

2018



KNOX COUNTY TENNESSEE

For The Year Ended June 30, 2018

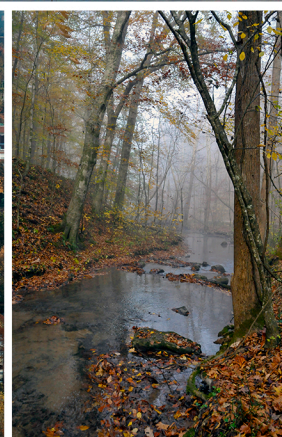
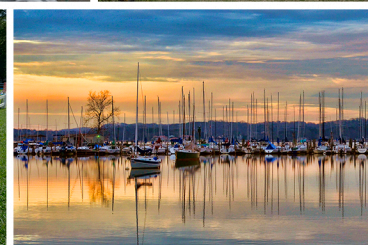
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Tim Burchett, County Mayor

knoxcounty.org



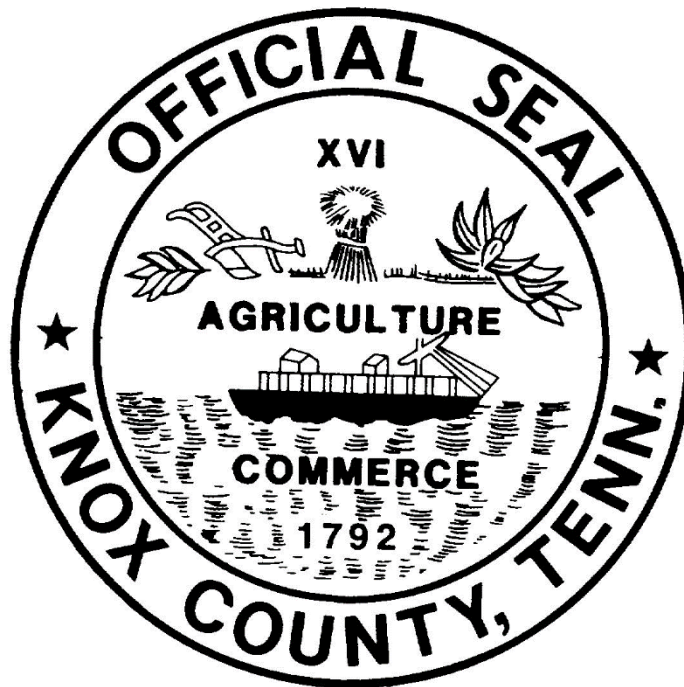
Knox County
Health Department
Every Person. A Healthy Person



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

Knox County, Tennessee



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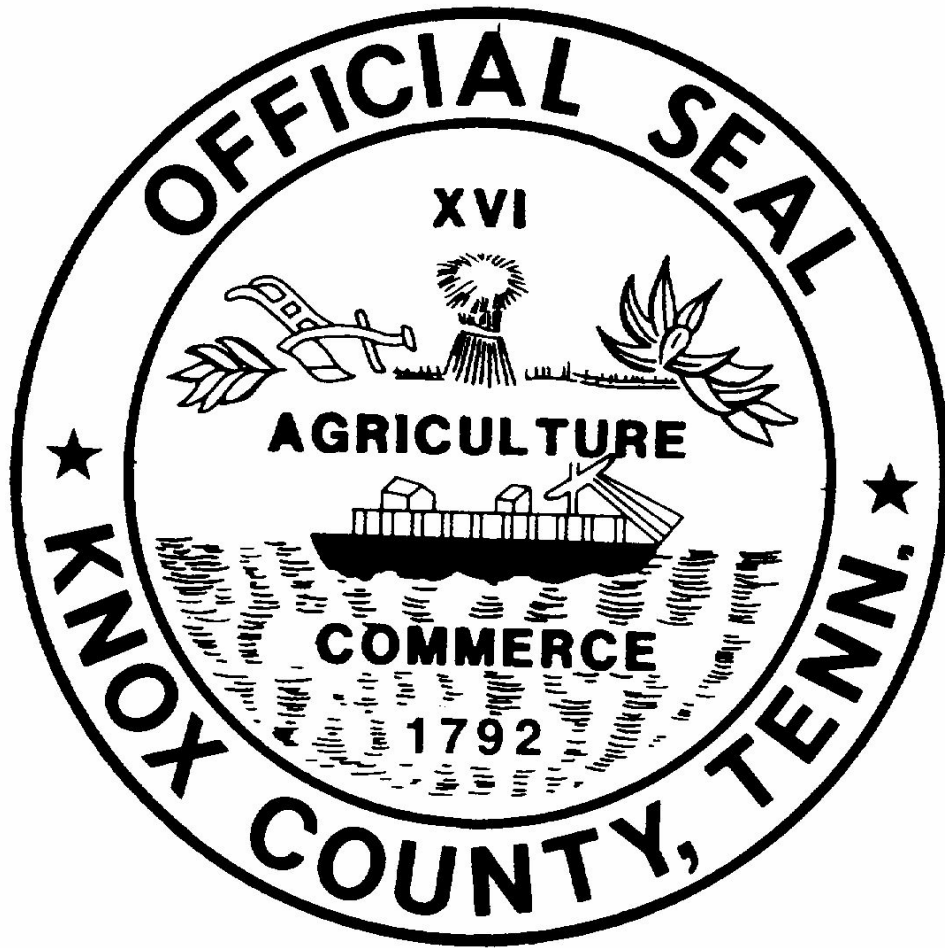
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Introductory Section





OFFICE OF COUNTY MAYOR

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

December 28, 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, 2018, 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, 2018. 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.

**Board of County Commissioners
and the Citizens of Knox County, Tennessee**

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. Mayor Burchett was limited to two terms, and left office on Aug. 31, 2018. During his term, he focused 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 \$27 million from the beginning of FY 2011 to the FY 2018 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.

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- Implemented mileage reimbursement at the standard federal rate in lieu of monthly travel allowances, which saved an estimated \$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 nearly \$45 million since taking office.
- Since taking office in 2010, saved taxpayers approximately \$14.5 million in interest savings through bond refinancing opportunities.
- 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 in time for the 2013-2014 school year.
- Opened the two new Gibbs and Hardin Valley Middle Schools in time for the 2018-2019 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 him 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.
- Opened the new Clayton Park in the Halls Community.
- Opened the new Plumb Creek Park.
- Opened the new Harrell Road Stormwater Demonstration 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 used 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.
- Worked with the Town of Farragut to execute a proposal to relocate the Strang Senior Center to a larger, more convenient location.

**Board of County Commissioners
and the Citizens of Knox County, Tennessee**

- 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 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, \$10 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. The BHUCC is now open and operating.
- 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.

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 on May 22, 2017. 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:

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General Construction/Renovation:

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

Road Construction/Improvements:

- Parkside Drive Extension
- General Road Improvements
- Karns Connector
- Schaad Road

School Construction/Renovations:

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

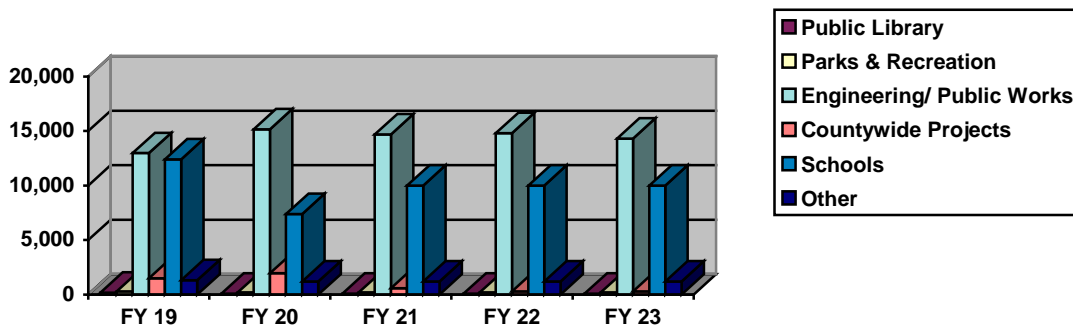
School Construction/Renovations:

- HVAC Upgrades
- Energy Management Project
- Security Upgrades

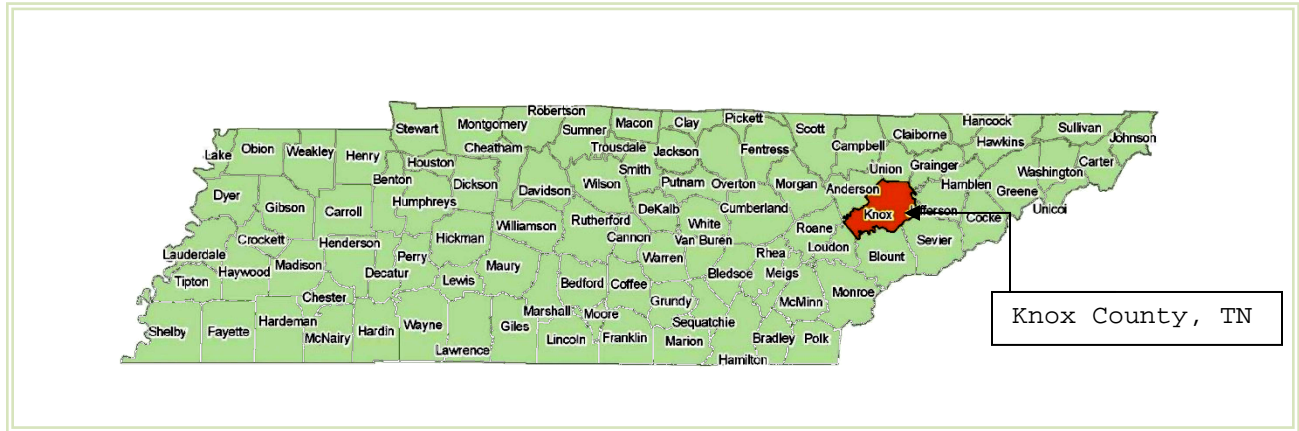
The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

Project Description	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	TOTAL
Libraries	\$ 183	\$ 100	\$ 100	\$ 100	\$ 100	\$ 583
Countywide Projects	1,500	1,950	600	300	300	4,650
Parks & Recreation	300	200	200	200	200	1,100
Engineering & Public Works	12,975	15,165	14,695	14,815	14,300	71,950
Building Improvements & Other	1,330	1,200	1,200	1,200	1,200	6,130
Schools	12,400	7,400	10,000	10,000	10,000	49,800
Total – Approved Projects	\$ 28,688	\$ 26,015	\$ 26,795	\$ 26,615	\$ 26,100	\$ 134,213

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 2017 census demographic population data reported that 461,860 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 2017 population was reported at 187,347. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 22,729. 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 1,112 wholesale establishments, 1,606 retail establishments, and more than 8,247 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 874 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 250 trucking companies, 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 82 compared to the average of all participating cities of 100. The County has over 6,400 acres of park and recreation space, with approximately 183 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.

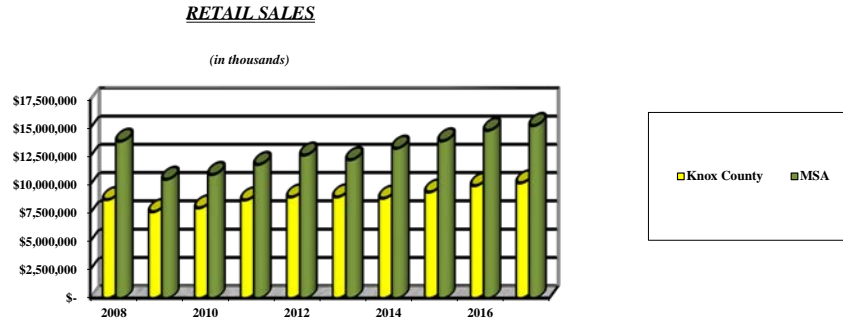
Industrial Investment

The Knoxville MSA has been recognized nationally as a leading location to live and do business. In 2018, The Brookings Institute adjusted the benchmark ranking system for MSAs for which are customarily disclosed within this letter. The Institute determined rankings for three areas of interest for MSAs, growth, prosperity, and inclusion. The Knoxville metro area ranked 51st, 70th, and 11th, respectively, amongst the top 100 MSAs nationally. The Knoxville MSA ranks comparably to the Nashville MSA with rankings of 21st, 73rd, and 22nd, respectively. Commerce and industry vary from the media success of Discovery, Inc. formerly 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.

Commercial Development

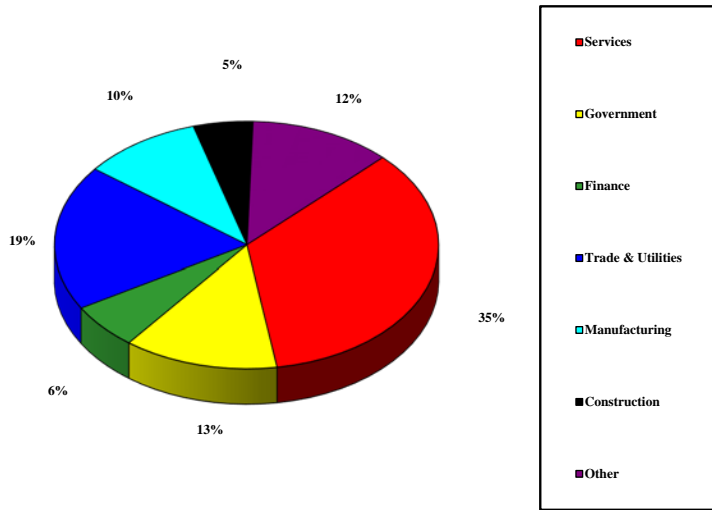
Four regional shopping malls and over 200 shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Knox County has traditionally been the regional hub of the MSA. The 2017 retail sales in the MSA grossed over \$15.2 billion, with approximately 67% of that total 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 2017.

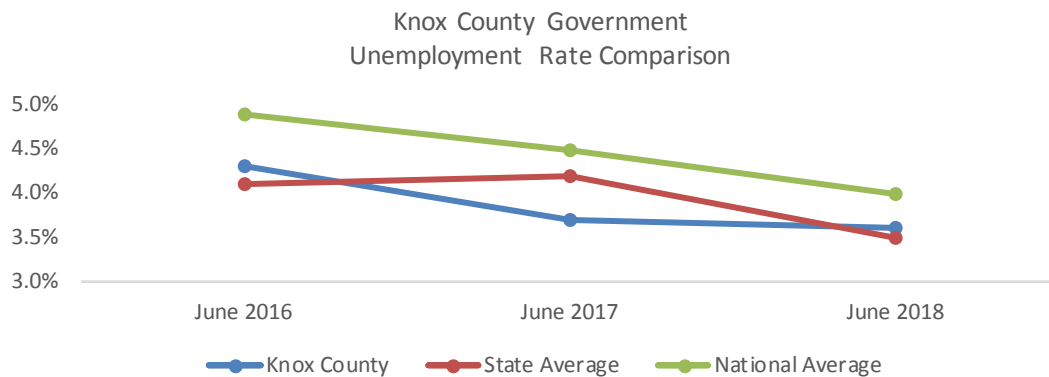
Non-Agricultural Employment



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 2018, the seasonally unadjusted unemployment rates for the County, state and nation stood at 3.6%, 3.5% and 4.0%, respectively. The County’s rate, while moving closer to the nation’s, reflects a one tenth of percentage decrease from the corresponding rate from June 2017, and national rate reflects a moderate reduction. The state rate reflects a decrease in response to the prior year increase. These rates indicate improvements in economic conditions for local, state and federal.



Per Capita Income

In 2016, Knox County’s per capita income was \$46,305. This represents an increase of 3.3 percent compared to 2015. This information is updated every two years.

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 two terms 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, 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 2018 adopted budget provided for a modest increase (2.8%) 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 \$13.3 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, 2018 of \$619,565,080 is \$71,621,388 less than the balance of \$691,186,468 at the end of fiscal year 2011. This change resulted from the payments of bonded debt exceeding new issuances during this seven-year period for which Mayor Burchett was responsible for recommending the budget. 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, 2017. This was the twenty-second 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.

**Board of County Commissioners
and the Citizens of Knox County, Tennessee**

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-third consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2018 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, Brooke Webb, 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,



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

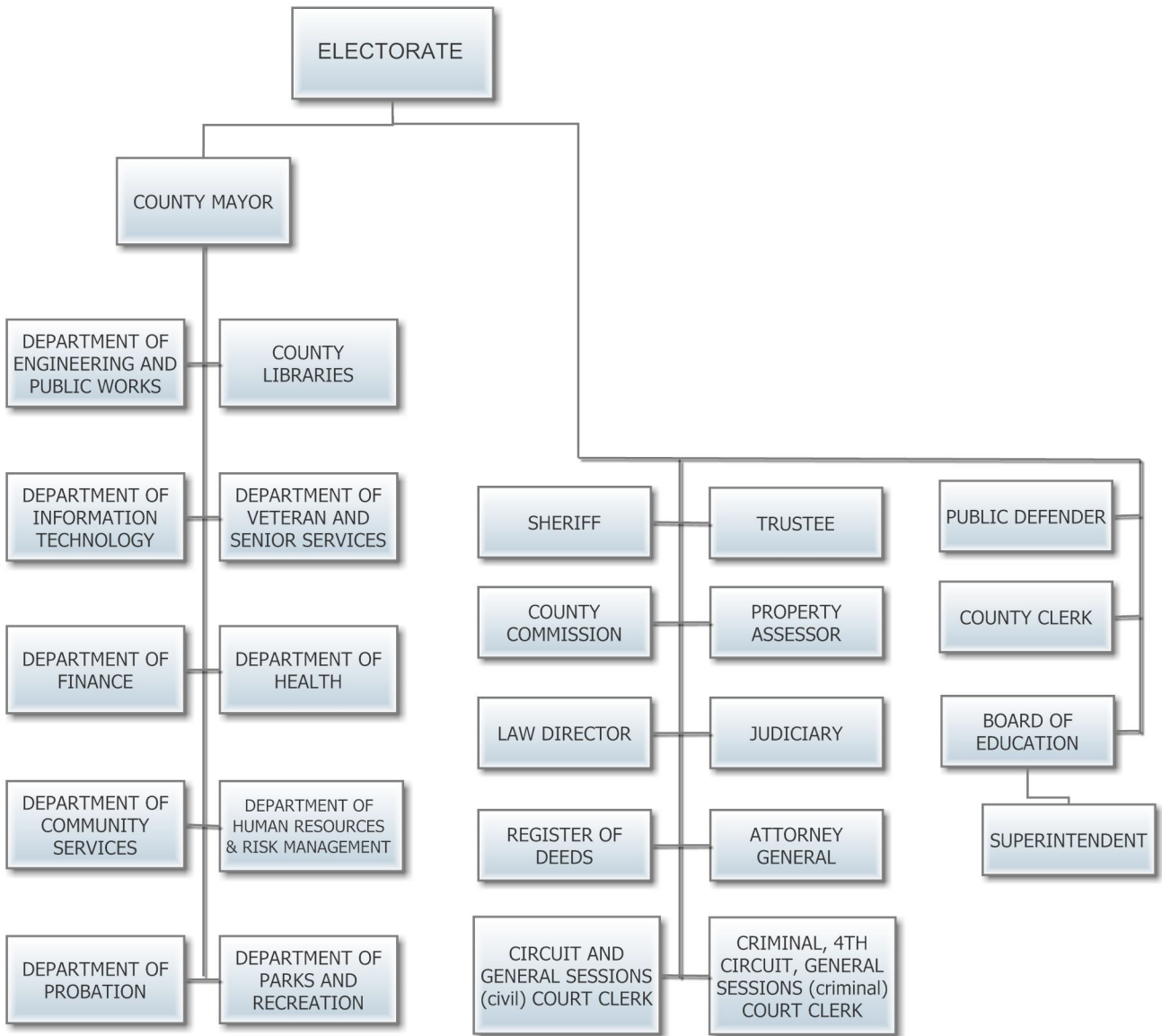
June 30, 2017

Christopher P. Morrill

Executive Director/CEO



KNOX COUNTY, TENNESSEE
COUNTY ORGANIZATIONAL STRUCTURE
As of June 30, 2018





KNOX COUNTY, TENNESSEE
ROSTER OF ELECTED OFFICIALS AND OTHERS
As of June 30, 2018

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, Jr.
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 - Chairman
Michele Carringer	Bob Thomas
Carson Dailey	Dave Wright
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
Jim Morrison - Chairman
Hugh Nystrom
John Schoonmaker
Dave Wright

Finance Director:

Chris Caldwell

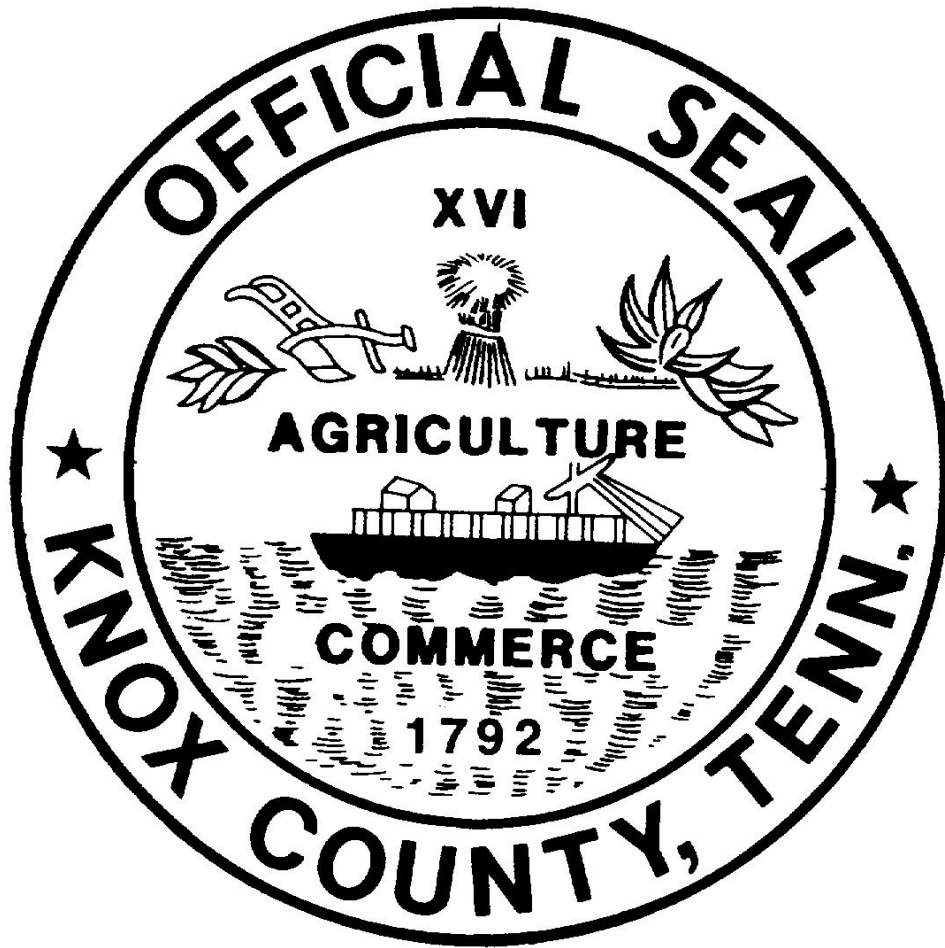
Pension Board:

Ed Brantley
Chris Caldwell (Proxy for Tim Burchett,
Chairman)
Hugh Nystrom, Vice Chairman
Bob Thomas
John Schoonmaker
Garrett Raiden
Tracy Foster
Jennifer Hemmelgarn
Zack Webb

Retirement Office:

Kim Bennett, Executive Director

Financial Section





PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
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, 2018 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 2.39% of total assets and deferred outflows, 8.88% of net position and 0.48% 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 0.86% of total assets and deferred outflows, 0.52% of net position and 1.17% 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



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 Notes IV-H and V, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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 141 through 157 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 December 28, 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 solely to describe the scope of the 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 December 28, 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
December 28, 2018

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2018

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 years ended June 30, 2018 and 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 \$23,930,428 (deficit net position). This amount includes a negative \$304,099,280 of unrestricted net position. The negative unrestricted net position and total net position amounts resulted primarily 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 an increase of \$25,964,016. Total net position for the Primary Government (governmental and business-type activities) increased by \$25,962,718. This is after the restated beginning net position that resulted from the County adopting GASB Statement No. 75. See Note IV.H for details on the restatement.
- The Primary Government's governmental funds reported total fund balances of \$103,351,563, a decrease of \$11,772,163 for the fiscal year.
- The Knox County Government's total bonded debt at the end of the year totaled \$619,565,080, a decrease of 6.5% compared to the prior year total of \$662,479,361. Of the current year total, \$358,243,123 pertains to County general government activities and \$261,321,957 pertains to the Knox County Board of Education component unit. Bond principal paid in the current year totaled \$100,694,281 and debt issued totaled \$57,780,000.
- The County Property Tax Rate was \$2.12 for the fiscal year. This was changed from the prior year rate of \$2.32 due to reappraisal.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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.

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2018

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

The statement of net 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

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2018

available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Knox County Government maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, 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 https://knoxcounty.org/finance/pdfs/budget_report_citizenry/fy063018.pdf.

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 and self-insurance healthcare 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 seven 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.

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2018

The basic proprietary fund financial statements can be found on pages 8-10 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Knox County Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 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 13-140 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 141-157 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds and the individual fund statements are presented on pages 158-191. Combining and individual fund statements for proprietary funds can be found on pages 192-211 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position - Primary Government -- Governmental Activities

	June 30,	
	2018	2017
Current and Other Assets	\$ 335,330,099	\$ 343,143,381
Capital Assets	600,224,045	608,601,415
Total Assets	935,554,144	951,744,796
Deferred Outflows of Resources	44,911,136	44,866,452
Other Liabilities - Current	97,309,820	94,809,622
Long-term Liabilities Outstanding	728,193,005	768,668,577
Total Liabilities	825,502,825	863,478,199
Deferred Inflows of Resources	178,892,883	172,864,472
Net Position:		
Net Investment in Capital Assets	269,818,927	262,771,208
Restricted	10,349,925	9,090,050
Unrestricted (Deficit)	(304,099,280)	(311,592,681)
Total Net Position (Deficit)	\$ (23,930,428)	\$ (39,731,423)

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2018

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.

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 \$304,099,280 reflects a positive change of \$7,493,401 compared to the prior year unrestricted net position deficit of \$311,592,681. 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,

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Net Investment in Capital Assets	\$ 269,818,927	\$ 262,771,208	\$ 7,047,719
Restricted:			
Debt Service	1,221,151	260,242	960,909
Public Health and Welfare	1,989,241	2,489,011	(499,770)
Public Safety	3,624,163	3,459,586	164,577
Social and Cultural Services	1,855,912	1,457,361	398,551
Other Purposes	1,659,458	1,423,850	235,608
Total Restricted Net Position	<u>10,349,925</u>	<u>9,090,050</u>	<u>1,259,875</u>
Unrestricted (Deficit):	<u>(304,099,280)</u>	<u>(311,592,681)</u>	<u>7,493,401</u>
Total Net Position (Deficit)	<u>\$ (23,930,428)</u>	<u>\$ (39,731,423)</u>	<u>\$ 15,800,995</u>

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, 2018 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, 2018

statements. At June 30, 2018, the amount of bonds, capital leases and loans issued by the County on behalf of the Board still outstanding was \$295,098,238, compared to the prior year amount of \$315,143,800. If these liabilities were shown with the Board's amounts to match the capital assets, the County would have had negative unrestricted net position of its governmental activities of \$9,001,042 in 2018 and a positive unrestricted net position of \$3,551,119 in 2017.

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 primary government, totaling \$25,962,718.

Governmental activities. Governmental activities increased the Knox County Primary Government's net position by \$25,964,016 in 2018. This amount results mainly from delaying the debt issued by the County and paid to the Board until the beginning of FY 2019. The County issues debt for various projects on behalf of the Board which results in the Primary Government recognizing an expense with no associated revenue. Also, the County experienced better than expected tax revenues.

The following table shows the changes in the Statement of Activities for the Primary Government-Governmental Activities for the fiscal years ended June 30, 2018 and 2017.

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Knox County Primary Government
Governmental Activities

	Year Ended June 30,		
	2018	2017	Variance
Program Revenues:			
Charges for Services	\$ 48,848,168	\$ 48,095,335	\$ 752,833
Operating Grants and Contributions	27,856,773	21,644,878	6,211,895
Capital Grants and Contributions	3,440,398	-	3,440,398
General Revenues			
Local Taxes	227,309,451	219,372,686	7,936,765
Payments from Component Units	15,858,368	16,414,092	(555,724)
Intergovernmental Revenues	13,592,165	13,192,160	400,005
Other General Revenues	8,515,466	8,211,031	304,435
Total Revenues	345,420,789	326,930,182	18,490,607
Expenses:			
Finance and Administration	38,288,802	37,614,449	674,353
Administration of Justice	30,358,240	26,713,176	3,645,064
Public Safety	92,113,909	90,286,734	1,827,175
Public Health and Welfare	36,918,889	36,369,021	549,868
Social and Cultural Services	21,717,942	24,626,710	(2,908,768)
Agricultural and Natural Resources	520,063	518,339	1,724
Other General Government	26,252,797	22,918,688	3,334,109
Engineering & Public Works	34,327,784	30,849,914	3,477,870
Debt Service	25,918,382	23,918,523	1,999,859
Payments to Component Units	12,719,965	88,010,360	(75,290,395)
Total Expenses	319,136,773	381,825,914	(62,689,141)
Excess (Deficiency) of Revenues over (under)			
Expenses before Transfers	26,284,016	(54,895,732)	81,179,748
Transfers to Other Funds	(320,000)	(275,000)	(45,000)
Change in Net Position	25,964,016	(55,170,732)	81,134,748
Net Position, July 1, as restated	(49,894,444)	15,439,309	(65,333,753)
Net Position, June 30 (Deficit)	\$ (23,930,428)	\$ (39,731,423)	\$ 15,800,995

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 include operating grants, which consist largely of grants received from the federal and state governments. The current year revenues consist of various amounts received for

Knox County, Tennessee
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government functions, and amounts are comparable to the prior year totals. Program revenues also include capital grants and contributions. During the current year the County received \$2,898,547 contributions from developers related to road projects. The Board received \$4,515,483 in the current year related to a donation to upgrade the football fields to artificial turf at each of the Board's area high schools.

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 and sales 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 property and sales tax revenues. In 2018, combined property and sales tax revenue was \$192,410,984. The 2017 corresponding total was \$184,901,754, for a net increase of \$7,509,230. The property tax line item includes current and delinquent. The collections of delinquent taxes had improved in the current year. This line also includes in-lieu of taxes which improved over the prior year. Sales tax collections improved over the prior year due to a better than expected growth in retail sales.

Expenses for the Primary Government are categorized into functional areas. The change in current year was largely attributable to the decrease in the amounts paid to the Board component unit of \$75,310,668. 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. The County did not have a similar bond issue in 2018. 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, other general government and engineering and public works, 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 of \$320,000 in the current year to the golf course for additional support. The change in net position of \$(1,298) for the golf course includes the effects of depreciation, a noncash expense, totaling \$45,133. If the effects of depreciation were removed from the results of operations, the golf course would have had an increase in net position of \$43,835. Of the ending net position, \$489,551 was invested in capital assets, with the remaining deficit amount of \$46,609 unrestricted. These amounts reflect the results of ordinary business operations.

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Net Position-Primary Government-Business-type Activities

	June 30,		Variance
	2018	2017	
Current and Other Assets	\$ 33,710	\$ 39,222	\$ (5,512)
Capital Assets	489,551	489,809	(258)
Total Assets	<u>523,261</u>	<u>529,031</u>	<u>(5,770)</u>
Current Liabilities	65,710	39,442	26,268
Noncurrent Liabilities	14,609	45,349	(30,740)
Total Liabilities	<u>80,319</u>	<u>84,791</u>	<u>(4,472)</u>
Net Position:			
Invested in Capital Assets	489,551	489,809	(258)
Unrestricted (Deficit)	<u>(46,609)</u>	<u>(45,569)</u>	<u>(1,040)</u>
Total Net Position	<u>\$ 442,942</u>	<u>\$ 444,240</u>	<u>\$ (1,298)</u>

Primary Government-Business-type Activities

	Year Ended June 30,		Variance
	2018	2017	
Program Revenues:			
Charges for Services	\$ 814,837	\$ 759,401	\$ 55,436
Expenses:			
Operating Expenses	1,181,011	1,137,700	43,311
Operating Income (Loss)	<u>(366,174)</u>	<u>(378,299)</u>	<u>12,125</u>
Capital Contributions and Transfers:			
Capital Contributions	44,876	35,000	9,876
Transfer from Other Funds	320,000	275,000	45,000
Total Capital Contributions and Transfers	<u>364,876</u>	<u>310,000</u>	<u>54,876</u>
Change in Net Position	(1,298)	(68,299)	67,001
Net Position, July 1	444,240	512,539	(68,299)
Net Position, June 30	<u>\$ 442,942</u>	<u>\$ 444,240</u>	<u>\$ (1,298)</u>

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June 30, 2018

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

	June 30,		
	2018	2017	Variance
	<hr/>	<hr/>	<hr/>
Nonspendable	\$ 6,020,510	\$ 5,733,329	\$ 287,181
Restricted	10,349,925	15,062,753	(4,712,828)
Committed	28,202,991	24,505,174	3,697,817
Assigned	6,103,684	5,920,711	182,973
Unassigned	52,674,453	63,901,759	(11,227,306)
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 103,351,563	\$ 115,123,726	\$ (11,772,163)
	<hr/>	<hr/>	<hr/>

Knox County, Tennessee
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As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$103,351,563, a decrease of \$11,772,163 in comparison with the prior year total of \$115,123,726. The majority of the overall decrease resulted from operations of the County's capital projects public improvement 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 37.5% of actual expenditures compared to 36.7% 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

	June 30,		
	2018	2017	Variance
Nonspendable	\$ 5,927,091	\$ 5,628,804	\$ 298,287
Restricted	2,417,264	2,381,149	36,115
Committed	4,874,481	2,525,359	2,349,122
Assigned	921,525	387,963	533,562
Unassigned	65,921,820	63,901,759	2,020,061
 Total Fund Balances	 \$ 80,062,181	 \$ 74,825,034	 \$ 5,237,147

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 \$4,929,118 to be applied to the current year budget. As the current year result of operations was an increase in fund balance of \$1,774,029, the fund experienced a positive variance of \$6,703,147 of actual results compared to the final budget. This resulted from the significant savings from conservatively budgeting for interest expense 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 prior year the fund made a one-time payment of \$9,968,536 to the Board.

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Debt Service Fund - Fund Balances

	June 30,		
	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Restricted	\$ 1,221,151	\$ 260,242	\$ 960,909
Committed	<u>15,469,754</u>	<u>14,656,634</u>	<u>813,120</u>
 Total Fund Balances	 <u>\$ 16,690,905</u>	 <u>\$ 14,916,876</u>	 <u>\$ 1,774,029</u>

The Public Improvement Capital Projects Fund experienced a net decrease in fund balance in 2018, 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. In FY 2018, bonds were planned and approved by County Commission for capital purposes but not issued until FY 2019, shortly after the end of the 2018 fiscal year. As a result, the fund experienced a negative fund balance at June 30, 2018. The negative balance was eliminated in July 2018 upon receipt of the bond proceeds.

Public Improvement Capital Projects Fund - Fund Balances

	June 30,		
	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Restricted	\$ -	\$ 5,972,703	\$ (5,972,703)
Committed	-	250,000	(250,000)
Unrestricted (Deficit)	<u>(13,247,367)</u>	<u>-</u>	<u>(13,247,367)</u>
 Total Fund Balance	 <u>\$ (13,247,367)</u>	 <u>\$ 6,222,703</u>	 <u>\$ (19,470,070)</u>

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2018

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 2018 is shown in the table below. The majority of the variance was due primarily to the building operations, self-insurance and self-insurance healthcare funds net position decrease of \$1,788,228, increase of \$1,967,990, and increase of \$1,723,841, respectively. During FY 2018 the building operations fund transferred a portion of its excess fund balance to support the self-insurance fund. The self-insurance fund experienced an increase in claims expense and worker's compensation liability expense by \$4,486,061 which was due to more than expected claims activity for the year and an increased 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 an increase in claims expense by \$2,242,505 and an increase in revenue charges for services of \$576,382. 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

	June 30,		
	2018	2017	Variance
Net Position - All ISF	\$ 17,747,508	\$ 15,520,799	\$ 2,226,709
Charges for Services	\$ 85,347,286	\$ 83,361,617	\$ 1,985,669
Change in Net Position as a % of			
Charges for Services	2.6%	5.7%	

GENERAL FUND BUDGETARY HIGHLIGHTS

The total fund balance of the County's General Fund increased by \$5,237,147 during 2018, compared to last year's \$2,543,092 increase. The General Fund's original budget planned for a net use of fund balance for the year of \$1,905,914. Therefore, the actual unassigned fund balance of \$65,921,820 was \$7,143,061 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, 2018

General Fund - Budget vs. Actual
Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Local Taxes	\$ 139,870,463	\$ 142,641,168	\$ 2,770,705
State of Tennessee	11,732,198	13,916,623	2,184,425
Federal Government	1,199,000	1,089,621	(109,379)
Other	19,119,777	20,425,553	1,305,776
Equity Interest in Joint Venture	-	406,204	406,204
Total Revenues	<u>\$ 171,921,438</u>	<u>\$ 178,479,169</u>	<u>\$ 6,557,731</u>
Finance and Administration	\$ 30,847,873	\$ 30,118,144	\$ 729,729
Administration of Justice	18,960,502	18,758,678	201,824
Public Safety	84,780,424	84,379,458	400,966
Public Health and Welfare	22,663,812	22,313,862	349,950
Social and Cultural Services	5,238,337	5,218,606	19,731
Agricultural and Natural Resources	543,464	520,063	23,401
Other General Government	14,746,709	14,699,478	47,231
Total Expenditures	<u>\$ 177,781,121</u>	<u>\$ 176,008,289</u>	<u>\$ 1,772,832</u>

The largest item affecting the variance in local taxes was a \$1,736,073 increase over budget in actual local option sales 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 from the State of Tennessee 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 \$1,734,582 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, 2018

General Fund - Original Budget vs. Final Amended Budget

	Year Ended June 30, 2018		
	Original	Final	Variance
Local Taxes	\$ 139,811,000	\$ 139,870,463	\$ 59,463
State of Tennessee	9,697,080	11,732,198	2,035,118
Federal Government	1,199,000	1,199,000	-
Other	18,796,614	19,119,777	323,163
Total Revenues	<u>\$ 169,503,694</u>	<u>\$ 171,921,438</u>	<u>\$ 2,417,744</u>
Finance and Administration	\$ 31,554,600	\$ 30,847,873	\$ 706,727
Administration of Justice	19,051,631	18,960,502	91,129
Public Safety	84,261,485	84,780,424	(518,939)
Public Health and Welfare	22,456,879	22,663,812	(206,933)
Social and Cultural Services	4,937,517	5,238,337	(300,820)
Agricultural and Natural Resources	539,892	543,464	(3,572)
Other General Government	13,244,535	14,746,709	(1,502,174)
Total Expenditures	<u>\$ 176,046,539</u>	<u>\$ 177,781,121</u>	<u>\$ (1,734,582)</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, 2018, of \$1,066,115,182, which compares to the prior year total of \$1,040,123,987. 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 \$25,991,195 or 2.50%, 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: Pond Gap Elementary School upgrades, school security upgrades and completion of two new middle schools at Hardin Valley and Gibbs (Board), Karns Connector, Schaad Road, County additions/renovations, various other school upgrades, numerous road projects, and various other projects.

Knox County, Tennessee
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The County reported capital assets for its governmental activities as of June 30, 2018 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 can be found mainly in the buildings, machinery and equipment, and infrastructure categories. Two major renovations to buildings, the forensic center and juvenile justice center, were completed in the prior year. The energy management upgrades within the machinery and equipment category were completed in the prior year. The stormwater management plan in the infrastructure category was completed in the prior year. Depreciation in the current year reduces the overall balance in capital assets. 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

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Beginning Balance, July 1	\$ 1,051,297,103	\$ 1,023,553,890	\$ 27,743,213
Current Year Change	20,958,604	27,743,213	(6,784,609)
Capital Assets	<u>1,072,255,707</u>	<u>1,051,297,103</u>	<u>20,958,604</u>
Less: Accumulated Depreciation	<u>472,031,662</u>	<u>442,695,688</u>	<u>29,335,974</u>
Ending Balance, June 30	<u><u>\$ 600,224,045</u></u>	<u><u>\$ 608,601,415</u></u>	<u><u>\$ (8,377,370)</u></u>

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.E of this report.

Long-term debt. At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$619,565,080, compared to \$662,479,361 at the end of 2017. All of the bonded debt was backed by the full faith and credit of the County government. In the current year \$261,321,957 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remaining \$358,243,123 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, 2018

Knox County Government's
Bonded Debt Changes

FY 2018:	Primary		
Rollforward of Debt:	Government	Board	Total
Beginning Balance	\$ 381,869,285	\$ 280,610,076	\$ 662,479,361
Principal Paid	(66,046,162)	(34,648,119)	(100,694,281)
Proceeds From Debt Issuances	42,420,000	15,360,000	57,780,000
Ending Balance - Bonds	<u>\$ 358,243,123</u>	<u>\$ 261,321,957</u>	<u>\$ 619,565,080</u>

FY 2017:	Primary		
Rollforward of Debt:	Government	Board	Total
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 decreased by \$42,914,281 or 6.5% during the current fiscal year. This was due to the bond principal payments exceeding the debt issuances as shown in the table above. The current year decrease 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 2018:	Primary		
Rollforward of Debt:	Government	Board	Total
Beginning Balance	\$ 53,776,279	\$ 4,427,778	\$ 58,204,057
Additions	3,980,220	-	3,980,220
Deductions	(4,774,739)	(252,488)	(5,027,227)
Ending Balance	<u>\$ 52,981,760</u>	<u>\$ 4,175,290</u>	<u>\$ 57,157,050</u>

FY 2017:	Primary		
Rollforward of Debt:	Government	Board	Total
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, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Knox County's other debt, including the Board, described in the table above consist of unamortized bond premium, capital lease obligations, and loans payable. This debt decreased by \$1,047,007 during the current fiscal year due mainly to principal payments exceeding new issues. 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, 2018.

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 \$619,565,080. This translates to approximately \$1,340 per capita. This compares to the FY 2017 per capita amount of \$1,434.

