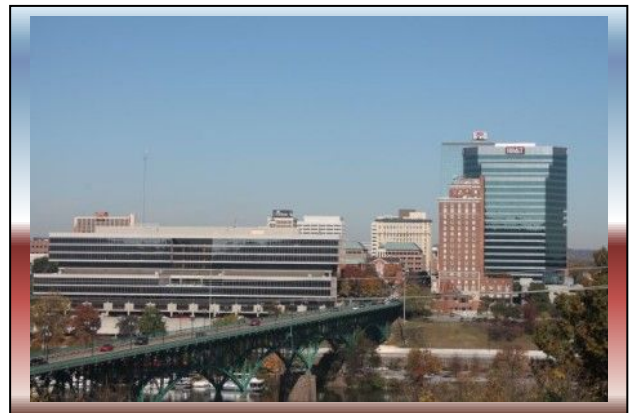




# KNOX COUNTY TENNESSEE

FOR THE YEAR ENDED  
JUNE 30, 2013



Tim Burchett  
Knox County Mayor

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2013**  
*Table of Contents*

INTRODUCTORY SECTION	i-xi xii xiii	Letter of Transmittal GFOA Certificate of Achievement Roster of Publicly Elected Officials/Organization Chart
FINANCIAL SECTION	1-2 3-19  20 21 22 23 24 25 26 27 28 29 30 31 32-108	Report of Independent Auditors Management's Discussion and Analysis (Unaudited) Basic Financial Statements: Government-wide Financial Statements: Statement of Net Position Statement of Activities Fund Financial Statements: Balance Sheet - Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP Basis) General Fund Statement of Net Position - Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds Statement of Cash Flows - Proprietary Funds Statement of Fiduciary Net Position - Fiduciary Funds Statement of Changes in Fiduciary Net Position - Fiduciary Funds Notes to the Financial Statements
REQUIRED SUPPLEMENTAL INFORMATION SECTION	109-110 111	Required Supplementary Information: Schedules of Funding Progress Schedules of Employer Contributions

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2013**  
*Table of Contents (Continued)*

SUPPLEMENTAL SECTION	Combining and Individual Fund Statements and Schedules:
112	Comparative Balance Sheets - General Fund
113	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - General Fund
114	Combining Balance Sheets - Constitutional Officers' Special Revenue Fund
115	Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Constitutional Officers' Special Revenue Fund
116	Combining Schedule of Revenues, Expenditures and Fees Remitted to General Fund - Constitutional Officers' Special Revenue Fund
117	Comparative Balance Sheets - Public Improvement Capital Projects Fund (Major)
118	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Public Improvement Capital Projects Fund (Major)
119-120	Schedule of Construction Project Expenditures - Budget and Actual - Public Improvement Capital Projects Fund (Major)
121	Comparative Balance Sheets - Debt Service Fund
122	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Debt Service Fund
123	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Debt Service Fund
124	Combining Balance Sheet - Nonmajor Governmental Funds
125	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
126	Combining Balance Sheet - Nonmajor Special Revenue Funds
127	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
128	Comparative Balance Sheets - State and Federal Grants Fund
129	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - State and Federal Grants Fund
130	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - State and Federal Grants Fund

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2013**  
*Table of Contents (Continued)*

SUPPLEMENTAL SECTION (Continued)	131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148	Comparative Balance Sheets - Governmental Library Fund Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Library Fund Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Governmental Library Fund Comparative Balance Sheets - Public Library Fund Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Public Library Fund Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Public Library Fund Comparative Balance Sheets - Solid Waste Fund Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Solid Waste Fund Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Solid Waste Fund Comparative Balance Sheets - Hotel/Motel Tax Fund Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Hotel/Motel Tax Fund Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Hotel/Motel Tax Fund Comparative Balance Sheets - Drug Control Fund Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Drug Control Fund Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Drug Control Fund Comparative Balance Sheets - Engineering & Public Works Fund Comparative Statements of Revenues, Expenditures and Changes in Fund Balances – Engineering & Public Works Fund Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP Basis) - Engineering & Public Works Fund
-------------------------------------	--	--

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2013**  
*Table of Contents (Continued)*

SUPPLEMENTAL SECTION (Continued)	149	Comparative Balance Sheets - ADA Construction Capital Projects Fund (Nonmajor)
	150	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - ADA Construction Capital Projects Fund (Nonmajor)
	151	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - ADA Construction Capital Projects Fund (Nonmajor)
	152	Comparative Statements of Net Position - Three Ridges Golf Course Fund
	153	Comparative Statements of Revenues, Expenses and Changes in Net Position - Three Ridges Golf Course Fund
	154	Comparative Statements of Cash Flows - Three Ridges Golf Course Fund
	155	Combining Statement of Net Position - Internal Service Funds
	156	Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds
	157	Combining Statement of Cash Flows - Internal Service Funds
	158	Comparative Statements of Net Position - Vehicle Service Center Fund
	159	Comparative Statements of Revenues, Expenses and Changes in Net Position - Vehicle Service Center Fund
	160	Comparative Statements of Net Position - Mailroom Fund
	161	Comparative Statements of Revenues, Expenses and Changes in Net Position - Mailroom Fund
	162	Comparative Statements of Net Position - Employee Benefits Fund
	163	Comparative Statements of Revenues, Expenses and Changes in Net Position - Employee Benefits Fund
	164	Comparative Statements of Net Position - Self Insurance Fund
	165	Comparative Statements of Revenues, Expenses and Changes in Net Position - Self Insurance Fund
	166	Comparative Statements of Net Position - Building Operations Fund
	167	Comparative Statements of Revenues, Expenses and Changes in Net Position - Building Operations Fund

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2013**  
*Table of Contents (Continued)*

SUPPLEMENTAL SECTION (Continued)	168	Comparative Statements of Net Position - Technical Support Service Fund
	169	Comparative Statements of Revenues, Expenses and Changes in Net Position - Technical Support Service Fund
	170	Comparative Statements of Net Position - Capital Leasing Fund
	171	Comparative Statements of Revenues, Expenses and Changes in Net Position - Capital Leasing Fund
	172	Comparative Statements of Net Position - Self Insurance Healthcare Fund
	173	Comparative Statements of Revenues, Expenses and Changes in Net Position - Self Insurance Healthcare Fund
	174	Combining Statement of Fiduciary Net Position - Pension Trust Funds
	175	Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
	176	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Defined Benefit Plan
	177	Comparative Statements of Changes in Fiduciary Net Position - Pension Trust Fund - Defined Benefit Plan
	178	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Defined Contribution Plan
	179	Statement of Changes in Fiduciary Net Position - Pension Trust Fund - Defined Contribution Plan
	180	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Voluntary 457 Plan
	181	Statement of Changes in Fiduciary Net Position - Pension Trust Fund - Voluntary 457 Plan
	182	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Medical Retirement Defined Contribution Plan
	183	Statement of Changes in Fiduciary Net Position - Pension Trust Fund - Medical Retirement Defined Contribution Plan
	184	Comparative Statements of Fiduciary Net Position - Pension Trust Fund - Uniformed Officers Pension Plan
	185	Comparative Statements of Changes in Fiduciary Net Position - Pension Trust Fund - Uniformed Officers Pension Plan
	186	Combining Statement of Fiduciary Assets and Liabilities - Agency Funds

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2013**  
*Table of Contents (Continued)*

SUPPLEMENTAL SECTION (Continued)	187	Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds
	188	Combined Analysis of Fee and Commission Accounts - Trustee, Clerks, and Register
	189	Combining Statement of Net Position - Nonmajor Component Units
	190	Combining Statement of Activities - Nonmajor Component Units
	191-192	Schedule of Debt Service Requirements - General Bonded Debt
	193-194	Schedule of Debt Service Requirements - General Bonded Debt - Discretely Presented Component Unit - Knox County Board of Education
	195	Schedule of Salaries and Bonds of Principal Elected Officials
		Capital Assets Used in the Operation of Governmental Funds:
	196	Comparative Schedules By Source
	197	Schedule By Function and Activity
	198	Schedule of Changes By Function and Activity
COMPONENT UNIT - BOARD OF EDUCATION SECTION		Discretely Presented Governmental Component Unit - Knox County Board of Education:
	199	Statement of Net Position
	200	Statement of Activities
	201	Balance Sheet - Governmental Funds
	202	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
	203	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
	204	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
	205	Comparative Balance Sheets - General Fund - General Purpose School

