892,638	11,141,096,696	2.32	38,610,944,329	28.85%
2016	6,696,090,119	3,696,728,359	648,639,723	277,926,658	11,319,384,859	2.32	39,229,148,561	28.85%

**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%)

The lien date of January 1 represents the date that the legal claim to the taxable property is recognized. The related property tax revenue is levied for the subsequent fiscal year.



**KNOX COUNTY, TENNESSEE**

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

	<b>Year Taxes Are Payable</b>									
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Knox County Direct Rates										
General	\$ 1.13	\$ 1.10	\$ 0.97	\$ 0.97	\$ 0.97	\$ 0.97	\$ 0.96	\$ 0.96	\$ 0.97	\$ 0.97
Debt Service	0.33	0.36	0.31	0.31	0.31	0.31	0.30	0.48	0.47	0.47
Schools	1.23	1.23	1.08	1.08	1.08	1.08	1.06	0.88	0.88	0.88
Total direct rate	2.69	2.69	2.36	2.36	2.36	2.36	2.32	2.32	2.32	2.32
City of Knoxville Rates	2.81	2.81	2.46	2.46	2.46	2.46	2.39	2.73	2.73	2.73
Total direct & overlapping rates	<u>\$ 5.50</u>	<u>\$ 5.50</u>	<u>\$ 4.82</u>	<u>\$ 4.82</u>	<u>\$ 4.82</u>	<u>\$ 4.82</u>	<u>\$ 4.71</u>	<u>\$ 5.05</u>	<u>\$ 5.05</u>	<u>\$ 5.05</u>

Sources: *Knox County, Tennessee.*  
*City of Knoxville, Tennessee.*

**KNOX COUNTY, TENNESSEE**

**Principal Property Taxpayers  
Tax Year 2016 and Nine Years Ago  
(Unaudited)**

<u><b>Taxpayer</b></u>	<b>Tax Year 2016</b>			<b>Tax Year 2007</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Metro Knoxville	\$ 61,904,400	1	0.55%	\$ -	-	-
Bellsouth Telecommunications	46,283,270	2	0.41%	78,974,107	1	0.95%
AT&T Mobility	34,823,077	3	0.31%	-	-	-
Verion Wireless	33,275,341	4	0.29%	-	-	-
West Town Mall	27,749,840	5	0.25%	24,933,040	2	0.30%
Exedy America Corp	16,850,816	6	0.15%	-	-	-
UPS, Inc.	15,768,903	7	0.14%	-	-	-
Tennessee Holding	14,800,000	8	0.13%	16,657,280	6	0.20%
Hart	14,578,840	9	0.13%	-	-	-
Comcast of The South-Main Office	13,260,446	10	0.12%	-	-	-
Knoxville Center	-	-	-	20,766,160	3	0.25%
Norfolk Southern	-	-	-	18,980,883	4	0.23%
St Mary's Health System Hospital	-	-	-	18,868,160	5	0.23%
Harvard Behringer	-	-	-	12,751,840	7	0.15%
Parkside Drive LLC	-	-	-	12,038,280	8	0.14%
Concord Telephone Exchange	-	-	-	10,929,719	9	0.13%
Fort Sanders Alliance	-	-	-	8,753,600	10	0.11%
<b>Totals</b>	<b>\$ 279,294,933</b>		<b>2.48%</b>	<b>\$ 223,653,069</b>		<b>2.69%</b>

Source: Knox County, Tennessee Trustee Department.

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2008	\$ 223,230	\$ 215,195	96.4%	\$ 7,876	\$ 223,071	99.9%
2009	232,341	221,475	95.3%	10,589	232,064	99.9%
2010	237,434	227,064	95.6%	9,983	237,047	99.8%
2011	240,006	230,908	96.2%	8,620	239,528	99.8%
2012	243,737	234,803	96.3%	8,320	243,123	99.7%
2013	248,521	240,734	96.9%	7,034	247,768	99.7%
2014	251,122	244,964	97.5%	5,162	250,126	99.6%
2015	255,006	248,448	97.4%	5,221	253,669	99.5%
2016	258,432	251,951	97.5%	4,271	256,222	99.1%
2017	262,569	256,216	97.6%	-	256,216	97.6%

Source: Knox County, Tennessee Trustee Department.