Additional information on the Knox County's long-term debt can be found in the Note III.I to the Financial Statements of this report and on pages 234-239.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Knox County for June 2018 was 3.6%, which is a decrease from the final unemployment rate figure of 3.7% for June 2017. For comparison, the state's average rate was 3.5% for June 2018, and 4.2% for June 2017. The national unemployment averages were 4.0% for June 2018 and 4.5% for June 2017.
- The General Fund budget adopted for 2019 reflects a budget totaling \$186,749,095. The budget anticipates using \$1.6 million from fund balance and a minor anticipated use of restricted resources.
- The property tax rate for FY 2019 is \$2.12. The allocation of the rate is \$0.89 to the general fund, \$0.80 to the general purpose school fund and \$0.43 to the debt service fund.
- Additional information regarding the County's budget may be found at https://knoxcounty.org/finance/pdfs/2018_2019_budget/AdoptedBudgetDetail.pdf

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. 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, 2018

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Knox County Board of Education	Nonmajor Component Units	Total Reporting Unit
Assets						
Cash and Cash Equivalents	\$ 81,888,386	\$ -	\$ 81,888,386	\$ 17,599,705	\$ 38,735,599	\$ 138,223,690
Investments, at Fair Value	43,033,948	-	43,033,948	24,939,848	-	67,973,796
Accounts Receivable	21,601,087	7,370	21,608,457	43,032,704	613,972	65,255,133
Local Taxes Receivable, net	176,530,965	-	176,530,965	106,996,033	-	283,526,998
Loans Receivable	3,209,743	-	3,209,743	-	-	3,209,743
Internal Balances	43,434	(43,434)	-	-	-	-
Due from Component Units	377,429	-	377,429	-	-	377,429
Advances to Other Governments	2,445,000	-	2,445,000	-	-	2,445,000
Inventories	451,496	69,774	521,270	1,850,367	-	2,371,637
Land Held for Resale	-	-	-	-	23,366,283	23,366,283
Prepaid Items	185,570	-	185,570	1,080,083	140,734	1,406,387
Other Assets	-	-	-	1,000	-	1,000
Net Pension Asset	-	-	-	3,641,366	-	3,641,366
Equity Interest in Joint Venture	5,563,041	-	5,563,041	-	-	5,563,041
Capital Assets:						
Land and Construction in Process	116,273,170	880	116,274,050	25,413,248	5,891,555	147,578,853
Other Capital Assets, Net of Accumulated Depreciation	483,950,875	488,671	484,439,546	426,057,600	8,039,183	918,536,329
Total Assets	935,554,144	523,261	936,077,405	650,611,954	76,787,326	1,663,476,685
Deferred Outflows of Resources						
Deferred Outflows Related to Pensions	20,648,165	-	20,648,165	44,439,980	-	65,088,145
Deferred Outflows Related to Other Post-Employment Benefits	1,634,580	-	1,634,580	2,081,304	-	3,715,884
Deferred Outflows of Unamortized Amount on Refundings	5,977,852	-	5,977,852	-	-	5,977,852
Deferred Outflows of Hedging Derivatives	16,650,539	-	16,650,539	-	-	16,650,539
Total Deferred Outflows of Resources	44,911,136	-	44,911,136	46,521,284	-	91,432,420
Liabilities						
Accounts Payable	16,345,780	34,666	16,380,446	63,932,756	946,355	81,259,557
Due to Primary Government	-	-	-	377,429	-	377,429
Unearned Revenue	2,040,280	-	2,040,280	321,670	3,654	2,365,604
Accrued Interest	2,852,640	-	2,852,640	-	-	2,852,640
Self-insurance Liability	19,697,509	-	19,697,509	3,451,708	-	23,149,217
Net Pension Liability	68,905,861	-	68,905,861	8,733,255	-	77,639,116
Long-term Obligations:						
Other Post-Employment Benefits Obligation	10,553,397	-	10,553,397	32,959,777	-	43,513,174
Fair Value of Interest Rate Swap Derivatives	21,631,967	-	21,631,967	-	-	21,631,967
Other Long-term Obligations:						
Due in Less than One Year	56,373,611	31,044	56,404,655	4,338,139	352,485	61,095,279
Due in More than One Year	627,101,780	14,609	627,116,389	21,598,847	162,444	648,877,680
Total Liabilities	825,502,825	80,319	825,583,144	135,713,581	1,464,938	962,761,663
Deferred Inflows of Resources						
Deferred Inflows Related to Pensions	6,605,114	-	6,605,114	42,305,370	-	48,910,484
Deferred Inflows Related to Other Post-Employment Benefits	505,486	-	505,486	2,158,275	-	2,663,761
Deferred Inflows of Property Taxes and Other Receivables	171,782,283	-	171,782,283	103,826,157	-	275,608,440
Total Deferred Inflows of Resources	178,892,883	-	178,892,883	148,289,802	-	327,182,685
Net Position						
Investment in Capital Assets	-	489,551	489,551	448,222,481	13,930,738	462,642,770
Net Investment in Capital Assets (see note below)	269,818,927	-	269,818,927	(926,923)	-	(26,206,234)
Restricted for:						
Debt Service	1,221,151	-	1,221,151	-	-	1,221,151
Public Health and Welfare Purposes	1,989,241	-	1,989,241	-	-	1,989,241
Public Safety Purposes	3,624,163	-	3,624,163	-	-	3,624,163
Education Purposes	-	-	-	9,498,867	-	9,498,867
Social and Cultural Purposes	1,855,912	-	1,855,912	-	-	1,855,912
Other Purposes	1,659,458	-	1,659,458	-	66,866	1,726,324
Unrestricted (see note below)	(304,099,280)	(46,609)	(304,145,889)	(43,664,570)	61,324,784	8,612,563
Total Net Position (Deficit)	\$ (23,930,428)	\$ 442,942	\$ (23,487,486)	\$ 413,129,855	\$ 75,322,388	\$ 464,964,757

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 \$295,098,238 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 \$295,098,238 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, 2018

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	
Primary government:										
Governmental activities:										
Finance and Administration	\$ 38,288,802	\$ 22,983,398	\$ -	\$ -	\$ (15,305,404)		\$ (15,305,404)			\$ (15,305,404)
Finance and Administration-Payment to Component Unit	5,253,874	-	-	-	(5,253,874)		(5,253,874)			(5,253,874)
Administration of Justice	30,358,240	11,035,260	2,653,317	-	(16,669,663)		(16,669,663)			(16,669,663)
Public Safety	92,113,909	6,110,734	2,689,988	-	(83,313,187)		(83,313,187)			(83,313,187)
Public Safety-Payment to Component Unit	1,191,595	-	-	-	(1,191,595)		(1,191,595)			(1,191,595)
Public Health and Welfare	36,918,889	7,467,973	9,178,615	-	(20,272,301)		(20,272,301)			(20,272,301)
Public Health and Welfare-Payment to Component Unit	166,628	-	-	-	(166,628)		(166,628)			(166,628)
Social and Cultural Services	21,717,942	816,249	395,827	-	(20,505,866)		(20,505,866)			(20,505,866)
Agricultural and Natural Resources	520,063	-	30,484	-	(489,579)		(489,579)			(489,579)
Other General Government	26,252,797	280,504	1,680,078	-	(24,292,215)		(24,292,215)			(24,292,215)
Other General Government-Payment to Component Unit	700,000	-	-	-	(700,000)		(700,000)			(700,000)
Engineering and Public Works	34,327,784	154,050	11,228,464	3,440,398	(19,504,872)		(19,504,872)			(19,504,872)
Education - Payment to Component Unit	5,407,868	-	-	-	(5,407,868)		(5,407,868)			(5,407,868)
Debt Service - Interest and Fees	25,918,382	-	-	-	(25,918,382)		(25,918,382)			(25,918,382)
Total governmental activities	319,136,773	48,848,168	27,856,773	3,440,398	(238,991,434)		(238,991,434)			(238,991,434)
Business-type activities:										
Three Ridges Golf Course	1,181,011	814,837	-	44,876	-	\$ (321,298)	(321,298)			(321,298)
Total primary government	\$ 320,317,784	\$ 49,663,005	\$ 27,856,773	\$ 3,485,274	(238,991,434)		(321,298)			(239,312,732)
Component units:										
Board of Education	\$ 556,728,759	\$ 13,724,007	\$ 66,949,517	\$ 4,515,483				\$ (471,539,752)		(471,539,752)
Nonmajor Component Units	10,576,258	7,168,044	500,000	-				-	\$ (2,908,214)	(2,908,214)
Total component units	\$ 567,305,017	\$ 20,892,051	\$ 67,449,517	\$ 4,515,483				(471,539,752)	(2,908,214)	(474,447,966)
General Revenues:										
Property Taxes					177,170,109	-	177,170,109	100,682,583	-	277,852,692
Sales Taxes					15,240,875	-	15,240,875	151,819,824	-	167,060,699
Lodging Taxes					8,294,714	-	8,294,714	-	-	8,294,714
Business Taxes					9,681,404	-	9,681,404	-	-	9,681,404
Wheel Taxes					12,060,159	-	12,060,159	1,671,093	-	13,731,252
Other Local Taxes					4,862,190	-	4,862,190	1,065,230	-	5,927,420
Investment Revenue					6,248,527	-	6,248,527	456,641	489,807	7,194,975
Payments from Component Units					15,858,368	-	15,858,368	-	-	15,858,368
Payments from Primary Government					-	-	-	10,661,742	2,058,223	12,719,965
Intergovernmental Revenues					13,592,165	-	13,592,165	2,256,866	-	15,849,031
Other Revenues					662,550	-	662,550	-	3,578,102	4,240,652
Other Governments and Citizens Groups					428,174	-	428,174	-	2,787,924	3,216,098
Miscellaneous					1,176,215	-	1,176,215	388,502	-	1,564,717
Grants and Contributions Not Restricted for Specific Programs					-	-	-	-	1,719,140	1,719,140
State of Tennessee - Basic Education Program					-	-	-	210,692,256	-	210,692,256
Transfers					(320,000)	320,000	-	-	-	-
Total General Revenues and Transfers					264,955,450	320,000	265,275,450	479,694,737	10,633,196	755,603,383
Change in Net Position					25,964,016	(1,298)	25,962,718	8,154,985	7,724,982	41,842,685
Net Position, July 1, as restated (See Note IV.H)					(49,894,444)	444,240	(49,450,204)	404,974,870	67,597,406	423,122,072
Net Position, June 30 (Deficit)					\$ (23,930,428)	\$ 442,942	\$ (23,487,486)	\$ 413,129,855	\$ 75,322,388	\$ 464,964,757

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

KNOX COUNTY, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2018

	General	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 20,531,115	\$ -	\$ 6,513,613	\$ 17,426,016	\$ 44,470,744
Investments, at Fair Value	37,290,064	-	5,743,884	-	43,033,948
Receivables, (Net):					
Accounts	10,266,383	1,450,104	190,540	9,129,903	21,036,930
Local Taxes	119,020,111	-	57,510,854	-	176,530,965
Notes and Loans	615,000	200,000	1,455,000	939,743	3,209,743
Due from Other Funds	12,115,145	-	-	-	12,115,145
Advances to Other Entity	-	-	2,445,000	-	2,445,000
Inventories	240,531	-	-	70,629	311,160
Prepaid Items	123,519	-	-	22,790	146,309
Investments in Joint Venture	5,563,041	-	-	-	5,563,041
TOTAL ASSETS	\$ 205,764,909	\$ 1,650,104	\$ 73,858,891	\$ 27,589,081	\$ 308,862,985
LIABILITIES					
Accounts Payable	\$ 4,290,129	\$ 4,712,027	\$ 8,228	\$ 3,376,334	\$ 12,386,718
Accrued Liabilities	2,387,480	-	-	547,689	2,935,169
Due to Other Funds	-	10,185,444	-	1,882,541	12,067,985
Unearned Revenue	103,607	-	-	1,936,673	2,040,280
TOTAL LIABILITIES	6,781,216	14,897,471	8,228	7,743,237	29,430,152
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Taxes and Notes Receivable	118,921,512	-	57,159,758	-	176,081,270
FUND BALANCES					
Nonspendable	5,927,091	-	-	93,419	6,020,510
Restricted	2,417,264	-	1,221,151	6,711,510	10,349,925
Committed	4,874,481	-	15,469,754	7,858,756	28,202,991
Assigned	921,525	-	-	5,182,159	6,103,684
Unassigned	65,921,820	(13,247,367)	-	-	52,674,453
TOTAL FUND BALANCES	80,062,181	(13,247,367)	16,690,905	19,845,844	103,351,563
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 205,764,909	\$ 1,650,104	\$ 73,858,891	\$ 27,589,081	\$ 308,862,985

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, 2018

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

Ending Fund Balance - Governmental Funds	\$	103,351,563
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		600,087,193
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.		17,747,508
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	\$	619,565,080
Unamortized Bond Premium		16,207,949
Fair Value of Interest Rate Swaps, net		4,981,428
Loans Payable		2,594,665
Accrued Interest		2,852,640
Capital Lease Obligations		34,179,146
Net Pension Liability		68,905,861
Other Post-employment Benefit Obligation		10,553,397
Compensated Absences		10,725,510
		<u>(770,565,676)</u>
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.		4,298,987
Deferred outflows of unamortized amounts on refundings (\$5,977,852), deferred outflows related to other postemployment benefits (\$1,634,580), and deferred outflows related to pensions (\$20,648,165) 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 (\$6,605,114) and deferred inflows related to other postemployment benefits (\$505,486) decrease the amount of net position reported in the statement of net position, but are not reported as liabilities in the funds.		<u>21,149,997</u>
Net Position of Governmental Activities	\$	<u><u>(23,930,428)</u></u>

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

KNOX COUNTY, TENNESSEE

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

For the Year Ended June 30, 2018

	<u>General</u>	<u>Capital Projects Public Improvement</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
County Property Taxes	\$ 122,979,983	\$ -	\$ 54,109,537	\$ -	\$ 177,089,520
Local Option Sales Taxes	6,646,573	-	-	8,594,302	15,240,875
Lodging Taxes	-	-	-	8,294,714	8,294,714
Business Taxes	9,681,404	-	-	-	9,681,404
Wheel Taxes	556,116	-	-	11,504,043	12,060,159
Other Local Taxes	2,777,092	-	-	2,085,098	4,862,190
Licenses and Permits	5,220,162	-	-	-	5,220,162
Fines, Forfeitures and Penalties	2,155,077	-	-	1,136,539	3,291,616
Charges for Current Services	7,692,955	-	-	28,309,715	36,002,670
Other Local Revenues	4,842,366	832,396	3,584,765	1,416,103	10,675,630
State of Tennessee	13,916,623	3,731,743	-	12,682,460	30,330,826
Federal Government	1,089,621	-	-	8,207,734	9,297,355
Other Governments and Citizen Groups	514,993	593,012	-	640,182	1,748,187
Payments from Component Units	-	-	13,774,686	-	13,774,686
Increase in Equity Interest in Joint Venture	406,204	-	-	-	406,204
Total Revenues	178,479,169	5,157,151	71,468,988	82,870,890	337,976,198
Expenditures					
Current:					
Finance and Administration	24,864,270	-	-	8,340,061	33,204,331
Finance and Administration - Payments to Component Unit	5,253,874	-	-	-	5,253,874
Administration of Justice	18,758,678	-	-	10,730,076	29,488,754
Public Safety	83,187,863	-	-	2,353,967	85,541,830
Public Safety - Payments to Component Unit	1,191,595	-	-	-	1,191,595
Public Health and Welfare	22,147,234	-	-	13,866,242	36,013,476
Public Health and Welfare - Payments to Component Unit	166,628	-	-	-	166,628
Social and Cultural Services	5,218,606	-	-	13,750,775	18,969,381
Agricultural and Natural Resources	520,063	-	-	-	520,063
Other General Government	13,999,478	37,317	-	9,823,707	23,860,502
Other General Government - Payments to Component Unit	700,000	-	-	-	700,000
Engineering and Public Works	-	-	-	16,474,241	16,474,241
Debt Proceeds Paid to Component Unit	-	2,000,000	-	-	2,000,000
Capital Projects	-	23,645,303	-	-	23,645,303
Debt Service					
Other Debt Service	-	-	1,361,330	-	1,361,330
Trustee's Commission	-	-	1,116,096	-	1,116,096
Principal	-	-	42,929,342	-	42,929,342
Interest	-	-	24,358,994	-	24,358,994
Refunding Bonds Issuance Costs	-	-	391,348	-	391,348
Total Expenditures	176,008,289	25,682,620	70,157,110	75,339,069	347,187,088
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,470,880	(20,525,469)	1,311,878	7,531,821	(9,210,890)
Other financing sources (uses)					
Transfers from Other Funds	12,022,068	1,379,883	195,803	5,747,861	19,345,615
Transfers to Other Funds	(9,255,801)	(324,484)	(125,000)	(12,592,951)	(22,298,236)
Refunding Bonds Issued	-	-	57,780,000	-	57,780,000
Premium on Refunding Bonds	-	-	3,980,220	-	3,980,220
Payment to Holders of Refunded Debt	-	-	(61,368,872)	-	(61,368,872)
Total Other Financing Sources (Uses)	2,766,267	1,055,399	462,151	(6,845,090)	(2,561,273)
Net Change in Fund Balances	5,237,147	(19,470,070)	1,774,029	686,731	(11,772,163)
Fund Balances, July 1	74,825,034	6,222,703	14,916,876	19,159,113	115,123,726
Fund Balances, June 30	\$ 80,062,181	\$ (13,247,367)	\$ 16,690,905	\$ 19,845,844	\$ 103,351,563

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, 2018

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

Net Change in Fund Balances - Total Governmental Funds		\$ (11,772,163)
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 (\$29,970,672) exceeded capital outlays (\$21,643,189) in the current period.	(8,327,483)	
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.	3,440,398	
Certain capital assets constructed by the primary government and contributed to the Board of Education component Unit are not recognized as expenditures in the fund financial statements, but are recognized as expenses in the statement of activities.	(3,407,868)	
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.	4,298,987	
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.	(4,218,398)	
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 principal payments (\$102,851,804) exceeded debt proceeds (\$57,780,000) by this amount.	45,071,804	
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$865,587). In addition, the amortization of bond premium results in reduction of expenses of \$2,047,078. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,181,491	
Debt issued at a premium (\$3,980,220) provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. The payments to bondholders in the advance refunding transaction include \$2,323,734 that used current financial resources in the governmental funds, but increased deferred outflows of unamortized amount on refundings in the statement of net position. In addition, the reduction in unamortized bond premium relating to the refunded bonds totaled \$570,138.	(1,086,348)	
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.	1,839,922	
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.	2,226,709	
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:		
Deferred Outflows Related to Other Post-employment Benefits	\$ 1,634,580	
Deferred Outflows Related to Pensions	1,306,491	2,941,071
(Increase) decrease in liabilities and deferred inflows:		
Accrued Interest	765,306	
Net Pension Liability	(817,036)	
Deferred Inflows Related to Pensions	(3,484,260)	
Other Post-employment Benefit Liability	(1,734,858)	
Deferred Inflows Related to Other Post-employment Benefits	(505,486)	
Compensated Absences Liability	(447,772)	(6,224,106)
Change in Net Position of Governmental Activities		<u>\$ 25,964,016</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 - General Fund
For the Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
County Property Taxes	\$ 123,003,000	\$ 123,003,000	\$ 122,979,983	\$ (23,017)
Local Option Sales Taxes	4,910,500	4,910,500	6,646,573	1,736,073
Business Taxes	8,750,000	8,750,000	9,681,404	931,404
Wheel Taxes	530,000	530,000	556,116	26,116
Other Local Taxes	2,617,500	2,676,963	2,777,092	100,129
Licenses and Permits	4,682,750	4,682,750	5,220,162	537,412
Fines, Forfeitures and Penalties	2,053,000	2,274,377	2,155,077	(119,300)
Charges for Current Services	6,924,800	6,961,977	7,692,955	730,978
Other Local Revenues	4,574,663	4,625,572	4,842,366	216,794
State of Tennessee	9,697,080	11,732,198	13,916,623	2,184,425
Federal Government	1,199,000	1,199,000	1,089,621	(109,379)
Other Governments and Citizen Groups	561,401	575,101	514,993	(60,108)
Increase in Equity Interest in Joint Venture	-	-	406,204	406,204
Total Revenues	<u>169,503,694</u>	<u>171,921,438</u>	<u>178,479,169</u>	<u>6,557,731</u>
Expenditures				
Current:				
Finance and Administration	26,400,726	25,593,999	24,864,270	729,729
Finance and Administration - Payments to Component Unit	5,153,874	5,253,874	5,253,874	-
Administration of Justice	19,051,631	18,960,502	18,758,678	201,824
Public Safety	83,069,890	83,588,829	83,187,863	400,966
Public Safety - Payments to Component Unit	1,191,595	1,191,595	1,191,595	-
Public Health and Welfare	22,290,251	22,497,184	22,147,234	349,950
Public Health and Welfare - Payments to Component Unit	166,628	166,628	166,628	-
Social and Cultural Services	4,937,517	5,238,337	5,218,606	19,731
Agricultural and Natural Resources	539,892	543,464	520,063	23,401
Other General Government	12,544,535	14,046,709	13,999,478	47,231
Other General Government - Payments to Component Unit	700,000	700,000	700,000	-
Total Expenditures	<u>176,046,539</u>	<u>177,781,121</u>	<u>176,008,289</u>	<u>1,772,832</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,542,845)</u>	<u>(5,859,683)</u>	<u>2,470,880</u>	<u>8,330,563</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	10,042,822	10,042,822	12,022,068	1,979,246
Transfers to Other Funds	(5,405,891)	(9,257,186)	(9,255,801)	1,385
Total Other Financing Sources	<u>4,636,931</u>	<u>785,636</u>	<u>2,766,267</u>	<u>1,980,631</u>
Net Change in Fund Balances	<u>\$ (1,905,914)</u>	<u>\$ (5,074,047)</u>	<u>5,237,147</u>	<u>\$ 10,311,194</u>
Fund Balances, July 1			<u>74,825,034</u>	
Fund Balances, June 30			<u>\$ 80,062,181</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, 2018

	Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 37,417,642
Receivables:		
Accounts	7,370	564,157
Due from Component Units	-	377,429
Inventories	69,774	140,336
Prepaid Items	-	39,261
	77,144	38,538,825
TOTAL CURRENT ASSETS		
Capital Assets:		
Capital Assets (Net of Accumulated Depreciation)	489,551	136,852
	566,695	38,675,677
TOTAL ASSETS		
LIABILITIES		
Current Liabilities:		
Accounts Payable	23,788	781,056
Accrued Liabilities	10,878	242,837
Due to Other Funds	43,434	3,726
Claims Liability	-	19,697,509
Compensated Absences Payable	31,044	182,737
	109,144	20,907,865
TOTAL CURRENT LIABILITIES		
Noncurrent Liabilities:		
Compensated Absences Payable	14,609	20,304
	123,753	20,928,169
TOTAL LIABILITIES		
NET POSITION (DEFICIT)		
Investment in Capital Assets	489,551	136,852
Unrestricted	(46,609)	17,610,656
	\$ 442,942	\$ 17,747,508
TOTAL NET POSITION		

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, 2018

	Enterprise Fund	Internal Service Funds
Operating Revenues		
Charges for Services	\$ 814,837	\$ 85,347,286
Payments from Component Unit	-	1,590,000
Total Operating Revenues	<u>814,837</u>	<u>86,937,286</u>
Operating Expenses		
Cost of Services	1,078,490	20,270,282
Depreciation and Amortization	45,133	82,417
Medical Claims	-	26,643,876
Retirement Contributions	-	31,743,067
VWRP Employee Benefits	-	17,924
OPEB 35% Health Contributions	-	850,000
Other Employee Benefits	-	809,115
Worker's Compensation & Other Claims	-	6,407,802
Other Expenses	57,388	518,715
Total Operating Expenses	<u>1,181,011</u>	<u>87,343,198</u>
Operating Income (Loss)	<u>(366,174)</u>	<u>(405,912)</u>
Capital Contributions and Transfers		
Capital Contributions	44,876	-
Transfers to Other Funds	-	(2,900,000)
Transfers from Other Funds	320,000	5,532,621
Total Capital Contributions and Transfers	<u>364,876</u>	<u>2,632,621</u>
Change in Net Position	(1,298)	2,226,709
Total Net Position, July 1	<u>444,240</u>	<u>15,520,799</u>
Total Net Position, June 30	<u>\$ 442,942</u>	<u>\$ 17,747,508</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, 2018

	Enterprise Fund	Internal Service Funds
Operating Activities		
Cash Received from Customers	\$ 809,747	\$ -
Cash Received from Interfund Services Provided	-	86,806,136
Cash Received from Component Unit	-	1,590,000
Cash Paid to Employees	(518,552)	(2,104,304)
Cash Paid for Goods and Services	(611,196)	(21,828,232)
Cash Paid on Behalf of Employees	-	(61,523,555)
Net Cash Provided by (Used in) Operating Activities	(320,001)	2,940,045
Noncapital Financing Activities		
Transfers from Other Funds	-	5,532,621
Transfers to Other Funds	-	(2,900,000)
Net Cash Provided by Noncapital Financing Activities	-	2,632,621
Capital and Related Financing Activities		
Transfers from Other Funds for Capital Purposes	320,000	-
Capital Contributions	44,876	-
Acquisition and Construction of Capital Assets	(44,875)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	320,001	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	5,572,666
Cash and Cash Equivalents Beginning of Year	-	31,844,976
End of Year	\$ -	\$ 37,417,642
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	\$ (366,174)	\$ (405,912)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	45,133	82,417
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(5,090)	84,298
Decrease in Due from Other Funds	-	1,264,457
Decrease in Due from Component Units	-	110,095
(Increase) Decrease in Inventories	2,056	(50,429)
Increase in Prepaid Items	-	(7,681)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	5,862	(701,618)
Increase (Decrease) in Due to Other Funds	8,546	(178,832)
Decrease in Compensated Absences	(10,334)	(9,103)
Increase in Claims Liabilities	-	2,752,353
Total Adjustments	46,173	3,345,957
Net Cash Provided by (Used in) Operating Activities	\$ (320,001)	\$ 2,940,045

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

KNOX COUNTY, TENNESSEE

Statement of Changes in Fiduciary Net Position
Pension, Retirement and Other Post-Employment Benefit Trust Funds
For the Year Ended June 30, 2018

ADDITIONS

Contributions:	
Employer	\$ 21,673,093
Employees	13,651,505
Rollovers	<u>859,937</u>
Total Contributions	<u>36,184,535</u>
Investment Income (Loss):	
Interest and Dividend Income	5,212,353
Interest on Notes Receivable from Participants	123,773
Net Appreciation (Depreciation) in Fair Value of Investments	<u>40,118,294</u>
Total Investment Income	<u>45,454,420</u>
Less Investment Expenses	<u>(464,820)</u>
Net Investment Income	<u>44,989,600</u>
Other:	
Transfers from Other Plans	<u>675,173</u>
Total Additions	<u>81,849,308</u>

DEDUCTIONS

Benefits and Refunds	39,151,526
Administrative Expenses	2,135,423
Transfers to Other Plans	<u>675,173</u>
Total Deductions	<u>41,962,122</u>

CHANGE IN NET POSITION 39,887,186

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

549,097,226

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

\$ 588,984,412

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, 2018

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KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

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 2017 - 2018 school year was 58,903 with a full time equivalent average daily attendance of 55,426. During the previous year, the full time equivalent average daily membership was 58,427 with a full time equivalent average daily attendance of 55,004.

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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. The Three Ridges Golf Course 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 post-employment 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 post-employment benefit (OPEB) trust funds account for the County's defined benefit pension plan, defined contribution pension plan, defined benefit OPEB and defined contribution OPEB plans. 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, 2018

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 reporting requirements of the Governmental Accounting Standards Board (GASB).

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

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, net of investment related expenses. 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, 2018

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 1st, and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1st of the ensuing fiscal year. 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 30th.

Property taxes receivable are also reported as of June 30th for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property taxes receivable are presented on the fund balance sheet with offsetting deferred inflows to reflect amounts not available as of June 30th. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred 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, 2018

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, 2018

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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

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 and Board is self-insured for such risks. The majority of general liability and worker's compensation claims are accounted for in the Self Insurance Fund, an internal service fund. The County and Board'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.

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 in the period incurred.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

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 of the County and the Board 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, 2018

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.

Certain items have been reclassified from the prior year to conform to current year presentation that has no effect upon prior year results.

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, 2018

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, 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, 2018

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: https://knoxcounty.org/finance/pdfs/budget_report_citizenry/fy063018.pdf.

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, 2018

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, 2018 include \$818,258 for the County's General Fund and \$1,566,416 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 E.

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, 2018:

Fund	Original Budget	Revisions	Final Budget
Governmental Funds:			
General Fund	\$ 181,452,430	\$ 5,585,877	\$ 187,038,307
Special Revenue Funds:			
State, Federal and Other Grants	160,000	2,472,518	2,632,518
Governmental Library	107,892	5,000	112,892
Public Library	13,509,117	245,422	13,754,539
Solid Waste	4,166,772	270,252	4,437,024
Hotel/Motel Tax	8,000,000	650,000	8,650,000
Drug Control	777,500	74,270	851,770
Engineering & Public Works	15,552,891	1,746,551	17,299,442
Total Special Revenue Funds	42,274,172	5,464,013	47,738,185
Debt Service Fund	75,500,000	516,348	76,016,348
Total - Governmental Funds	\$ 299,226,602	\$ 11,566,238	\$ 310,792,840

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

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	\$ 471,146,000	\$ 10,012,947	\$ 481,158,947
Special Revenue Fund:			
Central Cafeteria	28,570,000	1,189,868	29,759,868
Total - the Board	<u>\$ 499,716,000</u>	<u>\$ 11,202,815</u>	<u>\$ 510,918,815</u>

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2017 reappropriated during fiscal year 2018, 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, 2018

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, 2018

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 plans 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		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	\$ 1,628		\$ 22,242,788	
Certificates of Deposit held greater than 90 days	2,242,202		-	
Collective Investment Trusts	-		21,390,840	
Mutual Funds	-		521,558,762	
Fixed Income Securities:				
U.S. Treasuries	16,873,730	0.651	-	
Federal Agency Mortgage Backed Securities	11,145,387	0.487	-	
Federal Agency Debt Securities	12,525,687	0.470	-	
Municipal Bonds	21,674,622	0.704	-	
Total Fixed Income Securities	62,219,426		-	
Investments, at Contract Value:				
Guaranteed Investment Contracts	-		77,122,781	
Total Investments:	\$ 64,463,256		\$ 642,315,171	

The Pension Board investments are allocated to the County's and Board's pension trust funds of \$585,208,219 and \$57,106,952, respectively. The Pension Board investments include the Post-Retirement Incentive Medical Trust (Retiree Healthcare Plan) adopted in 2017 as described in Note V A. 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, 2018

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, 2018 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, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

	Primary Government Governmental Activities	Standard & Poor's and Moody's Credit Ratings	
	Fair Value		
U.S. Treasuries	\$ 16,873,730	Aaa	Moody's
Federal Agency Mortgage Backed Securities	11,145,387	AA+	S&P
Federal Agency Debt Securities	11,928,590	AA+	S&P
Federal Agency Debt Securities	597,097	Aaa	Moody's
Municipal Bonds	639,680	AAA	S&P
Municipal Bonds	510,690	Aaa	Moody's
Municipal Bonds	2,030,883	Aa3	Moody's
Municipal Bonds	6,527,975	AA+	S&P
Municipal Bonds	4,663,504	AA-	S&P
Municipal Bonds	5,218,006	AA	S&P
Municipal Bonds	861,922	A+	S&P
Municipal Bonds	1,221,962	A	S&P
Total Fixed Income Securities	<u>\$ 62,219,426</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, 2018

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, 2018

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, 2018

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, 2018 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 Treasuries	\$ 16,873,730	\$ 16,873,730	\$ -	\$ -
Fixed Government Agency	23,671,074	-	23,671,074	-
Municipal Bonds	21,674,622	-	21,674,622	-
Total Debt Securities by Fair Value Level	62,219,426	16,873,730	45,345,696	-
Interest-earning Investment Contracts - Certificates of Deposit	2,242,202	-	2,242,202	-
Total Investment by Fair Value Level	\$ 64,461,628	\$ 16,873,730	\$ 47,587,898	\$ -

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	\$ 521,558,762	\$ 521,558,762	\$ -	\$ -

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

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, Federal agency mortgage backed securities and municipal bonds. Values are based upon quotes obtained from national or international exchanges and other observable inputs from market data and are 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.

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, 2018

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:			
Stable Value Funds	<u>\$ 21,390,840</u>	Daily	0 days

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

1. *Stable Value Funds:* This type primarily includes investments in high quality stable value investment contracts such as guaranteed investment contracts (GICs), synthetic GICs, and separate account contracts. 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, 2018

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>							Trust and Agency
	General	Debt Service	Capital Projects Public Improvement	Nonmajor Governmental Funds	Internal Service	Enterprise Fund	Total Primary Government	
Receivables:								
Taxes	\$120,803,730	\$58,373,813	\$ -	\$ -	\$ -	\$ -	\$179,177,543	\$ -
Accounts	10,266,383	190,540	1,450,104	9,129,903	564,157	7,370	21,608,457	13,415,339
Gross Receivables	131,070,113	58,564,353	1,450,104	9,129,903	564,157	7,370	200,786,000	13,415,339
Less: Allowances for Uncollectibles	(1,783,619)	(862,959)	-	-	-	-	(2,646,578)	-
Net Total Receivables	\$129,286,494	\$57,701,394	\$ 1,450,104	\$ 9,129,903	\$ 564,157	\$ 7,370	\$198,139,422	\$ 13,415,339

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

<u>Component Units:</u>	<u>Government-wide Totals</u>			
	The Board	The Partnership	The District	The Corporation
Receivables:				
Taxes	\$ 108,606,553	\$ -	\$ -	\$ -
Accounts	42,371,927	660,777	63,824	550,148
Gross Receivables	150,978,480	660,777	63,824	550,148
Less: Allowances for Uncollectibles	(1,592,945)	(17,575)	-	-
Net Total Receivables	\$ 149,385,535	\$ 643,202	\$ 63,824	\$ 550,148

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

The General Fund has the following note receivable at June 30, 2018:

- (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, 2018, \$615,000 remained outstanding.

The County's Debt Service Fund has the following note receivable at June 30, 2018:

- (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 was made in August 2018.

The County's Public Improvement Fund has the following loan receivable at June 30, 2018:

- (1) Loan receivable from Helen Ross McNabb Center with an initial balance of \$250,000 was originated during the fiscal year ended 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. As of June 30, 2018, \$200,000 remained outstanding.

The State, Federal and Other Grants Special Revenue Fund had \$939,743 of notes receivable at June 30, 2018. 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, 2018

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. CAC made no payments to the County in fiscal 2018 against the outstanding balance 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, 2018, was the following:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 105,014,525	\$ 1,327,304	\$ -	\$ 106,341,829
Construction in Progress	10,457,503	14,713,061	15,239,223	9,931,341
Total Capital Assets, not being depreciated	<u>115,472,028</u>	<u>16,040,365</u>	<u>15,239,223</u>	<u>116,273,170</u>
Capital Assets being depreciated:				
Buildings	237,127,774	1,052,618	-	238,180,392
Land Improvements	25,578,845	1,055,514	-	26,634,359
Machinery and Equipment	65,750,016	5,114,495	874,483	69,990,028
Intangible Assets	17,086,442	197,462	41,777	17,242,127
Infrastructure	590,281,998	15,714,154	2,060,521	603,935,631
Total Capital Assets being depreciated	<u>935,825,075</u>	<u>23,134,243</u>	<u>2,976,781</u>	<u>955,982,537</u>
Less Accumulated Depreciation for:				
Buildings	107,764,439	8,758,719	-	116,523,158
Land Improvements	17,295,009	911,718	-	18,206,727
Machinery and Equipment	40,117,309	5,086,746	671,264	44,532,791
Intangible Assets	15,989,223	304,370	41,777	16,251,816
Infrastructure	261,529,708	14,991,536	4,074	276,517,170
Total Accumulated Depreciation	<u>442,695,688</u>	<u>30,053,089</u>	<u>717,115</u>	<u>472,031,662</u>
Total Capital Assets being depreciated, net	<u>493,129,387</u>	<u>(6,918,846)</u>	<u>2,259,666</u>	<u>483,950,875</u>
Governmental Activities Capital Assets, net	<u>\$ 608,601,415</u>	<u>\$ 9,121,519</u>	<u>\$ 17,498,889</u>	<u>\$ 600,224,045</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Three Ridges Golf Course:				
Capital Assets, not being depreciated:				
Land	\$ 880	\$ -	\$ -	\$ 880
Total Capital Assets, not being depreciated	880	-	-	880
Capital Assets being depreciated:				
Buildings	754,504	-	-	754,504
Land Improvements	66,463	-	-	66,463
Machinery and Equipment	464,234	44,875	-	509,109
Intangible Assets	25,448	-	-	25,448
Total Capital Assets being depreciated	1,310,649	44,875	-	1,355,524
Less Accumulated Depreciation for:				
Buildings	459,874	21,226	-	481,100
Land Improvements	66,463	-	-	66,463
Machinery and Equipment	269,935	23,907	-	293,842
Intangible Assets	25,448	-	-	25,448
Total Accumulated Depreciation	821,720	45,133	-	866,853
Total Capital Assets being depreciated, net	488,929	(258)	-	488,671
Business-type Activities Capital Assets, net	\$ 489,809	\$ (258)	\$ -	\$ 489,551

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

Finance and Administration	\$ 5,084,471
Administration of Justice	869,486
Public Safety	3,883,404
Public Health and Welfare	905,413
Social and Cultural Services	2,748,561
Other General Government	710,325
Engineering & Public Works	15,851,429
Total Depreciation Expense - Governmental Activities	<u>\$ 30,053,089</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Component Unit – the Board

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 23,184,098	\$ -	\$ -	\$ 23,184,098
Construction in Progress	34,568,175	39,615,238	71,954,263	2,229,150
Total Capital Assets, not being depreciated	<u>57,752,273</u>	<u>39,615,238</u>	<u>71,954,263</u>	<u>25,413,248</u>
Capital Assets being depreciated:				
Buildings	551,593,599	73,671,458	-	625,265,057
Land Improvements	9,495,008	5,602,795	-	15,097,803
Machinery and Equipment	106,395,598	4,139,277	172,183	110,362,692
Intangible Assets	2,209,887	189,431	-	2,399,318
Infrastructure	-	4,767,386	-	4,767,386
Total Capital Assets being depreciated	<u>669,694,092</u>	<u>88,370,347</u>	<u>172,183</u>	<u>757,892,256</u>
Less Accumulated Depreciation for:				
Buildings	237,299,300	13,919,952	-	251,219,252
Land Improvements	2,355,362	872,075	-	3,227,437
Machinery and Equipment	65,259,264	10,474,413	172,183	75,561,494
Intangible Assets	1,441,630	371,813	-	1,813,443
Infrastructure	-	61,232	-	61,232
Total Accumulated Depreciation	<u>306,355,556</u>	<u>25,699,485</u>	<u>172,183</u>	<u>331,882,858</u>
Total Capital Assets being depreciated, net	<u>363,338,536</u>	<u>62,670,862</u>	<u>-</u>	<u>426,009,398</u>
Governmental Activities Capital Assets, net	<u>\$ 421,090,809</u>	<u>\$ 102,286,100</u>	<u>\$ 71,954,263</u>	<u>\$ 451,422,646</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

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, 2018, is as follows:

Due to/from Other Funds - Primary Government:

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General	Constitutional Officers' Special Revenue Fund	\$ 1,802,788
	Public Improvement	10,185,444
	State, Federal and Other Grants	79,753
	Vehicle Service Center	3,726
	Three Ridges Golf Course	43,434
		\$ 12,115,145
Total Governmental Funds		\$ 12,115,145

Due to/from Primary Government and Component Units:

<u>Primary Government - Internal Service Funds:</u>		
Self Insurance	Component Unit - the Board, General Purpose School	\$ 377,429
		\$ 377,429

Due to/from Other Funds - The Board:

<u>Major Funds:</u>		
General - General Purpose School	School Federal Projects	\$ 5,600,588
	School General Projects	1,210,369
	School Construction	13,556,968
	Central Cafeteria	376,517
		20,744,442
<u>Nonmajor Special Revenue Funds:</u>		
Central Cafeteria	General Purpose School	15,352
		15,352
Total Board of Education		\$ 20,759,794

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

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, 2018, is as follows:

Primary Government:

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 12,022,068
Debt Service	General	195,803
Public Improvement	General	84,000
	Debt Service	125,000
	Engineering & Public Works	70,883
	Building Operations	1,100,000
		<u>1,379,883</u>
Total Major Governmental Funds		<u>13,597,754</u>
<u>Nonmajor Governmental Funds:</u>		
Special Revenue Funds:		
State, Federal and Other Grants	General	828,377
	Public Improvement	324,484
		<u>1,152,861</u>
Governmental Library	General	20,000
Public Library	General	1,650,000
Solid Waste	General	300,000
	Engineering & Public Works	500,000
		<u>800,000</u>
Engineering & Public Works	General	2,125,000
Total Nonmajor Governmental Funds		<u>5,747,861</u>
Total Governmental Funds		<u>\$ 19,345,615</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

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	\$ 275,000
Mailroom	General	52,121
Employee Benefits	General	600,000
	Self Insurance Healthcare	850,000
		<u>1,450,000</u>
Self Insurance	General	2,500,000
	Building Operations	950,000
		<u>3,450,000</u>
Technical Support	General	305,500
Total Internal Service Funds		<u>\$ 5,532,621</u>
<u>Enterprise Fund:</u>		
Three Ridges Golf Course	General	\$ 320,000
Total Enterprise Fund		<u>\$ 320,000</u>

In addition, payments of \$2,183,787 were made from the Pension Trust – Defined Benefit and Disability Plans to the General Fund for the County Retirement Board administrative expenses. Transfers in to the Self Insurance fund were needed to provide additional funding to support the fund’s operations related to increased claims costs.

Transfers Within Component Unit – the Board:

Transfers - In	Transfers - Out	Amount
Special Revenue Funds (Nonmajor):		
General Purpose School	Central Cafeteria	\$ 1,560,008
	School General Projects	268,978
		<u>1,828,986</u>
School General Projects	General Purpose School	2,484,365
	School Federal Projects	445,624
		<u>2,929,989</u>
School Federal Projects	General Purpose School	32,346
Total Board of Education		<u>\$ 4,791,321</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

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	<u>\$ 13,774,686</u>
Total Primary Government		<u>\$ 13,774,686</u>
Component Unit - General Purpose School	Primary Government - General	<u>\$ 2,652,000</u>
Component Unit - School Construction	Primary Government - Public Improvement	<u>2,000,000</u>
Component Unit - Great Schools Partnership	Primary Government - General	<u>2,601,874</u>
Component Unit - The District	Primary Government - General	<u>1,358,223</u>
Component Unit - The Corporation	Primary Government - General	<u>700,000</u>
Total Component Units		<u>\$ 9,312,097</u>

Transactions between the Board and its Component Unit:

The Board, School General Projects	Component Unit, Great Schools Partnership	<u>\$ 242,234</u>
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In addition to the above transactions, the Primary Government agreed to contribute funding to construct roads for the new Gibbs and Hardin Valley Middle schools which are operated and maintained by the Board. The total portion paid by the County through June 30, 2018 of \$3,407,868 has been reported as a payment from the Primary Government to the Board in the government-wide financial statements.

Furthermore, the Board made payments directly to the lessors under certain capital leases that are reported as long-term obligations of the County, although the related capital assets are reported as assets of the Board. The FY 2018 payments totaling \$2,072,682 have been reported as payments from the Board to the Primary Government in the government-wide financial statements.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

F. 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	\$ 103,607
Primary Government - Nonmajor Funds:	
<u>General Grants Fund:</u>	
Unexpended grant funds	1,936,673
Total - Primary Government	\$ 2,040,280
Component Unit - the Board - Nonmajor Funds:	
<u>Central Cafeteria:</u>	
Unearned revenue	321,670
Total Component Unit - the Board	\$ 321,670

G. 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	\$ 2,897,942	\$ -
Taxes receivable, applicable to subsequent fiscal year	115,407,570	115,407,570
Notes receivable, applicable to subsequent fiscal year	616,000	616,000
	118,921,512	116,023,570
<u>Debt Service Fund:</u>		
Taxes receivable, delinquent	1,401,045	-
Taxes receivable, applicable to subsequent fiscal year	55,758,713	55,758,713
	57,159,758	55,758,713
Total - Primary Government	\$ 176,081,270	\$ 171,782,283
Component Unit - the Board - Major Fund		
<u>General Purpose School:</u>		
Taxes receivable, delinquent	\$ 2,610,391	\$ -
Taxes receivable, applicable to subsequent fiscal year	103,737,142	103,737,142
Accounts receivable, applicable to subsequent fiscal year	89,015	89,015
Total Component Unit - the Board	\$ 106,436,548	\$ 103,826,157

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. 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>
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	3,155,321	425,004
2024 - 2028	16,544,080	2,125,020
2029 - 2033	8,773,010	1,062,510
2034 - 2037	3,739,940	-
Total Minimum Lease Payments	\$ 44,361,912	\$ 5,312,550
Less: Amounts Representing Interest	<u>(10,182,766)</u>	<u>(1,137,260)</u>
Present Value of Minimum Lease Payments	<u>\$ 34,179,146</u>	<u>\$ 4,175,290</u>

As of June 30, 2018, assets recorded under capital leases totaled \$114,060,380 (\$75,769,232 equipment, \$879,609 land, and \$37,411,539 buildings and improvements). Related accumulated amortization totaled \$64,474,486. Amortization of assets recorded under capital leases is included with depreciation expense.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. 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
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	431,167	5,285	436,452
2024 - 2025	470,797	2,062	472,859
Total	<u>\$ 2,594,665</u>	<u>\$ 60,454</u>	<u>\$ 2,655,119</u>

The Partnership has reported non-capital related loans payable of \$3,335,000 due in more than one year.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. 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, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

	Interest Rate	Last Maturity Date	Principal Balance
Governmental Activities:			
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	\$ 23,883,599
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	4,315,840
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	34,762,856
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	10,587,815
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	37,987,015
General Obligation - Series 2007	Variable Rate (1.90% at 6/30/18)	6/1/2034	50,450,000
General Obligation - Series 2008	Variable Rate (1.54% at 6/30/18)	6/1/2029	17,329,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	971,871
General Obligation - Refunding Bonds, Series 2010B	2.00-5.00%	4/1/2035	1,800,000
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	5,645,000
General Obligation - Series 2010D (Federally Taxable Build America Bonds)	1.125-6.00% (1)	6/1/2035	16,725,000
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	4,760,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	1,716,732
General Obligation - Series 2014A	2.125 - 5.00%	6/1/2036	13,155,000
General Obligation - Refunding Series 2014B	0.25 - 3.23%	6/1/2027	44,435,000
General Obligation - Refunding Series 2015	5.00%	4/1/2019	1,663,395
General Obligation - Series 2016	1.0 - 5.0%	6/1/2036	14,845,000
General Obligation - Series 2017	3.0 - 5.0%	6/1/2037	30,790,000
General Obligation - Refunding Series 2017B	2.0 - 5.0%	6/1/2035	42,420,000
Total Bonded Debt to be repaid by Governmental Activities			358,243,123
The Board:			
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	23,466,401
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	6,084,160
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	18,137,144
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	6,327,185
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	20,512,985
General Obligation - Series 2007	Variable Rate (1.90% at 6/30/18)	6/1/2034	18,550,000
General Obligation - Series 2008	Variable Rate (1.54% at 6/30/18)	6/1/2029	9,331,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	14,578,129
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	10,965,000
General Obligation - Qualified School Construction Bonds	.0% (2)	7/1/2027	16,770,080
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	7,540,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	1,483,268
General Obligation - Series 2014A	2.125 - 5.00%	6/1/2036	14,235,000
General Obligation - Refunding Series 2015	5.00%	4/1/2019	2,661,605
General Obligation - Series 2016	1.0 - 5.0%	6/1/2036	18,380,000
General Obligation - Series 2017	3.0 - 5.0%	6/1/2037	56,940,000
General Obligation - Refunding Series 2017B	2.0 - 5.0%	6/1/2035	15,360,000
Total Bonded Debt to be repaid by the Board			261,321,957
Total Bonded Debt			\$ 619,565,080

(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, 2018, the sequestration rate was 6.6%.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. 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:		Total
	Principal	Interest	Total	County	Board	
2019	\$ 43,239,281	\$ 26,239,263	\$ 69,478,544	\$ 38,046,589	\$ 31,431,955	\$ 69,478,544
2020	41,299,281	24,514,421	65,813,702	36,975,643	28,838,059	65,813,702
2021	39,089,281	22,798,230	61,887,511	35,962,603	25,924,908	61,887,511
2022	33,304,281	21,320,148	54,624,429	31,410,371	23,214,058	54,624,429
2023	34,524,281	20,082,867	54,607,148	31,166,421	23,440,727	54,607,148
2024 - 2028	178,853,675	79,056,224	257,909,899	149,717,865	108,192,034	257,909,899
2029 - 2033	175,270,000	36,275,553	211,545,553	126,754,588	84,790,965	211,545,553
2034 - 2037	73,985,000	4,951,922	78,936,922	40,480,686	38,456,236	78,936,922
Total	\$ 619,565,080	\$ 235,238,628	\$ 854,803,708	\$ 490,514,766	\$ 364,288,942	\$ 854,803,708

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$132,271,643 and \$102,966,985, respectively, for a total of \$235,238,628.

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, 2018:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<u>Primary Government</u>					
Bonded Debt	\$ 662,479,361	\$ 57,780,000	\$ (100,694,281)	\$ 619,565,080	\$ 43,239,281
Unamortized Bond Premium	14,844,945	3,980,220	(2,617,216)	16,207,949	2,101,385
Loans Payable	3,009,968	-	(415,303)	2,594,665	418,428
Capital Leases	35,921,366	-	(1,742,220)	34,179,146	1,836,451
Compensated Absences	10,545,869	9,802,147	(9,373,812)	10,974,204	8,809,110
Total - Primary Government	\$ 726,801,509	\$ 71,562,367	\$ (114,842,832)	\$ 683,521,044	\$ 56,404,655
<u>Component Unit - the Board</u>					
Compensated Absences	\$ 16,237,778	\$ 6,007,790	\$ (3,818,872)	\$ 18,426,696	\$ 4,075,364
Capital Lease	4,427,778	-	(252,488)	4,175,290	262,775
Total Component Unit - the Board	\$ 20,665,556	\$ 6,007,790	\$ (4,071,360)	\$ 22,601,986	\$ 4,338,139
<u>Component Unit - the District</u>					
Compensated Absences	\$ 343,832	\$ 614,536	\$ (443,439)	\$ 514,929	\$ 352,485
Total - the District	\$ 343,832	\$ 614,536	\$ (443,439)	\$ 514,929	\$ 352,485

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Changes in General Long-Term Liabilities (Continued)

For the primary government, compensated absences totaling \$45,653 pertains to the non-major enterprise fund, with the remaining long-term liabilities related to governmental activities.

Subsequent Event – Debt Issuance

In July 2018, the County issued \$33,165,000 in general obligation bonds to provide funds for the 2018 Capital Improvement Plan. The bonds bear interest at rates from 4.0% to 5.0% and mature in varying amounts through 2038.

Advance Refunding Issue

During the year, the County issued general obligation Series 2017B refunding bonds with a par value of \$57,780,000 to advance refund general obligation issues. The issuance proceeds were placed in an irrevocable trust, which will provide resources for all future debt service payments on the refunded debt. The refunded debts are considered defeased and \$58,475,000 of liabilities has been removed from the statement of position. The advance refunding reduced cash flows required for future debt service to be repaid by the County and the Board by \$3,847,940 and \$1,507,398 respectively, over the next 17 years. The refunding resulted in a combined economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$4,337,449.