**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2013**  
*Table of Contents (Continued)*

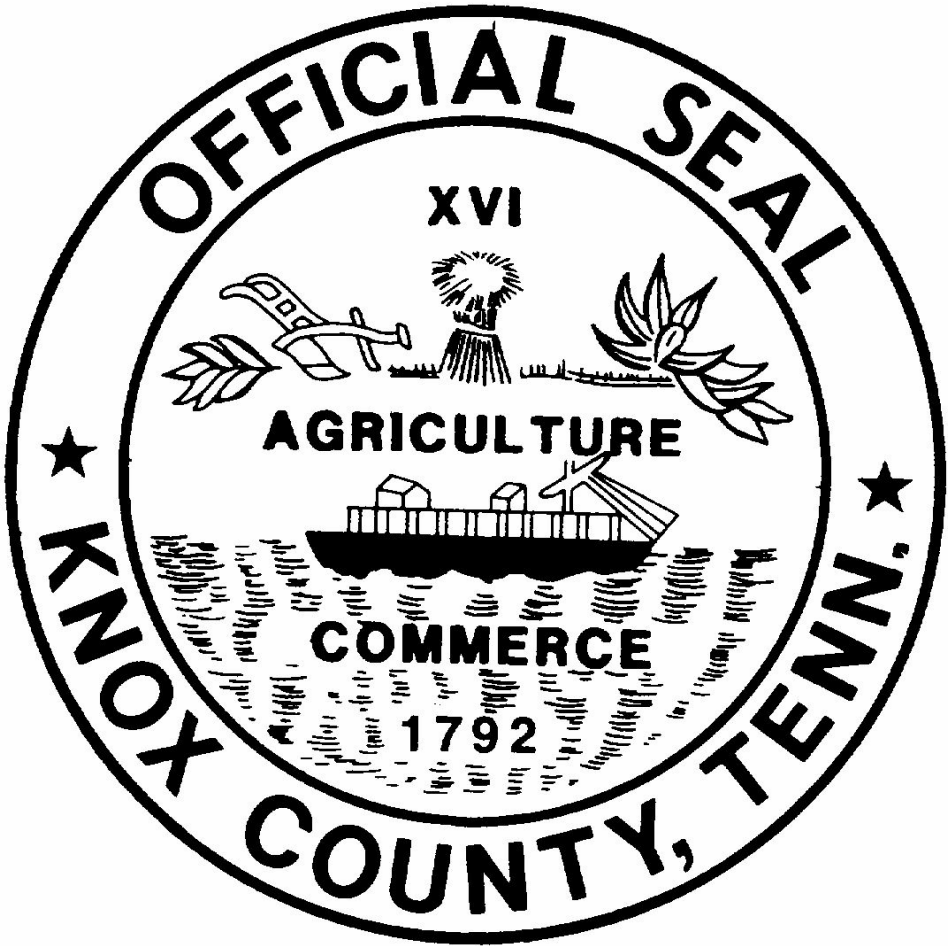
COMPONENT UNIT - BOARD OF EDUCATION SECTION (Continued)	206	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - General Fund - General Purpose School
	207	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - General Fund - General Purpose School
	208	Comparative Balance Sheets - School Construction Capital Projects Fund
	209	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - School Construction Capital Projects Fund
	210	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - School Construction Capital Projects Fund
	211	Schedule of Construction Project Expenditures - Budget and Actual - School Construction Capital Projects Fund
	212	Combining Balance Sheet - Nonmajor Governmental Funds
	213	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
	214	Comparative Balance Sheets - School Federal Projects Fund
	215	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - School Federal Projects Fund
	216	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - School Federal Projects Fund
	217	Comparative Balance Sheets - School General Projects Fund
	218	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - School General Projects Fund
	219	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - School General Projects Fund
	220	Comparative Balance Sheets - Central Cafeteria Fund
	221	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Central Cafeteria Fund
	222	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) - Central Cafeteria Fund



**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2013**  
*Table of Contents (Continued)*

COMPONENT UNIT -	223	Statement of Fiduciary Net Position - Fiduciary Funds
BOARD OF EDUCATION	224	Comparative Statements of Fiduciary Net Position - Pension Trust Fund -
SECTION		Defined Benefit Plan
(Continued)	225	Comparative Statements of Changes in Fiduciary Net Position - Pension
		Trust Fund - Defined Benefit Plan
	226	Comparative Statements of Changes in Fiduciary Assets and Liabilities -
		Agency Fund - Student Activity Fund
STATISTICAL SECTION		Financial Trends Information:
(UNAUDITED)	227	Net Position by Component
	228-230	Changes in Net Position
	231	Primary Government Activities Tax Revenues by Source
	232	Component Units Activities Tax Revenues by Source
	233	Reporting Unit Activities Tax Revenues by Source
	234	Fund Balances of Governmental Funds
	235	Changes in Fund Balances of Governmental Funds
		Revenue Capacity Information:
	236	Assessed Value and Estimated Actual Value of Taxable Property
	237	Property Tax Rates
	238	Principal Property Taxpayers
	239	Property Tax Levies and Collection
		Debt Capacity Information:
	240	Ratios of Outstanding Debt by Type
	241	Ratios of General Bonded Debt Outstanding
	242	Direct and Overlapping Governmental Activities Debt
		Demographic and Economic Information:
	243	Demographic and Economic Statistics
	244	Principal Employers
		Operating Information:
	245	Full-time Equivalent County Government Employees by Function
	246	Operating Indicators by Function
	247	Capital Asset Statistics by Function

# Introductory Section





## OFFICE OF COUNTY MAYOR TIM BURCHETT

---

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

December 18, 2013

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, 2013, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentations, including all disclosures, rests with the County. County management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that has been established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds 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, 2013. The independent auditors' report is located at the front of the financial section of this report. The County is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended, and U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including schedules of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the County) as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. Component units are discretely presented in separate columns in the government-wide financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The Knox County Board of Education (the Board), Knox County Emergency Communications District (the District), 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 \$15.7 million from the beginning of FY 2011 to the FY 2013 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 the mayor's office administrative budget by more than 19 percent.
- Began the process of reducing Knox County's debt obligations by \$20 million annually over five years, for a total projected debt reduction of more than \$100 million.
- 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.
- Provided, from a combination of revenue increases and sustainable savings, 3 percent employee pay increase, beginning January 1, 2012.
- Supported the Halls and Northeast Knox greenway projects, as well as the Knox-Blount greenway project.
- Moved forward with Clayton Park and Plumb Creek Park projects.
- Constructed 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 will be used for senior housing. This will provide for additional services to the community and place the property back on the County tax roll.

***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
- Various Library Upgrades
- Carter Elementary School
- City County Improvements/Developments
- Many Parks and Greenways Improvements

*Road Construction/Improvements:*

- Bridge Improvements
- Various Stormwater Improvements
- Outlet Mall Drive/Snyder Road
- General Road Improvements

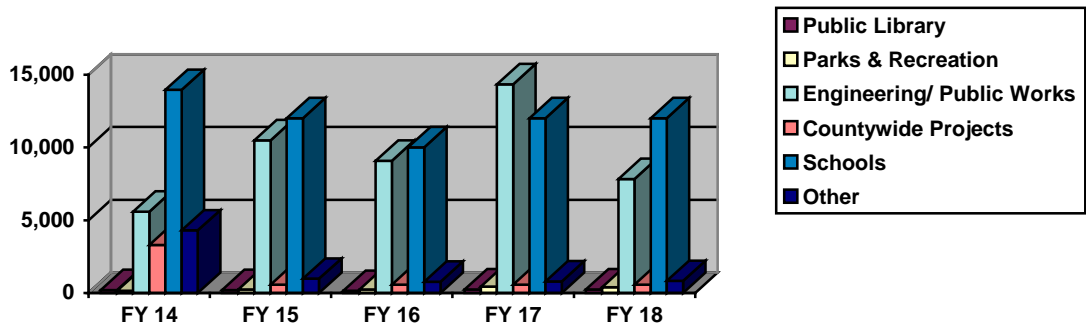
*School Construction/Renovation:*

- Physical Plant Upgrades
- Energy Management Project
- Southwest Elementary School

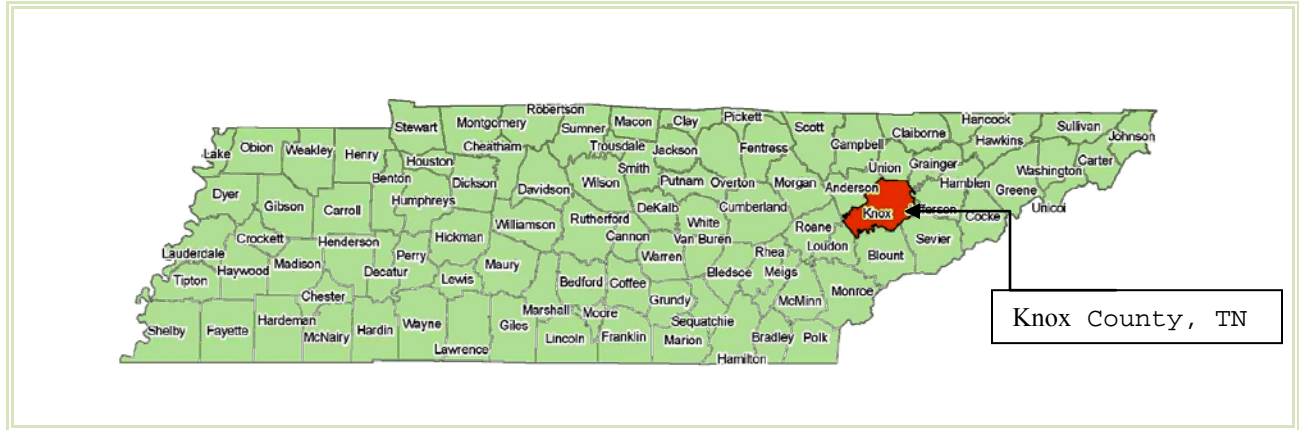
The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

