



For The Year Ended June 30, 2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Tim Burchett, County Mayor



KNOX COUNTY TENNESSEE

knoxcounty.org



**Knox County
Health Department**
Every Person. A Healthy Person

KNOX COUNTY, TENNESSEE

Comprehensive Annual Financial Report

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Introductory Section





OFFICE OF COUNTY MAYOR TIM BURCHETT

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

December 22, 2016

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, 2016, 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 unqualified ("clean") opinion on the County's financial statements for the year ended June 30, 2016. The independent auditors' report is located at the front of the financial section of this report. The County is also required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Information related to this single audit, including schedules of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

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

GOVERNMENTAL STRUCTURE

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

OFFICE OF THE COUNTY MAYOR

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

- General Fund balance has increased by over \$20 million from the beginning of FY 2011 to the FY 2016 end of year.
- Restored 177 hours of operation per week within our public library system with no additional impact on the budget.
- Increased purchasing transparency by implementing first-in-the-state online, searchable databases for E-commerce card and purchase order transactions.
- Ensured more than \$2 million in savings over four years by utilizing public-private partnerships to provide pediatric care, as well as translation services for Knox County Health Department clients.

- Implemented mileage reimbursement at the standard federal rate in lieu of monthly travel allowances, which saved approximately \$78,000 annually.
- Sold unnecessary county vehicles, resulting in thousands of dollars in cost-avoidance savings through reduced maintenance, fuel and liability costs.
- Reduced Knox County's debt obligations by over \$76 million since taking office.
- Identified a funding mechanism to use one-time dollars to pay for the construction of a new Carter Elementary School, therefore eliminating a potential \$8 million in traditional bond interest payments. The school opened on time for the 2013-2014 school year.
- Sold the Solway greenwaste facility property for \$2 million; prior to the sale, the upkeep on the property cost taxpayers an average of \$245,000 annually.
- Engaged a committee of private sector experts to help advise Mayor Burchett on how to address the growing cost of employee health benefits in an attempt to bring those benefits more in-line with the private market; many of the committee's suggestions were implemented and the changes resulted in projected savings of \$1.7 million.
- Supported the Halls and Northeast Knox greenway projects, as well as the Knox-Blount greenway project.
- Constructed and opened the Concord "Pet Safe" Dog Park.
- Restored the stream bank along Beaver Creek at Halls Community Park.
- Made parking improvements at the Knox County Sports Park.
- Saved the building that formerly was used for the Oakwood Elementary School. The condition of the building had deteriorated, and its future was uncertain. The County worked with developers and others in the private sector to make needed upgrades and repairs to the facility, which is now being used for senior housing. This provides additional services to the community and places the property back on the County tax roll.
- Saved Historic Knoxville High School, which is now being redeveloped for private use.
- Sold State Street properties, which are now under development as a mixed-use residential project known as Marble Alley.
- Opened the new Karns Senior Center, bringing the total number of Knox County senior centers to six.
- Helped launch a youth dental program in partnership with the Great Schools Partnership, Knox County Schools and the Elgin Children's Foundation.
- Opened a larger, safer and more efficient Knox County Solid Waste convenience center in the Karns community.
- Opened the new Clayton Park in the Halls Community.
- Broke ground on the new Plumb Creek Park.
- Broke ground on two new Gibbs and Hardin Valley middle schools.
- Opened or expanded two disc golf courses at Powell Station Park and Tommy Schumpert Park.
- Completed 5.3MW solar project that will save taxpayers approximately \$14 million over the next 30 years.
- Supported Zoo Knoxville's master plan with a 5-year, \$5 million capital commitment.
- Added 70 acres to I.C. King Park, which will lead to improved amenities and a new, safer entrance to the park.
- Led the Midway Business Park rezoning process through a series of public input sessions and public meetings.

Legislative Initiatives

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

Capital Improvement Initiatives

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

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

General Construction/Renovation:

- General Project Management
- Dutchtown Convenience Center
- City County Improvements/Developments
- Various Maintenance Improvements

Road Construction/Improvements:

- Parkside Drive Extension
- General Road Improvements
- Ebenezer/Gleason Intersection
- Hardin Valley/Greenland

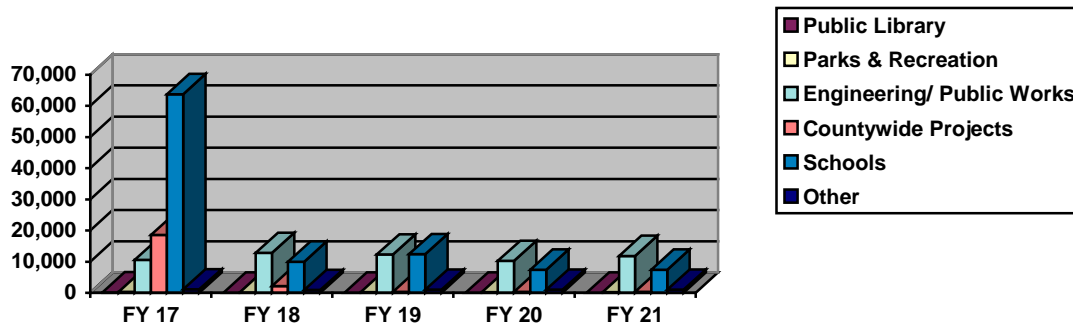
School Construction/Renovation:

- Physical Plant Upgrades
- Energy Management Project
- Security Camera System
- HVAC Upgrades
- Mooreland Heights
- Gibbs Middle
- Hardin Valley Middle

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

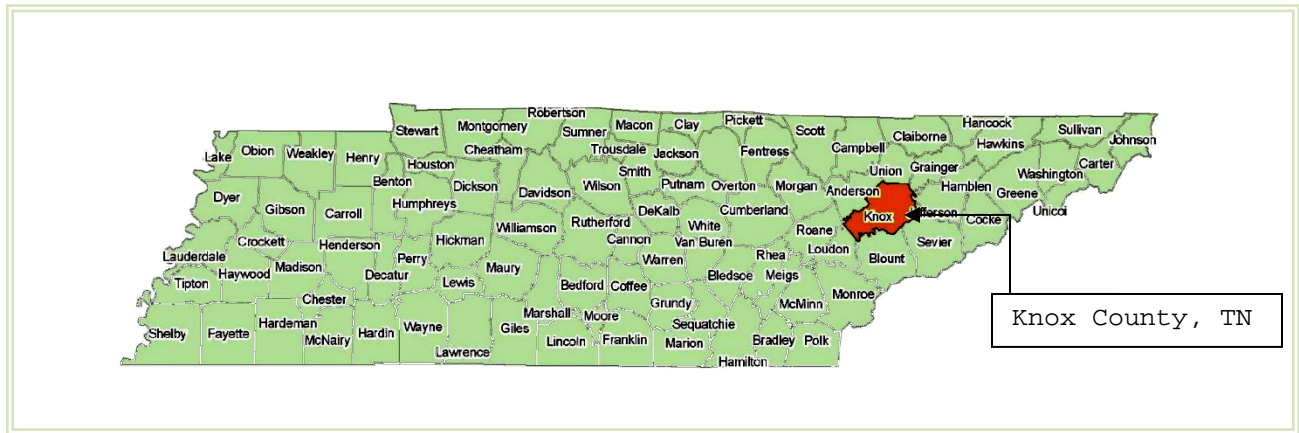
Project Description	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	TOTAL
Libraries	\$ 152	\$ 0	\$ 0	\$ 0	\$ 0	\$ 152
Countywide Projects	18,519	2,200	300	300	300	21,619
Parks & Recreation	350	100	200	200	200	1,050
Engineering & Public Works	10,545	12,805	12,280	10,240	11,840	57,710
Building Improvements & Other	1,104	900	1,000	1,000	1,000	5,004
Schools	63,750	10,000	12,400	7,400	7,400	100,950
Total – Approved Projects	\$ 94,420	\$ 26,005	\$ 26,180	\$ 19,140	\$ 20,740	\$ 186,485

Five Year Capital Plan
(In Thousands of Dollars)



Note: The increase in FY 17 is due to the planned construction of two new middle schools in the Hardin Valley and Gibbs communities.

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 2015 census demographic population data reported that 451,324 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 2015 census data was reported at 185,291. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 22,676. Knoxville has a land area of approximately 104 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee.

Manufacturing and Commerce

Located in the northeastern portion of the State, Knox County, along with Anderson, Blount, 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 2015 estimates, there were approximately 995 wholesale establishments, 1,615 retail establishments, and more than 5,924 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 780 manufacturing firms, which produce a large variety of items including medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts.

Business Climate

The County has a history of being a regional leader in economic activity. The County offers premier location opportunities for high-technology and precision manufacturing firms. The University of Tennessee, Tennessee Valley Authority and the Oak Ridge National Laboratory help to provide a stable, secure employment base. The Knoxville area is home to many medium-sized manufacturing and distribution operations as well as customer service centers. The Knoxville area boasts a strong and reliable workforce, and low union membership rates. These assets, combined with an excellent location at the intersections of Interstates 40, 75 and 81, make Knox County a great location for any business. The County is also well served by 125 truck lines, two railroads, six airlines, and three local river terminals that provide direct links to the Great Lakes and to the Gulf of Mexico. The Knoxville area continually receives recognition for high quality of life, combining an attractive natural setting with a moderate four-season climate. In addition, the Knoxville area ranks among the nation's top markets for low cost of living. The Knoxville MSA ranks as one of the top southeastern urban areas with an index of 86.4 compared to the average of all participating cities of 100. The County has over 6,200 acres of park and recreation space, with approximately 177 miles of greenways and walking trails. The arts and culture are well served, with the Knoxville Symphony, Knoxville Opera Company, Knoxville Museum of Art, and several performing arts organizations, including the Clarence Brown Theater, providing numerous cultural opportunities. Live entertainment includes touring Broadway productions and many concerts at numerous venues throughout the area, including the historic, beautifully renovated Tennessee and Bijou theaters.

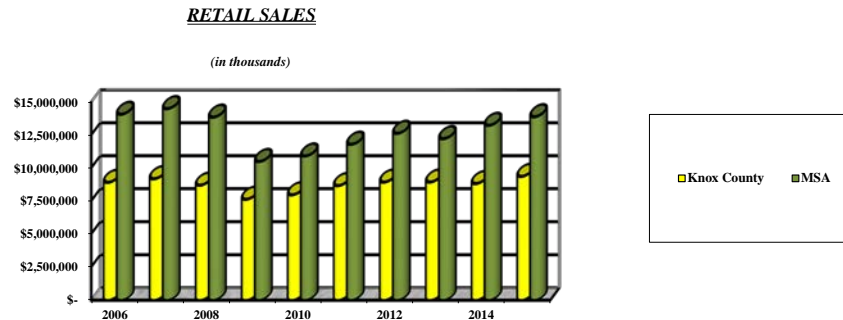
Industrial Investment

The Knoxville MSA has been recognized nationally as a leading location to live and do business. In 2016, The Brookings Institution ranked the Knoxville metro area as the 54th best-performing in the country based on its showing in job growth, unemployment, output (gross product), and house prices. Among metro areas in Tennessee, Knoxville was second only to Nashville (10th best nationally). Commerce and industry vary from the media success of Scripps Television Networks (HGTV, DIY, Food, Cooking, GAC, and Travel), to Sysco Corporation's (largest food service marketer and distributor in North America) regional warehouse and distribution center. In addition, many other local companies are recognized as national and global leaders, including Clayton Homes, Brunswick Corporation, Keurig Green Mountain, Bush Brothers, Pilot/Flying J Travel Centers, and Ruby Tuesday.

The area is also gaining a reputation as a prime location for corporate headquarters. High profile companies headquartered here in the MSA include the Tennessee Valley Authority, Jewelry Television, AC Entertainment, DeRoyal Industries, PetSafe/Radio Systems Corporation, and Regal Entertainment. Knox County has 7 business parks and a Technology Corridor to meet a wide range of corporate facility needs. In 2015, approximately 6,561 new jobs were created in Knox County among the more than 12,309 jobs created across the metro area.

Commercial Development

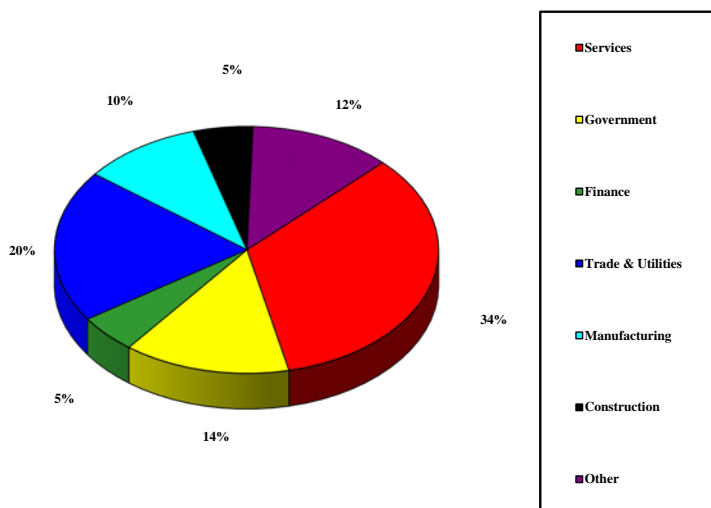
Four regional shopping malls and over 200 shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Knox County has traditionally been the regional hub of the MSA. The 2015 retail sales in the MSA grossed over \$13.8 billion, with approximately 67% of that total 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 10 million guests in 2015.

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 2016, the seasonally unadjusted unemployment rates for the County, state and nation stood at 4.3%, 4.1% and 4.9%, respectively. The County's rate, while in line with the nation's, reflects a full percentage decrease from the corresponding rate from June 2015, and the state and national rates reflect moderate reductions. These rates indicate improvements in economic conditions across the board.

Per Capita Income

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

FINANCIAL INFORMATION

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

For the annual budget process, the FY 2016 adopted budget provided for a modest increase (6.1%) in General Fund expenditures. Most of the budgeted increase was for needed additional expenditures for public safety. Education funding, provided for in the General Purpose School Fund (the general fund for the Board of Education component unit) has also increased by more than \$13 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, 2016 of \$614,988,642 is \$76,197,826 less than fiscal year 2011. This change resulted from the payments of bonded debt in the current year exceeding new issuances. Additional reductions are planned in future years to accomplish the Mayor's stated goal of reducing County bonded debt.

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Knox County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the twentieth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The County has also received, for the twenty-first consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2016 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, Steve Campbell, Jeff Clark, Dora Compton, Susan Corlew, Patti Galvan-Balzer, Peter Lin, Melanie Wilck, and Taylor Frazier all went above and beyond the call of duty to design and generate this report. Thank you very much for your professional dedication in this effort. Thank you to the entire Department of Finance for your efforts to "get the job done well," every day. You serve the citizens of Knox County very well.

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

Sincerely,



Tim Burchett
Knox County Mayor



Chris Caldwell
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Knox County
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan".

Executive Director/CEO



KNOX COUNTY, TENNESSEE
ROSTER OF PUBLICLY ELECTED OFFICIALS
As of June 30, 2016

Elected Officials:

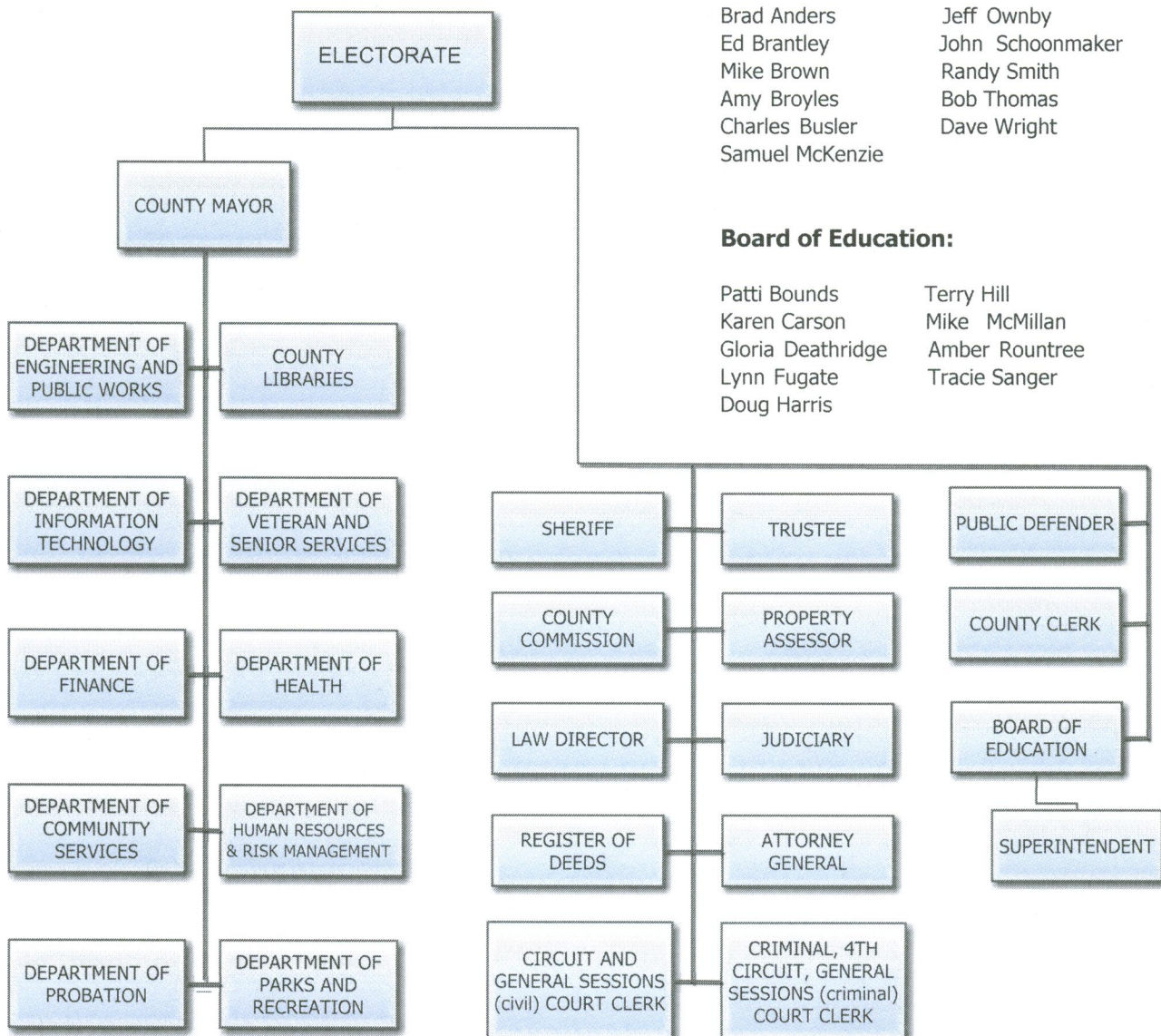
Assessor of Property - Phil Ballard
Attorney General - Charme P. Allen
Circuit/General Sessions (civil) Clerk - Cathy Shanks
County Clerk - Foster D. Arnett, Jr.
County Mayor - Tim Burchett
Criminal/Fourth Circuit/Sessions (criminal)
Clerk - Mike Hammond
Law Director - Richard Armstrong
Public Defender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

Board of Commissioners:

Brad Anders	Jeff Ownby
Ed Brantley	John Schoonmaker
Mike Brown	Randy Smith
Amy Broyles	Bob Thomas
Charles Busler	Dave Wright
Samuel McKenzie	

Board of Education:

Patti Bounds	Terry Hill
Karen Carson	Mike McMillan
Gloria Deathridge	Amber Rountree
Lynn Fugate	Tracie Sanger
Doug Harris	



Financial Section



KNOXVILLE OFFICE:

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



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OAK RIDGE, TENNESSEE 37830
TELEPHONE 865-769-1657

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, 2016 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 2.27% of total assets and deferred outflows, 8.64% of net position and .14% 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 "BOE"). The Partnership comprises 1.94% of total assets and deferred outflows, .59% of net position and 1.21% of the revenues of the BOE. 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

xiii



TSCPA
Members of the Tennessee Society
Of Certified Public Accountants

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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 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.

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 xvi through xxx 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 124 through 133 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 22, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 22, 2016, on the County's compliance for each major federal program, internal control over compliance and the schedules of expenditures of federal and state awards 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 22, 2016

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

As management of the Knox County Government, we offer readers of the Knox County Government's financial statements this narrative overview and analysis of the financial activities of the Knox County Government for the fiscal year ended June 30, 2016. 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-x 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 exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$17,177,880 (net position). This amount includes a negative \$259,493,264 of unrestricted net position. The negative unrestricted net position amount resulted from the process by which the Primary Government issues debt on behalf of the Board of Education component unit.
- The Primary Government's change in net position for its governmental activities was an increase of \$3,140,665. Total net position for the Primary Government (governmental and business-type activities) increased by \$3,065,794.
- The Primary Government's governmental funds reported total fund balances of \$121,505,486, a decrease of \$2,366,710 for the fiscal year.
- The Knox County Government's total bonded debt at the end of the year totaled \$614,988,642, a decrease of 0.13 percent compared to the prior year total of \$622,812,923. Of the current year total, \$371,971,565 pertains to County general government activities and \$243,017,077 pertains to the Knox County Board of Education component unit. Bond principal paid in the current year totaled \$43,724,281 and debt issued totaled \$35,900,000.
- The County Property Tax Rate was \$2.32 for the fiscal year. There was no change from the prior year rate.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

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

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

The government-wide financial statements include the Knox County Government itself (known as the primary government), and legally separate entities for which Knox County Government is financially accountable (component units): the school district – the Board of Education (The Board), a legally separate Emergency Communications District (The District), The Development Corporation (The Corporation), and the Knox County Railroad Authority (The Authority.) Financial information for these component units is reported separately from the financial information presented for the primary government itself. The District and Corporation issue separate financial statements. The Board and the Authority do not issue separate financial statements. The government-wide financial statements can be found on pages 1 and 2 of this report.

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

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

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

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

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

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

The basic governmental fund financial statements can be found on pages 3-7 of this report.

Proprietary funds. There are two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Knox County Government established an enterprise fund in 2009 to account for the operations of the Three Ridges Golf Course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Knox County Government's various functions. Knox County Government uses internal service funds to account for its fleet service operations, mailroom operations, employee benefits activities (including retirement), self-insurance activities, building operations, technical support operations, self-insurance healthcare activities, and fleet capital leasing activities. Because these services benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The eight internal service funds are combined into a single, aggregated presentation in the basic proprietary fund financial statements, along with the presentation of the Three Ridges Golf Course enterprise fund. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

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 13-123 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Knox County Government's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 124-133 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the individual fund statements are presented on pages 134-172. Combining and individual fund statements for proprietary funds can be found on pages 173-194 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position - Primary Government -- Governmental Activities

	June 30,	
	2016	2015
Current and Other Assets	\$ 351,878,840	\$ 344,357,970
Capital Assets	609,534,524	605,696,376
Total Assets	961,413,364	950,054,346
Deferred Outflows of Resources	58,030,181	40,180,016
Long-term Liabilities Outstanding	729,273,514	712,511,484
Other Liabilities	100,426,148	93,868,153
Total Liabilities	829,699,662	806,379,637
Deferred Inflows of Resources	172,566,003	169,817,510
Net Position:		
Invested in Capital Assets	267,670,250	267,497,791
Restricted	9,000,894	8,583,223
Unrestricted (Deficit)	(259,493,264)	(262,043,799)
Total Net Position	\$ 17,177,880	\$ 14,037,215

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

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

An additional portion of the Knox County Primary Government's governmental activities net position represents resources that are subject to external restriction on how they may be used. These include restricted for Debt Service \$83,528 (last year \$83,728). Other restrictions include Public Health and Welfare \$2,232,080, Public Safety \$2,890,001, Social and Cultural Purposes \$2,219,077 and Other Purposes \$1,576,208 (last year had a combined total of \$8,499,495). The remaining balance of unrestricted net position deficit of \$259,493,264 reflects a positive change of \$2,550,535 compared to the prior year unrestricted net position deficit of \$262,043,799. The reasons for the positive change in net position are discussed in the section describing governmental activities.

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 of \$259,493,264 as of June 30, 2016 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 statements. At June 30, 2016, the amount of bonds, capital leases and loans issued by the County on behalf of the Board still outstanding was \$276,280,509, compared to the prior year amount of \$288,581,780. If these liabilities were shown with the Board's amounts to match the capital assets, the County would have had positive unrestricted net position of its governmental activities of \$16,787,245 in 2016 and \$26,537,981 in 2015.

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

At the end of the current fiscal year, positive balances in total net position are reported for the total reporting unit, for the primary government and for each of the separate component units. The same situation held true for the prior fiscal year. The total reporting unit's net position increased by \$26,097,646 during the current fiscal year, compared to an increase of \$21,178,135 for the prior year. For the total reporting unit, the amount of the increase in net position is attributable to the underlying positive combined change in net position of the primary government and of the Board of Education component unit, totaling \$25,212,336, combined with the positive change in net position of the nonmajor component units of \$885,310 in the aggregate. The results for the Board, an overall positive change in net position of \$22,146,542, resulted primarily from increases in state revenues for education purposes of \$8,741,840, an increase in tax revenues of \$9,599,117, an increase in charges for services of \$4,334,598, net of an increase in expenses of \$5,958,053. See the next section for discussion of factors driving the results of the primary government's change in net position.

Governmental activities. Governmental activities increased the Knox County Primary Government's net position by \$3,140,665 in 2016. This amount results from the overall realization of certain revenues, primarily property taxes, state shared revenues and payments from component units.

The following table shows the changes in net position for the Primary Government-Governmental Activities for the fiscal years ended June 30, 2016 and 2015.

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Knox County Primary Government
Governmental Activities

	<u>2016</u>	<u>2015</u>
Program Revenues:		
Charges for Services	\$ 48,033,851	\$ 41,655,326
Operating Grants and Contributions	21,710,980	27,833,755
General Revenues		
Local Taxes	216,391,798	210,754,601
Payments from Component Units	17,117,442	12,521,580
Intergovernmental Revenues	13,380,140	12,381,045
Other General Revenues	3,534,790	4,409,924
Total Revenues	<u>320,169,001</u>	<u>309,556,231</u>
Expenses:		
Finance and Administration	36,885,718	36,112,276
Administration of Justice	25,571,043	24,414,379
Public Safety	88,917,847	82,717,157
Public Health and Welfare	34,280,078	33,739,935
Social and Cultural Services	21,782,470	20,521,029
Agricultural and Natural Resources	490,451	470,977
Other General Government	28,462,563	23,802,139
Engineering & Public Works	26,950,361	26,515,062
Debt Service - Interest and Fees	23,272,301	22,801,729
Payments to Component Units	30,215,504	31,918,017
Total Expenses	<u>316,828,336</u>	<u>303,012,700</u>
Excess of Revenues over Expenses before Transfers	<u>3,340,665</u>	<u>6,543,531</u>
Transfers to Business Type Activities	(200,000)	(250,000)
Change in Net Position	<u>3,140,665</u>	<u>6,293,531</u>
Net Position, July 1	<u>14,037,215</u>	<u>7,743,684</u>
Net Position, June 30	<u>\$ 17,177,880</u>	<u>\$ 14,037,215</u>

Program revenues include charges for services, which consist of various items such as fees for services, licenses, and fines. Charges for services relate to numerous and various government functions. These amounts increased by \$6,378,525 compared to the prior year. These items represent an aggregation of numerous transactions, and there is not a concentration of revenues in any area. These tend, therefore, to be relatively stable from year to year. Program revenues also include operating grants, which consist largely of grants received from the federal and state governments. These amounts decreased by \$6,122,775 compared to the prior year. The current

Knox County, Tennessee
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year decrease in revenues is due to various amounts received for government functions. The decrease also includes amounts contributed from developers related to capital projects.

General Revenues include local taxes, payments from component units, intergovernmental revenues, and other general revenues. Local taxes increased by \$5,637,197 compared to the prior year, a majority of this coming from property taxes and a relatively stable overall tax base. Payments from component units primarily consist of the amounts received for the Board's portion of debt service related to the debt obligations that the Primary Government incurred on behalf of the Board. Intergovernmental revenues consisting of state shared revenues increased \$999,095 in the current year. Other general revenues consist primarily of investment revenue and other miscellaneous. The decrease of \$875,134 from 2015 to 2016 in this category was primarily attributable to decreased investment revenues. In 2016, investment revenue was \$702,349. The 2015 corresponding total was \$2,201,014, for a net decrease of \$1,498,665. The largest component of investment revenue in each year is related to the change in fair value of an interest rate swap accounted for as an investment derivative instrument. In 2016, the change in fair value was a negative \$2,551,555, whereas the corresponding amount in 2015 was a negative \$395,203, resulting in a difference between the years of \$2,156,352. Although generally accepted accounting principles require recognition of this amount in the statement of activities, it should be noted that the County intends to hold the interest rate swap until maturity, and therefore the County has not realized any gain or loss in financial assets related to this amount.

Expenses for the Primary Government are categorized into functional areas. Total expenses increased by \$13,815,636 compared to the prior year. This change was largely attributable to the increase in the amounts paid to Public Safety of \$6,200,690 and to Other General Government of \$4,660,424. 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 totaling \$3,191,547 were experienced in the areas of finance and administration, administration of justice and social and cultural services, which reflected necessary increases in the cost of providing essential government services.

Proprietary Net Position and Activities-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. These proprietary activities decreased the net position of the primary government by \$74,871 in 2016, comprising 0.02% of the total change in net position of the primary government and 0.003% of the change in net position of the total reporting unit. The golf course is supported by user fees: greens fees, cart fees, pro shop and snack bar. In addition, in 2016 the County's general fund transferred \$200,000 for additional support. The results of operations for the golf course include the effects of depreciation, a noncash expense, totaling \$59,099. If the effects of depreciation were removed from the results of operations, the golf course would have had a decrease in net position of \$15,772. Of the ending net position, \$509,820 was invested in capital assets, with the remaining amount of \$2,719 unrestricted. These amounts reflect the results of ordinary business operations.

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Net Position-Primary Government-Business-type Activities

	June 30,	
	2016	2015
Current and Other Assets	\$ 99,293	\$ 106,794
Capital Assets	509,820	568,919
Total Assets	<u>609,113</u>	<u>675,713</u>
Current Liabilities	69,201	52,073
Noncurrent Liabilities	27,373	36,230
Total Liabilities	<u>96,574</u>	<u>88,303</u>
Net Position:		
Invested in Capital Assets	509,820	568,919
Unrestricted	2,719	18,491
Total Net Position	<u>\$ 512,539</u>	<u>\$ 587,410</u>

Knox County, Tennessee
Primary Government-Business-type Activities

	June 30,	
	2016	2015
Program Revenues:		
Charges for Services	<u>\$ 788,756</u>	<u>\$ 798,212</u>
Expenses:		
Operating Expenses	<u>1,063,627</u>	<u>1,000,090</u>
Operating Income (Loss) before transfers	<u>(274,871)</u>	<u>(201,878)</u>
Transfers:		
Transfer from Other Funds	<u>200,000</u>	<u>250,000</u>
Change in Net Position	<u>(74,871)</u>	<u>48,122</u>
Net Position, July 1	<u>587,410</u>	<u>539,288</u>
Net Position, June 30	<u><u>\$ 512,539</u></u>	<u><u>\$ 587,410</u></u>

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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.

Primary Government--Governmental Fund Balances

	June 30,	
	2016	2015
Nonspendable	\$ 6,076,686	\$ 9,892,080
Restricted	14,978,362	21,234,543
Committed	33,651,153	31,832,805
Assigned	6,016,228	5,059,693
Unassigned	<u>60,783,057</u>	<u>55,853,075</u>
Total Fund Balances	<u><u>\$ 121,505,486</u></u>	<u><u>\$ 123,872,196</u></u>

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As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$121,505,486, a decrease of \$2,366,710 in comparison with the prior year total of \$123,872,196. The majority of the overall decrease, \$2,283,837, resulted from operations of the County's four major governmental funds. 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. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$60,783,057 compared to \$55,853,075 last year, an increase of \$4,929,982. Total fund balance increased by \$2,533,005 resulting in total ending fund balance in 2016 of \$72,281,942 compared to \$69,748,937 in 2015. Unassigned fund balance represents 35.0% of actual expenditures compared to 34.0% last year. The County has adopted a formal fund balance policy calling for the maintenance of a minimum level of unassigned fund balance equivalent to three months (25%) of regular operating expenditures plus transfers out. The County strives to maintain levels exceeding that minimum level in order to provide for unanticipated needs. The actual results reflect the achievement of this goal. Factors that affected the results of operations of the major Governmental Funds are discussed further in the following sections.

The Debt Service Fund has a total fund balance of \$24,270,960, which compares to \$23,711,404 in 2015. The majority of the fund balance consists of amounts committed for debt service purposes by County Commission of \$24,187,432, compared to the prior year amount of \$23,627,676. The net increase in fund balance during the current year was \$559,556, compared to a decrease of \$1,957,567 last year. The County had planned for a decrease in the Debt Service Fund, and had budgeted for \$8,416,473 to be applied to the current year budget. As the current year result of operations was an actual increase in fund balance of \$559,556, the fund experienced a positive variance of \$8,976,029 of actual results compared to the original adopted budget. This resulted from the significant savings from conservatively budgeting for its expenses that the County experienced from its variable rate debt, combined with the County's practice of issuing debt as close to the time of the anticipated cash needs as practicable in order to minimize total interest costs. The County plans to continue its conservative financial planning.

The Public Improvement Capital Projects Fund experienced a net decrease in fund balance of \$6,673,852 in 2016, compared to an increase in fund balance of \$5,583,109 in 2015. Fund balance at June 30, 2016 totaled \$5,977,468, compared to the June 30, 2015 balance of \$12,651,320. This change results from the timing of the issuance of bonds for capital purposes compared to the expenditures made therefrom. The County's practice is to issue debt for capital purposes generally on an annual basis, with the intent that debt proceeds be received as close as practicable to the timing of the planned expenditures. This is done to help keep interest charges as low as practicable. During FY 2016, the County issued debt while also spending proceeds from debt. The remaining fund balance represents amounts available to be spent for future capital projects, a normal result for this fund.

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The Constitutional Officers Special Revenue Fund experienced an increase in the fund balance in the current year of \$1,297,454, resulting in fund balance at June 30, 2016 totaling \$5,226,787 compared to the June 30, 2015 total of \$3,929,333. This fund is used to account for the operations of various County offices that receive fees for providing various services to the public. A portion of these fees are used to pay for certain operating expenses, and the remaining fees are transferred to the County General Fund. Amounts transferred to the General Fund in 2016 totaled \$10,741,900, an increase of \$2,500,764 from the prior year total of \$8,241,136. These results were in line with expectations.

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 2016 was \$10,776,792 as compared to \$11,638,928 at year-end 2015 resulting in a decrease of \$862,136 for FY 2016. This was due primarily to the self-insurance and self-insurance healthcare funds net position decrease of \$1,588,693 and 1,475,530, respectively. During FY 2016 the self-insurance fund experienced an increase in claims expense by \$5,115,883 which was due to greater than expected claims activity for the year and an increased liability resulting from the actuary study. The self-insurance healthcare fund experienced an increase in claims expense by \$811,049. The Internal Service Funds are used to accumulate and distribute costs as a planning tool, and are expected to break even over the long run. The total change in net position for all Internal Service Funds, a decrease of \$862,136, represents -1.1% of total charges for services of \$76,978,480. 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. Total net position at year-end of \$10,776,792 reflects a modest accumulated net position for these funds over time, in line with expectations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The total fund balance of the County's General Fund increased by \$2,533,005 during 2016, compared to last year's \$3,660,414 increase. The General Fund's original budget planned for a net use of fund balance for the year of \$5,489,715. Therefore, the actual unassigned fund balance of \$60,783,057 was \$8,022,720 greater than originally planned. Key factors in the outcomes for the General Fund are as follows:

- Revenues exceeded budget in eleven of twelve categories; total revenues of \$170,308,332 totaled 105.6% of the total budget of \$161,348,366. Local tax revenues, which include property and sales taxes (among others), exceeded the budget by \$1,836,358. While the County has the ability to raise tax rates, the government has chosen to keep tax rates steady (adjusted only for the effects of reappraisal) to not further burden County taxpayers. Therefore, revenues were budgeted conservatively and in line with the previous year. Various other revenues exceeded the conservatively budgeted amounts, which also contributed to the General Fund positive budgetary outcome.

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- The General Fund budget was adopted in amounts intended to provide funds for essential services while not providing for significant increases due to economic conditions. Expenditures of \$173,510,005 totaled 98.6% of the budget of \$176,016,690, reflecting the close monitoring of the budget to achieve results as planned.

Differences between the original budget and the final amended budget were within the normal course of County business and totaled a net \$4,647,825 increase in the total budgeted expenditures. Included in the increase were normal carryover appropriations for projects not completed during the previous fiscal year and appropriations for additional expenditures related to numerous additional revenues received for specific purposes during the year that were in addition to the revenues estimated in the original budget.

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, 2016, of \$1,017,209,720, which compares to the prior year total of \$1,017,530,727. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net decrease in the investment in capital assets for the current fiscal year was \$321,007 (0.03 percent), which reflects the depreciation expense for the year in amounts more than capital additions.

Spending for major capital asset additions during the current fiscal year included the following: energy management projects, security and HVAC upgrades and two new middle schools (Board), Clayton Park Greenway Connector, Meads Quarry Recreational Center, County additions/renovations, City/County Building Improvements, various school upgrades, numerous road projects, and various other projects.

The County reported capital assets for its governmental activities as of June 30, 2016 totaling \$1,023,553,890, less accumulated depreciation of \$414,019,366, leaving a net book value of \$609,534,524. The prior year net book value totaled \$605,696,376. The net increase for the year was \$3,838,148. 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 increase is due to the purchase of land and construction in progress. This was a planned result, reflecting the County's 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 both necessary and desirable to service the needs of County citizens, the County is committed to reducing its debt level in order to minimize the burden on County taxpayers resulting from additional debt issuances.

Additional information on the Knox County Government's capital assets can be found in Note III.C of this report.

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Long-term debt. At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$614,988,642, compared to \$622,812,923 at the end of 2015. All of the bonded debt was backed by the full faith and credit of the County government. \$243,017,077 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remaining \$371,971,565 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 GOVERNMENT'S Bonded Debt Changes during FY 2016:

<u>Rollforward of Debt:</u>	<u>Primary Government</u>	<u>Board</u>	<u>Total</u>
Beginning Balance	\$ 376,815,961	\$ 245,996,962	\$ 622,812,923
Principal Paid	(21,359,396)	(22,364,885)	(43,724,281)
Proceeds from Debt Issuances	16,515,000	19,385,000	35,900,000
Ending Balance – Bonds	<u>\$371,971,565</u>	<u>\$243,017,077</u>	<u>\$614,988,642</u>

Knox County's total bonded debt decreased by \$7,824,281 (1.3 percent) during the current fiscal year. The net change in bonded debt was planned, combined with reductions already achieved in previous years, as a result of the Mayor's commitment to lower the overall bonded debt levels of the County.

Knox County's debt is rated "AA+" by Standard & Poor's. In addition, the County's debt is rated "Aa1" by Moody's. These ratings were reaffirmed subsequent to June 30, 2016.

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 \$614,988,642. This translates to approximately \$1,309 per capita. This compares to the FY 2015 per capita amount of \$1,336.

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 216-221.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Knox County for June 2016 was 4.3%, which is a decrease from the final unemployment rate figure of 5.4% percent for June 2015. This was slightly higher compared to the state's average rate of 4.1% percent for June 2016, and 5.7% for June 2015. The national unemployment averages were 4.9% for June 2016 and 5.3% for June 2015.
- The General Fund budget adopted for 2017 reflects a budget totaling \$176,170,991. The budget anticipates using \$2.9 million from fund balance and a minor anticipated use of restricted resources.