Interest Rate Swaps

The County's Statement of Net Position includes interest rate swap derivatives with a negative fair value totaling (\$21,631,967). 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. 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 \$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.

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, 2018, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-1.83%
Net interest rate swap payments		2.12%
Variable-rate bond coupon payments		1.54%
Synthetic interest rate on bonds		3.66%

Fair value. As of June 30, 2018, the swap had a negative fair value of (\$5,668,403), a change of \$1,924,989 compared to the June 30, 2017 balance of (\$7,593,392). 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, 2018, 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, 2018, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A- by Moody’s, Standard & Poor’s and Fitch, respectively.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. 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, 2018, 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 Swap Payment	Total
	Principal	Interest			
2019	\$ 3,125,000	\$ 729,190	\$ 1,003,563	\$ 4,857,753	
2020	3,300,000	681,065	937,330	4,918,395	
2021	3,525,000	630,245	867,388	5,022,633	
2022	3,750,000	575,960	792,677	5,118,637	
2023	3,975,000	518,210	713,197	5,206,407	
2024-2028	23,950,000	1,591,590	2,190,459	27,732,049	
2029	5,725,000	88,165	121,339	5,934,504	
	<u>\$ 47,350,000</u>	<u>\$ 4,814,425</u>	<u>\$ 6,625,953</u>	<u>\$ 58,790,378</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, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. 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, 2018, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.40%
Variable payment to Authority	% of LIBOR	-1.71%
Net interest rate swap payments		1.69%
Variable-rate bond coupon payments		1.54%
Synthetic interest rate on bonds		3.23%

Fair value. As of June 30, 2018, the swap had a negative fair value of (\$4,981,428), a change of \$1,839,922 compared to the June 30, 2017 balance of (\$6,821,350). 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, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Credit risk. As of June 30, 2018, 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, 2018, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/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, 2018, 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		
2019	\$ 3,600,000	\$ 814,660	\$ 893,926	\$ 5,308,586	
2020	3,810,000	759,220	833,092	5,402,312	
2021	4,030,000	700,546	768,709	5,499,255	
2022	4,260,000	638,484	700,608	5,599,092	
2023	4,500,000	572,880	628,621	5,701,501	
2024-2028	26,530,000	1,743,588	1,913,238	30,186,826	
2029	6,170,000	95,018	104,263	6,369,281	
	<u>\$ 52,900,000</u>	<u>\$ 5,324,396</u>	<u>\$ 5,842,457</u>	<u>\$ 64,066,853</u>	

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. 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, 2018, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.89%
Variable payment to Authority	% of LIBOR	-1.83%
Net interest rate swap payments		2.06%
Variable-rate bond coupon payments		1.91%
Synthetic interest rate on bonds		3.97%

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Fair value. As of June 30, 2018, the swap had a negative fair value of (\$10,982,136), a change of \$2,429,545 compared to the June 30, 2017 balance of (\$13,411,681). 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, 2018, 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, 2018, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/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, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Swap payments and associated debt. As of June 30, 2018, 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 Swap Payment	Total
	Principal	Interest			
2019	\$ 2,375,000	\$ 1,119,207	\$ 1,207,122	\$ 4,701,329	
2020	2,500,000	1,073,769	1,158,115	4,731,884	
2021	2,625,000	1,025,940	1,106,529	4,757,469	
2022	1,075,000	975,719	1,052,363	3,103,082	
2023	1,000,000	955,153	1,030,181	2,985,334	
2024-2028	5,700,000	4,470,133	4,821,267	14,991,400	
2029-2033	34,150,000	3,124,215	3,369,625	40,643,840	
2034	9,075,000	173,621	187,259	9,435,880	
	\$ 58,500,000	\$ 12,917,757	\$ 13,932,461	\$ 85,350,218	

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. 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>Public Improvement Capital Projects</u>	<u>Debt Service</u>	
Fund balances:				
Nonspendable:				
Inventories	\$ 240,531	\$ -	\$ -	\$ 240,531
Prepays	123,519	-	-	123,519
Investment in Joint Venture	5,563,041	-	-	5,563,041
	<u>5,927,091</u>	<u>-</u>	<u>-</u>	<u>5,927,091</u>
Restricted for:				
Finance and Administration	307,416	-	-	307,416
Administration of Justice	652,163	-	-	652,163
Public Safety	388,565	-	-	388,565
Public Health & Welfare	1,043,531	-	-	1,043,531
Social and Cultural	25,589	-	-	25,589
Debt Service	-	-	1,221,151	1,221,151
	<u>2,417,264</u>	<u>-</u>	<u>1,221,151</u>	<u>3,638,415</u>
Committed to:				
Finance and Administration	727,250	-	-	727,250
Administration of Justice	355,731	-	-	355,731
Public Safety	790,000	-	-	790,000
Public Health & Welfare	416,500	-	-	416,500
Social and Cultural	180,000	-	-	180,000
Other General Government	2,405,000	-	-	2,405,000
Debt Service	-	-	15,469,754	15,469,754
	<u>4,874,481</u>	<u>-</u>	<u>15,469,754</u>	<u>20,344,235</u>
Assigned to:				
Finance and Administration	504,192	-	-	504,192
Administration of Justice	60,340	-	-	60,340
Public Safety	140,449	-	-	140,449
Public Health & Welfare	183,889	-	-	183,889
Social and Cultural	2,405	-	-	2,405
Other General Government	30,250	-	-	30,250
	<u>921,525</u>	<u>-</u>	<u>-</u>	<u>921,525</u>
Unassigned:	<u>65,921,820</u>	<u>(13,247,367)</u>	<u>-</u>	<u>52,674,453</u>
Total fund balances	<u>\$ 80,062,181</u>	<u>\$ (13,247,367)</u>	<u>\$ 16,690,905</u>	<u>\$ 83,505,719</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity (Continued)

Nonmajor Governmental Funds

	State, Federal and Other Grants	Constitutional Officers	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total
Fund balances:									
Nonspendable:									
Inventories	\$ 70,629	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,629
Prepays	10,891	-	-	11,899	-	-	-	-	22,790
	<u>81,520</u>	<u>-</u>	<u>-</u>	<u>11,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,419</u>
Restricted for:									
Administration of Justice	415,303	-	-	-	-	-	-	-	415,303
Public Safety	267,328	-	-	-	-	-	2,968,270	-	3,235,598
Public Health & Welfare	945,710	-	-	-	-	-	-	-	945,710
Social and Cultural	95,770	-	-	-	-	1,580,142	-	-	1,675,912
Other General Government	260,342	-	-	-	-	-	-	-	260,342
Highway Grants	178,645	-	-	-	-	-	-	-	178,645
	<u>2,163,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,580,142</u>	<u>2,968,270</u>	<u>-</u>	<u>6,711,510</u>
Committed to:									
Public Health & Welfare	-	-	-	-	1,323,757	-	-	-	1,323,757
Social and Cultural	-	-	44,060	2,168,568	-	-	-	-	2,212,628
Engineering & Public Works	-	-	-	-	-	-	-	4,322,371	4,322,371
	<u>-</u>	<u>-</u>	<u>44,060</u>	<u>2,168,568</u>	<u>1,323,757</u>	<u>-</u>	<u>-</u>	<u>4,322,371</u>	<u>7,858,756</u>
Assigned to:									
Finance and Administration	-	1,521,625	-	-	-	-	-	-	1,521,625
Administration of Justice	-	3,660,534	-	-	-	-	-	-	3,660,534
	<u>-</u>	<u>5,182,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,182,159</u>
Total fund balances	<u>\$ 2,244,618</u>	<u>\$ 5,182,159</u>	<u>\$ 44,060</u>	<u>\$ 2,180,467</u>	<u>\$ 1,323,757</u>	<u>\$ 1,580,142</u>	<u>\$ 2,968,270</u>	<u>\$ 4,322,371</u>	<u>\$ 19,845,844</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity (Continued)

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

	<u>Major Funds</u>		<u>Nonmajor Special Revenue Funds</u>			<u>Total</u>
	<u>General Purpose Schools</u>	<u>School Construction Capital Projects</u>	<u>School Federal Projects</u>	<u>School General Projects</u>	<u>Central Cafeteria</u>	
Fund balances:						
Nonspendable:						
Inventories	\$ 867,959	\$ -	\$ -	\$ 296,940	\$ 685,468	\$ 1,850,367
Prepays	1,044,397	-	20,953	575	-	1,065,925
	<u>1,912,356</u>	<u>-</u>	<u>20,953</u>	<u>297,515</u>	<u>685,468</u>	<u>2,916,292</u>
Restricted for:						
Education	-	-	-	-	9,322,918	9,322,918
Committed to:						
Education	4,725,881	-	-	911,657	-	5,637,538
Assigned to:						
Education	1,566,416	-	-	-	-	1,566,416
Unassigned:	17,232,294	(17,646,349)	(20,953)	-	-	(435,008)
Total fund balances	<u>\$ 25,436,947</u>	<u>\$ (17,646,349)</u>	<u>\$ -</u>	<u>\$ 1,209,172</u>	<u>\$ 10,008,386</u>	<u>\$ 19,008,156</u>

The Public Improvement Capital Projects Fund and the School Construction Capital Projects Fund had deficit balances of \$13,247,367 and \$17,646,349, respectively, at June 30, 2018. The deficit balances were caused by the timing of the recognition of various expenditures and the related debt issuances. Expenditures for these funds are funded primarily by debt proceeds. The adopted 2018 Capital Improvement Plan included planned debt issuance of \$26,900,000 for the County and \$10,000,000 for the Board. Bonds with a par amount of \$33,165,000 were issued in July 2018 pursuant to the adopted 2018 Capital Improvement Plan. The proceeds eliminated the deficit in the Public Improvement Capital Projects Fund and eliminated the majority of the deficit in the School Construction Capital Projects Fund. The adopted Capital Improvement Plan for 2019 includes planned debt issuance sufficient to eliminate the remainder of the deficit. In addition, future Capital Improvement Plans will include planned debt issuance in amounts sufficient to cover all approved expenditures. The funds to be received upon issuance will eliminate the deficit.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

K. 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 %

Taxes were levied at a rate of \$2.12 per \$100 of assessed values. Tax collections of \$260,044,587 for fiscal year 2018 were approximately 97.3 percent of the total tax levy.

The 2018 fiscal year property tax rate of \$2.12 was divided between the County and the Board as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 0.89	41.98%
Debt Service Fund	0.43	20.28%
Total - Primary Government	1.32	62.26%
<u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	0.80	37.74%
Total Tax Levy	\$ 2.12	100.00%

The 2019 fiscal year property tax rate of \$2.12 as approved in the 2019 budget is divided between the County and the Board as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 0.89	41.98%
Debt Service Fund	0.43	20.28%
Total - Primary Government	1.32	62.26%
<u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	0.80	37.74%
Total Tax Levy	\$ 2.12	100.00%

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

L. 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, 2018, there were 43 PILOT agreements in force with net tax abatements totaling \$3,879,243. With the significant number of abatements in place the County chose to describe herein only those abatements that were greater than \$500,000 and 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, 2018

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

L. 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, 2018 was \$1,367,670.

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, 2018, there were 27 TIF agreements in force with net tax abatements totaling \$1,706,860. These abatements are used to make payments on the TIF notes for the benefit of the developers.

The remaining 42 PILOT agreements totaling \$2,511,573 in tax abatements at June 30, 2018 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, 2018

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 2018 fiscal year, the joint venture received 86 percent of its operating revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$394,126 for the year ended June 30, 2018. The County does not retain an equity interest in the joint venture. The financial results of Geographic Information Systems have maintained adequate equity 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 \$7,654,347 to the PBA for development, management, and maintenance of County projects during 2018. 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, 2018

NOTE IV. OTHER INFORMATION

A. Joint Ventures (Continued)

Condensed financial information for GIS and PBA as of June 30, 2018 and for the year then ended, is as follows:

ASSETS	<u>GIS</u>	<u>PBA</u>
Cash and Cash Equivalents	\$ 663,996	\$ 6,470,191
Receivables	7,222	948,258
Inventory	-	10,755
Prepays	5,237	86,680
Capital Assets - Net	<u>251,971</u>	<u>5,098,406</u>
Total Assets	<u>928,426</u>	<u>12,614,290</u>
LIABILITIES AND NET POSITION		
Liabilities		
Accounts Payable and Accrued Liabilities	14,988	1,687,225
Due To Others	-	1,357,072
Customer Deposits	-	30,159
Compensated Absences	37,866	494,058
Unearned Revenue	<u>-</u>	<u>1,525</u>
Total Liabilities	<u>52,854</u>	<u>3,570,039</u>
Net Position		
Investment in Capital Assets	251,971	5,098,406
Unrestricted	<u>623,601</u>	<u>3,945,845</u>
Total Net Position	<u>\$ 875,572</u>	<u>\$ 9,044,251</u>
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Total Operating Revenues	\$ 1,643,820	\$ 17,703,274
Total Operating Expenses	<u>(1,544,505)</u>	<u>(16,469,086)</u>
Operating Income (Loss)	99,315	1,234,188
Non-Operating Revenues	14,702	35,683
Non-Operating Expenses	-	(2,393,402)
Capital Contributions	<u>-</u>	<u>1,168,656</u>
Increase (Decrease) in Net Position	114,017	45,125
Net Position, Beginning of Year	<u>761,555</u>	<u>8,999,126</u>
Net Position, End of Year	<u>\$ 875,572</u>	<u>\$ 9,044,251</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

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, 2018, the County appropriated operating subsidies of \$1,623,169 to the Community Action Committee.

In 2018, 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, 2018, the County appropriated operating subsidies of \$3,200,000 to Visit Knoxville related to this contract. The County appoints certain board members of Visit Knoxville.

C. Risk Management/Subsequent Event

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, the City of Knoxville and Knoxville Utilities Board), 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Management/Subsequent Event (Continued)

At June 30, 2018, Humana and OptumRx are the third-party administrators of the County's self-insured healthcare plans. Beginning January 1, 2019, Blue Cross Blue Shield of Tennessee will replace Humana as the third-party administrator of the County's self-insured medical healthcare plan. 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.

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 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
Unpaid Claims - Beginning Balance	\$ 1,831,842	\$ 1,909,589	\$ 15,113,314	\$ 15,912,958
Incurred Claims (Including IBNR's)	26,438,751	24,196,246	6,407,802	1,921,741
Claim Payments	(26,185,075)	(24,273,993)	(3,909,125)	(2,721,385)
Unpaid Claims - Ending Balance	<u>\$ 2,085,518</u>	<u>\$ 1,831,842</u>	<u>\$ 17,611,991</u>	<u>\$ 15,113,314</u>

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, 2018, the liabilities were \$3,451,708.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE IV. OTHER INFORMATION (Continued)

D. On-Behalf Payments

The State of Tennessee made the following on-behalf payments for the Board during the year ended June 30, 2018:

Medicare Supplement Plan – Since teachers are considered state employees per state statutes, the State of Tennessee makes a contribution (on-behalf payment) for Board employees to this Plan. The on-behalf payment for 2018 was \$520,222 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 Board employees who participate in the State administered Teacher Group Insurance Plan. The on-behalf payment for 2018 was \$1,195,561 and has been recorded as a revenue and expenditure in the General Purpose School Fund.

E. Commitments and Contingencies

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

The County receives significant financial assistance from the Federal and State governments in the form of grants and entitlements. These programs are subject to various terms and conditions, compliance with which is the responsibility of the County. These programs are subject to financial and compliance audits by the grantor agencies. Any costs disallowed as a result of such audits could become a liability of the County. As of June 30, 2018, 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, 2018. 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

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

	Spent to Date	Contractual Commitment Remaining at June 30, 2018
<u>Primary Government:</u>		
Schaad Road	\$ 1,882,211	\$ 692,030
Karns Connector	5,640,370	1,009,476
I.C. King Park	66,931	524,158
Other Projects	178,457,818	1,817,167
<u>Component Unit - the Board:</u>		
Physical Plant Upgrades	\$ 2,405,301	\$ 862,294
Gibbs Middle School	25,417,936	77,503
Hardin Valley Middle School	37,469,253	399,532
Pond Gap Elementary	8,912,120	592,207
Inskip Elementary Addition	1,654,024	3,769,324
Other Projects	52,800,244	1,573,428

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, 2018

NOTE IV. OTHER INFORMATION (Continued)

F. 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, 2018

NOTE IV. OTHER INFORMATION (Continued)

G. Accounting Pronouncements

The County adopted 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*.

The County adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, required for fiscal periods beginning after December 15, 2016, in fiscal 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments.

The County adopted GASB Statement No. 85, *Omnibus 2017*, required for fiscal periods beginning after June 15, 2017, in fiscal 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The County adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*, required for fiscal periods beginning after June 15, 2017, in fiscal 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE IV. OTHER INFORMATION (Continued)

H. Restatements

The County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective July 1, 2017. As a result of the adoption of this Statement, the County primary government and the Board component unit have recorded net other postemployment benefits (OPEB) liabilities (assets) for the portion of the present value of projected benefit payments to be provided through their OPEB plans to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plans' fiduciary net position. In addition, the Statement requires that deferred outflows of resources and deferred inflows of resources be reported for differences between expected and actual experience with regard to economic and demographic factors in the measurement of total OPEB liability, changes of assumptions about future economic or demographic factors or of other inputs, and the net difference between projected and actual earnings on pension plan investments.

As a result of the adoption of the Statement, net position as of the beginning of the fiscal year has been restated for the net OPEB liability (asset) existing at the beginning of the fiscal year. In addition, OPEB contributions that were made subsequent to the measurement date of the beginning OPEB liability have been recognized as deferred outflows of resources as of the beginning of the fiscal year. Except for the deferred outflows related to OPEB contributions, it was not practicable to obtain the amount of other deferred outflows and other deferred inflows of resources at the beginning of the fiscal year, and no restatement for these items has been reported. Beginning net position has been restated, as follows:

	<u>Beginning Net Position, as Previously Reported</u>	<u>Adjustment for Net OPEB Liability and Deferred Outflows</u>	<u>Beginning Net Position, as Restated</u>
Primary Government:			
Governmental Activities	\$ (39,731,423)	\$ (10,163,021)	\$ (49,894,444)
Component Unit - the Board:			
Governmental Activities	\$ 423,101,007	\$ (20,259,849)	\$ 402,841,158

For the effect of the restatement on the Board, see the Statement of Activities on page 242.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE IV. OTHER INFORMATION (Continued)

I. Subsequent Events

On November 19, 2018, the County approved the Knox County Schools Certified Retirement Incentive (CRI) Plan. The Plan is effective July 1, 2019 and is designed to provide an additional benefit to eligible Board certified employees who voluntarily retire. Eligible employees are those that are actively employed full time by Knox County Schools on November 19, 2018 and have 10 or more years of Knox County Schools' Service (As Defined by Tennessee consolidated Retirement System and be eligible and apply for either a Service Retirement, Early Service Retirement, or 25-year retirement TCRS benefit). The CRI Plan provides a \$345 monthly payment, adjusted annually, for the retiree's medical insurance premiums until the retiree is Medicare eligible, not to exceed 14 years.

During the year ended June 30, 2018, the Knox County Law Director filed suit against the Knox County Retirement and Pension Board and System asserting discrepancies in the administration of the Uniform Officers Pension Plan (UOPP) compared to the Knox County Charter. The treatment of accrued leave in the calculation of retirement benefits under the UOPP Plan was contested by the County Law Department. The suit was dismissed on November 28, 2018 by the Knox County Chancery Court after the Pension Board and Knox County Mayor agreed to draft an amendment to the UOPP plan document limiting the amount of pensionable vacation cash-out to 43 days and the Knox County Commission directed the Law Director to dismiss the case.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS

A. Single-Employer Defined Benefit OPEB Plans

The County's two single-employer defined benefit other post-employment benefit (OPEB) plans as described in Section A are part of the County's financial reporting entity and are included in the accompanying financial statements. The Board participates in two single-employer defined benefit OPEB plans through the State of Tennessee.

OPEB – Retiree Healthcare Plan

Plan Description – As authorized by County Commission 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 Retirement Plans. The County Retiree Benefit Healthcare Plan is a single-employer defined benefit OPEB plan. The Plan is administered by the Knox County Finance Department with assistance through USI Consulting Group. Benefits are established and amended by the County Commission. A stand-alone financial report is not issued. The liability for this OPEB related debt is to be funded by a portion from the general fund and the self-insured healthcare fund.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Retiree Healthcare Plan (Continued)

Benefits provided – The retiree is responsible for paying 100% of the related premium. The retirees who have chosen to participate in the County’s medical insurance plans have not been evaluated on a separate experience rating of those of existing County employees. Therefore, participating retirees contribute the same premium as existing employees, plus the amount the County 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 retiree’s costs (implicit rate subsidy). Effective 10/1/2016 through 9/30/2023 (unless extended by the Knox County Commission), the County began subsidizing 35% of the premium (for individual coverage only) for a participant who retires at age 55 and older with at least 30 years of service, or who retires at age 57 or older with at least 25 years of service. The subsidy will continue until the participant becomes Medicare eligible. There are a few grandfathered retirees over the age of 65 who still have active medical coverage, but no one else over the age of 65 who is not currently covered will be eligible in the future. The plan provides for surviving spouse benefits. The retiree pays full cost of spouse benefits based on plan premium until age 65.

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	57
Active employees	<u>2,145</u>
Total	<u><u>2,202</u></u>

Contributions – The County has adopted a written funding policy, dated October 13, 2017, which requires an annual employer contribution to equal, or exceed, the actuarially determined contribution (ADC) as calculated by an actuary. The County’s OPEB employer contribution to the Plan for fiscal year 2018 was \$1,208,596, which was 1.19% of covered employee payroll.

Net OPEB Liability – The County’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The components of the net OPEB liability at June 30, 2018 were as follows:

Total OPEB Liability	\$ 10,221,499
Less: Fiduciary Net Position	<u>(2,179,084)</u>
Net OPEB Liability	<u><u>\$ 8,042,415</u></u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	<u><u>21.32%</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Retiree Healthcare Plan (Continued)

Actuarial Assumptions – The total OPEB liability as of June 30, 2018, was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry Age, Normal Cost
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value
Inflation	2.50%
Healthcare Trend Rates	8.00% for 2018, decreasing 0.5% per year to an ultimate rate of 4.50% for 2024 and later years
Salary Increases	3.50%
Payroll Growth	2.50%
Investment Rate of Return	7.00%
Average Assumed Retirement Age	61
Mortality Table	For healthy participant - The mortality rates are from the Sex Distinct RP-2000 Mortality Table fully generational with projection scale BB. For disabled participants - RR96-7 Post 94 Mortality Table.

Expected Investment Rates of Return – The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major investment type. 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 which was 2.50% for fiscal year 2018. Best estimates of arithmetic real rates of return for each major investment classification included in the OPEB target asset allocation as of June 30, 2018 are as follows:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Retiree Healthcare Plan (Continued)

Asset Class	Target Allocation	Long-Term Real Returns
Large Value	8.10%	5.10%
Large Blend	5.50%	5.10%
Large Growth	8.60%	5.10%
Mid-Cap Value	1.80%	5.30%
Mid-Cap Blend	6.75%	5.30%
Mid-Cap Growth	1.80%	5.30%
Small Value	1.35%	5.30%
Small Blend	6.75%	5.30%
Small Growth	1.35%	5.30%
Foreign Large Blend	0.50%	5.10%
Foreign Large Growth	9.00%	5.10%
Foreign Small/Mid Growth	2.25%	5.10%
Diversified Emerging Mkts	4.50%	6.90%
Technology	4.50%	5.10%
World Allocation	2.25%	3.70%
Multisector Bond	2.25%	1.60%
Intermediate Government	0.50%	0.60%
Intermediate-Term Bond	2.25%	1.60%
Short-Term Bond	0.50%	1.60%
Money Market - Taxable	29.50%	0.60%

Rate of Return – The annual money-weighted rate of return on the plan’s investments, net of related investment expenses, for the year ended June 30, 2018 was 4.27%.

Discount Rate – The discount rate used in fiscal year 2018 to measure the total OPEB liability was 6.16%. The projection of cash flows used to determine the discount rate assumed that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Retiree Healthcare Plan (Continued)

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Non-Trust Activity (c)	Net OPEB Liability (d)
Balances at 6/30/17	\$ 8,571,068	\$ 1,272,345	\$ -	\$ 7,298,723
Changes for the year:				
Service Cost	393,518	-	-	393,518
Interest	615,182	-	-	615,182
Difference between Expected and Actual Experience	77,352	(32,325)	-	109,677
Contributions - Employer Subsidy	-	850,000	89,062	(939,062)
Contributions - Employer Implicit Subsidy	-	-	269,534	(269,534)
Net Investment Income	-	89,064	-	(89,064)
Changes in Assumptions	922,975	-	-	922,975
Benefit Payments	(358,596)	-	(358,596)	-
Net Changes	1,650,431	906,739	-	743,692
Balances at 6/30/18	\$ 10,221,499	\$ 2,179,084	\$ -	\$ 8,042,415

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.16%) or 1-percentage-point higher (7.16%) than the current discount rate:

	1% Decrease (5.16%)	Current Discount Rate (6.16%)	1% Increase (7.16%)
Net OPEB Liability (asset)	\$ 8,956,526	\$ 8,042,415	\$ 7,222,479

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the net OPEB liability, as well as what the net OPEB would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (7.00% decreased to 3.50% over 7 years) or higher (9.00% decreasing to 5.50% over 7 years) than the current healthcare cost trend rates:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Retiree Healthcare Plan (Continued)

	1% Decrease (7.00%) decreasing to (3.50%)	Healthcare Cost Trend Rates (8.00%) decreasing to (4.50%)	1% Increase (9.00%) decreasing to (5.50%)
Net OPEB Liability (asset)	\$ 6,729,872	\$ 8,042,415	\$ 9,072,513

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of \$1,054,266. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 67,441	\$ -
Changes of assumptions	804,721	-
Net difference between projected and actual earnings on OPEB plan investments	25,860	-
Total	\$ 898,022	\$ -

Accounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ 134,630
2020	134,630
2021	134,630
2022	134,630
2023	128,165
Thereafter	231,337

Payable to the OPEB Plan – At June 30, 2018, Knox County did not report a payable outstanding. Contributions were paid to the OPEB plan as required for the year ended June 30, 2018.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan

Plan Description – As authorized by County Commission Resolution, the County provides disability benefits for eligible employees of the County and the Board who are participants in the UOPP, STAR, Closed Defined Benefit, or Asset Accumulation Retirement Plans and who become disabled on or after January 1, 2014. The County Disability Plan is a single-employer OPEB plan and is administered by the Knox County Retirement and Pension Board. Benefits are established and amended by the Knox County Retirement and Pension Board (Pension Board). A stand-alone annual financial report may be obtained by contacting the Knox County Pension and Retirement Board at Suite 371, City County Building, 400 Main Street, Knoxville, TN 37902. The liability for this OPEB related debt is to be funded by the general fund and non-vested forfeitures from the Asset Accumulation and STAR defined contribution retirement plans as described in Note V-F.

Benefits Provided – The employer pays 100% of the related premium. Participating employees become immediately eligible and for retiree disability benefits, 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. No participant shall be simultaneously entitled to a disability benefit under this plan and either or both of the Closed DB and UOPP. In the event of disability, eligible employees receive monthly benefits equal to the greater of 60% of pre-disability compensation (monthly compensation of a participant averaged over the twelve months in which compensation was the highest) as of the date of the disability offset by participant's social security disability benefit, worker's compensation benefits, and earnings while disabled; or \$1,800 per year. The normal form of benefit is a temporary life annuity. 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan (Continued)

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms:

Disabled employees currently receiving benefit payments	23
Active employees	<u>5,036</u>
Total	<u><u>5,059</u></u>

Contributions – The Pension Board has adopted a written funding policy which requires an annual employer contribution to equal, or exceed, the actuarially determined contribution (ADC) as calculated by an actuary. For the year ended June 30, 2018, the ADC was \$453,466, which was 0.69% of covered employee payroll. The County’s actual contributions exceeded the ADC due to the Pension Board transferring non-vested employee forfeitures from the defined contribution plans.

Net OPEB Liability – The County’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018. The components of the net OPEB liability at June 30, 2018 were as follows:

Total OPEB Liability	\$ 3,501,674
Less: Fiduciary Net Position	<u>(990,692)</u>
Net OPEB Liability	<u><u>\$ 2,510,982</u></u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	<u><u>28.29%</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan (Continued)

Actuarial Assumptions – Significant actuarial assumptions used in the valuation of the OPEB plan as of January 1, 2018 with a measurement date of June 30, 2018 are as follows:

Actuarial Cost Method	Individual Entry Age, Normal Cost
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	16 Years
Asset Valuation Method	5-year smoothed, subject to a 20% corridor around the market value of assets
Inflation	2.44%
Salary Increases	3.00% for UOPP, STAR, Asset Accumulation, and Closed DB active non-contributing, 2.50% for Closed DB active contributing
Investment Rate of Return	7.00%
Age at Retirement	Closed DB - Age 65 with 5 years pf service Asset Accumulation - Age 65 with 5 years of service UOPP - Age 50 with 25 years of service STAR - Age 57 with 10 years of service
Mortality Table	Closed DB & Asset Accumulation Pre-Retirement: Base Table: 2012 IRS Static Mortality Table Improvement Scale: Scale AA Projection Period: 15 years Closed DB & Asset Accumulation Post-Retirement: Linked to the current mortality assumption utilized by the Tennessee Consolidated Retirement System (TCRS) Base Table: 2008-2012 TCRS Experience Improvement Scale: Scale AA Projection Period: 2 years UOPP & STAR Pre-Retirement: Linked to the current mortality assumption utilized by the TCRS Base Table: 2008-2012 TCRS Experience Improvement Scale: Scale AA Projection Period: 2 years UOPP & STAR Post-Retirement: 1984 Unisex Pension Mortality Table with no mortality improvements (set forward one year for males and set back four years for
Disabled Mortality	Linked to the TCRS mortality for disabled lives - 110% of standard IRS disabled mortality table (sex-distinct mortality table per RR 96-7)
Disability Type	Closed DB - Not in Line of Duty Asset Accumulation - Not in Line of Duty UOPP - In Line of Duty STAR - In Line of Duty

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan (Continued)

Expected Investment Rates of Return – The long-term expected rate of return on OPEB plan investments in mutual funds was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major investment type. 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 which was 2.44% for fiscal year 2018. Best estimates of arithmetic real rates of return for each major investment classification included in the OPEB target asset allocation as of June 30, 2018 are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Arithmetic Return
Large Value	8.10%	6.68%
Large Blend	5.50%	6.68%
Large Growth	8.60%	6.68%
Mid-Cap Value	1.80%	7.89%
Mid-Cap Blend	6.75%	7.89%
Mid-Cap Growth	1.80%	7.89%
Small Value	1.35%	7.89%
Small Blend	6.75%	7.89%
Small Growth	1.35%	7.89%
Foreign Large Blend	0.50%	6.98%
Foreign Large Growth	9.00%	6.98%
Foreign Small/Mid Growth	2.25%	6.98%
Diversified Emerging Mkts	4.50%	9.39%
Technology	4.50%	6.68%
World Allocation	2.25%	4.87%
Multisector Bond	2.25%	2.15%
Intermediate Government	0.50%	0.81%
Intermediate-Term Bond	2.25%	2.15%
Short-Term Bond	0.50%	2.15%
Money Market - Taxable	29.50%	0.81%
Inflation	N/A	2.44%

Rate of Return – The annual money-weighted rate of return on the plan’s investments, net of related investment expenses, for the year ended June 30, 2018 was 11.89%.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan (Continued)

Discount Rate – The discount rate used in fiscal year 2018 to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current plan participants. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/17	\$ 2,790,372	\$ 1,270,556	\$ 1,519,816
Changes for the year:			
Service Cost	315,236	-	315,236
Interest	208,878	-	208,878
Difference between Expected and Actual Experience	1,052,678	-	1,052,678
Changes of Assumptions	(618,044)	-	(618,044)
Contributions Employer	-	1,166,514	(1,166,514)
Net Investment Income	-	165,366	(165,366)
Benefit Payments	(247,446)	(247,446)	-
Administrative Expenses	-	(1,351,344)	1,351,344
Other Changes	-	(12,954)	12,954
Net Changes	711,302	(279,864)	991,166
Balances at 6/30/18	\$ 3,501,674	\$ 990,692	\$ 2,510,982

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (asset)	\$ 2,659,946	\$ 2,510,982	\$ 2,369,567

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of \$1,926,608. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 736,558	\$ -
Changes of assumptions	-	432,445
Net difference between projected and actual earnings on OPEB plan investments	-	73,041
Total	\$ 736,558	\$ 505,486

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

Year ended June 30,	
2019	\$ 112,261
2020	112,261
2021	24,811
2022	(18,261)
2023	-
Thereafter	-

Payable to the OPEB Plan – At June 30, 2018, Knox County did not report a payable outstanding. Contributions were paid to the OPEB plan as required for the year ended June 30, 2018.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Closed Teacher Group Insurance Plan

General Information about the OPEB Plan

Plan Description – Employees of the Board, who were hired prior to July 1, 2015, are provided with pre-age 65 retiree health insurance benefits through the closed Teacher Group Retiree Plan (TGRP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-age 65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGRP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The liability for this OPEB related debt is to be paid by the Board’s general purpose school fund.

Benefits Provided – The Board offers the TGRP to provide health insurance coverage to eligible pre-age 65 retired teachers, administrators, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA Section 8-27-301 establishes and amends the benefit terms of the TGRP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGRP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Knox County Schools does not provide a direct subsidy for pre-age 65 retiree insurance coverage and is only subject to the implicit rate subsidy. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees’ premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGRP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms – At July 1, 2017, the following employees of the Board were covered by the benefit terms of the TGRP:

Inactive employees currently receiving benefit payments	369
Active employees	6,863
Total	7,232

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Closed Teacher Group Insurance Plan (Continued)

An insurance committee, created in accordance with TCA Section 8-27-301, establishes the required payments to the TGRP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates.

Total OPEB Liability

Actuarial Assumptions – The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%.
Healthcare Cost Trend Rates	7.5% for 2018, decreasing annually to an ultimate rate of 3.71% for 2050 and later years
Retiree's Share of Benefit-Related Costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017 valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.56%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal General Obligation Bonds AA index.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Closed Teacher Group Insurance Plan (Continued)

Changes in Collective Total OPEB Liability

	Total OPEB Liability
Balances at 6/30/16	\$ 51,052,124
Changes for the year:	
Service Cost	3,172,322
Interest	1,538,402
Changes in Assumptions	(2,376,284)
Benefit Payments	(3,078,890)
Net Changes	(744,450)
Balances at 6/30/17	\$ 50,307,674
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 17,347,897
Employer's proportionate share of the collective total OPEB liability	\$ 32,959,777
Employer's proportion of the collective total OPEB liability	65.52%

The Board has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGRP. The Board's proportionate share of the collective total OPEB liability was based on a projection of the employers' long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Board recognized \$1,549,250 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGRP for Board retirees.

Changes in Assumptions – The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Closed Teacher Group Insurance Plan (Continued)

Sensitivity of Total OPEB Liability and Other Relevant Information

Sensitivity of Proportionate Share of the Collective total OPEB Liability to Changes in the Discount Rate – The following presents the proportionate share of the collective total OPEB liability related to the TGRP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percent-point lower (2.56%) or 1-percent-point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Proportionate Share of Collective total OPEB Liability	\$ 35,414,689	\$ 32,959,777	\$ 30,646,547

Sensitivity of Total OPEB Liability (Employer’s Share) to Changes in the Assumed Healthcare Cost Trend Rate – Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan’s total OPEB liability, calculated using the assumed trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is 1-percent-point lower or 1-percent-point higher:

	1% Decrease (6.50%) decreasing to (2.71%)	Current Healthcare Cost Trend Rate Assumption (7.50%) decreasing to (3.71%)	1% Increase (8.50%) decreasing to (4.71%)
OPEB Liability	\$ 29,255,196	\$ 32,959,777	\$ 37,393,979

OPEB Expense – For the fiscal year ended June 30, 2018, the Board recognized OPEB expense of \$4,492,716.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Closed Teacher Group Insurance Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGRP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 2,158,276
Employer payments subsequent to the measurement date	2,081,304	-
Total	\$ 2,081,304	\$ 2,158,276

The amounts shown above for “Employer payments subsequent to the measurement date” will be included as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30,		
2019	\$	(218,009)
2020		(218,009)
2021		(218,009)
2022		(218,009)
2023		(218,009)
Thereafter		(1,068,231)

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB - Closed Tennessee Plan

General Information about the OPEB Plan

Plan Description – Employees of the Board, who were hired prior to July 1, 2015, are provided with post-age 65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-age 65 retired teachers, administrators, support staff and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided – The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-age 65 retired teachers, administrators, support staff and disabled participants of local education agencies. Insurance coverage is the only post-employment benefit provided to retirees. The TN plan does not include pharmacy. In accordance with TCA Section 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA Sections 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The Board does not subsidize post-age 65 retiree insurance coverage. The state, as a governmental nonemployer contributing entity, contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, 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. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms – At July 1, 2017, the following employees of the Board were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	954
Inactive employees entitled to but not yet receiving benefit payments	598
Active employees	4,709
Total	6,261

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB - Closed Tennessee Plan (Continued)

In accordance with TCA Section 8-27-209, the state insurance committees established by TCA Sections 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Board did not make any payments to the TNP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial Assumptions – The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Healthcare Cost Trend Rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017 valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.56%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal General Obligation Bonds AA index.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB - Closed Tennessee Plan (Continued)

Changes in Collective Total OPEB Liability

	Total OPEB Liability <u>(expressed in thousands)</u>
Balances at 6/30/16	\$ 15,238
Changes for the year:	
Service Cost	354
Interest	448
Changes in Assumptions	(1,338)
Benefit Payments	(500)
Net Changes	<u>(1,036)</u>
Balances at 6/30/17	<u>\$ 14,202</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 14,202
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

The Board has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The Board's proportionate share of the collective total OPEB liability was based on a projection of the employers' long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Board's proportion of 0% did not change from the prior measurement date. The Board recognized \$668,305 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for Board retired employees.

Changes in Assumptions – The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense – For the fiscal year ended June 30, 2018, the Board recognized OPEB expense of \$668,305.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

Aggregate OPEB Plans Note Disclosures

As of and for the year ended June 30, 2018, the aggregate OPEB plan note disclosures for all plans was as follows:

(dollar amounts in thousands)

OPEB Plan	Governmental Activities			
	Net OPEB Liability	Deferred Outflows	Deferred Inflows	OPEB Expense
Primary Government - The County:				
Retiree Healthcare	\$ 8,042	\$ 898	\$ -	\$ 1,054
Disability	2,511	736	505	1,927
	<u>10,553</u>	<u>1,634</u>	<u>505</u>	<u>2,981</u>
Component Unit - The Board:				
Closed Teacher				
Group Insurance	32,960	2,081	2,158	4,493
Closed Tennessee Plan	-	-	-	668
	<u>32,960</u>	<u>2,081</u>	<u>2,158</u>	<u>5,161</u>
Totals	<u>\$ 43,513</u>	<u>\$ 3,715</u>	<u>\$ 2,663</u>	<u>\$ 8,142</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

B. Single-Employer Defined Contribution OPEB Plan

Medical Expense Retirement Plan

Plan Description – Plan provisions and contribution requirements for the Medical Expense Retirement Plan (MERP), a defined contribution OPEB plan was established and may be amended by the Knox County Retirement and Pension Board. The powers of the Knox County Retirement and Pension Board (Pension Board) are governed by the Knox County Charter, Article VII, as amended. The Pension Board can change, or modify, the plan’s employer defined contribution rates as defined by the authority granted under the Knox County Charter, Section 7.01(b).

The 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. Employees are 100% vested in the employer contributions upon enrollment; therefore there are no forfeitures.

Beginning in fiscal year 2015, the employer match for active employees is 50% of the employee’s contribution up to a calendar year employer maximum of \$208. This commitment for funding is for 5 years.

At June 30, 2018, the MERP had 1,260 members and 909 of them contributed funds to the plan. During the year employer expense and member contributions amounted to \$107,729 and \$212,345, respectively.

At June 30, 2018, the County did not report a payable as there were no outstanding employer or participant contributions.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS

A. General Information

County and Board employees are covered by a variety of retirement plans. These plans fall into two categories – defined benefit and defined contribution 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 through December 31, 2013. County certified school teachers and administrators 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 (Mayor) 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 accompanying 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 VI-F).

The pension-related liabilities are to be funded as follows:

DB Plans

County DB Plan
UOPP DB Plan
Teacher's DB Plan
TCRS Knox County Executive and Officials
TCRS Teacher's Legacy
TCRS Teacher Retirement

Funds

County – General Fund
County – General Fund
Board – General Purpose School Fund
County – General Fund
Board – General Purpose School Fund
Board – General Purpose School Fund

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

A. General Information (Continued)

The three single-employer defined benefit and the three single-employer defined contribution plans are part of the County's financial reporting entity and are included in the accompanying financial statements. The operations of the Knox County Closed Defined Benefit Plan (County DB Plan), the County's Asset Accumulation Plan (County DC Plan), the Sheriff's Total Accumulation Retirement Plan (STAR DC Plan), the County's Uniformed Officers Pension Plan (UOPP DB Plan), and Voluntary 457 Plan (DC Plan) are recorded as County pension 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 three defined benefit plans and the three defined contribution plans 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 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, 2018

NOTE VI. 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 DB, 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 55th 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

General Information about the Defined Benefit Pension Plans (Continued)

The UOPP DB Plan provides pensions to officers employed by the Sheriff's Office on or after June 1, 2007, and most recently employed or re-hired 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 two 12 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, 2018

NOTE VI. 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 1/12th 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, 2018

NOTE VI. 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, 2018, 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	715	186	425
Inactive employees entitled to, but not yet receiving benefits	22	38	-
Active employees	48	495	-
Total	<u>785</u>	<u>719</u>	<u>425</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 2018, the employer contributions for the County, UOPP, and the Teacher's DB Plans were approximately 192.02%, 23.11%, 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, 2018, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of January 1, 2018.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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, 2018 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	15 Years	25 Years	15 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%	7.25%	7.00%
Salary Increases	Active Contributing: 2.50%, Active Not-Contributing: 3.00%	3.00%	N/A
Cost of Living Increase	3.00%	3.125%	3.00%
Inflation	2.44%	2.44%	2.44%
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 credited service.	60 or immediately if older (25 years of service or greater), 62 or immediately if older (less than 25 years of service)
Mortality Table	Linked to the Tennessee Consolidated Retirement System Mortality for healthy lives Pre-Retirement: Base Table: 2012 IRS Table Improvement Scale: Scale AA Projection Period: 15 Years Post-Retirement: Base Table: 2008-2012 TCRS Experience Improvement Scale: Scale AA Projection Period: 2 Years	Pre-Retirement: Base Table: 2008-2012 TCRS Experience Improvement Scale: Scale AA Projection Period: 2 Years Post-Retirement: 1984 Unisex Mortality Table with no mortality improvements (set forward one year for males and set back four years for females)	Linked to the current mortality assumption utilized by the Tennessee Consolidated Retirement System Base Table: 2008-2012 TCRS Experience Improvement Scale: Scale AA Projection Period: 2 Years
Disability Table	Linked to the Tennessee Consolidated Retirement System mortality for disabled lives - 110% of standard IRS disabled mortality table (sex-distinct mortality table per RR 96-7)	Linked to the Tennessee Consolidated Retirement System mortality for disabled lives - 110% of standard IRS disabled mortality table (sex-distinct mortality table per RR 96-7)	N/A
Experience Study	January 1, 2007 to December 31, 2016	January 1, 2007 to December 31, 2016	January 1, 2007 to December 31, 2016

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

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 tables:

County DB Plan:

Asset Class:	Target Allocation	Long-Term Expected Real Arithmetic Return
Large Value	8.00%	6.68%
Large Blend	8.00%	6.68%
Large Growth	8.00%	6.68%
Mid-Cap Value	2.00%	7.89%
Mid-Cap Growth	2.00%	7.89%
Small Value	2.00%	7.89%
Small Growth	2.00%	7.89%
Foreign Large Value	3.00%	6.98%
Foreign Large Blend	3.00%	6.98%
Foreign Large Growth	3.00%	6.98%
Diversified Emerging Markets	2.00%	9.39%
Real Estate	7.00%	5.38%
Options-based	6.00%	3.89%
Market Neutral	6.00%	3.89%
World Bond	8.00%	1.30%
High Yield Bond	3.00%	4.36%
Intermediate-term Bond	6.00%	2.15%
Short-term Bond	12.00%	2.15%
Bank Loan	3.00%	2.15%
Money Market	6.00%	0.81%
Inflation	N/A	2.44%

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

UOPP DB Plan:

Asset Class:	Target Allocation	Long-Term Expected Real Arithmetic Return
Large Value	8.00%	6.68%
Large Blend	8.00%	6.68%
Large Growth	8.00%	6.68%
Mid-Cap Value	4.00%	7.89%
Mid-Cap Growth	4.00%	7.89%
Small Value	5.00%	7.89%
Small Growth	5.00%	7.89%
Foreign Large Value	5.00%	6.98%
Foreign Large Blend	5.00%	6.98%
Foreign Large Growth	5.00%	6.98%
Diversified Emerging Markets	5.00%	9.39%
Real Estate	3.00%	5.38%
Options-based	4.00%	3.89%
Market Neutral	4.00%	3.89%
World Bond	4.00%	1.30%
High Yield Bond	5.00%	4.36%
Intermediate-term Bond	4.00%	2.15%
Short-term Bond	6.00%	2.15%
Bank Loan	6.00%	2.15%
Money Market	2.00%	0.81%

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

Teacher's DB Plan:		Long-Term	Long-Term
Asset Class:	Target	Expected Nominal	Expected Real
<u>Asset Class:</u>	<u>Allocation</u>	<u>Arithmetic Return</u>	<u>Arithmetic Return</u>
Large Value	8.00%	9.12%	6.68%
Large Blend	8.00%	9.12%	6.68%
Large Growth	8.00%	9.12%	6.68%
Mid-Cap Value	4.00%	10.33%	7.89%
Mid-Cap Growth	4.00%	10.33%	7.89%
Small Value	4.00%	10.33%	7.89%
Small Growth	4.00%	10.33%	7.89%
Foreign Large Value	4.00%	9.42%	6.98%
Foreign Large Blend	4.00%	9.42%	6.98%
Foreign Large Growth	4.00%	9.42%	6.98%
Diversified Emerging Markets	3.00%	11.83%	9.39%
Real Estate	5.00%	7.82%	5.38%
Options-based	4.00%	6.33%	3.89%
Market Neutral	4.00%	6.33%	3.89%
World Bond	6.00%	3.74%	1.30%
High Yield Bond	4.00%	6.80%	4.36%
Intermediate-term Bond	6.00%	4.59%	2.15%
Short-term Bond	8.00%	4.59%	2.15%
Bank Loan	4.00%	4.59%	2.15%
Money Market	4.00%	3.25%	0.81%

The assumed inflation rate is 2.44% per annum.

Rates of Return - The annual money-weighted rates of returns on defined benefit pension plan investments, net of investment related expenses, for the year ended June 30, 2018 were as follows:

Defined Benefit Plans:	<u>2018</u>
County DB Plan	8.71%
UOPP DB Plan	8.14%
Teacher's DB Plan	8.55%

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

Discount Rate - The discount rate used to measure the total pension liability for the County and Teacher's DB Plans was 7% and the UOPP Plan was 7.25%. 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.