Project Description	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	TOTAL
Libraries	\$ 200	\$ 200	\$ 150	\$ 250	\$ 250	\$ 1,050
Countywide Projects	3,306	577	577	577	577	5,614
Parks & Recreation	150	250	250	450	400	1,500
Engineering & Public Works	5,585	10,485	9,085	14,335	7,835	47,325
Building Improvements & Other	4,300	984	774	789	829	7,676
Schools	13,950	12,000	10,000	12,000	12,000	59,950
<b>Total – Approved Projects</b>	<b>\$ 27,491</b>	<b>\$ 24,496</b>	<b>\$ 20,836</b>	<b>\$ 28,401</b>	<b>\$ 21,891</b>	<b>\$ 123,115</b>

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



## *LOCAL ECONOMIC CONDITION AND OUTLOOK*



The County is the third most populous county in the State of Tennessee. Located in Middle Eastern Tennessee at the headwaters of the Tennessee River, it is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. The U.S. Census Bureau's 2011 census demographic population data reported that 436,929 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 2011 census data was reported at 180,761. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 20,217. 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 2011 estimates, there were approximately 900 wholesale distribution houses, 1,649 retail establishments, and more than 5,300 service industries located in the County.

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



The MSA includes more than 680 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. Knoxville ranks as one of the top southeastern urban areas with an index of 87.4, compared to the average of all participating cities of 100.

### ***Livability***

The Knoxville area continually receives recognition for high quality of life, combining an attractive natural setting with a moderate four-season climate. The County has over 6,000 acres of park and recreation space, with approximately 77 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.

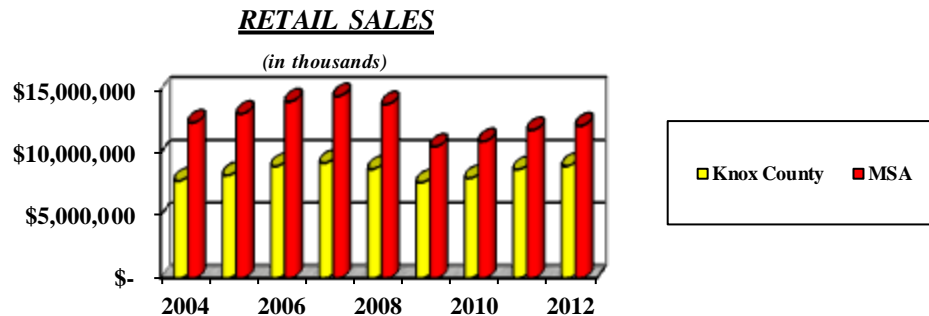
### ***Industrial Investment***

The Knoxville MSA has been recognized nationally as a leading location to live and do business. Commerce and industry vary from the media success of Scripps Television Networks (HGTV, DIY, Food Network, GAC, and Travel), to Sysco Corporation's (largest food service marketer and distributor in North America) regional warehouse and distribution center. In addition, many other local companies are recognized as national and global leaders, including Clayton Homes, Brunswick Corporation, Green Mountain Coffee, Bush Brothers, 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 2011, approximately 725 new jobs were created in Knox County among the more than 2,300 jobs created across the metro area.

### *Commercial Development*

Four regional shopping malls and nearly 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. 2012 retail sales in the MSA grossed over \$12.1 billion, with approximately 75% of that total generated in Knox County.



### *National and State Economic Perspective*

According to the analysis of the nation's economic outlook reported in *An Economic Report to the Governor of the State of Tennessee* for 2013, published by the University of Tennessee <http://cber.bus.utk.edu/erg/erg2013.pdf>, 2012 saw several positive indicators of the economic recovery. The unemployment rate fell below 8 percent for the first time since 2009. The housing sector began to rebound in 2012 with the addition of 37,000 jobs, and sales of new homes increased for the first time in seven years. The manufacturing sector also helped the economy, with the addition of around 210,000 jobs in 2012. Looking forward, the domestic economy is expected to continue to improve in 2013, although the expansion is expected to continue at a slower pace than in 2012. Inflation-adjusted GDP is projected to grow 1.7 percent, compared to 2.3 percent growth in 2012. The unemployment rate is expected to remain relatively flat in 2013. Inflation is projected to average under 2 percent over the next few years. The expiration of the payroll tax cut is expected to put downward pressure on consumer spending and overall growth. Although there is more positive than negative news regarding economic growth, significant uncertainty remains regarding the outlook of the economy. In particular, the issue of how to bring the deficit and debt under control remains.

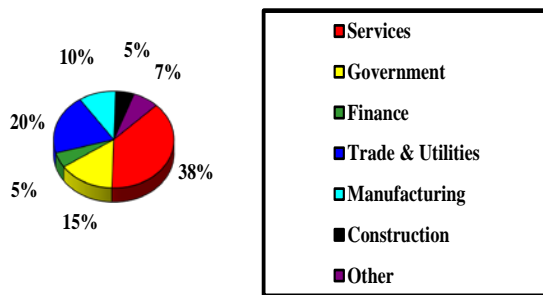
The report also forecasts that the state's economic outlook calls for modest growth in 2013, followed by substantially stronger growth in 2014. For 2012, personal income was up by 3.8 percent. The state's unemployment rate averaged 8 percent in 2012, an improvement over the 9.2 percent rate for 2011. The unemployment rate is expected to fall, averaging 7.9 percent for 2013 and 7.5 percent in 2014. Personal income is also expected to increase 4.3 percent for 2013 and 2014. However, the ongoing debate over the nation's debt ceiling and the issues concerning the sequestration of federal spending have created uncertainty about the state, as well as the federal, economic outlook. In addition, the payroll tax increase that went into effect on January 1 is expected to have a negative effect on taxable sales and resulting sales tax revenues. Taxable sales are expected to increase by 3.4 percent in 2013.

***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.

***Employment Information***

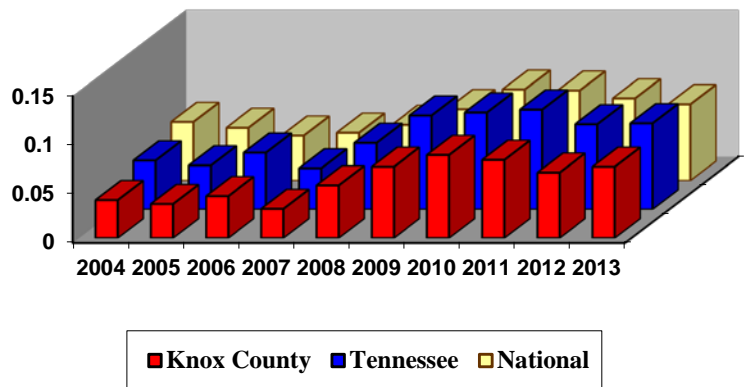
**Non-Agricultural Employment**



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

**Unemployment Data**

Historically, Knox County's unemployment rate has been low relative to the state and national rates. This relationship has held, although rates have increased in this current recession. For the month of June 2013, the seasonally unadjusted unemployment rates for the County, state and nation stood at 7.3%, 8.8% and 7.8%, respectively.



## **Per Capita Income**

In 2011, Knox County's per capita income was \$38,894, the 7<sup>th</sup> highest in Tennessee. This represents an increase of 4.7 percent compared to 2010. For the MSA, per capita income was \$35,869, a 4.2 percent increase.

## ***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 including 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 2013 adopted budget provided for a modest increase (3.6%) in General Fund expenditures. Most of the budgeted increase was for needed additional expenditures for public safety, combined with additional transfers and payments to other funds, primarily for schools. Education funding, provided for in the General Purpose School Fund (the general fund for the Board of Education component unit) has also increased. The increases in budgeted funds for public safety and education reflect the Mayor's commitment to endure 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, primarily property taxes, 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, 2013 of \$631,616,485 is \$37,399,281 less than the prior year total of \$669,015,766. This change resulted from the payments of bonded debt in the current year, combined with the deferral of the issuance of new debt approved based on the FY 2013 Capital Improvement Plan until subsequent to year end. Additional reductions are planned in future years to accomplish the Mayor's stated goal of reducing County bonded debt by over \$100 million over 5 years.