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>Primary Government</b>		<b>Component Units</b>	<b>Total Reporting Unit</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
	<b>General Obligation Bonds and Loans</b>	<b>Capital Leases</b>	<b>Capital Leases</b>			
2008	\$ 620,932	\$ -	\$ 12,930	\$ 633,862	4.05%	\$ 1,474
2009	666,104	-	11,767	677,871	4.41%	1,558
2010	650,194	11,651	23,124	684,969	4.26%	1,582
2011	696,097	-	-	696,097	4.10%	1,593
2012	679,172	-	-	679,172	3.74%	1,540
2013	640,593	13,182	-	653,775	3.54%	1,472
2014	647,604	27,245	-	674,849	3.50%	1,503
2015	637,325	38,931	4,903	681,159	3.37%	1,510
2016	628,029	37,571	4,670	670,270	3.31% (2)	1,470
2017	680,334	35,921	4,428	720,683	3.56% (2)	1,580 (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 274 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)**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
2008	\$ 613,332	\$ 24,384	\$ 588,948	1.98%	\$ 1,368
2009	627,121	17,757	609,364	1.75%	1,402
2010	613,971	15,754	598,217	1.70%	1,381
2011	691,186	16,296	674,890	1.90%	1,546
2012	669,016	17,147	651,869	1.77%	1,479
2013	631,616	18,877	612,739	1.63%	1,379
2014	632,397	21,749	610,648	1.60%	1,363
2015	630,512	19,791	610,721	1.58%	1,353
2016	623,116	24,271	598,845	1.53%	1,313
2017	677,324	14,917	662,407	1.69% (3)	1,452 (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 267 for property value data.*

*(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 274.*

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

---

KNOX COUNTY, TENNESSEE

Direct and Overlapping Governmental Activities Debt

As of June 30, 2017

(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	\$ 716,255	100.00%	\$ 716,255
Subtotal, direct debt	<u>716,255</u>		<u>716,255</u>
City of Knoxville overlapping debt	296,171	100.00%	296,171
Town of Farragut overlapping debt	-	100.00%	-
Subtotal, overlapping debt	<u>296,171</u>		<u>296,171</u>
Total direct and overlapping debt	<u>\$ 1,012,426</u>		<u>\$ 1,012,426</u>

Note: Percentage of overlap based on assessed property values.

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>Population</b> (3)	<b>Personal Income</b> (amounts expressed in thousands) (1)	<b>Per Capita Personal Income</b> (1)	<b>Median Age</b> (3)	<b>School Enrollment</b> (3)	<b>Unemployment Rate</b> (2)
2008	430,444	\$ 15,666,206	\$ 36,342	37.6	110,198	3.8%
2009	434,617	15,371,687	35,278	37.1	112,688	8.5%
2010	433,056	16,089,189	37,148	37.2	113,848	7.8%
2011	436,551	16,994,073	38,894	37.2	108,109	7.6%
2012	440,793	18,149,825	41,127	37.2	111,190	6.7%
2013	444,325	18,466,333	41,533	37.3	111,661	7.3%
2014	448,125	19,297,297	43,012	37.3	112,176	6.3%
2015	451,444	20,241,530	44,849	37.3	112,467	5.3%
2016	456,132	21,121,133	46,305	37.3	114,029	3.2%
2017	456,132 (4)	21,121,133 (4)	46,305 (4)	37.3 (4)	114,029 (4)	3.7%

*Data sources:*

- (1) Bureau of Economic Analysis, Regional Economic Accounts, Bearfacts.
- (2) Tennessee Department of Labor and Workforce Development.
- (3) US Census Bureau/American FactFinders.
- (4) Estimated, schedule will be updated when the information becomes available.

**KNOX COUNTY, TENNESSEE**

**Principal Employers  
Calendar Year 2016 and Nine Years Ago  
(Unaudited)**

<b>Employer (1)</b>	<b>2016</b>			<b>2007</b>		
	<b>Employees (2)</b>	<b>Rank</b>	<b>Percentage of Total Knoxville MSA Employment (3)</b>	<b>Employees (2)</b>	<b>Rank</b>	<b>Percentage of Total Knoxville MSA Employment (3)</b>
U.S. Department of Energy, Oak Ridge Operations	11,750	1	2.95%	12,620	1	3.53%
Covenant Health	10,119	2	2.54%	8,834	2	2.47%
Knox County Public Schools	8,146	3	2.05%	8,150	4	2.28%
The University of Tennessee	6,646	4	1.67%	8,429	3	2.36%
Wal-Mart Stores	6,206	5	1.56%	5,300	6	1.48%
University Health System	5,144	6	1.29%	3,579	8	1.00%
Tennova Healthcare	4,033	7	1.01%	-	-	-
DENSO Mfg	3,900	8	0.98%	2,940	10	0.82%
K-VA-T Food Stores	3,545	9	0.89%	3,480	9	0.97%
State of Tennessee, Regional Office	3,187	10	0.80%	3,772	7	1.06%
Mercy Health Partners	-	-	-	5,904	5	1.65%
<b>Total</b>	<b>62,676</b>		<b>15.74%</b>	<b>63,008</b>		<b>17.62%</b>