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, 2018, the County DB Plan's funded ratio was 59.54%. 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 actuarially determined contributions (ADC) and did not enhance benefits, there were no penalties.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

Changes in the Net Pension Liability

The changes in the net pension liability for the plans for the fiscal year ended June 30, 2018 are as follows (dollar amounts in thousands):

	County DB Plan			UOPP DB Plan			Teachers' DB Plan		
	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, 2017	\$ 71,464	\$ 42,744	\$ 28,720	\$ 207,961	\$ 168,792	\$ 39,169	\$ 67,981	\$ 58,784	\$ 9,197
Changes for the Year:									
Service Cost	135	-	135	2,779	-	2,779	-	-	-
Interest	4,756	-	4,756	14,445	-	14,445	4,532	-	4,532
Difference between Expected and Actual Experience	906	-	906	6,769	-	6,769	(690)	-	(690)
Change of Assumptions	452	-	452	(3,184)	-	(3,184)	891	-	891
Contribution - Employer	-	3,044	(3,044)	-	5,330	(5,330)	-	552	(552)
Contribution - Employee	-	90	(90)	-	1,351	(1,351)	-	-	-
Net Investment Income (Loss)	-	3,654	(3,654)	-	13,611	(13,611)	-	4,813	(4,813)
Benefit Payments including Refunds of Employee Contributions	(7,445)	(7,445)	-	(8,916)	(8,916)	-	(6,587)	(6,587)	-
Administrative Expense	-	(219)	219	-	(443)	443	-	(168)	168
Transfers to OPEB Plans for Disability Benefits	-	(28)	28	-	-	-	-	-	-
Net Changes	(1,196)	(904)	(292)	11,893	10,933	960	(1,854)	(1,390)	(464)
Balance at June 30, 2018	\$ 70,268	\$ 41,840	\$ 28,428	\$ 219,854	\$ 179,725	\$ 40,129	\$ 66,127	\$ 57,394	\$ 8,733

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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 7.00% for the County and Teacher's Plans and 7.25% for the UOPP Plan, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate for the County and Teacher's Plans and 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate for the UOPP Plan as of June 30, 2018 :

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County DB Plan Net Pension Liability	\$ 34,187,113	\$ 28,428,381	\$ 23,428,525
Teachers' DB Plan Net Pension Liability	\$ 13,757,844	\$ 8,733,255	\$ 4,311,166

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
UOPP DB Plan Net Pension Liability	\$ 70,914,649	\$ 40,129,482	\$ 14,711,316

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, 2018, the County and the Board recognized pension expense of \$3,353,575, \$8,018,651, and \$1,744,348, for the County, UOPP, and Teacher's Plans, respectively. At June 30, 2018, 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>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 657,650	\$ 477,336	\$ 17,920,880	\$ -	\$ -	\$ -
Changes of assumptions	328,275	-	1,318,420	4,886,133	-	-
Net difference between projected and actual earnings on pension plan investments	-	103,256	-	1,135,959	10,801	-
Total	\$ 985,925	\$ 580,592	\$ 19,239,300	\$ 6,022,092	\$ 10,801	\$ -

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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>
2019	\$ 637,134	\$ 3,425,977	\$ 764,661
2020	286,158	2,036,833	189,387
2021	(354,371)	(132,593)	(764,958)
2022	(163,588)	1,652,036	(178,289)
2023	-	2,029,553	-
Thereafter	-	4,205,402	-
Total	<u>\$ 405,333</u>	<u>\$ 13,217,208</u>	<u>\$ 10,801</u>

Payable to Pension Plans

At June 30, 2018, 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, 2018.

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, 2018

NOTE VI. 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 (Mayor) 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 <http://www.treasury.state.tn.us/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, 2018

NOTE VI. 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 2nd 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, 2017, 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	<u>8</u>
Total	<u><u>12</u></u>

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, 2018, employer contributions made by Knox County were \$130,224 based on a rate of 11.39% 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, 2018

NOTE VI. 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, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Reporting Date	June 30, 2018
Measurement Date	June 30, 2017
Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	2.50%
Salary Increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%.
Investment Rate of Return	7.25%, net of investment expense, including inflation
Discount Rate	7.25% per annum, compounded annually
Cost of Living Adjustments	2.25%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Customized table based on actual experience including projection of mortality improvement using Scale MP-2016 (static projection to 6 years beyond the valuation date).

Mortality rates were based on actual experience from the June 30, 2016 actuarial experience study including an adjustment for some anticipated improvement in life expectancy.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Net Pension Liability (Asset) (Continued)

Change of Assumptions – In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
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 7.25% based on a blending of the factors described above.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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 7.25%. 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, 2016	\$ 2,281,260	\$ 2,081,294	\$ 199,966
Changes for the Year:			
Service Cost	34,497	-	34,497
Interest	170,637	-	170,637
Differences between expected and actual experience	269,763	-	269,763
Changes in Assumptions	91,662	-	91,662
Contributions - Employer	-	121,769	(121,769)
Contributions - Employees	-	56,063	(56,063)
Net Investment Income	-	241,276	(241,276)
Benefit Payments, including refunds of employee contributions	(81,204)	(81,204)	-
Administrative Expense	-	(581)	581
Net Change	485,355	337,323	148,032
Balance at June 30, 2017	\$ 2,766,615	\$ 2,418,617	\$ 347,998

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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 7.25%, 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Knox County Executive And Official's Net Pension Liability (Asset)	<u>\$ 688,983</u>	<u>\$ 347,998</u>	<u>\$ 60,206</u>

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

Pension Expense - For the year ended June 30, 2018, Knox County recognized a pension expense of \$126,267.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2018, Knox County Executive And Officials 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	\$ 223,970	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	2,430
Changes in Assumptions	68,746	-
Contributions Subsequent to the Measurement date of June 30, 2017	130,224	-
Total	<u>\$ 422,940</u>	<u>\$ 2,430</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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, 2017,” 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
2019	\$ 103,413
2020	109,832
2021	93,356
2022	(16,315)

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, 2018, Knox County did not report a payable outstanding. Contributions were paid to the pension plan as required for the year ended June 30, 2018.

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, 2018

NOTE VI. 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 <http://www.treasury.state.tn.us/tcrs/>.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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 2nd 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, 2018 to the Teacher Legacy Pension Plan were \$21,984,186 which is 9.08% of covered payroll. At June 30, 2018, there were 3,713 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.

During FY2018, Knox County Schools remitted the employer and employee contributions for ten month contract employees in June 2018 for the July and August payroll.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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, 2018, Knox County Schools reported an asset of \$ (1,995,550) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability 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, 2017, Knox County Schools' proportion was 6.10%. The proportion measured as of June 30, 2016 was 6.21%.

Pension Expense - For the year ended June 30, 2018, Knox County Schools recognized pension expense of \$415,509.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2018, 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	\$ 1,203,058	\$ 41,198,705
Changes in Assumptions	16,901,137	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	302,919	-
Changes in Proportion of Net Pension Liability (Asset)	1,361,456	894,328
Board's Contributions Subsequent to the Measurement date of June 30, 2017	21,984,186	-
Total	\$ 41,752,756	\$ 42,093,033

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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 \$21,984,186, reported as pension related deferred outflows of resources subsequent to the measurement date of June 30, 2017, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2019. 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>
2019	\$ (13,886,737)
2020	6,528,106
2021	(4,750,360)
2022	(10,215,471)
2023	-

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, 2017 actuarial valuation was determined using the following assumptions applied to all periods included in the measurement:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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, 2018
Measurement Date	June 30, 2017
Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	2.50%
Salary Increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%.
Investment Rate of Return	7.25%, net of investment expense, including inflation
Discount Rate	7.25% per annum, compounded annually
Cost of Living Adjustments	2.25%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Change of Assumptions – In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
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 7.25% based on a blending of the factors described above.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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 7.25%. 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Knox County Schools' Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 179,057,614</u>	<u>\$ (1,995,550)</u>	<u>\$ (151,647,919)</u>

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, 2018, 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, 2018.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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 <http://www.treasury.state.tn.us/tcrs/>.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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 2nd 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, 2018 to the Teacher Retirement Plan were \$2,443,004, which is 4.0% of covered payroll. At June 30, 2018, there were 1,263 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, 2018

NOTE VI. 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 VI - G) 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, 2018, Knox County Schools reported an asset of \$ (1,645,816) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, 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, 2017, Knox County Schools' proportion was 6.24%. The proportion measured as of June 30, 2016 was 6.43%.

Pension Expense – For the year ended June 30, 2018, Knox County Schools recognized pension expense of \$748,278.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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, 2018, 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	\$ 57,680	\$ 123,778
Changes in Assumptions	144,593	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	88,559
Changes in Proportion of Net Pension Liability (Asset)	31,146	-
Board's Contributions Subsequent to the Measurement date of June 30, 2017	2,443,004	-
Total	\$ 2,676,423	\$ 212,337

Knox County School's employer contributions of \$2,443,004 reported as pension related deferred outflows of resources, subsequent to the measurement date of June 30, 2017, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2019. 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
2019	\$ (6,096)
2020	(6,096)
2021	(11,167)
2022	(33,945)
2023	7,814
Thereafter	70,568

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, 2018

NOTE VI. 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Reporting Date	June 30, 2018
Measurement Date	June 30, 2017
Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	2.50%
Salary Increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%.
Investment Rate of Return	7.25%, net of investment expense, including inflation
Discount Rate	7.25% per annum, compounded annually
Cost of Living Adjustments	2.25%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Based on actual experience including an adjustment for some anticipated improvement.

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, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Change of Assumptions – In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
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 7.25% based on a blending of the factors described above.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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 7.25%. 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Knox County Schools' Proportionate Share of the Net Pension Liability (Asset)	\$ 328,360	\$ (1,645,816)	\$ (3,093,906)

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, 2018, 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, 2018.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. 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. Aggregate Pension Plans Note Disclosures

Aggregate pension plan note disclosures for all defined benefit plans as of and for the year ended June 30, 2018 was as follows:

(dollar amounts in thousands)

Defined Benefit Plan	Governmental Activities			
	Net Pension Liability (Asset)	Deferred Outflows	Deferred Inflows	Pension Expense
Primary Government - The County:				
County DB	\$ 28,428	\$ 986	\$ 581	\$ 3,354
UOPP DB	40,129	19,239	6,022	8,019
TCRS - County Executive & Officials	348	423	2	126
	<u>68,905</u>	<u>20,648</u>	<u>6,605</u>	<u>11,499</u>
Component Unit - The Board:				
Teacher's DB	8,733	11	-	1,744
TCRS - Teacher's Legacy	(1,996)	41,753	42,093	416
TCRS - Teacher Retirement	(1,646)	2,676	212	748
	<u>5,091</u>	<u>44,440</u>	<u>42,305</u>	<u>2,908</u>
Totals	<u>\$ 73,996</u>	<u>\$ 65,088</u>	<u>\$ 48,910</u>	<u>\$ 14,407</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

F. Single-Employer 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. The powers of the Knox County Retirement and Pension Board (Pension Board) are governed by the Knox County Charter, Article VII, as amended. The Pension Board can change, or modify, each plan's employer defined contribution rates as defined by the authority granted under the Knox County Charter, Section 7.01(b). 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 employer's ADC for 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 Accumulation 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 loans are reported at amortized cost.

Unless extended by the Pension Board, the participant loan program will cease as of June 30, 2018 and no new loans will be approved after this date.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

F. Single-Employer 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, 2018, there were 4,455 active Plan members. During the year, the County's and Board's employer expense and member contributions amounted to \$9,005,693 and \$9,005,693 respectively. Non-vested forfeitures of \$380,787 were transferred to the County Disability OPEB Plan as an employer contribution as described in Note V-A.

At June 30, 2018, neither the County nor the Board reported a payable for employer contributions or participant contributions.

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 or STAR Plans.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

F. Single-Employer Defined Contribution Plans (Continued)

Voluntary 457 Plan (Continued)

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.

Effective July 1, 2008 the option of contributing to a 457(b) Plan was expanded to those active participants in the closed County Defined Benefit (DB) Plan. The employer match for the closed County DB Plan participants is a maximum of 3% of pay. Closed County 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, 2018, there were 841 active Plan members in the Knox County Voluntary 457(b) Plan. During the year, member contributions amounted to \$2,434,893 and the County and Board made employer contribution of \$1,689,545.

At June 30, 2018, neither the County nor the Board reported a payable for participant contributions.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

F. Single-Employer 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, 2018, the STAR Plan had 293 active members. During the year employees contributed \$557,921 and the employer expensed \$929,866 for the basic 10% contribution and \$185,973 for the 2% supplemental contribution. Non-vested forfeitures of \$255,547 were transferred to the County Disability OPEB Plan as an employer contribution as described in Note V-A.

At June 30, 2018, the County did not report a payable for either employer contributions or participant contributions.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

G. 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 VI-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, 2018 there were 73 active participants. During the year participant contributions amounted to \$265,363.

At June 30, 2018, the Board did not report a payable for any outstanding participant contributions.

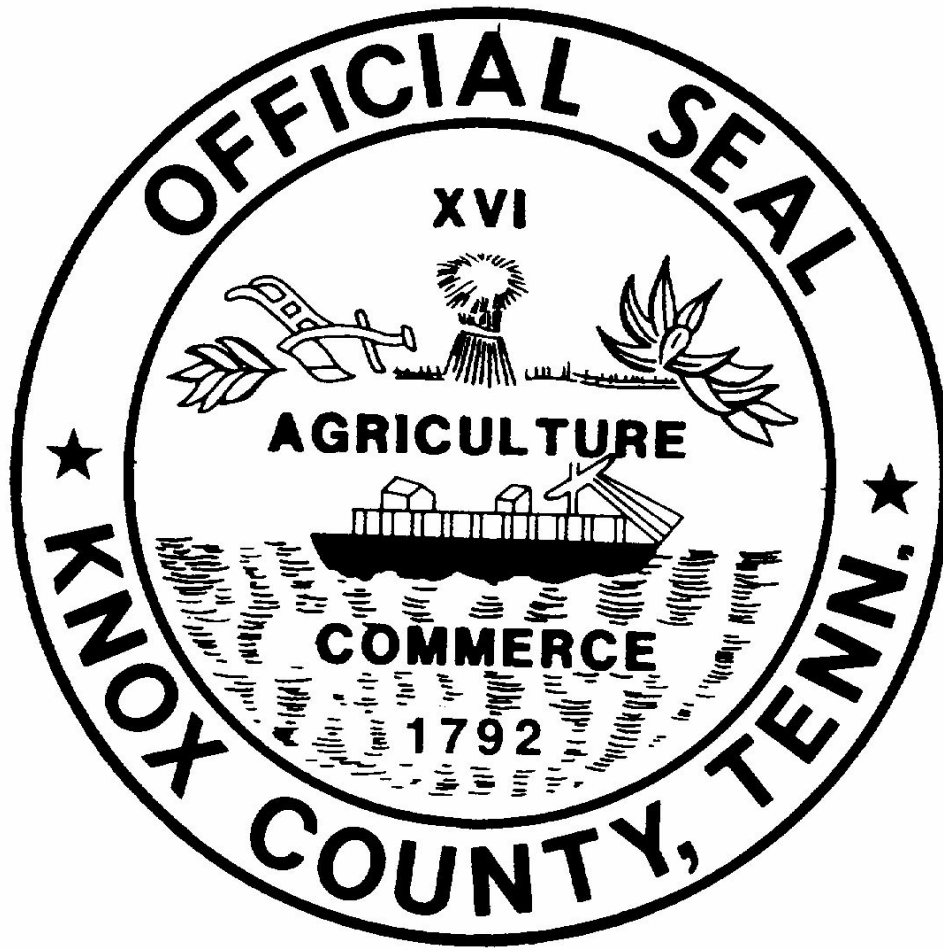
State of Tennessee 401(k) Plan - Teachers Hired After July 1, 2014

The TCRS Teacher Retirement Defined Benefit Plan (see Note VI -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, 2018 there were 1,263 active participants. During the year the Board employer contribution expense and participant contributions amounted to \$2,760,559 and \$945,471, respectively.

At June 30, 2018, the Board did not report a payable for any outstanding employer expense or participant contributions.

Required Supplemental Information Section



KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

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 Four Fiscal Years Ending June 30

(Dollar Amounts in Thousands)

	2018			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	Closed Defined Benefit Plan	UOPP	Teacher's Plan
Single-Employer Defined Benefit Plans												
Total Pension Liability												
Service Cost	\$ 135	\$ 2,779	\$ -	\$ 162	\$ 3,163	\$ -	\$ 176	\$ 3,387	\$ -	\$ 164	\$ 3,605	\$ -
Interest	4,756	14,445	4,532	4,982	13,252	4,719	5,149	12,354	4,906	5,126	11,498	5,073
Differences between Expected and Actual Experience	906	6,769	(690)	(851)	11,652	(775)	(225)	1,812	(937)	447	2,569	(821)
Changes of Assumptions	452	(3,184)	891	-	(2,659)	-	-	1,900	-	2,214	-	-
Benefits Payment, including Refunds of Employee Contributions	(7,445)	(8,916)	(6,587)	(7,539)	(7,089)	(6,633)	(7,425)	(5,723)	(6,655)	(7,817)	(4,757)	(6,617)
Net Change in Total Pension Liability	(1,196)	11,893	(1,854)	(3,246)	18,319	(2,689)	(2,325)	13,730	(2,686)	134	12,915	(2,365)
Total Pension Liability - Beginning of Year *	71,464	207,961	67,981	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)	\$ 70,268	\$ 219,854	\$ 66,127	\$ 71,464	\$ 207,961	\$ 67,981	\$ 74,710	\$ 189,642	\$ 70,670	\$ 77,035	\$ 175,912	\$ 73,356
Plan Fiduciary Net Position												
Contributions - Employer	\$ 3,044	\$ 5,330	\$ 552	\$ 3,119	\$ 4,077	\$ 727	\$ 3,160	\$ 3,553	\$ 832	\$ 2,695	\$ 3,449	\$ 1,134
Contributions - Employees	90	1,351	-	96	1,579	1	94	1,620	4	109	1,654	9
Net Investment Income (Loss)	3,654	13,611	4,813	4,970	19,443	6,814	(419)	(214)	(437)	1,288	3,493	1,733
Other	-	-	-	-	-	-	-	-	-	6	-	-
Benefits Paid, including												
Refunds of Employee Contributions	(7,445)	(8,916)	(6,587)	(7,539)	(7,089)	(6,633)	(7,425)	(5,723)	(6,655)	(7,817)	(4,757)	(6,617)
Administrative Expenses	(219)	(443)	(168)	(187)	(410)	(172)	(229)	(439)	(122)	(355)	(788)	(274)
Transfers to OPEB Plans for Disability Benefits	(28)	-	-	(35)	-	-	(39)	-	-	(45)	-	-
Net Change in Plan Fiduciary Net Position	(904)	10,933	(1,390)	424	17,600	737	(4,858)	(1,203)	(6,378)	(4,119)	3,051	(4,015)
Plan Fiduciary Net Position, Beginning of Year	42,744	168,792	58,784	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)	\$ 41,840	\$ 179,725	\$ 57,394	\$ 42,744	\$ 168,792	\$ 58,784	\$ 42,320	\$ 151,192	\$ 58,047	\$ 47,178	\$ 152,395	\$ 64,425
County's Net Pension Liability - Ending (a)-(b)	\$ 28,428	\$ 40,129	\$ 8,733	\$ 28,720	\$ 39,169	\$ 9,197	\$ 32,390	\$ 38,450	\$ 12,623	\$ 29,857	\$ 23,517	\$ 8,931
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.54%	81.75%	86.79%	59.81%	81.17%	86.47%	56.65%	79.72%	82.13%	61.24%	86.63%	87.82%
Covered Payroll **	\$ 1,585	\$ 23,063	\$ -	\$ 1,672	\$ 24,457	\$ -	\$ 1,953	\$ 27,464	\$ -	\$ 2,038	\$ 29,171	\$ -
County's Net Pension Liability as a Percentage of Covered Payroll	1793.24%	174.00%	N/A	1717.81%	160.16%	N/A	1659.59%	140.00%	N/A	1465.01%	80.62%	N/A

Note: 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.

* 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, 2018

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 Four Fiscal Years Ending June 30

(Dollar Amounts in Thousands)

	2018			2017			2016			2015		
	Closed Defined Benefit Plan	Teacher's UOPP	Teacher's Plan	Closed Defined Benefit Plan	Teacher's UOPP	Teacher's Plan	Closed Defined Benefit Plan	Teacher's UOPP	Teacher's Plan	Closed Defined Benefit Plan	Teacher's UOPP	Teacher's Plan
Single-Employer Defined Benefit Plans												
Actuarially Determined Contribution (ADC)	\$ 2,956	\$ 5,298	\$ 552	\$ 3,119	\$ 4,077	\$ 727	\$ 3,111	\$ 3,547	\$ 832	\$ 2,660	\$ 3,434	\$ 1,134
Contributions in Relation to the Actuarially Determined Contribution	3,044	5,330	552	3,119	4,077	727	3,160	3,553	832	2,695	3,449	1,134
Contribution Deficiency (Excess)	\$ (88)	\$ (32)	\$ -	\$ -	\$ -	\$ -	\$ (49)	\$ (6)	\$ -	\$ (35)	\$ (15)	\$ -
Covered Payroll*	\$ 1,585	\$ 23,063	\$ -	\$ 1,672	\$ 24,457	\$ -	\$ 1,953	\$ 27,469	\$ -	\$ 2,038	\$ 29,171	\$ -
Contributions as a Percentage of Covered Payroll	192.02%	23.11%	N/A	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. Valuation Dates: January 1.

B. 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.

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	15 Years (Closed DB, Teacher's Plan) and 25 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	Active contributing 2.5%, Active not-contributing 3% (Closed DB), 3% UOPP, N/A for Teacher's Plan
Cost of Living Increases	3%, (Closed DB and Teacher's Plan) and 3.25% before 1/1/2018, 3.125% for 2018 (UOPP)
Investment Rate of Return	7%, (Closed DB and Teacher's Plan) and 7% prior to 1/1/2018, 7.25% for 2018 (UOPP), Net of Pension Plan Investment Expense, including inflation (All Plans)
Retirement Age	Closed DB: 65 Years and 5 Years of Service Teacher's: 60 or immediately if older (25 years of service or greater), 62 or immediately if older (less than 25 years of service), N/A for 2017+ as no active participants remain in the plan UOPP: Participants hired after age 40 - age 50 and 25 years of service, Participants hired before age 40 - age 57 and 30 years of credited service
Mortality Table	Closed DB: Experience, Scale AA with 2 year projection, Teacher's: Prior to 1/1/2018 - 1983 Group Annuity Mortality Table for males and females, 1/1/2018 - Linked to the current mortality assumption utilized by the Tennessee Consolidated Retirement System (TCRS), UOPP: Before 1/1/2018 - 1984 Unisex Pension Annuity Mortality Table for males and females, after 1/1/2018 - Linked to the current mortality assumption utilized by TCRS
Disability Table	Closed DB: Linked to the TCRS mortality for disabled lives, UOPP: Before 1/1/2018 - RR 96-7 Post 94, for 2018, linked to the TCRS mortality for disabled lives - 110% of standard IRS disabled mortality table (sex-distinct mortality table per RR 96-7)
Distribution	100% Annuity

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

KNOX COUNTY RETIREMENT AND PENSION BOARD AND SYSTEM
PENSION TRUST FUNDS OF KNOX COUNTY, TENNESSEE
SCHEDULE OF INVESTMENT RETURNS

Last Four Fiscal Years Ending June 30

	2018			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	Closed Defined Benefit Plan	UOPP	Teacher's Plan
Single-Employer Defined Benefit Plans												
Annual Money-Weight Rate of Return (Loss), Net of Investment Expenses	8.71%	8.14%	8.55%	11.98%	12.92%	12.24%	(0.90%)	(0.14%)	(0.70%)	2.59%	2.34%	2.62%

Note: 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, 2018

**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 Four Fiscal Years Ending June 30*

<u>Agent Multiple-Employer Defined Benefit Plan - TCRS</u>	2018*	2017*	2016*	2015*
Total Pension Liability				
Service Cost	\$ 34,497	\$ 45,891	\$ 38,325	\$ 52,980
Interest	170,637	157,436	142,449	134,723
Differences between Expected and Actual Experience	269,763	64,944	91,692	9,345
Change of Assumptions	91,662	-	-	-
Benefits Payment, including Refunds of Employee Contributions	<u>(81,204)</u>	<u>(80,538)</u>	<u>(79,872)</u>	<u>(78,871)</u>
Net Change in Total Pension Liability	485,355	187,733	192,594	118,177
Total Pension Liability - Beginning of Year	<u>2,281,260</u>	<u>2,093,527</u>	<u>1,900,933</u>	<u>1,782,756</u>
Total Pension Liability - End of Year (a)	<u>\$ 2,766,615</u>	<u>\$ 2,281,260</u>	<u>\$ 2,093,527</u>	<u>\$ 1,900,933</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 121,769	\$ 105,298	\$ 102,177	\$ 90,961
Contributions - Employees	56,063	48,435	47,000	42,505
Net Investment Income	241,276	52,836	57,404	256,275
Benefits Paid, including Refunds of Employee Contributions	(81,204)	(80,538)	(79,872)	(78,871)
Administrative Expenses	<u>(581)</u>	<u>(454)</u>	<u>(305)</u>	<u>(313)</u>
Net Change in Plan Fiduciary Net Position	337,323	125,577	126,404	310,557
Plan Fiduciary Net Position, Beginning of Year	<u>2,081,294</u>	<u>1,955,717</u>	<u>1,829,313</u>	<u>1,518,756</u>
Plan Fiduciary Net Position, End of Year (b)	<u>\$ 2,418,617</u>	<u>\$ 2,081,294</u>	<u>\$ 1,955,717</u>	<u>\$ 1,829,313</u>
Net Pension Liability (asset) - Ending (a)-(b)	<u>\$ 347,998</u>	<u>\$ 199,966</u>	<u>\$ 137,810</u>	<u>\$ 71,620</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.42%	91.23%	93.42%	96.23%
Covered Payroll	\$ 1,121,264	\$ 968,701	\$ 939,994	\$ 850,101
Net Pension Liability (asset) as a Percentage of Covered Payroll	31.04%	20.64%	14.66%	8.42%

Notes:

* 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.

Change of Assumptions: In 2018, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

**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 Five Fiscal Years Ending June 30

<u>Agent Multiple-Employer Defined Benefit Plan - TCRS</u>	2018	2017	2016	2015	2014
Actuarially Determined Contribution (ADC)	\$ 130,224	\$ 121,769	\$ 105,298	\$ 102,177	\$ 90,961
Contributions in Relation to the Actuarially Determined Contribution	<u>130,224</u>	<u>121,769</u>	<u>105,298</u>	<u>102,177</u>	<u>90,961</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,143,319	\$ 1,121,264	\$ 968,701	\$ 939,994	\$ 850,101
Contributions as a Percentage of Covered Payroll	11.39%	10.86%	10.87%	10.87%	10.70%

Notes:

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.

Valuation Date: Actuarially determined contribution rates for the year ended June 30, 2018 were based on the results of the June 30, 2016 actuarial valuation. Details below are the methods and assumptions used in the June 30, 2016 actuarial valuation.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Varies by year
Asset Valuation Method	10-year smoothed within a 20% corridor to market value
Inflation	3.0%
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	2.5%

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

SCHEDULE OF KNOX COUNTY SCHOOLS'
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER LEGACY PENSION PLAN OF TCRS

Last Four Fiscal Years Ending June 30*

<u>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
Knox County School's Proportion of the Net Pension Liability (Asset)	6.10%	6.21%	6.26%	6.25%
Knox County School's Proportionate Share of the Net Pension Liability (Asset)	\$ (1,995,550)	\$ 38,804,134	\$ 2,564,810	\$ (1,016,013)
Knox County School's Covered Payroll	\$ 216,664,053	\$ 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	(0.92%)	17.31%	1.09%	(0.41%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.14%	97.14%	99.81%	100.08%

Notes:

* 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, 2018

SCHEDULE OF KNOX COUNTY SCHOOLS' EMPLOYER CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN OF TCRS

Last Five Fiscal Years Ending June 30

<u>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</u>	2018 (B)	2017	2016	2015	2014
Contractually Required Contribution	\$ 21,984,186	\$ 19,490,507	\$ 20,262,260	\$ 21,188,757	\$ 21,792,648
Contributions in Relation to the Contractually Required Contribution	<u>21,984,186</u>	<u>19,490,507</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>	<u>\$ -</u>
Knox County School's Covered Payroll	\$ 242,116,434	\$ 216,664,053	\$ 224,140,267	\$ 234,393,501	\$245,412,706
Contributions as a Percentage of Knox County School's Covered Payroll	9.08%	9.00%	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:

(A) Valuation Date: Actuarially determined contribution rates for the year ended June 30, 2018 were calculated based on the June 30, 2016 valuation.

(B) During FY 2018, Knox County Schools remitted the employer contributions for ten month contract employees in June 2018 for the July and August 2018 payroll.

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	3.0%
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	2.5%

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

**SCHEDULE OF KNOX COUNTY SCHOOLS'
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN OF TCRS**

Last Three Fiscal Year Ending June 30*

<u>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>
Knox County School's Proportion of the Net Pension Liability (Asset)	6.24%	6.43%	6.97%
Knox County School's Proportionate Share of the Net Pension Liability (Asset)	\$ (1,645,866)	\$ (668,960)	\$ (280,487)
Knox County School's Covered Payroll	\$ 39,855,536	\$ 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	(4.13%)	(2.37)%	(1.94)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	126.81%	121.88%	127.46%

Notes:

* 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.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

SCHEDULE OF KNOX COUNTY SCHOOLS' EMPLOYER CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS

Last Four Fiscal Years Ending June 30

<u>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</u>	<u>2018 (B)</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Contractually Required Contribution	\$ 2,443,004	\$ 1,637,711	\$ 707,767	\$ 362,156
Contributions in Relation to the Contractually Required Contribution	<u>2,443,004</u>	<u>1,637,711</u>	<u>1,130,975</u>	<u>579,452</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (423,208)</u>	<u>\$ (217,296)</u>
Knox County School's Covered Payroll	\$ 61,075,221	\$ 39,885,536	\$ 28,274,452	\$ 14,486,226
Contributions as a Percentage of Knox County School's Covered Payroll	4.00%	4.11%	4.00%	4.00%

* 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.

Notes:

(A) Valuation Date: Actuarially determined contribution rates for the year ended June 30, 2018 were calculated based on the June 30, 2016 valuation.

(B) During FY 2018, Knox County Schools remitted the employer contributions for ten month contract employees in June 2018 for the July and August 2018 payroll.

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	3.0%
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	2.5%

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

OPEB - RETIREE HEALTHCARE PLAN
SCHEDULE OF CHANGES IN THE COUNTY'S NET OPEB LIABILITY AND RELATED RATIOS

Current Fiscal Year

(Dollar Amounts in Thousands)

<u>OPEB - Retiree Healthcare Plan</u>	<u>2018 (A)</u>
Total OPEB Liability	
Service Cost	\$ 394
Interest	615
Differences between Expected and Actual Experience	77
Changes of Assumptions	923
Benefits Payment, including Refunds of Employee Contributions	<u>(359)</u>
Net Change in Total OPEB Liability	1,650
Total OPEB Liability - Beginning of Year	<u>8,571</u>
Total OPEB Liability - End of Year (a)	<u><u>\$ 10,221</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 850
Contributions - Employer Subsidy	89
Contributions - Employer Implicit Subsidy	270
Benefit Payments	(359)
Net Investment Income	106
Administrative Expense	<u>(49)</u>
Net Change in Plan Fiduciary Net Position	907
Plan Fiduciary Net Position, Beginning of Year*	<u>1,272</u>
Plan Fiduciary Net Position, End of Year (b)	<u><u>\$ 2,179</u></u>
County's Net OPEB Liability - Ending (a) - (b)	<u><u>\$ 8,042</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	21.32%
Covered Employee Payroll **	\$ 101,900
County's Net OPEB Liability as a Percentage of Covered Employee Payroll	7.89%

Notes:

(A) FY2018 was the first year that GASB 75 was adopted. Additional years will be added in the future until 10 years of information is available.

* For FY2018, the beginning value shown is July 1, 2017.

** For FY2018, the covered employee payroll is for the 12 month period ended June 30, 2018.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

OPEB - RETIREE HEALTHCARE PLAN
SCHEDULE OF COUNTY'S OPEB CONTRIBUTIONS

Current Fiscal Year

(Dollar Amounts in Thousands)

<u>OPEB - Retiree Healthcare Plan</u>	<u>2018 (A)</u>
Actuarially Determined Contribution (ADC)	\$ 874
Contributions in Relation to the Actuarially Determined Contribution	<u>1,209</u>
Contribution Deficiency (Excess)	<u>\$ (335)</u>
Covered Employee Payroll*	\$ 101,900
Contributions as a Percentage of Covered Employee Payroll	1.19%

NOTES:

* For FY2018, the covered employee payroll is for the 12 month period ended June 30, 2018.

(A) FY2018 was the first year that GASB 75 was adopted. Additional years will be added in the future until 10 years of information is available.

Valuation Date: January 1, 2017

Measurement Date: June 30, 2018

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	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	30 Years
Asset Valuation	Market Value
Inflation	2.5%
Healthcare Trend Rates	8.0% initially, decreasing to an ultimate rate of 4.5% in 2024
Salary Increases	3.5%
Payroll Growth	2.5%
Investment Rate of Return	7.0%
Average Assumed Retirement Age	61
Mortality Table	RP 2000 Fully Generational with Scale BB

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

**OPEB - RETIREE HEALTHCARE PLAN
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN**

Current Fiscal Year

	<u>2018</u>
Annual Money-Weighted Rate of Return (Loss), Net of Investment Expenses	<u>4.27%</u>

Note:

(A) FY 2018 was the first year that GASB 75 was adopted. Additional years will be added in the future until 10 years of information is available.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

OPEB - DISABILITY PLAN
SCHEDULE OF CHANGES IN THE COUNTY'S NET OPEB LIABILITY AND RELATED RATIOS

Current Fiscal Year

(Dollar Amounts in Thousands)

<u>OPEB - Disability Plan</u>	<u>2018 (A)</u>
Total OPEB Liability	
Service Cost	\$ 315
Interest	209
Differences between Expected and Actual Experience	1,053
Changes of Assumptions	(618)
Benefits Payment, including Refunds of Employee Contributions	(247)
	712
Net Change in Total OPEB Liability	712
Total OPEB Liability - Beginning of Year	2,790
Total OPEB Liability - End of Year (a)	\$ 3,502
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,166
Net Investment Income	165
Other	(13)
Benefit Payments	(247)
Administrative Expense	(1,351)
	(280)
Net Change in Plan Fiduciary Net Position	(280)
Plan Fiduciary Net Position, Beginning of Year*	1,271
Plan Fiduciary Net Position, End of Year (b)	\$ 991
County's Net OPEB Liability - Ending (a) - (b)	\$ 2,511
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	28.30%
Covered Employee Payroll **	\$ 170,264
County's Net OPEB Liability as a Percentage of Covered Employee Payroll	1.47%

Notes:

(A) FY2018 was the first year that GASB 75 was adopted. Additional years will be added in the future until 10 years of information is available.

* For FY2018, the beginning value shown is July 1, 2017.

** For FY2018, the covered employee payroll is for the 12 month period ended June 30, 2018.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

OPEB - DISABILITY PLAN
SCHEDULE OF COUNTY'S OPEB CONTRIBUTIONS

Current Fiscal Year

(Dollar Amounts in Thousands)

<u>OPEB - Disability Plan</u>	2018 (A)
Actuarially Determined Contribution (ADC)	\$ 453
Contributions in Relation to the Actuarially Determined Contribution	1,166
Contribution Deficiency (Excess)	\$ (713)
Covered Employee Payroll*	\$ 170,264
Contributions as a Percentage of Covered Employee Payroll	0.69%

Notes:

* For FY2018, the covered employee payroll is for the 12 month period ended June 30, 2018.

(A) FY2018 was the first year that GASB 75 was adopted. Additional years will be added in the future until 10 years of information is available.

Valuation Date: January 1, 2018

Measurement Date: June 30, 2018

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
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	16 Years
Asset Valuation Method	5-year smoothed, subject to a 20% corridor around the market value of assets
Inflation	2.44%
Salary	3.0% of UOPP, STAR, Asset Accumulation and Closed DB active non-contributing, 2.5% for Closed DB active contributing
Cost of Living Increase	None
Investment Rate of Return	7.0%
Retirement Age	Closed DB Plan - Age 65 with 5 years of credited service Asset Accumulation - Age 65 with 5 years of credited service UOPP - Age 50 with 25 years of credited service STAR - Age 57 with 10 years of credited service
Disabled Mortality	Linked to the TCRS mortality for disabled lives - 110% of standard IRS disabled mortality table (sex-distinct mortality table per RR 96-7)
Disabled Type	Closed DB - Not in Line of Duty Asset Accumulation - Not in Line of Duty UOPP - In Line of Duty STAR - In Line of Duty

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

OPEB - DISABILITY PLAN
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN

Current Fiscal Year

	<u>2018</u>
Annual Money-Weighted Rate of Return (Loss),	
Net of Investment Expenses	<u>11.89%</u>

Note:

(A) FY 2018 was the first year that GASB 75 was adopted. Additional years will be added in the future until 10 years of information is available.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

OPEB - CLOSED TEACHER GROUP INSURANCE PLAN
SCHEDULE OF CHANGES IN THE BOARD'S PROPORTIONATE SHARE OF COLLECTIVE
OPEB LIABILITY AND RELATED RATIOS

Current Fiscal Year

(Dollar Amounts in Thousands)

	2018
Total OPEB Liability	
Service Cost	\$ 3,172
Interest	1,538
Changes of Assumptions	(2,376)
Benefit Payments	(3,078)
Net Change in Total OPEB Liability	(744)
Total OPEB Liability - Beginning	51,052
Total OPEB Liability - Ending	\$ 50,308
Nonemployer Contributing Entities Proportionate Share of the Collective Total OPEB Liability	\$ 17,348
Employer's Proportionate Share of the Collective Total OPEB Liability	\$ 32,960
Covered Employee Payroll	\$ 216,664
Employer's Proportionate Share of Collective Total OPEB Liability as a Percentage of Covered Employee Payroll	15.21%

Notes:

- (A) There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan.
- (B) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
- (C) Additional years will be added in the future until 10 years of information is available.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2018

OPEB - CLOSED TENNESSEE PLAN
SCHEDULE OF CHANGES IN THE BOARD'S PROPORTIONATE SHARE OF COLLECTIVE
OPEB LIABILITY AND RELATED RATIOS

Current Fiscal Year

(Dollar Amounts in Thousands)

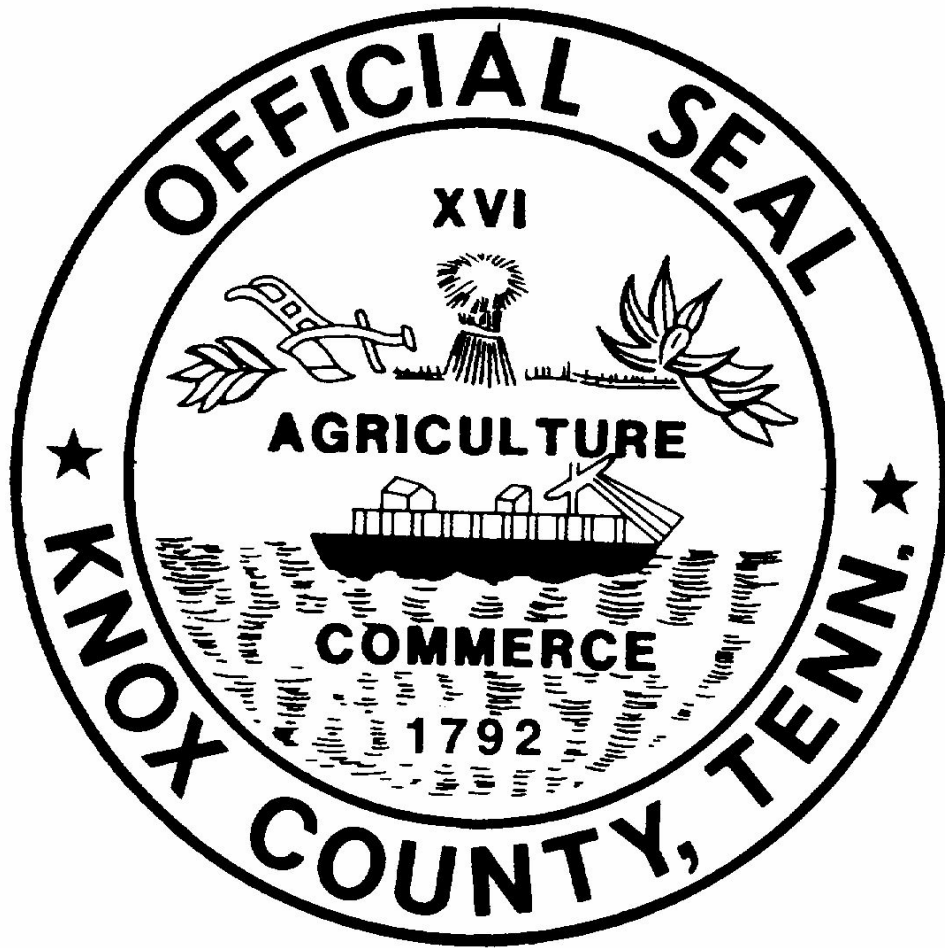
Closed Tennessee OPEB Plan

	2018
Total OPEB Liability	
Service Cost	\$ 354
Interest	448
Changes of Assumptions	(1,338)
Benefit Payments	(500)
Net Change in Total OPEB Liability	(1,036)
Total OPEB Liability - Beginning	15,238
Total OPEB Liability - Ending	\$ 14,202
Nonemployer Contributing Entities Proportionate Share of the Collective Total OPEB Liability	\$ 14,202
Employer's Proportionate Share of the Collective Total OPEB Liability	\$ -
Covered Employee Payroll	\$ 216,664
Employer's Proportionate Share of Collective Total OPEB Liability as a Percentage of Covered Employee Payroll	0.00%

Notes:

- (A) There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan.
- (B) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
- (C) Additional years will be added in the future until 10 years of information is available.