## ***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, 2012. This was the seventeenth 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 seventeenth consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2013 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. Jack Blackburn, Jennifer Bodie, Chris Caldwell, Steve Campbell, Jeff Clark, Dora Compton, Susan Corlew, Patti Galvan-Balzer, Jason Lay, Peter Lin, and Melanie Wilck all went above and beyond the call of duty to design and generate this report. Thank you very much for your professional dedication in this effort. Thank you to the entire Department of Finance for your efforts to "get the job done well," every day. You serve the citizens of Knox County very well.

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

Sincerely,



Tim Burchett  
Knox County Mayor



Chris Caldwell  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Knox County**  
**Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

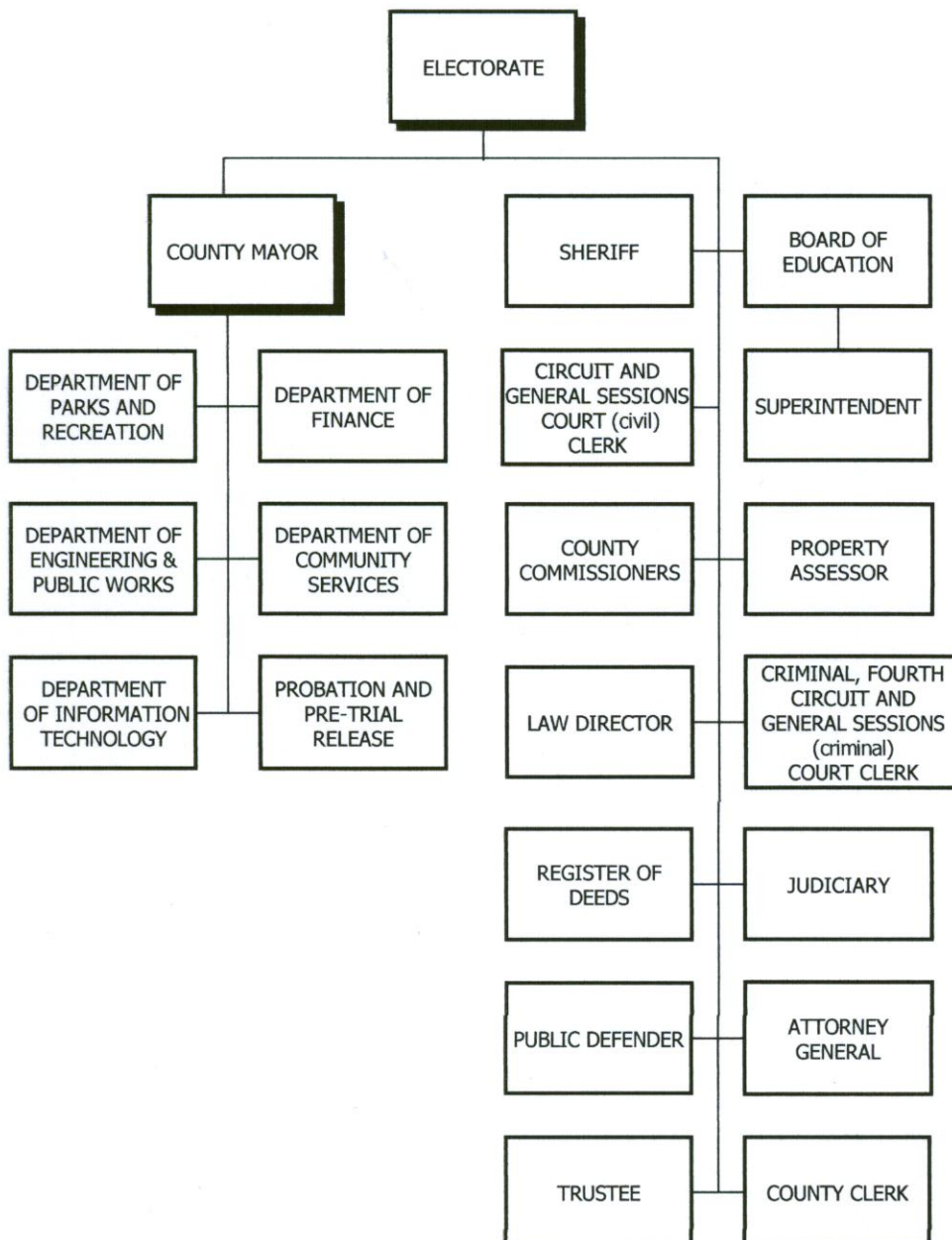
Executive Director/CEO

**Knox County, Tennessee**  
**Roster of Publicly Elected Officials**  
**As of June 30, 2013**

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



**Knox County**



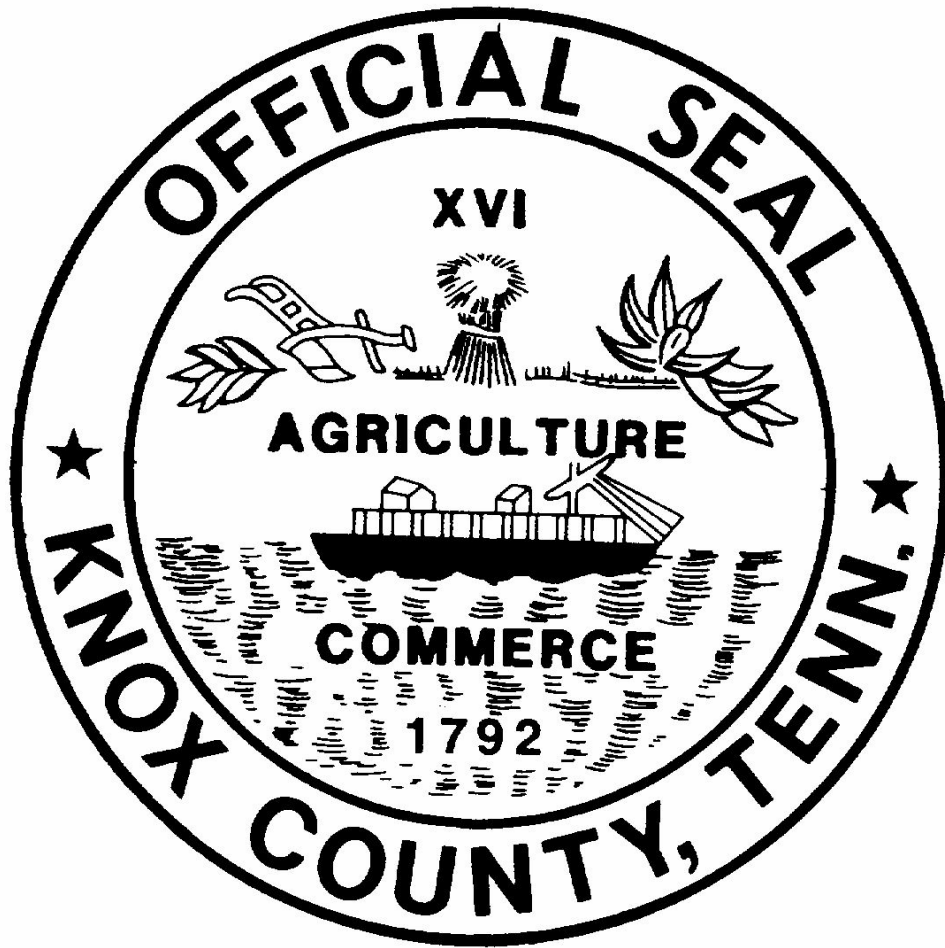
**Board of Commissioners:**

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

**Board of Education:**

Karen Carson	Indya Kincannon
Thomas Deakins	Mike McMillan
Gloria Deathridge	Kim Severance
Lynn Fugate	Pam Trainor
Doug Harris	

# Financial Section





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



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

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

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, County Commissioners 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, 2013 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 2.11% of assets, 5.93% of net position and .13% of revenues. 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 .51% of assets, .46% of net position and .90% of the revenues of the BOE. Those statements were audited by other auditors whose report has 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 report 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 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 entity'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 entity'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 for 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 and the schedules of funding progress and employer contributions on pages 3 through 19 and 109 through 111 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 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 nonmajor 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 and the Component Unit – Board of Education sections 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. In our opinion, based on our audit and the reports of 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 and statistical sections 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

In accordance with *Government Auditing Standards*, we have also issued, in a separately bound document, our report dated December 18, 2013, 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.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
December 18, 2013

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-xi of this report. All amounts, unless otherwise indicated, are expressed in dollars.