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- Additional information regarding the County's budget may be found at http://www.knoxcounty.org/finance/pdfs/2016_2017_budget/adoptedBudget_detail.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, 2016

	Primary Government			Component Units		Total Reporting Unit
	Governmental Activities	Business-type Activities	Total	Knox County Board of Education	Nonmajor Component Units	
Assets						
Cash and Cash Equivalents	\$ 66,031,901	\$ 5,461	\$ 66,037,362	\$ 58,755,809	\$ 37,191,641	\$ 161,984,812
Investments, at Fair Value	61,641,512	-	61,641,512	5,910,224	-	67,551,736
Accounts Receivable	18,363,286	6,745	18,370,031	37,448,359	266,594	56,084,984
Local Taxes Receivable, net	171,345,306	-	171,345,306	104,938,567	-	276,283,873
Notes Receivable	10,305,379	-	10,305,379	-	-	10,305,379
Due from Component Units	13,685,671	-	13,685,671	-	-	13,685,671
Due from Primary Government	-	-	-	148,026	158,802	306,828
Advances to Other Governments	2,465,000	-	2,465,000	-	-	2,465,000
Inventories	731,000	79,909	810,909	1,878,020	-	2,688,929
Land Held for Resale	-	-	-	-	19,126,258	19,126,258
Prepaid Items	421,669	7,178	428,847	653,439	92,750	1,175,036
Net Pension Asset	-	-	-	280,487	-	280,487
Other Post-Employment Benefits Asset	1,550,766	-	1,550,766	-	-	1,550,766
Equity Interest in Joint Venture	5,337,350	-	5,337,350	-	-	5,337,350
Capital Assets:						
Land and Construction in Process	147,646,824	880	147,647,704	35,179,976	106,939	182,934,619
Other Capital Assets, Net of Accumulated Depreciation	461,887,700	508,940	462,396,640	362,375,345	9,503,116	834,275,101
Total Assets	961,413,364	609,113	962,022,477	607,568,252	66,446,100	1,636,036,829
Deferred Outflows of Resources						
Deferred Outflows Related to Pensions	23,831,904	-	23,831,904	77,584,138	-	101,416,042
Deferred Outflows of Unamortized Amount on Refundings	5,513,072	-	5,513,072	-	-	5,513,072
Deferred Outflows of Hedging Derivatives	28,685,205	-	28,685,205	-	-	28,685,205
Total Deferred Outflows of Resources	58,030,181	-	58,030,181	77,584,138	-	135,614,319
Liabilities						
Accounts Payable	20,530,351	50,951	20,581,302	55,946,761	1,086,278	77,614,341
Due to Component Units	306,828	-	306,828	-	-	306,828
Due to Primary Government	-	-	-	13,685,410	261	13,685,671
Unearned Revenue	2,326,048	-	2,326,048	968,578	-	3,294,626
Accrued Interest	3,614,288	-	3,614,288	-	-	3,614,288
Self-insurance Liability	17,822,547	-	17,822,547	3,686,570	-	21,509,117
Net Pension Liability	70,977,947	-	70,977,947	15,187,485	-	86,165,432
Long-term Obligations:						
Other Post-Employment Benefits Obligation	1,300,238	-	1,300,238	-	-	1,300,238
Fair Value of Interest Rate Swap Derivatives	38,599,015	-	38,599,015	-	-	38,599,015
Other Long-term Obligations:						
Due in Less than One Year	55,826,086	18,250	55,844,336	2,634,719	313,509	58,792,564
Due in More than One Year	618,396,314	27,373	618,423,687	15,348,570	-	633,772,257
Total Liabilities	829,699,662	96,574	829,796,236	107,458,093	1,400,048	938,654,377
Deferred Inflows of Resources						
Deferred Inflows Related to Pensions	257,190	-	257,190	102,884,581	-	103,141,771
Deferred Inflows of Property Taxes and Other Receivables	172,308,813	-	172,308,813	101,164,836	-	273,473,649
Total Deferred Inflows of Resources	172,566,003	-	172,566,003	204,049,417	-	376,615,420
Net Position						
Investment in Capital Assets	-	509,820	509,820	397,555,321	9,610,055	407,675,196
Net Investment in Capital Assets (see note below)	267,670,250	-	267,670,250	-	-	(8,590,259)
Restricted for:						
Debt Service	83,528	-	83,528	-	-	83,528
Public Health and Welfare Purposes	2,232,080	-	2,232,080	-	-	2,232,080
Public Safety Purposes	2,890,001	-	2,890,001	-	-	2,890,001
Education Purposes	-	-	-	8,476,946	-	8,476,946
Social and Cultural Purposes	2,219,077	-	2,219,077	-	-	2,219,077
Other Purposes	1,576,208	-	1,576,208	-	26,966	1,603,174
Unrestricted (see note below)	(259,493,264)	2,719	(259,490,545)	(32,387,387)	55,409,031	39,791,608
Total Net Position	\$ 17,177,880	\$ 512,539	\$ 17,690,419	\$ 373,644,880	\$ 65,046,052	\$ 456,381,351

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 \$276,280,509 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 \$276,280,509 is deducted from the amount shown for Net Investment in Capital Assets to show the matching of the total assets with the total 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, 2016

					Net (Expense) Revenue and Changes in Net Position					
Functions/Programs	Program Revenues				Primary Government			Component Units		Total Reporting Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	The Board	Nonmajor Component Units	
Primary government:										
Governmental activities:										
Finance and Administration	\$ 36,885,718	\$ 32,374,363	\$ -	\$ -	\$ (4,511,355)		\$ (4,511,355)			\$ (4,511,355)
Finance and Administration-Payment to Component Unit	9,553,874	-	-	-	(9,553,874)		(9,553,874)			(9,553,874)
Administration of Justice	25,571,043	2,908,229	227,070	-	(22,435,744)		(22,435,744)			(22,435,744)
Public Safety	88,917,847	4,680,091	3,030,098	-	(81,207,658)		(81,207,658)			(81,207,658)
Public Safety-Payment to Component Unit	485,002	-	-	-	(485,002)		(485,002)			(485,002)
Public Health and Welfare	34,280,078	6,854,390	8,531,121	-	(18,894,567)		(18,894,567)			(18,894,567)
Public Health and Welfare-Payment to Component Unit	166,628	-	-	-	(166,628)		(166,628)			(166,628)
Social and Cultural Services	21,782,470	771,108	394,610	-	(20,616,752)		(20,616,752)			(20,616,752)
Agricultural and Natural Resources	490,451	-	-	-	(490,451)		(490,451)			(490,451)
Other General Government	28,462,563	303,569	1,207,371	-	(26,951,623)		(26,951,623)			(26,951,623)
Other General Government-Payment to Component Unit	625,000	-	-	-	(625,000)		(625,000)			(625,000)
Engineering and Public Works	26,950,361	142,101	8,320,710	-	(18,487,550)		(18,487,550)			(18,487,550)
Education - Payment to Component Unit	19,385,000	-	-	-	(19,385,000)		(19,385,000)			(19,385,000)
Debt Service - Interest and Fees	23,272,301	-	-	-	(23,272,301)		(23,272,301)			(23,272,301)
Total governmental activities	316,828,336	48,033,851	21,710,980	-	(247,083,505)		(247,083,505)			(247,083,505)
Total governmental activities	316,828,336	48,033,851	21,710,980	-	(247,083,505)		(247,083,505)			(247,083,505)
Business-type activities:										
Three Ridges Golf Course	1,063,627	788,756	-	-	-	\$ (274,871)	(274,871)			(274,871)
Total primary government	\$ 317,891,963	\$ 48,822,607	\$ 21,710,980	\$ -	(247,083,505)	(274,871)	(247,358,376)			(247,358,376)
Component units:										
Board of Education	\$ 529,205,667	\$ 18,407,724	\$ 71,824,933	\$ -				\$ (438,973,010)		(438,973,010)
Nonmajor Component Units	9,131,983	6,533,341	-	-				-	\$ (2,598,642)	(2,598,642)
Total component units	\$ 538,337,650	\$ 24,941,065	\$ 71,824,933	\$ -				(438,973,010)	(2,598,642)	(441,571,652)
General Revenues:										
Property Taxes					170,481,050	-	170,481,050	98,932,121	-	269,413,171
Sales Taxes					11,960,270	-	11,960,270	144,321,391	-	156,281,661
Lodging Taxes					7,993,988	-	7,993,988	-	-	7,993,988
Business Taxes					9,301,725	-	9,301,725	-	-	9,301,725
Wheel Taxes					11,552,326	-	11,552,326	1,600,726	-	13,153,052
Other Local Taxes					5,102,439	-	5,102,439	1,082,452	-	6,184,891
Investment Revenue					702,349	-	702,349	378,485	119,887	1,200,721
Payments from Component Units					17,117,442	-	17,117,442	-	-	17,117,442
Payments from Primary Government					-	-	-	28,938,874	1,276,630	30,215,504
Intergovernmental Revenues					13,380,140	-	13,380,140	2,309,611	-	15,689,751
Other Revenues					1,789,623	-	1,789,623	-	-	1,789,623
Other Governments and Citizens Groups					296,117	-	296,117	-	368,295	664,412
Miscellaneous					746,701	-	746,701	88,892	-	835,593
Grants and Contributions Not Restricted for Specific Programs					-	-	-	-	1,719,140	1,719,140
State of Tennessee - Basic Education Program					-	-	-	183,467,000	-	183,467,000
Transfers					(200,000)	200,000	-	-	-	-
Total General Revenues and Transfers					250,224,170	200,000	250,424,170	461,119,552	3,483,952	715,027,674
Change in Net Position					3,140,665	(74,871)	3,065,794	22,146,542	885,310	26,097,646
Net Position, July 1					14,037,215	587,410	14,624,625	351,498,338	64,160,742	430,283,705
Net Position, June 30					\$ 17,177,880	\$ 512,539	\$ 17,690,419	\$ 373,644,880	\$ 65,046,052	\$ 456,381,351

KNOX COUNTY, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2016

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 15,176,981	\$ 5,767,965	\$ 1,776,560	\$ 6,997,571	\$ 11,334,118	\$ 41,053,195
Investments, at Fair Value	54,860,946	-	6,780,566	-	-	61,641,512
Receivables:						
Accounts, Net	9,697,254	-	1,052	-	7,550,158	17,248,464
Local Taxes	115,465,978	-	-	55,879,328	-	171,345,306
Notes	892,000	-	-	7,475,000	1,915,906	10,282,906
Due from Other Funds	956,895	-	378,598	-	1,141,608	2,477,101
Due from Component Units	-	-	1,351	13,022,088	-	13,023,439
Advances to Other Entity	-	-	-	2,465,000	-	2,465,000
Inventories	427,863	-	-	-	69,985	497,848
Prepaid Items	196,792	-	-	-	44,696	241,488
Investment in Joint Venture	5,337,350	-	-	-	-	5,337,350
TOTAL ASSETS	\$ 203,012,059	\$ 5,767,965	\$ 8,938,127	\$ 85,838,987	\$ 22,056,471	\$ 325,613,609
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 11,512,573	\$ -	\$ 2,800,415	\$ 6,761	\$ 4,784,182	\$ 19,103,931
Due to Other Funds	3,419,692	541,178	1,442	-	1,258,413	5,220,725
Due to Component Units	147,314	-	158,802	-	-	306,116
Unearned Revenue	60,501	-	-	-	2,265,547	2,326,048
TOTAL LIABILITIES	15,140,080	541,178	2,960,659	6,761	8,308,142	26,956,820
DEFERRED INFLOWS OF RESOURCES						
Deferred Property Taxes and Notes Receivable	115,590,037	-	-	61,561,266	-	177,151,303
FUND BALANCES						
Nonspendable	5,962,005	-	-	-	114,681	6,076,686
Restricted	2,450,091	-	5,977,468	83,528	6,467,275	14,978,362
Committed	2,297,348	-	-	24,187,432	7,166,373	33,651,153
Assigned	789,441	5,226,787	-	-	-	6,016,228
Unassigned	60,783,057	-	-	-	-	60,783,057
TOTAL FUND BALANCES	72,281,942	5,226,787	5,977,468	24,270,960	13,748,329	121,505,486
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 203,012,059	\$ 5,767,965	\$ 8,938,127	\$ 85,838,987	\$ 22,056,471	\$ 325,613,609

KNOX COUNTY, TENNESSEE

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2016

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

Ending Fund Balance - Governmental Funds		\$	121,505,486
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.			609,255,252
The other post-employment benefits asset is not available to pay for current-period expenditures and, therefore, is not reported as an asset in the fund financial statements.			1,550,766
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.			10,776,792
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	\$	614,988,642	
Unamortized Bond Premium		8,127,194	
Fair Value of Interest Rate Swaps, net		9,913,810	
Loans Payable		4,912,794	
Accrued Interest		3,614,288	
Capital Lease Obligations		37,571,153	
Net Pension Liability		70,977,947	
Other Post-employment Benefit Obligation		1,300,238	
Compensated Absences		8,434,626	(759,840,692)
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.			4,842,490
Deferred outflows of unamortized amounts on refundings (\$5,513,072) and deferred outflows related to pensions (\$23,831,904) 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 (\$257,190) decrease the amount of net position reported in the statement of net position, but are not reported as liabilities in the funds.			29,087,786
Net Position of Governmental Activities		\$	17,177,880

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, 2016

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
County Property Taxes	\$ 118,263,054	\$ -	\$ -	\$ 52,316,064	\$ -	\$ 170,579,118
Local Option Sales Taxes	4,425,487	-	-	-	7,534,783	11,960,270
Lodging Taxes	-	-	-	-	7,993,988	7,993,988
Business Taxes	9,301,725	-	-	-	-	9,301,725
Wheel Taxes	532,699	-	-	-	11,019,627	11,552,326
Other Local Taxes	2,991,976	-	-	-	2,110,463	5,102,439
Licenses and Permits	4,415,268	-	-	-	-	4,415,268
Fines, Forfeitures and Penalties	2,716,773	-	-	-	813,993	3,530,766
Charges for Current Services	7,152,072	27,462,923	-	-	1,104,509	35,719,504
Other Local Revenues	4,827,617	-	456,435	2,580,575	1,085,005	8,949,632
State of Tennessee	13,883,964	-	96,412	-	8,056,192	22,036,568
Federal Government	1,208,814	-	-	-	9,036,419	10,245,233
Other Governments and Citizen Groups	588,883	-	498,094	-	123,990	1,210,967
Payments from Component Units	-	-	-	13,022,088	-	13,022,088
Investment Revenue	-	16,512	1,609	-	-	18,121
Total Revenues	170,308,332	27,479,435	1,052,550	67,918,727	48,878,969	315,638,013
Expenditures						
Current:						
Finance and Administration	24,536,766	8,383,211	-	-	-	32,919,977
Finance and Administration - Payments to Component Unit	9,553,874	-	-	-	-	9,553,874
Administration of Justice	17,389,378	7,056,870	-	-	585,210	25,031,458
Public Safety	79,193,115	-	-	-	1,974,294	81,167,409
Public Safety - Payments to Component Unit	326,200	-	158,802	-	-	485,002
Social and Cultural Services	20,242,281	-	-	-	13,264,310	33,506,591
Public Health and Welfare - Payments to Component Unit	166,628	-	-	-	-	166,628
Social and Cultural Services	5,123,600	-	-	-	13,987,768	19,111,368
Agricultural and Natural Resources	490,451	-	-	-	-	490,451
Other General Government	15,709,676	-	1,959	-	7,807,035	23,518,670
Other General Government - Payments to Component Unit	625,000	-	-	-	-	625,000
Engineering and Public Works	-	-	-	-	13,454,304	13,454,304
Decrease in Equity Interest in Joint Venture	153,036	-	-	-	-	153,036
Debt Proceeds Paid to Component Unit	-	-	19,385,000	-	-	19,385,000
Debt Issuance Costs	-	-	196,957	-	-	196,957
Capital Projects	-	-	26,501,590	-	92,536	26,594,126
Debt Service						
Other Debt Service	-	-	-	1,533,600	-	1,533,600
Trustee's Commission	-	-	-	1,074,820	-	1,074,820
Principal	-	-	-	44,203,336	-	44,203,336
Interest	-	-	-	20,742,805	-	20,742,805
Total Expenditures	173,510,005	15,440,081	46,244,308	67,554,561	51,165,457	353,914,412
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,201,673)	12,039,354	(45,191,758)	364,166	(2,286,488)	(38,276,399)
Other financing sources (uses)						
Transfers from Other Funds	10,741,900	-	411,890	195,390	3,789,180	15,138,360
Transfers to Other Funds	(5,007,222)	(10,741,900)	-	-	(1,585,565)	(17,334,687)
Long-term Bonds Issued	-	-	35,900,000	-	-	35,900,000
Premium on Long-term Debt Issued	-	-	2,206,016	-	-	2,206,016
Total Other Financing Sources (Uses)	5,734,678	(10,741,900)	38,517,906	195,390	2,203,615	35,909,689
Net Change in Fund Balances	2,533,005	1,297,454	(6,673,852)	559,556	(82,873)	(2,366,710)
Fund Balances, July 1	69,748,937	3,929,333	12,651,320	23,711,404	13,831,202	123,872,196
Fund Balances, June 30	\$ 72,281,942	\$ 5,226,787	\$ 5,977,468	\$ 24,270,960	\$ 13,748,329	\$ 121,505,486

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, 2016

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

Net Change in Fund Balances - Total Governmental Funds	\$ (2,366,710)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$27,889,850) exceeded depreciation (\$26,883,965) in the current period.	1,005,885
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.	2,852,052
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements.	4,842,490
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.	(4,940,558)
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 (\$46,983,837) exceeded proceeds (\$35,900,000) by this amount.	11,083,837
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$1,006,838). In addition, the amortization of bond premium results in reduction of expenses of \$1,777,761. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	770,923
Debt issued at a premium provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position.	(2,206,016)
The increase in the balance of the net other post-employment asset of \$632,050, plus the decrease in the liability for accrued interest of \$323,560, decreased expenses reported in the statement of activities. In addition, the increase in the liability for other post-employment benefits of \$213,345 and the increase in the compensated absences liability balance of \$5,155 increased expenses. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	737,110
The increase in the net pension liability of \$17,531,867 and the increase in the deferred inflows related to pensions of \$144,924 increased expenses reported in the statement of activities. The increase in deferred outflows related to pensions of \$12,218,930 reduced expenses reported in the statement of activities.	(5,457,861)
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.	(2,318,351)
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.	(862,136)
Change in Net Position of Governmental Activities	<u>\$ 3,140,665</u>

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

KNOX COUNTY, TENNESSEE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (GAAP Basis) - General Fund
For the Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
County Property Taxes	\$ 117,353,000	\$ 117,353,000	\$ 118,263,054	\$ 910,054
Local Option Sales Taxes	4,990,500	4,990,500	4,425,487	(565,013)
Business Taxes	8,000,000	8,000,000	9,301,725	1,301,725
Wheel Taxes	525,000	525,000	532,699	7,699
Other Local Taxes	2,707,650	2,810,083	2,991,976	181,893
Licenses and Permits	3,836,600	3,836,600	4,415,268	578,668
Fines, Forfeitures and Penalties	1,872,900	2,068,895	2,716,773	647,878
Charges for Current Services	5,900,650	5,947,550	7,152,072	1,204,522
Other Local Revenues	3,862,699	3,963,420	4,827,617	864,197
State of Tennessee	9,923,980	10,092,877	13,883,964	3,791,087
Federal Government	1,200,000	1,200,000	1,208,814	8,814
Other Governments and Citizen Groups	541,406	560,441	588,883	28,442
Total Revenues	160,714,385	161,348,366	170,308,332	8,959,966
Expenditures				
Current:				
Finance and Administration	25,285,466	25,006,836	24,536,766	470,070
Finance and Administration - Payments to Component Unit	9,553,874	9,553,874	9,553,874	-
Administration of Justice	17,397,659	18,034,600	17,389,378	645,222
Public Safety	78,987,338	79,526,963	79,193,115	333,848
Public Safety - Payments to Component Unit	326,200	326,200	326,200	-
Public Health and Welfare	21,193,718	20,570,582	20,242,281	328,301
Public Health and Welfare - Payments to Component Unit	256,628	256,628	166,628	90,000
Social and Cultural Services	4,998,090	5,346,574	5,123,600	222,974
Agricultural and Natural Resources	526,768	525,365	490,451	34,914
Other General Government	12,218,124	16,091,032	15,709,676	381,356
Other General Government - Payments to Component Unit	625,000	625,000	625,000	-
Decrease in Equity Interest in Joint Venture	-	153,036	153,036	-
Total Expenditures	171,368,865	176,016,690	173,510,005	2,506,685
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,654,480)	(14,668,324)	(3,201,673)	11,466,651
Other Financing Sources (Uses)				
Transfers from Other Funds	8,045,000	8,075,000	10,741,900	2,666,900
Transfers to Other Funds	(2,880,235)	(4,917,233)	(5,007,222)	(89,989)
Total Other Financing Sources	5,164,765	3,157,767	5,734,678	2,576,911
Net Change in Fund Balances	\$ (5,489,715)	\$ (11,510,557)	2,533,005	\$ 14,043,562
Fund Balances, July 1			69,748,937	
Fund Balances, June 30			\$ 72,281,942	

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

KNOX COUNTY, TENNESSEE**Statement of Net Position
Proprietary Funds
June 30, 2016**

	(Nonmajor) Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,461	\$ 24,978,706
Receivables:		
Accounts	6,745	1,114,822
Due from Other Funds	-	2,929,187
Due from Component Units	-	662,232
Notes	-	22,473
Inventories	79,909	233,152
Prepaid Items	7,178	180,181
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	99,293	30,120,753
	<hr/>	<hr/>
Capital Assets:		
Land	880	-
Buildings	754,504	-
Machinery and Equipment	429,234	5,030,700
Computer Software	25,448	-
Land Improvements	66,463	-
Accumulated Depreciation	(766,709)	(4,751,428)
	<hr/>	<hr/>
Capital Assets (Net of Accumulated Depreciation)	509,820	279,272
	<hr/>	<hr/>
TOTAL ASSETS	609,113	30,400,025
	<hr/>	<hr/>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	50,951	1,426,420
Due to Other Funds	-	185,563
Due to Component Units	-	712
Claims Liability	-	17,822,547
Compensated Absences Payable	18,250	169,192
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	69,201	19,604,434
	<hr/>	<hr/>
Noncurrent Liabilities:		
Compensated Absences Payable	27,373	18,799
	<hr/>	<hr/>
TOTAL LIABILITIES	96,574	19,623,233
	<hr/>	<hr/>
NET POSITION		
Investment in Capital Assets	509,820	279,272
Unrestricted	2,719	10,497,520
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 512,539	\$ 10,776,792
	<hr/>	<hr/>

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

KNOX COUNTY, TENNESSEE

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

For the Year Ended June 30, 2016

	(Nonmajor) Enterprise Fund	Internal Service Funds
Operating Revenues		
Charges for Services	\$ 788,756	\$ 76,978,480
Payments from Component Unit	-	298,024
Total Operating Revenues	<u>788,756</u>	<u>77,276,504</u>
Operating Expenses		
Cost of Sales and Services	454,327	1,540,522
General and Administration	477,663	16,755,519
Depreciation and Amortization	59,099	87,933
Medical Claims	-	27,163,947
Retirement Contributions	-	28,178,853
Other Employee Benefits	-	826,951
Worker's Compensation & Other Claims	-	5,239,771
Other Expenses	<u>72,538</u>	<u>341,471</u>
Total Operating Expenses	<u>1,063,627</u>	<u>80,134,967</u>
Loss before Transfers	<u>(274,871)</u>	<u>(2,858,463)</u>
Transfers		
Transfers from Other Funds	<u>200,000</u>	<u>1,996,327</u>
Change in Net Position	<u>(74,871)</u>	<u>(862,136)</u>
Total Net Position, July 1	<u>587,410</u>	<u>11,638,928</u>
Total Net Position, June 30	<u>\$ 512,539</u>	<u>\$ 10,776,792</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, 2016

	(Nonmajor) Enterprise Fund	Internal Service Funds
Operating Activities		
Cash Received from Customers	\$ 790,161	\$ -
Cash Received from Interfund Services Provided	-	76,272,022
Cash Received from Component Unit	-	298,024
Cash Paid to Employees	(472,429)	(1,749,078)
Cash Paid for Goods and Services	(534,073)	(19,300,276)
Cash Paid on Behalf of Employees	-	(56,784,263)
Net Cash Used in Operating Activities	(216,341)	(1,263,571)
Noncapital Financing Activities		
Transfers from Other Funds	-	1,996,327
Net Cash Provided by Noncapital Financing Activities	-	1,996,327
Capital and Related Financing Activities		
Transfers from Other Funds for Capital Purposes	200,000	-
Acquisition and Construction of Capital Assets	-	(68,144)
Net Cash Provided by (Used in) Capital and Related Financing Activities	200,000	(68,144)
Net Increase (Decrease) in Cash and Cash Equivalents	(16,341)	664,612
Cash and Cash Equivalents		
Beginning of Year	21,802	24,314,094
End of Year	\$ 5,461	\$ 24,978,706
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Loss	\$ (274,871)	\$ (2,858,463)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	59,099	87,933
Change in Assets and Liabilities:		
Decrease in Accounts Receivable	1,405	95,228
Increase in Due from Other Funds	-	(707,035)
Increase in Due from Component Units	-	(86,757)
Increase in Inventories	(3,067)	(6,894)
Increase in Prepaid Items	(7,178)	(29,727)
Increase in Accounts Payable and Accrued Liabilities	7,935	165,504
Decrease in Due to Other Funds	-	(911,113)
Increase in Due to Component Units	-	712
Increase (Decrease) in Compensated Absences	336	(4,052)
Increase in Claims Liabilities	-	2,998,987
Decrease in Unearned Revenue	-	(7,894)
Total Adjustments	58,530	1,594,892
Net Cash Used in Operating Activities	\$ (216,341)	\$ (1,263,571)

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

KNOX COUNTY, TENNESSEE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 2,660,384	\$ 27,992,573
Investments, at Fair Value:		
Mutual Funds	242,824,473	-
Collective Investment Trusts	193,383,724	-
Interest-earning Investment Contracts	24,027,178	-
Corporate Bonds	2,893,747	-
U.S. Treasuries	13,092,948	-
Federal Agency Debt Securities	701,523	-
Federal Agency Mortgage Backed Securities	8,330,554	-
Total Investments	485,254,147	-
Receivables:		
Accounts	-	8,466,290
Employee Contributions	225,763	-
Employer Contributions	209,642	-
Receivable from Other Plans	185,398	-
Accrued Interest and Dividends	117,424	-
Total Receivables	738,227	8,466,290
Total Assets	488,652,758	\$ 36,458,863
LIABILITIES		
Accounts Payable and Accrued Liabilities	-	\$ 9,788,054
Accounts Payable - Administrative Expenses	357,037	-
Accounts Payable - Investments Purchased	158,583	-
Accounts Payable - To Other Plans	185,399	-
Due to Other Governments	-	7,045,156
Due to Litigants, Heirs and Others	-	19,625,653
Total Liabilities	701,019	\$ 36,458,863
NET POSTION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS	<u>\$ 487,951,739</u>	

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

KNOX COUNTY, TENNESSEE**Statement of Changes in Fiduciary Net Position**
Pension and Other Employee Benefit Trust Funds
For the year ended June 30, 2016

ADDITIONS

Contributions:

Employer	\$ 17,793,657
Employees	12,599,197
Rollovers	<u>713,456</u>

Total Contributions	<u>31,106,310</u>
---------------------	-------------------

Investment Income (Loss):

Interest and Dividend Income	4,585,493
Net Depreciation in Fair Value of Investments	<u>(6,007,225)</u>
Total Investment Loss	(1,421,732)
Less Investment Expenses	<u>(919,218)</u>
Net Investment Loss	<u>(2,340,950)</u>

Other:

Transfers from Other Plans	<u>694,085</u>
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Total Additions	<u>29,459,445</u>
-----------------	-------------------

DEDUCTIONS

Benefits and Refunds	33,496,328
Administrative Expenses	1,443,630
Transfers to Other Plans	<u>694,085</u>
Total Deductions	<u>35,634,043</u>

CHANGE IN NET POSITION	(6,174,598)
-------------------------------	-------------

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

<u>494,126,337</u>

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

<u><u>\$ 487,951,739</u></u>

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

Notes to Financial Statements



KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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 2015 - 2016 school year was 57,929 with a full time equivalent average daily attendance of 54,563. During the previous year, the full time equivalent average daily membership was 57,581 with a full time equivalent average daily attendance of 55,082.

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, 2016

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, 2016

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, 2016

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, 2016

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 *Constitutional Officers Fund* accounts for activities associated with the administrative functions of the County's Constitutional Officers. Revenues for this fund consist of user fees collected from the public for services performed by these offices. The major revenue source is fees collected by the elected officials.

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, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Component Units

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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 majority of interest earned during the year is allocated to the General Fund.

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

Investments are reported at their estimated 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 are stated at their estimated fair value. Investment income includes realized gains (losses) from the sale of investments, unrealized gains (losses) in the change in market values, and interest and dividend income earned during the year. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Receivables, Payables, and Unearned Revenue

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventories and Prepaid Assets

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

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

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

Derivative Instruments

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (Statement No. 53) 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$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 estimated fair market value at the date of donation.

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

It is the policy of the County and its component units to permit employees to accumulate, in varying amounts, earned but unused vacation, compensatory time and sick pay benefits. In general, unpaid accumulated sick leave does not vest and is not recorded as a liability. During FY 2014, the County implemented a policy whereby retiring employees may be paid for unused sick leave in varying amounts up to a maximum of \$10,000, and a liability has been recorded for these estimated termination payments. 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. No expenditure is reported for these amounts. For the County and Component Unit governmental activities, compensated absences liabilities are generally liquidated by the respective general fund. The compensated absences liability and the related change in liability are reported in the government-wide and proprietary fund financial statements of the County and its component units.

Risk Financing Activities

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

Long-Term Obligations

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Bond premiums and discounts, as well as deferred amounts on refundings, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount and deferred amounts on refundings.

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

Fund Equity

In the governmental fund financial statements, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Deferred Outflows/Inflows of Resources

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

E. Additional Information

Comparative Data/Reclassifications

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

Estimates

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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.

The County's Public Improvement Capital Projects Fund, Americans with Disabilities Act (ADA) Construction Capital Projects Fund, and the Board's School Construction Capital Projects Fund each adopt project-length budgets for major construction projects rather than annual budgets for these projects.

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Budgetary Process

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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.

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, 2016:

Fund	Original Budget	Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 174,249,100	\$ 6,684,823	\$ 180,933,923
Special Revenue Funds:			
State, Federal and Other Grants	160,000	1,466,631	1,626,631
Governmental Library	119,600	109	119,709
Public Library	13,278,900	82,621	13,361,521
Solid Waste	4,105,000	8,559	4,113,559
Hotel/Motel Tax	6,110,000	1,244,395	7,354,395
Drug Control	774,520	117,383	891,903
Engineering & Public Works	13,638,946	943,904	14,582,850
Total Special Revenue Funds	38,186,966	3,863,602	42,050,568
Debt Service Fund	75,500,000	-	75,500,000
Total - Governmental Funds	\$ 287,936,066	\$ 10,548,425	\$ 298,484,491

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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	\$ 438,000,000	\$ 5,586,252	\$ 443,586,252
Special Revenue Fund:			
Central Cafeteria	28,028,000	287,675	28,315,675
Total - the Board	<u>\$ 466,028,000</u>	<u>\$ 5,873,927</u>	<u>\$ 471,901,927</u>

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2015 reappropriated during fiscal year 2016, 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, 2016

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.

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 of the Investment Committee. The County's investments are primarily in U.S. Government Securities and securities issued by agencies of the U.S. Government. The County's and Board's Pension Trust fund activities are managed by the Knox County Retirement Board (see separately issued Pension Trust Fund Statements), whose objectives are to maximize earnings while reducing the exposure to interest rate risks to an appropriate level by using a mixture of long-term and short-term investments in various debt and equity securities. The investments of the County's defined benefit plan and the Board's defined benefit plan are included in a single trust account. The following represents the County's and the Board's governmental activities investments and the activities of the County's and the Board's Pension Trust funds:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

	Primary Governmental Activities		Pension Board Fiduciary Activities	
	Fair Value or Carrying Amount	Weighted Average Maturity (Years)	Fair Value or Carrying Amount	Weighted Average Maturity (Years)
Cash Equivalents Classified as Investments	\$ 23,118		\$ 2,749,271	
Certificate of Deposits held greater than 90 days	3,252,788		-	
Collective Investment Trusts	-		240,455,949	
Interest-earning Investment Contracts	-		24,027,178	
Mutual Funds	-		245,848,936	
Fixed Income Securities:				
U.S. Treasuries	1,003,130	0.880	17,175,559	9.770
Federal Agency Mortgage Backed Securities	5,982,226	0.410	10,979,133	25.300
Federal Agency Debt Securities	15,933,576	0.790	922,580	3.000
Corporate Bonds	-		3,898,758	5.000
Municipal Bonds	35,446,674	0.650	-	
Total Fixed Income Securities	58,365,606		32,976,030	
Total Investments:	\$ 61,641,512		\$ 546,057,364	

The Pension Board investments are allocated to the County's and Board's pension trust funds of \$487,914,531 and \$58,142,833, respectively.

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, 2016 were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee (the State). Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must equal between 90 – 115 percent of the average daily balance of public deposits held and must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. The members of the pool may be required to pay an assessment to cover any deficiency.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

	Primary Government Governmental Activities	Pension Board Fiduciary Activities	Standard & Poor's and Moody's Credit Ratings	
	Fair Value	Fair Value		
U.S. Treasuries	\$ 1,003,130	\$ -	Aaa	Moody's
U.S. Treasuries	-	17,175,559	AA+	S&P
Federal Agency Mortgage Backed Securities	5,982,226	10,979,133	AA+	S&P
Federal Agency Debt Securities	8,083,140	922,580	AA+	S&P
Federal Agency Debt Securities	4,303,203	-	NR	Not Rated
Federal Agency Debt Securities	3,547,233	-	Aaa	Moody's
Corporate Bonds:				
Corporate Bonds	-	149,655	AAA	S&P
Corporate Bonds	-	426,301	AA+	S&P
Corporate Bonds	-	149,923	AA	S&P
Corporate Bonds	-	259,735	AA-	S&P
Corporate Bonds	-	300,998	A+	S&P
Corporate Bonds	-	1,193,448	A	S&P
Corporate Bonds	-	832,277	A-	S&P
Corporate Bonds	-	460,432	BBB+	S&P
Corporate Bonds	-	125,989	BBB	S&P
Municipal Bonds	5,258,491	-	AAA	S&P
Municipal Bonds	351,285	-	Aaa	Moody's
Municipal Bonds	250,228	-	Aa3	Moody's
Municipal Bonds	2,310,146	-	Aa2	Moody's
Municipal Bonds	591,752	-	Aa1	Moody's
Municipal Bonds	5,534,228	-	AA+	S&P
Municipal Bonds	9,644,166	-	AA-	S&P
Municipal Bonds	8,486,641	-	AA	S&P
Municipal Bonds	308,050	-	A1	Moody's
Municipal Bonds	1,983,477	-	A+	S&P
Municipal Bonds	728,210	-	A	S&P
Total Fixed Income Securities	<u>\$ 58,365,606</u>	<u>\$ 32,976,030</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, 2016

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 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 (see Note IV.G) 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, 2016

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, 2016

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, 2016 are as follows:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Primary Government - Governmental Activities</u>				
Investments by Fair Value Level				
Debt Securities:				
US Treasury	\$ 1,003,130	\$ 1,003,130	\$ -	\$ -
Fixed Government Agency	21,915,802	-	21,915,802	-
Tax-Free Municipal Securities	35,446,674	-	35,446,674	-
Total Debt Securities by Fair Value Level	58,365,606	1,003,130	57,362,476	-
Interest-earning Investment Contracts - Certificates of Deposit	3,252,788	-	3,252,788	-
Total Investment by Fair Value Level	\$ 61,618,394	\$ 1,003,130	\$ 60,615,264	\$ -

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>				
Debt Securities:				
Corporate Bonds	\$ 3,898,758	\$ -	\$ 3,898,758	\$ -
U.S. Treasuries	17,175,559	-	17,175,559	-
Federal Agency Debt Securities	922,580	-	922,580	-
Federal Agency Mortgage Backed Securities	10,979,133	-	10,979,133	-
Total Debt Investments by Fair Value Level	32,976,030	-	32,976,030	-
Equity Investments:				
Mutual Funds	245,848,936	245,848,936	-	-
Interest-earning Investment Contracts - Insurance Companies	24,027,178	-	-	24,027,178
Total Investments Measured at Fair Value	\$ 302,852,144	\$ 245,848,936	\$ 32,976,030	\$ 24,027,178

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

<u>Investments Measured at the Net Asset Value (NAV)</u>	<u>Total</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Collective Investment Trusts:			
Domestic Equity Funds	\$ 56,342,087	Daily	2 days
Domestic Bond Funds	38,988,209	Daily	0-3 days
International Equity Funds	72,760,449	Daily, Semi-monthly	2-5 days
Real Estate Funds	35,024,922	Monthly, Quarterly	30-90 days
Stable Value Funds	<u>37,340,282</u>	Daily	0 days
Total Investments Measured at the NAV	<u>\$ 240,455,949</u>		

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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

	Major Governmental Funds							Trust and Agency
	General	Debt Service	Capital Projects Public Improvement	Nonmajor Governmental Funds	Internal Service	Enterprise Fund	Total Primary Government	
Receivables:								
Taxes	\$ 117,593,831	\$ 56,777,953	\$ -		\$ -	\$ -	\$ 174,371,784	\$ -
Accounts	9,697,254	-	1,052	7,550,158	1,114,822	6,745	18,370,031	8,769,112
Contributions	-	-	-	-	-	-	-	435,405
Gross Receivables	127,291,085	56,777,953	1,052	7,550,158	1,114,822	6,745	192,741,815	9,204,517
Less: Allowances for Uncollectibles	(2,127,853)	(898,625)	-	-	-	-	(3,026,478)	-
Net Total Receivables	\$ 125,163,232	\$ 55,879,328	\$ 1,052	\$ 7,550,158	\$ 1,114,822	\$ 6,745	\$ 189,715,337	\$ 9,204,517

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

Component Units:

	Government-wide Totals			
	The Board	The Partnership	The District	The Corporation
Receivables:				
Taxes	\$ 107,039,114	\$ -	\$ -	\$ -
Accounts	36,718,096	751,260	3,811	262,783
Gross Receivables	143,757,210	751,260	3,811	262,783
Less: Allowances for Uncollectibles	(2,100,547)	(20,997)	-	-
Net Total Receivables	\$ 141,656,663	\$ 730,263	\$ 3,811	\$ 262,783

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

The General Fund has the following note receivable at June 30, 2016:

- (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, 2016, \$892,000 remained outstanding.

The County's Debt Service Fund has the following note and loan receivable at June 30, 2016:

- (1) Note receivable from the West Knox Utility District of Knox County (WKUD) has a current balance of \$1,455,000. The basis of this note is an agreement made by the County to participate with the district to expedite utility relocation and upgrading necessary for construction of improved roadways within the northwest portion of the County. The district was advanced up to \$2,000,000, which was disbursed by the County in installments upon receipt of draw notices. The note is non-interest bearing and is payable in four varying installments every five years. The amount to be repaid also includes \$140,000, recognized as revenue when received, that the district must pay to cover the County's administrative, accounting and financial costs associated with the agreement. The final installment of this note receivable is due August 11, 2018.
- (2) A loan receivable from the Industrial Development Board of Blount County (IDBBC) was made for the purpose of providing financial assistance for the acquisition and development of property as a business and industrial park. The loan initially bore interest at 5% annually and is to be repaid from amounts to be received by the IDBBC from land sales and other revenues related to the park. Interest on the loan is not currently being accrued. At June 30, 2016, the loan balance was \$6,020,000.

The State, Federal and Other Grants Special Revenue Fund had \$1,915,906 of notes receivable at June 30, 2016. 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, 2016

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 and \$35,000 in fiscal year 2014 towards the advances leaving a balance due to the County of \$2,465,000. CAC made no payments to the County during the fiscal year ended 2016.

C. Capital Assets

Activity in the County's and the Component Unit's capital assets for the fiscal year ended June 30, 2016, was the following:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 100,908,462	\$ 2,207,768	\$ -	\$ 103,116,230
Construction in Progress	25,714,649	20,415,505	1,599,560	44,530,594
Total Capital Assets, not being depreciated	126,623,111	22,623,273	1,599,560	147,646,824
Capital Assets being depreciated:				
Buildings	213,930,864	1,131,443	15,459	215,046,848
Land Improvements	24,125,305	614,006	-	24,739,311
Machinery and Equipment	46,270,432	5,045,413	1,275,289	50,040,556
Intangible Assets	16,240,051	82,375	-	16,322,426
Infrastructure	566,843,382	2,914,543	-	569,757,925
Total Capital Assets being depreciated	867,410,034	9,787,780	1,290,748	875,907,066
Less Accumulated Depreciation for:				
Buildings	91,224,405	8,053,065	15,459	99,262,011
Land Improvements	15,438,789	919,325	-	16,358,114
Machinery and Equipment	36,037,925	3,402,972	1,273,842	38,167,055
Intangible Assets	12,502,793	464,240	-	12,967,033
Infrastructure	233,132,857	14,132,296	-	247,265,153
Total Accumulated Depreciation	388,336,769	26,971,898	1,289,301	414,019,366
Total Capital Assets being depreciated, net	479,073,265	(17,184,118)	1,447	461,887,700
Governmental Activities Capital Assets, net	\$ 605,696,376	\$ 5,439,155	\$ 1,601,007	\$ 609,534,524

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Three Ridges Golf Course:				
Land and Construction in Progress	\$ 880	\$ -	\$ -	\$ 880
Buildings	754,504	-	-	754,504
Machinery and Equipment	429,234	-	-	429,234
Computer Software	25,448	-	-	25,448
Land Improvements	66,463	-	-	66,463
Less: Accumulated Depreciation	(707,610)	(59,099)	-	(766,709)
Total	<u>\$ 568,919</u>	<u>\$ (59,099)</u>	<u>\$ -</u>	<u>\$ 509,820</u>

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

Finance and Administration	\$ 3,965,741
Administration of Justice	539,584
Public Safety	3,192,637
Public Health and Welfare	773,487
Social and Cultural Services	2,671,102
Other General Government	1,037,569
Engineering & Public Works	<u>14,791,778</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 26,971,898</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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	\$ 22,837,977	\$ -	\$ 1,632	\$ 22,836,345
Construction in Progress	2,260,101	14,320,424	4,236,894	12,343,631
Total Capital Assets, not being depreciated	25,098,078	14,320,424	4,238,526	35,179,976
Capital Assets being depreciated:				
Buildings	535,875,619	3,103,127	-	538,978,746
Land Improvements	3,342,065	1,367,780	-	4,709,845
Machinery and Equipment	95,765,936	3,876,057	432,534	99,209,459
Intangible Assets	2,002,779	-	-	2,002,779
Total Capital Assets being depreciated	636,986,399	8,346,964	432,534	644,900,829
Less Accumulated Depreciation for:				
Buildings	210,568,283	13,210,979	-	223,779,262
Land Improvements	1,465,237	289,064	-	1,754,301
Machinery and Equipment	46,671,148	9,704,543	432,534	55,943,157
Intangible Assets	832,401	298,820	-	1,131,221
Total Accumulated Depreciation	259,537,069	23,503,406	432,534	282,607,941
Total Capital Assets being depreciated, net	377,449,330	(15,156,442)	-	362,292,888
Governmental Activities Capital Assets, net	\$ 402,547,408	\$ (836,018)	\$ 4,238,526	\$ 397,472,864

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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, 2016, 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	\$ 541,178
	State, Federal and Other Grants	249,769
	Vehicle Service Center	165,948
		<u>956,895</u>
Public Improvement	ADA Construction	359,581
	Building Operations	19,017
		<u>378,598</u>
Total Major Governmental Funds		<u>1,335,493</u>
<u>Nonmajor Special Revenue Funds:</u>		
State, Federal and Other Grants	General	530,929
	Drug Control	127
		<u>531,056</u>
Engineering & Public Works	Public Improvement	1,442
Governmental Library	General	6,000
Solid Waste	General	3,110
	Engineering & Public Works	600,000
		<u>603,110</u>
Total Nonmajor Governmental Funds		<u>1,141,608</u>
Total Governmental Funds		<u><u>\$ 2,477,101</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Receivable Fund	Payable Fund	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 66,924
	State, Federal and Other Grants	1,733
	Public Library	2,455
	Solid Waste	4,448
	Engineering & Public Works	38,320
	Self Insurance	49
		<u>113,929</u>
Mailroom Services	General	18,795
	State, Federal and Other Grants	4
	Engineering & Public Works	520
	Employee Benefits	474
	Self Insurance	75
		<u>19,868</u>
Employee Benefits	General	1,304,522
	State, Federal and Other Grants	356
	Public Library	1,100
		<u>1,305,978</u>
Self Insurance Healthcare	General	<u>1,489,412</u>
Total Internal Service Funds		<u>\$ 2,929,187</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Due to/from Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
<u>Primary Government - Major Funds:</u>		
Debt Service	Component Unit - the Board, General Purpose School	\$ 13,022,088
Public Improvement	Component Unit - the Board, School Construction	1,351
Total Primary Government - Major Funds		13,023,439
<u>Primary Government - Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the Board, General Purpose School	10
	Component Unit - the District	261
		271
Employee Benefits	Component Unit - the Board, General Purpose School	223,550
	Component Unit - the Board, School Federal Projects	41,012
	Component Unit - the Board, School General Projects	7,351
		271,913
Self Insurance	Component Unit - the Board, General Purpose School	390,048
Total Primary Government - Internal Service Funds		662,232
Total Primary Government		\$ 13,685,671

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Receivable Fund	Payable Fund	Amount
Component Unit - the Board, General Purpose School	Primary Government - General Primary Government - Building Operations	\$ 147,314 712 <u>148,026</u>
Component Unit - the District	Primary Government - Public Improvement	<u>158,802</u>
Total Component Unit - the Board		<u><u>\$ 306,828</u></u>

Due to/from Other Funds - The Board:

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose School	School Federal Projects School General Projects School Construction Central Cafeteria	\$ 5,661,141 672,446 8,180,591 20,421 <u>14,534,599</u>
<u>Nonmajor Special Revenue Funds:</u>		
School Federal Projects	General Purpose School	<u>81,533</u>
School General Projects	General Purpose School School Federal Projects	794,885 475,206 <u>1,270,091</u>
Total Board of Education		<u><u>\$ 15,886,223</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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, 2016, is as follows:

Primary Government:

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 10,741,900
Debt Service	General	195,390
Public Improvement	General	26,325
	ADA Construction	359,581
	Engineering & Public Works	25,984
		411,890
Total Major Governmental Funds		11,349,180
<u>Nonmajor Governmental Funds:</u>		
Special Revenue Funds:		
State, Federal and Other Grants	General	453,180
Governmental Library	General	6,000
Public Library	General	1,130,000
	Hotel/Motel	600,000
		1,730,000
Solid Waste	Engineering & Public Works	600,000
Engineering & Public Works	General	1,000,000
Total Nonmajor Governmental Funds		3,789,180
Total Governmental Funds		\$ 15,138,360

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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	\$ 696,327
Employee Benefits	General	1,300,000
Total Internal Service Funds		<u>\$ 1,996,327</u>
<u>Enterprise Fund:</u>		
Three Ridges Golf Course	General	<u>\$ 200,000</u>

In addition, payments of \$1,443,630 were made from the Pension Trust – Defined Benefit Plans to the General Fund for the County Retirement Board administrative expenses.

Transfers Within Component Unit – the Board:

Transfers - In	Transfers - Out	Amount
<u>Special Revenue Funds (Nonmajor):</u>		
General Purpose School	Central Cafeteria	\$ 875,008
	School Federal Projects	12,379
	School General Projects	274,590
		<u>1,161,977</u>
School General Projects	General Purpose School	8,267,846
	School Federal Projects	581,063
		<u>8,848,909</u>
School Federal Projects	General Purpose School	<u>39,878</u>
Total Board of Education		<u>\$ 10,050,764</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions (Continued)

Transactions between Primary Government and Component Units:

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Primary Government - Debt Service (Major Fund)	Component Unit - the Board, General Purpose School	\$ 13,022,088
Primary Government - Self Insurance Fund	Component Unit - the Board, General Purpose School	298,024
Total Primary Government		\$ 13,320,112
Component Unit - General Purpose School	Primary Government - General	\$ 7,052,000
Component Unit - School Construction	Primary Government - Public Improvement	19,385,000
Component Unit - Great Schools Partnership	Primary Government - General	2,501,874
Component Unit - The District	Primary Government - Public Improvement	158,802
Total Component Units		\$ 29,097,676

Transactions between the Board and its Component Unit:

The Board, School General Projects	Component Unit, Great Schools Partnership	\$ 951,982
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KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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	\$ 60,501
Primary Government - Nonmajor Funds:	
<u>General Grants Fund:</u>	
Unexpended grant funds	2,265,547
Total - Primary Government	\$ 2,326,048
Component Unit - the Board - Nonmajor Funds:	
<u>School General Projects:</u>	
Unexpended grant funds	\$ 679,168
<u>Central Cafeteria:</u>	
Unearned revenue	289,410
Total Component Unit - the Board	\$ 968,578

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 3,284,901	\$ -
Taxes receivable, applicable to subsequent fiscal year	111,413,121	111,413,121
Notes receivable, applicable to subsequent fiscal year	892,015	892,015
	<u>115,590,037</u>	<u>112,305,136</u>
 <u>Debt Service Fund:</u>		
Taxes receivable, delinquent	1,557,589	-
Taxes receivable, applicable to subsequent fiscal year	53,983,677	53,983,677
Notes receivable, applicable to subsequent fiscal year	6,020,000	6,020,000
	<u>61,561,266</u>	<u>60,003,677</u>
 Total - Primary Government	<u>\$ 177,151,303</u>	<u>\$ 172,308,813</u>
 Component Unit - the Board - Major Fund		
<u>General Purpose School:</u>		
Taxes receivable, delinquent	\$ 3,036,945	\$ -
Taxes receivable, applicable to subsequent fiscal year	101,075,821	101,075,821
Accounts receivable, applicable to subsequent fiscal year	89,015	89,015
	<u>104,201,781</u>	<u>101,164,836</u>
 Total Component Unit - the Board	<u>\$ 104,201,781</u>	<u>\$ 101,164,836</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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>
2017	\$ 2,882,200	\$ 425,004
2018	2,925,023	425,004
2019	2,968,886	425,004
2020	3,013,820	425,004
2021	3,059,849	425,004
2022 - 2026	16,030,229	2,125,020
2027 - 2031	13,486,376	1,912,518
2032 - 2036	5,263,195	-
2037	539,557	-
Total Minimum Lease Payments	\$ 50,169,135	\$ 6,162,558
Less: Amounts Representing Interest	(12,597,981)	(1,492,175)
Present Value of Minimum Lease Payments	<u>\$ 37,571,154</u>	<u>\$ 4,670,383</u>

As of June 30, 2016, assets recorded under capital leases totaled \$91,183,693 (\$85,319,632 equipment, \$879,609 land, and \$4,984,452 buildings). Related accumulated amortization totaled \$41,203,023. Amortization of assets recorded under capital leases is included with depreciation expense.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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
2017	\$ 412,201	\$ 24,251	\$ 436,452
2018	415,303	21,149	436,452
2019	418,428	18,024	436,452
2020	421,576	14,876	436,452
2021	424,750	11,702	436,452
2022 - 2025	1,329,911	15,852	1,345,763
Total	<u>\$ 3,422,169</u>	<u>\$ 105,854</u>	<u>\$ 3,528,023</u>

In addition, in August 2013, the County entered into a loan agreement whereby the County borrowed funds for the Board of Education, which acquired computer equipment for instructional purposes in various schools. The total borrowed of \$5,962,500 is to be repaid in four equal annual installments of \$1,490,625 ending in 2016. As of June 30, 2016, the remaining balance was \$1,490,625.