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 20,531,115	\$ 5,065,823
Investments, at Fair Value	37,290,064	51,620,411
Receivables (Net of Allowances for Uncollectibles):		
Accounts	10,266,383	20,022,630
Local Taxes	119,020,111	117,485,325
Notes	615,000	756,000
Due from Other Funds	12,115,145	1,523,982
Inventories	240,531	274,746
Prepaid Items	123,519	197,220
Investments in Joint Venture	5,563,041	5,156,838
TOTAL ASSETS	<u><u>\$ 205,764,909</u></u>	<u><u>\$ 202,102,975</u></u>
LIABILITIES		
Accounts Payable	\$ 4,290,129	\$ 5,284,714
Accrued Liabilities	2,387,480	2,367,977
Due to Other Funds	-	1,901,216
Due to Component Units	-	91,042
Unearned Revenue	103,607	98,180
TOTAL LIABILITIES	<u>6,781,216</u>	<u>9,743,129</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes and Notes Receivable	<u>118,921,512</u>	<u>117,534,812</u>
FUND BALANCES		
Nonspendable	5,927,091	5,628,804
Restricted	2,417,264	2,381,149
Committed	4,874,481	2,525,359
Assigned	921,525	387,963
Unassigned	65,921,820	63,901,759
TOTAL FUND BALANCES	<u>80,062,181</u>	<u>74,825,034</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u><u>\$ 205,764,909</u></u>	<u><u>\$ 202,102,975</u></u>

KNOX COUNTY, TENNESSEE

**General Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the Years Ended June 30, 2018 and 2017**

	2018	2017
Revenues		
County Property Taxes	\$ 122,979,983	\$ 119,970,100
Local Option Sales Taxes	6,646,573	4,891,714
Business Taxes	9,681,404	9,535,521
Wheel Taxes	556,116	549,149
Other Local Taxes	2,777,092	2,942,891
Licenses and Permits	5,220,162	4,893,377
Fines, Forfeitures and Penalties	2,155,077	2,399,222
Charges for Current Services	7,692,955	7,674,607
Other Local Revenues	4,842,366	5,119,448
State of Tennessee	13,916,623	13,198,822
Federal Government	1,089,621	1,122,518
Other Governments and Citizen Groups	514,993	262,564
Increase in Equity Interest in Joint Venture	406,204	-
Total Revenues	178,479,169	172,559,933
Expenditures		
Current:		
General Government:		
Finance and Administration	24,864,270	25,015,483
Finance and Administration - Payments to Component Unit	5,253,874	5,603,874
Administration of Justice	18,758,678	17,799,016
Public Safety	83,187,863	80,687,333
Public Safety - Payments to Component Unit	1,191,595	856,322
Public Health and Welfare	22,147,234	22,286,567
Public Health and Welfare - Payments to Component Unit	166,628	166,628
Social and Cultural Services	5,218,606	5,106,677
Agricultural and Natural Resources	520,063	518,339
Other General Government	13,999,478	15,149,789
Other General Government - Payments to Component Unit	700,000	665,000
Decrease in Equity Interest in Joint Venture	-	180,513
Total Expenditures	176,008,289	174,035,541
Deficiency of Revenues		
Under Expenditures	2,470,880	(1,475,608)
Other Financing Sources (Uses)		
Transfers from Other Funds	12,022,068	10,900,778
Transfers to Other Funds	(9,255,801)	(6,882,078)
Total Other Financing Sources	2,766,267	4,018,700
Net Change in Fund Balances	5,237,147	2,543,092
Fund Balances, July 1	74,825,034	72,281,942
Fund Balances, June 30	\$ 80,062,181	\$ 74,825,034

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 956,082
Investments, at Fair Value	-	9,742,414
Receivables (Net of Allowances for Uncollectibles):		
Accounts	1,450,104	100
Loans	200,000	250,000
Due from Other Funds	-	10,818
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,650,104</u>	<u>\$ 10,959,414</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 4,712,027	\$ 4,736,711
Due to Other Funds	10,185,444	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>14,897,471</u>	<u>4,736,711</u>
 Fund Balances (Deficit):		
Restricted	-	5,972,703
Committed	-	250,000
Unassigned (Deficit)	(13,247,367)	-
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>(13,247,367)</u>	<u>6,222,703</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,650,104</u>	<u>\$ 10,959,414</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Other Local Revenues	\$ 832,396	\$ 354,105
State of Tennessee	3,731,743	1,110,113
Other Governments and Citizen Groups	593,012	-
Total Revenues	<u>5,157,151</u>	<u>1,464,218</u>
Expenditures		
Capital Projects	23,645,303	29,114,026
Debt Proceeds Paid to Component Unit	2,000,000	70,750,000
Debt Issuance Costs	-	481,587
Other	37,317	11,100
Total Expenditures	<u>25,682,620</u>	<u>100,356,713</u>
Deficiency of Revenues Under Expenditures	<u>(20,525,469)</u>	<u>(98,892,495)</u>
Other Financing Sources (Uses)		
Long-term Bonds Issued	-	90,265,000
Premium on Long-term Debt Issued	-	8,436,587
Transfers from Other Funds	1,379,883	437,752
Transfers to Other Funds	(324,484)	(1,609)
Total Other Financing Sources (Uses)	<u>1,055,399</u>	<u>99,137,730</u>
Net Change in Fund Balances	(19,470,070)	245,235
Fund Balances, July 1	<u>6,222,703</u>	<u>5,977,468</u>
Fund Balances (Deficit), June 30	<u>\$ (13,247,367)</u>	<u>\$ 6,222,703</u>

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Schedule of Construction Project Expenditures-
Budget And Actual**

For the Year Ended June 30, 2018

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Bridge Replacement	\$ 8,181,782	\$ 6,300,237	\$ 1,342,988	\$ 7,643,225	\$ 538,557
Parkside Drive Extension	15,709,266	15,425,493	235,827	15,661,320	47,946
Karns Connector	5,736,718	2,116,996	3,523,375	5,640,371	96,347
Outlet Mall Drive/Snyder Road Connect	11,079	-	-	-	11,079
General Road Improvements	1,665,773	718,361	353,084	1,071,445	594,328
State Road Projects	9,562,000	5,691,133	3,067,037	8,758,170	803,830
Gibbs Middle School - New Road/Drives	2,458,444	675,704	1,763,521	2,439,225	19,219
Hardin Valley Middle School - New Road/Drive	1,336,276	847,913	82,037	929,950	406,326
Schaeffer Road Relocation	2,007,853	492,346	1,574,187	2,066,533	(58,680)
General Culvert Maintenance	569,884	362,043	7,470	369,513	200,371
West Beaver Creek Relocation	1,167,600	-	-	-	1,167,600
Schaad Road Phase II	22,048,163	1,393,568	488,643	1,882,211	20,165,952
Buttermilk Road Realignment	50,000	-	3,250	3,250	46,750
Brickyard w/Beaver Creek	100,000	-	19,270	19,270	80,730
Andersonville/Hill/McCloud	100,000	-	27,399	27,399	72,601
Hardin Valley Transportation	100,000	-	-	-	100,000
Westland/Emory Church	100,000	-	212	212	99,788
TDOT Partnerships	1,066,200	-	37,358	37,358	1,028,842
Campbell Station Road Improvement	300,000	-	25,400	25,400	274,600
Chapman Highway Triangle	260,000	-	19,069	19,069	240,931
<i>Total Road Construction</i>	<i>72,531,038</i>	<i>34,023,794</i>	<i>12,570,127</i>	<i>46,593,921</i>	<i>25,937,117</i>
<i>Building Renovations:</i>					
Juvenile Court/ Detention	14,768,828	14,646,176	122,652	14,768,828	-
Knox Central	2,814,548	2,717,544	21,745	2,739,289	75,259
Fairview Technical Center	170,500	56,107	17,431	73,538	96,962
AJ/ Dwight Kessel Garage	3,139,371	1,960,165	139,192	2,099,357	1,040,014
City/County Improvement	15,409,954	14,696,954	713,000	15,409,954	-
Knox County Health Renovations	11,743,466	11,464,627	101,599	11,566,226	177,240
Old Courthouse Renovation	4,083,040	3,254,743	444,192	3,698,935	384,105
Jail Improvements	1,161,550	1,054,647	144,058	1,198,705	(37,155)
ADA Improvements	1,420,000	1,013,480	78,798	1,092,278	327,722
Family Justice Center	248,700	174,059	17,689	191,748	56,952
E-911 Center	834,855	254,670	2,349	257,019	577,836
<i>Total Building Renovations</i>	<i>55,794,812</i>	<i>51,293,172</i>	<i>1,802,705</i>	<i>53,095,877</i>	<i>2,698,935</i>
<i>Building Construction:</i>					
Lawson McGhee Library	1,593,175	1,383,939	208,869	1,592,808	367
Carter Branch Library	40,000	31,225	-	31,225	8,775
Senior Centers	101,800	76,681	26,104	102,785	(985)
Safety Center (See Note on page 163)	1,000,000	-	324,484	324,484	675,516
Karns Senior Center	1,500,000	1,433,516	-	1,433,516	66,484
<i>Total Building Construction:</i>	<i>4,234,975</i>	<i>2,925,361</i>	<i>559,457</i>	<i>3,484,818</i>	<i>750,157</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, 2018

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Other:</i>					
BMX	\$ 800,000	\$ -	\$ 130,241	\$ 130,241	\$ 669,759
McBee Ferry Park	50,000	-	50,000	50,000	-
Knox-Blount Greenway-Phase I	456,148	13,195	58,545	71,740	384,408
Halls Park - School Link Phase II	394,294	333,791	60,503	394,294	-
Plumb Creek Dog Park	100,000	-	100,000	100,000	-
Park Facility Improvement	1,288,194	901,617	287,175	1,188,792	99,402
Carter Park Improvements	43,389	-	43,389	43,389	-
Major Equipment - Three Ridges	80,000	35,000	44,876	79,876	124
Technology Upgrade - Libraries	1,250,000	599,987	62,067	662,054	587,946
Criminal Court Imaging System	400,000	284,021	55,555	339,576	60,424
PBA Project Management	5,215,740	4,683,724	282,955	4,966,679	249,061
Public Defender	87,000	34,227	42,074	76,301	10,699
Forensic Center Major Upgrade	20,000	15,300	-	15,300	4,700
Telecom Upgrades - VOIP	150,000	-	150,000	150,000	-
Energy Management Project - County	16,176,571	14,004,728	-	14,004,728	2,171,843
Energy Management Project - Phase II	10,514,141	10,374,942	58,795	10,433,737	80,404
Major Equipment - Engineering & Public Works	2,049,203	1,244,602	483,258	1,727,860	321,343
Major Equipment - Information Technology	783,838	362,421	300,711	663,132	120,706
Major Equipment - Sheriff's Department	7,285,867	4,065,373	1,856,682	5,922,055	1,363,812
Major Equipment - Parks & Recreation	593,645	316,683	202,097	518,780	74,865
Major Equipment - Fire Prevention	81,385	53,000	26,893	79,893	1,492
Major Equipment - Public Library	375,620	223,961	151,646	375,607	13
Major Equipment - Codes Administration	132,000	68,278	43,400	111,678	20,322
Major Equipment - Solid Waste	203,850	28,390	175,460	203,850	-
Major Equipment - Circuit Court	136,044	79,804	22,171	101,975	34,069
Major Equipment - Juvenile Court	121,000	30,032	77,106	107,138	13,862
Major Equipment - Criminal Court	158,000	78,821	16,195	95,016	62,984
Major Equipment - Medical Examiner	96,000	58,698	32,918	91,616	4,384
Major Equipment - John Tarleton	500,000	502,298	3,022	505,320	(5,320)
Major Equipment - County Clerk	25,000	-	18,947	18,947	6,053
General Sessions Office Renovation	95,000	-	-	-	95,000
Div. Court Jury & Restroom Renovation	164,000	-	5,124	5,124	158,876
Stormwater Management	15,112,720	13,761,710	900,315	14,662,025	450,695
Geometric Improvements	3,981,173	3,072,335	230,828	3,303,163	678,010
County Sidewalk	1,800,900	1,225,146	317,774	1,542,920	257,980
ADA Transition Plan	1,100,000	-	951,100	951,100	148,900
Info Tech Equipment	1,244,305	1,158,783	-	1,158,783	85,522
Safety Projects	605,665	105,466	480,718	586,184	19,481
Plumb Creek	431,610	41,855	341,279	383,134	48,476
Facility Improvements	881,541	681,541	122,958	804,499	77,042
Carter Conv. Center Expansion	1,175,000	-	591,735	591,735	583,265
Major Equipment - Election Comm.	265,598	78,970	-	78,970	186,628
Major Equipment - Juvenile Service Ctr.	57,000	16,328	5,409	21,737	35,263
Major Equipment - Health Dept.	94,250	37,500	57,745	95,245	(995)
Major Equipment - Animal Center	400,000	367,996	72,044	440,040	(40,040)
I.C. King Park Expansion	1,332,000	725,100	40,517	765,617	566,383
Public Access to Beaver Creek	50,000	-	-	-	50,000
Interagency Partnerships	150,000	-	16,340	16,340	133,660
I.C. King Park Turn Land	333,800	-	66,931	66,931	266,869
Total Other	78,841,491	59,665,623	9,037,498	68,703,121	10,138,370
Total Capital Projects	\$ 211,402,316	\$ 147,907,950	\$ 23,969,787	\$ 171,877,737	\$ 39,524,579

Note: The amount expended from the Safety Center project was effected by a transfer to the related General Grants account. This amount is reported as an interfund transfer in the Public Improvement Fund. Therefore, the amount of capital expenditures in the Public Improvement Fund totals \$23,645,303 (\$23,969,787 less the transfer of \$324,484.)

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 6,513,613	\$ 955,339
Investments, at Fair Value	5,743,884	9,734,839
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	57,510,854	56,740,161
Notes	1,455,000	1,455,000
Accounts	190,540	20,000
Advance to Other Entity	2,445,000	2,445,000
TOTAL ASSETS	<u>\$ 73,858,891</u>	<u>\$ 71,350,339</u>
LIABILITIES		
Accounts Payable	\$ 8,228	\$ 6,259
TOTAL LIABILITIES	<u>8,228</u>	<u>6,259</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes and Notes Receivable	<u>57,159,758</u>	<u>56,427,204</u>
FUND BALANCES		
Restricted	1,221,151	260,242
Committed	15,469,754	14,656,634
TOTAL FUND BALANCES	<u>16,690,905</u>	<u>14,916,876</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 73,858,891</u>	<u>\$ 71,350,339</u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Property Taxes	\$ 54,109,537	\$ 52,794,221
Other Local Revenues	3,584,765	2,476,499
Payments from Component Units	<u>13,774,686</u>	<u>12,870,448</u>
Total Revenues	<u>71,468,988</u>	<u>68,141,168</u>
Expenditures		
Debt Service:		
Trustee's Commission	1,116,096	1,080,628
Principal	42,929,342	43,456,544
Interest	24,358,994	21,369,057
Other Debt Service	1,361,330	1,517,275
Payments to Component Units	-	9,968,536
Refunding Bonds Issuance Costs	<u>391,348</u>	<u>-</u>
Total Expenditures	<u>70,157,110</u>	<u>77,392,040</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,311,878</u>	<u>(9,250,872)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	195,803	196,788
Transfers to Other Funds	(125,000)	(300,000)
Refunding Bonds Issued	57,780,000	-
Premium on Refunding Bonds	3,980,220	-
Payment to Holders of Refunded Debt	<u>(61,368,872)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>462,151</u>	<u>(103,212)</u>
Net Change in Fund Balances	1,774,029	(9,354,084)
Fund Balances, July 1	<u>14,916,876</u>	<u>24,270,960</u>
Fund Balances, June 30	<u>\$ 16,690,905</u>	<u>\$ 14,916,876</u>

KNOX COUNTY, TENNESSEE

**Debt Service Fund (Major)
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual
For the Years Ended June 30, 2018 and 2017**

	2018				2017		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Property Taxes	\$ 54,329,000	\$ 54,329,000	\$ 54,109,537	\$ (219,463)	\$ 53,038,000	\$ 52,794,221	\$ (243,779)
Other Local Revenues	2,271,393	2,396,393	3,584,765	1,188,372	2,280,942	2,476,499	195,557
Payments from Component Units	13,774,686	13,774,686	13,774,686	-	12,865,715	12,870,448	4,733
Total Revenues	70,375,079	70,500,079	71,468,988	968,909	68,184,657	68,141,168	(43,489)
Expenditures							
Debt Service:							
Trustee's Commission	1,100,000	1,100,000	1,116,096	(16,096)	1,100,000	1,080,628	19,372
Principal	43,948,044	43,948,044	42,929,342	1,018,702	43,456,544	43,456,544	-
Interest	28,451,956	28,451,956	24,358,994	4,092,962	27,943,456	21,369,057	6,574,399
Other Debt Service	2,000,000	2,000,000	1,361,330	638,670	2,000,000	1,517,275	482,725
Payments to Component Units	-	-	-	-	9,968,536	9,968,536	-
Refunding Bonds Issuance Costs	-	391,348	391,348	-	-	-	-
Total Expenditures	75,500,000	75,891,348	70,157,110	5,734,238	84,468,536	77,392,040	7,076,496
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,124,921)	(5,391,269)	1,311,878	6,703,147	(16,283,879)	(9,250,872)	7,033,007
Other Financing Sources (Uses)							
Transfers from Other Funds	195,803	195,803	195,803	-	195,179	196,788	1,609
Transfers to Other Funds	-	(125,000)	(125,000)	-	-	(300,000)	(300,000)
Refunding Bonds Issued	-	57,780,000	57,780,000	-	-	-	-
Premium on Refunding Bonds	-	3,980,220	3,980,220	-	-	-	-
Payment to Holders of Refunded Debt	-	(61,368,872)	(61,368,872)	-	-	-	-
Total Other Financing Sources (Uses)	195,803	462,151	462,151	-	195,179	(103,212)	(298,391)
Net Change in Fund Balances	(4,929,118)	(4,929,118)	1,774,029	6,703,147	(16,088,700)	(9,354,084)	6,734,616
Fund Balances, July 1	14,916,876	14,916,876	14,916,876	-	24,270,960	24,270,960	-
Fund Balances, June 30	\$ 9,987,758	\$ 9,987,758	\$ 16,690,905	\$ 6,703,147	\$ 8,182,260	\$ 14,916,876	\$ 6,734,616

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.

KNOX COUNTY, TENNESSEE

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2018

	Constitutional Officers	Federal, State And Other Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total Nonmajor Special Revenue Funds
ASSETS									
Cash and Cash Equivalents	\$ 6,984,947	\$ -	\$ 17,684	\$ 1,338,314	\$ 1,205,613	\$ 2,004,083	\$ 2,965,324	\$ 2,910,051	\$ 17,426,016
Receivables (Net of Allowance for Uncollectibles):									
Accounts	-	3,697,398	32,202	1,048,500	178,137	1,584,276	7,695	2,581,695	9,129,903
Notes	-	939,743	-	-	-	-	-	-	939,743
Inventories	-	70,629	-	-	-	-	-	-	70,629
Prepaid Items	-	10,891	-	11,899	-	-	-	-	22,790
TOTAL ASSETS	\$ 6,984,947	\$ 4,718,661	\$ 49,886	\$ 2,398,713	\$ 1,383,750	\$ 3,588,359	\$ 2,973,019	\$ 5,491,746	\$ 27,589,081
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts Payable	\$ -	\$ 284,428	\$ 5,237	\$ 31,050	\$ 25,732	\$ 2,008,217	\$ 4,749	\$ 1,016,921	\$ 3,376,334
Accrued Liabilities	-	173,189	589	187,196	34,261	-	-	152,454	547,689
Due to Other Funds	1,802,788	79,753	-	-	-	-	-	-	1,882,541
Unearned Revenue	-	1,936,673	-	-	-	-	-	-	1,936,673
TOTAL LIABILITIES	1,802,788	2,474,043	5,826	218,246	59,993	2,008,217	4,749	1,169,375	7,743,237
Fund Balances:									
Nonspendable	-	81,520	-	11,899	-	-	-	-	93,419
Restricted	-	2,163,098	-	-	-	1,580,142	2,968,270	-	6,711,510
Committed	-	-	44,060	2,168,568	1,323,757	-	-	4,322,371	7,858,756
Assigned	5,182,159	-	-	-	-	-	-	-	5,182,159
TOTAL FUND BALANCES	5,182,159	2,244,618	44,060	2,180,467	1,323,757	1,580,142	2,968,270	4,322,371	19,845,844
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,984,947	\$ 4,718,661	\$ 49,886	\$ 2,398,713	\$ 1,383,750	\$ 3,588,359	\$ 2,973,019	\$ 5,491,746	\$ 27,589,081

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018**

	Constitutional Officers	Federal, State And Other Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total Nonmajor Special Revenue Funds
Revenues									
Local Option Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,500,000	\$ -	\$ -	\$ 6,094,302	\$ 8,594,302
Lodging Taxes	-	-	-	-	-	8,294,714	-	-	8,294,714
Wheel Taxes	-	-	-	11,504,043	-	-	-	-	11,504,043
Other Local Taxes	-	-	59,586	-	-	-	-	2,025,512	2,085,098
Fines, Forfeitures and Penalties	-	44,190	-	-	1,514	-	1,069,585	21,250	1,136,539
Charges for Current Services	27,128,980	863,389	3,445	313,901	-	-	-	-	28,309,715
Other Local Revenues	19,672	380,934	160	165,476	660,380	-	56,681	132,800	1,416,103
State of Tennessee	-	5,639,736	-	45,500	496,496	-	-	6,500,728	12,682,460
Federal Government	-	8,151,280	-	6,400	-	-	50,054	-	8,207,734
Other Governments and Citizen Groups	-	590,772	30,000	19,410	-	-	-	-	640,182
Total Revenues	27,148,652	15,670,301	93,191	12,054,730	3,658,390	8,294,714	1,176,320	14,774,592	82,870,890
Expenditures									
Current:									
Finance and Administration	8,340,061	-	-	-	-	-	-	-	8,340,061
Administration of Justice	7,137,112	3,480,278	112,686	-	-	-	-	-	10,730,076
Public Safety	-	1,297,393	-	-	-	-	1,056,574	-	2,353,967
Public Health and Welfare	-	9,429,996	-	-	4,436,246	-	-	-	13,866,242
Social and Cultural Services	-	331,784	-	13,418,991	-	-	-	-	13,750,775
Other General Government	-	1,721,076	-	-	-	8,102,631	-	-	9,823,707
Engineering and Public Works	-	622,206	-	-	-	-	-	15,852,035	16,474,241
Total Expenditures	15,477,173	16,882,733	112,686	13,418,991	4,436,246	8,102,631	1,056,574	15,852,035	75,339,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,671,479	(1,212,432)	(19,495)	(1,364,261)	(777,856)	192,083	119,746	(1,077,443)	7,531,821
Other Financing Sources (Uses)									
Transfers from Other Funds	-	1,152,861	20,000	1,650,000	800,000	-	-	2,125,000	5,747,861
Transfers to Other Funds	(12,022,068)	-	-	-	-	-	-	(570,883)	(12,592,951)
Total Other Financing Sources (Uses)	(12,022,068)	1,152,861	20,000	1,650,000	800,000	-	-	1,554,117	(6,845,090)
Net Change in Fund Balances	(350,589)	(59,571)	505	285,739	22,144	192,083	119,746	476,674	686,731
Fund Balances, July 1	5,532,748	2,304,189	43,555	1,894,728	1,301,613	1,388,059	2,848,524	3,845,697	19,159,113
Fund Balances, June 30	\$ 5,182,159	\$ 2,244,618	\$ 44,060	\$ 2,180,467	\$ 1,323,757	\$ 1,580,142	\$ 2,968,270	\$ 4,322,371	\$ 19,845,844

KNOX COUNTY, TENNESSEE

Constitutional Officers' Special Revenue Fund

Combining Balance Sheets

June 30, 2018

(With Comparative Totals for June 30, 2017)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2018	2017
ASSETS								
Cash and Cash Equivalents	\$ 744,524	\$ 1,513,683	\$ 413,756	\$ 3,128,521	\$ 618,257	\$ 566,206	\$ 6,984,947	\$ 6,359,560
TOTAL ASSETS	\$ 744,524	\$ 1,513,683	\$ 413,756	\$ 3,128,521	\$ 618,257	\$ 566,206	\$ 6,984,947	\$ 6,359,560
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to Other Funds	\$ 885,508	\$ 139,674	\$ -	\$ 500,000	\$ -	\$ 277,606	\$ 1,802,788	\$ 826,812
TOTAL LIABILITIES	885,508	139,674	-	500,000	-	277,606	1,802,788	826,812
Fund Balances (Deficit):								
Assigned (Deficit)	(140,984)	1,374,009	413,756	2,628,521	618,257	288,600	5,182,159	5,532,748
TOTAL LIABILITIES AND FUND BALANCES	\$ 744,524	\$ 1,513,683	\$ 413,756	\$ 3,128,521	\$ 618,257	\$ 566,206	\$ 6,984,947	\$ 6,359,560

KNOX COUNTY, TENNESSEE

Constitutional Officers' Special Revenue Fund
Combining Schedule of Revenues, Expenditures
And Changes in Fund Balances
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2018	2017
Revenues								
Charges for Services	\$ 9,695,980	\$ 6,070,635	\$ 1,553,092	\$ 5,512,595	\$ 1,549,370	\$ 2,747,308	\$ 27,128,980	\$ 26,806,878
Investment Revenue	2,089	9,218	-	-	353	8,012	19,672	18,049
Total Revenues	9,698,069	6,079,853	1,553,092	5,512,595	1,549,723	2,755,320	27,148,652	26,824,927
Expenditures								
Current:								
Salaries - County Officials	163,726	125,829	89,577	138,412	138,413	115,229	771,186	751,962
Salaries - Staff	1,618,559	2,866,989	1,022,368	3,255,499	695,945	1,167,726	10,627,086	11,212,366
Employee Benefits and Payroll Taxes	535,791	1,091,422	343,420	1,111,087	276,694	424,049	3,782,463	4,019,961
Travel	-	8,400	5,220	8,400	-	8,077	30,097	22,543
Other	6,834	51,776	-	50,780	1,297	155,654	266,341	225,615
Total Expenditures	2,324,910	4,144,416	1,460,585	4,564,178	1,112,349	1,870,735	15,477,173	16,232,447
Excess of Revenues Over Expenditures	7,373,159	1,935,437	92,507	948,417	437,374	884,585	11,671,479	10,592,480
Other Financing Uses								
Transfers to Other Funds	(7,801,783)	(1,861,988)	-	(1,200,000)	(273,277)	(885,020)	(12,022,068)	(10,859,358)
Net Change in Fund Balances	(428,624)	73,449	92,507	(251,583)	164,097	(435)	(350,589)	(266,878)
Fund Balances, July 1	287,640	1,300,560	321,249	2,880,104	454,160	289,035	5,532,748	5,799,626
Fund Balances (Deficit), June 30	\$ (140,984)	\$ 1,374,009	\$ 413,756	\$ 2,628,521	\$ 618,257	\$ 288,600	\$ 5,182,159	\$ 5,532,748

KNOX COUNTY, TENNESSEE

**Federal, State and Other Grants Fund
Comparative Balance Sheets**

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Accounts	\$ 3,697,398	\$ 3,242,095
Notes	939,743	1,398,429
Due from Other Funds	-	544,640
Inventories	70,629	67,095
Prepaid Items	10,891	12,518
TOTAL ASSETS	<u>\$ 4,718,661</u>	<u>\$ 5,264,777</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 284,428	\$ 181,868
Accrued Liabilities	173,189	164,440
Due to Other Funds	79,753	481,798
Unearned Revenue	1,936,673	2,132,482
TOTAL LIABILITIES	<u>2,474,043</u>	<u>2,960,588</u>
 Fund Balances:		
Nonspendable	81,520	79,613
Restricted	2,163,098	2,224,576
TOTAL FUND BALANCES	<u>2,244,618</u>	<u>2,304,189</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,718,661</u>	<u>\$ 5,264,777</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 44,190	\$ 150
Charges for Current Services	863,389	528,777
Other Local Revenues	380,934	338,369
State of Tennessee	5,639,736	3,385,430
Federal Government	8,151,280	8,193,627
Other Governmental and Citizen Groups	<u>590,772</u>	<u>277,093</u>
Total Revenues	<u>15,670,301</u>	<u>12,723,446</u>
Expenditures		
Current:		
General Government:		
Administration of Justice	3,480,278	548,333
Public Safety	1,297,393	1,386,997
Public Health and Welfare	9,429,996	8,972,848
Social and Cultural Services	331,784	480,658
Other General Government	1,721,076	1,588,743
Engineering and Public Works	<u>622,206</u>	<u>18,955</u>
Total Expenditures	<u>16,882,733</u>	<u>12,996,534</u>
Deficiency of Revenues		
Under Expenditures	<u>(1,212,432)</u>	<u>(273,088)</u>
Other Financing Sources		
Transfers from Other Funds	<u>1,152,861</u>	<u>408,060</u>
Net Change in Fund Balances	(59,571)	134,972
Fund Balances, July 1	<u>2,304,189</u>	<u>2,169,217</u>
Fund Balances, June 30	<u>\$ 2,244,618</u>	<u>\$ 2,304,189</u>

KNOX COUNTY, TENNESSEE

**Federal, State and Other Grants Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual
For the Years Ended June 30, 2018 and 2017**

	2018				2017		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 160,000	\$ 388,046	\$ 394,683	\$ 6,637	\$ 345,893	\$ 347,628	\$ 1,735
Other Local Revenues	-	135,374	68,532	(66,842)	66,891	66,831	(60)
Federal Government	-	905,273	349,433	(555,840)	550,239	481,640	(68,599)
Total Revenues	160,000	1,428,693	812,648	(616,045)	963,023	896,099	(66,924)
Expenditures							
Current:							
General Government:							
Personal Services	-	1,349,012	685,145	663,867	855,300	662,365	192,935
Employee Benefits	-	406,541	252,130	154,411	303,900	246,788	57,112
Contracted Services	145,334	525,011	151,800	373,211	311,898	176,686	135,212
Supplies and Materials	-	101,922	65,657	36,265	181,298	63,953	117,345
Other Charges	14,666	150,040	83,198	66,842	81,557	81,497	60
Capital Outlay	-	99,992	-	99,992	49,970	-	49,970
Total Expenditures	160,000	2,632,518	1,237,930	1,394,588	1,783,923	1,231,289	552,634
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,203,825)	(425,282)	778,543	(820,900)	(335,190)	485,710
Other Financing Sources							
Transfers from Other Funds	-	36,300	400,000	363,700	132,462	300,000	167,538
Net Change in Fund Balances	-	(1,167,525)	(25,282)	1,142,243	(688,438)	(35,190)	653,248
Fund Balances, July 1	124,305	124,305	124,305	-	159,495	159,495	-
Fund Balances, June 30	<u>\$ 124,305</u>	<u>\$ (1,043,220)</u>	<u>\$ 99,023</u>	<u>\$ 1,142,243</u>	<u>\$ (528,943)</u>	<u>\$ 124,305</u>	<u>\$ 653,248</u>
Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):							
Fund Balances (Budget Basis)			\$ 99,023			\$ 124,305	
Entity Difference:							
Unbudgeted Funds			2,145,595			2,179,884	
Fund Balances (GAAP Basis)			<u>\$ 2,244,618</u>			<u>\$ 2,304,189</u>	

KNOX COUNTY, TENNESSEE

**Governmental Library Fund
Comparative Balance Sheets**

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 17,684	\$ 17,043
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>32,202</u>	<u>32,258</u>
TOTAL ASSETS	<u>\$ 49,886</u>	<u>\$ 49,301</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 5,237	\$ 5,249
Accrued Liabilities	<u>589</u>	<u>497</u>
TOTAL LIABILITIES	<u>5,826</u>	<u>5,746</u>
Fund Balances:		
Committed	<u>44,060</u>	<u>43,555</u>
TOTAL FUND BALANCES	<u>44,060</u>	<u>43,555</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 49,886</u>	<u>\$ 49,301</u>

KNOX COUNTY, TENNESSEE

Governmental Library Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the Years Ended June 30, 2018 and 2017

	2018	2017
	<u> </u>	<u> </u>
Revenues		
Litigation Tax	\$ 59,586	\$ 61,657
Charges for Current Services	3,445	4,630
Other Local Revenues	160	201
Other Governments and Citizens Groups	<u>30,000</u>	<u>30,000</u>
Total Revenues	<u>93,191</u>	<u>96,488</u>
Expenditures		
Current:		
General Government:		
Administration of Justice	<u>112,686</u>	<u>101,829</u>
Deficiency of Revenues Under Expenditures	<u>(19,495)</u>	<u>(5,341)</u>
Other Financing Sources		
Transfers from Other Funds	<u>20,000</u>	<u>-</u>
Net Change in Fund Balances	505	(5,341)
Fund Balances, July 1	<u>43,555</u>	<u>48,896</u>
Fund Balances, June 30	<u>\$ 44,060</u>	<u>\$ 43,555</u>

KNOX COUNTY, TENNESSEE

**Governmental Library Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget and Actual
For the Years Ended June 30, 2018 and 2017**

	2018				2017			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Litigation Tax	\$ 57,800	\$ 57,800	\$ 59,586	\$ 1,786	\$ 59,800	\$ 61,657	\$ 1,857	
Charges for Current Services	4,750	4,750	3,445	(1,305)	4,750	4,630	(120)	
Other Local Revenues	342	342	160	(182)	450	201	(249)	
Other Governments and Citizens Groups	30,000	30,000	30,000	-	30,000	30,000	-	
Total Revenues	92,892	92,892	93,191	299	95,000	96,488	1,488	
Expenditures								
Current:								
General Government:								
Administration of Justice:								
Personal Services	23,180	26,240	26,236	4	25,271	22,812	2,459	
Employee Benefits	3,162	3,582	3,581	1	3,112	3,111	1	
Contracted Services	8,650	6,770	6,762	8	8,759	6,220	2,539	
Supplies and Materials	71,000	74,135	74,133	2	71,000	67,720	3,280	
Other Charges	1,900	2,165	1,974	191	1,967	1,966	1	
Total Expenditures	107,892	112,892	112,686	206	110,109	101,829	8,280	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,000)	(20,000)	(19,495)	505	(15,109)	(5,341)	9,768	
Other Financing Sources								
Transfers from Other Funds	15,000	20,000	20,000	-	15,000	-	(15,000)	
Net Change in Fund Balances	-	-	505	505	(109)	(5,341)	(5,232)	
Fund Balances, July 1	43,555	43,555	43,555	-	48,896	48,896	-	
Over Expenditures								
Fund Balances, June 30	\$ 43,555	\$ 43,555	\$ 44,060	\$ 505	\$ 48,787	\$ 43,555	\$ (5,232)	

KNOX COUNTY, TENNESSEE

Public Library Fund
Comparative Balance Sheets
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,338,314	\$ 997,236
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	1,048,500	1,096,013
Prepaid Items	<u>11,899</u>	<u>12,392</u>
TOTAL ASSETS	<u><u>\$ 2,398,713</u></u>	<u><u>\$ 2,105,641</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 31,050	\$ 32,545
Accrued Liabilities	187,196	177,332
Due to Other Funds	<u>-</u>	<u>1,036</u>
TOTAL LIABILITIES	<u>218,246</u>	<u>210,913</u>
Fund Balances:		
Nonspendable	11,899	12,392
Committed	<u>2,168,568</u>	<u>1,882,336</u>
TOTAL FUND BALANCES	<u>2,180,467</u>	<u>1,894,728</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,398,713</u></u>	<u><u>\$ 2,105,641</u></u>

KNOX COUNTY, TENNESSEE

Public Library Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Wheel Taxes	\$ 11,504,043	\$ 11,359,939
Charges for Current Services	313,901	327,960
Other Local Revenues	165,476	166,231
State of Tennessee	45,500	45,500
Federal Government	6,400	6,400
Other Governments and Citizens Groups	19,410	23,112
	<hr/>	<hr/>
Total Revenues	12,054,730	11,929,142
	<hr/>	<hr/>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	13,418,991	13,472,566
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(1,364,261)	(1,543,424)
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers from Other Funds	1,650,000	1,750,000
	<hr/>	<hr/>
Total Other Financing Sources	1,650,000	1,750,000
	<hr/>	<hr/>
Net Change in Fund Balances	285,739	206,576
Fund Balances, July 1	1,894,728	1,688,152
	<hr/>	<hr/>
Fund Balances, June 30	\$ 2,180,467	\$ 1,894,728
	<hr/> <hr/>	<hr/> <hr/>

KNOX COUNTY, TENNESSEE

**Public Library Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual
For the Years Ended June 30, 2018 and 2017**

	2018				2017		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Wheel Taxes	\$ 11,040,000	\$ 11,040,000	\$ 11,504,043	\$ 464,043	\$ 11,000,000	\$ 11,359,939	\$ 359,939
Charges for Current Services	310,000	310,000	313,901	3,901	310,000	327,960	17,960
Other Local Revenues	152,000	152,000	165,476	13,476	165,574	166,231	657
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	-	-	19,410	19,410	-	23,112	23,112
Total Revenues	11,553,900	11,553,900	12,054,730	500,830	11,527,474	11,929,142	401,668
Expenditures							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	7,134,088	7,125,988	7,095,835	30,153	7,033,975	7,010,421	23,554
Employee Benefits	2,272,825	2,272,425	2,260,439	11,986	2,265,937	2,265,937	-
Contracted Services	1,287,990	1,295,490	1,083,950	211,540	1,356,234	1,301,219	55,015
Supplies and Materials	1,907,600	1,982,046	1,900,730	81,316	1,944,220	1,883,084	61,136
Other Charges	906,614	909,840	909,419	421	933,155	931,695	1,460
Capital Outlay	-	168,750	168,618	132	80,210	80,210	-
Total Expenditures	13,509,117	13,754,539	13,418,991	335,548	13,613,731	13,472,566	141,165
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,955,217)	(2,200,639)	(1,364,261)	836,378	(2,086,257)	(1,543,424)	542,833
Other Financing Sources (Uses)							
Transfers from Other Funds	1,850,000	1,850,000	1,650,000	(200,000)	1,750,000	1,750,000	-
Net Change in Fund Balances	(105,217)	(350,639)	285,739	636,378	(336,257)	206,576	542,833
Fund Balances, July 1	1,894,728	1,894,728	1,894,728	-	1,688,152	1,688,152	-
Fund Balances, June 30	\$ 1,789,511	\$ 1,544,089	\$ 2,180,467	\$ 636,378	\$ 1,351,895	\$ 1,894,728	\$ 542,833

KNOX COUNTY, TENNESSEE

**Solid Waste Fund
Comparative Balance Sheets
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,205,613	\$ 597,813
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	178,137	183,228
Due from Other Funds	<u>-</u>	<u>650,000</u>
TOTAL ASSETS	<u><u>\$ 1,383,750</u></u>	<u><u>\$ 1,431,041</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 25,732	\$ 97,128
Accrued Liabilities	34,261	24,064
Due to Other Funds	<u>-</u>	<u>8,236</u>
TOTAL LIABILITIES	<u><u>59,993</u></u>	<u><u>129,428</u></u>
 Fund Balances:		
Committed	<u>1,323,757</u>	<u>1,301,613</u>
TOTAL FUND BALANCES	<u><u>1,323,757</u></u>	<u><u>1,301,613</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,383,750</u></u>	<u><u>\$ 1,431,041</u></u>

KNOX COUNTY, TENNESSEE

Solid Waste Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Local Option Sales Taxes	\$ 2,500,000	\$ 2,500,000
Fines, Forfeitures, and Penalties	1,514	19,423
Other Local Revenues	660,380	591,741
State of Tennessee	<u>496,496</u>	<u>503,230</u>
Total Revenues	<u>3,658,390</u>	<u>3,614,394</u>
Expenditures		
Current:		
General Government:		
Public Health and Welfare	<u>4,436,246</u>	<u>4,247,143</u>
Deficiency of Revenues Under Expenditures	<u>(777,856)</u>	<u>(632,749)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	<u>800,000</u>	<u>650,000</u>
Total Other Financing Sources	<u>800,000</u>	<u>650,000</u>
Net Change in Fund Balances	22,144	17,251
Fund Balances, July 1	<u>1,301,613</u>	<u>1,284,362</u>
Fund Balances, June 30	<u>\$ 1,323,757</u>	<u>\$ 1,301,613</u>

KNOX COUNTY, TENNESSEE

**Solid Waste Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual
For the Years Ended June 30, 2018 and 2017**

	2018				2017		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
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	1,514	(53,486)	55,000	19,423	(35,577)
Other Local Revenues	350,000	350,000	660,380	310,380	382,428	591,741	209,313
State of Tennessee	474,563	474,563	496,496	21,933	474,563	503,230	28,667
Total Revenues	3,379,563	3,379,563	3,658,390	278,827	3,411,991	3,614,394	202,403
Expenditures							
Current:							
Public Health and Welfare:							
Other Public Health and Welfare:							
Personal Services	832,042	918,800	918,796	4	872,409	868,374	4,035
Employee Benefits	345,304	354,311	354,300	11	338,810	338,810	-
Contracted Services	2,545,356	2,713,194	2,713,082	112	2,647,776	2,647,776	-
Supplies and Materials	66,105	94,510	94,090	420	54,167	54,167	-
Other Charges	285,940	292,260	292,030	230	289,877	289,021	856
Litter and Trash Collection:							
Personal Services	42,421	36,391	36,391	-	30,115	30,115	-
Employee Benefits	5,854	4,415	4,415	-	4,158	4,158	-
Contracted Services	31,250	5,203	5,203	-	6,283	6,283	-
Supplies and Materials	12,500	17,940	17,939	1	8,439	8,439	-
Total Expenditures	4,166,772	4,437,024	4,436,246	778	4,252,034	4,247,143	4,891
Excess (Deficiency) of Revenues Over (Under) Expenditures	(787,209)	(1,057,461)	(777,856)	279,605	(840,043)	(632,749)	207,294
Other Financing Sources (Uses)							
Transfers from Other Funds	675,000	910,250	800,000	(110,250)	725,000	650,000	(75,000)
Total Other Financing Sources (Uses)	675,000	910,250	800,000	(110,250)	725,000	650,000	(75,000)
Net Change in Fund Balances	(112,209)	(147,211)	22,144	169,355	(115,043)	17,251	132,294
Fund Balances, July 1	1,301,613	1,301,613	1,301,613	-	1,284,362	1,284,362	-
Fund Balances, June 30	\$ 1,189,404	\$ 1,154,402	\$ 1,323,757	\$ 169,355	\$ 1,169,319	\$ 1,301,613	\$ 132,294

KNOX COUNTY, TENNESSEE

**Hotel/Motel Tax Fund
Comparative Balance Sheets
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,004,083	\$ 1,904,278
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	1,584,276	1,427,506
Prepaid Items	<u>-</u>	<u>12,500</u>
TOTAL ASSETS	<u><u>\$ 3,588,359</u></u>	<u><u>\$ 3,344,284</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	<u>\$ 2,008,217</u>	<u>\$ 1,956,225</u>
TOTAL LIABILITIES	<u>2,008,217</u>	<u>1,956,225</u>
 Fund Balances:		
Nonspendable	-	12,500
Restricted	<u>1,580,142</u>	<u>1,375,559</u>
TOTAL FUND BALANCES	<u>1,580,142</u>	<u>1,388,059</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,588,359</u></u>	<u><u>\$ 3,344,284</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Lodging Taxes	\$ 8,294,714	\$ 7,993,966
Expenditures		
Current:		
General Government:		
Other General Government	8,102,631	7,993,411
Excess of Revenues Over Expenditures	192,083	555
Other Financing Uses		
Transfers to Other Funds	-	(600,000)
Net Change in Fund Balances	192,083	(599,445)
Fund Balances, July 1	1,388,059	1,987,504
Fund Balances, June 30	<u>\$ 1,580,142</u>	<u>\$ 1,388,059</u>

KNOX COUNTY, TENNESSEE

**Hotel/Motel Tax Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget and Actual
For the Years Ended June 30, 2018 and 2017**

	2018				2017		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Lodging Taxes	\$ 8,000,000	\$ 8,000,000	\$ 8,294,714	\$ 294,714	\$ 7,974,692	\$ 7,993,966	\$ 19,274
Expenditures							
Current:							
General Government:							
Other General Government:	7,400,000	8,175,690	8,102,631	73,059	8,553,121	7,993,411	559,710
Excess of Revenues Over Expenditures	600,000	(175,690)	192,083	367,773	(578,429)	555	578,984
Other Financing Uses							
Transfers to Other Funds	(600,000)	(474,310)	-	474,310	(600,000)	(600,000)	-
Net Change in Fund Balances	-	(650,000)	192,083	842,083	(1,178,429)	(599,445)	578,984
Fund Balances, July 1	1,388,059	1,388,059	1,388,059	-	1,987,504	1,987,504	-
Fund Balances, June 30	\$ 1,388,059	\$ 738,059	\$ 1,580,142	\$ 842,083	\$ 809,075	\$ 1,388,059	\$ 578,984

KNOX COUNTY, TENNESSEE

Drug Control Fund
Comparative Balance Sheets
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,965,324	\$ 2,838,990
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>7,695</u>	<u>9,534</u>
TOTAL ASSETS	<u><u>\$ 2,973,019</u></u>	<u><u>\$ 2,848,524</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	<u>\$ 4,749</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>4,749</u>	<u>-</u>
 Fund Balances:		
Restricted	<u>2,968,270</u>	<u>2,848,524</u>
TOTAL FUND BALANCES	<u>2,968,270</u>	<u>2,848,524</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,973,019</u></u>	<u><u>\$ 2,848,524</u></u>

KNOX COUNTY, TENNESSEE

Drug Control Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 1,069,585	\$ 1,023,886
Other Local Revenues	56,681	74,270
Federal Government	<u>50,054</u>	<u>56,174</u>
Total Revenues	<u>1,176,320</u>	<u>1,154,330</u>
Expenditures		
Current:		
General Government:		
Public Safety	<u>1,056,574</u>	<u>719,030</u>
Total Expenditures	<u>1,056,574</u>	<u>719,030</u>
Net Change in Fund Balance	119,746	435,300
Fund Balances, July 1	<u>2,848,524</u>	<u>2,413,224</u>
Fund Balances, June 30	<u><u>\$ 2,968,270</u></u>	<u><u>\$ 2,848,524</u></u>

KNOX COUNTY, TENNESSEE

**Drug Control Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual
For the Years Ended June 30, 2018 and 2017**

	2018				2017		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Fines, Forfeitures, and Penalties	\$ 649,500	\$ 649,500	\$ 1,069,585	\$ 420,085	\$ 649,500	\$ 1,023,886	\$ 374,386
Other Local Revenues	128,000	128,000	56,681	(71,319)	120,000	74,270	(45,730)
Federal Government	-	-	50,054	50,054	-	56,174	56,174
Total Revenues	777,500	777,500	1,176,320	398,820	769,500	1,154,330	384,830
Expenditures							
Current:							
General Government:							
Public Safety:							
Contracted Services	271,000	345,270	223,010	122,260	423,514	316,258	107,256
Supplies and Materials	231,500	231,500	140,131	91,369	228,030	72,084	155,946
Other Charges	15,000	15,000	20,264	(5,264)	15,000	20,009	(5,009)
Capital Outlay	260,000	260,000	673,169	(413,169)	260,000	310,679	(50,679)
Total Expenditures	777,500	851,770	1,056,574	(204,804)	926,544	719,030	207,514
Net Change in Fund Balance	-	(74,270)	119,746	194,016	(157,044)	435,300	592,344
Fund Balances, July 1	2,848,524	2,848,524	2,848,524	-	2,413,224	2,413,224	-
Fund Balances, June 30	\$ 2,848,524	\$ 2,774,254	\$ 2,968,270	\$ 194,016	\$ 2,256,180	\$ 2,848,524	\$ 592,344

KNOX COUNTY, TENNESSEE

Engineering & Public Works Fund

Comparative Balance Sheets

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,910,051	\$ 2,435,018
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	2,581,695	2,350,833
Prepaid Items	<u>-</u>	<u>20</u>
TOTAL ASSETS	<u><u>\$ 5,491,746</u></u>	<u><u>\$ 4,785,871</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 1,016,921	\$ 243,678
Accrued Liabilities	152,454	139,143
Due to Other Funds	<u>-</u>	<u>557,353</u>
TOTAL LIABILITIES	<u>1,169,375</u>	<u>940,174</u>
 Fund Balances:		
Nonspendable	-	20
Committed	<u>4,322,371</u>	<u>3,845,677</u>
TOTAL FUND BALANCES	<u>4,322,371</u>	<u>3,845,697</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 5,491,746</u></u>	<u><u>\$ 4,785,871</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Local Option Sales Taxes	\$ 6,094,302	\$ 5,369,811
Other Local Taxes	2,025,512	2,027,809
Fines, Forfeitures, and Penalties	21,250	13,150
Other Local Revenues	132,800	460,400
State of Tennessee	<u>6,500,728</u>	<u>5,404,380</u>
Total Revenues	<u>14,774,592</u>	<u>13,275,550</u>
Expenditures		
Current:		
Engineering & Public Works	<u>15,852,035</u>	<u>14,806,709</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,077,443)	(1,531,159)
Other Financing Uses:		
Transfers from Other Funds	2,125,000	2,026,217
Transfers to Other Funds	<u>(570,883)</u>	<u>(537,752)</u>
Total Other Financing Sources (Uses)	<u>1,554,117</u>	<u>1,488,465</u>
Net Change in Fund Balances	476,674	(42,694)
Fund Balances, July 1	<u>3,845,697</u>	<u>3,888,391</u>
Fund Balances, June 30	<u><u>\$ 4,322,371</u></u>	<u><u>\$ 3,845,697</u></u>

KNOX COUNTY, TENNESSEE

**Engineering & Public Works Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual
For the Years Ended June 30, 2018 and 2017**

	2018				2017			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Local Option Sales Taxes	\$ 5,230,946	\$ 5,580,946	\$ 6,094,302	\$ 513,356	\$ 5,230,946	\$ 5,369,811	\$ 138,865	
Other Local Taxes	2,050,000	2,050,000	2,025,512	(24,488)	2,030,000	2,027,809	(2,191)	
Fines, Forfeitures and Penalties	6,000	6,000	21,250	15,250	5,000	13,150	8,150	
Other Local Revenues	35,000	35,000	132,800	97,800	35,000	460,400	425,400	
State of Tennessee	5,461,000	6,069,865	6,500,728	430,863	5,386,000	5,404,380	18,380	
Total Revenues	12,782,946	13,741,811	14,774,592	1,032,781	12,686,946	13,275,550	588,604	
Expenditures								
Current:								
Engineering & Public Works:								
Administration:								
Personal Services	1,856,056	1,859,988	1,859,980	8	1,730,085	1,730,085	-	
Employee Benefits	601,647	580,388	580,387	1	563,068	563,068	-	
Contracted Services	82,370	142,418	142,414	4	100,262	100,262	-	
Supplies and Materials	50,050	51,364	51,363	1	42,687	42,687	-	
Other Charges	285,825	308,430	308,249	181	282,403	282,403	-	
Highways and Bridge Maintenance:								
Personal Services	2,970,166	3,191,173	3,191,171	2	3,009,843	3,009,843	-	
Employee Benefits	1,239,293	1,299,303	1,299,303	-	1,222,082	1,222,082	-	
Contracted Services	1,077,700	1,203,782	1,177,717	26,065	1,166,669	1,116,779	49,890	
Supplies and Materials	5,131,750	5,659,476	5,497,576	161,900	4,618,157	4,618,157	-	
Other Charges	538,250	538,585	538,585	-	515,732	515,732	-	
Capital Outlay	-	-	-	-	722	722	-	
Various Highway:								
Personal Services	489,148	493,233	493,233	-	483,373	483,373	-	
Employee Benefits	193,335	189,468	189,468	-	184,456	184,456	-	
Contracted Services	181,664	236,491	233,722	2,769	206,282	198,737	7,545	
Supplies and Materials	100,950	821,643	136,052	685,591	698,030	482,001	216,029	
Other Charges	79,687	79,687	79,687	-	79,226	79,226	-	
Capital Outlay	-	73,128	73,128	-	177,096	177,096	-	
Total Expenditures	14,877,891	16,728,557	15,852,035	876,522	15,080,173	14,806,709	273,464	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,094,945)	(2,986,746)	(1,077,443)	1,909,303	(2,393,227)	(1,531,159)	862,068	
Other Financing Sources (Uses)								
Transfer From Other Funds	2,600,000	2,600,000	2,125,000	(475,000)	2,026,217	2,026,217	-	
Transfer To Other Funds	(675,000)	(570,885)	(570,883)	2	(588,086)	(537,752)	50,334	
Total Other Financing Sources (Uses)	1,925,000	2,029,115	1,554,117	(474,998)	1,438,131	1,488,465	50,334	
Net Change in Fund Balances	(169,945)	(957,631)	476,674	1,434,305	(955,096)	(42,694)	912,402	
Fund Balances, July 1	3,845,697	3,845,697	3,845,697	-	3,888,391	3,888,391	-	
Fund Balances, June 30	\$ 3,675,752	\$ 2,888,066	\$ 4,322,371	\$ 1,434,305	\$ 2,933,295	\$ 3,845,697	\$ 912,402	

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Accounts Receivable	\$ 7,370	\$ 2,280
Inventories	<u>69,774</u>	<u>71,830</u>
TOTAL CURRENT ASSETS	<u>77,144</u>	<u>74,110</u>
Capital Assets:		
Capital Assets (Net of Accumulated Depreciation)	<u>489,551</u>	<u>489,809</u>
TOTAL ASSETS	<u>566,695</u>	<u>563,919</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	23,788	17,460
Accrued Liabilities	10,878	11,344
Due to Other Funds	43,434	34,888
Compensated Absences Payable	<u>31,044</u>	<u>10,638</u>
TOTAL CURRENT LIABILITIES	<u>109,144</u>	<u>74,330</u>
Noncurrent Liabilities:		
Compensated Absences Payable	<u>14,609</u>	<u>45,349</u>
TOTAL LIABILITIES	<u>123,753</u>	<u>119,679</u>
NET POSITION		
Investment in Capital Assets	489,551	489,809
Unrestricted (Deficit)	<u>(46,609)</u>	<u>(45,569)</u>
TOTAL NET POSITION	<u>\$ 442,942</u>	<u>\$ 444,240</u>

KNOX COUNTY, TENNESSEE

Three Ridges Golf Course Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Position

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Golf Fees	\$ 394,532	\$ 386,585
Cart and Range Fees	230,429	196,189
Pro Shop	108,142	96,758
Snack Bar	<u>81,734</u>	<u>79,869</u>
Total Operating Revenues	<u>814,837</u>	<u>759,401</u>
Operating Expenses		
Personal Services	398,472	400,693
Employee Benefits	109,280	115,659
Contracted Services	161,591	153,510
Supplies and Materials	385,999	338,505
Other Charges	80,536	74,322
Depreciation	<u>45,133</u>	<u>55,011</u>
Total Operating Expenses	<u>1,181,011</u>	<u>1,137,700</u>
Operating Income (Loss)	<u>(366,174)</u>	<u>(378,299)</u>
Capital Contributions and Transfers		
Capital Contributions	44,876	35,000
Transfers from Other Funds	<u>320,000</u>	<u>275,000</u>
Total Capital Contributions and Transfers	<u>364,876</u>	<u>310,000</u>
Change in Net Position	(1,298)	(68,299)
Net Position, July 1	<u>444,240</u>	<u>512,539</u>
Net Position, June 30	<u>\$ 442,942</u>	<u>\$ 444,240</u>

KNOX COUNTY, TENNESSEE

Three Ridges Golf Course Fund
Comparative Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 809,747	\$ 763,866
Payments to Vendors	(611,196)	(520,314)
Payments to Employees	(518,552)	(524,013)
	<u>(320,001)</u>	<u>(280,461)</u>
Net Cash Provided (Used) by Operating Activities		
	<u>(320,001)</u>	<u>(280,461)</u>
Cash Flows Used by Capital and Related Financing Activities		
Transfers from Other Funds	320,000	275,000
Capital Contributions	44,876	35,000
Acquisition and Construction of Capital Assets	(44,875)	(35,000)
	<u>320,001</u>	<u>275,000</u>
Net Cash Used by Capital and Related Financing Activities		
	<u>320,001</u>	<u>275,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	(5,461)
Cash and Cash Equivalents - Beginning of Year	-	5,461
Cash and Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (366,174)	\$ (378,299)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	45,133	55,011
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(5,090)	4,465
(Increase) in Inventory	2,056	8,079
Decrease in Prepaid Items	-	7,178
Increase (Decrease) in Accounts Payable and Accrued Liabilities	5,862	(22,147)
Increase (Decrease) in Due to Other Funds	8,546	34,888
Increase in Compensated Absences Payable	(10,334)	10,364
	<u>(10,334)</u>	<u>10,364</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (320,001)</u>	<u>\$ (280,461)</u>

INTERNAL SERVICE FUNDS

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

Vehicle Service Center Fund: This fund is used to account for 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.