**Financial Highlights**

- The assets and deferred outflows of resources of the Knox County Primary Government exceeded its liabilities at the close of the most recent fiscal year by \$75,829,260 (net position), which compares to \$63,660,968 (restated) at June 30, 2012. The assets and deferred outflows of resources of the Knox County Government total reporting unit exceeded its liabilities at the close of the most recent fiscal year by \$566,250,628 (net position), which compares to \$539,612,456 (restated) at June 30, 2012. Most of the County's net position balance is consists of its investment in capital assets, which will be used in the County's ongoing operations. Conversely, the unrestricted net position amounts of \$224,399,657 (deficit) and \$97,248,988 (surplus) for the primary government and total reporting unit, respectively, represent amounts that will be needed to meet the government's obligations to citizens and creditors and that will be financed with future tax revenues or amounts already available. This is compared to restated prior year amounts of \$243,646,624 (deficit) and \$105,218,947 (surplus), respectively. (See Note IV (I) "Restatements" for information on prior period adjustments to correct errors in previously reported amounts, and to include a component unit now reported as a result of the adoption of GASB Statement No. 61.)
- Of the Primary Government's \$75,829,260 net position balance, \$290,649,727 was net investment in capital assets (i.e., capital assets, net of related debt), \$503,880 was investment in capital assets, \$110,208 was restricted for debt service, \$1,471,972 was restricted for capital projects, \$2,078,996 was restricted for public health and welfare purposes, \$2,589,888 was restricted for public safety purposes, and \$2,824,246 was restricted for other purposes. The difference of \$224,399,657 (unrestricted net position) is reported as a deficit, a positive change of \$19,246,967 compared to the restated prior year unrestricted net position deficit of \$243,646,624. The reported deficit results from the process by which the County issues debt on behalf of the Knox County Board of Education (the Board). The County issues general obligation debt for the Board, the proceeds of which are used for school projects resulting in Board assets. The Board then makes debt service payments to the County from future budgets. Since the debt is issued in the County's legal name, the debt is reported as a liability of the primary government. The unrestricted net fund balance deficit demonstrates the expectation of the Board to fund its portion of the total debt in future years. As of June 30, 2013, the outstanding balance of debt issued by the County on behalf of the Board totaled \$261,792,375. If these liabilities were excluded from the liabilities reported for the County, the Primary Government would have reported positive net position of \$337,621,635 at June 30, 2013.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

- The Primary Government's total net position increased by \$12,168,292, representing 4.2% of the \$289,756,033 expenses of the Primary Government. This compares to the 2012 increase of \$13,837,868, or 5.1% of 2012 expenses totaling \$272,709,195. The increase of expenses from 2012 to 2013 totaled \$17,046,838. The primary reason for the increase in expenses was \$14,910,367 incurred by the primary government for a new elementary school. Positive results in revenues compared to 2012, primarily increases in property taxes and investment revenues, offset the increase in expenses. Overall, therefore, the net position increase in 2013 was comparable to that for 2012.
  
- As of the close of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$107,904,721, a decrease of \$9,936,491 compared to the restated prior year ending balance of \$117,841,212. Various factors contributed to the decrease. Of the primary government's major funds, the General Fund, Special Revenue Constitutional Officers, and Debt Service funds experienced increases in fund balance for the year. In addition, and nonmajor governmental funds in the aggregate also experienced an increase. The increases of fund balance consisted of \$6,975,057 for the General Fund, \$1,457,390 for the Special Revenue Constitutional Officers Fund, \$2,328,149 for the Debt Service Fund, and \$823,323 for the nonmajor governmental funds in the aggregate. The General Fund had budgeted for the use of fund balance of \$2,250,333; therefore, the fund experienced a positive variance of actual results compared to the original budget of \$15,829,012. These results were achieved due to better-than-expected results from collections of local taxes and realization of certain state shared revenues, combined with the close monitoring and management of expenditures. For the Debt Service Fund, the County planned the use of a portion of fund balance to be applied to operations of the 2013 fiscal year, in accordance with the budget planning associated with the County's long-term Capital Improvement Plan. Budgeted use of fund balance was \$7,627,849, and the actual increase in fund balance was \$2,328,149, resulting in a positive variance of \$9,955,998. This result was attributable primarily to savings achieved due to lower than anticipated interest payments on long-term variable-rate debt. The Constitutional Officers Special Revenue Fund experienced an increase in fund balance for the year, totaling \$1,457,390. This fund is used to account for the receipt for various charges for services, the source from which various expenditures of the offices are made. Remaining amounts after these expenditures, less an amount allowed to be retained in the fund for future use, are transferred to the General Fund. Based on these requirements, the fund experienced an increase in fund balance for 2013. These results are in line with expectations. Of the major funds, only the Capital Projects Public Improvement Fund experienced a decrease in fund balance for the year, in the amount of \$21,520,410. Because the expenditures in this fund relate to projects for which expenditures are incurred over a number of fiscal years, the balance relates to the cumulative effect of sources of funds received, primarily from the issuance of debt, less the amounts expended to date. For the County's governmental funds in the aggregate, fund balances totaled \$107,904,721, of which \$13,011,776 was in a nonspendable form. The remaining "spendable" fund balance was \$94,892,945, of which \$85,817,635 (90%) was available for spending without external restrictions (committed, assigned and unassigned fund balance). This compares to the

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

restated prior year total of committed, assigned and unassigned governmental fund balances of \$75,852,051 (72% of the total restated "spendable" governmental fund balance of \$105,882,593 at June 30, 2012.)

- In the General Fund, unassigned fund balance, which is available for expenditure at the County's discretion, increased from \$44,259,130 (restated) at June 30, 2012 to \$51,452,742 at June 30, 2013. Unassigned fund balance for the General Fund represented 34% of total General Fund expenditures of \$152,727,690, compared to 30% of last year's expenditures of \$146,135,527. The \$51,452,742 unassigned General Fund balance is greater than the amount that was projected upon adoption of the General Fund budget by \$9,443,945. These measures of fund balance demonstrate the County's continued fiscal discipline and show that the County has resources available to meet unexpected emergencies, temporary cash needs and other uncertainties our County faces in the normal course of everyday operations.
- The Knox County Government's total bonded debt at the end of the year totaled \$631,616,485, a decrease of 5.6 percent compared to the prior year total of \$669,015,766. Of the current year total, \$374,464,500 pertains to County general government activities and \$257,151,985 pertains to the Knox County Board of Education component unit. Bond principal paid in FY 2013 totaled \$37,399,281.
- The County Property Tax Rate remained at \$2.36 for the fiscal year. This is another indication of the County's commitment to fiscal conservatism.

**Overview of the Financial Statements**

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

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

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

The statement of net position presents information on all the Knox County Government's assets, liabilities, and deferred inflows/outflows of resources with the difference between the two 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 20 and 21 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.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

The basic governmental fund financial statements can be found on pages 22-26 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.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

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 27-29 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Knox County Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 30 and 31 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 32-108 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 109-111 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the individual fund statements are presented on pages 124-151. Combining and individual fund statements for internal service funds can be found on pages 155-173 of this report.

**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. The Total Reporting Unit assets and deferred outflows of resources exceeded liabilities by \$566,250,628 at the close of the most recent fiscal year, which compares to \$539,612,456 (restated) from last year. The Primary Government's Governmental Activities net position totaled \$75,225,857, which compares to last year's restated net position of \$62,810,775.



**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

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

	<b>June 30,</b>	
	<b>2013</b>	<b>Restated 2012</b>
Current and Other Assets	\$ 307,612,295	\$ 312,955,352
Capital Assets	617,025,295	626,209,262
Total Assets	924,637,590	939,164,614
Deferred Outflows of Resources	19,941,248	32,518,180
Long-term Liabilities Outstanding	641,974,584	684,989,096
Other Liabilities	227,378,397	223,882,923
Total Liabilities	869,352,981	908,872,019
Net Position:		
Invested in Capital Assets	290,649,727	276,642,614
Restricted	9,075,310	30,030,542
Unrestricted (Deficit)	(224,499,180)	(243,862,381)
Total Net Position	\$ 75,225,857	\$ 62,810,775

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.

**KNOX COUNTY GOVERNMENT'S Net Position**

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 \$110,208 (last year \$56,175) Capital Projects \$1,471,972 (last year \$22,992,382). Other restrictions include Public Health and Welfare \$2,078,996, Public Safety \$2,589,888, and Other Purposes \$2,824,246 (last year the latter three combined totaled \$6,981,985). The remaining balance of unrestricted net position deficit of \$224,499,180 reflects a positive change of \$19,363,201 compared to the restated prior year unrestricted net position deficit of \$243,862,381. The positive change in net position resulted

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

\$2,078,996, Public Safety \$2,589,888, and Other Purposes \$2,824,246 (last year the latter three combined totaled \$6,981,985). The remaining balance of unrestricted net position deficit of \$224,499,180 reflects a positive change of \$19,363,201 compared to the restated prior year unrestricted net position deficit of \$243,862,381. The positive change in net position resulted from the realization of certain revenues, primarily local sales taxes and certain intergovernmental revenues received from the State of Tennessee, in amounts greater than expected, combined with overall prudent management of expenses.

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 \$224,499,180 as of June 30, 2013 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 (net of the effects of bond premiums and issuance costs) to the Board. The Board then uses these proceeds for its capital purposes, and records the capital assets on its own Statement of Net 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, 2013, the amount of bonds issued by the County on behalf of the Board still outstanding was \$257,151,985 (excluding unamortized premium) compared to the prior year amount of \$276,080,806. If this liability 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 \$32,652,805 in 2013 and \$32,218,425 in 2012 (which includes the effects of the restatement).