The Partnership has reported non-capital related loans payable of \$10,655,000, due in more than one year.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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 County's General Obligation Series 2007 (Taxable) pension obligation bonds issued pursuant to the establishment of the Uniformed Officers Pension Plan, all County bonded debt was issued for capital purposes. 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, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

	Interest Rate	Last Maturity Date	Principal Balance
Governmental Activities:			
General Obligation - Refunding Bonds, Series 2003A	5.00%	2/1/2017	\$ 1,815,180
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	27,126,816
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	8,513,409
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	39,099,999
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	16,866,485
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	40,811,690
General Obligation - Series 2007	Variable Rate (.757% at 6/30/16)	6/1/2034	50,450,000
General Obligation - Series 2008	Variable Rate (.43% at 6/30/16)	6/1/2029	19,597,500
General Obligation - Series 2009	3.00-4.00%	6/1/2018	1,260,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	990,622
General Obligation - Refunding Bonds, Series 2010B	2.00-5.00%	4/1/2035	29,365,000
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	7,270,000
General Obligation - Series 2010D (Federally Taxable Build America Bonds)	1.125-6.00% (1)	6/1/2035	16,825,000
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	5,300,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	20,069,669
General Obligation - Series 2014A	2.125 - 5.00%	6/1/2036	14,755,000
General Obligation - Refunding Series 2014B	0.25 - 3.23%	6/1/2027	50,600,000
General Obligation - Refunding Series 2015	5.00%	4/1/2019	4,740,195
General Obligation - Series 2016	1.0 - 5.0%	6/1/2036	16,515,000
Total Bonded Debt to be repaid by Governmental Activities			<u>371,971,565</u>
The Board:			
General Obligation - Refunding Series 2003A	5.00%	2/1/2017	4,134,820
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	25,948,184
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	12,001,591
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	20,400,001
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	10,048,515
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	22,038,310
General Obligation - Series 2007	Variable Rate (.757% at 6/30/16)	6/1/2034	18,550,000
General Obligation - Series 2008	Variable Rate (.43% at 6/30/16)	6/1/2029	10,552,500
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	14,859,378
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	14,210,000
General Obligation - Qualified School Construction Bonds	.0% (2)	7/1/2027	20,418,642
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	8,400,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	17,340,331
General Obligation - Series 2014A	2.125 - 5.00%	6/1/2036	14,510,000
General Obligation - Refunding Series 2014B	0.25 - 3.23%	6/1/2027	2,635,000
General Obligation - Refunding Series 2015	5.00%	4/1/2019	7,584,805
General Obligation - Series 2016	1.0 - 5.0%	6/1/2036	19,385,000
Total Bonded Debt to be repaid by the Board			<u>243,017,077</u>
Total Bonded Debt			<u><u>\$ 614,988,642</u></u>

(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, 2016, the sequestration rate was 6.8%.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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:		
	Principal	Interest	Total	County	Board	Total
2017	\$ 42,774,281	\$ 26,280,265	\$ 69,054,546	\$ 37,250,891	\$ 31,803,655	\$ 69,054,546
2018	39,684,281	24,382,086	64,066,367	35,945,985	28,120,382	64,066,367
2019	40,264,281	22,854,171	63,118,452	35,917,483	27,200,969	63,118,452
2020	38,179,281	21,278,080	59,457,361	34,848,788	24,608,573	59,457,361
2021	35,979,281	19,717,889	55,697,170	33,987,512	21,709,658	55,697,170
2022 - 2026	153,216,405	81,759,928	234,976,333	143,978,871	90,997,462	234,976,333
2027 - 2031	155,010,832	46,190,033	201,200,865	126,902,462	74,298,403	201,200,865
2032 - 2036	109,880,000	11,783,978	121,663,978	76,434,329	45,229,649	121,663,978
Total	\$ 614,988,642	\$ 254,246,430	\$ 869,235,072	\$ 525,266,321	\$ 343,968,751	\$ 869,235,072

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$153,294,756 and \$100,951,674, respectively, for a total of \$254,246,430.

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, 2016:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<u>Primary Government</u>					
Bonded Debt	\$ 622,812,923	\$ 35,900,000	\$ (43,724,281)	\$ 614,988,642	\$ 42,774,281
Unamortized Bond Premium	7,698,939	2,206,016	(1,777,761)	8,127,194	1,718,836
Loans Payable	6,812,540	-	(1,899,746)	4,912,794	1,902,826
Capital Leases	38,930,963	-	(1,359,810)	37,571,153	1,649,788
Compensated Absences	8,666,801	6,859,182	(6,857,744)	8,668,239	7,798,604
Total - Primary Government	\$ 684,922,166	\$ 44,965,198	\$ (55,619,342)	\$ 674,268,022	\$ 55,844,335
<u>Component Unit - the Board</u>					
Compensated Absences	\$ 2,894,964	\$ 2,795,627	\$ (3,032,685)	\$ 2,657,906	\$ 2,392,115
Capital Lease	4,903,489	-	(233,106)	4,670,383	242,604
Total Component Unit - the Board	\$ 7,798,453	\$ 2,795,627	\$ (3,265,791)	\$ 7,328,289	\$ 2,634,719
<u>Component Unit - the District</u>					
Compensated Absences	\$ 303,046	\$ 367,519	\$ (357,056)	\$ 313,509	\$ 313,509
Total - the District	\$ 303,046	\$ 367,519	\$ (357,056)	\$ 313,509	\$ 313,509

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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 \$45,623 pertains to the non-major enterprise fund, with the remaining long-term liabilities related to governmental activities.

Interest Rate Swaps

The County's Statement of Net Position includes interest rate swap derivatives with a fair value totaling \$38,599,015. The fair value of these derivatives was measured using Level 2 inputs, which were valued using a market approach that considers benchmark interest rates and foreign exchange rates.

Series C-1-A

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). At inception, the swap had a notional amount of \$72 million and the associated variable-rate bond had a \$72 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series C-1-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2016, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-0.62%
Net interest rate swap payments		3.33%
Variable-rate bond coupon payments		0.43%
Synthetic interest rate on bonds		3.76%

Fair value. As of June 30, 2016, the swap had a negative fair value of (\$10,747,564), a change of (\$2,126,397) compared to the June 30, 2015 balance of (\$8,621,167). 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, 2016, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2016, with its Credit Support Provider, Deutsche Bank, rated Baa2/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2017	2,775,000	228,223	1,765,614	4,768,837
2018	2,950,000	216,290	1,673,300	4,839,590
2019	3,125,000	203,605	1,575,164	4,903,769
2020	3,300,000	190,168	1,471,207	4,961,375
2021	3,525,000	175,978	1,361,427	5,062,405
2022-2026	21,225,000	632,638	4,894,319	26,751,957
2027-2029	16,175,000	141,900	1,097,791	17,414,691
	<u>\$ 53,075,000</u>	<u>\$ 1,788,802</u>	<u>\$ 13,838,822</u>	<u>\$ 68,702,624</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, 2016

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, 2016, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.40%
Variable payment to Authority	% of LIBOR	-0.58%
Net interest rate swap payments		2.82%
Variable-rate bond coupon payments		0.43%
Synthetic interest rate on bonds		3.25%

Fair value. As of June 30, 2016, the swap had a negative fair value of (\$9,913,810), a change of (\$2,318,351) compared to the June 30, 2015 balance of (\$7,595,459). 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, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Credit risk. As of June 30, 2016, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2016, with its Credit Support Provider, Deutsche Bank, rated Baa2/BBB+/BBB+ 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, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2017	\$ 3,200,000	\$ 255,850	\$ 1,675,996	\$	5,131,846
2018	3,400,000	242,090	1,585,858		5,227,948
2019	3,600,000	227,470	1,490,087		5,317,557
2020	3,810,000	211,990	1,388,682		5,410,672
2021	4,030,000	195,607	1,281,362		5,506,969
2022-2026	23,840,000	697,546	4,569,413		29,106,959
2027-2029	17,620,000	154,069	1,009,259		18,783,328
	<u>\$ 59,500,000</u>	<u>\$ 1,984,622</u>	<u>\$ 13,000,657</u>	<u>\$</u>	<u>74,485,279</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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, 2016, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment by Authority	Fixed	3.89%
Variable payment to Authority	% of LIBOR	-0.62%
Net interest rate swap payments		<u>3.27%</u>
Variable-rate bond coupon payments		<u>0.90%</u>
Synthetic interest rate on bonds		<u><u>4.17%</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Fair value. As of June 30, 2016, the swap had a negative fair value of (\$17,937,641), a change of (\$4,511,676) compared to the June 30, 2015 balance of (\$13,425,965). 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, 2016, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2016, with its Credit Support Provider, Deutsche Bank, rated Baaa2/BBB+/BBB+ 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, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Swap payments and associated debt. As of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2017	\$ 2,100,000	\$ 565,595	\$ 2,055,597	\$	4,721,192
2018	2,250,000	546,697	1,986,914		4,783,611
2019	2,375,000	526,449	1,913,324		4,814,773
2020	2,500,000	505,076	1,835,647		4,840,723
2021	2,625,000	482,578	1,753,881		4,861,459
2022-2026	5,375,000	2,200,286	7,996,715		15,572,001
2027-2031	19,475,000	1,884,867	6,850,355		28,210,222
2032-2034	26,150,000	476,954	1,733,439		28,360,393
	<u>\$ 62,850,000</u>	<u>\$ 7,188,502</u>	<u>\$ 26,125,872</u>	<u>\$</u>	<u>96,164,374</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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>General</u>	<u>Constitutional Officers</u>	<u>Capital Projects Public Improvement</u>	<u>Debt Service</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventories	\$ 427,863	\$ -	\$ -	\$ -	\$ 427,863
Prepays	196,792	-	-	-	196,792
Investment in Joint Venture	5,337,350	-	-	-	5,337,350
	<u>5,962,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,962,005</u>
Restricted for:					
Finance and Administration	304,416	-	-	-	304,416
Administration of Justice	623,031	-	-	-	623,031
Public Safety	281,338	-	-	-	281,338
Public Health & Welfare	1,033,195	-	-	-	1,033,195
Social and Cultural	208,111	-	-	-	208,111
Debt Service	-	-	-	83,528	83,528
Capital Projects	-	-	5,977,468	-	5,977,468
	<u>2,450,091</u>	<u>-</u>	<u>5,977,468</u>	<u>83,528</u>	<u>8,511,087</u>
Committed to:					
Finance and Administration	57,448	-	-	-	57,448
Administration of Justice	99,000	-	-	-	99,000
Public Safety	165,000	-	-	-	165,000
Public Health & Welfare	410,000	-	-	-	410,000
Social and Cultural	13,900	-	-	-	13,900
Other General Government	1,552,000	-	-	-	1,552,000
Debt Service	-	-	-	24,187,432	24,187,432
	<u>2,297,348</u>	<u>-</u>	<u>-</u>	<u>24,187,432</u>	<u>26,484,780</u>
Assigned to:					
Finance and Administration	52,124	1,890,805	-	-	1,942,929
Administration of Justice	105,398	3,335,982	-	-	3,441,380
Public Safety	148,918	-	-	-	148,918
Public Health & Welfare	7,592	-	-	-	7,592
Social and Cultural	109,373	-	-	-	109,373
Other General Government	366,036	-	-	-	366,036
	<u>789,441</u>	<u>5,226,787</u>	<u>-</u>	<u>-</u>	<u>6,016,228</u>
Unassigned:	<u>60,783,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,783,057</u>
Total fund balances	<u>\$ 72,281,942</u>	<u>\$ 5,226,787</u>	<u>\$ 5,977,468</u>	<u>\$ 24,270,960</u>	<u>\$ 107,757,157</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity (Continued)

Nonmajor Governmental Funds

	State, Federal and Other Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	ADA Construction	Total
Fund balances:									
Nonspendable:									
Inventories	\$ 69,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,985
Prepays	20,185	-	12,011	-	12,500	-	-	-	44,696
	<u>90,170</u>	<u>-</u>	<u>12,011</u>	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,681</u>
Restricted for:									
Finance and Administration	77,010	-	-	-	-	-	-	-	77,010
Administration of Justice	96,787	-	-	-	-	-	-	-	96,787
Public Safety	195,439	-	-	-	-	2,413,224	-	-	2,608,663
Public Health & Welfare	1,198,885	-	-	-	-	-	-	-	1,198,885
Social and Cultural	35,962	-	-	-	1,975,004	-	-	-	2,010,966
Other General Government	196,296	-	-	-	-	-	-	-	196,296
Highway Grants	278,668	-	-	-	-	-	-	-	278,668
	<u>2,079,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,975,004</u>	<u>2,413,224</u>	<u>-</u>	<u>-</u>	<u>6,467,275</u>
Committed to:									
Public Health & Welfare	-	-	-	1,284,362	-	-	-	-	1,284,362
Social and Cultural	-	48,896	1,676,141	-	-	-	-	-	1,725,037
Engineering & Public Works	-	-	-	-	-	-	3,888,391	-	3,888,391
Capital Projects	-	-	-	-	-	-	-	268,583	268,583
	<u>-</u>	<u>48,896</u>	<u>1,676,141</u>	<u>1,284,362</u>	<u>-</u>	<u>-</u>	<u>3,888,391</u>	<u>268,583</u>	<u>7,166,373</u>
Total fund balances	<u>\$ 2,169,217</u>	<u>\$ 48,896</u>	<u>\$ 1,688,152</u>	<u>\$ 1,284,362</u>	<u>\$ 1,987,504</u>	<u>\$ 2,413,224</u>	<u>\$ 3,888,391</u>	<u>\$ 268,583</u>	<u>\$ 13,748,329</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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>General Purpose Schools</u>	<u>School Construction Capital Projects</u>	<u>School Federal Projects</u>	<u>School General Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>
Fund balances:						
Nonspendable:						
Inventories	\$ 1,044,579	\$ -	\$ -	\$ 633,136	\$ 200,305	\$ 1,878,020
Prepays	588,679	-	11,983	43,456	-	644,118
	<u>1,633,258</u>	<u>-</u>	<u>11,983</u>	<u>676,592</u>	<u>200,305</u>	<u>2,522,138</u>
Restricted for:						
Education	-	-	-	-	8,288,339	8,288,339
Committed to:						
Education	-	-	-	2,365,587	-	2,365,587
Assigned to:						
Education	396,527	-	-	-	-	396,527
Unassigned:	<u>18,325,000</u>	<u>(9,719,404)</u>	<u>(11,983)</u>	<u>-</u>	<u>-</u>	<u>8,593,613</u>
Total fund balances	<u>\$ 20,354,785</u>	<u>\$ (9,719,404)</u>	<u>\$ -</u>	<u>\$ 3,042,179</u>	<u>\$ 8,488,644</u>	<u>\$ 22,166,204</u>

The School Construction Capital Projects Fund had a deficit balance of \$9,719,404 at June 30, 2016. The deficit balance was caused by the timing of the recognition of various expenditures and the related debt issuances. Expenditures for this fund are funded primarily by debt proceeds. The adopted Capital Improvement Plan includes planned debt issuance for the Board of \$63,750,000. 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.

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 %

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

K. Property Taxes (Continued)

Taxes were levied at a rate of \$2.32 per \$100 of assessed values. Tax collections of \$252,882,970 for fiscal year 2016 were approximately 97.5 percent of the total tax levy.

The 2016 fiscal year property tax rate of \$2.32 was divided between the County and the Board as follows:

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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 2016 fiscal year, the joint venture received 91 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$430,190 for the year ended June 30, 2016. The County does not retain an equity interest in the joint venture. The financial results of Geographic Information Systems have maintained adequate levels. Since the support for Geographic Information Systems is shared with two other entities, the County considers its involvement to be low risk. Complete separate financial statements for the Geographic Information Systems may be obtained at 606 Main Street, Suite 150, Main Place, Knoxville, TN 37902.

The County is a participant in a joint venture with the City of Knoxville in the operation of the Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA). The Authority was created to purchase, construct, refurbish, maintain and operate certain public building complexes to house the governments of the County and the City of Knoxville. The County appoints six of an eleven-member board of directors, which oversee the operations of PBA. The fact that the County appoints a majority of the board is negated by the participants' agreements calling for joint control of PBA. The County retains an equity interest in the joint venture. The County contributed \$6,744,383 to the PBA for development, management, and maintenance of County projects during 2016. Complete separate financial statements for PBA may be obtained at Room M-22, City County Building, 400 Main Street, Knoxville, TN 37902.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION

A. Joint Ventures (Continued)

Condensed financial information for GIS and PBA as of June 30, 2016 and for the year then ended, is as follows:

ASSETS	GIS	PBA
Cash and Cash Equivalents	\$ 463,918	\$ 5,124,722
Receivables	25,285	2,669,749
Inventory	-	12,235
Prepays	67,697	85,052
Capital Assets - Net	<u>245,212</u>	<u>7,987,860</u>
Total Assets	<u>802,112</u>	<u>15,879,618</u>
 LIABILITIES AND NET POSITION		
Liabilities		
Accounts Payable and Accrued Liabilities	81,173	3,068,515
Due To Others	-	1,089,007
Customer Deposits	-	18,719
Compensated Absences	<u>42,600</u>	<u>476,796</u>
Total Liabilities	<u>123,773</u>	<u>4,653,037</u>
Net Position		
Investment in Capital Assets	245,212	7,987,860
Unrestricted	<u>433,127</u>	<u>3,238,721</u>
Total Net Position	<u>\$ 678,339</u>	<u>\$ 11,226,581</u>
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Total Operating Revenues	\$ 1,529,569	\$ 15,155,459
Total Operating Expenses	<u>(1,396,226)</u>	<u>(14,563,259)</u>
Operating Income (Loss)	133,343	592,200
Non-Operating Revenues	186,094	21,844
Non-Operating Expenses	-	(1,930,651)
Capital Contributions	<u>-</u>	<u>1,298,538</u>
Increase (Decrease) in Net Position	319,437	(18,069)
Net Position, Beginning of Year	<u>358,902</u>	<u>11,244,650</u>
Net Position, End of Year	<u>\$ 678,339</u>	<u>\$ 11,226,581</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

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, 2016, the County appropriated operating subsidies of \$1,500,919 to the Community Action Committee.

In FY 2016, the County and the Hall of Fame Management, Inc., dba the Women's Basketball Hall of Fame (the Hall) were parties to a contract for the operations management of the Women's Basketball Hall of Fame. The County paid the Hall a management fee. Pursuant to that contract, the Hall managed the day-to-day operations and events at the facility, collected revenues for the County, and paid the operating expenses from these revenues. All revenues collected by the Hall were the property of the County and held by the Hall in trust as public funds and applied to pay operating expenses in accordance with the budget. To the extent revenues were insufficient, the Hall was to pay operating expenses out of its management fee.

In 2016, 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. The County appoints certain board members of Visit Knoxville.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Management

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

At June 30, 2016, Humana and Catamaran OptumRx are the third-party administrators of the County's self-insured healthcare plans. In the Self Insurance Healthcare Fund, a premium is charged to the participating fund, component unit, joint venture, or outside entity that accounts for eligible employees. The total charges for the funds are calculated using trends in actual claims experience. In instances where medical claims materially exceed premiums received, each participating entity is charged a pro-rata basis for any fund deficits incurred.

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 2016	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2015
Unpaid Claims - Beginning Balance	\$ 1,780,523	\$ 1,190,451	\$ 13,043,037	\$ 15,027,569
Incurred Claims (Including IBNR's)	26,815,077	26,004,027	5,239,771	123,888
Claim Payments	(26,686,011)	(25,413,955)	(2,369,850)	(2,108,420)
Unpaid Claims - Ending Balance	<u>\$ 1,909,589</u>	<u>\$ 1,780,523</u>	<u>\$ 15,912,958</u>	<u>\$ 13,043,037</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Management (Continued)

The Self Insurance Fund had a deficit net position balance of \$3,596,588 at June 30, 2016. Management plans to eliminate the deficit by increasing charges for services and by implementing additional procedures designed to reduce claims costs by additional monitoring and settlement procedures.

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

The Board maintains worker's compensation and employer's liability insurance for approximately 3,226 non-certified employees (i.e. security officers, educational assistants, nutrition services, and operations) through the Tennessee Risk Management Trust (TNRMT), a public entity risk pool operated as a risk-sharing program by the Tennessee School Board Association (TSBA). This pool is sustained by member premiums, and, because the pool has excess aggregate and individual claim loss reinsurance coverage, management considers any related credit risk to be insignificant.

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, 2016, the liabilities were \$3,686,570.

D. Other Post Employment Benefits

Retiree Healthcare

Plan Description

As authorized by County Resolution, the County provides post-retirement health care benefits for County retirees and their dependents. Retirees may participate only until they reach age 65 (except for a few "grandfathered" retirees who still have active medical insurance). The retiree is responsible for paying 100 percent of the related premium. The retirees who have chosen to participate in the County's medical insurance plan have not been evaluated on a separate experience rating from those of existing County and Board employees. Therefore, participating retirees contribute the same premium as existing employees, plus the amount the employer contributes for existing employees. Under this arrangement the retiree contributions are expected to be less than their expected health care cost, and a portion of the premiums the County pays on behalf of its active employees is deemed to subsidize the retirees' costs. This implicit subsidy is an Other Post-employment Benefit (OPEB) as defined by GASB Statement No. 45. The County's medical insurance plan, a single-employer defined benefit plan, does not issue a separate financial report.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Retiree Healthcare (Continued)

Funding Policies

The contribution requirements of the County healthcare plan members and the County are established in the annual budget approved by County Commission. The required contribution is based on the annual premiums for the healthcare plan. The active employees pay a portion of the premium cost and the County pays the remaining premiums. For health insurance, the retiree contributes 100% of all premium payments. For the fiscal year ended June 30, 2016, the retirees contributed \$348,300 to the active Humana medical plans. Retirees contributed 100% of the cost of the Medicare Advantage premium totaling \$176,286. Effective January 1, 2016, the Medicare Advantage Plan was no longer offered through Knox County for retirees.

Annual OPEB Cost and Net OPEB Obligation

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

The plan contains both active employees and retirees. Although the County's annual contribution is 36.70% of premium payments for the combined participants, the share of claims related to retirees represents a higher percentage of the total claims. Accordingly, contributions reflected in the OPEB calculations have been adjusted to reflect that a portion of contributions for active employees are subsidizing the retiree claims.

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

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

Annual Required Contribution	\$ 353,450
Interest on net OPEB obligation	43,476
Adjustment to annual required contribution	<u>(60,118)</u>
Annual OPEB Cost	336,808
Contribution made	<u>(123,463)</u>
Increase (decrease) in net OPEB obligation	213,345
Net OPEB obligation July 1, 2015	<u>1,086,893</u>
Net OPEB obligation June 30, 2016	<u><u>\$ 1,300,238</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Retiree Healthcare (Continued)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 278,805	51.62%	\$ 782,362
June 30, 2014	294,662	47.30%	937,656
June 30, 2015	305,965	51.22%	1,086,893
June 30, 2016	336,808	36.70%	1,300,238

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the County healthcare plan was 0% funded. The actuarial accrued liability for benefits for June 30, 2016 was \$2,749,997, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,749,997. The schedule of funding progress immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuations

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Retiree Healthcare (Continued)

Actuarial Methods and Assumptions

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

In the July 1, 2015 valuation, the projected unit credit cost method was used. The actuarial assumptions included a funded interest rate of 4.0% and a participation rate of 10%. Annual health care costs are assumed to increase 9% in the first year of valuation. Future annual increases are assumed to grade uniformly to 5% by the year 2023. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2016 was 20.77 years.

Disability Plan

Plan Description

As authorized by County Resolution, the County provides disability benefits for eligible employees of the County who are participants in the UOPP, STAR, Closed Defined Benefit, or Asset Accumulation Plans and who become disabled after January 1, 2014. The Plan, a single-employer OPEB plan, is administered by the Knox County Retirement and Pension Board. Participating employees become eligible after five years of credited service, unless the disability occurs as a result of an act required to perform duties in the course of employment, in which case there is no service requirement. The employer pays 100 percent of the related premium. In the event of disability, eligible employees receive benefits equal to 60% of pre-disability compensation as of the date of the disability, subject to offset by Social Security, workers' compensation, and adjustments for earned income. Benefits continue until the employee is no longer disabled, reaches Social Security normal retirement age, or begins receiving benefits from a County-funded retirement plan, whichever is earliest. The Plan issues a stand-alone report, which may be obtained at Suite 371, City County Building, 400 Main Street, Knoxville, TN 17902.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Disability Plan (Continued)

Funding Policies

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

Actuarial Measurement Date	June 30, 2016
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level % of Payroll, Closed
Remaining Amortization Period	18 years
Actuarial Valuation of Assets	Smoothed Market Value Over 5 Years
Inflation Rate	1.45%
Investment Return	7.00%
Projected Salary Increases	3.00%
Post Retirement Increases (Cost of Living Adjustments)	None

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 530,426
Interest on net OPEB Obligation	(64,310)
Adjustment to annual required contribution	85,357
Annual OPEB Cost	<u>551,473</u>
Contribution made	<u>(1,183,523)</u>
Increase (decrease) in net OPEB obligation	(632,050)
Net OPEB obligation July 1, 2015	(918,716)
Net OPEB (asset) obligation June 30, 2016	<u><u>\$ (1,550,766)</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Disability Plan (Continued)

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2014	\$ -	N/A	\$ (354,018)
June 30, 2015	534,678	208.43%	(918,716)
June 30, 2016	551,473	223.13%	(1,550,766)

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the County plan was 47.81% funded. The actuarial accrued liability for benefits for June 30, 2016 was \$3,036,796, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,584,894. The market value of plan assets was \$1,451,902. Covered payroll totaled \$156,080,523, and the UAAL as a percentage of covered payroll was 1.02%.

Actuarial Valuations

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

Actuarial Methods and Assumptions

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies

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

The County receives significant financial assistance from the Federal and State governments in the form of grants and entitlements. These programs are subject to various terms and conditions, compliance with which is the responsibility of the County. These programs are subject to financial and compliance audits by the grantor agencies. Any costs disallowed as a result of such audits could become a liability of the County. As of June 30, 2016, 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, 2016. The County also has a five-year Capital Improvement Plan which addresses major capital needs for the County and the Board. Although the Capital Improvement Plan does not represent legal appropriations or contractual commitments, it does represent priorities as determined by the County and the Board. Funding for the first year of the adopted Capital Improvement Plan has been appropriated by action of the County Commission.

The following represents capital projects funds spent to date, current contractual obligations, and appropriations for future projects as adopted in the Capital Improvement Plan for the fiscal year beginning July 1, 2016:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

	Spent to Date	Contractual Commitment Remaining at June 30, 2016	Capital Improvement Plan July 1, 2016 - June 30, 2017
<u>Primary Government:</u>			
Ebenezer/Gleason Intersection	\$ 556,277	\$ 2,688,374	\$ -
Schaad Road	735,561	1,274,413	4,450,000
Hardin Valley/Greenland	437,460	59,988	-
Stormwater Management Plan	12,924,461	-	645,000
Parkside Drive Extension	13,064,394	2,949,614	-
Other Projects	221,479,645	1,913,543	29,375,000
Total - Primary Government	<u>\$ 249,197,798</u>	<u>\$ 8,885,932</u>	<u>\$ 34,470,000</u>
<u>Component Unit - the Board:</u>			
Physical Plant Upgrades	\$ 3,910,274	\$ 1,844,608	\$ 2,500,000
Gibbs Middle School	1,123,608	-	18,000,000
Hardin Valley Middle School	967,126	966,573	31,000,000
Pond Gap Elementary	556,419	8,172,961	1,750,000
Security Upgrades	4,657,951	377,827	2,000,000
Other Projects	231,316,905	1,755,038	8,500,000
Total - the Board	<u>\$ 242,532,283</u>	<u>\$ 13,117,007</u>	<u>\$ 63,750,000</u>

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, 2016

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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION (Continued)

F. Constitutional Officers (Continued)

Collections and payments for litigants, heirs and others are accounted for in the County's Constitutional Officers' Agency Fund.

Other operating costs of these offices (excluding salaries and benefits) are accounted for in the County's General Fund. These budgeted amounts are approved by the County Commission in accordance with the County Charter. Fees remitted by the officials in excess of salaries and benefits are used to offset the cost to the General Fund.

Included in the Supplementary Schedules of the County's Comprehensive Annual Financial Report is the schedule of Combined Analysis of Fee and Commission Accounts (reported on the cash basis of accounting) for the year ended June 30, 2016.

G. Accounting Pronouncements

The County adopted GASB Statement No. 72, *Fair Value Measurement and Application*, required for fiscal periods beginning after June 15, 2015, in fiscal 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements (see Note III-A).

The County adopted portions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in fiscal 2016. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE IV. OTHER INFORMATION (Continued)

G. Accounting Pronouncements (Continued)

The County adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, required for fiscal periods beginning after June 15, 2015, in fiscal 2016. The Statement identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

The County adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, required for fiscal periods beginning after June 15, 2015, in fiscal 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes measurement criteria for investments held by pools and pool participants, and establishes additional note disclosure requirements regarding limitations or restrictions on participant withdrawals.

H. Subsequent Events

Subsequent to the end of the fiscal year ended June 30, 2016, the County established a new post-retirement medical plan for County retirees. The plan, which became effective October 1, 2016, provides that eligible retirees will be able to remain on the County’s medical plan until age 65. The County will contribute 35% of the premium cost, with the remaining 65% to be contributed by the retiree. The County’s portion will be based on the premiums for individual coverage only.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS

A. General Information

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

A. General Information (Continued)

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

B. Single-Employer Defined Benefit Plans

Summary of Significant Accounting Policies

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

General Information about the Defined Benefit Pension Plans

Plan Description - The County's defined benefit pension plans, (County and UOPP DB Plans), and the Board's defined benefit pension plan (Teacher's DB Plan) provides pensions to plan members and their beneficiaries. The County DB Plan was established by the County Commission pursuant to House Bill Number 886 of Chapter 246 of the 1967 Private Acts of the State of Tennessee as amended and continued by the County's charter. The County DB Plan was closed to new participants effective September 30, 1991. The UOPP DB Plan was approved by the voters of Knox County during the November 2006 elections. The Plan was established July 1, 2007 with approximately 600 sworn Sheriff's Office employees electing to transfer their retirement balance from the County DC Plan to the UOPP DB Plan. The amount transferred from the participant's accounts totaled \$39,429,351. In addition, during FY 2007, Knox County issued \$57 million of pension obligation bonds, and transferred the proceeds (net of issuance costs) totaling \$56,510,846 to the plan. During the November 2012 elections, voters approved to close the UOPP DB Plan to new hires or rehires effective January 1, 2014. The Teacher's DB Plan was established under Article IX of the Knox County Employee Benefit System. The Teacher's DB Plan is closed to new plan members. The County, UOPP, and the Teacher's DB Plans are single-employer defined benefit pension plans administered by the Knox County Retirement and Pension Board.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

General Information about the Defined Benefit Pension Plans (Continued)

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.

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 reemployed before January 1, 2014. Normal monthly retirement benefits are equal to the greater of 2.5% of average monthly compensation multiplied by service up to a maximum of 30 years or \$10 multiplied by service up to a maximum of 25 years. The normal retirement date is the first day of the month coinciding with or next following attainment of age 50 or, if later, the date the participant completes (or would have completed if the participant remained continuously employed until then) 25 years of service. A participant with 5 or more years of service

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

General Information about the Defined Benefit Pension Plans (Continued)

who retires prior to his normal retirement date shall be entitled to the greater of 2% of average monthly compensation multiplied by the participant's projected service (maximum of 25 years), multiplied by the participant's actual service, and divided by the participant's projected service or \$10 multiplied by service up to a maximum of 25 years. The average monthly compensation of a participant is averaged over any 2 twelve month periods, whether or not consecutive but which do not overlap, from date of employment, including periods prior to the effective date of the plan, which produce the highest monthly average. A participant may receive early retirement benefits of the greater of the actuarial equivalent of 2% average monthly compensation multiplied by the participant's projected service (maximum of 25 years), multiplied by the participant's actual service, and divided by the participant's projected service or \$10 multiplied by service up to a maximum of 25 years. Disability benefits are payable to participants (in the line of duty) equal to 50% of average monthly compensation. A participant (not in the line of duty) is eligible to receive the greater of 2% of average monthly compensation multiplied by the participant's service (maximum of 25 years) multiplied by the participant's actual service and divided by the participant's projected service or \$10 multiplied by service up to a maximum of 25 years. All participants who become disabled prior to January 1, 2014 are eligible to receive this benefit. Pre-retirement death benefits (in the line of duty) for the participant's surviving spouse are payable monthly for life in the amount of the greater of 2% of average monthly compensation multiplied by the participant's service (maximum of 25 years) or \$250. Pre-retirement death benefits (not in the line of duty) for the participant's surviving spouse are payable monthly for life in the amount of the greater of 1% of average monthly compensation multiplied by the participant's service (maximum of 25 years) or \$10 multiplied by service up to a maximum of 25 years. Participants must have completed 5 years of service. Post-retirement death benefits are payable to the participant's surviving spouse in the greater of 50% of the participant's normal retirement benefit immediately prior to death or \$10 multiplied by service up to a maximum of 25 years. The UOPP DB Plan includes a Cost of Living adjustment annually of 3% plus (if a participant is over 62 years old) one half of the amount by which the percentage increase in the Consumer Price Index for the 12 months ending September 30 preceding the year of adjustment exceeds 3%, not to exceed 1%.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

General Information about the Defined Benefit Pension Plans (Continued)

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

Age	Benefit Rate A	Benefit Rate B
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, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

General Information about the Defined Benefit Pension Plans (Continued)

Employees Covered by Benefit Terms - At January 1, 2016, 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	831	122	440
Inactive employees entitled to, but not yet receiving benefits	24	21	-
Active employees	61	630	1
	<u>916</u>	<u>773</u>	<u>441</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 2016, the employer contributions for the County, UOPP, and the Teacher's DB Plans were approximately 161.82%, 12.94%, and N/A, respectively, of annual covered-employee payroll.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability

The County, UOPP, and Teacher's DB Plans' net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of January 1, 2016.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement 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:	17 Years	27 Years	17 Years
Asset Valuation Method for Actuarial Determined Contributions:	5-year smoothed subject to a 10% corridor around the market value of assets	5-year smoothed subject to a 20% corridor around the market value of assets	5-year smoothed subject to a 10% corridor around the market value of assets
Discount and Investment Rate of Return:	7.00%	7.00%	7.00%
Salary Increases:	3.00%	3.00%	N/A
Cost of Living Increase	3.00%	3.25%	3.00%
Inflation	1.45%	1.45%	1.45%
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:	1983 Group Annuity (Male and Female)	1984 Unisex	1983 Group Annuity (Male and Female)
Disability Table:	RR 96-7 Post 94	RR 96-7 Post 94	N/A
Experience Study:	January 1, 2002 to December 31, 2011	January 1, 2008 to December 31, 2011	January 1, 2002 to December 31, 2011

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: 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 table:

County and Teacher's DB Plans	Actual Exposure	Target Allocation
Investment Type:		
U.S. Equities	27%	22% - 33%
Non - U.S. Equities	29%	22% - 33%
Core Fixed Income	14%	12% - 18%
High Yield Fixed Income	12%	12% - 18%
U.S. Treasury Inflation Protected Securities	5%	3% - 7%
Private Real Estate	7%	5% - 9%
U.S. Real Estate (REITS)	6%	1% - 5%
	<hr/>	
Total	<hr/> <hr/>	
<hr/>		
UOPP DB Plan		
Investment Type:		
U.S. Equities	28%	24% - 36%
Non - U.S. Equities	29%	24% - 36%
Core Fixed Income	13%	10% - 16%
High Yield Fixed Income	10%	9% - 14%
U.S. Treasury Inflation Protected Securities	5%	3% - 7%
Private Real Estate	8%	6% - 10%
U.S. Real Estate (REITS)	6%	1% - 5%
Short-term and Cash Equivalents	1%	0% - 5%
	<hr/>	
Total	<hr/> <hr/>	

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

Best estimates of arithmetic real rates of return, net of assumed inflation rate, for each major investment classification included in the pension plan's target asset allocation as of June 30, 2016 are as follows:

Defined Benefit Plans (All Plans)	
Investment Type	June 30, 2016 Long-Term Expected Real Rate of Return
U.S. Equities	6.25%
Non - U.S. Equities	6.45%
Core Fixed Income	2.75%
High Yield Fixed Income	5.65%
U.S. Treasury Inflation Protected Securities	2.35%
Private Real Estate	5.85%
U.S. Real Estate (REITS)	4.70%

The assumed inflation rate is 1.45% per annum.

Rates of Return - The annual money-weighted rates of returns on defined benefit pension plan investments, net of pension plan expenses for the year ended June 30, 2016 were as follows:

Defined Benefit Plans:	2016
County DB Plan	-0.90%
UOPP DB Plan	-0.14%
Teacher's DB Plan	-0.70%

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

Tennessee State Law for Local Government Sponsored Defined Benefit Plans - In May 2014, the Tennessee General Assembly passed “The Public Employee Defined Benefit Financial Security Act of 2014”, Tennessee Code Section 9-3-501, which will require Knox County and the Knox County Board of Education to make annual employer contributions equal to 100% of its actuarially determined contributions (ADC), use the entry age normal cost method, limit future pension benefit improvements if the net pension plan funded ratio is less than 60% and other requirements beginning in fiscal year 2016 with various provisions phased in through FY 2020. As of June 30, 2016, the County DB Plan’s funded ratio was 50.65%. State law provides for penalties in the event that the funding level is below 60%, if the entity additionally provides benefit enhancements and fails to make contributions equal to the ADC. As the County made the required contributions and did not enhance benefits, there were no penalties.

Changes in the Net Pension Liability

The changes in the net pension liability for the plans for the fiscal year ended June 30, 2016 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, 2015	\$ 77,035	\$ 47,178	\$ 29,857	\$ 175,912	\$ 152,395	\$ 23,517	\$ 73,356	\$ 64,425	\$ 8,931
Changes for the Year:									
Service Cost	176	-	176	3,387	-	3,387	-	-	-
Interest	5,150	-	5,150	12,354	-	12,354	4,906	-	4,906
Difference between Expected and Actual Expense	(225)	-	(225)	1,812	-	1,812	(937)	-	(937)
Change of Assumptions	-	-	-	1,900	-	1,900	-	-	-
Contribution - Employer	-	3,160	(3,160)	-	3,553	(3,553)	-	832	(832)
Contribution - Employee	-	94	(94)	-	1,620	(1,620)	-	4	(4)
Net Investment Income (Loss)	-	(419)	419	-	(214)	214	-	(437)	437
Benefit Payments including Refunds of Employee Contributions	(7,425)	(7,425)	-	(5,723)	(5,723)	-	(6,655)	(6,655)	-
Administrative Expense	-	(229)	229	-	(439)	439	-	(122)	122
Other Changes	-	(38)	38	-	-	-	-	-	-
Net Changes	(2,324)	(4,857)	2,533	13,730	(1,203)	14,933	(2,686)	(6,378)	3,692
Balance at June 30, 2016	\$ 74,711	\$ 42,321	\$ 32,390	\$ 189,642	\$ 151,192	\$ 38,450	\$ 70,670	\$ 58,047	\$ 12,623

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the County, UOPP, and Teacher's DB Plans, calculated using the discount rate of 7%, as well as what the net pension liability (asset) would be for each plan if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate as of June 30, 2016:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County DB Plan Net Pension Liability	\$ 38,709,571	\$ 32,389,964	\$ 26,932,262
UOPP DB Plan Net Pension Liability	\$ 66,598,963	\$ 38,450,173	\$ 15,229,770
Teachers' DB Plan Net Pension Liability	\$ 18,340,154	\$ 12,622,675	\$ 7,629,640

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, 2016, the County and the Board recognized pension expense of \$4,149,815, \$8,111,112, and \$1,281,803, for the County, UOPP, and Teacher's Plans, respectively. At June 30, 2016, the County, UOPP, and Teacher's Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>County DB Plan</u>		<u>UOPP DB Plan</u>		<u>Teachers' DB Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 205,462	\$ 172,991	\$ 3,702,129	\$ -	\$ -	\$ -
Changes of assumptions	1,017,256	-	1,706,192	-	-	-
Net difference between projected and actual earnings on pension plan investments	4,118,720	-	12,845,140	-	5,543,202	-
Total	<u>\$ 5,341,438</u>	<u>\$ 172,991</u>	<u>\$ 18,253,461</u>	<u>\$ -</u>	<u>\$ 5,543,202</u>	<u>\$ -</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

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

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

Years ended June 30,	County DB Plan	UOPP DB Plan	Teachers' DB Plan
2017	\$ 1,801,717	\$ 4,184,380	\$ 1,529,620
2018	1,585,943	4,184,380	1,529,620
2019	1,082,471	4,184,382	1,529,618
2020	698,316	2,795,238	954,344
2021	-	625,810	-
Thereafter	-	2,279,271	-
Total	<u>\$ 5,168,447</u>	<u>\$ 18,253,461</u>	<u>\$ 5,543,202</u>

Payable to Pension Plans

At June 30, 2016, 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, 2016.

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, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Agent Multiple-Employer Defined Benefit Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

General Information about the Pension Plan (Continued)

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 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, 2015, 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>6</u>
Total	<u><u>10</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, 2016, employer contributions made by Knox County were \$105,298 based on a rate of 10.87% 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, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Net Pension Liability (Asset)

Knox County Executive And Officials' net pension liability (asset) was measured as of June 30, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Reporting Date	June 30, 2016
Measurement Date	June 30, 2015
Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	3.00%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%.
Investment Rate of Return	7.5%, net of investment expense, including inflation
Discount Rate	7.5% per annum, compounded annually
Cost of Living Adjustments	2.50%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.

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

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Net Pension Liability (Asset) (Continued)

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Net Pension Liability (Asset) (Continued)

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2014	\$ 1,900,933	\$ 1,829,313	\$ 71,620
Changes for the Year:			
Service Cost	38,325	-	38,325
Interest	142,449	-	142,449
Differences between expected and actual experience	91,692	-	91,692
Contributions - Employer	-	102,177	(102,177)
Contributions - Employees	-	47,000	(47,000)
Net Investment Income	-	57,404	(57,404)
Benefit Payments, including refunds of employee contributions	(79,872)	(79,872)	-
Administrative Expense	-	(305)	305
Net Change	192,594	126,404	66,190
Balance at June 30, 2015	\$ 2,093,527	\$ 1,955,717	\$ 137,810

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Net Pension Liability (Asset) (Continued)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Knox County Executive And Official's Net Pension Liability (Asset)	\$ 384,267	\$ 137,810	\$ (71,247)

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

Pension Expense - For the year ended June 30, 2016, Knox County recognized a pension expense of \$15,602.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2016, 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	\$ 65,801	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	65,906	84,199
Contributions Subsequent to the Measurement date of June 30, 2015	105,298	-
Total	\$ 237,005	\$ 84,199

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

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

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” 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
2017	\$ 21,309
2018	21,309
2019	(11,591)
2020	16,476

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, 2016, Knox County did not report a payable outstanding. Contributions were paid to the pension plan as required for the year ended June 30, 2016.

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, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

D. Cost Sharing Multiple-Employer Defined Benefit Plans

Teacher's Legacy Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

General Information about the Pension Plan (Continued)

Benefits Provided - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest 5 consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with 5 years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of livings adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 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.

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, 2016 to the Teacher Legacy Pension Plan were \$20,249,092 which is 9.04% of covered payroll. At June 30, 2016, there were 4,229 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, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

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

Pension Liabilities (Assets) - At June 30, 2016, Knox County Schools reported a liability of \$2,564,810 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Knox County Schools' proportion of the net pension liability was based on Knox County Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, Knox County Schools' proportion was 6.26%. The proportion measured as of June 30, 2014 was 6.25%.

Negative Pension Expense - For the year ended June 30, 2016, Knox County Schools recognized negative pension expense of \$1,871,781.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2016, 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	\$ 2,058,367	\$ 39,921,641
Net Difference between Projected and Actual Earnings on Pension Plan Investments	46,312,430	62,871,646
Changes in Proportion of Net Pension Liability (Asset)	2,269,093	-
Board's Contributions Subsequent to the Measurement date of June 30, 2015	20,249,092	-
Total	<u>\$ 70,888,982</u>	<u>\$ 102,793,287</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

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

Knox County Schools' employer contributions of \$20,249,092, reported as pension related deferred outflows of resources subsequent to the measurement date of June 30, 2015, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2017. 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>
2017	\$ (16,497,944)
2018	(16,497,944)
2019	(16,497,944)
2020	4,459,271
2021	(7,118,836)

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, 2015 actuarial valuation was determined using the following assumptions applied to all periods included the measurement:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

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

Reporting Date	June 30, 2016
Measurement Date	June 30, 2015
Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	3.00%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%.
Investment Rate of Return	7.5%, net of investment expense, including inflation
Discount Rate	7.5% per annum, compounded annually
Cost of Living Adjustments	2.50%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.

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

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Knox County Schools' Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 174,860,078</u>	<u>\$ 2,564,810</u>	<u>\$ (140,075,355)</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, 2016, 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, 2016.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

Trend Information

The schedule of Knox County Schools' proportionate share of the net pension liability (asset) in the Teacher Legacy Pension Plan and related ratios and the schedule of contributions are presented in required supplementary information (RSI) following the notes to financial statements, and present multiyear trend information about whether the Plan's fiduciary net position is increasing or decreasing over time relative to the total pension liability and net pension liability (asset) and whether the Knox County School's contributions are in accordance with the actuarially determined amounts.

Teacher Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

General Information about the Pension Plan (Continued)

Benefits Provided - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with 5 years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service-related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 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, 2016 to the Teacher Retirement Plan were \$1,129,281, which is 4.0% of covered payroll. At June 30, 2016, there were 888 active Board participants. The employer rate, when combined with member contributions, is expected to finance the

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

General Information about the Pension Plan (Continued)

costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Mandatory Defined Contribution Plan

As part of this plan, teachers hired after July 1, 2014 are required to participate in the State of Tennessee 401(k) Plan (see Note V - F) which requires the Board to make mandatory employer contributions of 5.0% of the participant's compensation.