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, 2018

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Self Insurance Healthcare	Total
ASSETS								
Current Assets:								
Cash and Cash Equivalents	\$ -	\$ 183,000	\$ 1,158,244	\$ 18,556,568	\$ 5,308,306	\$ 333,248	\$ 11,878,276	\$ 37,417,642
Receivables:								
Accounts	13,712	-	220,663	80	-	-	329,702	564,157
Due from Component Units	-	-	-	377,429	-	-	-	377,429
Inventories	96,280	44,056	-	-	-	-	-	140,336
Prepaid Items	-	-	22,367	-	14,454	-	2,440	39,261
TOTAL CURRENT ASSETS	109,992	227,056	1,401,274	18,934,077	5,322,760	333,248	12,210,418	38,538,825
Capital Assets:								
Machinery and Equipment	210,545	-	-	-	-	585,936	-	796,481
Accumulated Depreciation	(125,167)	-	-	-	-	(534,462)	-	(659,629)
Capital Assets (Net of Accumulated Depreciation)	85,378	-	-	-	-	51,474	-	136,852
TOTAL ASSETS	195,370	227,056	1,401,274	18,934,077	5,322,760	384,722	12,210,418	38,675,677
LIABILITIES								
Current liabilities:								
Accounts Payable	68,440	26,243	85,594	30,901	273,748	285,862	10,268	781,056
Accrued Liabilities	14,634	1,978	204,491	13,263	-	8,471	-	242,837
Due to Other Funds	3,726	-	-	-	-	-	-	3,726
Claims Liabilities	-	-	-	17,611,991	-	-	2,085,518	19,697,509
Compensated Absences Payable	55,150	8,720	42,475	48,010	-	28,382	-	182,737
TOTAL CURRENT LIABILITIES	141,950	36,941	332,560	17,704,165	273,748	322,715	2,095,786	20,907,865
Noncurrent Liabilities:								
Compensated Absences Payable	6,128	969	4,719	5,334	-	3,154	-	20,304
TOTAL LIABILITIES	148,078	37,910	337,279	17,709,499	273,748	325,869	2,095,786	20,928,169
NET POSITION								
Investment in Capital Assets	85,378	-	-	-	-	51,474	-	136,852
Unrestricted (Deficit)	(38,086)	189,146	1,063,995	1,224,578	5,049,012	7,379	10,114,632	17,610,656
TOTAL NET POSITION	\$ 47,292	\$ 189,146	\$ 1,063,995	\$ 1,224,578	\$ 5,049,012	\$ 58,853	\$ 10,114,632	\$ 17,747,508

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds**

For the Year Ended June 30, 2018

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Self Insurance Healthcare	Total
Operating Revenues								
Charges for Services	\$ 2,398,478	\$ 225,345	\$ 35,099,013	\$ 5,020,849	\$ 10,758,255	\$ 317,775	\$ 31,527,571	\$ 85,347,286
Payments from Component Unit	-	-	-	1,590,000	-	-	-	1,590,000
Total Operating Revenues	2,398,478	225,345	35,099,013	6,610,849	10,758,255	317,775	31,527,571	86,937,286
Operating Expenses								
Cost of Services	2,451,569	395,135	2,138,172	1,338,717	10,496,483	935,227	2,514,979	20,270,282
Depreciation and Amortization	20,151	-	-	-	-	62,266	-	82,417
Medical Claims	-	-	205,125	-	-	-	26,438,751	26,643,876
Retirement Contributions	-	-	31,743,067	-	-	-	-	31,743,067
VWRP Employee Benefits	-	-	17,924	-	-	-	-	17,924
OPEB 35% Retiree Healthcare Contributions	-	-	850,000	-	-	-	-	850,000
Other Employee Benefits	-	-	809,115	-	-	-	-	809,115
Worker's Compensation & Other Claims	-	-	-	6,407,802	-	-	-	6,407,802
Other Expenses	172,004	-	-	346,340	-	371	-	518,715
Total Operating Expenses	2,643,724	395,135	35,763,403	8,092,859	10,496,483	997,864	28,953,730	87,343,198
Operating Income (Loss)	(245,246)	(169,790)	(664,390)	(1,482,010)	261,772	(680,089)	2,573,841	(405,912)
Income (Loss) before Transfers	(245,246)	(169,790)	(664,390)	(1,482,010)	261,772	(680,089)	2,573,841	(405,912)
Transfers								
Transfers to Other Funds	-	-	-	-	(2,050,000)	-	(850,000)	(2,900,000)
Transfers from Other Funds	275,000	52,121	1,450,000	3,450,000	-	305,500	-	5,532,621
Total Transfers	275,000	52,121	1,450,000	3,450,000	(2,050,000)	305,500	(850,000)	2,632,621
Change in Net Position	29,754	(117,669)	785,610	1,967,990	(1,788,228)	(374,589)	1,723,841	2,226,709
Total Net Position (Deficit), July 1	17,538	306,815	278,385	(743,412)	6,837,240	433,442	8,390,791	15,520,799
Total Net Position, June 30	\$ 47,292	\$ 189,146	\$ 1,063,995	\$ 1,224,578	\$ 5,049,012	\$ 58,853	\$ 10,114,632	\$ 17,747,508

KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Self Insurance Healthcare	Total
Operating Activities								
Cash Received from Interfund Services Provided	\$ 2,580,811	\$ 246,560	\$ 35,796,546	\$ 5,060,688	\$ 11,013,407	\$ 317,775	\$ 31,790,349	\$ 86,806,136
Cash Received from Component Unit	-	-	-	1,590,000	-	-	-	1,590,000
Cash Paid to Employees	(656,433)	(68,879)	(521,018)	(532,485)	-	(325,489)	-	(2,104,304)
Cash Paid for Goods and Services	(1,952,684)	(289,179)	(1,472,751)	(4,920,190)	(10,424,357)	(254,092)	(2,514,979)	(21,828,232)
Cash Paid on Behalf of Employees	(246,694)	(31,266)	(34,804,565)	(146,064)	-	(100,644)	(26,194,322)	(61,523,555)
Net Cash Provided by (Used in) Operating Activities	(275,000)	(142,764)	(1,001,788)	1,051,949	589,050	(362,450)	3,081,048	2,940,045
Noncapital Financing Activities								
Transfers from Other Funds	275,000	52,121	1,450,000	3,450,000	-	305,500	-	5,532,621
Transfers to Other Funds	-	-	-	-	(2,050,000)	-	(850,000)	(2,900,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	275,000	52,121	1,450,000	3,450,000	(2,050,000)	305,500	(850,000)	2,632,621
Net Increase (Decrease) in Cash and Cash Equivalents	-	(90,643)	448,212	4,501,949	(1,460,950)	(56,950)	2,231,048	5,572,666
Cash and Cash Equivalents Beginning of Year	-	273,643	710,032	14,054,619	6,769,256	390,198	9,647,228	31,844,976
End of Year	\$ -	\$ 183,000	\$ 1,158,244	\$ 18,556,568	\$ 5,308,306	\$ 333,248	\$ 11,878,276	\$ 37,417,642
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities								
Operating Income (Loss)	\$ (245,246)	\$ (169,790)	\$ (664,390)	\$ (1,482,010)	\$ 261,772	\$ (680,089)	\$ 2,573,841	\$ (405,912)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Depreciation and Amortization	20,151	-	-	-	-	62,266	-	82,417
Change in Assets and Liabilities:								
(Increase) Decrease in Accounts Receivable	66,183	655	84,076	216	244,072	-	(310,904)	84,298
Decrease in Due from Other Funds	115,263	20,560	554,952	-	-	-	573,682	1,264,457
Decrease in Due from Component Units	887	-	58,505	39,623	11,080	-	-	110,095
Increase in Inventories	(32,193)	(18,236)	-	-	-	-	-	(50,429)
(Increase) Decrease in Prepaid Items	2,095	-	(2,214)	7,050	(14,454)	-	(158)	(7,681)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(7,255)	22,945	(1,031,911)	(13,290)	86,580	250,402	(9,089)	(701,618)
Decrease in Due to Other Funds	(178,249)	-	(399)	(116)	-	(68)	-	(178,832)
Increase (Decrease) in Compensated Absences	(16,636)	1,102	(407)	1,799	-	5,039	-	(9,103)
Increase in Claims Liabilities	-	-	-	2,498,677	-	-	253,676	2,752,353
Total Adjustments	(29,754)	27,026	(337,398)	2,533,959	327,278	317,639	507,207	3,345,957
Net Cash Provided by (Used in) Operating Activities	\$ (275,000)	\$ (142,764)	\$ (1,001,788)	\$ 1,051,949	\$ 589,050	\$ (362,450)	\$ 3,081,048	\$ 2,940,045

KNOX COUNTY, TENNESSEE
Vehicle Service Center Fund
Comparative Statements of Net Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets:		
Accounts Receivable	\$ 13,712	\$ 79,895
Due from Other Funds	-	115,263
Due from Component Units	-	887
Inventories	96,280	64,087
Prepaid Items	-	2,095
TOTAL CURRENT ASSETS	109,992	262,227
Capital Assets:		
Machinery and Equipment	210,545	210,545
Accumulated Depreciation	(125,167)	(105,016)
Capital Assets (Net of Accumulated Depreciation)	85,378	105,529
TOTAL ASSETS	195,370	367,756
LIABILITIES		
Current Liabilities:		
Accounts Payable	68,440	70,930
Accrued Liabilities	14,634	19,399
Due to Other Funds	3,726	181,975
Compensated Absences	55,150	70,123
TOTAL CURRENT LIABILITIES	141,950	342,427
Noncurrent Liabilities:		
Compensated Absences	6,128	7,791
TOTAL LIABILITIES	148,078	350,218
NET POSITION		
Investment in Capital Assets	85,378	105,529
Unrestricted (Deficit)	(38,086)	(87,991)
TOTAL NET POSITION	\$ 47,292	\$ 17,538

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for Services	\$ 2,398,478	\$ 2,308,328
Operating Expenses		
Cost of Services	2,451,569	2,811,357
Depreciation and Amortization	20,151	17,643
Other Expenses	172,004	163,840
Total Operating Expenses	2,643,724	2,992,840
Loss before Transfers	(245,246)	(684,512)
Transfers		
Transfers from Other Funds	275,000	600,000
Change in Net Position	29,754	(84,512)
Net Position, July 1	17,538	102,050
Net Position, June 30	\$ 47,292	\$ 17,538

KNOX COUNTY, TENNESSEE

Mailroom Fund
Comparative Statements of Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 183,000	\$ 273,643
Accounts Receivable	-	655
Due from Other Funds	-	20,560
Inventories	44,056	25,820
	<u>227,056</u>	<u>320,678</u>
TOTAL ASSETS	<u>227,056</u>	<u>320,678</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	26,243	4,420
Accrued Liabilities	1,978	856
Compensated Absences	8,720	7,728
	<u>36,941</u>	<u>13,004</u>
TOTAL CURRENT LIABILITIES	<u>36,941</u>	<u>13,004</u>
Noncurrent Liabilities:		
Compensated Absences	969	859
	<u>37,910</u>	<u>13,863</u>
TOTAL LIABILITIES	<u>37,910</u>	<u>13,863</u>
NET POSITION		
Unrestricted	<u>\$ 189,146</u>	<u>\$ 306,815</u>

KNOX COUNTY, TENNESSEE

Mailroom Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Position

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for Services	<u>\$ 225,345</u>	<u>\$ 265,476</u>
Operating Expenses		
Cost of Services	<u>395,135</u>	<u>375,986</u>
Total Operating Expenses	<u>395,135</u>	<u>375,986</u>
Income (Loss) before Transfers	<u>(169,790)</u>	<u>(110,510)</u>
Transfers		
Transfers from Other Funds	<u>52,121</u>	<u>52,122</u>
Change in Net Position	(117,669)	(58,388)
Net Position, July 1	<u>306,815</u>	<u>365,203</u>
Net Position, June 30	<u><u>\$ 189,146</u></u>	<u><u>\$ 306,815</u></u>

KNOX COUNTY, TENNESSEE

Employee Benefits Fund
Comparative Statements of Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,158,244	\$ 710,032
Accounts Receivable	220,663	304,739
Due from Other Funds	-	554,952
Due from Component Units	-	58,505
Prepaid Items	22,367	20,153
	<u>1,401,274</u>	<u>1,648,381</u>
TOTAL ASSETS		
	<u>1,401,274</u>	<u>1,648,381</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	85,594	1,122,727
Accrued Liabilities	204,491	199,269
Due to Other Funds	-	399
Compensated Absences	42,475	42,841
	<u>332,560</u>	<u>1,365,236</u>
TOTAL CURRENT LIABILITIES		
	<u>332,560</u>	<u>1,365,236</u>
Noncurrent Liabilities:		
Compensated Absences	4,719	4,760
	<u>4,719</u>	<u>4,760</u>
TOTAL LIABILITIES		
	<u>337,279</u>	<u>1,369,996</u>
NET POSITION		
Unrestricted	<u>\$ 1,063,995</u>	<u>\$ 278,385</u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for Services	\$ 35,099,013	\$ 33,777,496
Operating Expenses		
Finance and Administration:		
Cost of Services	2,138,172	1,975,498
Medical Claims	205,125	183,194
Retirement Contributions	31,743,067	31,213,315
VWRP Employee Benefits	17,924	2,431,611
OPEB 35% Retiree Healthcare Contributions	850,000	1,250,000
Other Employee Benefits	809,115	880,340
Total Operating Expenses	<u>35,763,403</u>	<u>37,933,958</u>
Loss before Transfers	<u>(664,390)</u>	<u>(4,156,462)</u>
Transfers		
Transfers from Other Funds	<u>1,450,000</u>	<u>1,550,000</u>
Total Transfers	<u>1,450,000</u>	<u>1,550,000</u>
Change in Net Position	785,610	(2,606,462)
Net Position, July 1	<u>278,385</u>	<u>2,884,847</u>
Net Position, June 30	<u>\$ 1,063,995</u>	<u>\$ 278,385</u>

KNOX COUNTY, TENNESSEE

Self Insurance Fund
Comparative Statements of Net Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 18,556,568	\$ 14,054,619
Accounts Receivable	80	296
Due from Component Units	377,429	417,052
Prepaid Items	-	7,050
	<u>18,934,077</u>	<u>14,479,017</u>
TOTAL CURRENT ASSETS		
	<u>18,934,077</u>	<u>14,479,017</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	30,901	45,244
Accrued Liabilities	13,263	12,210
Due to Other Funds	-	116
Claims Liability	17,611,991	15,113,314
Compensated Absences	48,010	46,390
	<u>17,704,165</u>	<u>15,217,274</u>
TOTAL CURRENT LIABILITIES		
	<u>17,704,165</u>	<u>15,217,274</u>
Noncurrent Liabilities:		
Compensated Absences	5,334	5,155
	<u>17,709,499</u>	<u>15,222,429</u>
TOTAL LIABILITIES		
	<u>17,709,499</u>	<u>15,222,429</u>
NET POSITION (DEFICIT)		
Unrestricted	<u>\$ 1,224,578</u>	<u>\$ (743,412)</u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for Services	\$ 5,020,849	\$ 4,913,947
Payments From Component Unit	1,590,000	1,590,000
Total Operating Revenues	<u>6,610,849</u>	<u>6,503,947</u>
Operating Expenses		
Cost of Services	1,338,717	1,429,377
Workers' Compensation & Other Claims	6,407,802	1,921,741
Other Expenses	346,340	547,180
Total Operating Expenses	<u>8,092,859</u>	<u>3,898,298</u>
Operating Income (Loss)	<u>(1,482,010)</u>	<u>2,605,649</u>
Nonoperating Expenses		
Subrogations Loss	-	(22,473)
Total Nonoperating Expenses	<u>-</u>	<u>(22,473)</u>
Income (Loss) before Transfers	<u>(1,482,010)</u>	<u>2,583,176</u>
Transfers		
Transfers From Other Funds	<u>3,450,000</u>	<u>270,000</u>
Change in Net Position	1,967,990	2,853,176
Net Position (Deficit), July 1	<u>(743,412)</u>	<u>(3,596,588)</u>
Net Position (Deficit), June 30	<u>\$ 1,224,578</u>	<u>\$ (743,412)</u>

KNOX COUNTY, TENNESSEE

Building Operations Fund
Comparative Statements of Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,308,306	\$ 6,769,256
Accounts Receivable	-	244,072
Due from Component Units	-	11,080
Prepaid Items	<u>14,454</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>5,322,760</u>	<u>7,024,408</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	<u>273,748</u>	<u>187,168</u>
TOTAL CURRENT LIABILITIES	<u>273,748</u>	<u>187,168</u>
NET POSITION		
Unrestricted	<u><u>\$ 5,049,012</u></u>	<u><u>\$ 6,837,240</u></u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for Services	<u>\$ 10,758,255</u>	<u>\$ 10,751,646</u>
Operating Expenses		
Cost of Services	<u>10,496,483</u>	<u>9,888,961</u>
Total Operating Expenses	<u>10,496,483</u>	<u>9,888,961</u>
Income (Loss) before Transfers	<u>261,772</u>	<u>862,685</u>
Transfers		
Transfers to Other Funds	<u>(2,050,000)</u>	<u>-</u>
Change in Net Position	(1,788,228)	862,685
Net Position, July 1	<u>6,837,240</u>	<u>5,974,555</u>
Net Position, June 30	<u><u>\$ 5,049,012</u></u>	<u><u>\$ 6,837,240</u></u>

KNOX COUNTY, TENNESSEE

Technical Support Service Fund
Comparative Statements of Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 333,248	\$ 390,198
TOTAL CURRENT ASSETS	<u>333,248</u>	<u>390,198</u>
Capital Assets:		
Machinery and Equipment	585,936	585,936
Accumulated Depreciation	<u>(534,462)</u>	<u>(472,196)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>51,474</u>	<u>113,740</u>
TOTAL ASSETS	<u>384,722</u>	<u>503,938</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	285,862	35,955
Accrued Liabilities	8,471	7,976
Due to Other Funds	-	68
Compensated Absences	<u>28,382</u>	<u>23,847</u>
TOTAL CURRENT LIABILITIES	<u>322,715</u>	<u>67,846</u>
Noncurrent Liabilities:		
Compensated Absences	<u>3,154</u>	<u>2,650</u>
TOTAL LIABILITIES	<u>325,869</u>	<u>70,496</u>
NET POSITION		
Investment in Capital Assets	51,474	113,740
Unrestricted	<u>7,379</u>	<u>319,702</u>
TOTAL NET POSITION	<u>\$ 58,853</u>	<u>\$ 433,442</u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for Services	\$ 317,775	\$ 393,535
Operating Expenses		
Cost of Services	935,227	1,018,928
Depreciation and Amortization	62,266	68,689
Other Expense	371	356
Total Operating Expenses	<u>997,864</u>	<u>1,087,973</u>
Income (Loss) before Transfers	<u>(680,089)</u>	<u>(694,438)</u>
Transfers		
Transfers from Other Funds	<u>305,500</u>	<u>205,500</u>
Change in Net Position	(374,589)	(488,938)
Net Position, July 1	<u>433,442</u>	<u>922,380</u>
Net Position, June 30	<u><u>\$ 58,853</u></u>	<u><u>\$ 433,442</u></u>

KNOX COUNTY, TENNESSEE

Self Insurance Healthcare Fund
Comparative Statements of Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 11,878,276	\$ 9,647,228
Accounts Receivable	329,702	18,798
Due from Other Funds	-	573,682
Prepaid Items	<u>2,440</u>	<u>2,282</u>
TOTAL ASSETS	<u>12,210,418</u>	<u>10,241,990</u>
LIABILITIES		
Liabilities:		
Accounts Payable	10,268	19,357
Claims Liability	<u>2,085,518</u>	<u>1,831,842</u>
TOTAL LIABILITIES	<u>2,095,786</u>	<u>1,851,199</u>
NET POSITION		
Unrestricted	<u>\$ 10,114,632</u>	<u>\$ 8,390,791</u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for Services	<u>\$ 31,527,571</u>	<u>\$ 30,951,189</u>
Operating Expenses		
Cost of Services	2,514,979	2,347,077
Medical Claims	<u>26,438,751</u>	<u>24,196,246</u>
Total Operating Expenses	<u>28,953,730</u>	<u>26,543,323</u>
Income (Loss) before Transfers	<u>2,573,841</u>	<u>4,407,866</u>
Transfers		
Transfers To Other Funds	<u>(850,000)</u>	<u>-</u>
Change in Net Position	1,723,841	4,407,866
Net Position, July 1	<u>8,390,791</u>	<u>3,982,925</u>
Net Position, June 30	<u><u>\$ 10,114,632</u></u>	<u><u>\$ 8,390,791</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, RETIREMENT AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

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 closed defined benefit plan.

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 closed defined benefit plan.

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 plan.

Sheriff's Total Accumulation Retirement Plan: This fund is used to account for the accumulation of resources for retirement benefit payments to qualified employees covered under the County Sheriff's Total Accumulation Retirement Plan defined contribution plan.

Voluntary 457 Plan: This fund is used to account for the accumulation of resources for retirement benefit payments to qualified employees who have chosen to participate in the County's supplemental defined contribution plan.

Employee Disability Plan: This fund is used to provide resources should an employee become disabled prior to retirement (defined benefit OPEB plan). Eligible employees must also be participants in one of the defined benefit or defined contribution plans.

Retiree Healthcare Plan: This fund is used to provide post-retirement health care benefits for County retirees and their dependents (defined benefit OPEB plan).

Medical Expense Retirement Plan: This fund is used to account for the accumulation of resources for retiree healthcare 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 (defined contribution OPEB plan).

AGENCY FUNDS

Municipal Sales Tax Fund: This fund accounts for the local sales tax levied by local municipalities. These funds are collected by the State of Tennessee and remitted to the County for distribution to the municipalities.

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, Retirement and Other Post-Employment Benefit Trust Funds
June 30, 2018

	Closed Defined Benefit Plan	Uniformed Officers Pension Plan	Asset Accumulation Plan	Sheriff's Total Accumulation Retirement Plan	Voluntary 457 Plan	Employee Disability Plan	Retiree Healthcare Plan	Medical Expense Retirement Plan	Total
ASSETS									
Cash and Cash equivalents	\$ 3,317,859	\$ 13,787,084	\$ 229,121	\$ 141,877	\$ -	\$ -	\$ -	\$ -	\$ 17,475,941
Investments, at Fair Value:									
Mutual Funds	38,342,527	165,100,029	239,136,903	2,835,655	17,046,495	540,341	2,023,477	4,193,230	469,218,657
Collective Investment Trusts	-	-	18,551,068	96,417	1,303,566	176,266	-	1,263,523	21,390,840
Investments, at Contract Value:									
Guaranteed Investment Contracts	-	-	71,022,400	991,941	4,477,146	54,887	155,607	420,800	77,122,781
Total Investments	38,342,527	165,100,029	328,710,371	3,924,013	22,827,207	771,494	2,179,084	5,877,553	567,732,278
Receivables:									
Notes Receivable from Participants	-	-	2,898,513	-	-	-	-	-	2,898,513
Receivable from Other Plans	-	-	-	-	-	358,791	-	-	358,791
Receivable for Investment Sold	228,145	951,045	-	-	-	-	-	-	1,179,190
Accrued Interest and Dividends	17	28	-	-	-	-	-	-	45
Total Receivables	228,162	951,073	2,898,513	-	-	358,791	-	-	4,436,539
Total Assets	41,888,548	179,838,186	331,838,005	4,065,890	22,827,207	1,130,285	2,179,084	5,877,553	589,644,758
LIABILITIES									
Accounts Payable - Administrative Expenses	48,766	113,196	-	-	-	139,593	-	-	301,555
Accounts Payable - To Other Plans	-	-	216,914	141,877	-	-	-	-	358,791
Total Liabilities	48,766	113,196	216,914	141,877	-	139,593	-	-	660,346
NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS									
	\$ 41,839,782	\$ 179,724,990	\$ 331,621,091	\$ 3,924,013	\$ 22,827,207	\$ 990,692	\$ 2,179,084	\$ 5,877,553	\$ 588,984,412

KNOX COUNTY, TENNESSEE

**Combining Statement of Changes in Fiduciary Net Position
Pension, Retirement and Other Post-Employment Benefit Trust Funds
For the Year Ended June 30, 2018**

	Closed Defined Benefit Plan	Uniformed Officers Pension Plan	Asset Accumulation Plan	Sheriff's Total Accumulation Retirement Plan	Voluntary 457 Plan	Employee Disability Plan	Retiree Healthcare Plan	Medical Expense Retirement Plan	Total
ADDITIONS									
Contributions:									
Employer	\$ 3,044,132	\$ 5,329,975	\$ 10,695,238	\$ 1,115,839	\$ -	\$ 530,180	\$ 850,000	\$ 107,729	\$ 21,673,093
Employees	89,707	1,350,946	9,005,693	557,921	2,434,893	-	-	212,345	13,651,505
Rollovers	-	-	628,589	-	231,348	-	-	-	859,937
Total Contributions	3,133,839	6,680,921	20,329,520	1,673,760	2,666,241	530,180	850,000	320,074	36,184,535
Investment Income (Loss):									
Interest and Dividend Income	387,350	1,545,850	2,668,200	23,445	186,661	64,473	106,070	230,304	5,212,353
Interest on Notes Receivable from Participants	-	-	123,773	-	-	-	-	-	123,773
Net Appreciation (Depreciation) in Fair Value of Investments	3,378,299	12,418,664	22,168,367	218,652	1,533,133	100,892	-	300,287	40,118,294
Total Investment Income (Loss)	3,765,649	13,964,514	24,960,340	242,097	1,719,794	165,365	106,070	530,591	45,454,420
Less Investment Expenses	(111,163)	(353,657)	-	-	-	-	-	-	(464,820)
Net Investment Income (Loss)	3,654,486	13,610,857	24,960,340	242,097	1,719,794	165,365	106,070	530,591	44,989,600
Other:									
Transfers from Other Plans	-	-	38,839	-	-	636,334	-	-	675,173
Total Additions	6,788,325	20,291,778	45,328,699	1,915,857	4,386,035	1,331,879	956,070	850,665	81,849,308
DEDUCTIONS									
Benefits and Refunds	7,444,896	8,915,702	20,051,368	127,380	1,675,718	247,446	-	689,016	39,151,526
Administrative Expenses	218,540	442,395	66,780	-	3,599	1,354,788	49,321	-	2,135,423
Transfers to Other Plans	29,330	-	380,787	255,547	-	9,509	-	-	675,173
Total Deductions	7,692,766	9,358,097	20,498,935	382,927	1,679,317	1,611,743	49,321	689,016	41,962,122
CHANGE IN NET POSITION	(904,441)	10,933,681	24,829,764	1,532,930	2,706,718	(279,864)	906,749	161,649	39,887,186
NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS, BEGINNING OF YEAR									
	42,744,223	168,791,309	306,791,327	2,391,083	20,120,489	1,270,556	1,272,335	5,715,904	549,097,226
NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS, END OF YEAR									
	\$ 41,839,782	\$ 179,724,990	\$ 331,621,091	\$ 3,924,013	\$ 22,827,207	\$ 990,692	\$ 2,179,084	\$ 5,877,553	\$ 588,984,412

KNOX COUNTY, TENNESSEE

**Comparative Statements of Fiduciary Net Position
Pension Trust Fund - Closed Defined Benefit Plan**

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,317,859	\$ 687,713
Investments, at Fair Value:		
Mutual Funds	38,342,527	2,230,647
Collective Investment Trusts	<u>-</u>	<u>39,675,667</u>
Total Investments	<u>38,342,527</u>	<u>41,906,314</u>
Receivables:		
Employee Contributions	-	2,624
Receivables for Investments Sold	228,145	210,500
Accrued Interest and Dividends	<u>17</u>	<u>829</u>
Total Receivable	<u>228,162</u>	<u>213,953</u>
Total Assets	<u>41,888,548</u>	<u>42,807,980</u>
LIABILITIES		
Accounts Payable - Administrative Expenses	<u>48,766</u>	<u>63,757</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 41,839,782</u>	<u>\$ 42,744,223</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions:		
Employer	\$ 3,044,132	\$ 3,118,848
Employees	89,707	95,978
Total Contributions	<u>3,133,839</u>	<u>3,214,826</u>
Investment Income (Loss):		
Interest and Dividend Income	387,350	154,927
Net Appreciation (Depreciation) in Fair Value of Investments	<u>3,378,299</u>	<u>4,993,630</u>
Total Investment Income (Loss)	3,765,649	5,148,557
Less Investment Expenses	<u>(111,163)</u>	<u>(178,253)</u>
Net Investment Income (Loss)	<u>3,654,486</u>	<u>4,970,304</u>
Total Additions	<u>6,788,325</u>	<u>8,185,130</u>
DEDUCTIONS		
Benefits and Refunds	7,444,896	7,538,772
Administrative Expenses	218,540	188,228
Transfers to Other Plans	<u>29,330</u>	<u>35,224</u>
Total Deductions	<u>7,692,766</u>	<u>7,762,224</u>
CHANGE IN NET POSITION	(904,441)	422,906
NET POSITION - RESTRICTED FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>42,744,223</u>	<u>42,321,317</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS, END OF YEAR	<u><u>\$ 41,839,782</u></u>	<u><u>\$ 42,744,223</u></u>

KNOX COUNTY, TENNESSEE

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

June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 13,787,084	\$ 3,109,002
Investments, at Fair Value:		
Mutual Funds	165,100,029	10,357,235
Collective Investment Trusts	-	155,487,887
Total Investments	<u>165,100,029</u>	<u>165,845,122</u>
Receivables:		
Employee Contributions	-	58,099
Employer Contributions	-	108
Receivable for Investments Sold	951,045	-
Accrued Interest and Dividends	28	3,755
Total Receivables	<u>951,073</u>	<u>61,962</u>
Total Assets	<u>179,838,186</u>	<u>169,016,086</u>
LIABILITIES		
Accounts Payable - Administrative Expenses	<u>113,196</u>	<u>224,777</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 179,724,990</u>	<u>\$ 168,791,309</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions:		
Employer	\$ 5,329,975	\$ 4,077,479
Employees	<u>1,350,946</u>	<u>1,578,810</u>
Total Contributions	<u>6,680,921</u>	<u>5,656,289</u>
Investment Income (Loss):		
Interest and Dividend Income	1,545,850	549,888
Net Appreciation (Depreciation) in Fair Value of Investments	<u>12,418,664</u>	<u>19,437,201</u>
Total Investment Income	13,964,514	19,987,089
Less Investment Expenses	<u>(353,657)</u>	<u>(543,936)</u>
Net Investment Income (Loss)	<u>13,610,857</u>	<u>19,443,153</u>
Total Additions	<u>20,291,778</u>	<u>25,099,442</u>
DEDUCTIONS		
Benefits and Refunds	8,915,702	7,089,358
Administrative Expenses	<u>442,395</u>	<u>410,734</u>
Total Deductions	<u>9,358,097</u>	<u>7,500,092</u>
CHANGE IN NET POSITION	10,933,681	17,599,350
NET POSITION - RESTRICTED FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>168,791,309</u>	<u>151,191,959</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS, END OF YEAR	<u><u>\$ 179,724,990</u></u>	<u><u>\$ 168,791,309</u></u>

KNOX COUNTY, TENNESSEE

**Comparative Statements of Fiduciary Net Position
Pension Trust Fund - Asset Accumulation Plan
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 229,121	\$ 152,407
Investments, at Fair Value:		
Mutual Funds	239,136,903	219,020,089
Collective Investment Trusts	18,551,068	16,940,917
Investments, at Contract Value:		
Guaranteed Investment Contracts	<u>71,022,400</u>	<u>67,050,769</u>
 Total Investments	 <u>328,710,371</u>	 <u>303,011,775</u>
Receivables:		
Employee Contributions	-	240,503
Employer Contributions	-	308,406
Notes Receivable from Participants	2,898,513	3,187,274
Accrued Interest and Dividends	<u>-</u>	<u>31,161</u>
 Total Receivables	 <u>2,898,513</u>	 <u>3,767,344</u>
 Total Assets	 <u>331,838,005</u>	 <u>306,931,526</u>
 LIABILITIES		
Accounts Payable - To Other Plans	<u>216,914</u>	<u>140,199</u>
 NET POSITION - RESTRICTED FOR RETIREMENT BENEFITS	 <u><u>\$ 331,621,091</u></u>	 <u><u>\$ 306,791,327</u></u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Position
Pension Trust Fund - Asset Accumulation Plan
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions:		
Employer	\$ 10,695,238	\$ 10,750,430
Employees	9,005,693	8,965,477
Rollovers	628,589	968,642
	<u>20,329,520</u>	<u>20,684,549</u>
Investment Income (Loss):		
Interest and Dividend Income	2,668,200	3,068,803
Interest on Notes Receivable from Participants	123,773	84,849
Net Appreciation (Depreciation) in Fair Value of Investments	22,168,367	29,182,707
	<u>24,960,340</u>	<u>32,336,359</u>
Other Additions:		
Transfers from Other Plans	38,839	44,010
	<u>45,328,699</u>	<u>53,064,918</u>
DEDUCTIONS		
Benefits and Refunds	20,051,368	16,562,233
Administrative Expenses	66,780	16,711
Transfer to Other Plans	380,787	465,581
	<u>20,498,935</u>	<u>17,044,525</u>
CHANGE IN NET POSITION	24,829,764	36,020,393
NET POSITION - RESTRICTED FOR RETIREMENT BENEFITS, BEGINNING OF YEAR	<u>306,791,327</u>	<u>270,770,934</u>
NET POSITION - RESTRICTED FOR RETIREMENT BENEFITS, END OF YEAR	<u>\$ 331,621,091</u>	<u>\$ 306,791,327</u>

KNOX COUNTY, TENNESSEE

**Comparative Statements of Fiduciary Net Position
Pension Trust Fund - Sheriff's Total Accumulation Retirement Plan**

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 141,877	\$ 62,603
Investments, at Fair Value:		
Mutual Funds	2,835,655	1,663,040
Collective Investment Trusts	96,417	57,495
Investments, at Contract Value:		
Guaranteed Investment Contracts	<u>991,941</u>	<u>615,583</u>
Total Investments	<u>3,924,013</u>	<u>2,336,118</u>
Receivables:		
Employee Contributions	-	18,322
Employer Contributions	<u>-</u>	<u>36,643</u>
Total Receivables	<u>-</u>	<u>54,965</u>
Total Assets	<u>4,065,890</u>	<u>2,453,686</u>
LIABILITIES		
Accounts Payable - to Other Plans	<u>141,877</u>	<u>62,603</u>
NET POSITION - RESTRICTED FOR RETIREMENT BENEFITS	<u><u>\$ 3,924,013</u></u>	<u><u>\$ 2,391,083</u></u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions:		
Employer	\$ 1,115,839	\$ 838,185
Employees	557,921	419,170
Rollovers	-	1,979
	<u>1,673,760</u>	<u>1,259,334</u>
Total Contributions		
Investment Income:		
Interest and Dividend Income	23,445	20,623
Net Appreciation in Fair Value of Investments	218,652	169,978
	<u>242,097</u>	<u>190,601</u>
Net Investment Income		
Total Additions	<u>1,915,857</u>	<u>1,449,935</u>
DEDUCTIONS		
Benefits and Refunds	127,380	104,395
Transfers to Other Plans	255,547	160,753
	<u>382,927</u>	<u>265,148</u>
Total Deductions		
CHANGE IN NET POSITION	1,532,930	1,184,787
NET POSITION - RESTRICTED FOR RETIREMENT BENEFITS, BEGINNING OF YEAR	<u>2,391,083</u>	<u>1,206,296</u>
NET POSITION - RESTRICTED FOR RETIREMENT BENEFITS, END OF YEAR	<u>\$ 3,924,013</u>	<u>\$ 2,391,083</u>

KNOX COUNTY, TENNESSEE

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

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 17,046,495	\$ 15,093,640
Collective Investment Trusts	1,303,566	1,194,414
Investments, at Contract Value:		
Guaranteed Investment Contracts	<u>4,477,146</u>	<u>3,702,711</u>
 Total Investments	<u>22,827,207</u>	<u>19,990,765</u>
 Receivables:		
Employee Contributions	<u>-</u>	<u>129,724</u>
 Total Assets	<u>22,827,207</u>	<u>20,120,489</u>
 NET POSITION - RESTRICTED FOR RETIREMENT BENEFITS	<u><u>\$ 22,827,207</u></u>	<u><u>\$ 20,120,489</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions:		
Employee	\$ 2,434,893	\$ 2,596,005
Rollovers	231,348	123,406
	<u>2,666,241</u>	<u>2,719,411</u>
Investment Income (Loss):		
Interest and Dividend Income	186,661	199,166
Net Appreciation (Depreciation) in Fair Value of Investments	1,533,133	1,942,777
	<u>1,719,794</u>	<u>2,141,943</u>
Total Additions	<u>4,386,035</u>	<u>4,861,354</u>
DEDUCTIONS		
Benefits and Refunds	1,675,718	665,039
Administrative Expense	3,599	-
	<u>1,679,317</u>	<u>665,039</u>
CHANGE IN NET POSITION	2,706,718	4,196,315
NET POSITION - RESTRICTED FOR RETIREMENT BENEFITS, BEGINNING OF YEAR	<u>20,120,489</u>	<u>15,924,174</u>
NET POSITION - RESTRICTED FOR RETIREMENT BENEFITS, END OF YEAR	<u>\$ 22,827,207</u>	<u>\$ 20,120,489</u>

KNOX COUNTY, TENNESSEE

**Comparative Statements of Fiduciary Net Position
Other Employee Benefit Trust Fund - Employee Disability Plan**

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 540,341	\$ 874,981
Collective Investment Trusts	176,266	268,651
Investments, at Contract Value:		
Guaranteed Investment Contracts	54,887	82,707
	<u>771,494</u>	<u>1,226,339</u>
Receivables:		
Receivable from Other Plans	358,791	202,803
	<u>358,791</u>	<u>202,803</u>
Total Assets	<u>1,130,285</u>	<u>1,429,142</u>
LIABILITIES		
Accounts Payable - Administrative Expenses	<u>139,593</u>	<u>158,586</u>
NET POSITION - RESTRICTED FOR OPEB BENEFITS	<u>\$ 990,692</u>	<u>\$ 1,270,556</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions:		
Employer	\$ 530,180	\$ 461,490
Investment Income (Loss):		
Interest and Dividend Income	64,473	37,569
Net Depreciation in Fair Value of Investments	100,892	140,447
Net Investment Income (Loss)	165,365	178,016
Other Additions:		
Transfers From Other Plans	636,334	626,334
Total Additions	1,331,879	1,265,840
DEDUCTIONS		
Benefits and Refunds	247,446	254,942
Administrative Expenses	1,354,788	1,183,459
Transfers to Other Plans	9,509	8,785
Total Deductions	1,611,743	1,447,186
CHANGE IN NET POSITION	(279,864)	(181,346)
NET POSITION - RESTRICTED FOR OPEB BENEFITS, BEGINNING OF YEAR	1,270,556	1,451,902
NET POSITION - RESTRICTED FOR OPEB BENEFITS, END OF YEAR	\$ 990,692	\$ 1,270,556

KNOX COUNTY, TENNESSEE

**Comparative Statements of Fiduciary Net Position
Other Employee Benefit Trust Fund - Retiree Healthcare Plan
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 2,023,477	\$ 1,184,331
Investments, at Contract Value:		
Guaranteed Investment Contracts	<u>155,607</u>	<u>88,004</u>
Total Investments	<u>2,179,084</u>	<u>1,272,335</u>
Total Assets	<u>2,179,084</u>	<u>1,272,335</u>
LIABILITIES		
Accounts Payable - Administrative Expenses	<u>-</u>	<u>-</u>
NET POSITION - RESTRICTED FOR OPEB BENEFITS	<u><u>\$ 2,179,084</u></u>	<u><u>\$ 1,272,335</u></u>

KNOX COUNTY, TENNESSEE

**Comparative Statements of Changes in Fiduciary Net Position
Other Employee Benefit Trust Fund - Retiree Healthcare Plan**

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions:		
Employer	\$ 850,000	\$ 1,250,000
Investment Income (Loss):		
Interest and Dividend Income	106,070	30,603
Total Additions	<u>956,070</u>	<u>1,280,603</u>
DEDUCTIONS		
Administrative Expenses	<u>49,321</u>	<u>8,268</u>
Total Deductions	<u>49,321</u>	<u>8,268</u>
CHANGE IN NET POSITION	906,749	1,272,335
NET POSITION - RESTRICTED FOR OPEB BENEFITS, BEGINNING OF YEAR	<u>1,272,335</u>	<u>-</u>
NET POSITION - RESTRICTED FOR OPEB BENEFITS, END OF YEAR	<u>\$ 2,179,084</u>	<u>\$ 1,272,335</u>

KNOX COUNTY, TENNESSEE

**Comparative Statements of Fiduciary Net Position
Pension Trust Fund - Medical Expense Retirement Plan
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 4,193,230	\$ 4,065,421
Collective Investment Trusts	1,263,523	1,254,331
Investments, at Contract Value:		
Guaranteed Investment Contracts	<u>420,800</u>	<u>385,992</u>
 Total Investments	 <u>5,877,553</u>	 <u>5,705,744</u>
 Receivables:		
Employee Contributions	 <u>-</u>	 <u>10,160</u>
 Total Assets	 <u>5,877,553</u>	 <u>5,715,904</u>
 NET POSITION - RESTRICTED FOR RETIREMENT AND OPEB BENEFITS	 <u><u>\$ 5,877,553</u></u>	 <u><u>\$ 5,715,904</u></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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions:		
Employer	\$ 107,729	\$ 104,561
Employees	<u>212,345</u>	<u>230,086</u>
Total Contributions	<u>320,074</u>	<u>334,647</u>
Investment Income (Loss):		
Interest and Dividend Income	230,304	145,467
Net Appreciation (Depreciation) in Fair Value of Investments	<u>300,287</u>	<u>500,702</u>
Net Investment Income (Loss)	<u>530,591</u>	<u>646,169</u>
Total Additions	<u>850,665</u>	<u>980,816</u>
DEDUCTIONS		
Benefits and Refunds	<u>689,016</u>	<u>350,069</u>
CHANGE IN NET POSITION	161,649	630,747
NET POSITION - RESTRICTED FOR RETIREMENT AND OPEB BENEFITS, BEGINNING OF YEAR	<u>5,715,904</u>	<u>5,085,157</u>
NET POSITION - RESTRICTED FOR RETIREMENT AND OPEB BENEFITS, END OF YEAR	<u><u>\$ 5,877,553</u></u>	<u><u>\$ 5,715,904</u></u>