At the end of the current fiscal year, the Knox County Government is able to report positive balances in all three categories of total net position -- for the total reporting unit, for the primary government and for each of its separate component units. The same situation held true for the prior fiscal year. The total reporting unit's net position increased by \$26,638,172 during the current fiscal year, compared to an increase of \$26,310,907 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 \$23,234,946, combined with the change in net position of the nonmajor component units of \$3,403,226 in the aggregate. These results were achieved due to realized revenues that exceeded expectations, combined with the careful management of expenses.

**Governmental activities.** Governmental activities increased the Knox County Primary Government's net position by \$12,415,082 in 2013. This amount results from the overall realization of certain revenues, primarily property taxes and certain intergovernmental revenues, in amounts higher than expected, coupled with prudent management of expenses.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

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

The following table shows the changes in net position for the Primary Government for the fiscal years ended June 30, 2013 and 2012. The totals include both governmental activities and the business-type activities for the Three Ridges Golf Course, an enterprise fund.

**Knox County Primary Government**

	<u>2013</u>	<u>2012</u>
Program Revenues:		
Charges for Services	\$ 42,433,321	\$ 43,839,659
Operating Grants and Contributions	14,465,074	13,941,943
General Revenues		
Local Taxes	185,958,839	178,188,532
Payments from Component Units	32,601,668	36,728,191
Other General Revenues	26,465,423	13,848,738
Total Revenues	<u>301,924,325</u>	<u>286,547,063</u>
Expenses:		
Finance and Administration	30,903,236	31,753,114
Administration of Justice	22,734,428	22,434,728
Public Safety	73,855,455	72,565,353
Public Health and Welfare	32,492,041	32,546,227
Social and Cultural Services	20,254,701	20,183,797
Other General Government	23,267,833	25,083,385
Engineering & Public Works	23,555,325	21,964,447
Debt Service	26,688,921	28,193,240
Payments to Component Units	36,004,093	17,984,904
Total Expenses	<u>289,756,033</u>	<u>272,709,195</u>
Change in Net Position	12,168,292	13,837,868
Net Position, July 1, restated	<u>63,660,968</u>	<u>49,823,100</u>
Net Position, Year End, restated 2012	<u>\$ 75,829,260</u>	<u>\$ 63,660,968</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 decreased by \$1,406,338 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 represent primarily grants received from the federal and state governments. These amounts increased by \$523,131 compared to the prior year. These

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

revenues relate to numerous amounts received for various government functions. Both the 2012 and 2013 levels are similar, and in line with expectations based on activities in these functions.

**General Revenues** include local taxes, payments from component units, and other general revenues. Local taxes increased by approximately \$7.8 million compared to the prior year. The primary reasons for the increase were increased collections of property taxes compared to 2012. The prior year experienced an increase in property tax collections over typical levels, realized primarily as a result of more aggressive collection efforts directed to delinquent taxes. Payments from component units primarily consist of the amounts received for the Board for the portion of debt service related to the debt obligations that the Primary Government incurred on behalf of the Board. Remaining general revenue consists of state shared revenues, investment revenue, and miscellaneous. The increase from 2012 to 2013 in this category from the prior year of \$12.6 million was primarily attributable to increased investment earnings. In 2012, investment earnings were a negative \$5,128,322, and the 2013 corresponding total was \$7,779,556 for a net change of \$12,907,878. The largest component unit of investment revenue in each year related to the change in fair value of an interest rate swap accounted for as an investment derivative instrument. In 2012, the change in fair value was a negative \$7,073,208, whereas the corresponding amount in 2013 was a positive \$5,053,927. 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 \$17,046,838 compared to the prior year. This change was directly attributable to the increase in the amounts paid to component units of \$18,019,189. Included in that total was \$14,910,367 expended by the County for construction of a new elementary school, which is operated and maintained by the Board. Therefore, the \$14,910,367 has been accounted for as a payment to the Board in the government-wide financial statements. In addition, the County issued capital debt in the form of a capital lease on behalf of the Board, in the amount of \$13,182,024. 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 comparable to 2012 amounts and in line with expectations.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

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

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

**Governmental funds.** The focus of the Knox County Government's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Knox County Government's financing requirements. In particular, 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 long-term portion of receivables and the County's investment in joint venture.

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

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

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

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

**Knox County, Tennessee**  
**Primary Government--Governmental Fund Balances**

	<b>June 30,</b>	
	<b>2013</b>	<b>Restated 2012</b>
	<u>                    </u>	<u>                    </u>
Nonspendable	\$ 13,011,776	\$ 11,958,619
Restricted	9,075,310	30,030,542
Committed	29,617,875	28,927,722
Assigned	4,747,018	2,665,199
Unassigned	<u>51,452,742</u>	<u>44,259,130</u>
<b>Total Fund Balances</b>	<u><u>\$ 107,904,721</u></u>	<u><u>\$ 117,841,212</u></u>

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$107,904,721, a decrease of \$9,936,491 in comparison with the restated prior year total of \$117,841,212. The General Fund realized an increase in fund balance of \$6,975,057, primarily as a result of the realization of local tax and intergovernmental revenues in amounts greater than expected, combined with prudent management of expenditures. The major fund that did experience a significant decrease in fund balances was the Capital Projects Public Improvement Fund. Restricted fund balance in that fund decreased from \$22,992,382 at June 30, 2012 to \$1,471,972 at June 30, 2013, for a decrease of \$21,520,410. This occurred as a result of the planned spending down of funds for capital projects.

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 \$51,452,742 compared to \$44,259,130 (restated) last year (an increase of \$7,193,612), while total fund balance increased to \$66,265,258 compared to last year's \$59,290,201 (restated). Total fund balance represents 43.4% of actual expenditures compared to 40.6% last year. These amounts indicate that the County maintained the strong relationship between the fund balances and the size of its budget and is continuing to hold steady in its financial stability in spite of challenging economic times.

The total fund balance of the County's General Fund increased by \$6,975,057 during 2013, compared to last year's \$8,756,798 increase. The General Fund's original budget planned for a net use of fund balance for the year of \$2,250,333. The actual unassigned fund balance of \$51,452,742 was \$9,443,945 greater than the original budgeted amount of \$42,008,797. Key factors in the positive outcomes for the General Fund are as follows:

- Revenues exceeded budget in eleven of thirteen categories; total revenues of \$161,309,341 totaled 106.8% of the total budget of \$151,088,020. Local tax revenues, which include property and sales taxes (among others), exceeded the budget by \$4,537,909. Property taxes and business taxes both exceeded the budget, reflecting improvements in the local economy compared to 2012. Because of the recent economic recession, FY 2013 revenues in these areas were budgeted conservatively. Certain State of Tennessee revenue sources exceeded the budgeted amount by \$2,846,934, which also contributed to the General Fund positive outcome.
- The General Fund departments, in their normal conservative pattern, showed their fiscal responsibility by turning back unspent budgeted funds of \$4,897,516 (3.1% of the final amended budget of \$157,625,206) for the fiscal year (compared to last year's results of \$5,127,709, or 3.4% of the budget of \$151,263,236).

The Debt Service Fund has a total fund balance of \$24,601,896, which compares to \$22,273,747 (restated) last year. The majority of the fund balance consists of amounts committed for debt service purposes by County Commission of \$18,766,688, compared to the prior year amount of \$16,492,572 (restated). The net increase in fund balance during the current year was \$2,328,149, compared to an increase of \$720,988 last year. The County had planned for a decrease in the

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

Debt Service Fund, and had budgeted for \$7,627,849 to be applied to the current year budget. As the current year result of operations was an actual increase in fund balance of \$2,328,149, the fund experienced a positive variance of \$9,955,998 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 \$21,520,410 in 2013, compared to an increase in fund balance of \$8,777,849 in 2012. Fund balance at June 30, 2013 totaled \$1,471,972, compared to the June 30, 2012 balance of \$22,992,382. This change results from the timing of the issuance of bonds for capital purposes compared to the expenditures made therefrom. The County's practice is to issue debt for capital purposes generally on an annual basis, with the intent that debt proceeds be received as close as practicable to the timing of the planned expenditures. This is done to help keep interest charges to the minimum level needed. During FY 2013, the County spent proceeds from debt issued in 2012, reducing the fund balance level during the year as planned.

The Constitutional Officers Special Revenue Fund experienced an increase in the fund balance in the current year of \$1,457,390, resulting in fund balance at June 30, 2013 totaling \$3,657,378 compared to the June 30, 2012 total of \$2,199,988. 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 2013 totaled \$8,707,849, an increase of \$926,998 from the prior year total of \$7,780,851. These results were in line with expectations.