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

Pension Liabilities (Assets) – At June 30, 2016, Knox County Schools reported an asset of \$280,487 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, 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, 2015, Knox County Schools' proportion was 6.97%.

Pension Expense – For the year ended June 30, 2016, Knox County Schools recognized pension expense of \$1,232,324.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2016, 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	\$ -	\$ 91,294
Net Difference between Projected and Actual Earnings on Pension Plan Investments	22,673	-
Board's Contributions Subsequent to the Measurement date of June 30, 2015	1,129,281	-
Total	<u>\$ 1,151,954</u>	<u>\$ 91,294</u>

Knox County School's employer contributions of \$1,129,281 reported as pension related deferred outflows of resources, subsequent to the measurement date of June 30, 2015, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2017. 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
2017	\$ (1,940)
2018	(1,940)
2019	(1,940)
2020	(1,940)
2021	(7,608)
Thereafter	(53,257)

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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

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

Reporting Date	June 30, 2016
Measurement Date	June 30, 2015
Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	3.00%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%.
Investment Rate of Return	7.5%, net of investment expense, including inflation
Discount Rate	7.5% per annum, compounded annually
Cost of Living Adjustments	2.50%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.

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

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Knox County Schools' Proportionate Share of the Net Pension Liability (Asset)	\$ 49,737	\$ (280,487)	\$ (522,678)

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, 2016, 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, 2016.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

Trend Information

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

E. Defined Contribution Plans

Plan provisions and contribution requirements for the defined contribution plans are established and may be amended by the Knox County Retirement and Pension Board. Administrative costs of the plans are paid with plan assets in the DB Plans and the Disability (OPEB) Plan.

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, 2016, there were 4,160 active plan members. During the year, the County's and Board's employer and member contributions amounted to \$8,304,376 and \$8,304,376 respectively.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

E. Defined Contribution Plans (Continued)

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 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 Defined Benefit (DB) Plan. The employer match for the closed DB Plan participants is a maximum of 3% of pay. Closed DB participants are eligible for the same 457 Plans/Vendors that are offered under the Asset Accumulation Plan. Beginning July 2015, participants in UOPP and STAR were allowed to make contributions to the County's 457(b), but the County makes no matching contributions.

As of June 30, 2016, there were 991 Plan members in the Knox County Voluntary 457(b) Plan. During the year, member contributions amounted to \$2,094,590 and the County and Board contributed \$1,608,252.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

E. Defined Contribution Plans (Continued)

Medical Expense Retirement Plan (MERP)

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

The main features of the Plan are as follows:

- (1) A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum distribution for each year of eligible service from the Knox County Retirement & Pension Board, and
- (2) A participant making contributions through payroll deductions to the Medical Expense Retirement Plan would be eligible for a percent match contribution from the Knox County Retirement & Pension Board based on the percent approved by the Board for the year in question.
- (3) Beginning in FY 2015, the employer match for active employees of 50% up to a calendar year employer maximum of \$208. The Pension Board committed to this funding for five years.

At June 30, 2016, the Medical Expense Retirement Plan had 1,403 members and 678 of them contributed funds to the plan. During the year employer and member contributions amounted to \$105,251 and \$220,302, respectively.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

E. Defined Contribution Plans (Continued)

Sheriff's Total Accumulation Retirement Plan (STAR)

In November 2012, the Knox County voters approved the closing of the Uniform Officers Pension Plan (UOPP) to all new officers and to have the Pension Board design another plan for officers employed by the Knox County Sheriff's Department. Effective January 1, 2014, the UOPP Plan was closed to all new-hires or re-hires. The new officer plan is called the *Sheriff's Total Accumulation Retirement Plan (STAR)*. STAR is a Defined Contribution Plan where the officer contributes 6% of pay and the County contributes a total of 12% of pay. Vesting by the officer is 10 year cliff vesting on the first 10% employer contribution and 15 year cliff vesting on the remaining 2% employer contribution. Employees have the responsibility of investing their contribution plus the 10% employer contribution from an array of investment options. The Pension Board manages the investment of the additional 2% of the employer contributions.

At June 30, 2016, the STAR Plan had 203 members. During the year employees contributed \$265,285 and the employer contributed \$442,155 for the basic 10% contribution and \$88,424 for the 2% supplemental contribution.

F. Multiple-Employer Defined Contribution Plans

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

The TCRS Teacher Legacy Defined Benefit Plan (see Note V-D) allows Knox County Board of Education (Board) teachers and other certified personnel hired before July 1, 2014, to participate in the State of Tennessee 401(k) Plan as administered by the Tennessee Department of Treasury. Participation in this plan is optional and is 100% funded by participant's elective contributions. The Board does not make employer contributions to this plan. Plan benefits are dependent solely on amounts contributed by participants plus investment earnings. Employees are eligible to participate on the first day of employment.

At June 30, 2016 there were 17 active participants. During the year participant contributions amounted to \$13,389.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2016

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

F. Multiple-Employer Defined Contribution Plans (Continued)

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

The TCRS Teacher Retirement Defined Benefit Plan (see Note V-D) requires all Knox County Board of Education (Board) teachers and other certified personnel hired after July 1, 2014, to participate in the State of Tennessee 401(k) Plan as administered by the Tennessee Department of Treasury. Participation is mandatory and begins on the first day of employment. The Board is required to make mandatory employer contributions of 5.0% of the participant's compensation. Elective employee deferrals are optional but can be up to the annual maximum amount permitted by the Internal Revenue Service. Participants are 100% immediately vested in the employer contributions. Plan benefits depend solely on amounts contributed to the plan plus investment earnings.

At June 30, 2016 there were 888 active participants. During the year the Board employer and participant contributions amounted to \$1,411,491 and \$231,034, respectively.

Required Supplemental Information Section



KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2016

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 Two Fiscal Years Ending June 30

(Dollar Amounts in Thousands)

Single-Employer Defined Benefit Plans	2016			2015		
	Closed Defined Benefit Plan	UOPP	Teacher's Plan	Closed Defined Benefit Plan	UOPP	Teacher's Plan
Total Pension Liability						
Service Cost	\$ 176	\$ 3,387	\$ -	\$ 164	\$ 3,605	\$ -
Interest	5,149	12,354	4,906	5,126	11,498	5,073
Differences between Expected and Actual Experience	(225)	1,812	(937)	447	2,569	(821)
Changes of Assumptions	-	1,900	-	2,214	-	-
Benefits Payment, including Refunds of Employee Contributions	(7,425)	(5,723)	(6,655)	(7,817)	(4,757)	(6,617)
Net Change in Total Pension Liability	(2,325)	13,730	(2,686)	134	12,915	(2,365)
Total Pension Liability - Beginning of Year *	77,035	175,912	73,356	76,901	162,997	75,721
Total Pension Liability - End of Year (a)	\$ 74,710	\$ 189,642	\$ 70,670	\$ 77,035	\$ 175,912	\$ 73,356
Plan Fiduciary Net Position						
Contributions - Employer	\$ 3,160	\$ 3,553	\$ 832	\$ 2,695	\$ 3,449	\$ 1,134
Contributions - Employees	94	1,620	4	109	1,654	9
Net Investment Income (Loss)	(419)	(214)	(437)	1,288	3,493	1,733
Other	-	-	-	6	-	-
Benefits Paid, including						
Refunds of Employee Contributions	(7,425)	(5,723)	(6,655)	(7,817)	(4,757)	(6,617)
Administrative Expenses	(229)	(439)	(122)	(355)	(788)	(274)
Transfers to Other DC Plans for Disability Benefits	(39)	-	-	(45)	-	-
Net Change in Plan Fiduciary Net Position	(4,858)	(1,203)	(6,378)	(4,119)	3,051	(4,015)
Plan Fiduciary Net Position, Beginning of Year	47,178	152,395	64,425	51,297	149,344	68,440
Plan Fiduciary Net Position, End of Year (b)	\$ 42,320	\$ 151,192	\$ 58,047	\$ 47,178	\$ 152,395	\$ 64,425
County's Net Pension Liability - Ending (a)-(b)	\$ 32,390	\$ 38,450	\$ 12,623	\$ 29,857	\$ 23,517	\$ 8,931
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.65%	79.72%	82.13%	61.24%	86.63%	87.82%
Covered-Employee Payroll **	\$ 1,953	\$ 27,464	\$ -	\$ 2,038	\$ 29,171	\$ -
County's Net Pension Liability as a Percentage of Covered-Employee Payroll	1659.59%	140.00%	N/A	1465.01%	80.62%	N/A

Note: Fiscal year 2015 was the first year that GASB 68 was adopted. Additional years will be added in the future.

* The liability values the January 1 data is rolled forward to June 30 using a 7.0% discounted rate.

** The covered -employee payroll is for the twelve month period ended January 1 of each year and covered employee payroll for the Teacher's Plan is \$0 since all active employees are over Normal Retirement Age.

Notes:

Benefit Changes: During 2014 the UOPP removed its disability benefit provision which resulted in an increase in the pension liability.

Changes of Assumptions: During FY 2016 and FY 2015, the inflation assumption decreased from 1.95% to 1.45% and from 2.35% to 1.95%.

During FY 2016 the UOPP projected benefits were increased due to increased compensation in the final year of employment. The Closed DB plan started using the 1983 Group Annuity Mortality Table in fiscal year 2016.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2016

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 Two Fiscal Years Ending June 30

(Dollar Amounts in Thousands)

Single-Employer Defined Benefit Plans	2016			2015		
	Closed Defined Benefit Plan	UOPP	Teacher's Plan	Closed Defined Benefit Plan	UOPP	Teacher's Plan
Actuarially Determined Contribution (ADC)	\$ 3,111	\$ 3,547	\$ 832	\$ 2,660	\$ 3,434	\$ 1,134
Contributions in Relation to the Actuarially Determined Contribution	3,160	3,553	832	2,695	3,449	1,134
Contribution Deficiency (Excess)	<u>\$ (49)</u>	<u>\$ (6)</u>	<u>\$ -</u>	<u>\$ (35)</u>	<u>\$ (15)</u>	<u>\$ -</u>
Covered-Employee Payroll *	\$ 1,953	\$ 27,469	\$ -	\$ 2,038	\$ 29,171	\$ -
Contributions as a Percentage of Covered-Employee Payroll	161.82%	12.94%	N/A	132.22%	11.82%	N/A

Notes:

* Covered-employee payroll is for the 12 month period ended January 1. The covered-employee payroll for the Teacher's Plan is \$0 since all active employees are over Normal Retirement Age.

A. 2015 was the first year that GASB 68 was adopted. Additional years will be added in the future.

B. Valuation Dates: January 1.

Measurement Dates: July 1 to June 30.

Actuarial determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry Age, Normal Cost (All Plans)
Amortization Method	Level Dollar, Closed Period (All Plans)
Remaining Amortization Period	17 Years (Closed DB, Teacher's Plan) and 27 Years (UOPP)
Asset Valuation Method	Closed DB and Teacher's Plan: 5-year smoothed subject to a 10% corridor around the market value of assets. UOPP: 5-year smoothed subject to a 20% corridor around the market value of assets.
Salary Increases	3% (Closed DB and UOPP), N/A for Teacher's Plan
Cost of Living Increases	3% (Closed DB and Teacher's Plan) and 3.25% (UOPP)
Investment Rate of Return	7%, Net of Pension Plan Investment Expense, including inflation (All Plans)
Retirement Age	Closed DB: 65 Years and 5 Years of Service Teacher's: 60 Years UOPP: Participants hired before age 40, age 57 and 30 years of credited service. Participants hired after 40, age 50 and 25 years of credited service.
Mortality Table	1983 Group Annuity Mortality Table for males and females (Closed DB and Teacher's Plan) and 1984 Unisex (UOPP)
Disability Table	RR 96-7 Post 94 (Closed DB and UOPP), N/A for Teacher's Plan
Distribution	100% Annuity

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2016

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

Last Two Fiscal Years Ending June 30

	2016			2015		
	Closed Defined Benefit Plan	UOPP	Teacher's Plan	Closed Defined Benefit Plan	UOPP	Teacher's Plan
<u>Single-Employer Defined Benefit Plans</u>						
Annual Money-Weight Rate of Return						
(Loss) Net of Investment Expenses	<u>(0.90%)</u>	<u>(0.14%)</u>	<u>(0.70%)</u>	<u>2.59%</u>	<u>2.34%</u>	<u>2.62%</u>

NOTES:

2015 was the first year that GASB 68 was adopted and additional years will be added in the future.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2016

**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 Two Fiscal Years Ending June 30*

Agent Multiple-Employer Defined Benefit Plan - TCRS	2016*	2015*
Total Pension Liability		
Service Cost	\$ 38,325	\$ 52,980
Interest	142,449	134,723
Differences between Expected and Actual Experience	91,692	9,345
Benefits Payment, including Refunds of Employee Contributions	(79,872)	(78,871)
Net Change in Total Pension Liability	192,594	118,177
Total Pension Liability - Beginning of Year	1,900,933	1,782,756
Total Pension Liability - End of Year (a)	<u>\$ 2,093,527</u>	<u>\$ 1,900,933</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 102,177	\$ 90,961
Contributions - Employees	47,000	42,505
Net Investment Income	57,404	256,275
Benefits Paid, including Refunds of Employee Contributions	(79,872)	(78,871)
Administrative Expenses	(305)	(313)
Net Change in Plan Fiduciary Net Position	126,404	310,557
Plan Fiduciary Net Position, Beginning of Year	1,829,313	1,518,756
Plan Fiduciary Net Position, End of Year (b)	<u>\$ 1,955,717</u>	<u>\$ 1,829,313</u>
Net Pension Liability (asset) - Ending (a)-(b)	<u>\$ 137,810</u>	<u>\$ 71,620</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.42%	96.23%
Covered-Employee Payroll	\$ 939,994	\$ 850,101
Net Pension Liability (asset) as a Percentage of Covered-Employee Payroll	14.66%	8.42%

Note:

* The amounts presented were determined as of June 30 of the prior year (measurement date).

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2016

**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 Three Fiscal Years Ending June 30

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

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

NOTES:

Valuation Date: Actuarially determined contribution rates for 2016 and 2015 were calculated based on the July 1, 2013 valuation.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	8 years
Asset Valuation Method	10-year smoothed within a 20% corridor to market value
Inflation	3%
Salary Increases	Graded salary ranges from 8.97 to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.5%, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50%

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2016

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

Last Two Fiscal Years Ending June 30*

<u>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</u>	<u>2016*</u>	<u>2015*</u>
Knox County School's Proportion of the Net Pension Asset	6.26%	6.25%
Knox County School's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,564,810	\$ (1,016,013)
Knox County School's Covered-Employee Payroll	\$ 234,393,501	\$ 245,412,756
Knox County School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	1.09%	(0.41%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.81%	100.08%

* The amounts presented were determined as of June 30 of the prior year (measurement date).

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2016

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

Last Three Fiscal Years Ending June 30

Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS	2016	2015	2014
Actuarially Determined Contribution (ADC)	\$ 20,249,092	\$ 21,188,757	\$ 21,792,648
Contributions in Relation to the Actuarially Determined Contribution	20,249,092	21,188,757	21,792,648
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Knox County School's Covered-Employee Payroll	\$ 224,003,222	\$ 234,393,501	\$ 245,412,706
Contributions as a Percentage of Knox County School's Covered-Employee Payroll	9.04%	9.04%	8.88%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

NOTES:

Valuation Date: Actuarially determined contribution rates for 2016 and 2015 were calculated based on the July 1, 2013 valuation.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	8 years
Asset Valuation Method	10-year smoothed within a 20% corridor to market value
Inflation	3%
Salary Increases	Graded salary ranges from 8.97 to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.5%, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50%

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2016

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

For the Fiscal Year Ended June 30*

<u>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</u>	<u>2016*</u>
Knox County School's Proportion of the Net Pension Liability (Asset)	6.97%
Knox County School's Proportionate Share of the Net Pension Liability (Asset)	\$ (280,487)
Knox County School's Covered-Employee Payroll	\$ 14,486,226
Knox County School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	(1.94)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%

* The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

NOTES:

Valuation Date: Actuarially determined contribution rates for 2016 were calculated based on a July 1, 2013 valuation.

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2016

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

Last Two Fiscal Years Ending June 30

Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS	2016	2015*
Actuarially Determined Contribution (ADC)	\$ 1,129,281	\$ 362,156
Contributions in Relation to the Actuarially Determined Contribution	<u>1,129,281</u>	<u>579,452</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (217,296)</u>
Knox County School's Covered-Employee Payroll	\$ 28,231,895	\$ 14,486,226
Contributions as a Percentage of Knox County School's Covered-Employee Payroll	4.00%	4.00%

Note:

* This plan started July 1, 2014.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

Years will be added to this schedule in future fiscal years until 10 years of information is available.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	8 years
Asset Valuation Method	10-year smoothed within a 20% corridor to market value
Inflation	3%
Salary Increases	Graded salary ranges from 8.97 to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.5%, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50%

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2016

Schedule of Funding Progress OPEB – Employee Disability Plan:
(Last Three Fiscal Years)

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) - EAN (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll ** (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
OPEB - Employee Disability Plan:						
6/30/2016	\$ 1,451,902	\$ 3,036,796	\$ 1,584,894	47.81%	\$ 156,080,523	1.02%
6/30/2015	1,247,594	2,309,559	1,061,965	54.02%	160,261,808	0.66%
6/30/2014	367,920	1,983,227	1,615,307	18.55%	152,946,739	1.06%

** Includes payroll for all employees eligible for a disability benefit under the Closed DB, Asset Accumulation, UOPP and STAR plans.

Schedule of Employer OPEB Contributions
(Last Three Fiscal Years)

OPEB - Employee Disability Plan

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2016	\$ 530,426	\$ 1,183,523	223%	\$ (1,550,766)
2015	527,447	1,099,376	208%	(918,716)
2014	N/A	354,018	N/A	(354,018)

Note: (A) The effective date of this Plan is January 1, 2014, therefore there was no actuarial required contribution for FY 2014. Additional years will be added in the future.

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, 2016 and 2015**

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 15,176,981	\$ 18,080,248
Investments, at Fair Value	54,860,946	44,217,769
Receivables (Net of Allowances for Uncollectibles):		
Accounts	9,697,254	10,768,755
Local Taxes	115,465,978	114,020,843
Notes	892,000	1,024,000
Due from Other Funds	956,895	1,201,602
Inventories	427,863	115,159
Prepaid Items	196,792	328,020
Investment in Joint Venture	5,337,350	5,490,386
TOTAL ASSETS	<u><u>\$ 203,012,059</u></u>	<u><u>\$ 195,246,782</u></u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 11,512,573	\$ 7,827,733
Due to Other Funds	3,419,692	3,483,010
Due to Component Units	147,314	112,997
Unearned Revenue	60,501	54,344
TOTAL LIABILITIES	<u>15,140,080</u>	<u>11,478,084</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes and Notes Receivable	<u>115,590,037</u>	<u>114,019,761</u>
FUND BALANCES		
Nonspendable	5,962,005	5,933,564
Restricted	2,450,091	2,426,638
Committed	2,297,348	4,405,300
Assigned	789,441	1,130,360
Unassigned	60,783,057	55,853,075
TOTAL FUND BALANCES	<u>72,281,942</u>	<u>69,748,937</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u><u>\$ 203,012,059</u></u>	<u><u>\$ 195,246,782</u></u>

KNOX COUNTY, TENNESSEE**General Fund**
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
County Property Taxes	\$ 118,263,054	\$ 114,595,419
Local Option Sales Taxes	4,425,487	4,923,911
Business Taxes	9,301,725	8,210,298
Wheel Taxes	532,699	534,818
Other Local Taxes	2,991,976	2,926,117
Licenses and Permits	4,415,268	4,214,130
Fines, Forfeitures and Penalties	2,716,773	2,307,617
Charges for Current Services	7,152,072	6,851,745
Other Local Revenues	4,827,617	4,744,620
State of Tennessee	13,883,964	12,381,044
Federal Government	1,208,814	1,169,552
Other Governments and Citizen Groups	588,883	356,251
Total Revenues	170,308,332	163,215,522
Expenditures		
Current:		
General Government:		
Finance and Administration	24,536,766	23,474,338
Finance and Administration - Payments to Component Unit	9,553,874	6,553,874
Administration of Justice	17,389,378	16,639,890
Public Safety	79,193,115	75,095,224
Public Safety - Payments to Component Unit	326,200	326,200
Public Health and Welfare	20,242,281	19,871,158
Public Health and Welfare - Payments to Component Unit	166,628	166,628
Social and Cultural Services	5,123,600	4,769,053
Agricultural and Natural Resources	490,451	470,977
Other General Government	15,709,676	15,326,762
Other General Government - Payments to Component Unit	625,000	600,000
Decrease in Equity Interest in Joint Venture	153,036	931,800
Total Expenditures	173,510,005	164,225,904
Deficiency of Revenues		
Under Expenditures	(3,201,673)	(1,010,382)
Other Financing Sources (Uses)		
Transfers from Other Funds	10,741,900	8,241,136
Transfers to Other Funds	(5,007,222)	(3,570,340)
Total Other Financing Sources	5,734,678	4,670,796
Net Change in Fund Balances	2,533,005	3,660,414
Fund Balances, July 1	69,748,937	66,088,523
Fund Balances, June 30	\$ 72,281,942	\$ 69,748,937

SPECIAL REVENUE FUNDS - MAJOR

Constitutional Officers Fund: This fund is used to account for revenues and expenditures associated with the administrative functions of the Constitutional Officers.

KNOX COUNTY, TENNESSEE

Constitutional Officers' Special Revenue Fund

Combining Balance Sheets

June 30, 2016

(With Comparative Totals for June 30, 2015)

							Totals	
	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	2016	2015
ASSETS								
Cash and Cash Equivalents	\$ 539,237	\$ 1,220,595	\$ 367,105	\$ 2,571,877	\$ 497,000	\$ 572,151	\$ 5,767,965	\$ 4,333,805
TOTAL ASSETS	\$ 539,237	\$ 1,220,595	\$ 367,105	\$ 2,571,877	\$ 497,000	\$ 572,151	\$ 5,767,965	\$ 4,333,805
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to Other Funds	\$ 157,880	\$ -	\$ -	\$ 100,000	\$ -	\$ 283,298	\$ 541,178	\$ 404,472
Fund Balances:								
Assigned	381,357	1,220,595	367,105	2,471,877	497,000	288,853	5,226,787	3,929,333
TOTAL LIABILITIES AND FUND BALANCES	\$ 539,237	\$ 1,220,595	\$ 367,105	\$ 2,571,877	\$ 497,000	\$ 572,151	\$ 5,767,965	\$ 4,333,805

KNOX COUNTY, TENNESSEE

**Constitutional Officers' Special Revenue Fund
Combining Schedule of Revenues, Expenditures
And Changes in Fund Balances
For the year ended June 30, 2016
(With comparative totals for the year ended June 30, 2015)**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2016	2015
Revenues								
Charges for Services	\$ 9,170,182	\$ 5,752,141	\$ 1,604,726	\$ 6,960,941	\$ 1,343,455	\$ 2,631,478	\$ 27,462,923	\$ 23,457,118
Investment Revenue	1,658	8,356	-	-	-	6,498	16,512	16,118
Total Revenues	9,171,840	5,760,497	1,604,726	6,960,941	1,343,455	2,637,976	27,479,435	23,473,236
Expenditures								
Current:								
General Government:								
Salaries - County Officials	151,982	121,970	83,496	134,168	129,198	117,453	738,267	736,492
Salaries - Staff	1,639,786	2,865,645	1,020,818	3,206,837	698,816	1,215,876	10,647,778	10,404,176
Employee Benefits and Payroll Taxes	573,630	1,036,685	371,485	1,124,213	278,083	444,538	3,828,634	3,882,957
Travel	-	8,723	5,220	-	-	8,400	22,343	22,020
Other	-	44,416	-	-	4,536	154,107	203,059	244,046
Total Expenditures	2,365,398	4,077,439	1,481,019	4,465,218	1,110,633	1,940,374	15,440,081	15,289,691
Excess of Revenues Over Expenditures	6,806,442	1,683,058	123,707	2,495,723	232,822	697,602	12,039,354	8,183,545
Other Financing Uses								
Transfers to Other Funds	(6,840,739)	(1,649,191)	-	(1,315,545)	(232,827)	(703,598)	(10,741,900)	(8,241,136)
Net Change in Fund Balances	(34,297)	33,867	123,707	1,180,178	(5)	(5,996)	1,297,454	(57,591)
Fund Balances, July 1	415,654	1,186,728	243,398	1,291,699	497,005	294,849	3,929,333	3,986,924
Fund Balances, June 30	\$ 381,357	\$ 1,220,595	\$ 367,105	\$ 2,471,877	\$ 497,000	\$ 288,853	\$ 5,226,787	\$ 3,929,333

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, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 1,776,560	\$ 4,065,823
Investments, at Fair Value	6,780,566	9,950,759
Accounts Receivable (Net of Allowances for Uncollectibles)	1,052	842,678
Due from Other Funds	378,598	3,210
Due from Component Units	1,351	-
TOTAL ASSETS	\$ 8,938,127	\$ 14,862,470
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,800,415	\$ 2,211,119
Due to Other Funds	1,442	31
Due to Component Units	158,802	-
TOTAL LIABILITIES	2,960,659	2,211,150
Fund Balances:		
Restricted	5,977,468	12,651,320
TOTAL FUND BALANCES	5,977,468	12,651,320
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,938,127	\$ 14,862,470

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, 2016 and 2015

	2016	2015
Revenues		
Investment Earnings	\$ 1,609	\$ (432)
Other Local Revenues	456,435	55,964
State of Tennessee	96,412	4,153,588
Other Governments and Citizen Groups	498,094	-
Total Revenues	1,052,550	4,209,120
Expenditures		
Capital Projects	26,501,590	18,245,016
Debt Proceeds Paid to Component Unit	19,385,000	24,271,315
Public Safety-Payments to Component Unit	158,802	-
Debt Issuance Costs	196,957	209,442
Other	1,959	-
Total Expenditures	46,244,308	42,725,773
Deficiency of Revenues Under Expenditures	(45,191,758)	(38,516,653)
Other Financing Sources		
Long-term Bonds Issued	35,900,000	30,040,000
Long-term Note Issued		
Premium on Long-term Debt Issued	2,206,016	1,484,442
Capital Lease Proceeds	-	12,450,000
Loan Proceeds	-	-
Transfers from Other Funds	411,890	125,320
Total Other Financing Sources	38,517,906	44,099,762
Net Change in Fund Balances	(6,673,852)	5,583,109
Fund Balances, July 1	12,651,320	7,068,211
Fund Balances, June 30	\$ 5,977,468	\$ 12,651,320

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2016

	Expenditures					Available
	Project Budget	Prior Years	Current	Total		
Expenditures						
<i>Capital Projects:</i>						
<i>Road Construction:</i>						
Knob Creek Bridge	\$ 578,925	\$ 313,968	\$ -	\$ 313,968	\$ 264,957	
Bob Gray Roundabouts	1,417,067	1,301,919	(131,634)	1,170,285	246,782	
Bridge Replacement	7,431,782	6,083,307	70,844	6,154,151	1,277,631	
Ballcamp Improvements	17,228,419	17,217,670	9,448	17,227,118	1,301	
Lovell Road	2,997,627	2,609,258	-	2,609,258	388,369	
Dry Gap Pike	6,283,367	6,199,192	-	6,199,192	84,175	
Maynardville/Norris/Emory	1,828,430	1,818,110	2,599	1,820,709	7,721	
Parkside Drive Extension	16,364,572	10,347,117	2,717,277	13,064,394	3,300,178	
Dutchtown Road Functional Plan	13,309,464	13,309,232	232	13,309,464	-	
Karns Connector	4,368,249	697,077	51,371	748,448	3,619,801	
National Drive-John Sevier Highway	958,838	389,492	478,115	867,607	91,231	
General Road Improvements	1,900,000	25,874	410,359	436,233	1,463,767	
State Aid	5,416,000	4,098,729	-	4,098,729	1,317,271	
Schaeffer Road Relocation	555,000	-	93,734	93,734	461,266	
Fox Lonas Drive Improvement	315,000	-	-	-	315,000	
Gray Hendrix and Garrison	333,837	248,351	85,087	333,438	399	
Lakefront Drive	77,234	77,234	-	77,234	-	
General Culvert Maintenance	294,884	9,980	269,904	279,884	15,000	
Ebenezer/Gleason Intersection	1,100,000	14,555	541,722	556,277	543,723	
Hardin Valley /Greenland	497,448	6,430	431,030	437,460	59,988	
Schaad Road Phase II	11,931,897	452,186	283,375	735,561	11,196,336	
	95,188,040	65,219,681	5,313,463	70,533,144	24,654,896	
<i>Total Road Construction</i>						
 <i>Building Renovations:</i>						
Juvenile Court/ Detention	14,390,588	14,270,829	300,466	14,571,295	(180,707)	
County Wide Renovations	200,000	-	-	-	200,000	
Knox Central	1,820,037	2,643,409	62,090	2,705,499	(885,462)	
Knox Central CIP '11	78,632	225	-	225	78,407	
Fairview Technical Center	73,500	37,661	14,151	51,812	21,688	
John Tarleton	159,134	138,085	10,000	148,085	11,049	
John Tarleton Admin. Building	750,000	113,342	140,139	253,481	496,519	
AJ/ Dwight Kessel Garage	3,164,573	1,925,202	28,260	1,953,462	1,211,111	
City/County Improvement	15,296,019	13,698,754	499,100	14,197,854	1,098,165	
Knox County Health Renovations	11,628,466	11,331,992	107,964	11,439,956	188,510	
Old Courthouse Renovation	3,948,040	3,077,845	109,098	3,186,943	761,097	
Detention Facility	1,535,668	1,552,017	-	1,552,017	(16,349)	
Detention Facility Expansion 2006	13,999,827	13,996,324	-	13,996,324	3,503	
Jail Improvements	1,046,550	794,481	36,367	830,848	215,702	
Juvenile Justice Center Phases II	3,102,190	3,832,703	17,762	3,850,465	(748,275)	
ADA Improvements	365,000	840	359,581	360,421	4,579	
Family Justice Center	218,700	70,624	53,875	124,499	94,201	
E-911 Center	544,855	100,692	22,621	123,313	421,542	
Health Department CDC/Lab Renovation	134,500	79,048	-	79,048	55,452	
Northshore Drive & Choto Road	753,321	598,442	23,483	621,925	131,396	
Courtroom Improvement	6,500	-	-	-	6,500	
	73,216,100	68,262,515	1,784,957	70,047,472	3,168,628	
<i>Total Building Renovations</i>						

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2016

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
Expenditures					
<i>Building Construction:</i>					
South Sportsplex	107,000	-	-	-	107,000
Lawson McGhee Library	1,248,784	972,797	131,267	1,104,064	144,720
Various Library Branches	661,061	654,731	-	654,731	6,330
Carter Branch Library	40,000	-	-	-	40,000
Senior Centers	81,800	39,984	-	39,984	41,816
Carter Senior Center	1,289,632	1,296,360	-	1,296,360	(6,728)
Frank Strang Center	-	10,256	-	10,256	(10,256)
Medical Examiner	4,250,000	5,490,230	178,661	5,668,891	(1,418,891)
Karns Senior Center	1,500,000	1,256,211	137,187	1,393,398	106,602
Safety Center	1,000,000	-	-	-	1,000,000
<i>Total Building Construction:</i>	10,178,277	9,720,569	447,115	10,167,684	10,593
<i>Other:</i>					
Halls Greenway	154,903	155,067	-	155,067	(164)
Knox-Blount Greenway-Phase I	360,198	13,195	-	13,195	347,003
Halls Park - School Link Phase II	202,660	119,786	214,005	333,791	(131,131)
Knox-Blount Greenway-Phase II	145,198	49,247	-	49,247	95,951
Park Facility Improvement	936,766	667,742	173,060	840,802	95,964
Playgrounds Improvements	207,500	-	207,500	207,500	-
Tennis/Basketball Court Improvements	117,000	-	117,000	117,000	-
Rifle Range Road Park	3,813,027	3,813,027	-	3,813,027	-
Greenways	33,253	17,856	-	17,856	15,397
East TN Historical Renovations	150,000	-	148,522	148,522	1,478
Technology Upgrade - Libraries	1,250,000	459,368	72,610	531,978	718,022
Finance Software Upgrade	1,569,308	1,389,346	38,244	1,427,590	141,718
PBA Project Management	6,120,194	4,452,900	89,095	4,541,995	1,578,199
Public Defender	87,000	-	-	-	87,000
Telecommunications Upgrades	105,100	-	85,349	85,349	19,751
Energy Management Project - County	16,176,571	14,004,728	5,487,054	19,491,782	(3,315,211)
Major Equipment - Engineering & Public Works	771,000	-	615,024	615,024	155,976
Major Equipment - Information Technology	250,138	-	236,301	236,301	13,837
Major Equipment - Sheriff's Department	1,994,459	-	1,764,276	1,764,276	230,183
Major Equipment - Parks & Recreation	217,500	-	169,338	169,338	48,162
Major Equipment - Fire Prevention	26,000	-	26,000	26,000	-
Major Equipment - Public Library	36,000	-	35,906	35,906	94
Major Equipment - Codes Administration	25,000	-	25,000	25,000	-
Major Equipment - Solid Waste	30,262	-	28,390	28,390	1,872
Major Equipment - Circuit Court	80,000	-	79,804	79,804	196
Major Equipment - Juvenile Court	32,000	-	30,032	30,032	1,968
Major Equipment - Criminal Court	80,000	-	78,821	78,821	1,179
Major Equipment - Medical Examiner	60,000	-	58,698	58,698	1,302
Major Equipment - Animal Center	100,000	-	25,504	25,504	74,496
Solway Yard Waste Facility	1,386,400	1,363,255	-	1,363,255	23,145
Stormwater Management	13,237,620	9,673,325	3,251,136	12,924,461	313,159
Karns Convenience Center	1,329,491	1,318,488	10,036	1,328,524	967
Geometric Improvements	3,730,374	2,340,835	563,211	2,904,046	826,328
County Sidewalk	1,157,831	623,988	216,788	840,776	317,055
Major Equipment - Engineering & Public Works	2,856,195	2,452,559	395,043	2,847,602	8,593
Major Equipment - Sheriff Detention	5,731,890	4,104,446	268,257	4,372,703	1,359,187
Powell Middle School	15,358,025	15,388,363	14,823	15,403,186	(45,161)
New Carter Elementary	15,390,368	15,391,581	-	15,391,581	(1,213)
Family Investment - Renovation	130,000	112,447	-	112,447	17,553
Election Commission	184,298	-	-	-	184,298

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2016

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
East Bridge	50,000	-	-	-	50,000
Meads Quarry	100,000	25,381	74,619	100,000	-
Info Tech Equipment	1,244,305	1,015,646	143,137	1,158,783	85,522
Safety Projects	180,000	-	-	-	180,000
Powell Center Office Addition	25,000	-	-	-	25,000
Plumb Creek	300,000	-	10,250	10,250	289,750
Facility Improvements	354,221	-	354,221	354,221	-
Carter Conv. Center Expansion	750,000	-	-	-	750,000
Major Equipment - Parks & Rec.	131,500	77,390	21,465	98,855	32,645
Major Equipment - Fire Prevention	26,000	25,274	-	25,274	726
Major Equipment - Public Library	92,500	92,493	-	92,493	7
Major Equipment - Election Comm.	81,300	78,970	-	78,970	2,330
Major Equipment - Juvenile Service Ctr.	23,000	8,923	-	8,923	14,077
Major Equipment - Fleet Service	24,200	-	-	-	24,200
Major Equipment - Record Mgmt.	25,000	24,874	-	24,874	126
Major Equipment - Health Dept.	35,000	37,500	-	37,500	(2,500)
Major Equipment - Animal Center	400,000	36,639	236,641	273,280	126,720
Ameresco Solar Project - County	3,158,685	-	2,865,895	2,865,895	292,790
I.C. King Park Expansion	725,000	-	725,000	725,000	-
Public Access to Beaver Creek	50,000	-	-	-	50,000
<i>Total Other</i>	103,399,240	79,334,639	18,956,055	98,290,694	5,108,546
<i>Total Capital Projects</i>	\$ 281,981,657	\$ 222,537,404	\$ 26,501,590	\$ 249,038,994	\$ 32,942,663

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, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 6,997,571	\$ 8,625,335
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	55,879,328	55,081,622
Notes	7,475,000	7,475,000
Due from Other Funds	-	700,000
Due from Component Units	13,022,088	10,000,000
Advance to Other Entity	2,465,000	2,465,000
TOTAL ASSETS	\$ 85,838,987	\$ 84,346,957
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 6,761	\$ 9,512
TOTAL LIABILITIES	6,761	9,512
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes and Notes Receivable	61,561,266	60,626,041
FUND BALANCES		
Restricted	83,528	83,728
Committed	24,187,432	23,627,676
TOTAL FUND BALANCES	24,270,960	23,711,404
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 85,838,987	\$ 84,346,957

KNOX COUNTY, TENNESSEE**Debt Service Fund (Major)**
Comparative Statements of Revenues, Expenditures
And Changes in Fund BalancesFor the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Property Taxes	\$ 52,316,064	\$ 52,224,314
Other Local Revenues	2,580,575	2,208,630
Payments from Component Units	13,022,088	10,000,000
Total Revenues	67,918,727	64,432,944
Expenditures		
Debt Service:		
Trustee's Commission	1,074,820	1,058,983
Principal	44,203,336	43,975,347
Interest	20,742,805	20,716,774
Other Debt Service	1,533,600	1,533,801
Refunding Bonds Issuance Costs	-	395,053
Total Expenditures	67,554,561	67,679,958
Excess (Deficiency) of Revenues Over (Under) Expenditures	364,166	(3,247,014)
Other Financing Sources		
Transfers from Other Funds	195,390	894,394
Refunding Bonds Issued	-	72,860,000
Premium on Refunding Bonds	-	1,716,531
Payment to Holders of Refunded Debt	-	(74,181,478)
Total Other Financing Sources	195,390	1,289,447
Net Change in Fund Balances	559,556	(1,957,567)
Fund Balances, July 1	23,711,404	25,668,971
Fund Balances, June 30	\$ 24,270,960	\$ 23,711,404

KNOX COUNTY, TENNESSEE

Debt Service Fund (Major)
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the Years Ended June 30, 2016 and 2015

	2016				2015			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Property Taxes	\$ 51,974,000	\$ 51,974,000	\$ 52,316,064	\$ 342,064	\$ 52,480,000	\$ 52,224,314	\$ (255,686)	
Other Local Revenues	1,892,052	1,892,052	2,580,575	688,523	1,892,668	2,208,630	315,962	
Payments from Component Units	13,022,088	13,022,088	13,022,088	-	14,658,427	10,000,000	(4,658,427)	
Total Revenues	66,888,140	66,888,140	67,918,727	1,030,587	69,031,095	64,432,944	(4,598,151)	
Expenditures								
Debt Service:								
Trustee's Commission	1,100,000	1,100,000	1,074,820	25,180	1,100,000	1,058,983	41,017	
Principal	44,744,716	44,744,716	44,203,336	541,380	42,804,868	43,975,347	(1,170,479)	
Interest	27,655,284	27,655,284	20,742,805	6,912,479	29,595,132	20,716,774	8,878,358	
Other Debt Service	2,000,000	2,000,000	1,533,600	466,400	2,000,000	1,533,801	466,199	
Refunding Bonds Issuance Costs	-	-	-	-	-	395,053	(395,053)	
Total Expenditures	75,500,000	75,500,000	67,554,561	7,945,439	75,500,000	67,679,958	7,820,042	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,611,860)	(8,611,860)	364,166	8,976,026	(6,468,905)	(3,247,014)	3,221,891	
Other Financing Sources (Uses)								
Transfers from Other Funds	195,387	195,387	195,390	3	194,394	894,394	700,000	
Refunding Bonds Issued	-	-	-	-	-	72,860,000	72,860,000	
Premium on Refunding Bonds	-	-	-	-	-	1,716,531	1,716,531	
Payment to Holders of Refunded Debt	-	-	-	-	-	(74,181,478)	(74,181,478)	
Total Other Financing Sources (Uses)	195,387	195,387	195,390	3	194,394	1,289,447	1,095,053	
Net Change in Fund Balances	(8,416,473)	(8,416,473)	559,556	8,976,029	(6,274,511)	(1,957,567)	4,316,944	
Fund Balances, July 1	23,711,404	23,711,404	23,711,404	-	25,668,971	25,668,971	-	
Fund Balances, June 30	\$ 15,294,931	\$ 15,294,931	\$ 24,270,960	\$ 8,976,029	\$ 19,394,460	\$ 23,711,404	\$ 4,316,944	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

CAPITAL PROJECTS FUND

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

KNOX COUNTY, TENNESSEE**Combining Balance Sheet
Nonmajor Governmental Funds**June 30, 2016

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 10,705,954	\$ 628,164	\$ 11,334,118
Receivables (Net of Allowance for Uncollectibles):			
Accounts	7,550,158	-	7,550,158
Notes	1,915,906	-	1,915,906
Due from Other Funds	1,141,608	-	1,141,608
Inventories	69,985	-	69,985
Prepaid Items	44,696	-	44,696
TOTAL ASSETS	\$ 21,428,307	\$ 628,164	\$ 22,056,471
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 4,784,182	\$ -	\$ 4,784,182
Due to Other Funds	898,832	359,581	1,258,413
Unearned Revenue	2,265,547	-	2,265,547
TOTAL LIABILITIES	7,948,561	359,581	8,308,142
Fund Balances:			
Nonspendable	114,681	-	114,681
Restricted	6,467,275	-	6,467,275
Committed	6,897,790	268,583	7,166,373
TOTAL FUND BALANCES	13,479,746	268,583	13,748,329
TOTAL LIABILITIES AND FUND BALANCES	\$ 21,428,307	\$ 628,164	\$ 22,056,471

KNOX COUNTY, TENNESSEE**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
Revenues			
Local Option Sales Taxes	\$ 7,534,783	\$ -	\$ 7,534,783
Lodging Taxes	7,993,988	-	7,993,988
Wheel Taxes	11,019,627	-	11,019,627
Other Local Taxes	2,110,463	-	2,110,463
Fines, Forfeitures and Penalties	813,993	-	813,993
Charges for Current Services	1,104,509	-	1,104,509
Other Local Revenues	1,085,005	-	1,085,005
State of Tennessee	8,056,192	-	8,056,192
Federal Government	9,036,419	-	9,036,419
Other Governments and Citizen Groups	123,990	-	123,990
Total Revenues	48,878,969	-	48,878,969
Expenditures			
Current:			
Administration of Justice	585,210	-	585,210
Public Safety	1,974,294	-	1,974,294
Public Health and Welfare	13,264,310	-	13,264,310
Social and Cultural Services	13,987,768	-	13,987,768
Other General Government	7,807,035	-	7,807,035
Engineering and Public Works	13,454,304	-	13,454,304
Capital Projects	-	92,536	92,536
Total Expenditures	51,072,921	92,536	51,165,457
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,193,952)	(92,536)	(2,286,488)
Other Financing Sources (Uses)			
Transfers from Other Funds	3,789,180	-	3,789,180
Transfers to Other Funds	(1,225,984)	(359,581)	(1,585,565)
Total Other Financing Sources (Uses)	2,563,196	(359,581)	2,203,615
Net Change in Fund Balances	369,244	(452,117)	(82,873)
Fund Balances, July 1	13,110,502	720,700	13,831,202
Fund Balances, June 30	<u>\$ 13,479,746</u>	<u>\$ 268,583</u>	<u>\$ 13,748,329</u>

KNOX COUNTY, TENNESSEE

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2016

	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	\$ -	\$ 17,449	\$ 1,176,626	\$ 612,334	\$ 3,064,748	\$ 2,466,069	\$ 3,368,728	\$ 10,705,954
Receivables (Net of Allowance for Uncollectibles):								
Accounts	2,671,793	31,994	1,024,207	149,794	1,414,845	9,066	2,248,459	7,550,158
Notes	1,915,906	-	-	-	-	-	-	1,915,906
Due from Other Funds	531,056	6,000	-	603,110	-	-	1,442	1,141,608
Inventories	69,985	-	-	-	-	-	-	69,985
Prepaid Items	20,185	-	12,011	-	12,500	-	-	44,696
TOTAL ASSETS	\$ 5,208,925	\$ 55,443	\$ 2,212,844	\$ 1,365,238	\$ 4,492,093	\$ 2,475,135	\$ 5,618,629	\$ 21,428,307
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable and Accrued Liabilities	\$ 522,299	\$ 6,547	\$ 521,137	\$ 76,428	\$ 2,504,589	\$ 61,784	\$ 1,091,398	\$ 4,784,182
Due to Other Funds	251,862	-	3,555	4,448	-	127	638,840	898,832
Unearned Revenue	2,265,547	-	-	-	-	-	-	2,265,547
TOTAL LIABILITIES	3,039,708	6,547	524,692	80,876	2,504,589	61,911	1,730,238	7,948,561
Fund Balances:								
Nonspendable	90,170	-	12,011	-	12,500	-	-	114,681
Restricted	2,079,047	-	-	-	1,975,004	2,413,224	-	6,467,275
Committed	-	48,896	1,676,141	1,284,362	-	-	3,888,391	6,897,790
TOTAL FUND BALANCES	2,169,217	48,896	1,688,152	1,284,362	1,987,504	2,413,224	3,888,391	13,479,746
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,208,925	\$ 55,443	\$ 2,212,844	\$ 1,365,238	\$ 4,492,093	\$ 2,475,135	\$ 5,618,629	\$ 21,428,307