KNOX COUNTY, TENNESSEE

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2018

(With Comparative Totals for June 30, 2017)

	Municipal Sales Tax	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
					2018	2017
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 1,026,646	\$ 4,565,139	\$ 24,882,981	\$ 30,474,766	\$ 27,415,992
Receivables:						
Accounts	8,198,569	78,000	-	702,231	8,978,800	8,465,272
TOTAL ASSETS	\$ 8,198,569	\$ 1,104,646	\$ 4,565,139	\$ 25,585,212	\$ 39,453,566	\$ 35,881,264
LIABILITIES						
Accounts Payable	\$ 8,198,569	\$ -	\$ -	\$ -	\$ 8,198,569	\$ 11,036,673
Accrued Liabilities	-	1,104,646	4,565,139	-	5,669,785	-
Due to Other Governments	-	-	-	7,356,308	7,356,308	7,185,265
Due to Litigants, Heirs and Others	-	-	-	18,228,904	18,228,904	17,659,326
TOTAL LIABILITIES	\$ 8,198,569	\$ 1,104,646	\$ 4,565,139	\$ 25,585,212	\$ 39,453,566	\$ 35,881,264

KNOX COUNTY, TENNESSEE

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

For the Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	June 30, 2017	Additions	Deductions	June 30, 2018
<u>Municipal Sales Tax Fund</u>				
Assets:				
Accounts Receivable	\$ 7,660,537	\$ 49,640,265	\$ 49,102,233	\$ 8,198,569
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 7,660,537	\$ 49,640,265	\$ 49,102,233	\$ 8,198,569
<u>Subdivision Bonds</u>				
Assets:				
Cash and Cash Equivalents	\$ 843,446	\$ 936,200	\$ 753,000	\$ 1,026,646
Accounts Receivable	-	78,000	-	78,000
Total Assets	\$ 843,446	\$ 1,014,200	\$ 753,000	\$ 1,104,646
Liabilities:				
Accounts Payable and Accrued Liabilities	843,446	\$ 1,014,200	\$ 753,000	\$ 1,104,646
<u>External Agencies Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ 2,532,690	\$ 46,233,795	\$ 44,201,346	\$ 4,565,139
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 2,532,690	\$ 46,233,795	\$ 44,201,346	\$ 4,565,139
<u>Constitutional Officers Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ 24,039,856	\$ 107,677,624	\$ 106,834,499	\$ 24,882,981
Accounts Receivable	804,735	702,231	804,735	702,231
Total Assets	\$ 24,844,591	\$ 108,379,855	\$ 107,639,234	\$ 25,585,212
Liabilities:				
Due to Others	\$ 24,844,591	\$ 108,379,855	\$ 107,639,234	\$ 25,585,212
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$ 27,415,992	\$ 154,847,619	\$ 151,788,845	\$ 30,474,766
Accounts Receivable	8,465,272	50,420,496	49,906,968	8,978,800
Total Assets	\$ 35,881,264	\$ 205,268,115	\$ 201,695,813	\$ 39,453,566
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 11,036,673	\$ 96,888,260	\$ 94,056,579	\$ 13,868,354
Due to Others	24,844,591	108,379,855	107,639,234	25,585,212
Total Liabilities	\$ 35,881,264	\$ 205,268,115	\$ 201,695,813	\$ 39,453,566

KNOX COUNTY, TENNESSEE
Combining Statement of Net Position
Nonmajor Component Units
June 30, 2018

	Nonmajor Component Units			Total Nonmajor Component Units
	Knox County Emergency Communications District	Knox County Development Corporation	Knox County Railroad Authority	
Assets				
Cash and Cash Equivalents	\$ 20,820,352	\$ 17,901,967	\$ 13,280	\$ 38,735,599
Accounts Receivable	63,824	550,148	-	613,972
Land Held for Resale	-	23,366,283	-	23,366,283
Prepaid Items	100,698	40,036	-	140,734
Capital Assets:				
Land and Construction in Process	5,891,555	-	-	5,891,555
Other Capital Assets, Net of Accumulated Depreciation	8,038,266	917	-	8,039,183
Total Assets	34,914,695	41,859,351	13,280	76,787,326
Liabilities				
Accounts Payable and Accrued Liabilities	364,913	581,442	-	946,355
Unearned Revenue	-	3,654	-	3,654
Other Long-term Obligations:				
Due in Less than One Year	352,485	-	-	352,485
Due in More than One Year	162,444	-	-	162,444
Total Liabilities	879,842	585,096	-	1,464,938
Net Position				
Investment in Capital Assets	13,929,821	917	-	13,930,738
Restricted for:				
Other Purposes	-	66,866	-	66,866
Unrestricted	20,105,032	41,206,472	13,280	61,324,784
Total Net Position	\$ 34,034,853	\$ 41,274,255	\$ 13,280	\$ 75,322,388

KNOX COUNTY, TENNESSEE

**Combining Statement of Activities
Nonmajor Component Units
For the Year Ended June 30, 2018**

<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	\$ 8,887,465	\$ 6,973,447	\$ -	\$ -	\$ (1,914,018)	\$ -	\$ -	(1,914,018)
Knox County Development Corporation	1,688,793	194,597	500,000	-	-	(994,196)	-	(994,196)
Knox County Railroad Authority	-	-	-	-	-	-	-	-
Total component units	<u>\$ 10,576,258</u>	<u>\$ 7,168,044</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>(1,914,018)</u>	<u>(994,196)</u>	<u>-</u>	<u>(2,908,214)</u>
General Revenues:								
Investment Revenue					234,160	255,647	-	489,807
Payments from Primary Government					1,358,223	700,000	-	2,058,223
Other Revenues					3,578,102	-	-	3,578,102
Other Governments and Citizens Groups					-	2,787,924	-	2,787,924
Grants and Contributions Not Restricted for Specific Programs					1,719,140	-	-	1,719,140
Total General Revenues					<u>6,889,625</u>	<u>3,743,571</u>	<u>-</u>	<u>10,633,196</u>
Change in Net Position					4,975,607	2,749,375	-	7,724,982
Net Position, July 1					29,059,246	38,524,880	13,280	67,597,406
Net Position, June 30					<u>\$ 34,034,853</u>	<u>\$ 41,274,255</u>	<u>\$ 13,280</u>	<u>\$ 75,322,388</u>

KNOX COUNTY, TENNESSEE

**Knox County Primary Government and Board of Education
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2018**

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		\$16,000,000 Build America Bonds Series 2010A		\$30,115,000 Refunding Bonds Series 2010B		\$32,560,000 Refunding Bonds Series 2010C		\$17,000,000 Build America Bonds Series 2010D	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	\$ 74,250	\$ 2,635,000	\$ 498,300	\$ 50,000	\$ 923,963
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	55,000	2,750,000	419,250	250,000	922,063
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	-	-	2,870,000	336,750	250,000	911,750
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	-	-	2,995,000	250,650	500,000	900,500
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	-	-	3,120,000	160,800	500,000	878,000
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	-	-	2,240,000	67,200	500,000	855,500
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	-	-	-	-	500,000	833,000
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	-	-	-	-	500,000	810,500
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	-	-	-	-	1,300,000	785,500
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	-	-	-	-	1,350,000	714,000
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	-	-	-	-	1,400,000	639,750
2030	-	-	-	-	-	-	-	-	7,750,000	1,887,750	8,450,000	2,338,750	-	-	1,075,000	558,750	-	-	-	-	1,450,000	562,750
2031	-	-	-	-	-	-	-	-	8,050,000	1,539,000	8,900,000	1,916,250	-	-	1,075,000	499,088	-	-	-	-	1,500,000	483,000
2032	-	-	-	-	-	-	-	-	8,375,000	1,176,750	9,325,000	1,471,250	-	-	1,175,000	437,275	-	-	-	-	1,575,000	400,500
2033	-	-	-	-	-	-	-	-	8,700,000	799,875	9,800,000	1,005,000	-	-	1,275,000	369,713	-	-	-	-	1,625,000	306,000
2034	-	-	-	-	-	-	-	-	9,075,000	408,375	10,300,000	515,000	-	-	1,375,000	296,400	-	-	-	-	1,700,000	208,500
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,825,000	218,025	-	-	-	-	1,775,000	106,500
Totals	\$ 47,350,000	\$ 14,068,125	\$ 10,400,000	\$ 770,000	\$ 52,900,000	\$ 13,829,600	\$ 16,915,000	\$ 1,719,250	\$ 58,500,000	\$ 30,384,000	\$ 69,000,000	\$ 44,165,000	\$ 26,660,000	\$ 8,645,000	\$ 15,550,000	\$ 10,066,578	\$ 1,800,000	\$ 129,250	\$ 16,610,000	\$ 1,732,950	\$ 16,725,000	\$ 11,241,776

continued

KNOX COUNTY, TENNESSEE

Knox County Primary Government and Board of Education
 Schedule of Debt Service Requirements
 General Bonded Debt (Continued)
 June 30, 2018

Fiscal Year Ending June 30.	\$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		\$57,780,000 Refunding Bonds Series 2017B		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 1,824,281	\$ 1,417,361	\$ 720,000	\$ 341,600	\$ 1,575,000	\$ 96,000	\$ 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	\$ -	\$ -	\$ 2,041,610	\$ 43,239,281	\$ 26,239,263
2020	1,824,281	1,417,361	735,000	327,200	1,625,000	48,750	1,920,000	847,162	3,140,000	1,131,586	-	-	2,100,000	1,065,626	3,120,000	3,412,425	-	-	2,041,610	41,299,281	24,514,421
2021	1,824,281	1,417,361	750,000	297,800	-	-	1,170,000	751,162	5,995,000	1,065,646	-	-	2,175,000	960,626	3,275,000	3,256,425	1,985,000	-	2,041,610	39,089,281	22,798,230
2022	1,824,281	1,417,361	780,000	282,800	-	-	1,230,000	692,662	6,105,000	925,364	-	-	1,425,000	922,563	3,440,000	3,092,675	3,020,000	-	1,942,360	33,304,281	21,320,148
2023	1,824,281	1,417,361	800,000	267,200	-	-	1,260,000	661,912	6,245,000	770,296	-	-	1,475,000	851,313	3,615,000	2,920,675	3,205,000	-	1,791,360	34,524,281	20,082,867
2024	1,824,281	1,417,361	825,000	249,200	-	-	1,285,000	635,138	6,340,000	602,930	-	-	1,525,000	777,563	3,790,000	2,739,925	3,365,000	-	1,631,110	34,824,281	18,789,015
2025	1,824,281	1,417,361	850,000	228,575	-	-	1,315,000	603,013	6,510,000	420,338	-	-	1,575,000	701,313	3,985,000	2,550,425	3,480,000	-	1,462,860	33,824,281	17,450,598
2026	1,824,281	1,417,361	875,000	205,200	-	-	1,350,000	573,425	6,675,000	223,086	-	-	1,625,000	622,563	4,180,000	2,351,175	3,595,000	-	1,288,860	35,714,281	16,117,758
2027	2,003,856	1,417,361	900,000	178,950	-	-	1,380,000	539,675	335,000	10,820	-	-	1,675,000	590,063	4,390,000	2,142,175	3,915,000	-	1,109,110	37,078,856	14,721,854
2028	171,976	139,589	950,000	151,950	-	-	1,425,000	498,275	-	-	-	-	1,750,000	544,000	4,615,000	1,922,675	3,995,000	-	1,030,810	37,411,976	11,976,999
2029	-	-	1,000,000	123,450	-	-	1,470,000	455,525	-	-	-	-	1,800,000	495,874	4,795,000	1,738,075	3,930,000	-	940,923	38,795,000	10,302,697
2030	-	-	1,000,000	93,450	-	-	1,515,000	411,425	-	-	-	-	1,875,000	446,374	5,035,000	1,498,325	4,190,000	-	847,584	32,340,000	8,645,158
2031	-	-	1,040,000	63,450	-	-	1,560,000	358,400	-	-	-	-	1,950,000	390,124	5,285,000	1,246,575	4,365,000	-	679,985	33,725,000	7,175,872
2032	-	-	1,075,000	32,250	-	-	1,615,000	303,800	-	-	-	-	2,000,000	331,624	5,445,000	1,088,025	4,460,000	-	557,765	35,045,000	5,799,239
2033	-	-	-	-	-	-	1,675,000	247,275	-	-	-	-	2,075,000	271,624	5,610,000	924,675	4,605,000	-	428,425	35,365,000	4,352,587
2034	-	-	-	-	-	-	1,735,000	188,650	-	-	-	-	2,150,000	209,374	5,775,000	756,375	4,715,000	-	292,578	36,825,000	2,875,252
2035	-	-	-	-	-	-	1,795,000	127,925	-	-	-	-	2,225,000	142,187	5,950,000	583,125	4,955,000	-	151,127	20,525,000	1,328,889
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	\$ 16,770,080	\$ 12,895,838	\$ 12,300,000	\$ 2,843,075	\$ 3,200,000	\$ 144,750	\$ 27,390,000	\$ 8,899,186	\$ 44,435,000	\$ 6,337,270	\$ 4,325,000	\$ 216,250	\$ 33,225,000	\$ 10,476,093	\$ 87,730,000	\$ 36,394,950	\$ 57,780,000	\$ 20,279,687	\$ 619,565,080	\$ 235,238,628	

KNOX COUNTY, TENNESSEE

Knox County Primary Government
 Schedule of Debt Service Requirements
 General Bonded Debt
 June 30, 2018

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		\$1,000,000 Build America Bonds Series 2010A		\$30,115,000 Refunding Bonds Series 2010B		\$11,120,000 Refunding Bonds Series 2010C	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	\$ 74,250	\$ 865,000	\$ 169,350
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	55,000	895,000	143,400
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	-	-	925,000	116,550
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	-	-	955,000	88,800
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	-	-	985,000	60,150
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	-	-	1,020,000	30,600
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	-	-	-	-
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	-	-	-	-
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	-	-	-	-
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	-	-	-	-
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	-	-	-	-
2030	-	-	-	-	-	-	-	-	5,032,468	1,225,812	6,178,297	1,709,999	-	-	67,187	34,922	-	-	-	-
2031	-	-	-	-	-	-	-	-	5,227,273	999,351	6,507,319	1,401,084	-	-	67,187	31,194	-	-	-	-
2032	-	-	-	-	-	-	-	-	5,438,312	764,123	6,818,062	1,075,718	-	-	73,437	27,330	-	-	-	-
2033	-	-	-	-	-	-	-	-	5,649,351	519,399	7,165,362	734,815	-	-	79,687	23,108	-	-	-	-
2034	-	-	-	-	-	-	-	-	5,892,857	265,179	7,530,942	376,547	-	-	85,937	18,525	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	239,062	13,626	-	-	-	-
Totals	\$ 23,883,599	\$ 7,799,444	\$ 4,315,840	\$ 317,188	\$ 34,762,856	\$ 9,088,024	\$ 10,587,815	\$ 1,066,122	\$ 37,987,015	\$ 19,729,871	\$ 50,450,000	\$ 32,291,655	\$ 17,329,000	\$ 5,619,247	\$ 971,871	\$ 629,165	\$ 1,800,000	\$ 129,250	\$ 5,645,000	\$ 608,850

KNOX COUNTY, TENNESSEE
Knox County Primary Government
Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2018

Fiscal Year Ending June 30,	\$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		\$42,420,000 Refunding Bonds Series 2017B		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 50,000	\$ 923,963	\$ 280,000	\$ 132,150	\$ 844,954	\$ 51,502	\$ 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	\$ -	\$ 1,491,545	\$ 23,283,360	\$ 14,763,229
2020	250,000	922,063	285,000	126,550	871,778	26,153	1,305,000	402,256	3,140,000	1,131,586	-	-	1,310,000	464,782	1,095,000	1,197,575	-	1,491,545	23,135,019	13,840,624
2021	250,000	911,750	295,000	115,150	-	-	525,000	337,006	5,995,000	1,065,646	-	-	1,360,000	399,282	1,150,000	1,142,825	1,210,000	1,491,545	23,101,726	12,860,877
2022	500,000	900,500	300,000	109,250	-	-	550,000	310,756	6,105,000	925,364	-	-	580,000	375,481	1,205,000	1,085,325	2,210,000	1,431,045	19,425,910	11,984,461
2023	500,000	878,000	310,000	103,250	-	-	565,000	297,006	6,245,000	770,296	-	-	600,000	346,481	1,270,000	1,025,075	2,330,000	1,320,545	19,917,373	11,249,048
2024	500,000	855,500	320,000	96,275	-	-	575,000	285,000	6,340,000	602,930	-	-	620,000	316,481	1,330,000	961,575	2,445,000	1,204,045	20,657,685	10,477,814
2025	500,000	833,000	330,000	88,275	-	-	590,000	270,625	6,510,000	420,338	-	-	640,000	285,481	1,400,000	895,075	2,520,000	1,081,795	20,403,568	9,658,961
2026	500,000	810,500	340,000	79,200	-	-	605,000	257,350	6,675,000	223,086	-	-	665,000	253,481	1,465,000	825,075	2,590,000	955,795	21,215,605	8,828,909
2027	1,300,000	785,500	345,000	69,000	-	-	620,000	242,225	335,000	10,820	-	-	685,000	240,181	1,540,000	751,825	2,870,000	826,295	21,158,418	7,968,249
2028	1,350,000	714,000	365,000	58,650	-	-	640,000	223,625	-	-	-	-	710,000	221,344	1,620,000	674,825	2,945,000	768,895	22,279,783	7,068,873
2029	1,400,000	639,750	390,000	47,700	-	-	660,000	204,425	-	-	-	-	735,000	201,818	1,685,000	610,025	2,870,000	702,633	23,156,936	6,114,192
2030	1,450,000	562,750	390,000	36,000	-	-	680,000	184,625	-	-	-	-	760,000	181,606	1,765,000	525,775	3,125,000	634,469	19,447,952	5,095,958
2031	1,500,000	483,000	400,000	24,300	-	-	700,000	160,825	-	-	-	-	790,000	158,806	1,855,000	437,525	3,250,000	509,470	20,296,779	4,205,555
2032	1,575,000	400,500	410,000	12,300	-	-	725,000	136,325	-	-	-	-	815,000	135,106	1,910,000	381,875	3,335,000	418,470	21,099,811	3,351,747
2033	1,625,000	306,000	-	-	-	-	750,000	110,950	-	-	-	-	850,000	110,656	1,970,000	324,575	3,445,000	321,755	21,534,400	2,451,258
2034	1,700,000	208,500	-	-	-	-	780,000	84,700	-	-	-	-	875,000	85,156	2,025,000	265,475	3,520,000	220,128	22,409,736	1,524,210
2035	1,775,000	106,500	-	-	-	-	805,000	57,400	-	-	-	-	900,000	57,812	2,090,000	204,725	3,755,000	114,527	9,564,062	554,590
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
Totals	\$ 16,725,000	\$ 11,241,776	\$ 4,760,000	\$ 1,098,050	\$ 1,716,732	\$ 77,655	\$ 13,155,000	\$ 4,058,830	\$ 44,435,000	\$ 6,337,270	\$ 1,663,395	\$ 83,170	\$ 14,845,000	\$ 4,338,424	\$ 30,790,000	\$ 12,773,150	\$ 42,420,000	\$ 14,984,502	\$ 358,243,123	\$ 132,271,643

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2018

Fiscal Year	\$32,000,000		\$20,212,283		\$24,000,000		\$18,526,623		\$27,000,000		\$18,550,000		\$14,000,000		\$15,000,000		\$21,440,000	
Ending	General Obligation		General Obligation		General Obligation		General Obligation		General Obligation		General Obligation		General Obligation		Build America Bonds		Refunding Bonds	
June 30,	Series 2003		Refunding Series 2004		Series 2004		Refunding Series 2005A		Series 2005		Series 2007		Series 2008		Series 2010A		Series 2010C	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-
Totals	\$ 23,466,401	\$ 6,268,681	\$ 6,084,160	\$ 452,812	\$ 18,137,144	\$ 4,741,576	\$ 6,327,185	\$ 653,128	\$ 20,512,985	\$ 10,654,129	\$ 18,550,000	\$ 11,873,345	\$ 9,331,000	\$ 3,025,753	\$ 14,578,129	\$ 9,437,413	\$ 10,965,000	\$ 1,124,100

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2018

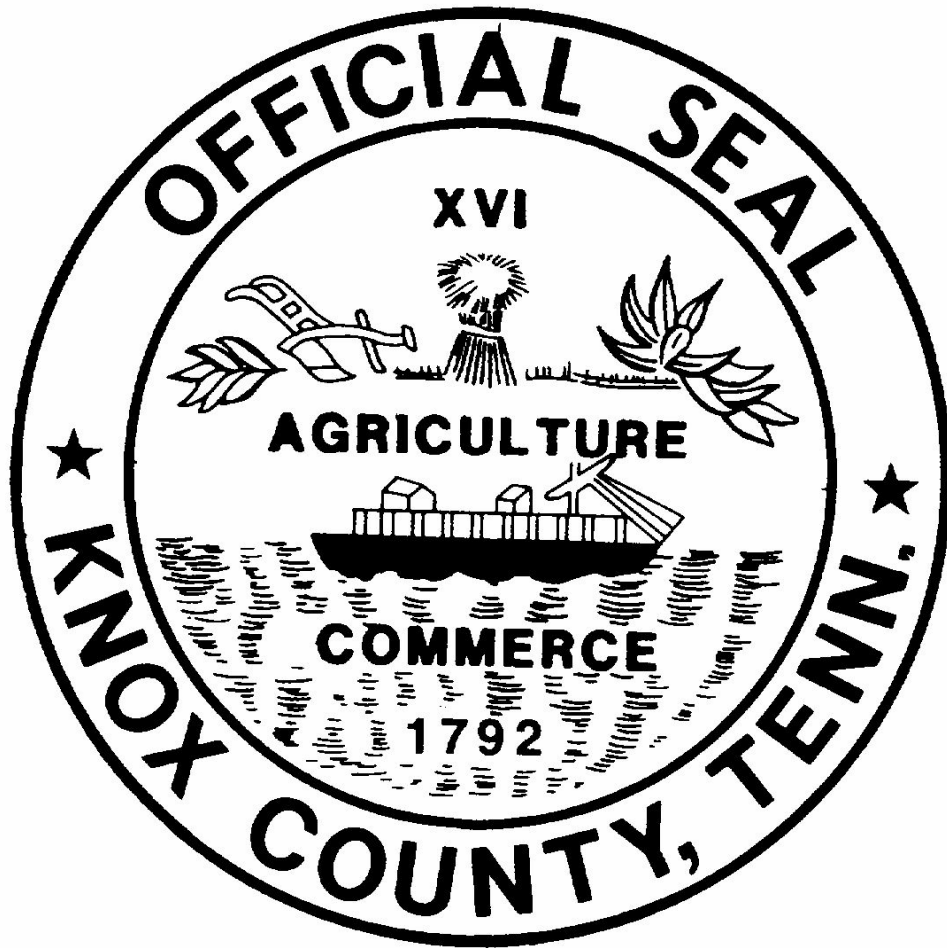
Fiscal Year Ending June 30,	\$29,236,000		\$18,815,000		\$18,112,094		\$14,535,000		\$9,858,708		\$19,385,000		\$58,585,000		\$15,360,000		Totals	
	Qualified School Construction Bonds Series 2010		General Obligation Bonds Series 2012		General Obligation Bonds Series 2013		General Obligation Bonds Series 2014A		Refunding Bonds Series 2015		General Obligation Bonds Series 2016		General Obligation Bonds Series 2017		Refunding Bonds Series 2017B			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2019	\$ 1,824,281	\$ 1,417,361	\$ 440,000	\$ 209,450	\$ 730,046	\$ 44,498	\$ 585,000	\$ 474,156	\$ 2,661,605	\$ 133,080	\$ 500,000	\$ 605,844	\$ 1,930,000	\$ 2,311,350	\$ -	\$ 550,065	\$ 19,955,921	\$ 11,476,034
2020	1,824,281	1,417,361	450,000	200,650	753,222	22,597	615,000	444,906	-	-	790,000	600,844	2,025,000	2,214,850	-	550,065	18,164,262	10,673,797
2021	1,824,281	1,417,361	455,000	182,650	-	-	645,000	414,156	-	-	815,000	561,344	2,125,000	2,113,600	775,000	550,065	15,987,555	9,937,353
2022	1,824,281	1,417,361	480,000	173,550	-	-	680,000	381,906	-	-	845,000	547,082	2,235,000	2,007,350	810,000	511,315	13,878,371	9,335,687
2023	1,824,281	1,417,361	490,000	163,950	-	-	695,000	364,906	-	-	875,000	504,832	2,345,000	1,895,600	875,000	470,815	14,606,908	8,833,819
2024	1,824,281	1,417,361	505,000	152,925	-	-	710,000	350,138	-	-	905,000	461,082	2,460,000	1,778,350	920,000	427,065	14,166,596	8,311,201
2025	1,824,281	1,417,361	520,000	140,300	-	-	725,000	332,388	-	-	935,000	415,832	2,585,000	1,655,350	960,000	381,065	13,420,713	7,791,637
2026	1,824,281	1,417,361	535,000	126,000	-	-	745,000	316,075	-	-	960,000	369,082	2,715,000	1,526,100	1,005,000	333,065	14,498,676	7,288,849
2027	2,003,856	1,417,361	555,000	109,950	-	-	760,000	297,450	-	-	990,000	349,882	2,850,000	1,390,350	1,045,000	282,815	15,920,438	6,753,605
2028	171,976	139,589	585,000	93,300	-	-	785,000	274,650	-	-	1,040,000	322,656	2,995,000	1,247,850	1,050,000	261,915	15,132,193	4,908,126
2029	-	-	610,000	75,750	-	-	810,000	251,100	-	-	1,065,000	294,056	3,110,000	1,128,050	1,060,000	238,290	15,638,064	4,188,505
2030	-	-	610,000	57,450	-	-	835,000	226,800	-	-	1,115,000	264,768	3,270,000	972,550	1,065,000	213,115	12,892,048	3,549,200
2031	-	-	640,000	39,150	-	-	860,000	197,575	-	-	1,160,000	231,318	3,430,000	809,050	1,115,000	170,515	13,428,221	2,970,317
2032	-	-	665,000	19,950	-	-	890,000	167,475	-	-	1,185,000	196,518	3,535,000	706,150	1,125,000	139,295	13,945,189	2,447,492
2033	-	-	-	-	-	-	925,000	136,325	-	-	1,225,000	160,968	3,640,000	600,100	1,160,000	106,670	13,830,600	1,901,329
2034	-	-	-	-	-	-	955,000	103,950	-	-	1,275,000	124,218	3,750,000	490,900	1,195,000	72,450	14,415,264	1,351,042
2035	-	-	-	-	-	-	990,000	70,525	-	-	1,325,000	84,375	3,860,000	378,400	1,200,000	36,600	10,960,938	774,299
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	\$ 16,770,080	\$ 12,895,838	\$ 7,540,000	\$ 1,745,025	\$ 1,483,268	\$ 67,095	\$ 14,235,000	\$ 4,840,356	\$ 2,661,605	\$ 133,080	\$ 18,380,000	\$ 6,137,669	\$ 56,940,000	\$ 23,621,800	\$ 15,360,000	\$ 5,295,185	\$ 261,321,957	\$ 102,966,985

KNOX COUNTY, TENNESSEE

Schedule of Salaries and Insurance Coverage of Principal Elected Officials
For the year ended June 30, 2018

OFFICIAL	AUTHORIZATION FOR SALARY	SALARY PAID DURING YEAR	POLICY AMOUNT	INSURANCE COMPANY
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 144,963	\$ 400,000	Hiscox Insurance
Attorney General	Section 8-6-104, T.C.A.	\$ 14,648	N/A	N/A
Circuit and Civil Sessions Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 138,660	\$ 400,000	Hiscox Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 126,055	\$ 400,000	Hiscox Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 173,048	\$ 400,000	Hiscox Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 138,660	\$ 400,000	Hiscox Insurance
Law Director	Section 3.08, Knox County Charter	\$ 172,737	N/A	N/A
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 126,055	\$ 400,000	Hiscox Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 159,459	\$ 100,000	Hartford Fire Insurance
Trustee	Section 8-24-102 (k), T.C.A.	\$ 126,055	\$ 17,431,456	Hartford Fire Insurance

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, 2018

	Board of Education	Component Unit	
	Total -- Governmental Activities	Great Schools Partnership	
Assets			
Cash and Cash Equivalents	\$ 15,849,119	\$ 1,750,586	\$ 17,599,705
Investments	21,429,308	3,510,540	24,939,848
Accounts Receivable	42,389,502	643,202	43,032,704
Local Taxes Receivable, net	106,996,033	-	106,996,033
Inventories	1,850,367	-	1,850,367
Prepaid Items	1,065,925	14,158	1,080,083
Other Assets	-	1,000	1,000
Net Pension Asset	3,641,366	-	3,641,366
Capital Assets:			
Land and Construction in Process	25,413,248	-	25,413,248
Other Capital Assets, Net of Accumulated Depreciation	426,009,398	48,202	426,057,600
Total Assets	644,644,266	5,967,688	650,611,954
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	44,439,980	-	44,439,980
Deferred Outflows Related to Other Post-Employment Benefits	2,081,304	-	2,081,304
Total Deferred Inflows of Resources	46,521,284	-	46,521,284
Liabilities			
Accounts Payable	63,436,451	496,305	63,932,756
Due to Knox County Primary Government	377,429	-	377,429
Unearned Revenue	321,670	-	321,670
Self-insurance Liability	3,451,708	-	3,451,708
Net Pension Liability	8,733,255	-	8,733,255
Long-term Obligation: Other Post-Employment Benefits Obligation	32,959,777	-	32,959,777
Other Long-term Obligations:			
Due in Less than One Year	4,338,139	-	4,338,139
Due in More than One Year	18,263,847	3,335,000	21,598,847
Total Liabilities	131,882,276	3,831,305	135,713,581
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	42,305,370	-	42,305,370
Deferred Inflows Related to Other Post-Employment Benefits	2,158,275	-	2,158,275
Deferred Inflows of Property Taxes	103,826,157	-	103,826,157
Total Deferred Outflows of Resources	148,289,802	-	148,289,802
Net Position (Deficit)			
Investment in Capital Assets	448,174,279	48,202	448,222,481
Net Investment in Capital Assets	(926,923)	-	(926,923)
Restricted for:			
Education Purposes	9,322,918	175,949	9,498,867
Unrestricted (Deficit)	(45,576,802)	1,912,232	(43,664,570)
Total Net Position	\$ 410,993,472	\$ 2,136,383	\$ 413,129,855

Knox County Board of Education

Statement of Activities

For the Year Ended June 30, 2018

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
Knox County Board of Education:							
Governmental activities:							
Education	\$ 534,508,774	\$ 13,724,007	\$ 62,942,103	4,515,483	\$ (453,327,181)		\$ (453,327,181)
Education - Payment to Primary Government	15,858,368	-	-	-	(15,858,368)		(15,858,368)
Total primary government	<u>\$ 550,367,142</u>	<u>\$ 13,724,007</u>	<u>\$ 62,942,103</u>	<u>\$ 4,515,483</u>	<u>(469,185,549)</u>		<u>(469,185,549)</u>
Component unit:							
Great Schools Partnership	\$ 6,361,617	\$ -	\$ 4,007,414	\$ -		\$ (2,354,203)	(2,354,203)
Great Schools Partnership - Payment to Knox County Board of Education	242,234	-	-	-		(242,234)	(242,234)
Total component unit	<u>\$ 6,603,851</u>	<u>\$ -</u>	<u>\$ 4,007,414</u>	<u>\$ -</u>		<u>(2,596,437)</u>	<u>(2,596,437)</u>
General Revenues:							
Property Taxes					100,682,583	-	100,682,583
Sales Taxes					151,819,824	-	151,819,824
Wheel Taxes					1,671,093	-	1,671,093
Other Local Taxes					1,065,230	-	1,065,230
Interest Income					469,041	(12,400)	456,641
Miscellaneous					378,868	9,634	388,502
State of Tennessee Basic Education Program					210,692,256	-	210,692,256
Payments from Knox County Primary Government					8,059,868	2,601,874	10,661,742
Intergovernmental Revenues					2,256,866	-	2,256,866
Payments from Component Unit					242,234	-	242,234
Total General Revenues					<u>477,337,863</u>	<u>2,599,108</u>	<u>479,936,971</u>
Change in Net Position					8,152,314	2,671	8,154,985
Net Position, July 1, as restated					402,841,158	2,133,712	404,974,870
Net Position, June 30					<u>\$ 410,993,472</u>	<u>\$ 2,136,383</u>	<u>\$ 413,129,855</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Balance Sheet

Governmental Funds

June 30, 2018

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 6,051,788	\$ -	\$ 9,797,331	\$ 15,849,119
Investments, at Fair Value	21,429,308	-	-	21,429,308
Receivables (Net of Allowance for Uncollectibles):				
Accounts	33,643,856	-	8,745,646	42,389,502
Local Taxes	106,996,033	-	-	106,996,033
Due from Other Funds	20,744,442	-	15,352	20,759,794
Inventories	867,959	-	982,408	1,850,367
Prepaid Items	1,044,397	-	21,528	1,065,925
TOTAL ASSETS	\$ 190,777,783	\$ -	\$ 19,562,265	\$ 210,340,048
LIABILITIES				
Accounts Payable	\$ 4,580,229	\$ 4,089,381	\$ 757,310	\$ 9,426,920
Accrued Liabilities	53,931,278	-	78,253	54,009,531
Due to Other Funds	15,352	13,556,968	7,187,474	20,759,794
Due to Primary Government	377,429	-	-	377,429
Unearned Revenue	-	-	321,670	321,670
TOTAL LIABILITIES	58,904,288	17,646,349	8,344,707	84,895,344
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes and Other Receivable	106,436,548	-	-	106,436,548
FUND BALANCES				
Nonspendable	1,912,356	-	1,003,936	2,916,292
Restricted	-	-	9,322,918	9,322,918
Committed	4,725,881	-	911,657	5,637,538
Assigned	1,566,416	-	-	1,566,416
Unassigned (Deficit)	17,232,294	(17,646,349)	(20,953)	(435,008)
TOTAL FUND BALANCES	25,436,947	(17,646,349)	11,217,558	19,008,156
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 190,777,783	\$ -	\$ 19,562,265	\$ 210,340,048

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, 2018

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

Ending Fund Balance - Governmental Funds	\$	19,008,156
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		451,422,646
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.		3,641,366
Deferred outflows related to pensions (\$44,439,980) and deferred outflows related to other postemployment benefits (\$2,081,304) 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 (\$42,305,370) and deferred inflows related to other postemployment benefits (\$2,158,275) decrease the amount of net position reported in the statements of net position, but are not reported as liabilities in the funds.		2,057,639
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.		2,610,391
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated Absences	\$	18,426,696
Capital Lease Obligation		4,175,290
Self-insurance Liability		3,451,708
Other Post-Employment Benefits Liability		32,959,777
Net Pension Liability		8,733,255
		(67,746,726)
Net Position of Governmental Activities	\$	410,993,472

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, 2018

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 100,650,102	\$ -	\$ -	\$ 100,650,102
Local Option Sales Taxes	151,819,824	-	-	151,819,824
Wheel Tax	1,671,093	-	-	1,671,093
Other Local Taxes	1,065,230	-	-	1,065,230
Licenses and Permits	35,154	-	-	35,154
Charges for Current Services	809,822	-	6,141,009	6,950,831
Other Local Revenues	3,531,978	44,053	4,950,321	8,526,352
State of Tennessee	215,884,959	-	3,219,769	219,104,728
Federal Government	649,194	-	54,785,584	55,434,778
Other Governments and Citizen Groups	5,192	-	396,250	401,442
Interest Earned	-	9,856	-	9,856
Payments from Primary Government	2,652,000	2,000,000	-	4,652,000
Total Revenues	478,774,548	2,053,909	69,735,167	550,563,624
Expenditures				
Current:				
Education	463,993,372	-	69,817,027	533,810,399
Capital Outlay	-	43,739,003	-	43,739,003
Payments to Primary Government	13,774,686	-	-	13,774,686
Total Expenditures	477,768,058	43,739,003	69,817,027	591,324,088
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,006,490	(41,685,094)	(81,860)	(40,760,464)
Other Financing Sources (Uses)				
Transfers from Other Funds	1,828,986	-	2,962,335	4,791,321
Transfers to Other Funds	(2,516,711)	-	(2,274,610)	(4,791,321)
Total Other Financing Sources (Uses)	(687,725)	-	687,725	-
Net Change in Fund Balances	318,765	(41,685,094)	605,865	(40,760,464)
Fund Balances, July 1	25,118,182	24,038,745	10,611,693	59,768,620
Fund Balances (Deficit), June 30	\$ 25,436,947	\$ (17,646,349)	\$ 11,217,558	\$ 19,008,156

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, 2018

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

Net Change in Fund Balances - Total Governmental Funds		\$ (40,760,464)
<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 (\$48,107,971) exceeded depreciation (\$25,699,485) in the current period.</p>		
		22,408,486
<p>Certain capital assets constructed by the primary government and contributed to the Board of Education are not recognized as revenues in the fund financial statements, but are recognized as revenues in the statement of activities.</p>		
		3,407,868
<p>Capital assets contributed by external parties to the Board are not recognized as revenues in the fund financial statements, but are recognized as revenues in the statement of activities.</p>		
		4,515,483
<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>		
		2,610,391
<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>		
		(2,577,910)
<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	\$ 2,972,406	
Deferred Outflows Related to Other Post-Employment Benefits	64,126	
Deferred Outflows Related to Pensions	(25,366,049)	(22,329,517)
<p>(Increase) decrease in liabilities and deferred inflows:</p>		
Self-insurance Liability	72,222	
Other Post-Employment Benefits Liability	487,737	
Net Pension Liability	39,267,555	
Deferred Inflows Related to Pensions	5,145,168	
Deferred Inflows Related to Other Post-Employment Benefits	(2,158,275)	
Compensated Absences Liability	(2,188,918)	
Capital Lease Liability	252,488	40,877,977
Change in Net Position of Governmental Activities		<u>\$ 8,152,314</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Balance Sheets
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 6,051,788	\$ 3,507,555
Investments, at Fair Value	21,429,308	35,743,151
Receivables (Net of Allowance for Uncollectibles):		
Accounts	33,643,856	30,599,087
Local Taxes	106,996,033	105,747,011
Due from Primary Government	-	91,042
Due from Other Funds	20,744,442	9,604,214
Prepaid Items	1,044,397	376,746
Inventories	867,959	969,494
TOTAL ASSETS	<u>\$ 190,777,783</u>	<u>\$ 186,638,300</u>
LIABILITIES		
Accounts Payable	\$ 4,580,229	\$ 4,161,534
Accrued Liabilities	53,931,278	50,213,644
Due to Other Funds	15,352	1,574,639
Due to Primary Government	377,429	486,637
TOTAL LIABILITIES	<u>58,904,288</u>	<u>56,436,454</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes and Other Receivable	<u>106,436,548</u>	<u>105,083,664</u>
FUND BALANCES		
Nonspendable	1,912,356	1,346,240
Committed	4,725,881	-
Assigned	1,566,416	375,216
Unassigned	17,232,294	23,396,726
TOTAL FUND BALANCES	<u>25,436,947</u>	<u>25,118,182</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 190,777,783</u>	<u>\$ 186,638,300</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenues		
Property Taxes	\$ 100,650,102	\$ 99,821,200
Local Option Sales Taxes	151,819,824	146,399,387
Wheel Tax	1,671,093	1,650,161
Other Local Taxes	1,065,230	1,083,847
Licenses and Permits	35,154	35,550
Charges for Current Services	809,822	486,739
Other Local Revenues	3,531,978	3,069,582
State of Tennessee	215,884,959	202,466,773
Federal Government	649,194	596,332
Other Governments and Citizen Groups	5,192	750
Payment from Primary Government	<u>2,652,000</u>	<u>3,102,000</u>
Total Revenues	<u>478,774,548</u>	<u>458,712,321</u>
Expenditures		
Current:		
Education	463,993,372	436,029,225
Payments to Primary Government	<u>13,774,686</u>	<u>12,865,715</u>
Total Expenditures	<u>477,768,058</u>	<u>448,894,940</u>
Excess of Revenues Over Expenditures	<u>1,006,490</u>	<u>9,817,381</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	1,828,986	1,460,008
Transfers to Other Funds	<u>(2,516,711)</u>	<u>(6,513,992)</u>
Total Other Financing Sources (Uses)	<u>(687,725)</u>	<u>(5,053,984)</u>
Net Change in Fund Balances	318,765	4,763,397
Fund Balances, July 1	<u>25,118,182</u>	<u>20,354,785</u>
Fund Balances, June 30	<u>\$ 25,436,947</u>	<u>\$ 25,118,182</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
 For the Years Ended June 30, 2018 and 2017

	2018				2017		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Property Taxes	\$ 102,366,000	\$ 102,366,000	\$ 100,650,102	\$ (1,715,898)	\$ 99,427,000	\$ 99,821,200	\$ 394,200
Local Option Sales Taxes	148,459,000	151,814,000	151,819,824	5,824	144,637,000	146,399,387	1,762,387
Wheel Tax	1,600,000	1,600,000	1,671,093	71,093	1,575,000	1,650,161	75,161
Other Local Taxes	1,080,000	1,080,000	1,065,230	(14,770)	1,037,000	1,083,847	46,847
Licenses and Permits	35,000	35,000	35,154	154	32,000	35,550	3,550
Charges for Current Services	550,000	861,162	809,822	(51,340)	550,000	486,739	(63,261)
Other Local Revenues	1,457,000	2,808,016	3,531,978	723,962	2,287,800	3,069,582	781,782
State of Tennessee	210,861,000	214,800,000	214,169,176	(630,824)	199,769,000	200,831,133	1,062,133
Federal Government	526,000	526,000	649,194	123,194	526,000	596,332	70,332
Other Governments and Citizen Groups	-	1,500	5,192	3,692	-	750	750
Payments from Primary Government	2,652,000	2,652,000	2,652,000	-	3,102,000	3,102,000	-
Total Revenues	469,586,000	478,543,678	477,058,765	(1,484,913)	452,942,800	457,076,681	4,133,881
Expenditures							
Current:							
Education:							
Personal Services	303,631,373	310,610,224	310,483,454	126,770	293,679,544	293,363,754	315,790
Employee Benefits	79,882,718	83,705,328	83,656,709	48,619	77,359,811	77,329,795	30,016
Contracted Services	29,574,360	29,965,207	28,887,094	1,078,113	27,446,308	27,355,460	90,848
Supplies and Materials	24,359,090	24,674,817	24,164,506	510,311	23,432,061	23,315,630	116,431
Other Charges	17,259,655	14,333,535	14,215,183	118,352	12,887,561	12,592,084	295,477
Capital Outlay	637,211	1,725,588	870,643	854,945	614,357	436,862	177,495
Payments to Primary Government	13,630,593	13,630,593	13,774,686	(144,093)	12,865,694	12,865,715	(21)
Total Expenditures	468,975,000	478,645,292	476,052,275	2,593,017	448,285,336	447,259,300	1,026,036
Excess (Deficiency) of Revenues Over (Under) Expenditures	611,000	(101,614)	1,006,490	1,108,104	4,657,464	9,817,381	5,159,917
Other Financing Sources (Uses)							
Transfers from Other Funds	1,560,000	1,815,000	1,828,986	13,986	1,460,000	1,460,008	8
Transfers to Other Funds	(2,171,000)	(2,513,655)	(2,516,711)	(3,056)	(6,513,990)	(6,513,992)	(2)
Total Other Financing Sources (Uses)	(611,000)	(698,655)	(687,725)	10,930	(5,053,990)	(5,053,984)	6
Net Change in Fund Balances	-	(800,269)	318,765	1,119,034	(396,526)	4,763,397	5,159,923
Fund Balances, July 1	25,118,182	25,118,182	25,118,182	-	20,354,785	20,354,785	-
Fund Balances, June 30	\$ 25,118,182	\$ 24,317,913	\$ 25,436,947	\$ 1,119,034	\$ 19,958,259	\$ 25,118,182	\$ 5,159,923

Note: The revenue and expenditure totals in this statement do not include \$1,715,783 for FY '18 and \$1,635,640 for FY '17 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, 2018 and 2017**

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 2,733,454
Investments, at Fair Value	-	27,853,723
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 30,587,177</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 4,089,381	\$ 6,548,432
Due to Other Funds	13,556,968	-
TOTAL LIABILITIES	<u>17,646,349</u>	<u>6,548,432</u>
Fund Balances:		
Restricted	-	24,038,745
Unassigned (Deficit)	(17,646,349)	-
TOTAL FUND BALANCES (DEFICIT)	<u>(17,646,349)</u>	<u>24,038,745</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 30,587,177</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenues		
Other Local Revenues	\$ 44,053	\$ 236,098
Interest Earned	9,856	25,177
Payments from Primary Government	-	9,968,536
Debt Proceeds Received from Primary Government	<u>2,000,000</u>	<u>70,750,000</u>
Total Revenues	<u>2,053,909</u>	<u>80,979,811</u>
Expenditures		
Capital Projects	43,739,003	47,216,929
Payments to Primary Government	<u>-</u>	<u>4,733</u>
Total Expenditures	<u>43,739,003</u>	<u>47,221,662</u>
Net Change in Fund Balance	(41,685,094)	33,758,149
Fund Balances (Deficit), July 1	<u>24,038,745</u>	<u>(9,719,404)</u>
Fund Balances (Deficit), June 30	<u><u>\$ (17,646,349)</u></u>	<u><u>\$ 24,038,745</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, 2018*

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Physical Plant Upgrades	\$ 4,892,413	\$ -	\$ 2,405,301	\$ 2,405,301	\$ 2,487,112
Pond Gap Elementary	9,800,000	6,400,229	2,511,891	8,912,120	887,880
CTE Magnet High	3,785,000	3,645,982	10,477	3,656,459	128,541
Energy Management Project IIIC	15,034,925	15,108,053	-	15,108,053	(73,128)
Security Upgrades	8,875,000	6,927,453	1,216,443	8,143,896	731,104
Tech Upgrades Systemwide	746,876	501,244	46,431	547,675	199,201
School Accessibility	100,000	-	20,737	20,737	79,263
HVAC Upgrades	4,952,345	3,509,477	828,116	4,337,593	614,752
Roofing Upgrades	5,147,655	2,034,306	1,382,966	3,417,272	1,730,383
Rule Warehouse Construction	132,231	124,292	-	124,292	7,939
Land Acquisition	350,000	340,024	-	340,024	9,976
BEP Growth Mod Class Relocation	1,394,391	1,044,371	68,494	1,112,865	281,526
Drive Parking Upgrades	500,000	482,672	12,320	494,992	5,008
Hardin Valley Middle School	34,501,351	19,312,194	18,157,059	37,469,253	(2,967,902)
Gibbs Middle School	30,000,000	9,980,775	15,437,161	25,417,936	4,582,064
Inskip Elementary School - Addition	6,500,000	87,000	1,567,024	1,654,024	4,845,976
Env. Testing & Rem.	200,000	-	-	-	200,000
South Doyle High School - Library Upgrade	223,000	161,514	74,583	236,097	(13,097)
<i>Total Capital Projects:</i>	<u>\$ 127,135,187</u>	<u>\$ 69,659,586</u>	<u>\$ 43,739,003</u>	<u>\$ 113,398,589</u>	<u>\$ 13,736,598</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2018