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

Unrestricted net position of the Internal Service Funds at the end of the year amounted to \$6,935,081, compared to \$4,980,932 at the end of 2012. The increase of \$1,954,149 was primarily due to self-insurance claims activity. In FY 2012, this fund experienced a decrease in fund net position of \$2,265,059, whereas the FY 2013 result was a decrease of \$146,614, a more normal result for the fund. 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 was a \$2,117,478 increase (3.1% of total charges for services of \$67,769,931), compared to the prior year 2.9% (deficit change in net assets). As the intent of these funds is to "break even," these results are in line with expectations.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were within the normal course of County business and totaled a net \$5,133,966 increase in the total budgeted

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

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.

Actual revenues exceeded budgetary estimates by 6.8%, primarily resulting from the aforementioned additional amounts realized for local taxes and intergovernmental revenues. Actual expenditures were less than budgetary provisions by \$4,897,516. Overall, the General Fund Balance increased by \$6,975,057, which is \$15,829,012 more than the final budgeted decrease of \$8,853,955. The unassigned portion of the County's General Fund Balance increased by \$7,193,612, compared to the originally planned decrease of \$2,250,333. These results reflect management's philosophy of careful and appropriate budgeting of revenues and prudent management of expenses.

**Capital Asset and Debt Administration**

**Capital assets.** The Knox County Government Total Reporting Unit reported a total balance of capital assets (net of accumulated depreciation) as of June 30, 2013, of \$1,015,388,348, which compares to the prior year total of \$983,059,429. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net increase in the investment in capital assets for the current fiscal year was \$32,328,919 (3.3 percent), which reflects the capital additions for the year in amounts more than, although approximating, depreciation expense.

Spending for major capital asset additions during the current fiscal year included the following: energy management projects (Board), new Carter Elementary School & completion of Cedar Bluff Primary, County additions/renovations, City/County Building Improvements, various school upgrades, numerous road projects, and various other projects.



**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

The County Primary Government's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$959,540,918 less accumulated depreciation of \$342,515,623, leaving a net book value of \$617,025,295. The prior year net book value totaled \$626,209,262. 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 net decrease for the year was \$9,183,967. The sale of Hillcrest Nursing Homes, with a net book value at the date of disposal of \$4.6 million, during the year contributed to the overall decrease. The remaining decrease resulted from depreciation expense in excess of additions. This was a planned result, reflecting the County's commitment to reduce borrowing for capital purposes which results in lower amounts of capital asset additions. Although a certain level of long-term borrowing for capital purposes is both necessary and desirable to service the needs of County citizens, the County is committed to reducing its debt level in order to minimize the burden on County taxpayers resulting from additional debt issuances.

Additional information on the Knox County Government's capital assets can be found in Note III.C on pages 56-58 of this report and on pages 196-198.

**Knox County, Tennessee**  
**Management’s Discussion and Analysis (Unaudited)**  
**June 30, 2013**

**Long-term debt.** At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$631,616,485, compared to \$669,015,766 at the end of 2012. All of the bonded debt was backed by the full faith and credit of the County government. \$257,151,985 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remaining \$374,464,500 of the Knox County Government’s debt represents bonds issued for general government purposes.

**KNOX COUNTY GOVERNMENT’S Bonded Debt Changes during FY 2013:**

<b>Rollforward of Debt:</b>	<b>Primary Government</b>	<b>Board</b>	<b>Total</b>
Beginning Balance	\$ 392,934,960	\$ 276,080,806	\$ 669,015,766
Principal Paid	(18,470,460)	(18,928,821)	(37,399,281)
Issued Amounts	-	-	-
Ending Amount – Bonds	<u>\$374,464,500</u>	<u>\$257,151,985</u>	<u>\$631,616,485</u>

Knox County’s total bonded debt decreased by \$37,399,281 (5.6 percent) during the current fiscal year. The net reduction in bonded debt was planned, 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, the highest rating in County history. The County’s debt is rated “Aa1” rating by Moody’s. These ratings were reaffirmed subsequent to June 30, 2013. This continued confidence from the rating agencies confirms the County’s commitment to financial integrity, stability and strength.

State statutes set no limit for the amount of general obligation debt a county may issue. Current bonded debt outstanding for the County Government is \$631,616,485. This translates to approximately \$1,373 per capita. This compares to the FY 2012 per capita amount of \$1,477.

Additional information on the Knox County’s long-term debt can be found in the Notes to the Financial Statements of this report on pages 69-80.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

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

- The unemployment rate for Knox County for June 2013 was 7.5%, which is an increase from the final unemployment rate figure of 6.7% percent for June 2012. This compares favorably to the state's average rate of 8.5% percent for June 2013, and 8.1% for June 2012. The national unemployment averages were 7.6% for June 2013 and 8.2% for June 2012. The Knoxville Metropolitan Statistical Area (MSA), which includes Knox County, has the second lowest unemployment rate of any MSA in Tennessee at 7.5, compared to Nashville's lowest rate of 7.0, both for June 2013. This data was taken from the Bureau of Labor Statistics.
- Knox County has been leading the State in economic development and employment for the past several years. While Knox County is currently experiencing the effects of the current global recession, it is well-positioned to weather this economic storm. The current administration is committed to inspire economic activity with investments and jobs.
- The Knoxville leading index has traditionally sustained a positive year-over-year percent change indicating economic activity is at a higher level relative to last year. This year is a time when most areas and jurisdictions are experiencing a contraction in economic activity, and Knox County is not immune to the global recession. Knox County is expected to continue to hold its own in the near term, while the longer term has a much more positive outlook.

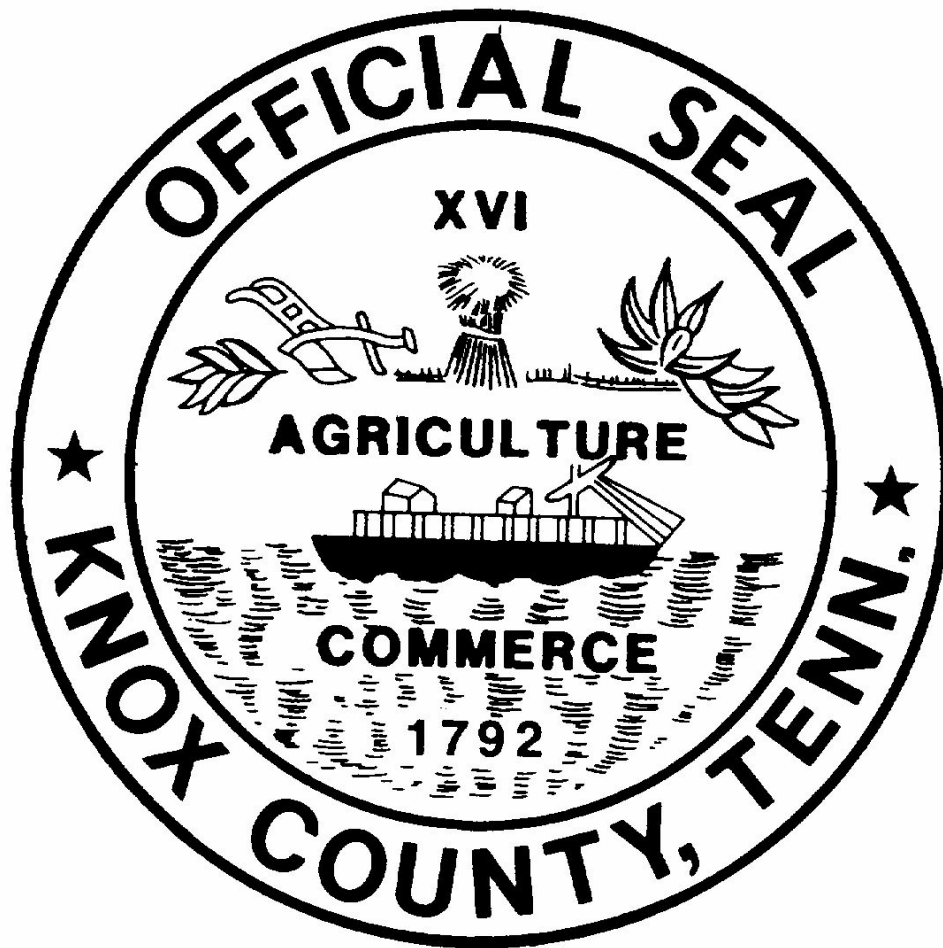
These factors were considered in the preparation of Knox County's budgets for the 2013 and 2014 fiscal years.