KNOX COUNTY, TENNESSEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2016

	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	\$ -	\$ -	\$ 5,034,783	\$ 7,534,783
Lodging Taxes	-	-	-	-	7,993,988	-	-	7,993,988
Wheel Taxes	-	-	11,019,627	-	-	-	-	11,019,627
Other Local Taxes	-	63,232	-	-	-	-	2,047,231	2,110,463
Fines, Forfeitures and Penalties	51,615	-	-	62,899	-	694,329	5,150	813,993
Charges for Current Services	797,530	3,733	302,695	-	-	-	551	1,104,509
Other Local Revenues	327,192	151	145,065	320,683	-	155,514	136,400	1,085,005
State of Tennessee	2,182,206	-	51,900	488,098	-	-	5,333,988	8,056,192
Federal Government	8,971,224	-	-	-	-	65,195	-	9,036,419
Other Governments and Citizen Groups	69,878	30,000	24,112	-	-	-	-	123,990
Total Revenues	12,399,645	97,116	11,543,399	3,371,680	7,993,988	915,038	12,558,103	48,878,969
Expenditures								
Current:								
Administration of Justice	585,210	-	-	-	-	-	-	585,210
Public Safety	1,294,842	-	-	-	-	679,452	-	1,974,294
Public Health and Welfare	9,234,021	-	-	4,030,289	-	-	-	13,264,310
Social and Cultural Services	953,536	101,990	12,932,242	-	-	-	-	13,987,768
Other General Government	1,235,071	-	-	-	6,571,964	-	-	7,807,035
Engineering and Public Works	134,670	-	-	-	-	-	13,319,634	13,454,304
Total Expenditures	13,437,350	101,990	12,932,242	4,030,289	6,571,964	679,452	13,319,634	51,072,921
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,037,705)	(4,874)	(1,388,843)	(658,609)	1,422,024	235,586	(761,531)	(2,193,952)
Other Financing Sources (Uses)								
Transfers from Other Funds	453,180	6,000	1,730,000	600,000	-	-	1,000,000	3,789,180
Transfers to Other Funds	-	-	-	-	(600,000)	-	(625,984)	(1,225,984)
Total Other Financing Sources (Uses)	453,180	6,000	1,730,000	600,000	(600,000)	-	374,016	2,563,196
Net Change in Fund Balances	(584,525)	1,126	341,157	(58,609)	822,024	235,586	(387,515)	369,244
Fund Balances, July 1	2,753,742	47,770	1,346,995	1,342,971	1,165,480	2,177,638	4,275,906	13,110,502
Fund Balances, June 30	\$ 2,169,217	\$ 48,896	\$ 1,688,152	\$ 1,284,362	\$ 1,987,504	\$ 2,413,224	\$ 3,888,391	\$ 13,479,746

KNOX COUNTY, TENNESSEE

Federal, State and Other Grants Fund
Comparative Balance Sheets
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 550,046
Receivables (Net of Allowances for Uncollectibles):		
Accounts	2,671,793	2,909,721
Notes	1,915,906	2,214,159
Due from Other Funds	531,056	951,523
Inventories	69,985	4,994
Prepaid Items	<u>20,185</u>	<u>19,009</u>
TOTAL ASSETS	<u><u>\$ 5,208,925</u></u>	<u><u>\$ 6,649,452</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 522,299	\$ 550,396
Due to Other Funds	251,862	529,655
Unearned Revenue	<u>2,265,547</u>	<u>2,815,659</u>
TOTAL LIABILITIES	<u>3,039,708</u>	<u>3,895,710</u>
 Fund Balances:		
Nonspendable	90,170	24,003
Restricted	<u>2,079,047</u>	<u>2,729,739</u>
TOTAL FUND BALANCES	<u>2,169,217</u>	<u>2,753,742</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 5,208,925</u></u>	<u><u>\$ 6,649,452</u></u>

KNOX COUNTY, TENNESSEE

Federal, State and Other Grants Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Fines, Forfeitures, and Penalties	\$ 51,615	\$ 48,967
Charges for Current Services	797,530	571,641
Other Local Revenues	327,192	200,527
State of Tennessee	2,182,206	1,512,892
Federal Government	8,971,224	10,604,350
Other Governmental and Citizen Groups	69,878	238,084
Total Revenues	12,399,645	13,176,461
Expenditures		
Current:		
General Government:		
Finance and Administration	-	450,000
Administration of Justice	585,210	761,397
Public Safety	1,294,842	1,272,821
Public Health and Welfare	9,234,021	9,174,098
Social and Cultural Services	953,536	324,812
Other General Government	1,235,071	2,035,956
Engineering and Public Works	134,670	146,987
Total Expenditures	13,437,350	14,166,071
Deficiency of Revenues Under Expenditures	(1,037,705)	(989,610)
Other Financing Sources		
Transfers from Other Funds	453,180	802,631
Net Change in Fund Balances	(584,525)	(186,979)
Fund Balances, July 1	2,753,742	2,940,721
Fund Balances, June 30	\$ 2,169,217	\$ 2,753,742

KNOX COUNTY, TENNESSEE

**Federal, State and Other Grants Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Charges for Current Services	\$ 160,000	\$ 391,524	\$ 392,774	\$ 1,250	\$ 308,427	\$ 298,971	\$ (9,456)	
Other Local Revenues	-	78,786	81,458	2,672	78,786	63,228	(15,558)	
Federal Government	-	487,283	413,219	(74,064)	577,181	495,039	(82,142)	
Total Revenues	160,000	957,593	887,451	(70,142)	964,394	857,238	(107,156)	
Expenditures								
Current:								
General Government:								
Personal Services	-	805,382	638,669	166,713	829,441	590,729	238,712	
Employee Benefits	-	282,928	228,642	54,286	324,472	226,379	98,093	
Contracted Services	145,334	262,564	181,080	81,484	303,644	146,096	157,548	
Supplies and Materials	-	140,632	66,830	73,802	141,065	64,458	76,607	
Other Charges	14,666	96,125	96,124	1	92,462	76,904	15,558	
Capital Outlay	-	39,000	-	39,000	57,000	16,817	40,183	
Total Expenditures	160,000	1,626,631	1,211,345	415,286	1,748,084	1,121,383	626,701	
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(669,038)	(323,894)	345,144	(783,690)	(264,145)	519,545	
Other Financing Sources								
Transfers from Other Funds	-	-	300,000	300,000	200,000	200,000	-	
Net Change in Fund Balances	-	(669,038)	(23,894)	645,144	(583,690)	(64,145)	519,545	
Fund Balances, July 1	183,389	183,389	183,389	-	247,534	247,534	-	
Fund Balances, June 30	\$ 183,389	\$ (485,649)	\$ 159,495	\$ 645,144	\$ (336,156)	\$ 183,389	\$ 519,545	
Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):								
Fund Balances (Budget Basis)			\$ 159,495			\$ 183,389		
Entity Difference:								
Unbudgeted Funds			2,009,722			2,570,353		
Fund Balances (GAAP Basis)			<u>\$ 2,169,217</u>			<u>\$ 2,753,742</u>		

KNOX COUNTY, TENNESSEE

Governmental Library Fund Comparative Balance Sheets June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 17,449	\$ 13,361
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	31,994	33,127
Due from Other Funds	6,000	10,000
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 55,443</u>	<u>\$ 56,488</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 6,547	\$ 7,678
Unearned Revenue	-	1,040
	<hr/>	<hr/>
TOTAL LIABILITIES	<hr/> 6,547	<hr/> 8,718
 Fund Balances:		
Committed	48,896	47,770
	<hr/>	<hr/>
TOTAL FUND BALANCES	<hr/> 48,896	<hr/> 47,770
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 55,443</u>	<u>\$ 56,488</u>

KNOX COUNTY, TENNESSEE

Governmental Library Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Litigation Tax	\$ 63,232	\$ 58,518
Charges for Current Services	3,733	4,460
Other Local Revenues	151	1,163
Other Governments and Citizens Groups	30,000	30,000
Total Revenues	97,116	94,141
Expenditures		
Current:		
General Government:		
Social and Cultural Services	101,990	103,077
Deficiency of Revenues Under Expenditures	(4,874)	(8,936)
Other Financing Sources		
Transfers from Other Funds	6,000	10,000
Net Change in Fund Balances	1,126	1,064
Fund Balances, July 1	47,770	46,706
Fund Balances, June 30	\$ 48,896	\$ 47,770

KNOX COUNTY, TENNESSEE

**Governmental Library Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Litigation Tax	\$ 61,000	\$ 61,000	\$ 63,232	\$ 2,232	\$ 61,400	\$ 58,518	\$ (2,882)	
Charges for Current Services	6,000	6,000	3,733	(2,267)	7,000	4,460	(2,540)	
Other Local Revenues	1,600	1,600	151	(1,449)	1,800	1,163	(637)	
Other Governments and Citizens Groups	31,000	31,000	30,000	(1,000)	31,000	30,000	(1,000)	
Total Revenues	99,600	99,600	97,116	(2,484)	101,200	94,141	(7,059)	
Expenditures								
Current:								
General Government:								
Social and Cultural Services:								
Personal Services	23,175	23,175	22,676	499	49,104	31,616	17,488	
Employee Benefits	20,094	18,764	3,094	15,670	16,163	7,616	8,547	
Contracted Services	8,550	8,659	7,168	1,491	9,450	7,833	1,617	
Supplies and Materials	66,000	67,100	67,071	29	54,098	54,098	-	
Other Charges	1,781	2,011	1,981	30	2,385	1,914	471	
Total Expenditures	119,600	119,709	101,990	17,719	131,200	103,077	28,123	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,000)	(20,109)	(4,874)	15,235	(30,000)	(8,936)	21,064	
Other Financing Sources								
Transfers from Other Funds	20,000	20,000	6,000	(14,000)	30,000	10,000	(20,000)	
Net Change in Fund Balances	-	(109)	1,126	1,235	-	1,064	1,064	
Fund Balances, July 1	47,770	47,770	47,770	-	46,706	46,706	-	
Fund Balances, June 30	\$ 47,770	\$ 47,661	\$ 48,896	\$ 1,235	\$ 46,706	\$ 47,770	\$ 1,064	

KNOX COUNTY, TENNESSEE

Public Library Fund Comparative Balance Sheets June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 1,176,626	\$ 872,070
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	1,024,207	1,121,134
Prepaid Items	12,011	14,513
TOTAL ASSETS	\$ 2,212,844	\$ 2,007,717
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 521,137	\$ 459,492
Due to Other Funds	3,555	201,230
TOTAL LIABILITIES	524,692	660,722
Fund Balances:		
Nonspendable	12,011	14,513
Committed	1,676,141	1,332,482
TOTAL FUND BALANCES	1,688,152	1,346,995
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,212,844	\$ 2,007,717

KNOX COUNTY, TENNESSEE

Public Library Fund Comparative Statements of Revenues, Expenditures And Changes in Fund Balances For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Wheel Taxes	\$ 11,019,627	\$ 10,886,910
Charges for Current Services	302,695	327,752
Other Local Revenues	145,065	7,267
State of Tennessee	51,900	51,900
Other Governments and Citizens Groups	24,112	21,884
Total Revenues	11,543,399	11,295,713
Expenditures		
Current:		
General Government:		
Social and Cultural Services	12,932,242	12,566,308
Deficiency of Revenues Under Expenditures	(1,388,843)	(1,270,595)
Other Financing Sources (Uses)		
Transfers from Other Funds	1,730,000	1,470,000
Total Other Financing Sources	1,730,000	1,470,000
Net Change in Fund Balances	341,157	199,405
Fund Balances, July 1	1,346,995	1,147,590
Fund Balances, June 30	\$ 1,688,152	\$ 1,346,995

KNOX COUNTY, TENNESSEE

**Public Library Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Wheel Taxes	\$ 11,025,000	\$ 11,025,000	\$ 11,019,627	\$ (5,373)	\$ 10,635,000	\$ 10,886,910	\$ 251,910	
Charges for Current Services	340,000	340,000	302,695	(37,305)	345,000	327,752	(17,248)	
Other Local Revenues	132,000	132,000	145,065	13,065	9,000	7,267	(1,733)	
State of Tennessee	51,900	51,900	51,900	-	51,900	51,900	-	
Other Governments and Citizens Groups	-	-	24,112	24,112	-	21,884	21,884	
Total Revenues	11,548,900	11,548,900	11,543,399	(5,501)	11,040,900	11,295,713	254,813	
Expenditures								
Current:								
General Government:								
Social and Cultural Services:								
Personal Services	6,824,174	6,853,885	6,707,014	146,871	6,606,022	6,588,852	17,170	
Employee Benefits	2,222,241	2,222,241	2,102,132	120,109	2,106,163	2,089,384	16,779	
Contracted Services	1,253,575	1,280,020	1,232,969	47,051	1,210,945	1,149,273	61,672	
Supplies and Materials	1,910,600	1,929,565	1,814,346	115,219	1,935,913	1,815,795	120,118	
Other Charges	921,828	929,328	929,299	29	1,654,000	923,004	730,996	
Capital Outlay	146,482	146,482	146,482	-	-	-	-	
Total Expenditures	13,278,900	13,361,521	12,932,242	429,279	13,513,043	12,566,308	946,735	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,730,000)	(1,812,621)	(1,388,843)	423,778	(2,472,143)	(1,270,595)	1,201,548	
Other Financing Sources (Uses)								
Transfers from Other Funds	1,730,000	1,730,000	1,730,000	-	1,670,000	1,470,000	(200,000)	
Net Change in Fund Balances	-	(82,621)	341,157	423,778	(802,143)	199,405	1,001,548	
Fund Balances, July 1	1,346,995	1,346,995	1,346,995	-	1,147,590	1,147,590	-	
Fund Balances, June 30	\$ 1,346,995	\$ 1,264,374	\$ 1,688,152	\$ 423,778	\$ 345,447	\$ 1,346,995	\$ 1,001,548	

KNOX COUNTY, TENNESSEE

Solid Waste Fund Comparative Balance Sheets June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 612,334	\$ 450,682
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	149,794	155,855
Due from Other Funds	603,110	878,608
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,365,238</u>	<u>\$ 1,485,145</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 76,428	\$ 134,601
Due to Other Funds	4,448	7,573
TOTAL LIABILITIES	<hr/> 80,876 <hr/>	<hr/> 142,174 <hr/>
 Fund Balances:		
Committed	<hr/> 1,284,362 <hr/>	<hr/> 1,342,971 <hr/>
TOTAL FUND BALANCES	<hr/> 1,284,362 <hr/>	<hr/> 1,342,971 <hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,365,238</u>	<u>\$ 1,485,145</u>

KNOX COUNTY, TENNESSEE**Solid Waste Fund**
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Local Option Sales Taxes	\$ 2,500,000	\$ 2,400,000
Fines, Forfeitures, and Penalties	62,899	45,948
Other Local Revenues	320,683	447,923
State of Tennessee	488,098	532,798
Total Revenues	3,371,680	3,426,669
Expenditures		
Current:		
General Government:		
Public Health and Welfare	4,030,289	3,891,620
Deficiency of Revenues Under Expenditures	(658,609)	(464,951)
Other Financing Sources (Uses)		
Transfers from Other Funds	600,000	550,000
Total Other Financing Sources	600,000	550,000
Net Change in Fund Balances	(58,609)	85,049
Fund Balances, July 1	1,342,971	1,257,922
Fund Balances, June 30	\$ 1,284,362	\$ 1,342,971

KNOX COUNTY, TENNESSEE

**Solid Waste Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	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	\$ -	\$ 2,400,000	\$ 2,400,000	\$ -	
Fines, Forfeitures, and Penalties	55,000	55,000	62,899	7,899	55,000	45,948	(9,052)	
Other Local Revenues	550,000	550,000	320,683	(229,317)	645,000	447,923	(197,077)	
State of Tennessee	465,000	465,000	488,098	23,098	425,000	532,798	107,798	
Total Revenues	3,570,000	3,570,000	3,371,680	(198,320)	3,525,000	3,426,669	(98,331)	
Expenditures								
Current:								
General Government:								
Public Health and Welfare:								
Personal Services	837,638	827,682	827,682	-	817,701	817,701	-	
Employee Benefits	342,682	323,490	309,896	13,594	320,400	320,400	-	
Contracted Services	2,483,686	2,416,211	2,387,649	28,562	2,353,414	2,284,301	69,113	
Supplies and Materials	93,131	72,377	60,292	12,085	101,964	99,963	2,001	
Other Charges	262,877	286,617	286,594	23	278,930	278,697	233	
Litter and Trash Collection:								
Personal Services	45,615	37,371	25,017	12,354	42,954	42,954	-	
Employee Benefits	19,621	19,621	10,008	9,613	19,122	19,122	-	
Contracted Services	6,250	6,250	3,282	2,968	8,733	8,733	-	
Supplies and Materials	13,500	15,000	10,929	4,071	19,749	19,749	-	
Capital Outlay	-	108,940	108,940	-	83,357	-	83,357	
Total Expenditures	4,105,000	4,113,559	4,030,289	83,270	4,046,324	3,891,620	154,704	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(535,000)	(543,559)	(658,609)	(115,050)	(521,324)	(464,951)	56,373	
Other Financing Sources (Uses)								
Unassigned	475,000	475,000	600,000	125,000	475,000	550,000	75,000	
Total Other Financing Sources (Uses)	475,000	475,000	600,000	125,000	475,000	550,000	75,000	
Net Change in Fund Balances	(60,000)	(68,559)	(58,609)	9,950	(46,324)	85,049	131,373	
Fund Balances, July 1	1,342,971	1,342,971	1,342,971	-	1,257,922	1,257,922	-	
Fund Balances, June 30	\$ 1,282,971	\$ 1,274,412	\$ 1,284,362	\$ 9,950	\$ 1,211,598	\$ 1,342,971	\$ 131,373	

KNOX COUNTY, TENNESSEE

Hotel/Motel Tax Fund Comparative Balance Sheets June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 3,064,748	\$ 2,535,343
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	1,414,845	1,209,324
Prepaid Items	12,500	-
TOTAL ASSETS	<u>\$ 4,492,093</u>	<u>\$ 3,744,667</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,504,589	\$ 2,579,187
TOTAL LIABILITIES	<u>2,504,589</u>	<u>2,579,187</u>
 Fund Balances:		
Nonspendable	12,500	-
Restricted	1,975,004	1,165,480
TOTAL FUND BALANCES	<u>1,987,504</u>	<u>1,165,480</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,492,093</u>	<u>\$ 3,744,667</u>

KNOX COUNTY, TENNESSEE

Hotel/Motel Tax Fund Comparative Statements of Revenues, Expenditures And Changes in Fund Balances For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Lodging Taxes	\$ 7,993,988	\$ 6,602,861
Expenditures		
Current:		
General Government:		
Other General Government	6,571,964	5,516,447
Excess of Revenues Over Expenditures	1,422,024	1,086,414
Other Financing Uses		
Transfers to Other Funds	(600,000)	(540,000)
Net Change in Fund Balances	822,024	546,414
Fund Balances, July 1	1,165,480	619,066
Fund Balances, June 30	\$ 1,987,504	\$ 1,165,480

KNOX COUNTY, TENNESSEE

Hotel/Motel Tax Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the Years Ended June 30, 2016 and 2015

	2016				2015		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Lodging Taxes	\$ 6,000,000	\$ 7,159,395	\$ 7,993,988	\$ 834,593	\$ 6,104,470	\$ 6,602,861	\$ 498,391
Expenditures							
Current:							
General Government:							
Other General Government:	5,510,000	6,754,395	6,571,964	182,431	5,684,470	5,516,447	168,023
Excess of Revenues Over Expenditures	490,000	405,000	1,422,024	1,017,024	420,000	1,086,414	666,414
Other Financing Uses							
Transfers to Other Funds	(600,000)	(600,000)	(600,000)	-	(540,000)	(540,000)	-
Net Change in Fund Balances	(110,000)	(195,000)	822,024	1,017,024	(120,000)	546,414	666,414
Fund Balances, July 1	1,165,480	1,165,480	1,165,480	-	619,066	619,066	-
Fund Balances, June 30	\$ 1,055,480	\$ 970,480	\$ 1,987,504	\$ 1,017,024	\$ 499,066	\$ 1,165,480	\$ 666,414

KNOX COUNTY, TENNESSEE

Drug Control Fund Comparative Balance Sheets June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 2,466,069	\$ 2,205,056
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	9,066	29,876
TOTAL ASSETS	<u>\$ 2,475,135</u>	<u>\$ 2,234,932</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 61,784	\$ 56,599
Due to Other Funds	127	695
TOTAL LIABILITIES	<u>61,911</u>	<u>57,294</u>
Fund Balances:		
Restricted	<u>2,413,224</u>	<u>2,177,638</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,475,135</u>	<u>\$ 2,234,932</u>

KNOX COUNTY, TENNESSEE**Drug Control Fund**
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Fines, Forfeitures, and Penalties	\$ 694,329	\$ 800,806
Other Local Revenues	155,514	115,450
Federal Government	65,195	23,300
Total Revenues	915,038	939,556
Expenditures		
Current:		
General Government:		
Public Safety	679,452	862,082
Total Expenditures	679,452	862,082
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	235,586	77,474
Other Financing Sources:		
Transfers from Other Funds	-	72,995
Net Change in Fund Balance	235,586	150,469
Fund Balances, July 1	2,177,638	2,027,169
Fund Balances, June 30	\$ 2,413,224	\$ 2,177,638

KNOX COUNTY, TENNESSEE

Drug Control Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the Years Ended June 30, 2016 and 2015

	2016				2015		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Fines, Forfeitures, and Penalties	\$ 649,520	\$ 649,520	\$ 694,329	\$ 44,809	\$ 807,636	\$ 800,806	\$ (6,830)
Other Local Revenues	125,000	125,000	155,514	30,514	125,000	115,450	(9,550)
Federal Government	-	-	65,195	65,195	-	23,300	23,300
Total Revenues	774,520	774,520	915,038	140,518	932,636	939,556	6,920
Expenditures							
Current:							
General Government:							
Public Safety:							
Contracted Services	269,500	386,650	260,886	125,764	421,286	295,349	125,937
Supplies and Materials	183,000	183,233	153,063	30,170	172,669	140,983	31,686
Other Charges	62,020	62,020	16,699	45,321	61,520	16,895	44,625
Capital Outlay	260,000	260,000	248,804	11,196	409,116	408,855	261
Total Expenditures	774,520	891,903	679,452	212,451	1,064,591	862,082	202,509
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(117,383)	235,586	352,969	(131,955)	77,474	209,429
Other Financing Sources							
Transfers from Other Funds	-	-	-	-	-	72,995	72,995
Net Change in Fund Balance	-	(117,383)	235,586	352,969	(131,955)	150,469	282,424
Fund Balances, July 1	2,177,638	2,177,638	2,177,638	-	2,027,169	2,027,169	-
Fund Balances, June 30	\$ 2,177,638	\$ 2,060,255	\$ 2,413,224	\$ 352,969	\$ 1,895,214	\$ 2,177,638	\$ 282,424

KNOX COUNTY, TENNESSEE

Engineering & Public Works Fund
Comparative Balance Sheets
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,368,728	\$ 2,736,955
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	2,248,459	2,259,323
Due from Other Funds	<u>1,442</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 5,618,629</u></u>	<u><u>\$ 4,996,278</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,091,398	\$ 476,619
Due to Other Funds	<u>638,840</u>	<u>243,753</u>
TOTAL LIABILITIES	<u>1,730,238</u>	<u>720,372</u>
 Fund Balances:		
Committed	<u>3,888,391</u>	<u>4,275,906</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 5,618,629</u></u>	<u><u>\$ 4,996,278</u></u>

KNOX COUNTY, TENNESSEE**Engineering & Public Works Fund**
Comparative Statements of Revenues, Expenditures
And Changes in Fund BalancesFor the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Local Option Sales Taxes	\$ 5,034,783	\$ 5,326,299
Other Local Taxes	2,047,231	2,015,610
Fines, Forfeitures, and Penalties	5,150	6,550
Charges for Current Services	551	109
Other Local Revenues	136,400	115,600
State of Tennessee	5,333,988	5,121,250
Total Revenues	12,558,103	12,585,418
Expenditures		
Current:		
Engineering & Public Works	13,319,634	12,056,521
Excess (Deficiency) of Revenues Over Expenditures		
Over (Under) Expenditures	(761,531)	528,897
Other Financing Uses:		
Transfers from Other Funds	1,000,000	-
Transfers to Other Funds	(625,984)	(458,763)
Total Other Financing Sources (Uses)	374,016	(458,763)
Net Change in Fund Balances	(387,515)	70,134
Fund Balances, July 1	4,275,906	4,205,772
Fund Balances, June 30	\$ 3,888,391	\$ 4,275,906

KNOX COUNTY, TENNESSEE

**Engineering & Public Works Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Local Option Sales Taxes	\$ 5,330,946	\$ 5,330,946	\$ 5,034,783	\$ (296,163)	\$ 4,828,619	\$ 5,326,299	\$ 497,680	
Other Local Taxes	2,025,000	2,025,000	2,047,231	22,231	2,100,000	2,015,610	(84,390)	
Fines, Forfeitures and Penalties	5,000	5,000	5,150	150	7,500	6,550	(950)	
Charges for Current Services	-	-	551	551	-	109	109	
Other Local Revenues	17,000	17,000	136,400	119,400	14,000	115,600	101,600	
State of Tennessee	5,261,000	5,261,000	5,333,988	72,988	4,961,000	5,121,250	160,250	
Total Revenues	12,638,946	12,638,946	12,558,103	(80,843)	11,911,119	12,585,418	674,299	
Expenditures								
Current:								
Engineering & Public Works:								
Administration:								
Personal Services	1,429,302	1,382,870	1,382,870	-	1,336,411	1,336,411	-	
Employee Benefits	500,047	457,761	457,735	26	453,374	453,374	-	
Contracted Services	79,503	108,241	107,116	1,125	96,051	96,051	-	
Supplies and Materials	55,750	43,197	41,505	1,692	63,939	45,028	18,911	
Other Charges	269,500	280,446	280,120	326	275,197	274,795	402	
Capital Outlay	-	-	-	-	17,639	17,639	-	
Highways and Bridge Maintenance:								
Personal Services	2,933,205	3,040,652	3,040,652	-	3,031,205	3,031,205	-	
Employee Benefits	1,228,567	1,176,690	1,176,690	-	1,194,359	1,194,359	-	
Contracted Services	1,098,550	971,008	939,216	31,792	1,054,564	1,031,577	22,987	
Supplies and Materials	3,838,500	3,963,286	3,963,246	40	2,552,883	2,552,883	-	
Other Charges	515,000	515,346	515,346	-	485,522	485,522	-	
Various Highway:								
Personal Services	596,011	603,508	598,427	5,081	577,317	577,317	-	
Employee Benefits	209,321	210,411	209,592	819	205,067	205,067	-	
Contracted Services	184,314	210,247	193,494	16,753	182,033	168,853	13,180	
Supplies and Materials	147,150	699,794	203,505	496,289	863,121	362,363	500,758	
Other Charges	79,226	79,226	79,226	-	78,825	78,825	-	
Capital Outlay	-	205,261	130,894	74,367	399,150	145,252	253,898	
Total Expenditures	13,163,946	13,947,944	13,319,634	628,310	12,866,657	12,056,521	810,136	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(525,000)	(1,308,998)	(761,531)	547,467	(955,538)	528,897	1,484,435	
Other Financing Sources (Uses)								
Transfer From Other Funds	1,000,000	1,000,000	1,000,000	-	-	-	-	
Transfer To Other Funds	(475,000)	(634,906)	(625,984)	8,922	(458,763)	(458,763)	-	
Total Other Financing Sources (Uses)	525,000	365,094	374,016	8,922	(458,763)	(458,763)	-	
Net Change in Fund Balances	-	(943,904)	(387,515)	556,389	(1,414,301)	70,134	1,484,435	
Fund Balances, July 1	4,275,906	4,275,906	4,275,906	-	4,205,772	4,205,772	-	
Fund Balances, June 30	\$ 4,275,906	\$ 3,332,002	\$ 3,888,391	\$ 556,389	\$ 2,791,471	\$ 4,275,906	\$ 1,484,435	

KNOX COUNTY, TENNESSEE

ADA Construction Capital Projects Fund

Comparative Balance Sheets

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 628,164</u>	<u>\$ 720,700</u>
TOTAL ASSETS	<u><u>\$ 628,164</u></u>	<u><u>\$ 720,700</u></u>
LIABILITIES AND FUND BALANCES		
Due to Other Funds	<u>\$ 359,581</u>	<u>\$ -</u>
Fund Balances:		
Committed	<u>268,583</u>	<u>720,700</u>
TOTAL FUND BALANCE	<u>268,583</u>	<u>720,700</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 628,164</u></u>	<u><u>\$ 720,700</u></u>

KNOX COUNTY, TENNESSEE

ADA Construction Capital Projects Fund Comparative Statements of Revenues, Expenditures And Changes in Fund Balances For the Years Ended June 30, 2016 and 2015

	2016	2015
	<hr/>	<hr/>
Revenues		
Local Taxes	\$ -	\$ -
	<hr/>	<hr/>
Expenditures		
Capital Projects	92,536	6,839
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(92,536)	(6,839)
Other Financing Uses:		
Transfers to Other Funds	(359,581)	-
	<hr/>	<hr/>
Net Change in Fund Balances	(452,117)	(6,839)
Fund Balances, July 1	720,700	727,539
	<hr/>	<hr/>
Fund Balances, June 30	\$ 268,583	\$ 720,700
	<hr/>	<hr/>

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, 2016 and 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,461	\$ 21,802
Accounts Receivable	6,745	8,150
Inventories	79,909	76,842
Prepaid Items	7,178	-
TOTAL CURRENT ASSETS	99,293	106,794
Capital Assets:		
Land	880	880
Buildings	754,504	754,504
Machinery and Equipment	429,234	429,234
Computer Software	25,448	25,448
Land Improvements	66,463	66,463
Accumulated Depreciation	(766,709)	(707,610)
Capital Assets (Net of Accumulated Depreciation)	509,820	568,919
TOTAL ASSETS	609,113	675,713
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	50,951	43,016
Compensated Absences	18,250	9,057
TOTAL CURRENT LIABILITIES	69,201	52,073
Noncurrent Liabilities:		
Compensated Absences	27,373	36,230
TOTAL LIABILITIES	96,574	88,303
NET POSITION		
Investment in Capital Assets	509,820	568,919
Unrestricted	2,719	18,491
TOTAL NET POSITION	\$ 512,539	\$ 587,410

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Golf Fees	\$ 403,844	\$ 405,308
Cart and Range Fees	210,411	213,574
Pro Shop	90,157	97,516
Snack Bar	<u>84,344</u>	<u>81,814</u>
Total Operating Revenues	<u>788,756</u>	<u>798,212</u>
Operating Expenses		
Personal Services	380,323	359,268
Employee Benefits	97,340	81,720
Contracted Services	137,526	111,757
Supplies and Materials	316,801	309,100
Other Charges	72,538	78,925
Depreciation	<u>59,099</u>	<u>59,320</u>
Total Operating Expenses	<u>1,063,627</u>	<u>1,000,090</u>
Operating Loss	<u>(274,871)</u>	<u>(201,878)</u>
Transfers		
Transfers from Other Funds	<u>200,000</u>	<u>250,000</u>
Change in Net Position	(74,871)	48,122
Net Position, July 1	<u>587,410</u>	<u>539,288</u>
Net Position, June 30	<u>\$ 512,539</u>	<u>\$ 587,410</u>

KNOX COUNTY, TENNESSEE

Three Ridges Golf Course Fund
Comparative Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 790,161	\$ 797,408
Payments to Vendors	(534,073)	(524,922)
Payments to Employees	(472,429)	(422,477)
Net Cash Provided (Used) by Operating Activities	(216,341)	(149,991)
Cash Flows Used by Capital and Related Financing Activities		
Transfers from Other Funds	200,000	250,000
Acquisition and Construction of Capital Assets	-	(174,293)
Net Cash Used by Capital and Related Financing Activities	200,000	75,707
Net Increase (Decrease) in Cash and Cash Equivalents	(16,341)	(74,284)
Cash and Cash Equivalents - Beginning of Year	21,802	96,086
Cash and Cash Equivalents - End of Year	\$ 5,461	\$ 21,802
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (274,871)	\$ (201,878)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	59,099	59,320
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	1,405	(804)
(Increase) in Inventory	(3,067)	(1,544)
Decrease in Prepaid Items	(7,178)	210
Increase (Decrease) in Accounts Payable and Accrued Liabilities	7,935	(5,722)
Increase (Decrease) in Due to Other Funds	-	(14,436)
Increase in Compensated Absences Payable	336	14,863
Net Cash Provided (Used) by Operating Activities	\$ (216,341)	\$ (149,991)

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2016

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
ASSETS									
Current Assets:									
Cash and Cash Equivalents	\$ -	\$ 304,275	\$ 1,803,251	\$ 11,998,230	\$ 5,835,978	\$ 813,582	\$ 141,420	\$ 4,081,970	\$ 24,978,706
Receivables:									
Accounts	99,200	497	474,631	-	361,575	-	-	178,919	1,114,822
Due from Other Funds	113,929	19,868	1,305,978	-	-	-	-	1,489,412	2,929,187
Due from Component Units	271	-	271,913	390,048	-	-	-	-	662,232
Notes Receivable	-	-	-	22,473	-	-	-	-	22,473
Inventories	190,669	42,483	-	-	-	-	-	-	233,152
Prepaid Items	2,095	-	14,857	-	-	-	-	163,229	180,181
TOTAL CURRENT ASSETS	406,164	367,123	3,870,630	12,410,751	6,197,553	813,582	141,420	5,913,530	30,120,753
Capital Assets:									
Machinery and Equipment	213,206	-	-	-	-	585,936	4,231,558	-	5,030,700
Accumulated Depreciation	(116,363)	-	-	-	-	(403,507)	(4,231,558)	-	(4,751,428)
Capital Assets (Net of Accumulated Depreciation)	96,843	-	-	-	-	182,429	-	-	279,272
TOTAL ASSETS	503,007	367,123	3,870,630	12,410,751	6,197,553	996,011	141,420	5,913,530	30,400,025
LIABILITIES									
Current liabilities:									
Accounts Payable and Accrued Liabilities	132,603	1,920	944,936	49,045	203,269	73,631	-	21,016	1,426,420
Due to Other Funds	165,948	-	474	124	19,017	-	-	-	185,563
Due to Component Units	-	-	-	-	712	-	-	-	712
Claims Liabilities	-	-	-	15,912,958	-	-	-	1,909,589	17,822,547
Compensated Absences Payable	92,165	-	36,336	40,691	-	-	-	-	169,192
TOTAL CURRENT LIABILITIES	390,716	1,920	981,746	16,002,818	222,998	73,631	-	1,930,605	19,604,434
Noncurrent Liabilities:									
Compensated Absences Payable	10,241	-	4,037	4,521	-	-	-	-	18,799
TOTAL LIABILITIES	400,957	1,920	985,783	16,007,339	222,998	73,631	-	1,930,605	19,623,233
NET POSITION									
Investment in Capital Assets	96,843	-	-	-	-	182,429	-	-	279,272
Unrestricted	5,207	365,203	2,884,847	(3,596,588)	5,974,555	739,951	141,420	3,982,925	10,497,520
TOTAL NET POSITION (DEFICIT)	\$ 102,050	\$ 365,203	\$ 2,884,847	\$ (3,596,588)	\$ 5,974,555	\$ 922,380	\$ 141,420	\$ 3,982,925	\$ 10,776,792

KNOX COUNTY, TENNESSEE

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

For the Year Ended June 30, 2016

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
Operating Revenues									
Charges for Services	\$ 2,201,318	\$ 258,712	\$ 30,798,062	\$ 4,449,740	\$ 11,084,964	\$ 384,220	\$ -	\$ 27,801,464	\$ 76,978,480
Payments from Component Unit	-	-	-	298,024	-	-	-	-	298,024
Total Operating Revenues	2,201,318	258,712	30,798,062	4,747,764	11,084,964	384,220	-	27,801,464	77,276,504
Operating Expenses									
Cost of Sales and Services	1,302,877	237,645	-	-	-	-	-	-	1,540,522
General and Administration	1,316,155	-	1,910,224	919,437	9,954,479	193,306	-	2,461,918	16,755,519
Depreciation and Amortization	13,452	-	-	-	-	69,916	4,565	-	87,933
Medical Claims	-	-	348,871	-	-	-	-	26,815,076	27,163,947
Retirement Contributions	-	-	28,178,853	-	-	-	-	-	28,178,853
Other Employee Benefits	-	-	826,951	-	-	-	-	-	826,951
Worker's Compensation & Other Claims	-	-	-	5,239,771	-	-	-	-	5,239,771
Other Expenses	163,868	-	-	177,249	-	354	-	-	341,471
Total Operating Expenses	2,796,352	237,645	31,264,899	6,336,457	9,954,479	263,576	4,565	29,276,994	80,134,967
Income (Loss) before Transfers	(595,034)	21,067	(466,837)	(1,588,693)	1,130,485	120,644	(4,565)	(1,475,530)	(2,858,463)
Transfers									
Transfers from Other Funds	696,327	-	1,300,000	-	-	-	-	-	1,996,327
Change in Net Position	101,293	21,067	833,163	(1,588,693)	1,130,485	120,644	(4,565)	(1,475,530)	(862,136)
Total Net Position (Deficit), July 1	757	344,136	2,051,684	(2,007,895)	4,844,070	801,736	145,985	5,458,455	11,638,928
Total Net Position (Deficit), June 30	\$ 102,050	\$ 365,203	\$ 2,884,847	\$ (3,596,588)	\$ 5,974,555	\$ 922,380	\$ 141,420	\$ 3,982,925	\$ 10,776,792

KNOX COUNTY, TENNESSEE

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016**

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
Operating Activities									
Cash Received from Interfund Services Provided	\$ 2,295,637	\$ 260,279	\$ 29,406,348	\$ 4,616,239	\$ 10,905,161	\$ 384,220	\$ -	\$ 28,404,138	\$ 76,272,022
Cash Received from Component Unit	-	-	-	298,024	-	-	-	-	298,024
Cash Paid to Employees	(889,383)	-	(465,026)	(394,669)	-	-	-	-	(1,749,078)
Cash Paid for Goods and Services	(1,727,156)	(247,679)	(1,302,098)	(2,952,093)	(10,713,842)	(173,090)	-	(2,184,318)	(19,300,276)
Cash Paid on Behalf of Employees	(337,224)	-	(29,333,791)	(130,258)	-	-	-	(26,982,990)	(56,784,263)
Net Cash Provided by (Used in) Operating Activities	(658,126)	12,600	(1,694,567)	1,437,243	191,319	211,130	-	(763,170)	(1,263,571)
Noncapital Financing Activities									
Transfers from Other Funds	696,327	-	1,300,000	-	-	-	-	-	1,996,327
Net Cash Provided by Noncapital Financing Activities	696,327	-	1,300,000	-	-	-	-	-	1,996,327
Capital and Related Financing Activities									
Acquisition and Construction of Capital Assets	(38,201)	-	-	-	-	(29,943)	-	-	(68,144)
Net Cash Used in Capital and Related Financing Activities	(38,201)	-	-	-	-	(29,943)	-	-	(68,144)
Net Increase (Decrease) in Cash and Cash Equivalents	-	12,600	(394,567)	1,437,243	191,319	181,187	-	(763,170)	664,612
Cash and Cash Equivalents Beginning of Year	-	291,675	2,197,818	10,560,987	5,644,659	632,395	141,420	4,845,140	24,314,094
End of Year	\$ -	\$ 304,275	\$ 1,803,251	\$ 11,998,230	\$ 5,835,978	\$ 813,582	\$ 141,420	\$ 4,081,970	\$ 24,978,706
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities									
Operating Income (Loss)	\$ (595,034)	\$ 21,067	\$ (466,837)	\$ (1,588,693)	\$ 1,130,485	\$ 120,644	\$ (4,565)	\$ (1,475,530)	\$ (2,858,463)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:									
Depreciation and Amortization	13,452	-	-	-	-	69,916	4,565	-	87,933
Change in Assets and Liabilities:									
(Increase) Decrease in Accounts Receivable	(2,566)	1,259	(87,818)	-	(171,909)	-	-	356,262	95,228
(Increase) Decrease in Due from Other Funds	96,363	308	(1,300,118)	250,000	-	-	-	246,412	(707,035)
(Increase) Decrease in Due from Component Units	522	-	(3,778)	(83,501)	-	-	-	-	(86,757)
(Increase) Decrease in Inventories	2,739	(9,633)	-	-	-	-	-	-	(6,894)
Increase in Prepaid Items	(2,095)	-	(1,313)	-	-	-	-	(26,319)	(29,727)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	10,352	(401)	161,867	(7,724)	(79,092)	73,563	-	6,939	165,504
Increase (Decrease) in Due to Other Funds	(177,128)	-	(50)	41	(680,983)	(52,993)	-	-	(911,113)
Increase in Due to Component Units	-	-	-	-	712	-	-	-	712
Increase (Decrease) in Compensated Absences	(4,731)	-	3,480	(2,801)	-	-	-	-	(4,052)
Increase in Claims Liabilities	-	-	-	2,869,921	-	-	-	129,066	2,998,987
Decrease in Unearned Revenues	-	-	-	-	(7,894)	-	-	-	(7,894)
Total Adjustments	(63,092)	(8,467)	(1,227,730)	3,025,936	(939,166)	90,486	4,565	712,360	1,594,892
Net Cash Provided by (Used in) Operating Activities	\$ (658,126)	\$ 12,600	\$ (1,694,567)	\$ 1,437,243	\$ 191,319	\$ 211,130	\$ -	\$ (763,170)	\$ (1,263,571)

KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund
Comparative Statements of Net Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets:		
Accounts Receivable	\$ 99,200	\$ 96,634
Due from Other Funds	113,929	210,292
Due from Component Units	271	793
Inventories	190,669	193,408
Prepaid Items	2,095	-
TOTAL CURRENT ASSETS	406,164	501,127
Capital Assets:		
Machinery and Equipment	213,206	220,301
Accumulated Depreciation	(116,363)	(148,207)
Capital Assets (Net of Accumulated Depreciation)	96,843	72,094
TOTAL ASSETS	503,007	573,221
LIABILITIES		
Current Liabilities:		
Accounts Payable and		
Accrued Liabilities	132,603	122,251
Due to Other Funds	165,948	343,076
Compensated Absences	92,165	96,423
TOTAL CURRENT LIABILITIES	390,716	561,750
Noncurrent Liabilities:		
Compensated Absences	10,241	10,714
TOTAL LIABILITIES	400,957	572,464
NET POSITION		
Investment in Capital Assets	96,843	72,094
Unrestricted	5,207	(71,337)
TOTAL NET POSITION	\$ 102,050	\$ 757

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 2,201,318</u>	<u>\$ 2,720,519</u>
Operating Expenses		
Costs of Sales and Services	1,302,877	1,760,787
General and Administrative	1,316,155	1,288,900
Depreciation and Amortization	13,452	10,862
Other Expenses	<u>163,868</u>	<u>154,665</u>
Total Operating Expenses	<u>2,796,352</u>	<u>3,215,214</u>
Loss before Transfers	<u>(595,034)</u>	<u>(494,695)</u>
Transfers		
Transfers from Other Funds	<u>696,327</u>	<u>343,763</u>
Change in Net Position	101,293	(150,932)
Net Position, July 1	<u>757</u>	<u>151,689</u>
Net Position, June 30	<u><u>\$ 102,050</u></u>	<u><u>\$ 757</u></u>

KNOX COUNTY, TENNESSEE

Mailroom Fund
Comparative Statements of Net Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 304,275	\$ 291,675
Accounts Receivable	497	1,756
Due from Other Funds	19,868	20,176
Inventories	<u>42,483</u>	<u>32,850</u>
 TOTAL ASSETS	 <u>367,123</u>	 <u>346,457</u>
 LIABILITIES		
Liabilities:		
Accounts Payable and		
Accrued Liabilities	<u>1,920</u>	<u>2,321</u>
 TOTAL LIABILITIES	 <u>1,920</u>	 <u>2,321</u>
 NET POSITION		
Unrestricted	<u>\$ 365,203</u>	<u>\$ 344,136</u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 258,712</u>	<u>\$ 226,225</u>
Operating Expenses		
Costs of Sales and Services	<u>237,645</u>	<u>211,850</u>
Change in Net Position	21,067	14,375
Net Position, July 1	<u>344,136</u>	<u>329,761</u>
Net Position, June 30	<u><u>\$ 365,203</u></u>	<u><u>\$ 344,136</u></u>

KNOX COUNTY, TENNESSEE

Employee Benefits Fund
Comparative Statements of Net Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,803,251	\$ 2,197,818
Accounts Receivable	474,631	386,813
Due from Other Funds	1,305,978	5,860
Due from Component Units	271,913	268,135
Prepaid Items	14,857	13,544
TOTAL ASSETS	3,870,630	2,872,170
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	944,936	783,069
Due to Other Funds	474	524
Compensated Absences	36,336	33,204
TOTAL CURRENT LIABILITIES	981,746	816,797
Noncurrent Liabilities:		
Compensated Absences	4,037	3,689
TOTAL LIABILITIES	985,783	820,486
NET POSITION		
Unrestricted	\$ 2,884,847	\$ 2,051,684

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 30,798,062</u>	<u>\$ 29,519,266</u>
Operating Expenses		
Finance and Administration:		
General and Administrative	1,910,224	1,260,546
Medical Claims	348,871	509,842
Retirement Contributions	28,178,853	26,929,292
Other Employee Benefits	<u>826,951</u>	<u>831,854</u>
Total Operating Expenses	<u>31,264,899</u>	<u>29,531,534</u>
Income (Loss) before Transfers	<u>(466,837)</u>	<u>(12,268)</u>
Transfers		
Transfers from Other Funds	<u>1,300,000</u>	<u>-</u>
Total Transfers	<u>1,300,000</u>	<u>-</u>
Change in Net Position	833,163	(12,268)
Net Position, July 1	<u>2,051,684</u>	<u>2,063,952</u>
Net Position, June 30	<u><u>\$ 2,884,847</u></u>	<u><u>\$ 2,051,684</u></u>