(1) Based on employers in the Knoxville area which includes Anderson, Blount, Knox, Loudon, Union, Campbell, Grainger, Morgan, and Roane 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**

<b>Function</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General government	529	541	534	521	503	504	508	529	547	552
Public safety	979	969	975	1013	1025	1037	1038	1041	1054	1063
Public health and welfare	340	343	324	320	310	291	283	286	298	306
Highways	117	120	117	114	114	116	113	115	117	116
Social, cultural, and recreation	191	196	190	203	194	197	197	200	200	202
<b>Total</b>	<b>2,156</b>	<b>2,169</b>	<b>2,140</b>	<b>2,171</b>	<b>2,146</b>	<b>2,145</b>	<b>2,139</b>	<b>2,171</b>	<b>2,216</b>	<b>2,239</b>

Source: Knox County Budget.

**KNOX COUNTY, TENNESSEE**

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

<b>Function</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Sheriff (1)</b>										
Arrests	32,054	33,548	29,833	29,557	25,571	25,533	24,969	23,400	23,498	*
Accidents	4,321	4,500	3,441	3,190	3,080	2,793	2,903	2,861	3,097	*
Incidents	29,873	38,388	32,258	32,319	32,414	30,949	30,707	29,653	28,960	*
<b>Health services (2)</b>										
<b>Clinical services</b>										
Pediatric cases	8,254	7,570	8,542	3,558	-	-	-	-	-	-
Preventive health cases	12,725	11,812	33,630	24,902	22,958	10,254	9,851	20,417	27,615	17,510
WIC services	32,198	34,085	33,583	33,242	34,625	35,568	36,446	36,050	34,053	27,091
Communicable diseases treated	14,087	16,434	16,207	17,437	17,941	17,615	9,452	16,098	13,162	21,522
New prescriptions filled	6,839	9,837	8,653	7,459	3,413	1,241	1,037	-	-	-
Women's health visits	-	-	10,687	12,285	11,070	12,328	7,838	10,895	8,016	8,240
Social Services visits	-	-	10,923	13,103	11,186	10,385	10,523	9,954	6,417	2,211
Other health related visits	-	-	16,203	11,555	6,694	7,853	11,501	4,380	9,611	9,485
<b>Engineering &amp; public works (2)</b>										
Street resurfacing (miles)	20	28	44	13	17	22	21	12	25	48
Road maintenance service orders processed	2,726	1,869	2,687	2,829	1,973	2,876	2,563	2,302	2,653	2,560
Litter reduction from right of way (miles)	238	720	830	1,046	637	839	1,035	906	1,040	766
<b>Parks &amp; recreation (2)</b>										
Number of park shelter reservations	995	1,500	3,000	3,500	3,800	4,500	5,500	6,000	7,000	4,875
Total all participants on all teams	30,402	44,450	30,000	30,000	37,000	37,000	40,000	60,000	22,750	39,668
Total number of attendees at events	16,792	90,000	20,500	21,500	90,000	125,084	160,000	170,000	63,600	114,801

\* 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Sheriff										
Detention Facility	1	1	1	1	1	1	1	1	1	1
DUI Facility	1	1	1	1	1	1	1	1	1	1
Penal Farm	1	1	1	1	1	1	1	1	1	1
Fleet Services	1	1	1	1	1	1	1	1	1	1
Training Facility	1	1	1	1	1	1	1	1	1	1
Patrol units	10	8	10	10	9	9	9	9	9	9
Engineering & Public Works										
Streets (lane miles)	2,033	2,033	2,033	2,089	2,107	2,107	2,230	2,236	2,241	2,244
Bridges	138	142	142	142	142	142	143	143	143	143
Traffic signals	55	58	59	64	65	68	70	73	75	76
Parks & Recreation										
Parks acreage	3,076	3,122	3,296	3,296	3,347	3,347	2,600	2,025	2,169	2,169
Parks	47	47	49	49	50	51	49	48	48	48
Spray pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	7	7	7	7	7	7	13	13	13	13

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