	School Federal Projects	School General Projects	Central Cafeteria	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 1,655,941	\$ 8,141,390	\$ 9,797,331
Receivables (Net of Allowance for Uncollectibles):				
Accounts	6,046,201	590,729	2,108,716	8,745,646
Due from Other Funds	-	-	15,352	15,352
Inventories	-	296,940	685,468	982,408
Prepaid Items	20,953	575	-	21,528
TOTAL ASSETS	\$ 6,067,154	\$ 2,544,185	\$ 10,950,926	\$ 19,562,265
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 466,566	\$ 124,644	\$ 166,100	\$ 757,310
Accrued Liabilities	-	-	78,253	78,253
Due to Other Funds	5,600,588	1,210,369	376,517	7,187,474
Unearned Revenue	-	-	321,670	321,670
TOTAL LIABILITIES	6,067,154	1,335,013	942,540	8,344,707
Fund Balances:				
Nonspendable	20,953	297,515	685,468	1,003,936
Restricted	-	-	9,322,918	9,322,918
Committed	-	911,657	-	911,657
Unassigned (Deficit)	(20,953)	-	-	(20,953)
TOTAL FUND BALANCES	-	1,209,172	10,008,386	11,217,558
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,067,154	\$ 2,544,185	\$ 10,950,926	\$ 19,562,265

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, 2018

	School Federal Projects	School General Projects	Central Cafeteria	Total Nonmajor Governmental Funds
Revenues				
Charges for Current Services	\$ -	\$ 1,007,431	\$ 5,133,578	\$ 6,141,009
Other Local Revenues	-	4,281,266	669,055	4,950,321
State of Tennessee	124,686	2,843,536	251,547	3,219,769
Federal Government	33,580,050	-	21,205,534	54,785,584
Other Governments and Citizen Groups	-	396,250	-	396,250
Total Revenues	33,704,736	8,770,717	27,259,714	69,735,167
Expenditures				
Education	33,291,458	11,686,177	24,839,392	69,817,027
Total Expenditures	33,291,458	11,686,177	24,839,392	69,817,027
Excess (Deficiency) of Revenues Over (Under) Expenditures	413,278	(2,915,460)	2,420,322	(81,860)
Other Financing Sources (Uses)				
Transfers from Other Funds	32,346	2,929,989	-	2,962,335
Transfers to Other Funds	(445,624)	(268,978)	(1,560,008)	(2,274,610)
Total Other Financing Sources (Uses)	(413,278)	2,661,011	(1,560,008)	687,725
Net Change in Fund Balances	-	(254,449)	860,314	605,865
Fund Balances, July 1	-	1,463,621	9,148,072	10,611,693
Fund Balances, June 30	\$ -	\$ 1,209,172	\$ 10,008,386	\$ 11,217,558

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Fund
Comparative Balance Sheets
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 6,046,201	\$ 7,304,803
Due From Other Funds	-	296,693
Prepaid Items	<u>20,953</u>	<u>850</u>
TOTAL ASSETS	<u>\$ 6,067,154</u>	<u>\$ 7,602,346</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 466,566	\$ 120,555
Due to Other Funds	<u>5,600,588</u>	<u>7,481,791</u>
TOTAL LIABILITIES	<u>6,067,154</u>	<u>7,602,346</u>
Fund Balances:		
Nonspendable	20,953	850
Unassigned (Deficit)	<u>(20,953)</u>	<u>(850)</u>
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,067,154</u>	<u>\$ 7,602,346</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenues		
State of Tennessee	\$ 124,686	\$ -
Federal Government	33,580,050	36,093,222
Other Governments and Citizen Groups	<u>-</u>	<u>13,876</u>
Total Revenues	<u>33,704,736</u>	<u>36,107,098</u>
Expenditures		
Current:		
Education	<u>33,291,458</u>	<u>35,497,373</u>
Total Expenditures	<u>33,291,458</u>	<u>35,497,373</u>
Excess of Revenues Over Expenditures	<u>413,278</u>	<u>609,725</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	32,346	27,174
Transfers to Other Funds	<u>(445,624)</u>	<u>(636,899)</u>
Total Other Financing Uses	<u>(413,278)</u>	<u>(609,725)</u>
Net Change in Fund Balances	-	-
Fund Balances, July 1	<u>-</u>	<u>-</u>
Fund Balances, June 30	<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
 For the Years Ended June 30, 2018 and 2017

	2018				2017		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
State of Tennessee	\$ -	\$ 125,000	\$ 124,686	\$ (314)	\$ -	\$ -	\$ -
Federal Government	-	39,175,648	33,580,050	(5,595,598)	40,515,626	36,093,222	(4,422,404)
Other Governments and Citizen Groups	-	-	-	-	55,125	13,876	(41,249)
Total Revenues	-	39,300,648	33,704,736	(5,595,912)	40,570,751	36,107,098	(4,463,653)
Expenditures							
Current:							
Education:							
Personal Services	-	23,071,469	21,681,082	1,390,387	24,895,896	23,441,367	1,454,529
Employee Benefits	-	6,330,466	5,741,095	589,371	5,874,585	5,639,476	235,109
Contracted Services	-	1,034,993	901,417	133,576	1,339,628	1,181,305	158,323
Supplies and Materials	-	2,728,272	1,507,148	1,221,124	2,292,325	1,636,367	655,958
Other Charges	-	3,287,277	2,003,309	1,283,968	3,085,142	2,091,554	993,588
Capital Outlay	-	2,428,287	1,457,407	970,880	2,255,903	1,507,304	748,599
Total Expenditures	-	38,880,764	33,291,458	5,589,306	39,743,479	35,497,373	4,246,106
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	419,884	413,278	(6,606)	827,272	609,725	(217,547)
Other Financing Sources (Uses)							
Transfer from Other Funds	-	25,740	32,346	6,606	35,534	27,174	(8,360)
Transfer to Other Funds	-	(445,624)	(445,624)	-	(862,806)	(636,899)	225,907
Total Other Financing Sources (Uses)	-	(419,884)	(413,278)	6,606	(827,272)	(609,725)	217,547
Net Change in Fund Balances	-	-	-	-	-	-	-
Fund Balances, July 1	-	-	-	-	-	-	-
Fund Balances, June 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2018 and 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 1,655,941	\$ -
Receivables (Net of Allowance for Uncollectibles):		
Accounts	590,729	555,376
Due from Other Funds	-	1,419,391
Prepaid Items	575	7,695
Inventories	296,940	401,957
TOTAL ASSETS	<u>\$ 2,544,185</u>	<u>\$ 2,384,419</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 124,644	\$ 46,123
Due to Other Funds	1,210,369	874,675
TOTAL LIABILITIES	<u>1,335,013</u>	<u>920,798</u>
Fund Balances:		
Nonspendable	297,515	409,652
Committed	911,657	1,053,969
TOTAL FUND BALANCES	<u>1,209,172</u>	<u>1,463,621</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,544,185</u>	<u>\$ 2,384,419</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenues		
Licenses and Permits	\$ -	\$ 1,938
Charges for Current Services	1,007,431	789,907
Other Local Revenues	4,281,266	5,469,273
State of Tennessee	2,843,536	2,658,992
Federal Government	-	52,399
Other Governments and Citizens Groups	396,250	397,345
Payments from Component Unit	242,234	325,574
	<u>8,770,717</u>	<u>9,695,428</u>
Expenditures		
Current:		
Education	<u>11,686,177</u>	<u>18,397,703</u>
Deficiency of Revenues Under Expenditures	<u>(2,915,460)</u>	<u>(8,702,275)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	2,929,989	7,123,717
Transfers to Other Funds	<u>(268,978)</u>	<u>-</u>
Total Other Financing Sources	<u>2,661,011</u>	<u>7,123,717</u>
Net Change in Fund Balances	(254,449)	(1,578,558)
Fund Balances, July 1	<u>1,463,621</u>	<u>3,042,179</u>
Fund Balances, June 30	<u>\$ 1,209,172</u>	<u>\$ 1,463,621</u>

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
 For the Years Ended June 30, 2018 and 2017

	2018				2017		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Licenses and Permits	\$ -	\$ -	\$ -	\$ -	\$ 1,800	\$ 1,938	\$ 138
Charges for Current Services	-	922,464	1,007,431	84,967	657,109	789,907	132,798
Other Local Revenues	-	8,007,828	4,281,266	(3,726,562)	10,063,077	5,469,273	(4,593,804)
State of Tennessee	-	3,132,373	2,843,536	(288,837)	2,843,532	2,658,992	(184,540)
Federal Government	-	-	-	-	-	52,399	52,399
Payments from Component Unit	-	-	242,234	242,234	-	325,574	325,574
Other Governments and Citizens Groups	-	623,760	396,250	(227,510)	1,280,670	397,345	(883,325)
Total Revenues	-	12,686,425	8,770,717	(3,915,708)	14,846,188	9,695,428	(5,150,760)
Expenditures							
Current:							
Education:							
Personal Services	-	4,814,161	4,749,378	64,783	5,225,957	5,056,522	169,435
Employee Benefits	-	1,263,614	1,304,053	(40,439)	1,371,067	1,363,084	7,983
Contracted Services	-	264,848	200,158	64,690	3,773,551	3,478,474	295,077
Supplies and Materials	-	7,787,488	4,508,206	3,279,282	10,279,052	7,679,500	2,599,552
Other Charges	-	863,765	731,870	131,895	251,232	138,603	112,629
Capital Outlay	-	568,531	192,512	376,019	1,209,738	681,520	528,218
Total Expenditures	-	15,562,407	11,686,177	3,876,230	22,110,597	18,397,703	3,712,894
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,875,982)	(2,915,460)	(39,478)	(7,264,409)	(8,702,275)	(1,437,866)
Other Financing Sources (Uses)							
Transfers from Other Funds	-	2,018,279	2,929,989	911,710	7,130,865	7,123,717	(7,148)
Transfers to Other Funds	-	(46,000)	(268,978)	(222,978)	(20,000)	-	20,000
Total Other Financing Sources (Uses)	-	1,972,279	2,661,011	688,732	7,110,865	7,123,717	12,852
Net Change in Fund Balances	-	(903,703)	(254,449)	649,254	(153,544)	(1,578,558)	(1,425,014)
Fund Balances, July 1	1,463,621	1,463,621	1,463,621	-	3,042,179	3,042,179	-
Fund Balances, June 30	\$ 1,463,621	\$ 559,918	\$ 1,209,172	\$ 649,254	\$ 2,888,635	\$ 1,463,621	\$ (1,425,014)

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 8,141,390	\$ 6,311,366
Receivables (Net of Allowance for Uncollectibles):		
Accounts	2,108,716	4,482,666
Due from Other Funds	15,352	-
Inventories	<u>685,468</u>	<u>600,564</u>
TOTAL ASSETS	<u><u>\$ 10,950,926</u></u>	<u><u>\$ 11,394,596</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 166,100	\$ 555,325
Accrued Liabilities	78,253	4,016
Due to Other Funds	376,517	1,389,193
Unearned Revenue	<u>321,670</u>	<u>297,990</u>
TOTAL LIABILITIES	<u>942,540</u>	<u>2,246,524</u>
 Fund Balances:		
Nonspendable	685,468	600,564
Restricted	<u>9,322,918</u>	<u>8,547,508</u>
TOTAL FUND BALANCES	<u>10,008,386</u>	<u>9,148,072</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 10,950,926</u></u>	<u><u>\$ 11,394,596</u></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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenues		
Charges for Current Services	\$ 5,133,578	\$ 5,168,027
Other Local Revenues	669,055	681,122
State of Tennessee	251,547	251,796
Federal Government	<u>21,205,534</u>	<u>22,184,568</u>
Total Revenues	<u>27,259,714</u>	<u>28,285,513</u>
Expenditures		
Current:		
Education:		
Food Service	<u>24,839,392</u>	<u>26,166,077</u>
Excess of Revenues Over Expenditures	<u>2,420,322</u>	<u>2,119,436</u>
Other Financing Uses		
Transfers to Other Funds	<u>(1,560,008)</u>	<u>(1,460,008)</u>
Net Change in Fund Balances	860,314	659,428
Fund Balances, July 1	<u>9,148,072</u>	<u>8,488,644</u>
Fund Balances, June 30	<u>\$ 10,008,386</u>	<u>\$ 9,148,072</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
For the Years Ended June 30, 2018 and 2017**

	2018				2017		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 5,375,000	\$ 5,375,000	\$ 5,133,578	\$ (241,422)	\$ 5,390,000	\$ 5,168,027	\$ (221,973)
Other Local Revenues	403,000	403,000	669,055	266,055	558,000	681,122	123,122
State of Tennessee	250,000	250,000	251,547	1,547	250,000	251,796	1,796
Federal Government	22,542,000	22,542,000	21,205,534	(1,336,466)	21,175,500	22,184,568	1,009,068
Total Revenues	28,570,000	28,570,000	27,259,714	(1,310,286)	27,373,500	28,285,513	912,013
Expenditures							
Current:							
Education:							
Food Service:							
Personal Services	8,702,000	8,702,000	8,498,729	203,271	8,400,000	8,394,280	5,720
Employee Benefits	2,616,500	2,616,500	2,484,996	131,504	2,525,500	2,442,405	83,095
Contracted Services	1,122,000	1,122,000	975,871	146,129	1,164,400	1,100,886	63,514
Supplies & Materials	14,202,000	14,261,832	11,750,085	2,511,747	13,646,216	12,587,323	1,058,893
Other Charges	217,500	217,500	184,205	33,295	248,100	248,086	14
Capital Outlay	150,000	1,280,036	945,506	334,530	1,650,479	1,393,097	257,382
Total Expenditures	27,010,000	28,199,868	24,839,392	3,360,476	27,634,695	26,166,077	1,468,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,560,000	370,132	2,420,322	2,050,190	(261,195)	2,119,436	2,380,631
Other Financing Uses							
Transfers to Other Funds	(1,560,000)	(1,560,000)	(1,560,008)	(8)	(1,460,000)	(1,460,008)	(8)
Net Change in Fund Balances	-	(1,189,868)	860,314	2,050,182	(1,721,195)	659,428	2,380,623
Fund Balances, July 1	9,148,072	9,148,072	9,148,072	-	8,488,644	8,488,644	-
Fund Balances, June 30	\$ 9,148,072	\$ 7,958,204	\$ 10,008,386	\$ 2,050,182	\$ 6,767,449	\$ 9,148,072	\$ 2,380,623

KNOX COUNTY, TENNESSEE
Discretely Presented Component Unit
Knox County Board of Education
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 4,766,847	\$ 10,584,155
Investments, at Fair Value:		
Mutual Funds	52,340,105	-
Total Investments	52,340,105	-
Receivables:		
Receivable for Investments Sold	328,149	-
Accrued Interest and Dividends	24	-
Other Assets	-	19,712
Total Receivables	328,173	19,712
Total Assets	57,435,125	10,603,867
LIABILITIES		
Accounts Payable and Accrued Liabilities	-	4,114
Accounts Payable - Administrative Expenses	41,277	-
Liability for Student Activities	-	10,607,110
Total Liabilities	41,277	\$ 10,611,224
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS	\$ 57,393,848	

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,766,847	\$ 945,462
Investments, at Fair Value:		
Mutual Funds	52,340,105	3,067,790
Collective Investment Trusts	-	54,565,602
Total Investments	<u>52,340,105</u>	<u>57,633,392</u>
Receivables:		
Receivable for Investments Sold	328,149	289,500
Accrued Interest and Dividends	24	1,140
Total Receivables	<u>328,173</u>	<u>290,640</u>
Total Assets	<u>57,435,125</u>	<u>58,869,494</u>
LIABILITIES		
Accounts Payable - Administrative Expenses	<u>41,277</u>	<u>84,716</u>
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS	<u>\$ 57,393,848</u>	<u>\$ 58,784,778</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions:		
Employer	\$ 551,669	\$ 726,969
Employee	-	472
Total Contributions	<u>551,669</u>	<u>727,441</u>
Investment Income (Loss):		
Interest and Dividend Income	498,870	209,926
Net Appreciation (Depreciation) in Fair Value of Investments	<u>4,439,558</u>	<u>6,818,247</u>
Total Investment Income (Loss)	4,938,428	7,028,173
Less Investment Expense	<u>(125,872)</u>	<u>(214,684)</u>
Net Investment Income (Loss)	<u>4,812,556</u>	<u>6,813,489</u>
Total Additions	<u>5,364,225</u>	<u>7,540,930</u>
DEDUCTIONS		
Benefits and Refunds	6,587,091	6,633,292
Administrative Expenses	<u>168,064</u>	<u>170,602</u>
Total Deductions	<u>6,755,155</u>	<u>6,803,894</u>
CHANGE IN NET POSITION	(1,390,930)	737,036
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR	<u>58,784,778</u>	<u>58,047,742</u>
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR	<u>\$ 57,393,848</u>	<u>\$ 58,784,778</u>

KNOX COUNTY, TENNESSEE

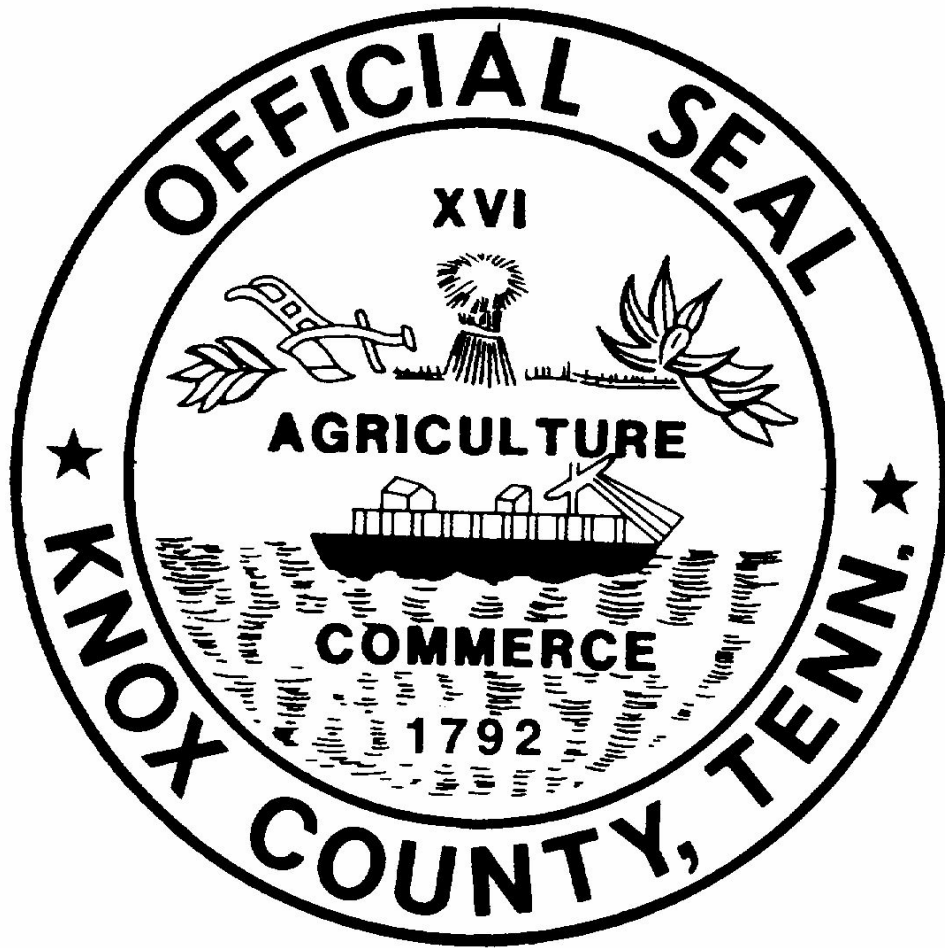
**Discretely Presented Component Unit -
Knox County Board of Education
Internal School Funds**

Comparative Statements of Changes in Fiduciary Assets and Liabilities

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets and Liabilities, July 1	\$ 10,139,558	\$ 10,242,835
Additions	21,531,259	20,590,304
Deductions	<u>(21,063,707)</u>	<u>(20,693,581)</u>
Assets and Liabilities, June 30	<u>\$ 10,607,110</u>	<u>\$ 10,139,558</u>

Statistical Section



STATISTICAL SECTION (Unaudited)

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

Contents	Page
Financial Trends	268-276
<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	277-280
<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	281-283
<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	284-285
<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	286-288
<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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Primary government										
Governmental activities										
Net investment in capital assets	\$ 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	\$ 269,818,927
Restricted	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	10,349,925
Unrestricted	(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)	(304,099,280)
Total primary governmental activities net position	\$ 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)	\$ (23,930,428)
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	\$ 489,551
Unrestricted	286,781	304,278	301,122	215,757	99,523	73,842	18,491	2,719	(45,569)	(46,609)
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	\$ 442,942
Component units										
Investment in capital assets	\$ 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	\$ 461,226,296
Restricted	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	9,565,733
Unrestricted	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	17,660,214
Total component units activities net position	\$ 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	\$ 488,452,243
Total reporting unit activities net position	\$ 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	\$ 464,964,757

Note: See Note IV.H for Restatements to beginning balances included here in 2018.

It was not considered practicable to reflect the portion of these prior period adjustments applicable to the previous years prior to 2018 shown herein.

Knox County implemented GASB Statement Number 68 in fiscal year 2015.

Knox County implemented GASB Statement Number 75 in fiscal year 2018.

KNOX COUNTY, TENNESSEE

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Primary government:										
Governmental activities:										
Finance and Administration	\$ 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	\$ 38,288,802
Finance and Administration - payment to component unit	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	5,253,874
Administration of Justice	15,651,510	15,691,782	24,277,040	22,434,728	22,734,428	23,299,693	24,414,379	25,571,043	26,713,176	30,358,240
Public Safety	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	92,113,909
Public Safety - payment to component unit	326,200	326,200	326,200	326,200	326,200	326,200	326,200	485,002	856,322	1,191,595
Public Health and Welfare	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	36,918,889
Public Health and Welfare - payment to component unit	166,628	256,628	256,628	256,628	256,628	211,628	166,628	166,628	166,628	166,628
Social and Cultural Services	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	21,717,942
Agricultural and Natural Resources	433,295	413,675	380,453	365,774	435,231	519,433	470,977	490,451	518,339	520,063
Other General Government	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	26,252,797
Other General Government - payment to component unit	-	-	-	-	675,000	600,000	600,000	625,000	665,000	700,000
Engineering & Public Works	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	34,327,784
Engineering & Public Works - payment to component unit	25,872	-	-	-	-	-	-	-	-	-
Education - payment to component unit	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	5,407,868
Debt Service - interest and fees	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	25,918,382
Debt Service - other	-	-	-	-	-	745,863	-	-	-	-
Total governmental activities	<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>	<u>319,136,773</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	1,181,011
Total primary government expenses	<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>	<u>\$ 320,317,784</u>
Component units:										
Board of Education	\$ 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	\$ 556,728,759
Nonmajor Component Units	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	10,576,258
Total component units expenses	<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>	<u>\$ 567,305,017</u>
Total reporting unit expenses	<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>	<u>\$ 887,622,801</u>

Note: Knox County implemented GASB Statement Number 75 in fiscal year 2018.

Note: Knox County implemented GASB Statement Number 68 in fiscal year 2015.

Note: See Note IV.H related to prior period adjustments in 2018. It was not considered practicable to show the effects of those adjustments on years prior to 2018.

Continued

KNOX COUNTY, TENNESSEE

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues										
Primary government:										
Governmental activities:										
Charges for Services:										
Finance and Administration	\$ 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	\$ 22,983,398
Administration of Justice	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	11,035,260
Public Safety	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	6,110,734
Public Health and Welfare	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	7,467,973
Social and Cultural Services	1,324,927	1,117,171	880,631	949,557	950,683	885,537	778,733	771,108	890,986	816,249
Other General Government	249,935	85,295	689,972	592,251	290,846	282,845	298,127	303,569	318,940	280,504
Engineering & Public Works	214,851	652,250	436,570	758,766	883,998	267,125	122,259	142,101	473,550	154,050
Operating grants and contributions	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	27,856,773
Capital grants and contributions	-	-	-	-	-	-	-	-	-	3,440,398
Total governmental activities	<u>49,366,321</u>	<u>53,314,873</u>	<u>55,263,883</u>	<u>56,803,602</u>	<u>56,020,620</u>	<u>56,268,048</u>	<u>64,367,831</u>	<u>69,744,831</u>	<u>69,740,213</u>	<u>80,145,339</u>
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	814,837
Capital grants and contributions	-	-	-	-	-	-	-	-	35,000	44,876
Total business-type activities	<u>462,055</u>	<u>918,056</u>	<u>927,337</u>	<u>978,000</u>	<u>877,775</u>	<u>861,989</u>	<u>798,212</u>	<u>788,756</u>	<u>794,401</u>	<u>859,713</u>
Total primary government program revenues	<u>\$ 49,828,376</u>	<u>\$ 54,232,929</u>	<u>\$ 56,191,220</u>	<u>\$ 57,781,602</u>	<u>\$ 56,898,395</u>	<u>\$ 57,130,037</u>	<u>\$ 65,166,043</u>	<u>\$ 70,533,587</u>	<u>\$ 70,534,614</u>	<u>\$ 81,005,052</u>
Component units:										
Charges for Services:										
Board of Education	\$ 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	\$ 13,724,007
Nonmajor Component Units	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	7,168,044
Operating grants and contributions	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	67,449,517
Capital grants and contributions	-	-	-	-	747,638	883,814	-	-	-	4,515,483
Total component units program revenues	<u>\$ 73,825,967</u>	<u>\$ 95,934,750</u>	<u>\$ 104,881,019</u>	<u>\$ 97,539,967</u>	<u>\$ 94,823,138</u>	<u>\$ 90,981,961</u>	<u>\$ 92,033,823</u>	<u>\$ 96,765,998</u>	<u>\$ 93,998,247</u>	<u>\$ 92,857,051</u>
Total reporting unit program revenues	<u>\$ 123,654,343</u>	<u>\$ 150,167,679</u>	<u>\$ 161,072,239</u>	<u>\$ 155,321,569</u>	<u>\$ 151,721,533</u>	<u>\$ 148,111,998</u>	<u>\$ 157,199,866</u>	<u>\$ 167,299,585</u>	<u>\$ 164,532,861</u>	<u>\$ 173,862,103</u>
Net (expenses)/revenues										
Primary government activities	\$ (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)	\$ (239,312,732)
Component units	(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)	(474,447,966)
Total net (expenses) revenues for reporting unit	<u>\$ (637,579,358)</u>	<u>\$ (630,456,772)</u>	<u>\$ (643,826,832)</u>	<u>\$ (627,483,598)</u>	<u>\$ (672,189,046)</u>	<u>\$ (728,666,589)</u>	<u>\$ (679,761,410)</u>	<u>\$ (688,930,028)</u>	<u>\$ (774,384,479)</u>	<u>\$ (713,760,698)</u>

Note: Knox County implemented GASB Statement Number 75 in fiscal year 2018.

Note: Knox County implemented GASB Statement Number 68 in fiscal year 2015.

Note: See Note IV.H related to prior period adjustments in 2018. It was not considered practicable to show the effects of those adjustments on years prior to 2018.

Continued

KNOX COUNTY, TENNESSEE

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Primary government:										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 177,170,109
Sales taxes	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	15,240,875
Lodging taxes	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	8,294,714
Business taxes	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	9,681,404
Wheel taxes	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	12,060,159
Other local taxes	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	4,862,190
Investment revenue	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	6,248,527
Other revenues	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	30,113,083
Contracts - other governments and citizens	851,750	294,120	1,236,916	96,628	264,452	728,102	381,842	296,117	308,350	428,174
Miscellaneous	11,700	517,094	3,118,883	667,645	262,735	966,103	828,323	746,701	1,443,103	1,176,215
Transfers	(1,182,572)	-	-	-	-	-	(250,000)	(200,000)	(275,000)	(320,000)
Total governmental activities	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	264,955,450
Business-type activities:										
Transfers	1,182,572	-	-	-	-	-	250,000	200,000	275,000	320,000
Total primary government	\$ 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	\$ 265,275,450
Component units:										
Taxes										
Property taxes	\$ 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	\$ 100,682,583
Sales taxes	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	151,819,824
Wheel taxes	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	1,671,093
Other local taxes	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	1,065,230
Investment revenue	418,377	120,512	132,360	42,669	166,662	229,295	286,000	498,372	501,758	946,448
Payments from component units	-	-	-	-	-	-	2,162,546	-	-	-
Payments from primary government	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	12,719,965
Intergovernmental and 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	5,834,968
Contracts - other governments and citizens	1,719,140	1,719,140	1,719,140	1,719,140	78,725	90,080	5,658,174	368,295	96,520	2,787,924
Miscellaneous	-	109,577	4	503,211	377,361	219,340	122,317	88,892	110,930	388,502
Grants and Contributions Not Restricted for Specific Programs	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	1,719,140
State of Tennessee - Basic Education Program	-	-	-	-	-	-	-	-	197,263,894	210,692,256
Total component units	\$ 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	\$ 490,327,933
Total reporting unit	\$ 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	\$ 755,603,383
Change in Net Position										
Primary government activities	\$ (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)	\$ 25,962,718
Component units activities	(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	15,879,967
Total reporting unit	\$ (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	\$ 41,842,685

Note: Knox County implemented GASB Statement Number 75 in fiscal year 2018.

Note: Knox County implemented GASB Statement Number 68 in fiscal year 2015.

Note: See Note IV.H related to prior period adjustments in 2018. It was not considered practicable to show the effects of those adjustments on years prior to 2018.

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Property Tax	Sales Tax	Lodging Tax	Business Tax	Wheel Tax	Other Local Tax	Total
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
2018	177,170,109	15,240,875	8,294,714	9,681,404	12,060,159	4,862,190	227,309,451

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Property Tax	Sales Tax	Wheel Tax	Other Local Tax	Total
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
2018	100,682,583	151,819,824	1,671,093	1,065,230	255,238,730

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Property Tax	Sales Tax	Lodging Tax	Business Tax	Wheel Tax	Other Local Tax	Total
2009	\$ 231,217,047	\$ 135,474,394	\$ 5,382,819	\$ 6,629,276	\$ 12,136,168	\$ 5,146,796	\$ 395,986,500
2010	247,932,695	125,284,369	4,815,765	7,440,271	12,060,867	4,872,488	402,406,455
2011	241,392,831	124,478,243	4,830,079	6,332,408	11,966,128	5,734,783	394,734,472
2012	254,510,420	130,406,330	5,152,412	7,347,327	12,462,604	5,627,676	415,506,769
2013	250,728,267	139,664,654	5,696,181	7,782,614	12,336,867	3,975,211	420,183,794
2014	257,870,286	139,428,009	5,547,738	8,709,692	12,451,896	5,961,746	429,969,367
2015	260,754,183	139,652,734	5,860,554	7,566,636	13,009,924	6,044,310	432,888,341
2016	264,097,178	149,119,397	6,602,861	8,210,298	13,028,822	6,033,618	447,092,174
2017	271,502,394	159,160,912	7,993,966	9,535,521	13,559,249	6,116,204	467,868,246
2018	277,852,692	167,060,699	8,294,714	9,681,404	13,731,252	5,927,420	482,548,181

KNOX COUNTY, TENNESSEE

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Reserved	\$ 9,080,512	\$ 8,382,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	5,927,091
Restricted	-	-	2,212,749	2,787,302	2,798,061	2,557,432	2,426,638	2,450,091	2,381,149	2,417,264
Committed	-	-	9,294	5,596,444	3,675,473	2,342,583	4,405,300	2,297,348	2,525,359	4,874,481
Assigned	-	-	957,967	465,211	1,089,640	1,401,378	1,130,360	789,441	387,963	921,525
Unassigned	-	-	43,521,876	44,259,130	51,452,742	53,026,996	55,853,075	60,783,057	63,901,759	65,921,820
Total general fund	<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>	<u>\$ 80,062,181</u>
All other governmental funds										
Reserved	\$ 13,950,926	\$ 22,514,296	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue constitutional officers	3,831,682	2,387,038	-	-	-	-	-	-	-	-
Capital projects public improvement	12,367,955	(4,050,370)	-	-	-	-	-	-	-	-
Debt service	17,757,274	15,753,733	-	-	-	-	-	-	-	-
Other governmental funds	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	93,419
Restricted	-	-	20,968,128	27,243,240	6,277,249	12,693,130	18,807,905	12,528,271	12,681,604	7,932,661
Committed	-	-	22,133,322	23,331,278	25,942,402	29,062,822	27,427,505	31,353,805	21,979,815	23,328,510
Assigned	-	-	-	2,199,988	3,657,378	3,986,924	4,490,319	5,226,787	5,532,748	5,182,159
Unassigned	-	-	-	-	-	-	-	-	-	(13,247,367)
Total all other governmental funds	<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>	<u>\$ 23,289,382</u>

GASB Statement Number 54 implemented in fiscal year 2011.

KNOX COUNTY, TENNESSEE
Changes in Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 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	\$ 227,228,862
Licenses and permits	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	5,220,162
Fines, forfeitures and penalties	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	3,291,616
Charges for current services	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	36,002,670
Other local revenues	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	10,675,630
State of Tennessee	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	30,330,826
Federal government	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	9,297,355
Other governments and citizen groups	1,347,906	640,110	1,669,274	1,454,345	1,103,013	723,019	646,219	1,210,967	592,769	1,748,187
Investment earnings	794,846	174,952	1,037,903	2,111,750	2,214,606	2,023,800	15,686	18,121	-	-
Payments from component units	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	13,774,686
Increase in equity interest in joint venture	-	-	349,085	331,142	918,162	-	-	-	-	406,204
Total revenues	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	337,976,198
Expenditures										
Finance and administration	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	33,204,331
Finance and administration - payments to component unit	4,018,649	3,823,874	3,823,874	3,823,874	6,653,874	6,753,874	6,553,874	5,553,874	5,603,874	5,253,874
Administration of justice	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	29,488,754
Public safety	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	85,541,830
Public safety - payments to component unit	326,200	326,200	326,200	326,200	326,200	326,200	326,200	485,002	856,322	1,191,595
Public health and welfare	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	36,013,476
Public health and welfare - payments to component unit	166,628	256,628	256,628	256,628	256,628	211,628	166,628	166,628	166,628	166,628
Social and cultural services	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	18,969,381
Agricultural and natural resources	433,295	413,675	380,453	365,774	435,231	519,433	470,977	490,451	518,339	520,063
Other general government	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	23,860,502
Other general government - payments to component unit	-	-	-	-	-	600,000	600,000	625,000	665,000	700,000
Engineering & Public Works	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	16,474,241
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	2,000,000
Debt issuance cost	368,000	247,856	441,307	106,387	-	745,863	209,442	196,957	481,587	-
Payments to component unit	-	-	-	-	-	-	-	-	9,968,536	-
Capital Outlay	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	23,645,303
Debt Service:										
Principal	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	42,929,342
Interest	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	24,358,994
Other charges	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	2,868,774
Total expenditures	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	347,187,088
Excess (deficiency) of revenues over (under) expenditures	(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)	(9,210,890)
Other financing sources (uses)										
Transfers in	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	19,345,615
Transfers out	(28,898,609)	(26,010,479)	(9,882,229)	(18,439,226)	(21,326,873)	(21,240,907)	(12,810,239)	(17,334,687)	(19,180,797)	(22,298,236)
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	-	-	57,780,000
Bonds issued	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	-	-	3,980,220
Payments to holders of refunded debt	-	(4,620,000)	(64,118,485)	(22,469,358)	-	-	(74,181,478)	-	-	(61,368,872)
Notes issued	33,538,969	-	-	5,000,000	-	-	-	-	-	-
Total other financing sources (uses)	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	(2,561,273)
Net change in fund balances	\$ 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)	\$ (11,772,163)
Debt service as a percentage of noncapital expenditures	20.37%	18.71%	19.74%	21.93%	20.75%	19.67%	20.16%	19.92%	16.44%	18.24%

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						
2008	\$ 5,264,672,457	\$ 2,612,533,183	\$ 516,452,576	\$ 254,306,631	\$ 8,647,964,847	2.69	29,774,328,302	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	3,190,912,532	536,664,800	272,395,481	10,337,159,926	2.36	35,612,831,249	29.03%
2012	6,399,459,648	3,281,312,762	586,781,514	269,579,260	10,537,133,184	2.36	36,755,355,985	28.67%
2013	6,451,276,742	3,492,130,886	614,695,320	271,557,298	10,829,660,246	2.32	37,588,716,071	28.81%
2014	6,523,063,290	3,559,988,339	635,273,978	277,646,472	10,995,972,079	2.32	38,201,723,954	28.78%
2015	6,602,720,159	3,637,774,445	621,042,244	281,892,638	11,143,429,486	2.32	38,620,666,682	28.85%
2016	6,699,539,739	3,690,851,321	650,346,468	277,926,658	11,318,664,186	2.32	39,233,928,954	28.85%
2017	7,370,460,234	4,282,773,197	689,959,277	268,585,449	12,611,778,157	2.32	43,513,738,614	28.98%

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)**

	Year Taxes Are Payable									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Knox County Direct Rates										
General	\$ 1.10	\$ 0.97	\$ 0.97	\$ 0.97	\$ 0.97	\$ 0.96	\$ 0.96	\$ 0.97	\$ 0.97	\$ 0.89
Debt Service	0.36	0.31	0.31	0.31	0.31	0.30	0.48	0.47	0.47	0.43
Schools	1.23	1.08	1.08	1.08	1.08	1.06	0.88	0.88	0.88	0.80
Total direct rate	2.69	2.36	2.36	2.36	2.36	2.32	2.32	2.32	2.32	2.12
City of Knoxville Rates	2.81	2.46	2.46	2.46	2.46	2.39	2.73	2.73	2.73	2.46
Total direct & overlapping rates	<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>	<u>\$ 4.58</u>

Sources: *Knox County, Tennessee.*
City of Knoxville, Tennessee.

KNOX COUNTY, TENNESSEE

**Principal Property Taxpayers
Tax Year 2017 and Nine Years Ago
(Unaudited)**

<u>Taxpayer</u>	Tax Year 2017			Tax Year 2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Metro Knoxville	\$ 66,586,360	1	0.53%	\$ -	-	-
AT&T Mobility	36,569,666	2	0.29%	-	-	-
Verion Wireless	34,285,355	3	0.27%	26,492,516	2	0.31%
West Town Mall	28,557,440	4	0.23%	24,933,040	5	0.29%
Bellsouth Telecommunications	27,191,676	5	0.22%	76,223,028	1	0.88%
UPS, Inc.	19,697,905	6	0.16%	-	-	-
Exedy America Corp	18,211,959	7	0.14%	-	-	-
Pilot Travel Centers	18,164,019	8	0.14%	-	-	-
Quarry Trail	16,717,240	9	0.13%	-	-	-
Hart	16,309,920	10	0.13%	-	-	-
DRA Advisors	-	-	-	25,154,240	3	0.29%
Parkside Drive LLC	-	-	-	25,045,040	4	0.29%
Mercy Health Partners	-	-	-	22,442,840	6	0.26%
Fort Sanders Alliance	-	-	-	22,310,320	7	0.26%
Knoxville Center	-	-	-	20,776,160	8	0.24%
Walmart	-	-	-	20,712,880	9	0.24%
Norfolk Southern	-	-	-	20,063,923	10	0.23%
Totals	\$ 282,291,540		2.24%	\$ 284,153,987		3.29%

Source: Knox County, Tennessee Trustee Department.

KNOX COUNTY, TENNESSEE

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 232,284	\$ 221,802	95.5%	\$ 10,289	\$ 232,091	99.9%
2010	237,376	225,027	94.8%	12,051	237,078	99.9%
2011	239,974	229,048	95.4%	10,538	239,586	99.8%
2012	243,698	234,476	96.2%	8,734	243,210	99.8%
2013	248,479	239,800	96.5%	8,118	247,918	99.8%
2014	251,078	243,512	97.0%	6,868	250,380	99.7%
2015	254,985	246,882	96.8%	7,218	254,100	99.7%
2016	258,470	252,031	97.5%	5,141	257,172	99.5%
2017	262,535	255,343	97.3%	4,829	260,172	99.1%
2018	267,262	260,045	97.3%	816	260,861	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)**

Fiscal Year	Primary Government		Component Units	Total Reporting Unit	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds and Loans	Capital Leases	Capital Leases			
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%	1,506
2015	637,325	38,931	4,903	681,159	3.37%	1,510
2016	628,029	37,571	4,670	670,270	3.17%	1,470
2017	680,334	35,921	4,428	720,683	3.41% (2)	1,560
2018	638,368	34,179	4,175	676,722	3.20% (2)	1,465 (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 284 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)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2009	\$ 627,121	1.80%	1,443
2010	613,971	1.75%	1,418
2011	691,186	1.94%	1,583
2012	669,016	1.82%	1,518
2013	631,616	1.68%	1,422
2014	632,397	1.66%	1,412
2015	630,512	1.63%	1,397
2016	623,116	1.59%	1,366
2017	677,324	1.56%	1,467
2018	635,773	1.46% (3)	1,377 (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 277 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 284.

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

KNOX COUNTY, TENNESSEE

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2018
(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	\$ 672,547	100.00%	\$ 672,547
Subtotal, direct debt	<u>672,547</u>		<u>672,547</u>
City of Knoxville overlapping debt	64,299	100.00%	64,299
Town of Farragut overlapping debt	-	100.00%	-
Subtotal, overlapping debt	<u>64,299</u>		<u>64,299</u>
Total direct and overlapping debt	<u>\$ 736,846</u>		<u>\$ 736,846</u>

Note: Percentage of overlap based on assessed property values.

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Population (3)	Personal Income (amounts expressed in thousands) (1)	Per Capita Personal Income (1)	Median Age (3)	School Enrollment (3)	Unemployment Rate (2)
2009	434,617	\$ 15,371,687	\$ 35,278	37.1	112,688	8.5%
2010	432,972	16,089,189	37,148	37.2	113,848	7.8%
2011	436,653	16,994,073	38,894	37.3	108,109	7.6%
2012	440,705	18,149,825	41,127	37.2	111,190	6.7%
2013	444,194	18,466,333	41,533	37.3	111,661	7.3%
2014	447,939	19,297,297	43,012	37.3	112,176	6.3%
2015	451,321	20,241,530	44,849	37.4	112,467	5.3%
2016	456,114	21,121,133	46,305	37.4	114,029	3.2%
2017	461,860	22,243,142	48,160	37.5	115,849	3.7%
2018	461,860 (4)	22,243,142 (4)	48,160 (4)	37.5 (4)	115,849 (4)	3.6%

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 2017 and Nine Years Ago
(Unaudited)**

Employer (1)	2017			2008		
	Employees (2)	Rank	Percentage of Total Knoxville MSA Employment (3)	Employees (2)	Rank	Percentage of Total Knoxville MSA Employment (3)
U.S. Department of Energy, Oak Ridge Operations	12,618	1	3.13%	12,927	1	3.54%
Covenant Health	10,419	2	2.58%	9,016	2	2.47%
Knox County Public Schools	7,881	3	1.95%	7,553	4	2.07%
The University of Tennessee	6,689	4	1.66%	8,754	3	2.40%
Walmart Stores	5,881	5	1.46%	4,869	6	1.33%
University Health System	5,316	6	1.32%	3,727	9	1.02%
DENSO Mfg	4,439	7	1.10%	-		-
Tennova Healthcare	4,001	8	0.99%	-		-
The Dollywood Company	4,000	9	0.99%	-		-
State of Tennessee, Regional Office	3,529	10	0.88%	3,834	8	1.05%
Mercy Health Partners	-		-	5,711	5	1.56%
K-VA-T Food Stores	-		-	3,853	7	1.06%
Knox County Government	-		-	3,021	10	0.83%
Total	64,773		16.06%	63,265		17.33%

(1) Based on employers in the Knoxville area which includes Anderson, Blount, Grainger, Jefferson, Knox, Loudon, Monroe, Roane, Sevier and Union Counties.

(2) Greater Knoxville Chamber of Commerce.

(3) Tennessee Department of Labor and Workforce Development.

KNOX COUNTY, TENNESSEE

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

	Full-time Equivalent Employees by Function									
Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	541	534	521	503	504	508	529	547	552	549
Public safety	969	975	1013	1025	1037	1038	1041	1054	1063	1040
Public health and welfare	343	324	320	310	291	283	286	298	306	290
Highways	120	117	114	114	116	113	115	117	116	118
Social, cultural, and recreation	196	190	203	194	197	197	200	200	202	198
Total	2,169	2,140	2,171	2,146	2,145	2,139	2,171	2,216	2,239	2,195

Source: Knox County Budget.

KNOX COUNTY, TENNESSEE

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sheriff (1)										
Arrests	33,548	29,833	29,557	25,571	25,533	24,969	23,400	23,498	11,722	*
Accidents	4,500	3,441	3,190	3,080	2,793	2,903	2,861	3,097	3,131	*
Incidents	38,388	32,258	32,319	32,414	30,949	30,707	29,653	28,960	31,366	*
Health services (2)										
Clinical services										
Pediatric cases	7,570	8,542	3,558	-	-	-	-	-	-	-
Preventive health cases	11,812	33,630	24,902	22,958	10,254	9,851	20,417	27,615	17,510	17,009
WIC services	34,085	33,583	33,242	34,625	35,568	36,446	36,050	34,053	27,091	25,547
Communicable diseases treated	16,434	16,207	17,437	17,941	17,615	9,452	16,098	13,162	21,522	19,594
New prescriptions filled	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	8,198
Social Services visits	-	10,923	13,103	11,186	10,385	10,523	9,954	6,417	2,211	1,433
Other health related visits	-	16,203	11,555	6,694	7,853	11,501	4,380	9,611	9,485	10,020
Engineering & public works (2)										
Street resurfacing (miles)	28	44	13	17	22	21	12	25	48	50
Road maintenance service orders processed	1,869	2,687	2,829	1,973	2,876	2,563	2,302	2,653	2,560	2,471
Litter reduction from right of way (miles)	720	830	1,046	637	839	1,035	906	1,040	766	749
Parks & recreation (2)										
Number of park shelter reservations	1,500	3,000	3,500	3,800	4,500	5,500	6,000	7,000	4,875	4,854
Total all participants on all teams	44,450	30,000	30,000	37,000	37,000	40,000	60,000	22,750	39,668	32,135
Total number of attendees at events	90,000	20,500	21,500	90,000	125,084	160,000	170,000	63,600	114,801	101,792

* 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	8	10	10	9	9	9	9	9	9	9
Engineering & Public Works										
Streets (lane miles)	2,033	2,033	2,089	2,107	2,107	2,230	2,236	2,241	2,244	2,248
Bridges	142	142	142	142	142	143	143	143	143	145
Traffic signals	58	59	64	65	68	70	73	75	76	81
Parks & Recreation										
Parks acreage	3,122	3,296	3,296	3,347	3,347	2,600	2,025	2,169	2,169	2,169
Parks	47	49	49	50	51	49	48	48	48	48
Spray pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	7	7	7	7	7	13	13	13	13	13

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