KNOX COUNTY, TENNESSEE**Self Insurance Fund**
Comparative Statements of Net Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 11,998,230	\$ 10,560,987
Notes Receivable	22,473	22,473
Due from Other Funds	-	250,000
Due from Component Units	390,048	306,547
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	12,410,751	11,140,007
	<hr/>	<hr/>
Capital Assets:		
Machinery and Equipment	-	33,352
Accumulated Depreciation	-	(33,352)
	<hr/>	<hr/>
Capital Assets (Net of Accumulated Depreciation)	-	-
	<hr/>	<hr/>
TOTAL ASSETS	12,410,751	11,140,007
	<hr/>	<hr/>
LIABILITIES		
Liabilities:		
Accounts Payable and		
Accrued Liabilities	49,045	56,769
Due to Other Funds	124	83
Claims Liability	15,912,958	13,043,037
Compensated Absences	40,691	43,212
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	16,002,818	13,143,101
	<hr/>	<hr/>
Noncurrent Liabilities:		
Compensated Absences	4,521	4,801
	<hr/>	<hr/>
TOTAL LIABILITIES	16,007,339	13,147,902
	<hr/>	<hr/>
NET POSITION (DEFICIT)		
Unrestricted	\$ (3,596,588)	\$ (2,007,895)
	<hr/>	<hr/>

KNOX COUNTY, TENNESSEE**Self Insurance Fund**
Comparative Statements of Revenues, Expenses
and Changes in Net Position

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for Sales and Services	\$ 4,449,740	\$ 3,797,543
Payments From Component Unit	<u>298,024</u>	<u>-</u>
Total Operating Revenues	<u>4,747,764</u>	<u>3,797,543</u>
Operating Expenses		
General and Administrative	919,437	867,132
Workers' Compensation & Other Claims	5,239,771	123,888
Other Expenses	<u>177,249</u>	<u>230,415</u>
Total Operating Expenses	<u>6,336,457</u>	<u>1,221,435</u>
Income (Loss) before Transfers	<u>(1,588,693)</u>	<u>2,576,108</u>
Transfers		
Transfers From Other Funds	<u>-</u>	<u>250,000</u>
Change in Net Position	(1,588,693)	2,826,108
Net Position (Deficit), July 1	<u>(2,007,895)</u>	<u>(4,834,003)</u>
Net Position (Deficit), June 30	<u>\$ (3,596,588)</u>	<u>\$ (2,007,895)</u>

KNOX COUNTY, TENNESSEE

Building Operations Fund
Comparative Statements of Net Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,835,978	\$ 5,644,659
Accounts Receivable	<u>361,575</u>	<u>189,666</u>
TOTAL CURRENT ASSETS	<u>6,197,553</u>	<u>5,834,325</u>
Capital Assets:		
Machinery and Equipment	-	72,217
Accumulated Depreciation	<u>-</u>	<u>(72,217)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>6,197,553</u>	<u>5,834,325</u>
LIABILITIES		
Liabilities:		
Accounts Payable and		
Accrued Liabilities	203,269	282,361
Due to Other Funds	19,017	700,000
Unearned Revenue	-	7,894
Due to Component Units	<u>712</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>222,998</u>	<u>990,255</u>
NET POSITION		
Unrestricted	<u>5,974,555</u>	<u>4,844,070</u>
TOTAL NET POSITION	<u><u>\$ 5,974,555</u></u>	<u><u>\$ 4,844,070</u></u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 11,084,964</u>	<u>\$ 10,702,724</u>
Operating Expenses		
General and Administrative	<u>9,954,479</u>	<u>9,721,560</u>
Total Operating Expenses	<u>9,954,479</u>	<u>9,721,560</u>
Income before Transfers	<u>1,130,485</u>	<u>981,164</u>
Transfers		
Transfers to Other Funds	<u>-</u>	<u>(700,000)</u>
Total Transfers	<u>-</u>	<u>(700,000)</u>
Change in Net Position	1,130,485	281,164
Net Position, July 1	<u>4,844,070</u>	<u>4,562,906</u>
Net Position, June 30	<u><u>\$ 5,974,555</u></u>	<u><u>\$ 4,844,070</u></u>

KNOX COUNTY, TENNESSEE

Technical Support Service Fund
Comparative Statements of Net Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	<u>\$ 813,582</u>	<u>\$ 632,395</u>
TOTAL CURRENT ASSETS	<u>813,582</u>	<u>632,395</u>
Capital Assets:		
Machinery and Equipment	585,936	564,412
Accumulated Depreciation	<u>(403,507)</u>	<u>(342,010)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>182,429</u>	<u>222,402</u>
TOTAL ASSETS	<u>996,011</u>	<u>854,797</u>
LIABILITIES		
Liabilities:		
Accounts Payable and		
Accrued Liabilities	73,631	68
Due to Other Funds	<u>-</u>	<u>52,993</u>
TOTAL LIABILITIES	<u>73,631</u>	<u>53,061</u>
NET POSITION		
Investment in Capital Assets	182,429	222,402
Unrestricted	<u>739,951</u>	<u>579,334</u>
TOTAL NET POSITION	<u><u>\$ 922,380</u></u>	<u><u>\$ 801,736</u></u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 384,220</u>	<u>\$ 373,970</u>
Operating Expenses		
General and Administrative	193,306	242,445
Depreciation and Amortization	69,916	74,900
Other Expense	<u>354</u>	<u>330</u>
Total Operating Expenses	<u>263,576</u>	<u>317,675</u>
Change in Net Position	120,644	56,295
Net Position, July 1	<u>801,736</u>	<u>745,441</u>
Net Position, June 30	<u><u>\$ 922,380</u></u>	<u><u>\$ 801,736</u></u>

KNOX COUNTY, TENNESSEE

Capital Leasing Fund
Comparative Statements of Net Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	<u>\$ 141,420</u>	<u>\$ 141,420</u>
Capital Assets:		
Machinery and Equipment	4,231,558	4,711,938
Accumulated Depreciation	<u>(4,231,558)</u>	<u>(4,707,373)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>4,565</u>
TOTAL ASSETS	<u>141,420</u>	<u>145,985</u>
NET POSITION		
Investment in Capital Assets	-	4,565
Unrestricted	<u>141,420</u>	<u>141,420</u>
TOTAL NET POSITION	<u><u>\$ 141,420</u></u>	<u><u>\$ 145,985</u></u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses		
Depreciation and Amortization	<u>4,565</u>	<u>7,889</u>
Change in Net Position	(4,565)	(7,889)
Net Position, July 1	<u>145,985</u>	<u>153,874</u>
Net Position, June 30	<u><u>\$ 141,420</u></u>	<u><u>\$ 145,985</u></u>

KNOX COUNTY, TENNESSEE

Self Insurance Healthcare Fund
Comparative Statements of Net Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,081,970	\$ 4,845,140
Accounts Receivable	178,919	535,181
Due from Other Funds	1,489,412	1,735,824
Prepaid Items	<u>163,229</u>	<u>136,910</u>
TOTAL ASSETS	<u>5,913,530</u>	<u>7,253,055</u>
LIABILITIES		
Liabilities:		
Accounts Payable and		
Accrued Liabilities	21,016	14,077
Claims Liability	<u>1,909,589</u>	<u>1,780,523</u>
TOTAL LIABILITIES	<u>1,930,605</u>	<u>1,794,600</u>
NET POSITION		
Unrestricted	<u>3,982,925</u>	<u>5,458,455</u>
TOTAL NET POSITION	<u>\$ 3,982,925</u>	<u>\$ 5,458,455</u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 27,801,464</u>	<u>\$ 28,170,929</u>
Operating Expenses		
General and Administrative	2,461,918	2,489,014
Medical Claims	<u>26,815,076</u>	<u>26,004,027</u>
Total Operating Expenses	<u>29,276,994</u>	<u>28,493,041</u>
Income (Loss) before Transfers	<u>(1,475,530)</u>	<u>(322,112)</u>
Transfers		
Transfers from Other Funds	<u>-</u>	<u>500,000</u>
Change in Net Position	(1,475,530)	177,888
Net Position, July 1	<u>5,458,455</u>	<u>5,280,567</u>
Net Position, June 30	<u><u>\$ 3,982,925</u></u>	<u><u>\$ 5,458,455</u></u>

FIDUCIARY FUNDS

Trust funds are used to account for assets held by the County in a trustee capacity. Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension Trust Fund Closed Defined Benefit Plan: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined benefit plan.

Pension Trust Fund Defined Contribution Asset Accumulation Plan: This fund is used to account for the accumulation of resources for retirement benefit payments to qualified employees covered under the County's defined contribution (asset accumulation) plan.

Pension Trust Fund Defined Contribution Voluntary 457 Plan: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees who have chosen to participate in the County's defined contribution plan.

Pension Trust Fund Defined Contribution Medical Expense Retirement Plan: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined contribution (asset accumulation) plan. This plan assists employees in planning and investing for anticipated medical expenses upon retirement.

Pension Trust Fund for Uniformed Officers Pension Plan: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's Uniformed Officers Pension Plan (defined benefit plan).

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

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

AGENCY FUNDS

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

Subdivision Bonds: This fund accounts for the receipt and distribution of funds held by the County from subdivision developers pending completion of road and hydrology requirements.

External Agencies Fund: This fund accounts for the cash of several external agencies and County joint ventures held by the County Trustee on their behalf.

Constitutional Officers: The various elected officials use this fund to account for the receipt and disbursement of funds on behalf of state agencies and/or other funds.

KNOX COUNTY, TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2016

	Closed Defined Benefit Plan	Asset Accumulation Plan	Voluntary 457 Plan	Medical Expense Retirement Plan	Uniformed Officers Pension Plan	Sheriff's Total Accumulation Retirement Plan	Employee Disability Plan	Total
ASSETS								
Cash and Cash equivalents	\$ 65,089	\$ 644,831	\$ -	\$ -	\$ 1,940,122	\$ 10,342	\$ -	\$ 2,660,384
Investments, at Fair Value:								
Mutual Funds	2,206,193	213,501,514	12,913,144	3,615,765	8,546,294	1,076,557	965,006	242,824,473
Collective Investment Trusts	34,336,808	33,689,709	2,132,242	1,121,137	121,706,634	98,325	298,869	193,383,724
Interest-earning Investment Contracts	-	22,709,536	849,421	345,153	-	31,414	91,654	24,027,178
Corporate Bonds	733,104	-	-	-	2,160,643	-	-	2,893,747
U.S. Treasuries	2,978,058	-	-	-	10,114,890	-	-	13,092,948
Federal Agency Debt Securities	161,250	-	-	-	540,273	-	-	701,523
Federal Agency Mortgage Backed Securities	1,932,004	-	-	-	6,398,550	-	-	8,330,554
Total Investments	42,347,417	269,900,759	15,894,807	5,082,055	149,467,284	1,206,296	1,355,529	485,254,147
Receivables:								
Employee Contributions	2,535	191,760	29,367	2,101	-	-	-	225,763
Employer Contributions	-	208,641	-	1,001	-	-	-	209,642
Receivable from Other Plans	-	-	-	-	-	-	185,398	185,398
Accrued Interest and Dividends	27,889	-	-	-	89,535	-	-	117,424
Total Receivables	30,424	400,401	29,367	3,102	89,535	-	185,398	738,227
Total Assets	42,442,930	270,945,991	15,924,174	5,085,157	151,496,941	1,216,638	1,540,927	488,652,758
LIABILITIES								
Accounts Payable - Administrative Expenses	80,927	-	-	-	187,085	-	89,025	357,037
Accounts Payable - Investments Purchased	40,686	-	-	-	117,897	-	-	158,583
Accounts Payable - To Other Plans	-	175,057	-	-	-	10,342	-	185,399
Total Liabilities	121,613	175,057	-	-	304,982	10,342	89,025	701,019
NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS								
	<u>\$ 42,321,317</u>	<u>\$ 270,770,934</u>	<u>\$ 15,924,174</u>	<u>\$ 5,085,157</u>	<u>\$ 151,191,959</u>	<u>\$ 1,206,296</u>	<u>\$ 1,451,902</u>	<u>\$ 487,951,739</u>

KNOX COUNTY, TENNESSEE

**Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the year ended June 30, 2016**

	Closed Defined Benefit Plan	Asset Accumulation Plan	Voluntary 457 Plan	Medical Expense Retirement Plan	Uniformed Officers Pension Plan	Sheriff's Total Accumulation Retirement Plan	Employee Disability Plan	Total
ADDITIONS								
Contributions:								
Employer	\$ 3,160,060	\$ 9,914,030	\$ -	\$ 105,251	\$ 3,553,311	\$ 530,579	\$ 530,426	\$ 17,793,657
Employees	93,544	8,305,970	2,094,590	220,302	1,619,506	265,285	-	12,599,197
Rollovers	-	432,597	278,581	-	-	2,278	-	713,456
Total Contributions	3,253,604	18,652,597	2,373,171	325,553	5,172,817	798,142	530,426	31,106,310
Investment Income (Loss):								
Interest and Dividend Income	286,433	3,000,424	167,034	83,283	975,508	11,484	61,327	4,585,493
Net Appreciation (Depreciation) in Fair Value of Investments	(439,916)	(4,436,701)	(265,205)	(221,795)	(535,422)	13,889	(122,075)	(6,007,225)
Total Investment Income (Loss)	(153,483)	(1,436,277)	(98,171)	(138,512)	440,086	25,373	(60,748)	(1,421,732)
Less Investment Expenses	(265,586)	-	-	-	(653,632)	-	-	(919,218)
Net Investment Income (Loss)	(419,069)	(1,436,277)	(98,171)	(138,512)	(213,546)	25,373	(60,748)	(2,340,950)
Other:								
Transfers from Other Plans	-	40,988	-	-	-	-	653,097	694,085
Total Additions	2,834,535	17,257,308	2,275,000	187,041	4,959,271	823,515	1,122,775	29,459,445
DEDUCTIONS								
Benefits and Refunds	7,424,676	18,798,198	874,085	501,993	5,722,723	32,865	141,788	33,496,328
Administrative Expenses	228,654	1,000	-	-	439,588	-	774,388	1,443,630
Transfers to Other Plans	38,696	559,242	-	2,963	-	90,893	2,291	694,085
Total Deductions	7,692,026	19,358,440	874,085	504,956	6,162,311	123,758	918,467	35,634,043
CHANGE IN NET POSITION	(4,857,491)	(2,101,132)	1,400,915	(317,915)	(1,203,040)	699,757	204,308	(6,174,598)
NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS, BEGINNING OF YEAR	47,178,808	272,872,066	14,523,259	5,403,072	152,394,999	506,539	1,247,594	494,126,337
NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS, END OF YEAR	<u>\$ 42,321,317</u>	<u>\$ 270,770,934</u>	<u>\$ 15,924,174</u>	<u>\$ 5,085,157</u>	<u>\$ 151,191,959</u>	<u>\$ 1,206,296</u>	<u>\$ 1,451,902</u>	<u>\$ 487,951,739</u>

KNOX COUNTY, TENNESSEE

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

June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 65,089	\$ 1,455,087
Investments, at Fair Value:		
Mutual Funds	2,206,193	2,311,537
Collective Investment Trusts	34,336,808	37,764,028
Corporate Bonds	733,104	580,577
U.S. Treasuries	2,978,058	2,905,907
Federal Agency Debt Securities	161,250	188,763
Federal Agency Mortgage Backed Securities	1,932,004	2,014,943
Total Investments	42,347,417	45,765,755
Receivables:		
Accrued Interest and Dividends	27,889	27,855
Employee Contributions	2,535	2,970
Total Receivable	30,424	30,825
Total Assets	42,442,930	47,251,667
LIABILITIES		
Accounts Payable - Administrative Expenses	80,927	72,859
Accounts Payable - Investments Purchased	40,686	-
Total Liabilities	121,613	72,859
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS	<u>\$ 42,321,317</u>	<u>\$ 47,178,808</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, 2016 and 2015

	2016	2015
ADDITIONS		
Contributions:		
Employer	\$ 3,160,060	\$ 2,694,979
Employees	93,544	109,274
Total Contributions	3,253,604	2,804,253
Investment Income (Loss):		
Interest and Dividend Income	286,433	305,081
Net Appreciation (Depreciation) in Fair Value of Investments	(439,916)	1,215,437
Total Investment Income (Loss)	(153,483)	1,520,518
Less Investment Expenses	(265,586)	(231,969)
Net Investment Income (Loss)	(419,069)	1,288,549
Other:		
Other Additions	-	5,200
Total Additions	2,834,535	4,098,002
DEDUCTIONS		
Benefits and Refunds	7,424,676	7,816,544
Administrative Expenses	228,654	354,648
Transfers to Other Plans	38,696	45,461
Total Deductions	7,692,026	8,216,653
CHANGE IN NET POSITION	(4,857,491)	(4,118,651)
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR	47,178,808	51,297,459
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR	\$ 42,321,317	\$ 47,178,808

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Position Pension Trust Fund - Asset Accumulation Plan June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 644,831	\$ -
Investments, at Fair Value:		
Mutual Funds	213,501,514	216,240,304
Collective Investment Trusts	33,689,709	35,164,360
Interest-earning Investment Contracts	22,709,536	21,206,654
Total Investments	269,900,759	272,611,318
Receivables:		
Employee Contributions	191,760	188,414
Employer Contributions	208,641	206,419
Total Receivables	400,401	394,833
Total Assets	270,945,991	273,006,151
LIABILITIES		
Accounts Payable - To Other Plans	175,057	134,085
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS	<u>\$ 270,770,934</u>	<u>\$ 272,872,066</u>

KNOX COUNTY, TENNESSEE**Comparative Statements of Changes in Fiduciary Net Position**
Pension Trust Fund - Asset Accumulation Plan
For the years ended June 30, 2016 and 2015

	2016	2015
ADDITIONS		
Contributions:		
Employer	\$ 9,914,030	\$ 9,716,779
Employees	8,305,970	8,190,952
Rollovers	432,597	147,179
Total Contributions	18,652,597	18,054,910
Investment Income (Loss):		
Interest and Dividend Income	3,000,424	2,732,230
Net Appreciation (Depreciation) in Fair Value of Investments	(4,436,701)	6,207,850
Net Investment Income (Loss)	(1,436,277)	8,940,080
Other Additions:		
Transfers from Other Plans	40,988	45,461
Total Additions	17,257,308	27,040,451
DEDUCTIONS		
Benefits and Refunds	18,798,198	24,521,646
Administrative Expenses	1,000	-
Transfer to Other Plans	559,242	571,899
Total Deductions	19,358,440	25,093,545
CHANGE IN NET POSITION	(2,101,132)	1,946,906
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR	272,872,066	270,925,160
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR	<u>\$ 270,770,934</u>	<u>\$ 272,872,066</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Position Pension Trust Fund - Voluntary 457 Plan June 30, 2016 and 2015

	2016	2015
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 12,913,144	\$ 11,870,961
Collective Investment Trusts	2,132,242	1,921,958
Interest-earning Investment Contracts	849,421	704,831
Total Investments	15,894,807	14,497,750
Receivables:		
Employee Contributions	29,367	25,509
Total Assets	15,924,174	14,523,259
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS	\$ 15,924,174	\$ 14,523,259

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Position Pension Trust Fund - Voluntary 457 Plan For the years ended June 30, 2016 and 2015

	2016	2015
ADDITIONS		
Contributions:		
Employee	\$ 2,094,590	\$ 1,783,689
Rollovers	278,581	129
	<u>2,373,171</u>	<u>1,783,818</u>
Total Contributions		
	2,373,171	1,783,818
Investment Income (Loss):		
Interest and Dividend Income	167,034	141,245
Net Appreciation (Depreciation) in Fair Value of Investments	(265,205)	352,450
	<u>(98,171)</u>	<u>493,695</u>
Net Investment Income (Loss)		
	(98,171)	493,695
Total Additions	<u>2,275,000</u>	<u>2,277,513</u>
DEDUCTIONS		
Benefits and Refunds	<u>874,085</u>	<u>1,303,448</u>
CHANGE IN NET POSITION	1,400,915	974,065
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR	<u>14,523,259</u>	<u>13,549,194</u>
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR	<u>\$ 15,924,174</u>	<u>\$ 14,523,259</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Position Pension Trust Fund - Medical Expense Retirement Plan June 30, 2016 and 2015

	2016	2015
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 3,615,765	\$ 3,823,446
Collective Investment Trusts	1,121,137	1,203,857
Interest-earning Investment Contracts	345,153	372,462
Total Investments	5,082,055	5,399,765
Receivables:		
Employee Contributions	2,101	2,238
Employer Contributions	1,001	1,069
Total Receivables	3,102	3,307
Total Assets	5,085,157	5,403,072
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS	\$ 5,085,157	\$ 5,403,072

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Position Pension Trust Fund - Medical Expense Retirement Plan For the years ended June 30, 2016 and 2015

	2016	2015
ADDITIONS		
Contributions:		
Employer	\$ 105,251	\$ 70,036
Employees	220,302	190,437
Total Contributions	325,553	260,473
Investment Income (Loss):		
Interest and Dividend Income	83,283	41,828
Net Appreciation (Depreciation) in Fair Value of Investments	(221,795)	124,490
Net Investment Income (Loss)	(138,512)	166,318
Total Additions	187,041	426,791
DEDUCTIONS		
Benefits and Refunds	501,993	571,553
Transfers to Other Plans	2,963	-
Total Deductions	504,956	571,553
CHANGE IN NET POSITION	(317,915)	(144,762)
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR	5,403,072	5,547,834
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR	<u>\$ 5,085,157</u>	<u>\$ 5,403,072</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Position Pension Trust Fund - Uniformed Officers Pension Plan June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 1,940,122	\$ 2,385,121
Investments, at Fair Value:		
Mutual Funds	8,546,294	8,207,041
Collective Investment Trusts	121,706,634	123,894,793
Corporate Bonds	2,160,643	1,583,627
U.S. Treasuries	10,114,890	9,586,357
Federal Agency Debt Securities	540,273	597,078
Federal Agency Mortgage Backed Securities	6,398,550	6,236,580
Total Investments	149,467,284	150,105,476
Receivables:		
Accrued Interest and Dividends	89,535	76,107
Total Assets	151,496,941	152,566,704
LIABILITIES		
Accounts Payable - Administrative Expenses	187,085	171,705
Accounts Payable - Investments Purchased	117,897	-
Total Liabilities	304,982	171,705
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS	<u>\$ 151,191,959</u>	<u>\$ 152,394,999</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, 2016 and 2015

	2016	2015
ADDITIONS		
Contributions:		
Employer	\$ 3,553,311	\$ 3,449,320
Employees	1,619,506	1,654,366
Total Contributions	5,172,817	5,103,686
Investment Income (Loss):		
Interest and Dividend Income	975,508	934,074
Net Appreciation (Depreciation) in Fair Value of Investments	(535,422)	3,052,983
Total Investment Income	440,086	3,987,057
Less Investment Expenses	(653,632)	(493,903)
Net Investment Income (Loss)	(213,546)	3,493,154
Total Additions	4,959,271	8,596,840
DEDUCTIONS		
Benefits and Refunds	5,722,723	4,757,150
Administrative Expenses	439,588	788,374
Total Deductions	6,162,311	5,545,524
CHANGE IN NET POSITION	(1,203,040)	3,051,316
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR	152,394,999	149,343,683
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR	<u>\$ 151,191,959</u>	<u>\$ 152,394,999</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Position Pension Trust Fund - Sheriff's Total Accumulation Retirement Plan June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 10,342	\$ -
Investments, at Fair Value:		
Mutual Funds	1,076,557	456,712
Collective Investment Trusts	98,325	12,485
Interest-earning Investment Contract	31,414	37,342
Total Investments	1,206,296	506,539
Total Assets	1,216,638	506,539
LIABILITIES		
Accounts Payable - to Other Plans	10,342	-
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS	<u>\$ 1,206,296</u>	<u>\$ 506,539</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, 2016 and 2015

	2016	2015
ADDITIONS		
Contributions:		
Employer	\$ 530,579	\$ 303,324
Employees	265,285	151,660
Rollovers	2,278	1,523
Total Contributions	798,142	456,507
Investment Income:		
Interest and Dividend Income	11,484	3,067
Net Appreciation in Fair Value of Investments	13,889	3,253
Net Investment Income	25,373	6,320
Total Additions	823,515	462,827
DEDUCTIONS		
Benefits and Refunds	32,865	12,586
Transfers to Other Plans	90,893	-
Total Deductions	123,758	12,586
CHANGE IN NET POSITION	699,757	450,241
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR	506,539	56,298
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR	\$ 1,206,296	\$ 506,539

KNOX COUNTY, TENNESSEE

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

June 30, 2016 and 2015

	2016	2015
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 965,006	\$ 804,695
Collective Investment Trusts	298,869	252,265
Interest-earning Investment Contract	91,654	78,648
	<u>1,355,529</u>	<u>1,135,608</u>
 Total Investments	 <u>1,355,529</u>	 <u>1,135,608</u>
 Receivables:		
Receivable from Other Plans	185,398	134,085
	<u>185,398</u>	<u>134,085</u>
 Total Receivables	 <u>185,398</u>	 <u>134,085</u>
 Total Assets	 <u>1,540,927</u>	 <u>1,269,693</u>
 LIABILITIES		
Accounts Payable - Administrative Expenses	89,025	22,099
	<u>89,025</u>	<u>22,099</u>
 NET POSITION - RESTRICTED FOR OPEB BENEFITS	 <u>\$ 1,451,902</u>	 <u>\$ 1,247,594</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ADDITIONS		
Contributions:		
Employer	\$ 530,426	\$ 527,477
Investment Income (Loss):		
Interest and Dividend Income	61,327	56,508
Net Depreciation in Fair Value of Investments	(122,075)	(32,116)
Net Investment Income (Loss)	(60,748)	24,392
Other Additions:		
Transfers From Other Plans	653,097	571,899
Total Additions	1,122,775	1,123,768
DEDUCTIONS		
Benefits and Refunds	141,788	57,133
Administrative Expenses	774,388	186,960
Transfers to Other Plans	2,291	-
Total Deductions	918,467	244,093
CHANGE IN NET POSITION	204,308	879,675
NET POSITION - RESTRICTED FOR OPEB BENEFITS, BEGINNING OF YEAR	1,247,594	367,919
NET POSITION - RESTRICTED FOR OPEB BENEFITS, END OF YEAR	<u>\$ 1,451,902</u>	<u>\$ 1,247,594</u>

KNOX COUNTY, TENNESSEE
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016
(With comparative totals for June 30, 2015)

					Totals	
	Municipal Sales Tax	Subdivision Bonds	External Agencies	Constitutional Officers	2016	2015
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 574,446	\$ 1,369,432	\$ 26,048,695	\$ 27,992,573	\$ 27,950,452
Receivables:						
Accounts	7,844,176	-	-	622,114	8,466,290	8,179,725
TOTAL ASSETS	<u>\$ 7,844,176</u>	<u>\$ 574,446</u>	<u>\$ 1,369,432</u>	<u>\$ 26,670,809</u>	<u>\$ 36,458,863</u>	<u>\$ 36,130,177</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 7,844,176	\$ 574,446	\$ 1,369,432	\$ -	\$ 9,788,054	\$ 9,242,607
Due to Other Governments	-	-	-	7,045,156	7,045,156	7,904,827
Due to Litigants, Heirs and Others	-	-	-	19,625,653	19,625,653	18,982,743
TOTAL LIABILITIES	<u>\$ 7,844,176</u>	<u>\$ 574,446</u>	<u>\$ 1,369,432</u>	<u>\$ 26,670,809</u>	<u>\$ 36,458,863</u>	<u>\$ 36,130,177</u>

KNOX COUNTY, TENNESSEE**Combining Statement of Changes in Fiduciary Assets and Liabilities**
Agency Funds

For the year ended June 30, 2016
(With comparative totals for the year ended June 30, 2015)

	June 30, 2015	Additions	Deductions	June 30, 2016
<u>Municipal Sales Tax Fund</u>				
Assets:				
Accounts Receivable	\$ 7,464,112	\$ 48,139,879	\$ 47,759,815	\$ 7,844,176
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 7,464,112	\$ 48,139,879	\$ 47,759,815	\$ 7,844,176
<u>Subdivision Bonds</u>				
Assets:				
Cash and Cash Equivalents	\$ 531,446	\$ 223,000	\$ 180,000	\$ 574,446
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 531,446	\$ 223,000	\$ 180,000	\$ 574,446
<u>External Agencies Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ 1,247,049	\$ 5,258,859	\$ 5,136,476	\$ 1,369,432
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,247,049	\$ 5,258,859	\$ 5,136,476	\$ 1,369,432
<u>Constitutional Officers Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ 26,171,957	\$ 101,640,187	\$ 101,763,449	\$ 26,048,695
Accounts Receivable	715,613	622,114	715,613	622,114
Total Assets	\$ 26,887,570	\$ 102,262,301	\$ 102,479,062	\$ 26,670,809
Liabilities:				
Due to Others	\$ 26,887,570	\$ 102,262,301	\$ 102,479,062	\$ 26,670,809
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$ 27,950,452	\$ 107,122,046	\$ 107,079,925	\$ 27,992,573
Accounts Receivable	8,179,725	48,761,993	48,475,428	8,466,290
Total Assets	\$ 36,130,177	\$ 155,884,039	\$ 155,555,353	\$ 36,458,863
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 9,242,607	\$ 53,621,738	\$ 53,076,291	\$ 9,788,054
Due to Others	26,887,570	102,262,301	102,479,062	26,670,809
Total Liabilities	\$ 36,130,177	\$ 155,884,039	\$ 155,555,353	\$ 36,458,863

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, and Register
Combined Analysis of Fee and Commission Accounts
For the Year Ended June 30, 2016**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total
Revenues							
Fees and Commissions	\$ 9,170,182	\$ 5,752,141	\$ 1,604,726	\$ 6,960,941	\$ 1,343,455	\$ 2,631,478	\$ 27,462,923
Interest Earned	1,658	8,356	-	-	-	6,498	16,512
Total Revenues	9,171,840	5,760,497	1,604,726	6,960,941	1,343,455	2,637,976	27,479,435
Expenditures							
Salaries-Staff	1,639,786	2,865,645	1,020,818	3,206,837	698,816	1,215,876	10,647,778
Payroll Taxes/Benefits	573,630	1,036,685	371,485	1,124,213	278,083	444,538	3,828,634
County Official/Administrative Officer	151,982	121,970	83,496	134,168	129,198	117,453	738,267
Travel	-	8,723	5,220	-	-	8,400	22,343
Other Expenditures	-	44,416	-	-	4,536	154,107	203,059
Total Expenditures	2,365,398	4,077,439	1,481,019	4,465,218	1,110,633	1,940,374	15,440,081
Other (Sources) Uses							
Fees and Commissions to County (General Fund)	6,725,260	1,827,262	-	1,215,545	232,827	604,300	10,605,194
Total Expenditures and Other Uses	9,090,658	5,904,701	1,481,019	5,680,763	1,343,460	2,544,674	26,045,275
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	81,182	(144,204)	123,707	1,280,178	(5)	93,302	1,434,160
Balances, July 1, 2015	458,055	1,364,799	243,398	1,291,699	497,005	478,849	4,333,805
Balances, June 30, 2016	\$ 539,237	\$ 1,220,595	\$ 367,105	\$ 2,571,877	\$ 497,000	\$ 572,151	\$ 5,767,965

KNOX COUNTY, TENNESSEE

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2016

	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	\$ 16,334,247	\$ 20,844,114	\$ 13,280	\$ 37,191,641
Accounts Receivable	3,811	262,783	-	266,594
Due from Primary Government	158,802	-	-	158,802
Land Held for Resale	-	19,126,258	-	19,126,258
Prepaid Items	72,608	20,142	-	92,750
Capital Assets:				
Land and Construction in Process	106,939	-	-	106,939
Other Capital Assets, Net of Accumulated Depreciation	9,502,097	1,019	-	9,503,116
Total Assets	26,178,504	40,254,316	13,280	66,446,100
Liabilities				
Accounts Payable and Accrued Liabilities	268,250	818,028	-	1,086,278
Due to Primary Government	261	-	-	261
Other Long-term Obligations:				
Due in Less than One Year	313,509	-	-	313,509
Total Liabilities	582,020	818,028	-	1,400,048
Net Position				
Investment in Capital Assets	9,609,036	1,019	-	9,610,055
Restricted for:				
Other Purposes	-	26,966	-	26,966
Unrestricted	15,987,448	39,408,303	13,280	55,409,031
Total Net Position	\$ 25,596,484	\$ 39,436,288	\$ 13,280	\$ 65,046,052

KNOX COUNTY, TENNESSEE

**Combining Statement of Activities
Nonmajor Component Units
For the Year Ended June 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Component Units</u>			<u>Total Nonmajor Component Units</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	\$ 7,611,737	\$ 6,410,867	\$ -	\$ -	\$ (1,200,870)	\$ -	\$ -	(1,200,870)
Knox County Development Corporation	1,520,246	122,474	-	-	-	(1,397,772)	-	(1,397,772)
Knox County Railroad Authority	-	-	-	-	-	-	-	-
Total component units	<u>\$ 9,131,983</u>	<u>\$ 6,533,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,200,870)</u>	<u>(1,397,772)</u>	<u>-</u>	<u>(2,598,642)</u>
General Revenues:								
Investment Revenue					28,999	90,888	-	119,887
Payments from Primary Government					651,630	625,000	-	1,276,630
Other Governments and Citizens Groups					-	368,295	-	368,295
Grants and Contributions Not Restricted for Specific Programs					1,719,140	-	-	1,719,140
Total General Revenues					<u>2,399,769</u>	<u>1,084,183</u>	<u>-</u>	<u>3,483,952</u>
Change in Net Position					1,198,899	(313,589)	-	885,310
Net Position, July 1					24,397,585	39,749,877	13,280	64,160,742
Net Position, June 30					<u>\$ 25,596,484</u>	<u>\$ 39,436,288</u>	<u>\$ 13,280</u>	<u>\$ 65,046,052</u>

KNOX COUNTY, TENNESSEE

**Knox County Primary Government and Board of Education
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2016**

Fiscal Year Ending June 30,	\$17,445,000 General Obligation Refunding Bonds Series 2003A		\$72,000,000 General Obligation Series 2003		\$34,550,000 General Obligation Refunding Series 2004		\$70,000,000 General Obligation Series 2004		\$47,610,000 General Obligation Refunding Series 2005A		\$77,000,000 General Obligation Series 2005		\$69,000,000 General Obligation Series 2007		\$40,000,000 General Obligation Series 2008		\$4,550,000 Women's Basketball Hall of Fame		\$16,000,000 Build America Bonds Series 2010A		\$30,115,000 Refunding Bonds Series 2010B	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 5,950,000	\$ 297,500	\$ 2,775,000	\$ 2,388,375	\$ 5,000,000	\$ 1,025,750	\$ 3,200,000	\$ 2,380,000	\$ 4,885,000	\$ 1,345,750	\$ 2,100,000	\$ 2,828,250	\$ -	\$ 3,450,000	\$ 1,700,000	\$ 1,507,500	\$ 620,000	\$ 46,400	\$ 25,000	\$ 846,212	\$ 400,000	\$ 1,105,750
2018	-	-	2,950,000	2,263,500	5,115,000	775,750	3,400,000	2,252,000	5,115,000	1,101,500	2,250,000	2,733,750	-	3,450,000	1,790,000	1,422,500	640,000	21,600	275,000	845,262	515,000	1,095,750
2019	-	-	3,125,000	2,130,750	5,400,000	520,000	3,600,000	2,116,000	5,365,000	845,750	2,375,000	2,632,500	-	3,450,000	1,875,000	1,333,000	-	-	275,000	834,262	700,000	1,082,875
2020	-	-	3,300,000	1,990,125	5,000,000	250,000	3,810,000	1,972,000	5,630,000	577,500	2,500,000	2,525,625	-	3,450,000	1,970,000	1,239,250	-	-	525,000	821,888	1,100,000	1,063,625
2021	-	-	3,525,000	1,841,625	-	-	4,030,000	1,819,600	5,920,000	296,000	2,625,000	2,413,125	-	3,450,000	2,070,000	1,140,750	-	-	625,000	798,000	450,000	1,008,625
2022	-	-	3,750,000	1,683,000	-	-	4,260,000	1,658,400	-	-	1,075,000	2,295,000	-	3,450,000	2,175,000	1,037,250	-	-	725,000	769,563	1,400,000	995,125
2023	-	-	3,975,000	1,514,250	-	-	4,500,000	1,488,000	-	-	1,000,000	2,246,625	-	3,450,000	2,280,000	928,500	-	-	725,000	736,575	1,450,000	953,125
2024	-	-	4,225,000	1,335,375	-	-	4,760,000	1,308,000	-	-	1,050,000	2,201,625	-	3,450,000	2,395,000	814,500	-	-	700,000	703,588	1,500,000	909,625
2025	-	-	4,500,000	1,145,250	-	-	5,020,000	1,117,600	-	-	1,100,000	2,154,375	-	3,450,000	2,515,000	694,750	-	-	650,000	671,738	1,500,000	862,750
2026	-	-	4,775,000	942,750	-	-	5,300,000	916,800	-	-	1,150,000	2,104,875	-	3,450,000	2,640,000	569,000	-	-	1,225,000	642,163	1,500,000	814,000
2027	-	-	5,075,000	727,875	-	-	5,580,000	704,800	-	-	1,175,000	2,053,125	6,475,000	3,450,000	2,775,000	437,000	-	-	100,000	575,400	1,700,000	754,000
2028	-	-	5,375,000	499,500	-	-	5,870,000	481,600	-	-	1,225,000	2,000,250	7,675,000	3,126,250	2,910,000	298,250	-	-	100,000	569,850	1,800,000	686,000
2029	-	-	5,725,000	257,625	-	-	6,170,000	246,800	-	-	1,275,000	1,945,125	8,075,000	2,742,500	3,055,000	152,750	-	-	100,000	564,300	1,750,000	614,000
2030	-	-	-	-	-	-	-	-	-	-	7,750,000	1,887,750	8,450,000	2,338,750	-	-	-	-	1,075,000	558,750	2,000,000	544,000
2031	-	-	-	-	-	-	-	-	-	-	8,050,000	1,539,000	8,900,000	1,916,250	-	-	-	-	1,075,000	499,088	2,100,000	464,000
2032	-	-	-	-	-	-	-	-	-	-	8,375,000	1,176,750	9,325,000	1,471,250	-	-	-	-	1,175,000	437,275	2,200,000	380,000
2033	-	-	-	-	-	-	-	-	-	-	8,700,000	799,875	9,800,000	1,005,000	-	-	-	-	1,275,000	369,713	2,300,000	292,000
2034	-	-	-	-	-	-	-	-	-	-	9,075,000	408,375	10,300,000	515,000	-	-	-	-	1,375,000	296,400	2,400,000	200,000
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,825,000	218,025	2,600,000	104,000
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 5,950,000	\$ 297,500	\$ 53,075,000	\$ 18,720,000	\$ 20,515,000	\$ 2,571,500	\$ 59,500,000	\$ 18,461,600	\$ 26,915,000	\$ 4,166,500	\$ 62,850,000	\$ 35,946,000	\$ 69,000,000	\$ 51,065,000	\$ 30,150,000	\$ 11,575,000	\$ 1,260,000	\$ 68,000	\$ 15,850,000	\$ 11,758,052	\$ 29,365,000	\$ 13,929,250

continued

KNOX COUNTY, TENNESSEE

**Knox County Primary Government and Board of Education
Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2016**

Fiscal Year Ending June 30,	\$32,560,000 Refunding Bonds Series 2010C		\$17,000,000 Build America Bonds Series 2010D		\$29,236,000 Qualified School Construction Bonds Series 2010		\$35,905,000 General Obligation Bonds Series 2012		\$39,075,000 General Obligation Bonds Series 2013		\$30,040,000 General Obligation Bonds Series 2014A		\$56,840,000 Refunding Bonds Series 2014B		\$16,020,000 Refunding Bonds Series 2015		\$35,900,000 General Obligation Bonds Series 2016		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,370,000	\$ 693,100	\$ 50,000	\$ 927,275	\$ 1,824,281	\$ 1,417,361	\$ 700,000	\$ 383,600	\$ 875,000	\$ 1,370,656	\$ 795,000	\$ 1,032,412	\$ 4,410,000	\$ 1,298,483	\$ 3,895,000	\$ 616,250	\$ 1,200,000	\$ 1,319,641	\$ 42,774,281	\$ 26,280,265
2018	2,500,000	598,300	50,000	925,713	1,824,281	1,417,361	700,000	355,600	1,510,000	1,346,594	1,080,000	992,662	4,390,000	1,252,618	4,105,000	421,500	1,475,000	1,110,126	39,684,281	24,382,086
2019	2,635,000	498,300	50,000	923,963	1,824,281	1,417,361	720,000	341,600	1,575,000	1,305,068	1,830,000	938,662	3,090,000	1,187,204	4,325,000	216,250	1,500,000	1,080,626	40,264,281	22,854,171
2020	2,750,000	419,250	250,000	922,063	1,824,281	1,417,361	735,000	327,200	1,625,000	1,257,819	1,920,000	847,162	3,140,000	1,131,586	-	-	2,100,000	1,065,626	38,179,281	21,278,080
2021	2,870,000	336,750	250,000	911,750	1,824,281	1,417,361	750,000	297,800	1,700,000	1,209,069	1,170,000	751,162	5,995,000	1,065,646	-	-	2,175,000	960,626	35,979,281	19,717,889
2022	2,995,000	250,650	500,000	900,500	1,824,281	1,417,361	780,000	282,800	1,750,000	1,158,069	1,230,000	692,662	6,105,000	925,364	-	-	1,425,000	922,563	29,994,281	18,438,307
2023	3,120,000	160,800	500,000	878,000	1,824,281	1,417,361	800,000	267,200	1,825,000	1,105,569	1,260,000	661,912	6,245,000	770,296	-	-	1,475,000	851,313	30,979,281	17,429,526
2024	2,240,000	67,200	500,000	855,500	1,824,281	1,417,361	825,000	249,200	1,875,000	1,050,818	1,285,000	635,138	6,340,000	602,930	-	-	1,525,000	777,563	31,044,281	16,378,423
2025	-	-	500,000	833,000	1,824,281	1,417,361	850,000	228,575	1,925,000	992,224	1,315,000	603,013	6,510,000	420,338	-	-	1,575,000	701,313	29,784,281	15,292,287
2026	-	-	500,000	810,500	1,824,281	1,417,361	875,000	205,200	1,975,000	929,662	1,350,000	573,425	6,675,000	223,086	-	-	1,625,000	622,563	31,414,281	14,221,385
2027	-	-	1,300,000	785,500	2,003,856	1,417,361	900,000	178,950	2,050,000	860,538	1,380,000	539,675	335,000	10,820	-	-	1,675,000	590,063	32,523,856	13,085,107
2028	-	-	1,350,000	714,000	171,976	139,589	950,000	151,950	2,100,000	778,538	1,425,000	498,275	-	-	-	-	1,750,000	544,000	32,701,976	10,488,052
2029	-	-	1,400,000	639,750	-	-	1,000,000	123,450	2,150,000	694,538	1,470,000	455,525	-	-	-	-	1,800,000	495,874	33,970,000	8,932,237
2030	-	-	1,450,000	562,750	-	-	1,000,000	93,450	2,225,000	608,538	1,515,000	411,425	-	-	-	-	1,875,000	446,374	27,340,000	7,451,787
2031	-	-	1,500,000	483,000	-	-	1,040,000	63,450	2,300,000	519,538	1,560,000	358,400	-	-	-	-	1,950,000	390,124	28,475,000	6,232,850
2032	-	-	1,575,000	400,500	-	-	1,075,000	32,250	2,350,000	427,538	1,615,000	303,800	-	-	-	-	2,000,000	331,624	29,690,000	4,960,987
2033	-	-	1,625,000	306,000	-	-	-	-	2,450,000	330,600	1,675,000	247,275	-	-	-	-	2,075,000	271,624	29,900,000	3,622,087
2034	-	-	1,700,000	208,500	-	-	-	-	2,525,000	224,024	1,735,000	188,650	-	-	-	-	2,150,000	209,374	31,260,000	2,250,323
2035	-	-	1,775,000	106,500	-	-	-	-	2,625,000	114,188	1,795,000	127,925	-	-	-	-	2,225,000	142,187	14,845,000	812,825
2036	-	-	-	-	-	-	-	-	-	-	1,860,000	65,100	-	-	-	-	2,325,000	72,656	4,185,000	137,756
Totals	\$ 21,480,000	\$ 3,024,350	\$ 16,825,000	\$ 13,094,764	\$ 20,418,642	\$ 15,730,560	\$ 13,700,000	\$ 3,582,275	\$ 37,410,000	\$ 16,283,588	\$ 29,265,000	\$ 10,924,260	\$ 53,235,000	\$ 8,888,371	\$ 12,325,000	\$ 1,254,000	\$ 35,900,000	\$ 12,905,860	\$ 614,988,642	\$ 254,246,430

KNOX COUNTY, TENNESSEE

**Knox County Primary Government
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2016**

Fiscal Year Ending June 30,	\$5,321,983 General Obligation Refunding Bonds Series 2003A		\$40,000,000 General Obligation Series 2003		\$14,337,717 General Obligation Refunding Series 2004		\$46,000,000 General Obligation Series 2004		\$29,083,377 General Obligation Refunding Series 2005A		\$50,000,000 General Obligation Series 2005		\$50,450,000 General Obligation Series 2007		\$26,000,000 General Obligation Series 2008		\$4,550,000 Women's Basketball Hall of Fame		\$1,000,000 Build America Bonds Series 2010A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,815,180	\$ 90,759	\$ 1,577,600	\$ 1,324,128	\$ 2,074,923	\$ 422,540	\$ 2,102,857	\$ 1,564,000	\$ 3,069,085	\$ 834,511	\$ 1,363,636	\$ 1,836,526	\$ -	\$ 2,522,500	\$ 1,105,000	\$ 979,875	\$ 620,000	\$ 46,400	\$ 1,563	\$ 52,888
2018	-	-	1,665,617	1,254,896	2,122,646	319,557	2,234,286	1,479,886	3,209,585	683,049	1,461,039	1,775,162	-	2,522,500	1,163,500	924,625	640,000	21,600	17,188	52,828
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
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
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
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
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
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
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
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 1,815,180	\$ 90,759	\$ 27,126,816	\$ 10,378,468	\$ 8,513,409	\$ 1,059,285	\$ 39,099,999	\$ 12,131,910	\$ 16,866,485	\$ 2,583,682	\$ 40,811,690	\$ 23,341,559	\$ 50,450,000	\$ 37,336,655	\$ 19,597,500	\$ 7,523,747	\$ 1,260,000	\$ 68,000	\$ 990,622	\$ 734,881

continued

KNOX COUNTY, TENNESSEE

**Knox County Primary Government
Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2016**

Fiscal Year Ending June 30,	\$30,115,000 Refunding Bonds Series 2010B		\$11,120,000 Refunding Bonds Series 2010C		\$17,000,000 Build America Bonds Series 2010D		\$17,090,000 General Obligation Bonds Series 2012		\$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		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 400,000	\$ 1,105,750	\$ 795,000	\$ 234,350	\$ 50,000	\$ 927,275	\$ 270,000	\$ 148,350	\$ 469,419	\$ 735,328	\$ 770,000	\$ 544,506	\$ 3,100,000	\$ 1,265,116	\$ 1,498,017	\$ 237,010	\$ 700,000	\$ 596,799	\$ 21,782,280	\$ 15,468,611
2018	515,000	1,095,750	830,000	202,550	50,000	925,713	270,000	137,550	810,083	722,419	830,000	506,006	3,065,000	1,232,876	1,578,783	162,109	970,000	494,182	21,432,727	14,513,258
2019	700,000	1,082,875	865,000	169,350	50,000	923,963	280,000	132,150	844,954	700,141	1,245,000	464,506	3,090,000	1,187,204	1,663,395	83,170	1,000,000	474,782	22,238,360	13,679,123
2020	1,100,000	1,063,625	895,000	143,400	250,000	922,063	285,000	126,550	871,778	674,793	1,305,000	402,256	3,140,000	1,131,586	-	-	1,310,000	464,782	22,040,019	12,808,769
2021	450,000	1,008,625	925,000	116,550	250,000	911,750	295,000	115,150	912,014	648,640	525,000	337,006	5,995,000	1,065,646	-	-	1,360,000	399,282	22,103,740	11,883,772
2022	1,400,000	995,125	955,000	88,800	500,000	900,500	300,000	109,250	938,838	621,279	550,000	310,756	6,105,000	925,364	-	-	580,000	375,481	18,349,748	11,084,495
2023	1,450,000	953,125	985,000	60,150	500,000	878,000	310,000	103,250	979,074	593,114	565,000	297,006	6,245,000	770,296	-	-	600,000	346,481	18,746,447	10,449,667
2024	1,500,000	909,625	1,020,000	30,600	500,000	855,500	320,000	96,275	1,005,898	563,741	575,000	285,000	6,340,000	602,930	-	-	620,000	316,481	19,388,583	9,785,560
2025	1,500,000	862,750	-	-	500,000	833,000	330,000	88,275	1,032,722	532,307	590,000	270,625	6,510,000	420,338	-	-	640,000	285,481	19,016,290	9,077,148
2026	1,500,000	814,000	-	-	500,000	810,500	340,000	79,200	1,059,545	498,744	605,000	257,350	6,675,000	223,086	-	-	665,000	253,481	19,720,150	8,360,783
2027	1,700,000	754,000	-	-	1,300,000	785,500	345,000	69,000	1,099,780	461,661	620,000	242,225	335,000	10,820	-	-	685,000	240,181	19,548,198	7,605,790
2028	1,800,000	686,000	-	-	1,350,000	714,000	365,000	58,650	1,126,605	417,669	640,000	223,625	-	-	-	-	710,000	221,344	20,641,388	6,728,822
2029	1,750,000	614,000	-	-	1,400,000	639,750	390,000	47,700	1,153,429	372,605	660,000	204,425	-	-	-	-	735,000	201,818	21,505,365	5,788,139
2030	2,000,000	544,000	-	-	1,450,000	562,750	390,000	36,000	1,193,665	326,468	680,000	184,625	-	-	-	-	760,000	181,606	17,751,617	4,806,182
2031	2,100,000	464,000	-	-	1,500,000	483,000	400,000	24,300	1,233,901	278,721	700,000	160,825	-	-	-	-	790,000	158,806	18,525,680	4,001,281
2032	2,200,000	380,000	-	-	1,575,000	400,500	410,000	12,300	1,260,725	229,365	725,000	136,325	-	-	-	-	815,000	135,106	19,315,536	3,160,767
2033	2,300,000	292,000	-	-	1,625,000	306,000	-	-	1,314,373	177,360	750,000	110,950	-	-	-	-	850,000	110,656	19,733,773	2,274,288
2034	2,400,000	200,000	-	-	1,700,000	208,500	-	-	1,354,609	120,184	780,000	84,700	-	-	-	-	875,000	85,156	20,619,345	1,358,791
2035	2,600,000	104,000	-	-	1,775,000	106,500	-	-	1,408,257	61,259	805,000	57,400	-	-	-	-	900,000	57,812	7,727,319	400,597
2036	-	-	-	-	-	-	-	-	-	-	835,000	29,225	-	-	-	-	950,000	29,688	1,785,000	58,913
Totals	\$ 29,365,000	\$ 13,929,250	\$ 7,270,000	\$ 1,045,750	\$ 16,825,000	\$ 13,094,764	\$ 5,300,000	\$ 1,383,950	\$ 20,069,669	\$ 8,735,798	\$ 14,755,000	\$ 5,109,342	\$ 50,600,000	\$ 8,835,262	\$ 4,740,195	\$ 482,289	\$ 16,515,000	\$ 5,429,405	\$ 371,971,565	\$ 153,294,756

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2016**

Fiscal Year Ending June 30,	\$12,123,017 General Obligation Refunding Bonds Series 2003A		\$32,000,000 General Obligation Series 2003		\$20,212,283 General Obligation Refunding Series 2004		\$24,000,000 General Obligation Series 2004		\$18,526,623 General Obligation Refunding Series 2005A		\$27,000,000 General Obligation Series 2005		\$18,550,000 General Obligation Series 2007		\$14,000,000 General Obligation Series 2008		\$15,000,000 Build America Bonds Series 2010A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 4,134,820	\$ 206,741	\$ 1,197,400	\$ 1,064,247	\$ 2,925,077	\$ 603,210	\$ 1,097,143	\$ 816,000	\$ 1,815,915	\$ 511,239	\$ 736,364	\$ 991,724	\$ -	\$ 927,500	\$ 595,000	\$ 527,625	\$ 23,437	\$ 793,324
2018	-	-	1,284,383	1,008,604	2,992,354	456,193	1,165,714	772,114	1,905,415	418,451	788,961	958,588	-	927,500	626,500	497,875	257,812	792,434
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
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
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
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
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
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
2025	-	-	2,274,950	510,317	-	-	1,721,143	383,177	-	-	385,714	755,430	-	927,500	880,250	243,163	609,375	629,754
2026	-	-	2,421,567	420,084	-	-	1,817,143	314,331	-	-	403,247	738,073	-	927,500	924,000	199,150	1,148,438	602,028
2027	-	-	2,585,683	324,337	-	-	1,913,143	241,646	-	-	412,013	719,927	1,740,743	927,500	971,250	152,950	93,750	539,437
2028	-	-	2,887,500	222,575	-	-	2,012,571	165,120	-	-	429,545	701,386	2,063,351	840,463	1,018,500	104,388	93,750	534,234
2029	-	-	3,086,668	114,796	-	-	2,115,430	84,617	-	-	447,078	682,057	2,170,888	737,295	1,069,250	53,463	93,750	529,031
2030	-	-	-	-	-	-	-	-	-	-	2,717,532	661,938	2,271,703	628,751	-	-	1,007,813	523,828
2031	-	-	-	-	-	-	-	-	-	-	2,822,727	539,649	2,392,681	515,166	-	-	1,007,813	467,894
2032	-	-	-	-	-	-	-	-	-	-	2,936,688	412,627	2,506,938	395,532	-	-	1,101,563	409,945
2033	-	-	-	-	-	-	-	-	-	-	3,050,649	280,476	2,634,638	270,185	-	-	1,195,313	346,605
2034	-	-	-	-	-	-	-	-	-	-	3,182,143	143,196	2,769,058	138,453	-	-	1,289,063	277,875
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,585,938	204,399
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 4,134,820	\$ 206,741	\$ 25,948,184	\$ 8,341,532	\$ 12,001,591	\$ 1,512,215	\$ 20,400,001	\$ 6,329,690	\$ 10,048,515	\$ 1,582,818	\$ 22,038,310	\$ 12,604,441	\$ 18,550,000	\$ 13,728,345	\$ 10,552,500	\$ 4,051,253	\$ 14,859,378	\$ 11,023,171

continued

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2016**

Fiscal Year	\$21,440,000		\$29,236,000		\$18,815,000		\$18,112,094		\$14,535,000		\$4,030,000		\$9,858,708		\$19,385,000			
Ending	Refunding Bonds		Qualified School Construction Bonds		General Obligation Bonds		General Obligation Bonds		General Obligation Bonds		Refunding Bonds		Refunding Bonds		General Obligation Bonds			
June 30,	Series 2010C		Series 2010		Series 2012		Series 2013		Series 2014A		Series 2014B		Series 2015		Series 2016		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,575,000	\$ 458,750	\$ 1,824,281	\$ 1,417,361	\$ 430,000	\$ 235,250	\$ 405,581	\$ 635,328	\$ 25,000	\$ 487,906	\$ 1,310,000	\$ 33,367	\$ 2,396,983	\$ 379,240	\$ 500,000	\$ 722,842	\$ 20,992,001	\$ 10,811,654
2018	1,670,000	395,750	1,824,281	1,417,361	430,000	218,050	699,917	624,175	250,000	486,656	1,325,000	19,742	2,526,217	259,391	505,000	615,944	18,251,554	9,868,828
2019	1,770,000	328,950	1,824,281	1,417,361	440,000	209,450	730,046	604,927	585,000	474,156	-	-	2,661,605	133,080	500,000	605,844	18,025,921	9,175,048
2020	1,855,000	275,850	1,824,281	1,417,361	450,000	200,650	753,222	583,026	615,000	444,906	-	-	-	-	790,000	600,844	16,139,262	8,469,311
2021	1,945,000	220,200	1,824,281	1,417,361	455,000	182,650	787,986	560,429	645,000	414,156	-	-	-	-	815,000	561,344	13,875,541	7,834,117
2022	2,040,000	161,850	1,824,281	1,417,361	480,000	173,550	811,162	536,790	680,000	381,906	-	-	-	-	845,000	547,082	11,644,533	7,353,812
2023	2,135,000	100,650	1,824,281	1,417,361	490,000	163,950	845,926	512,455	695,000	364,906	-	-	-	-	875,000	504,832	12,232,834	6,979,859
2024	1,220,000	36,600	1,824,281	1,417,361	505,000	152,925	869,102	487,077	710,000	350,138	-	-	-	-	905,000	461,082	11,655,698	6,592,863
2025	-	-	1,824,281	1,417,361	520,000	140,300	892,278	459,917	725,000	332,388	-	-	-	-	935,000	415,832	10,767,991	6,215,139
2026	-	-	1,824,281	1,417,361	535,000	126,000	915,455	430,918	745,000	316,075	-	-	-	-	960,000	369,082	11,694,131	5,860,602
2027	-	-	2,003,856	1,417,361	555,000	109,950	950,220	398,877	760,000	297,450	-	-	-	-	990,000	349,882	12,975,658	5,479,317
2028	-	-	171,976	139,589	585,000	93,300	973,395	360,869	785,000	274,650	-	-	-	-	1,040,000	322,656	12,060,588	3,759,230
2029	-	-	-	-	610,000	75,750	996,571	321,933	810,000	251,100	-	-	-	-	1,065,000	294,056	12,464,635	3,144,098
2030	-	-	-	-	610,000	57,450	1,031,335	282,070	835,000	226,800	-	-	-	-	1,115,000	264,768	9,588,383	2,645,605
2031	-	-	-	-	640,000	39,150	1,066,099	240,817	860,000	197,575	-	-	-	-	1,160,000	231,318	9,949,320	2,231,569
2032	-	-	-	-	665,000	19,950	1,089,275	198,173	890,000	167,475	-	-	-	-	1,185,000	196,518	10,374,464	1,800,220
2033	-	-	-	-	-	-	1,135,627	153,240	925,000	136,325	-	-	-	-	1,225,000	160,968	10,166,227	1,347,799
2034	-	-	-	-	-	-	1,170,391	103,840	955,000	103,950	-	-	-	-	1,275,000	124,218	10,640,655	891,532
2035	-	-	-	-	-	-	1,216,743	52,929	990,000	70,525	-	-	-	-	1,325,000	84,375	7,117,681	412,228
2036	-	-	-	-	-	-	-	-	1,025,000	35,875	-	-	-	-	1,375,000	42,968	2,400,000	78,843
Totals	\$ 14,210,000	\$ 1,978,600	\$ 20,418,642	\$ 15,730,560	\$ 8,400,000	\$ 2,198,325	\$ 17,340,331	\$ 7,547,790	\$ 14,510,000	\$ 5,814,918	\$ 2,635,000	\$ 53,109	\$ 7,584,805	\$ 771,711	\$ 19,385,000	\$ 7,476,455	\$ 243,017,077	\$ 100,951,674

KNOX COUNTY, TENNESSEE

Schedule of Salaries and Bonds of Principal Elected Officials
For the year ended June 30, 2016

OFFICIAL	AUTHORIZATION FOR SALARY	SALARY PAID DURING YEAR	BOND AMOUNT	SURETY
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 135,071	\$ 50,000	Hartford Fire Insurance
Attorney General	Section 8-6-104, T.C.A.	\$ 9,500	\$ -	
Circuit and Civil Sessions Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 129,198	\$ 400,000	Hartford Fire Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 117,453	\$ 110,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 170,353	\$ 100,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 129,198	\$ 250,000	Hartford Fire Insurance
Law Director	Section 3.08, Knox County Charter	\$ 170,352	\$ -	
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 117,453	\$ 100,000	Hartford Fire Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 148,578	\$ 100,000	Hartford Fire Insurance
Trustee	Section 8-24-102 (k), T.C.A.	\$ 117,453	\$ 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

School Activity Fund: This fund accounts for the activity related to individual public school funds held in an agency capacity since these funds legally belong to students.

Knox County Board of Education

Statement of Net Position

June 30, 2016

	Board of Education	Component Unit	
	Total -- Governmental Activities	Great Schools Partnership	Total Component Unit
Assets			
Cash and Cash Equivalents	\$ 52,222,469	\$ 6,533,340	\$ 58,755,809
Investments	-	5,910,224	5,910,224
Accounts Receivable	36,718,096	730,263	37,448,359
Local Taxes Receivable, net	104,938,567	-	104,938,567
Due from Primary Government	148,026	-	148,026
Inventories	1,878,020	-	1,878,020
Prepaid Items	644,118	9,321	653,439
Net Pension Asset	280,487	-	280,487
Capital Assets:			
Land and Construction in Process	35,179,976	-	35,179,976
Other Capital Assets, Net of Accumulated Depreciation	362,292,888	82,457	362,375,345
Total Assets	<u>594,302,647</u>	<u>13,265,605</u>	<u>607,568,252</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	<u>77,584,138</u>	<u>-</u>	<u>77,584,138</u>
Liabilities			
Accounts Payable	55,527,323	419,438	55,946,761
Due to Knox County Primary Government	13,685,410	-	13,685,410
Unearned Revenue	968,578	-	968,578
Self-insurance Liability	3,686,570	-	3,686,570
Net Pension Liability	15,187,485	-	15,187,485
Other Long-term Obligations:			
Due in Less than One Year	2,634,719	-	2,634,719
Due in More than One Year	4,693,570	10,655,000	15,348,570
Total Liabilities	<u>96,383,655</u>	<u>11,074,438</u>	<u>107,458,093</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	102,884,581	-	102,884,581
Deferred Inflows of Property Taxes	101,164,836	-	101,164,836
Total Deferred Outflows of Resources	<u>204,049,417</u>	<u>-</u>	<u>204,049,417</u>
Net Position (Deficit)			
Investment in Capital Assets	397,472,864	82,457	397,555,321
Restricted for:			
Education Purposes	8,288,339	188,607	8,476,946
Unrestricted (Deficit)	<u>(34,307,490)</u>	<u>1,920,103</u>	<u>(32,387,387)</u>
Total Net Position	<u>\$ 371,453,713</u>	<u>\$ 2,191,167</u>	<u>\$ 373,644,880</u>

Knox County Board of Education

Statement of Activities

For the Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Board of Education	Component Unit	Total
Functions/Programs	Expenses	Services	Grants and	Grants and	Governmental	The	Component
			Contributions	Contributions	Activities	Partnership	Unit
Knox County Board of Education:							
Governmental activities:							
Education	\$ 507,146,759	\$ 18,407,724	\$ 67,912,105	\$ -	\$ (420,826,930)		\$ (420,826,930)
Education - Payment to Primary Government	17,117,442	-	-	-	(17,117,442)		(17,117,442)
Total primary government	\$ 524,264,201	\$ 18,407,724	\$ 67,912,105	\$ -	(437,944,372)		(437,944,372)
Component unit:							
Great Schools Partnership	\$ 4,941,466	\$ -	\$ 3,912,828	\$ -		\$ (1,028,638)	(1,028,638)
Great Schools Partnership -							
Payment to Knox County Board of Education	951,982	-	-	-		(951,982)	(951,982)
Total component unit	\$ 5,893,448	\$ -	\$ 3,912,828	\$ -		(1,980,620)	(1,980,620)
General Revenues:							
Property Taxes					98,932,121	-	98,932,121
Sales Taxes					144,321,391	-	144,321,391
Wheel Taxes					1,600,726	-	1,600,726
Other Local Taxes					1,082,452	-	1,082,452
Interest Income					119,620	258,865	378,485
Miscellaneous					82,267	6,625	88,892
State of Tennessee Basic Education Program					183,467,000	-	183,467,000
Payments from Knox County Primary Government					26,437,000	2,501,874	28,938,874
Intergovernmental Revenues					2,309,611	-	2,309,611
Payments from Component Unit					951,982	-	951,982
Total General Revenues					459,304,170	2,767,364	462,071,534
Change in Net Position					21,359,798	786,744	22,146,542
Net Position, July 1					350,093,915	1,404,423	351,498,338
Net Position, June 30					\$ 371,453,713	\$ 2,191,167	\$ 373,644,880

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

**Knox County Board of Education
Balance Sheet**

Governmental Funds

June 30, 2016

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 42,507,804	\$ -	\$ 9,714,665	\$ 52,222,469
Receivables (Net of Allowance for Uncollectibles):				
Accounts	27,254,673	3,367	9,460,056	36,718,096
Local Taxes	104,938,567	-	-	104,938,567
Due from Other Funds	14,534,599	-	1,351,624	15,886,223
Due from Primary Government	148,026	-	-	148,026
Inventories	1,044,579	-	833,441	1,878,020
Prepaid Items	588,679	-	55,439	644,118
TOTAL ASSETS	\$ 191,016,927	\$ 3,367	\$ 21,415,225	\$ 212,435,519
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 51,948,247	\$ 1,540,829	\$ 2,038,247	\$ 55,527,323
Due to Other Funds	876,418	8,180,591	6,829,214	15,886,223
Due to Primary Government	13,635,696	1,351	48,363	13,685,410
Unearned Revenue	-	-	968,578	968,578
TOTAL LIABILITIES	66,460,361	9,722,771	9,884,402	86,067,534
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes and Other Receivable	104,201,781	-	-	104,201,781
FUND BALANCES (DEFICIT)				
Nonspendable	1,633,258	-	888,880	2,522,138
Restricted	-	-	8,288,339	8,288,339
Committed	-	-	2,365,587	2,365,587
Assigned	396,527	-	-	396,527
Unassigned	18,325,000	(9,719,404)	(11,983)	8,593,613
TOTAL FUND BALANCES (DEFICIT)	20,354,785	(9,719,404)	11,530,823	22,166,204
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 191,016,927	\$ 3,367	\$ 21,415,225	\$ 212,435,519

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, 2016

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

Ending Fund Balance - Governmental Funds	\$ 22,166,204
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	397,472,864
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.	280,487
Deferred outflows related to pensions (\$77,584,138) 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 (\$102,884,581) decrease the amount of net position reported in the statements of net position, but are not reported as liabilities in the funds.	(25,300,443)
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.	3,036,945
Long-term liabilities, consisting of compensated absences (\$2,657,906), capital lease obligation (\$4,670,383), self-insurance liability (\$3,686,570), and net pension liability (\$15,187,485), are not due and payable in the current period and therefore are not reported in the funds.	<u>(26,202,344)</u>
Net Position of Governmental Activities	<u>\$ 371,453,713</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit
Knox County Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 99,237,175	\$ -	\$ -	\$ 99,237,175
Local Option Sales Taxes	144,321,391	-	-	144,321,391
Wheel Tax	1,600,726	-	-	1,600,726
Other Local Taxes	1,082,452	-	-	1,082,452
Licenses and Permits	35,872	-	1,805	37,677
Charges for Current Services	453,501	-	6,426,245	6,879,746
Other Local Revenues	2,635,837	9,037	10,574,426	13,219,300
State of Tennessee	187,133,432	-	3,256,869	190,390,301
Federal Government	528,049	-	57,086,072	57,614,121
Other Governments and Citizen Groups	95,185	-	4,032,069	4,127,254
Interest Earned	-	29,928	-	29,928
Payments from Primary Government	7,052,000	19,385,000	-	26,437,000
Payment from Component Unit	-	-	951,982	951,982
Total Revenues	444,175,620	19,423,965	82,329,468	545,929,053
Expenditures				
Current:				
Education	419,378,983	-	86,955,431	506,334,414
Capital Outlay	-	21,557,739	-	21,557,739
Payments to Primary Government	13,320,112	-	-	13,320,112
Total Expenditures	432,699,095	21,557,739	86,955,431	541,212,265
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,476,525	(2,133,774)	(4,625,963)	4,716,788
Other Financing Sources (Uses)				
Transfers from Other Funds	1,161,977	-	8,888,787	10,050,764
Transfers to Other Funds	(8,307,724)	-	(1,743,040)	(10,050,764)
Total Other Financing Sources (Uses)	(7,145,747)	-	7,145,747	-
Net Change in Fund Balances	4,330,778	(2,133,774)	2,519,784	4,716,788
Fund Balances (Deficit), July 1	16,024,007	(7,585,630)	9,011,039	17,449,416
Fund Balances (Deficit), June 30	\$ 20,354,785	\$ (9,719,404)	\$ 11,530,823	\$ 22,166,204

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, 2016

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

Net Change in Fund Balances - Total Governmental Funds	\$ 4,716,788
<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 depreciation (\$23,503,406) exceeded capital outlays (\$18,428,862) in the current period.</p>	(5,074,544)
<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>	3,036,945
<p>Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities.</p>	(3,341,999)
<p>The increase in the self-insurance liability of \$15,986, the decrease in the net pension asset of \$735,526, the increase in the net pension liability of \$6,256,308, and the increase in deferred inflows of resources related to pensions of \$19,171,571 resulted in additional expenses, whereas the increase in deferred outflows related to pensions of \$47,731,835, the reduction of the compensated absences liability of \$237,058 and the reduction of the capital lease liability of \$233,106 resulted in the reduction of expenses. These amounts do not require the use of current financial resources and, therefore, are not reflected in the expenditures of governmental funds.</p>	<u>22,022,608</u>
Change in Net Position of Governmental Activities	<u><u>\$ 21,359,798</u></u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Balance Sheets
June 30, 2016 and 2015**

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 42,507,804	\$ 26,168,987
Receivables (Net of Allowance for Uncollectibles):		
Accounts	27,254,673	26,972,196
Local Taxes	104,938,567	103,807,637
Due from Primary Government	148,026	112,997
Due from Other Funds	14,534,599	23,643,461
Prepaid Items	588,679	1,597,267
Inventories	1,044,579	821,366
TOTAL ASSETS	\$ 191,016,927	\$ 183,123,911
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 51,948,247	\$ 49,721,666
Due to Other Funds	876,418	3,736,875
Due to Primary Government	13,635,696	10,526,947
TOTAL LIABILITIES	66,460,361	63,985,488
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes and Other Receivable	104,201,781	103,114,416
FUND BALANCES		
Nonspendable	1,633,258	2,418,633
Assigned	396,527	240,628
Unassigned	18,325,000	13,364,746
TOTAL FUND BALANCES	20,354,785	16,024,007
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 191,016,927	\$ 183,123,911

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, 2016 and 2015

	2016	2015
Revenues		
Property Taxes	\$ 99,237,175	\$ 98,004,247
Local Option Sales Taxes	144,321,391	136,469,187
Wheel Tax	1,600,726	1,607,094
Other Local Taxes	1,082,452	1,033,373
Licenses and Permits	35,872	31,435
Charges for Current Services	453,501	549,415
Other Local Revenues	2,635,837	1,662,577
State of Tennessee	187,133,432	178,609,730
Federal Government	528,049	546,301
Other Governments and Citizen Groups	95,185	300
Payment from Primary Government	7,052,000	4,052,000
Total Revenues	444,175,620	422,565,659
Expenditures		
Current:		
Education	419,378,983	411,153,191
Payments to Primary Government	13,320,112	10,000,000
Total Expenditures	432,699,095	421,153,191
Excess of Revenues Over Expenditures	11,476,525	1,412,468
Other Financing Sources (Uses)		
Transfers from Other Funds	1,161,977	745,008
Transfers to Other Funds	(8,307,724)	(4,711,603)
Total Other Financing Sources (Uses)	(7,145,747)	(3,966,595)
Net Change in Fund Balances	4,330,778	(2,554,127)
Fund Balances, July 1	16,024,007	18,578,134
Fund Balances, June 30	\$ 20,354,785	\$ 16,024,007

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Schedules of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Property Taxes	\$ 100,024,000	\$ 100,024,000	\$ 99,237,175	\$ (786,825)	\$ 98,968,000	\$ 98,004,247	\$ (963,753)	
Local Option Sales Taxes	137,970,000	143,329,000	144,321,391	992,391	130,788,000	136,469,187	5,681,187	
Wheel Tax	1,525,000	1,525,000	1,600,726	75,726	1,525,000	1,607,094	82,094	
Other Local Taxes	1,090,000	1,090,000	1,082,452	(7,548)	1,090,000	1,033,373	(56,627)	
Licenses and Permits	30,000	30,000	35,872	5,872	36,000	31,435	(4,565)	
Charges for Current Services	700,000	700,000	453,501	(246,499)	695,000	549,415	(145,585)	
Other Local Revenues	1,407,000	1,407,000	2,635,837	1,228,837	1,587,000	1,662,577	75,577	
State of Tennessee	186,267,000	186,267,000	187,133,432	866,432	180,069,000	178,609,730	(1,459,270)	
Federal Government	475,000	475,000	528,049	53,049	475,000	546,301	71,301	
Other Governments and Citizen Groups	-	-	95,185	95,185	-	300	300	
Payments from Primary Government	7,052,000	7,052,000	7,052,000	-	4,052,000	4,052,000	-	
Total Revenues	436,540,000	441,899,000	444,175,620	2,276,620	419,285,000	422,565,659	3,280,659	
Expenditures								
Current:								
Education:								
Personal Services	280,857,509	285,315,479	285,265,390	50,089	275,031,753	274,932,297	99,456	
Employee Benefits	75,084,367	75,166,397	75,165,172	1,225	76,678,145	76,641,206	36,939	
Contracted Services	26,220,564	26,397,747	25,489,543	908,204	26,285,623	26,055,680	229,943	
Supplies and Materials	23,321,129	23,414,569	22,273,648	1,140,921	23,510,863	23,399,295	111,568	
Other Charges	8,232,816	11,134,150	10,797,782	336,368	9,362,690	9,345,750	16,940	
Capital Outlay	436,467	436,467	387,448	49,019	779,234	778,963	271	
Payments to Primary Government	13,022,088	13,022,088	13,320,112	(298,024)	10,019,623	10,000,000	19,623	
Total Expenditures	427,174,940	434,886,897	432,699,095	2,187,802	421,667,931	421,153,191	514,740	
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,365,060	7,012,103	11,476,525	4,464,422	(2,382,931)	1,412,468	3,795,399	
Other Financing Sources (Uses)								
Transfers from Other Funds	1,460,000	1,460,000	1,161,977	(298,023)	1,330,000	745,008	(584,992)	
Transfers to Other Funds	(10,825,060)	(8,699,355)	(8,307,724)	391,631	(4,711,603)	(4,711,603)	-	
Total Other Financing Sources (Uses)	(9,365,060)	(7,239,355)	(7,145,747)	93,608	(3,381,603)	(3,966,595)	(584,992)	
Net Change in Fund Balances	-	(227,252)	4,330,778	4,558,030	(5,764,534)	(2,554,127)	3,210,407	
Fund Balances, July 1	16,024,007	16,024,007	16,024,007	-	18,578,134	18,578,134	-	
Fund Balances, June 30	\$ 16,024,007	\$ 15,796,755	\$ 20,354,785	\$ 4,558,030	\$ 12,813,600	\$ 16,024,007	\$ 3,210,407	

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Balance Sheets
June 30, 2016 and 2015

	2016	2015
ASSETS		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 3,367	\$ -
TOTAL ASSETS	<u>\$ 3,367</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,540,829	\$ 2,244,679
Due to Other Funds	8,180,591	5,340,951
Due to Primary Government	<u>1,351</u>	<u>-</u>
TOTAL LIABILITIES	<u>9,722,771</u>	<u>7,585,630</u>
Fund Balances (Deficit):		
Unassigned	<u>(9,719,404)</u>	<u>(7,585,630)</u>
TOTAL FUND BALANCES (DEFICIT)	<u>(9,719,404)</u>	<u>(7,585,630)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,367</u>	<u>\$ -</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, 2016 and 2015

	2016	2015
Revenues		
Other Local Revenues	\$ 9,037	\$ -
Interest Earned	29,928	25,092
Debt Proceeds Received from Primary Government	19,385,000	24,271,315
Total Revenues	19,423,965	24,296,407
Expenditures		
Capital Projects	21,557,739	25,734,552
Total Expenditures	21,557,739	25,734,552
Deficiency of Revenues Under Expenditures	(2,133,774)	(1,438,145)
Net Change in Fund Balance	(2,133,774)	(1,438,145)
Fund Balances (Deficit), July 1	(7,585,630)	(6,147,485)
Fund Balances (Deficit), June 30	\$ (9,719,404)	\$ (7,585,630)

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, 2016*

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Physical Plant Upgrades	\$ 11,219,078	\$ -	\$ 3,913,132	\$ 3,913,132	\$ 7,305,946
Hardin Valley High School	50,000,000	49,982,267	-	49,982,267	17,733
Pond Gap Elementary	7,550,000	32,614	523,805	556,419	6,993,581
Shannondale Elementary	4,015,000	3,743,907	30,139	3,774,046	240,954
Energy Management Project IIIB	13,182,024	13,107,164	-	13,107,164	74,860
CTE Magnet High	3,785,000	3,415,214	195,581	3,610,795	174,205
Energy Management Project IIIC	14,872,404	14,939,037	95,888	15,034,925	(162,521)
Mooreland Heights Addition/Renovation	1,300,000	510,368	785,586	1,295,954	4,046
Security Upgrades	5,875,000	2,456,366	2,201,585	4,657,951	1,217,049
Tech Upgrades Systemwide	535,000	-	145,746	145,746	389,254
HVAC Upgrades	3,390,000	985,681	1,797,825	2,783,506	606,494
Roofing Upgrades	2,610,000	285,623	415,583	701,206	1,908,794
Rule Warehouse Construction	132,231	123,741	551	124,292	7,939
Land Acquisition	400,000	-	339,802	339,802	60,198
BEP Growth Mod Class Relocation	610,241	-	103,115	103,115	507,126
Drive Parking Upgrades	500,000	-	95,980	95,980	404,020
Hardin Valley Middle School	1,500,000	-	967,126	967,126	532,874
Gibbs Middle School	1,500,000	-	1,123,608	1,123,608	376,392
Karns High Remedial Upgrades	750,000	232,200	499,974	732,174	17,826
Ameresco Solar Project	9,291,315	-	8,322,713	8,322,713	968,602
<i>Total Capital Projects:</i>	<u>\$ 133,017,293</u>	<u>\$ 89,814,182</u>	<u>\$ 21,557,739</u>	<u>\$ 111,371,921</u>	<u>\$ 21,645,372</u>

KNOX COUNTY, TENNESSEE**Discretely Presented Component Unit****Knox County Board of Education****Combining Balance Sheet****Nonmajor Governmental Funds**June 30, 2016

	School Federal Projects	School General Projects	Central Cafeteria	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 1,820,031	\$ 7,894,634	\$ 9,714,665
Receivables (Net of Allowance for Uncollectibles):				
Accounts	6,665,776	947,730	1,846,550	9,460,056
Due from Other Funds	81,533	1,270,091	-	1,351,624
Inventories	-	633,136	200,305	833,441
Prepaid Items	11,983	43,456	-	55,439
TOTAL ASSETS	\$ 6,759,292	\$ 4,714,444	\$ 9,941,489	\$ 21,415,225
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 581,933	\$ 313,300	\$ 1,143,014	\$ 2,038,247
Due to Other Funds	6,136,347	672,446	20,421	6,829,214
Due to Primary Government	41,012	7,351	-	48,363
Unearned Revenue	-	679,168	289,410	968,578
TOTAL LIABILITIES	6,759,292	1,672,265	1,452,845	9,884,402
Fund Balances:				
Nonspendable	11,983	676,592	200,305	888,880
Restricted	-	-	8,288,339	8,288,339
Committed	-	2,365,587	-	2,365,587
Unassigned	(11,983)	-	-	(11,983)
TOTAL FUND BALANCES	-	3,042,179	8,488,644	11,530,823
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,759,292	\$ 4,714,444	\$ 9,941,489	\$ 21,415,225

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, 2016

	School Federal Projects	School General Projects	Central Cafeteria	Total Nonmajor Governmental Funds
Revenues				
Licenses and Permits	\$ -	\$ 1,805	\$ -	\$ 1,805
Charges for Current Services	-	965,175	5,461,070	6,426,245
Other Local Revenues	-	9,946,534	627,892	10,574,426
State of Tennessee	86,737	2,920,445	249,687	3,256,869
Federal Government	35,973,298	-	21,112,774	57,086,072
Other Governments and Citizen Groups	3,302,928	729,141	-	4,032,069
Payment from Component Unit	-	951,982	-	951,982
Total Revenues	39,362,963	15,515,082	27,451,423	82,329,468
Expenditures				
Education	38,821,777	21,938,863	26,194,791	86,955,431
Total Expenditures	38,821,777	21,938,863	26,194,791	86,955,431
Excess (Deficiency) of Revenues Over (Under) Expenditures	541,186	(6,423,781)	1,256,632	(4,625,963)
Other Financing Sources (Uses)				
Transfers from Other Funds	39,878	8,848,909	-	8,888,787
Transfers to Other Funds	(593,442)	(274,590)	(875,008)	(1,743,040)
Total Other Financing Sources (Uses)	(553,564)	8,574,319	(875,008)	7,145,747
Net Change in Fund Balances	(12,378)	2,150,538	381,624	2,519,784
Fund Balances, July 1	12,378	891,641	8,107,020	9,011,039
Fund Balances, June 30	\$ -	\$ 3,042,179	\$ 8,488,644	\$ 11,530,823

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Fund
Comparative Balance Sheets
June 30, 2016 and 2015

	2016	2015
ASSETS		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 6,665,776	\$ 14,227,417
Due From Other Funds	81,533	57,990
Prepaid Items	11,983	25,577
TOTAL ASSETS	<u>\$ 6,759,292</u>	<u>\$ 14,310,984</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 581,933	\$ 1,034,955
Due to Other Funds	6,136,347	13,131,487
Due to Primary Government	41,012	38,525
Unearned Revenue	-	93,639
TOTAL LIABILITIES	<u>6,759,292</u>	<u>14,298,606</u>
Fund Balances:		
Nonspendable	11,983	25,577
Unassigned	(11,983)	(13,199)
TOTAL FUND BALANCES	<u>-</u>	<u>12,378</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,759,292</u>	<u>\$ 14,310,984</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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Revenues		
State of Tennessee	\$ 86,737	\$ 115,489
Federal Government	35,973,298	34,912,984
Other Governments and Citizen Groups	<u>3,302,928</u>	<u>4,719,294</u>
Total Revenues	<u>39,362,963</u>	<u>39,747,767</u>
Expenditures		
Current:		
Education	<u>38,821,777</u>	<u>39,246,578</u>
Total Expenditures	<u>38,821,777</u>	<u>39,246,578</u>
Excess of Revenues Over Expenditures	<u>541,186</u>	<u>501,189</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	39,878	62,089
Transfers to Other Funds	<u>(593,442)</u>	<u>(563,278)</u>
Total Other Financing Uses	<u>(553,564)</u>	<u>(501,189)</u>
Net Change in Fund Balances	(12,378)	-
Fund Balances, July 1	<u>12,378</u>	<u>12,378</u>
Fund Balances, June 30	<u>\$ -</u>	<u>\$ 12,378</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Fund
Comparative Schedules of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
State of Tennessee	\$ -	\$ 124,174	\$ 86,737	\$ (37,437)	\$ 144,258	\$ 115,489	\$ (28,769)	
Federal Government	-	41,663,750	35,973,298	(5,690,452)	42,329,984	34,912,984	(7,417,000)	
Other Governments and Citizen Groups	-	4,313,526	3,302,928	(1,010,598)	7,318,775	4,719,294	(2,599,481)	
Total Revenues	-	46,101,450	39,362,963	(6,738,487)	49,793,017	39,747,767	(10,045,250)	
Expenditures								
Current:								
Education:								
Personal Services	-	25,888,691	24,293,641	1,595,050	30,520,839	25,495,508	5,025,331	
Employee Benefits	-	6,527,401	5,887,918	639,483	7,317,784	6,050,059	1,267,725	
Contracted Services	-	1,967,404	1,389,122	578,282	2,601,311	1,958,351	642,960	
Supplies and Materials	-	2,508,474	1,970,098	538,376	3,105,150	1,646,403	1,458,747	
Other Charges	-	4,361,388	2,047,084	2,314,304	1,987,688	1,193,036	794,652	
Capital Outlay	-	4,341,755	3,233,914	1,107,841	3,633,881	2,903,221	730,660	
Total Expenditures	-	45,595,113	38,821,777	6,773,336	49,166,653	39,246,578	9,920,075	
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	506,337	541,186	34,849	626,364	501,189	(125,175)	
Other Financing Sources (Uses)								
Transfer from Other Funds	-	36,734	39,878	3,144	38,056	62,089	24,033	
Transfer to Other Funds	-	(543,071)	(593,442)	(50,371)	(664,420)	(563,278)	101,142	
Total Other Financing Sources (Uses)	-	(506,337)	(553,564)	(47,227)	(626,364)	(501,189)	125,175	
Net Change in Fund Balances	-	-	(12,378)	(12,378)	-	-	-	
Fund Balances, July 1	12,378	12,378	12,378	-	12,378	12,378	-	
Fund Balances, June 30	<u>\$ 12,378</u>	<u>\$ 12,378</u>	<u>\$ -</u>	<u>\$ (12,378)</u>	<u>\$ 12,378</u>	<u>\$ 12,378</u>	<u>\$ -</u>	

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, 2016 and 2015**

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 1,820,031	\$ 3,635,062
Receivables (Net of Allowance for Uncollectibles):		
Accounts	947,730	1,545,332
Due from Other Funds	1,270,091	4,417,496
Prepaid Items	43,456	999
Inventories	633,136	761,404
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 4,714,444</u>	<u>\$ 10,360,293</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 313,300	\$ 276,465
Due to Primary Government	7,351	8,377
Due to Other Funds	672,446	5,909,634
Unearned Revenue	679,168	3,274,176
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>1,672,265</u>	<u>9,468,652</u>
 Fund Balances:		
Nonspendable	676,592	762,403
Committed	2,365,587	129,238
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>3,042,179</u>	<u>891,641</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,714,444</u></u>	<u><u>\$ 10,360,293</u></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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Revenues		
Licenses and Permits	\$ 1,805	\$ 2,333
Charges for Current Services	965,175	707,175
Other Local Revenues	9,946,534	6,060,698
State of Tennessee	2,920,445	4,311,532
Other Governments and Citizens Groups	729,141	992,790
Payments from Component Unit	<u>951,982</u>	<u>2,162,546</u>
Total Revenues	<u>15,515,082</u>	<u>14,237,074</u>
Expenditures		
Current:		
Education	<u>21,938,863</u>	<u>21,997,417</u>
Deficiency of Revenues Under Expenditures	<u>(6,423,781)</u>	<u>(7,760,343)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	8,848,909	5,212,792
Transfers to Other Funds	<u>(274,590)</u>	<u>-</u>
Total Other Financing Sources	<u>8,574,319</u>	<u>5,212,792</u>
Net Change in Fund Balances	2,150,538	(2,547,551)
Fund Balances, July 1	<u>891,641</u>	<u>3,439,192</u>
Fund Balances, June 30	<u>\$ 3,042,179</u>	<u>\$ 891,641</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 (GAAP Basis)
For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Licenses and Permits	\$ -	\$ 2,300	\$ 1,805	\$ (495)	\$ -	\$ 2,333	\$ 2,333	
Charges for Current Services	-	904,027	965,175	61,148	945,966	707,175	(238,791)	
Other Local Revenues	-	10,880,858	9,946,534	(934,324)	10,560,067	6,060,698	(4,499,369)	
State of Tennessee	-	3,735,477	2,920,445	(815,032)	4,629,116	4,311,532	(317,584)	
Payments from Component Unit	-	-	951,982	951,982	1,376,368	2,162,546	786,178	
Payments from Primary Government	-	-	-	-	2,039,427	-	(2,039,427)	
Other Governments and Citizens Groups	-	1,791,522	729,141	(1,062,381)	1,231,823	992,790	(239,033)	
Total Revenues	-	17,314,184	15,515,082	(1,799,102)	20,782,767	14,237,074	(6,545,693)	
Expenditures								
Current:								
Education:								
Personal Services	-	7,302,068	6,733,663	568,405	8,181,503	6,330,370	1,851,133	
Employee Benefits	-	1,761,283	1,612,044	149,239	1,917,267	1,585,985	331,282	
Contracted Services	-	4,343,024	3,823,930	519,094	2,194,053	1,503,862	690,191	
Supplies and Materials	-	11,464,809	9,521,161	1,943,648	14,121,496	12,129,677	1,991,819	
Other Charges	-	316,266	227,107	89,159	583,699	333,594	250,105	
Capital Outlay	-	1,166,545	20,958	1,145,587	1,258,330	113,929	1,144,401	
Total Expenditures	-	26,353,995	21,938,863	4,415,132	28,256,348	21,997,417	6,258,931	
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(9,039,811)	(6,423,781)	2,616,030	(7,473,581)	(7,760,343)	(286,762)	
Other Financing Sources (Uses)								
Transfers from Other Funds	-	8,926,442	8,848,909	(77,533)	7,473,581	5,212,792	(2,260,789)	
Transfers to Other Funds	-	-	(274,590)	(274,590)	-	-	-	
Total Other Financing Sources (Uses)	-	8,926,442	8,574,319	(352,123)	7,473,581	5,212,792	(2,260,789)	
Net Change in Fund Balances	-	(113,369)	2,150,538	2,263,907	-	(2,547,551)	(2,547,551)	
Fund Balances, July 1	891,641	891,641	891,641	-	3,439,192	3,439,192	-	
Fund Balances, June 30	<u>\$ 891,641</u>	<u>\$ 778,272</u>	<u>\$ 3,042,179</u>	<u>\$ 2,263,907</u>	<u>\$ 3,439,192</u>	<u>\$ 891,641</u>	<u>\$ (2,547,551)</u>	

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, 2016 and 2015**

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 7,894,634	\$ 6,487,022
Receivables (Net of Allowance for Uncollectibles):		
Accounts	1,846,550	1,888,138
Inventories	200,305	342,006
TOTAL ASSETS	<u>\$ 9,941,489</u>	<u>\$ 8,717,166</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,143,014	\$ 316,882
Due to Other Funds	20,421	-
Unearned Revenue	289,410	293,264
TOTAL LIABILITIES	<u>1,452,845</u>	<u>610,146</u>
Fund Balances:		
Nonspendable	200,305	342,006
Restricted	8,288,339	7,765,014
TOTAL FUND BALANCES	<u>8,488,644</u>	<u>8,107,020</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,941,489</u>	<u>\$ 8,717,166</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, 2016 and 2015

	2016	2015
Revenues		
Charges for Current Services	\$ 5,461,070	\$ 5,549,635
Other Local Revenues	627,892	894,004
State of Tennessee	249,687	236,837
Federal Government	21,112,774	19,557,136
Total Revenues	27,451,423	26,237,612
Expenditures		
Current:		
Education:		
Food Service	26,194,791	25,319,476
Excess of Revenues Over Expenditures	1,256,632	918,136
Other Financing Uses		
Transfers to Other Funds	(875,008)	(745,008)
Net Change in Fund Balances	381,624	173,128
Fund Balances, July 1	8,107,020	7,933,892
Fund Balances, June 30	\$ 8,488,644	\$ 8,107,020

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Central Cafeteria Fund
Comparative Schedules of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the Years Ended June 30, 2016 and 2015**

	2016				2015		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 6,713,938	\$ 6,713,938	\$ 5,461,070	\$ (1,252,868)	\$ 7,992,672	\$ 5,549,635	\$ (2,443,037)
Other Local Revenues	680,000	680,000	627,892	(52,108)	652,713	894,004	241,291
State of Tennessee	263,062	263,062	249,687	(13,375)	545,419	236,837	(308,582)
Federal Government	20,371,000	20,371,000	21,112,774	741,774	18,317,461	19,557,136	1,239,675
Total Revenues	28,028,000	28,028,000	27,451,423	(576,577)	27,508,265	26,237,612	(1,270,653)
Expenditures							
Current:							
Education:							
Food Service:							
Personal Services	8,500,000	8,500,000	8,233,568	266,432	8,411,500	8,411,478	22
Employee Benefits	2,621,000	2,621,000	2,396,016	224,984	2,778,128	2,378,114	400,014
Contracted Services	1,066,000	1,066,000	717,421	348,579	1,246,031	812,541	433,490
Supplies & Materials	13,885,000	13,934,257	13,172,235	762,022	13,226,022	12,586,508	639,514
Other Charges	881,000	881,000	791,003	89,997	915,500	836,235	79,265
Capital Outlay	200,000	438,418	884,548	(446,130)	323,500	294,600	28,900
Total Expenditures	27,153,000	27,440,675	26,194,791	1,245,884	26,900,681	25,319,476	1,581,205
Excess (Deficiency) of Revenues Over (Under) Expenditures	875,000	587,325	1,256,632	669,307	607,584	918,136	310,552
Other Financing Uses							
Transfers to Other Funds	(875,000)	(875,000)	(875,008)	(8)	(745,000)	(745,008)	(8)
Net Change in Fund Balances	-	(287,675)	381,624	669,299	(137,416)	173,128	310,544
Fund Balances, July 1	8,107,020	8,107,020	8,107,020	-	7,933,892	7,933,892	-
Fund Balances, June 30	\$ 8,107,020	\$ 7,819,345	\$ 8,488,644	\$ 669,299	\$ 7,796,476	\$ 8,107,020	\$ 310,544

KNOX COUNTY, TENNESSEE
Discretely Presented Component Unit
Knox County Board of Education
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 88,887	\$ 10,230,671
Investments, at Fair Value:		
Mutual Funds	3,024,464	-
Collective Investment Trusts	47,072,225	-
Corporate Bonds	1,005,011	-
U.S. Treasuries	4,082,611	-
Federal Agency Debt Securities	221,057	-
Federal Agency Mortgage Backed Securities	2,648,578	-
Total Investments	58,053,946	-
Receivables:		
Employee Contributions	247	-
Accrued Interest and Dividends	38,234	-
Other Assets	-	40,575
Total Receivables	38,481	40,575
Total Assets	58,181,314	10,271,246
LIABILITIES		
Accounts Payable and Accrued Liabilities	-	28,411
Accounts Payable - Administrative Expenses	77,796	-
Accounts Payable - Investments Purchased	55,776	-
Liability for Student Activities	-	10,242,835
Total Liabilities	133,572	\$ 10,271,246
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS	<u><u>\$ 58,047,742</u></u>	

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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	\$ 88,887	\$ 1,986,433
Investments, at Fair Value:		
Mutual Funds	3,024,464	3,156,170
Collective Investment Trusts	47,072,225	51,562,975
Corporate Bonds	1,005,011	792,719
U.S. Treasuries	4,082,611	3,967,724
Federal Agency Debt Securities	221,057	257,737
Federal Agency Mortgage Backed Securities	<u>2,648,578</u>	<u>2,751,202</u>
Total Investments	<u>58,053,946</u>	<u>62,488,527</u>
Receivables:		
Employee Contributions	247	789
Accrued Interest and Dividends	<u>38,234</u>	<u>38,467</u>
Total Receivables	<u>38,481</u>	<u>39,256</u>
Total Assets	<u>58,181,314</u>	<u>64,514,216</u>
LIABILITIES		
Accounts Payable - Administrative Expenses	77,796	89,552
Accounts Payable - Investments Purchased	<u>55,776</u>	<u>-</u>
Total Liabilities	<u>133,572</u>	<u>89,552</u>
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS	<u><u>\$ 58,047,742</u></u>	<u><u>\$ 64,424,664</u></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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ADDITIONS		
Contributions:		
Employer	\$ 832,401	\$ 1,134,241
Employee	<u>3,718</u>	<u>9,276</u>
Total Contributions	<u>836,119</u>	<u>1,143,517</u>
Investment Income (Loss):		
Interest and Dividend Income	387,093	411,072
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(483,914)</u>	<u>1,595,724</u>
Total Investment Income (Loss)	(96,821)	2,006,796
Less Investment Expense	<u>(339,930)</u>	<u>(274,597)</u>
Net Investment Income (Loss)	<u>(436,751)</u>	<u>1,732,199</u>
Total Additions	<u>399,368</u>	<u>2,875,716</u>
DEDUCTIONS		
Benefits and Refunds	6,654,509	6,617,276
Administrative Expenses	<u>121,781</u>	<u>274,678</u>
Total Deductions	<u>6,776,290</u>	<u>6,891,954</u>
CHANGE IN NET POSITION	(6,376,922)	(4,016,238)
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR	<u>64,424,664</u>	<u>68,440,902</u>
NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR	<u><u>\$ 58,047,742</u></u>	<u><u>\$ 64,424,664</u></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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets and Liabilities, July 1	\$ 8,886,223	\$ 8,627,720
Additions	21,553,248	19,878,672
Deductions	<u>(20,196,636)</u>	<u>(19,620,169)</u>
Assets and Liabilities, June 30	<u>\$ 10,242,835</u>	<u>\$ 8,886,223</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	250-258
<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	259-262
<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	263-265
<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	266-267
<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	268-270
<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)**

	2007	2008	2009	2010	2011	Restated 2012	2013	2014	2015	2016
Primary government										
Governmental activities										
Net investment in capital assets	\$ 333,733,504	\$ 349,499,226	\$ 298,546,888	\$ 292,183,224	\$ 281,020,672	\$ 276,642,614	\$ 290,649,727	\$ 284,908,028	\$ 267,497,791	\$ 267,670,250
Restricted	68,165,803	33,687,672	38,289,171	27,202,060	23,180,877	30,030,542	9,075,310	15,250,562	8,583,223	9,000,894
Unrestricted	(205,476,472)	(244,843,510)	(216,381,847)	(234,271,029)	(252,750,590)	(243,862,381)	(224,499,180)	(247,035,437)	(262,043,799)	(259,493,264)
Total primary governmental activities net position	<u>\$ 196,422,835</u>	<u>\$ 138,343,388</u>	<u>\$ 120,454,212</u>	<u>\$ 85,114,255</u>	<u>\$ 51,450,959</u>	<u>\$ 62,810,775</u>	<u>\$ 75,225,857</u>	<u>\$ 53,123,153</u>	<u>\$ 14,037,215</u>	<u>\$ 17,177,880</u>
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
Unrestricted	-	-	286,781	304,278	301,122	215,757	99,523	73,842	18,491	2,719
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,180,490</u>	<u>\$ 1,136,868</u>	<u>\$ 1,019,796</u>	<u>\$ 850,193</u>	<u>\$ 603,403</u>	<u>\$ 527,788</u>	<u>\$ 587,410</u>	<u>\$ 512,539</u>
Component units										
Investment in capital assets	\$ 287,591,285	\$ 308,057,666	\$ 317,191,247	\$ 316,329,152	\$ 340,624,791	\$ 356,215,731	\$ 397,859,173	\$ 412,116,052	\$ 411,265,432	\$ 407,165,376
Restricted	16,556,546	4,118,075	16,585,893	13,121,345	26,094,913	16,457,515	32,705,925	19,608,463	7,845,805	8,503,912
Unrestricted	79,856,696	58,586,611	29,308,255	44,027,622	62,159,294	103,278,242	59,856,270	51,357,504	(3,452,157)	23,021,644
Total component units activities net position	<u>\$ 384,004,527</u>	<u>\$ 370,762,352</u>	<u>\$ 363,085,395</u>	<u>\$ 373,478,119</u>	<u>\$ 428,878,998</u>	<u>\$ 475,951,488</u>	<u>\$ 490,421,368</u>	<u>\$ 483,082,019</u>	<u>\$ 415,659,080</u>	<u>\$ 438,690,932</u>
Total reporting unit activities net position	<u>\$ 580,427,362</u>	<u>\$ 509,105,740</u>	<u>\$ 484,720,097</u>	<u>\$ 459,729,242</u>	<u>\$ 481,349,753</u>	<u>\$ 539,612,456</u>	<u>\$ 566,250,628</u>	<u>\$ 536,732,960</u>	<u>\$ 430,283,705</u>	<u>\$ 456,381,351</u>

Note: 2012 balances have been restated to reflect prior period adjustments for the primary government and the Board of Education component unit, and to reflect the inclusion beginning in FY2013 of the Development Corporation of Knox County component unit.

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

KNOX COUNTY, TENNESSEE

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Primary government:										
Governmental activities:										
Finance and Administration	\$ 41,307,625	\$ 45,573,546	\$ 41,738,286	\$ 42,195,745	\$ 35,025,924	\$ 31,753,114	\$ 30,903,236	\$ 30,943,555	\$ 36,112,276	\$ 36,885,718
Finance and Administration - payment to component unit	4,148,000	6,385,000	4,018,649	3,823,874	3,823,874	3,823,874	6,653,874	6,753,874	6,553,874	9,553,874
Administration of Justice	15,277,291	16,211,461	15,651,510	15,691,782	24,277,040	22,434,728	22,734,428	23,299,693	24,414,379	25,571,043
Public Safety	66,374,696	68,125,715	71,388,947	74,109,826	72,135,474	72,565,353	73,855,455	77,888,346	82,717,157	88,917,847
Public Safety - payment to component unit	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	485,002
Public Health and Welfare	40,902,596	40,356,191	38,463,931	38,366,594	33,731,246	32,546,227	32,492,041	33,693,888	33,739,935	34,280,078
Public Health and Welfare - payment to component unit	256,628	166,628	166,628	256,628	256,628	256,628	256,628	211,628	166,628	166,628
Social and Cultural Services	22,529,501	21,148,707	21,651,989	21,594,069	21,140,636	19,036,194	19,130,136	19,921,048	20,521,029	21,782,470
Agricultural and Natural Resources	425,395	461,142	433,295	413,675	380,453	365,774	435,231	519,433	470,977	490,451
Other General Government	29,449,900	13,151,278	21,017,395	16,893,864	20,252,535	24,717,611	22,832,602	23,803,616	23,802,139	28,462,563
Other General Government - payment to component unit	-	-	-	-	-	-	675,000	600,000	600,000	625,000
Engineering & Public Works	24,647,845	22,815,377	23,605,027	24,009,373	24,045,860	21,964,447	23,555,325	25,155,488	26,515,062	26,950,361
Engineering & Public Works - payment to component unit	-	-	25,872	-	-	-	-	-	-	-
Education - payment to component unit	29,174,787	5,000,000	14,853,832	29,586,094	50,924,958	13,578,202	28,092,391	38,763,934	24,271,315	19,385,000
Debt Service - interest and fees	25,920,605	28,915,724	30,093,010	25,524,229	28,885,417	28,193,240	26,688,921	25,205,819	22,801,729	23,272,301
Debt Service - other	-	-	-	-	-	-	-	745,863	-	-
Total governmental activities	300,741,069	268,636,969	283,434,571	292,791,953	315,206,245	271,561,592	288,631,468	307,832,385	303,012,700	316,828,336
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
Total primary government expenses	\$ 300,741,069	\$ 268,636,969	\$ 283,898,708	\$ 293,753,631	\$ 316,250,654	\$ 272,709,195	\$ 289,756,033	\$ 308,769,989	\$ 304,012,790	\$ 317,891,963
Component units:										
Board of Education	\$ 429,883,031	\$ 462,569,748	\$ 470,348,600	\$ 480,162,339	\$ 481,991,842	\$ 503,634,777	\$ 526,960,365	\$ 560,610,890	\$ 525,410,160	\$ 529,205,667
Nonmajor Component Units	6,600,806	6,777,287	6,986,393	6,708,481	6,656,575	6,461,195	7,194,181	7,397,708	7,538,326	9,131,983
Total component units expenses	\$ 436,483,837	\$ 469,347,035	\$ 477,334,993	\$ 486,870,820	\$ 488,648,417	\$ 510,095,972	\$ 534,154,546	\$ 568,008,598	\$ 532,948,486	\$ 538,337,650
Total reporting unit expenses	\$ 737,224,906	\$ 737,984,004	\$ 761,233,701	\$ 780,624,451	\$ 804,899,071	\$ 782,805,167	\$ 823,910,579	\$ 876,778,587	\$ 836,961,276	\$ 856,229,613

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

Continued

KNOX COUNTY, TENNESSEE

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Primary government:										
Governmental activities:										
Charges for Services:										
Finance and Administration	\$ 20,508,747	\$ 23,475,489	\$ 18,291,849	\$ 19,541,913	\$ 19,359,362	\$ 21,247,575	\$ 21,290,699	\$ 20,581,958	\$ 20,505,947	\$ 32,374,363
Administration of Justice	11,190,419	12,348,218	10,535,989	9,990,310	10,101,442	10,129,539	10,382,380	10,042,760	9,774,864	2,908,229
Public Safety	499,320	983,881	1,333,523	1,330,976	1,439,718	4,478,725	2,759,919	3,305,146	4,012,396	4,680,091
Public Health and Welfare	5,182,137	4,283,390	4,252,529	4,050,480	4,244,236	4,705,246	4,997,021	5,834,345	6,163,000	6,854,390
Social and Cultural Services	1,193,157	1,327,729	1,324,927	1,117,171	880,631	949,557	950,683	885,537	778,733	771,108
Other General Government	1,984,775	88,337	249,935	85,295	689,972	592,251	290,846	282,845	298,127	303,569
Engineering & Public Works	-	20,105	214,851	652,250	436,570	758,766	883,998	267,125	122,259	142,101
Operating grants and contributions	20,535,731	15,232,355	13,162,718	16,546,478	18,111,952	13,941,943	14,465,074	15,068,332	22,712,505	21,710,980
Total governmental activities	61,094,286	57,759,504	49,366,321	53,314,873	55,263,883	56,803,602	56,020,620	56,268,048	64,367,831	69,744,831
Business-type activities:										
Three Ridges Golf Course	-	-	462,055	918,056	927,337	978,000	877,775	861,989	798,212	788,756
Total primary government program revenues	<u>\$ 61,094,286</u>	<u>\$ 57,759,504</u>	<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>
Component units:										
Charges for Services:										
Board of Education	\$ 13,452,161	\$ 13,744,165	\$ 12,545,538	\$ 14,558,045	\$ 16,621,446	\$ 15,778,275	\$ 16,681,836	\$ 15,155,847	\$ 14,073,126	\$ 18,407,724
Nonmajor Component Units	3,562,338	5,605,505	6,215,901	6,209,957	6,132,513	6,457,347	6,499,035	6,078,468	6,035,939	6,533,341
Operating grants and contributions	174,417,041	50,968,461	55,064,528	75,166,748	82,127,060	75,304,345	70,894,629	68,863,832	71,924,758	71,824,933
Capital grants and contributions	-	-	-	-	-	-	747,638	883,814	-	-
Total component units program revenues	<u>\$ 191,431,540</u>	<u>\$ 70,318,131</u>	<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>
Total reporting unit program revenues	<u>\$ 252,525,826</u>	<u>\$ 128,077,635</u>	<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>
Net (expenses)/revenues										
Primary government activities	\$ (239,646,783)	\$ (210,877,465)	\$ (234,070,332)	\$ (239,520,702)	\$ (260,059,434)	\$ (214,927,593)	\$ (232,857,638)	\$ (251,639,952)	\$ (238,846,747)	\$ (247,358,376)
Component units	(245,052,297)	(399,028,904)	(403,509,026)	(390,936,070)	(383,767,398)	(412,556,005)	(439,331,408)	(477,026,637)	(440,914,663)	(441,571,652)
Total net (expenses) revenues for reporting unit	<u>\$ (484,699,080)</u>	<u>\$ (609,906,369)</u>	<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>

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

Continued

KNOX COUNTY, TENNESSEE

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Primary government:										
Governmental activities:										
Taxes										
Property taxes	\$ 128,874,750	\$ 140,608,170	\$ 134,655,757	\$ 142,138,781	\$ 139,862,073	\$ 144,007,522	\$ 144,007,522	\$ 145,415,011	\$ 166,869,259	\$ 170,481,050
Sales taxes	9,952,384	8,987,868	9,708,315	10,433,188	11,076,254	11,815,046	11,815,046	11,133,979	12,650,210	11,960,270
Lodging taxes	5,382,819	4,815,765	4,830,079	5,152,412	5,696,181	5,547,738	5,547,738	5,860,554	6,602,861	7,993,988
Business taxes	6,629,276	7,440,271	6,332,408	7,347,327	7,782,614	8,709,692	8,709,692	7,566,636	8,210,298	9,301,725
Wheel taxes	10,636,138	10,570,144	10,471,856	10,937,485	10,835,470	10,936,500	10,936,500	11,448,102	11,421,728	11,552,326
Other local taxes	3,793,818	4,317,993	4,669,629	4,620,907	2,935,940	4,942,341	4,942,341	4,970,986	5,000,245	5,102,439
Investment revenue	5,641,188	2,936,051	(1,678,577)	3,204,476	(4,260,317)	7,779,556	7,779,556	2,248,955	2,201,014	702,349
Other revenues	36,856,107	36,821,934	38,280,459	38,088,691	54,072,973	50,760,348	50,760,348	47,499,852	31,022,620	32,287,205
Contracts - other governments and citizens	419,470	851,750	294,120	1,236,916	96,628	264,452	264,452	728,102	381,842	296,117
Miscellaneous	1,122,914	11,700	517,094	3,118,883	667,645	262,735	262,735	966,103	828,323	746,701
Transfers	-	(1,182,572)	-	-	-	-	-	-	(250,000)	(200,000)
Total governmental activities	209,308,864	216,179,074	208,081,140	226,279,066	228,765,461	245,025,930	245,025,930	237,838,280	244,938,400	250,224,170
Business-type activities:										
Transfers	-	1,182,572	-	-	-	-	-	-	250,000	200,000
Total primary government	\$ 209,308,864	\$ 217,361,646	\$ 208,081,140	\$ 226,279,066	\$ 228,765,461	\$ 245,025,930	\$ 245,025,930	\$ 237,838,280	\$ 245,188,400	\$ 250,424,170
Component units:										
Taxes										
Property taxes	\$ 102,342,297	\$ 107,324,525	\$ 106,737,074	\$ 112,371,639	\$ 110,866,194	\$ 113,862,764	\$ 113,862,764	\$ 115,339,172	\$ 97,227,919	\$ 98,932,121
Sales taxes	125,522,010	116,296,501	114,769,928	119,973,142	128,588,400	127,612,963	127,612,963	128,518,755	136,469,187	144,321,391
Wheel taxes	1,500,030	1,490,723	1,494,272	1,525,119	1,501,397	1,515,396	1,515,396	1,561,822	1,607,094	1,600,726
Other local taxes	1,352,978	554,495	1,065,154	1,006,769	1,039,271	1,019,405	1,019,405	1,073,324	1,033,373	1,082,452
Investment revenue	1,739,023	418,377	120,512	132,360	42,669	166,662	166,662	229,295	286,000	498,372
Payments from component units	-	-	-	-	-	-	-	-	2,162,546	-
Payments from primary government	11,877,828	19,391,181	33,992,796	55,331,660	17,984,904	36,044,093	36,044,093	46,655,636	31,918,017	30,215,504
Other revenues	-	4,525,727	1,420,641	1,372,773	1,475,328	1,913,690	1,913,690	1,369,610	2,822,218	2,309,611
Contracts - other governments and citizens	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	78,725	78,725	90,080	5,658,174	368,295
Miscellaneous	-	-	109,577	4	503,211	377,361	377,361	219,340	122,317	88,892
Grants and Contributions Not Restricted for Specific Programs	142,038,000	144,111,400	139,899,700	145,735,671	161,206,791	171,210,229	171,210,229	175,368,140	176,444,300	185,186,140
Total component units	\$ 388,091,306	\$ 395,832,069	\$ 401,328,794	\$ 439,168,277	\$ 424,927,305	\$ 453,801,288	\$ 453,801,288	\$ 470,425,174	\$ 455,751,145	\$ 464,603,504
Total reporting unit	\$ 597,400,170	\$ 613,193,715	\$ 609,409,934	\$ 665,447,343	\$ 653,692,766	\$ 698,827,218	\$ 698,827,218	\$ 708,263,454	\$ 700,939,545	\$ 715,027,674
Change in Net Position										
Primary government activities	\$ (30,337,919)	\$ 6,484,181	\$ (25,989,192)	\$ (13,241,636)	\$ (31,293,973)	\$ 30,098,337	\$ 12,168,292	\$ (13,801,672)	\$ 6,341,653	\$ 3,065,794
Component units activities	143,039,009	(3,196,835)	(2,180,232)	48,232,207	41,159,907	41,245,283	14,469,880	(6,601,463)	14,836,482	23,031,852
Total reporting unit	\$ 112,701,090	\$ 3,287,346	\$ (28,169,424)	\$ 34,990,571	\$ 9,865,934	\$ 71,343,620	\$ 26,638,172	\$ (20,403,135)	\$ 21,178,135	\$ 26,097,646

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

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
2007	124,861,193	10,031,562	5,286,419	6,651,425	10,347,460	3,667,617	160,845,676
2008	128,874,750	9,952,384	5,382,819	6,629,276	10,636,138	3,793,818	165,269,185
2009	140,608,170	8,987,868	4,815,765	7,440,271	10,570,144	4,317,993	176,740,211
2010	134,655,757	9,708,315	4,830,079	6,332,408	10,471,856	4,669,629	170,668,044
2011	142,138,781	10,433,188	5,152,412	7,347,327	10,937,485	4,620,907	180,630,100
2012	139,862,073	11,076,254	5,696,181	7,782,614	10,835,470	2,935,940	178,188,532
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

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
2007	97,724,691	125,062,455	1,459,461	1,276,897	225,523,504
2008	102,342,297	125,522,010	1,500,030	1,352,978	230,717,315
2009	107,324,525	116,296,501	1,490,723	554,495	225,666,244
2010	106,737,074	114,769,928	1,494,272	1,065,154	224,066,428
2011	112,371,639	119,973,142	1,525,119	1,006,769	234,876,669
2012	110,866,194	128,588,400	1,501,397	1,039,271	241,995,262
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

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
2007	222,585,884	135,094,017	5,286,419	6,651,425	11,806,921	4,944,514	386,369,180
2008	231,217,047	135,474,394	5,382,819	6,629,276	12,136,168	5,146,796	395,986,500
2009	247,932,695	125,284,369	4,815,765	7,440,271	12,060,867	4,872,488	402,406,455
2010	241,392,831	124,478,243	4,830,079	6,332,408	11,966,128	5,734,783	394,734,472
2011	254,510,420	130,406,330	5,152,412	7,347,327	12,462,604	5,627,676	415,506,769
2012	250,728,267	139,664,654	5,696,181	7,782,614	12,336,867	3,975,211	420,183,794
2013	257,870,286	139,428,009	5,547,738	8,709,692	12,451,896	5,961,746	429,969,367
2014	260,754,183	139,652,734	5,860,554	7,566,636	13,009,924	6,044,310	432,888,341
2015	264,097,178	149,119,397	6,602,861	8,210,298	13,028,822	6,033,618	447,092,174
2016	269,413,171	156,281,661	7,993,988	9,301,725	13,153,052	6,184,891	462,328,488

KNOX COUNTY, TENNESSEE

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

	Fiscal Year									
	2007	2008	2009	2010	2011	Restated 2012	2013	2014	2015	2016
General fund										
Reserved	\$ 9,306,651	\$ 11,024,655	\$ 9,080,512	\$ 8,382,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	46,495,324	48,348,469	44,197,261	43,415,759	-	-	-	-	-	-
Nonspendable	-	-	-	-	5,880,449	6,182,114	7,249,342	6,760,134	5,933,564	5,962,005
Restricted	-	-	-	-	2,212,749	2,787,302	2,798,061	2,557,432	2,426,638	2,450,091
Committed	-	-	-	-	9,294	5,596,444	3,675,473	2,342,583	4,405,300	2,297,348
Assigned	-	-	-	-	957,967	465,211	1,089,640	1,401,378	1,130,360	789,441
Unassigned	-	-	-	-	43,521,876	44,259,130	51,452,742	53,026,996	55,853,075	60,783,057
Total general fund	<u>\$ 55,801,975</u>	<u>\$ 59,373,124</u>	<u>\$ 53,277,773</u>	<u>\$ 51,797,913</u>	<u>\$ 52,582,335</u>	<u>\$ 59,290,201</u>	<u>\$ 66,265,258</u>	<u>\$ 66,088,523</u>	<u>\$ 69,748,937</u>	<u>\$ 72,281,942</u>
All other governmental funds										
Reserved	\$ 21,463,450	\$ 10,173,788	\$ 13,950,926	\$ 22,514,296	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue constitutional officers	3,826,048	5,405,844	3,831,682	2,387,038	-	-	-	-	-	-
Capital projects public improvement	(9,257,333)	(28,415,905)	12,367,955	(4,050,370)	-	-	-	-	-	-
Debt service	26,617,102	24,383,887	17,757,274	15,753,733	-	-	-	-	-	-
Other governmental funds	12,742,029	13,448,644	9,879,284	6,658,756	-	-	-	-	-	-
Nonspendable	-	-	-	-	5,910,592	5,776,505	5,762,434	3,953,715	3,958,516	114,681
Restricted	-	-	-	-	20,968,128	27,243,240	6,277,249	12,693,130	18,807,905	12,528,271
Committed	-	-	-	-	22,133,322	23,331,278	25,942,402	29,062,822	27,427,505	31,353,805
Assigned	-	-	-	-	-	2,199,988	3,657,378	3,986,924	3,929,333	5,226,787
Total all other governmental funds	<u>\$ 55,391,296</u>	<u>\$ 24,996,258</u>	<u>\$ 57,787,121</u>	<u>\$ 43,263,453</u>	<u>\$ 49,012,042</u>	<u>\$ 58,551,011</u>	<u>\$ 41,639,463</u>	<u>\$ 49,696,591</u>	<u>\$ 54,123,259</u>	<u>\$ 49,223,544</u>

Note: 2012 General Fund and Debt Service Fund have been restated to reflect prior period adjustments.

GASB Statement Number 54 implemented in fiscal year 2011.

KNOX COUNTY, TENNESSEE

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 161,129,442	\$ 165,894,884	\$ 169,892,631	\$ 171,522,503	\$ 178,306,446	\$ 182,423,476	\$ 186,718,795	\$ 187,406,586	\$ 210,705,075	\$ 216,489,866
Licenses and permits	3,623,663	3,696,245	3,415,502	3,252,786	3,342,613	3,586,182	3,701,844	3,827,598	4,214,130	4,415,268
Fines, forfeitures and penalties	4,126,768	4,366,159	4,114,621	3,428,205	2,247,102	2,814,573	3,635,407	2,949,034	3,209,888	3,530,766
Charges for current services	27,931,145	30,467,122	25,843,423	26,838,941	26,977,222	27,430,317	30,445,612	31,070,318	31,212,825	35,719,504
Other local revenues	2,590,971	10,018,778	5,049,121	4,787,595	8,660,028	8,570,876	10,503,513	8,535,982	7,897,144	8,949,632
State of Tennessee	21,319,794	19,645,086	17,799,336	18,913,035	16,997,956	18,284,332	19,339,165	18,137,895	23,753,472	22,036,568
Federal government	8,635,219	7,834,280	6,534,996	9,290,911	12,117,880	11,120,469	10,233,153	11,238,152	11,797,202	10,245,233
Other governments and citizen groups	3,830,345	1,738,118	1,347,906	640,110	1,669,274	1,454,345	1,103,013	723,019	646,219	1,210,967
Investment earnings	8,180,389	173,206	794,846	174,952	1,037,903	2,111,750	2,214,606	2,023,800	15,686	18,121
Payments from component units	23,229,518	23,614,046	24,914,174	26,432,876	26,227,344	36,728,191	32,601,668	31,929,023	10,000,000	13,022,088
Increase in equity interest in joint venture	713,764	46,412	-	-	349,085	331,142	918,162	-	-	-
Total revenues	<u>265,484,393</u>	<u>267,694,033</u>	<u>259,880,386</u>	<u>265,281,914</u>	<u>277,932,853</u>	<u>294,855,653</u>	<u>301,414,938</u>	<u>297,841,407</u>	<u>303,451,641</u>	<u>315,638,013</u>
Expenditures										
Finance and administration	41,092,636	42,994,827	40,263,423	40,628,916	33,375,623	31,446,206	30,320,994	30,536,305	32,274,270	32,919,977
Finance and administration - payments to component unit	4,148,000	6,385,000	4,018,649	3,823,874	3,823,874	3,823,874	6,653,874	6,753,874	6,553,874	9,553,874
Administration of justice	12,477,574	13,635,809	13,141,252	13,060,783	23,761,351	21,973,316	22,221,820	22,787,276	23,901,527	25,031,458
Public safety	64,460,665	66,148,272	69,556,725	72,519,183	72,338,730	71,190,474	72,956,418	74,958,904	77,669,646	81,167,409
Public safety - payments to component unit	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	485,002
Public health and welfare	39,407,838	39,351,120	37,443,749	37,113,902	32,481,343	31,426,565	31,366,064	32,819,696	32,936,876	33,506,591
Public health and welfare - payments to component unit	256,628	166,628	166,628	256,628	256,628	256,628	256,628	211,628	166,628	166,628
Social and cultural services	17,697,777	17,868,031	19,224,930	18,490,914	18,082,432	16,594,500	16,367,637	17,294,876	17,763,250	19,111,368
Agricultural and natural resources	425,395	461,142	433,295	413,675	380,453	365,774	435,231	519,433	470,977	490,451
Other general government	14,173,623	13,878,441	14,588,454	14,871,749	19,777,716	18,887,075	20,439,302	21,365,998	22,879,165	23,518,670
Other general government - payments to component unit	-	-	-	-	-	-	-	600,000	600,000	625,000
Engineering & Public Works	11,228,081	11,096,021	12,130,049	11,875,623	11,736,732	10,498,407	10,873,216	11,782,056	12,203,508	13,454,304
Decrease in equity interest in joint venture	-	-	20,682	528,848	-	-	-	493,210	931,800	153,036
Debt proceeds paid to component unit	18,550,000	-	14,000,000	14,822,428	29,004,906	13,578,202	13,182,024	38,763,934	24,271,315	19,385,000
Debt issuance cost	340,537	489,154	368,000	247,856	441,307	106,387	-	745,863	209,442	196,957
Capital Outlay	47,004,907	26,612,521	18,427,009	22,814,409	8,975,940	8,146,618	29,757,038	18,415,728	18,251,855	26,594,126
Debt Service:										
Principal	22,980,467	24,185,467	28,550,620	31,080,467	34,695,467	35,615,702	37,766,083	40,630,308	43,975,347	44,203,336
Interest	25,102,520	27,307,441	29,218,581	22,292,340	25,297,513	25,888,063	24,982,926	23,577,780	20,716,774	20,742,805
Other charges	1,309,719	2,064,509	1,965,036	3,691,792	3,955,168	3,399,500	2,517,892	2,308,689	2,987,837	2,608,420
Total expenditures	<u>331,732,567</u>	<u>297,970,583</u>	<u>303,869,154</u>	<u>308,859,587</u>	<u>318,711,383</u>	<u>293,523,491</u>	<u>320,423,347</u>	<u>344,891,758</u>	<u>339,090,291</u>	<u>353,914,412</u>
Excess (deficiency) of revenues over (under) expenditures	(66,248,174)	(30,276,550)	(43,988,768)	(43,577,673)	(40,778,530)	1,332,162	(19,008,409)	(47,050,351)	(35,638,650)	(38,276,399)
Other financing sources (uses)										
Transfers in	26,009,546	23,608,526	25,711,520	25,795,690	9,942,342	16,198,023	17,216,767	15,910,827	12,166,476	15,138,360
Transfers out	(27,309,546)	(80,419,372)	(28,898,609)	(26,010,479)	(9,882,229)	(18,439,226)	(21,326,873)	(21,240,907)	(12,810,239)	(17,334,687)
Capital lease proceeds	-	-	-	11,651,171	-	-	13,182,024	14,872,404	12,450,000	-
Refunding bonds issued	-	-	-	4,550,000	62,675,000	21,505,000	-	-	72,860,000	-
Bonds issued	69,000,000	57,000,000	40,000,000	16,000,000	46,236,000	14,400,000	-	39,075,000	30,040,000	35,900,000
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
Premium on refunding bonds	-	-	-	-	-	-	-	-	1,716,531	-
Payments to holders of refunded debt	-	-	-	(4,620,000)	(64,118,485)	(22,469,358)	-	-	(74,181,478)	-
Notes issued	-	3,263,507	33,538,969	-	-	5,000,000	-	-	-	-
Total other financing sources (uses)	<u>67,700,000</u>	<u>3,452,661</u>	<u>70,684,280</u>	<u>27,574,145</u>	<u>47,311,541</u>	<u>17,562,328</u>	<u>9,071,918</u>	<u>54,930,744</u>	<u>43,725,732</u>	<u>35,909,689</u>
Net change in fund balances	<u>\$ 1,451,826</u>	<u>\$ (26,823,889)</u>	<u>\$ 26,695,512</u>	<u>\$ (16,003,528)</u>	<u>\$ 6,533,011</u>	<u>\$ 18,894,490</u>	<u>\$ (9,936,491)</u>	<u>\$ 7,880,393</u>	<u>\$ 8,087,082</u>	<u>\$ (2,366,710)</u>
Debt service as a percentage of noncapital expenditures	15.94%	19.07%	20.37%	18.71%	19.74%	21.93%	20.75%	19.67%	20.16%	19.92%

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						
2006	4,795,547,769	2,401,268,570	546,690,987	256,025,735	7,999,533,061	2.69	27,150,758,168	29.46%
2007	5,053,616,147	2,505,298,728	502,485,204	244,990,311	8,306,390,390	2.69	28,594,498,618	29.05%
2008	5,264,657,656	2,612,533,383	516,452,576	254,125,962	8,647,769,577	2.69	29,773,941,112	29.04%
2009	6,358,249,122	2,886,901,400	555,839,420	278,517,456	10,079,507,398	2.36	34,787,993,565	28.97%
2010	6,293,115,819	3,098,030,754	530,130,578	263,158,114	10,184,435,265	2.36	35,165,465,471	28.96%
2011	6,337,198,159	3,191,939,572	536,664,800	272,395,481	10,338,198,012	2.36	35,615,443,029	29.03%
2012	6,399,640,948	3,282,240,042	586,781,514	269,579,260	10,538,241,764	2.36	36,758,399,385	28.67%
2013	6,451,467,630	3,493,787,892	614,675,259	271,557,298	10,831,488,079	2.32	37,593,555,267	28.81%
2014	6,521,883,965	3,566,416,256	630,293,508	277,646,472	10,996,240,201	2.32	38,196,474,846	28.79%
2015	6,599,578,484	3,684,495,581	619,342,704	281,892,638	11,185,309,407	2.32	38,720,123,301	28.89%

Source: Knox County, Tennessee Trustee Department.

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

Real Property: Residential and Farm at 25% of value

Commercial and Industrial at 40% of value

Personal property at 30% of value

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

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Knox County Direct Rates										
General	\$ 1.24	\$ 1.13	\$ 1.10	\$ 0.97	\$ 0.97	\$ 0.97	\$ 0.97	\$ 0.96	\$ 0.96	\$ 0.97
Public Library	-	-	-	-	-	-	-	-	-	-
Solid Waste	-	-	-	-	-	-	-	-	-	-
Debt Service	0.22	0.33	0.36	0.31	0.31	0.31	0.31	0.30	0.48	0.47
ADA Construction	-	-	-	-	-	-	-	-	-	-
Schools	1.23	1.23	1.23	1.08	1.08	1.08	1.08	1.06	0.88	0.88
Total direct rate	2.69	2.69	2.69	2.36	2.36	2.36	2.36	2.32	2.32	2.32
City of Knoxville Rates	2.81	2.81	2.81	2.46	2.46	2.46	2.46	2.39	2.73	2.73
Total direct & overlapping rates	<u>\$ 5.50</u>	<u>\$ 5.50</u>	<u>\$ 5.50</u>	<u>\$ 4.82</u>	<u>\$ 4.82</u>	<u>\$ 4.82</u>	<u>\$ 4.82</u>	<u>\$ 4.71</u>	<u>\$ 5.05</u>	<u>\$ 5.05</u>

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

KNOX COUNTY, TENNESSEE

**Principal Property Taxpayers
Tax Year 2015 and Nine Years Ago
(Unaudited)**

<u>Taxpayer</u>	Tax Year 2015			Tax Year 2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Metro Knoxville	\$ 62,023,720	1	0.55%	\$ -	-	-
Bellsouth Telecommunications	57,971,024	2	0.52%	78,974,107	1	0.99%
Verion Wireless	32,699,211	3	0.29%	-	-	-
AT&T Mobility	29,611,896	4	0.26%	-	-	-
West Town Mall	27,749,840	5	0.25%	37,718,880	2	0.47%
Exedy America Corp	16,889,854	6	0.15%	-	-	-
Tennessee Holding	14,800,000	7	0.13%	-	-	-
Hart	14,578,840	8	0.13%	-	-	-
UPS, Inc.	14,345,446	9	0.13%	-	-	-
Norfolk Southern	12,720,951	10	0.11%	18,980,883	4	0.24%
Knoxville Center	-	-	-	22,415,540	3	0.28%
Parkway Properties	-	-	-	13,274,480	5	0.17%
Harvard Behringer	-	-	-	12,751,840	6	0.16%
Fort Sanders Alliance	-	-	-	11,581,560	7	0.15%
Concord Telephone Exchange	-	-	-	10,929,719	8	0.14%
East Tennessee Baptist Hospital	-	-	-	7,603,480	9	0.10%
U Dean Hall (Walkers Crossing)	-	-	-	7,587,080	10	0.10%
Totals	\$ 283,390,782		2.52%	\$ 221,817,569		2.80%

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
2007	214,463	207,118	96.6%	7,201	214,319	99.9%
2008	223,238	215,195	96.4%	7,864	223,059	99.9%
2009	232,350	221,475	95.3%	10,566	232,041	99.9%
2010	237,445	227,064	95.6%	9,939	237,003	99.8%
2011	240,039	230,908	96.2%	8,558	239,466	99.8%
2012	243,770	234,803	96.3%	8,167	242,970	99.7%
2013	248,554	240,734	96.9%	6,756	247,490	99.6%
2014	251,171	244,964	97.5%	4,651	249,615	99.4%
2015	255,032	248,448	97.4%	4,021	252,469	99.0%
2016	259,457	251,951	97.1%	932	252,883	97.5%

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					
2007	585,591	-	3,409	589,000	3.92%		1,389	
2008	620,932	-	12,930	633,862	4.05%		1,474	
2009	666,104	-	11,767	677,871	4.41%		1,558	
2010	650,194	11,651	23,124	684,969	4.26%		1,582	
2011	696,097	-	-	696,097	4.10%		1,593	
2012	679,172	-	-	679,172	3.74%		1,540	
2013	640,593	13,182	-	653,775	3.54%		1,472	
2014	647,604	27,245	-	674,849	3.50%		1,503	
2015	637,325	38,931	4,903	681,159	3.53%	(2)	1,510	
2016	628,029	37,571	4,670	670,270	3.47%	(2)	1,486	(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 266 for personal income and population data.

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

KNOX COUNTY, TENNESSEE

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
2007	\$ 580,517	\$ 26,613	\$ 553,904	1.94%	\$ 1,306
2008	613,332	24,384	588,948	1.98%	1,368
2009	627,121	17,757	609,364	1.75%	1,402
2010	613,971	15,754	598,217	1.70%	1,381
2011	691,186	16,296	674,890	1.89%	1,546
2012	669,016	17,147	651,869	1.77%	1,478
2013	631,616	18,877	612,739	1.63%	1,380
2014	632,397	21,749	610,648	1.60%	1,361
2015	622,813	19,791	603,022	1.56%	1,336
2016	614,989	24,271	590,718	1.53% (3)	1,309 (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 259 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 266.

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

KNOX COUNTY, TENNESSEE

Direct and Overlapping Governmental Activities Debt

As of June 30, 2016

(amounts expressed in thousands)

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	\$ 665,600	100.00%	\$ 665,600
Subtotal, direct debt	<u>665,600</u>		<u>665,600</u>
City of Knoxville overlapping debt	170,120	100.00%	170,120
Town of Farragut overlapping debt	<u>250</u>	100.00%	<u>250</u>
Subtotal, overlapping debt	<u>170,370</u>		<u>170,370</u>
Total direct and overlapping debt	<u>\$ 835,970</u>		<u>\$ 835,970</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)
2007	424,257		\$ 15,033,901		\$ 35,491		37.3		107,039		3.3%	
2008	430,444		15,666,206		36,342		37.6		110,198		3.8%	
2009	434,617		15,371,687		35,278		37.1		112,688		8.5%	
2010	433,035		16,089,189		37,148		37.2		113,848		7.8%	
2011	436,530		16,994,073		38,894		37.2		108,109		7.6%	
2012	441,097		18,149,825		41,127		37.2		111,190		6.7%	
2013	444,170		18,466,333		41,533		37.3		111,661		7.3%	
2014	448,617		19,297,076		43,012		37.3		112,176		6.3%	
2015	451,324		20,241,530		44,849		37.3 (4)		112,176 (4)		5.3%	
2016	451,324	(4)	20,241,530	(4)	44,849	(4)	37.3 (4)		112,176 (4)		4.3%	

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 2015 and Nine Years Ago
(Unaudited)**

Employer (1)	2015			2006		
	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	11,986	1	3.06%	11,943	1	3.58%
Covenant Health	10,304	2	2.63%	8,664	2	2.60%
Knox County Public Schools	7,241	3	1.85%	7,860	4	2.35%
The University of Tennessee	6,609	4	1.69%	8,447	3	2.53%
Wal-Mart Stores	5,951	5	1.52%	4,472	5	1.34%
University Health System	4,941	6	1.26%	3,367	9	1.01%
Tennova Healthcare	3,997	7	1.02%	-		
K-VA-T Food Stores	3,913	8	1.00%	3,416	8	1.02%
DENSO Mfg	3,800	9	0.97%	-		
State of Tennessee, Regional Office	3,153	10	0.80%	3,733	6	1.12%
St. Mary's Medical Center	-			3,529	7	1.06%
Knox County Government	-			2,974	10	0.89%
Total	<u>61,895</u>		<u>15.80%</u>	<u>58,405</u>		<u>17.50%</u>

(1)Based on employers in the Knoxville metropolitan area which includes Anderson, Blount, Campbell, Grainger, Knox, Loudon, Morgan, Roane, 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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	566	529	541	534	521	503	504	508	529	547
Public safety	938	979	969	975	1013	1025	1037	1038	1041	1054
Public health and welfare	377	340	343	324	320	310	291	283	286	298
Highways	112	117	120	117	114	114	116	113	115	117
Social, cultural, and recreation	201	191	196	190	203	194	197	197	200	200
Total	<u>2,194</u>	<u>2,156</u>	<u>2,169</u>	<u>2,140</u>	<u>2,171</u>	<u>2,146</u>	<u>2,145</u>	<u>2,139</u>	<u>2,171</u>	<u>2,216</u>

Source: Knox County Budget.

KNOX COUNTY, TENNESSEE

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sheriff (1)										
Arrests	33,233	32,054	33,548	29,833	29,557	25,571	25,533	24,969	23,400	*
Accidents	5,972	4,321	4,500	3,441	3,190	3,080	2,793	2,903	2,861	*
Incidents	30,302	29,873	38,388	32,258	32,319	32,414	30,949	30,707	29,653	*
Health services (2)										
Clinical services										
Pediatric cases	9,947	8,254	7,570	8,542	3,558	-	-	-	-	-
Preventive health cases	12,502	12,725	11,812	33,630	24,902	22,958	10,254	9,851	20,417	27,615
WIC services	29,892	32,198	34,085	33,583	33,242	34,625	35,568	36,446	36,050	34,053
Communicable diseases treated	16,497	14,087	16,434	16,207	17,437	17,941	17,615	9,452	16,098	13,162
New prescriptions filled	33,913	6,839	9,837	8,653	7,459	3,413	1,241	1,037	-	-
Women's health visits	-	-	-	10,687	12,285	11,070	12,328	7,838	10,895	8,016
Social Services visits	-	-	-	10,923	13,103	11,186	10,385	10,523	9,954	6,417
Other health related visits	-	-	-	16,203	11,555	6,694	7,853	11,501	4,380	9,611
Engineering & public works (2)										
Street resurfacing (miles)	34	20	28	44	13	17	22	21	12	25
Road maintenance service orders processed	1,306	2,726	1,869	2,687	2,829	1,973	2,876	2,563	2,302	2,653
Litter reduction from right of way (miles)	817	238	720	830	1,046	637	839	1,035	906	1,040
Parks & recreation (2)										
Number of park shelter reservations	931	995	1,500	3,000	3,500	3,800	4,500	5,500	6,000	7,000
Total all participants on all teams	30,345	30,402	44,450	30,000	30,000	37,000	37,000	40,000	60,000	163,420
Total number of attendees at events	16,757	16,792	90,000	20,500	21,500	90,000	125,084	160,000	170,000	443,460

* 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Sheriff										
Detention Facility	1	1	1	1	1	1	1	1	1	1
DUI Facility	1	1	1	1	1	1	1	1	1	1
Penal Farm	1	1	1	1	1	1	1	1	1	1
Fleet Services	1	1	1	1	1	1	1	1	1	1
Training Facility	1	1	1	1	1	1	1	1	1	1
Patrol units	10	10	8	10	10	9	9	9	9	9
Engineering & Public Works										
Streets (lane miles)	2,033	2,033	2,033	2,033	2,089	2,107	2,107	2,230	2,236	2,241
Bridges	138	138	142	142	142	142	142	143	143	143
Traffic signals	53	55	58	59	64	65	68	70	73	75
Parks & Recreation										
Parks acreage	3,051	3,076	3,122	3,296	3,296	3,347	3,347	2,600	2,025	2,169
Parks	46	47	47	49	49	50	51	49	48	48
Spray pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	7	7	7	7	7	7	7	13	13	13

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