**Requests for Information**

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

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

# Basic Financial Statements



**KNOX COUNTY, TENNESSEE**

**Statement of Net Position**

June 30, 2013

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Knox County Board of Education	Nonmajor Component Units	Total Reporting Unit
<b>Assets</b>						
Cash and Cash Equivalents	\$ 69,431,465	\$ 127,559	\$ 69,559,024	\$ 56,532,839	\$ 27,345,046	\$ 153,436,909
Accounts Receivable	17,073,525	21,656	17,095,181	45,393,069	1,175,909	63,664,159
Local Taxes Receivable, net	145,696,442	-	145,696,442	125,854,198	-	271,550,640
Notes Receivable	13,529,463	-	13,529,463	-	-	13,529,463
Investments	38,113,484	-	38,113,484	-	-	38,113,484
Due from Component Units	3,779,852	-	3,779,852	-	-	3,779,852
Due from Primary Government	-	-	-	705,039	2,778	707,817
Internal Balances	38,738	(38,738)	-	-	-	-
Advances to Other Governments	2,500,000	-	2,500,000	-	-	2,500,000
Inventories	487,252	73,595	560,847	1,569,676	-	2,130,523
Land Held for Resale	-	-	-	-	19,526,327	19,526,327
Prepaid Items	215,133	1,676	216,809	1,401,100	22,312	1,640,221
Pension Asset	5,675,467	-	5,675,467	-	-	5,675,467
Equity Interest in Joint Venture	6,915,396	-	6,915,396	-	-	6,915,396
Capital Assets:						
Land and Construction in Process	149,627,020	880	149,627,900	79,673,572	2,360,324	231,661,796
Other Capital Assets, Net of Accumulated Depreciation	467,398,275	503,000	467,901,275	311,642,544	4,182,733	783,726,552
Deferred Debt Issuance Costs, Net of Accumulated Amortization	4,156,078	-	4,156,078	-	-	4,156,078
<b>Total Assets</b>	<b>924,637,590</b>	<b>689,628</b>	<b>925,327,218</b>	<b>622,772,037</b>	<b>54,615,429</b>	<b>1,602,714,684</b>
<b>Deferred Outflows of Resources</b>						
Deferred Outflows of Hedging Derivatives	19,941,248	-	19,941,248	-	-	19,941,248
<b>Liabilities</b>						
Accounts Payable	16,250,808	38,797	16,289,605	58,365,734	448,416	75,103,755
Due to Component Units	707,817	-	707,817	-	-	707,817
Due to Primary Government	-	-	-	3,763,404	16,448	3,779,852
Unearned Revenue	149,137,612	-	149,137,612	118,543,040	-	267,680,652
Accrued Interest	4,099,209	-	4,099,209	-	-	4,099,209
Self-insurance Liability	10,811,830	-	10,811,830	-	-	10,811,830
Long-term Obligations:						
Accrued Pension Obligation	-	-	-	3,107,272	-	3,107,272
Other Post-Employment Benefits Obligation	782,362	-	782,362	-	-	782,362
Fair Value of Interest Rate Swap Derivatives	26,953,760	-	26,953,760	-	-	26,953,760
Other Long-term Obligations:						
Due in Less than One Year	46,371,121	42,685	46,413,806	2,220,013	229,593	48,863,412
Due in More than One Year	614,238,462	4,743	614,243,205	246,668	25,510	614,515,383
<b>Total Liabilities</b>	<b>869,352,981</b>	<b>86,225</b>	<b>869,439,206</b>	<b>186,246,131</b>	<b>719,967</b>	<b>1,056,405,304</b>
<b>Net Position</b>						
Investment in Capital Assets	-	503,880	503,880	391,316,116	6,543,057	398,363,053
Net Investment in Capital Assets (see note below)	290,649,727	-	290,649,727	-	-	28,857,352
Restricted for:						
Debt Service	110,208	-	110,208	-	-	110,208
Capital Projects	1,471,972	-	1,471,972	13,182,024	-	14,653,996
Public Health and Welfare Purposes	2,078,996	-	2,078,996	-	-	2,078,996
Public Safety Purposes	2,589,888	-	2,589,888	-	-	2,589,888
Education Purposes	-	-	-	19,501,443	22,458	19,523,901
Other Purposes	2,824,246	-	2,824,246	-	-	2,824,246
Unrestricted (see note below)	(224,499,180)	99,523	(224,399,657)	12,526,323	47,329,947	97,248,988
<b>Total Net Position</b>	<b>\$ 75,225,857</b>	<b>\$ 603,403</b>	<b>\$ 75,829,260</b>	<b>\$ 436,525,906</b>	<b>\$ 53,895,462</b>	<b>\$ 566,250,628</b>

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 \$261,792,375 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 \$261,792,375 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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		Total Reporting Unit	
					Governmental Activities	Business-type Activities	The Board	Nonmajor Component Units		
<b>Primary government:</b>										
Governmental activities:										
Finance and Administration	\$ 30,903,236	\$ 21,290,699	\$ -	\$ -	\$ (9,612,537)	\$ (9,612,537)			\$ (9,612,537)	
Finance and Administration-Payment to Component Unit	6,653,874	-	-	-	(6,653,874)	(6,653,874)			(6,653,874)	
Administration of Justice	22,734,428	10,382,380	83,778	-	(12,268,270)	(12,268,270)			(12,268,270)	
Public Safety	73,855,455	2,759,919	3,422,659	-	(67,672,877)	(67,672,877)			(67,672,877)	
Public Safety-Payment to Component Unit	326,200	-	-	-	(326,200)	(326,200)			(326,200)	
Public Health and Welfare	32,492,041	4,997,021	7,759,930	-	(19,735,090)	(19,735,090)			(19,735,090)	
Public Health and Welfare-Payment to Component Unit	256,628	-	-	-	(256,628)	(256,628)			(256,628)	
Social and Cultural Services	19,130,136	950,683	467,714	-	(17,711,739)	(17,711,739)			(17,711,739)	
Agricultural and Natural Resources	435,231	-	-	-	(435,231)	(435,231)			(435,231)	
Other General Government	22,832,602	290,846	1,345,374	-	(21,196,382)	(21,196,382)			(21,196,382)	
Other General Government-Payment to Component Unit	675,000	-	-	-	(675,000)	(675,000)			(675,000)	
Engineering and Public Works	23,555,325	883,998	1,385,619	-	(21,285,708)	(21,285,708)			(21,285,708)	
Education - Payment to Component Unit	28,092,391	-	-	-	(28,092,391)	(28,092,391)			(28,092,391)	
Debt Service - Interest and Fees	26,688,921	-	-	-	(26,688,921)	(26,688,921)			(26,688,921)	
<b>Total governmental activities</b>	<b>288,631,468</b>	<b>41,555,546</b>	<b>14,465,074</b>	<b>-</b>	<b>(232,610,848)</b>	<b>(232,610,848)</b>			<b>(232,610,848)</b>	
Business-type activities:										
Three Ridges Golf Course	1,124,565	877,775	-	-	-	\$ (246,790)			(246,790)	
<b>Total primary government</b>	<b>\$ 289,756,033</b>	<b>\$ 42,433,321</b>	<b>\$ 14,465,074</b>	<b>\$ -</b>	<b>(232,610,848)</b>	<b>(246,790)</b>			<b>(232,857,638)</b>	
<b>Component units:</b>										
Board of Education	\$ 526,960,365	\$ 16,681,836	\$ 70,878,257	\$ -			\$ (439,400,272)		(439,400,272)	
Nonmajor Component Units	7,194,181	6,499,035	16,372	747,638			-	\$ 68,864	68,864	
<b>Total component units</b>	<b>\$ 534,154,546</b>	<b>\$ 23,180,871</b>	<b>\$ 70,894,629</b>	<b>\$ 747,638</b>			<b>(439,400,272)</b>	<b>68,864</b>	<b>(439,331,408)</b>	
<b>General Revenues:</b>										
Property Taxes					144,007,522	-	144,007,522	113,862,764	-	257,870,286
Sales Taxes					11,815,046	-	11,815,046	127,612,963	-	139,428,009
Lodging Taxes					5,547,738	-	5,547,738	-	-	5,547,738
Business Taxes					8,709,692	-	8,709,692	-	-	8,709,692
Wheel Taxes					10,936,500	-	10,936,500	1,515,396	-	12,451,896
Other Local Taxes					4,942,341	-	4,942,341	1,019,405	-	5,961,746
Investment Revenue					7,779,556	-	7,779,556	135,711	30,951	7,946,218
Payments from Component Units					32,601,668	-	32,601,668	-	-	32,601,668
Payments from Primary Government					-	-	-	34,786,265	1,257,828	36,044,093
Shared Revenues					16,209,430	-	16,209,430	1,671,340	-	17,880,770
Other Revenues					1,949,250	-	1,949,250	-	242,350	2,191,600
Other Governments and Citizens Groups					264,452	-	264,452	-	78,725	343,177
Miscellaneous					262,735	-	262,735	371,993	5,368	640,096
Grants and Contributions Not Restricted for Specific Programs					-	-	-	169,491,089	1,719,140	171,210,229
<b>Total General Revenues</b>					<b>245,025,930</b>	<b>-</b>	<b>245,025,930</b>	<b>450,466,926</b>	<b>3,334,362</b>	<b>698,827,218</b>
Change in Net Position					12,415,082	(246,790)	12,168,292	11,066,654	3,403,226	26,638,172
Net Position, July 1, as restated					62,810,775	850,193	63,660,968	425,459,252	50,492,236	539,612,456
Net Position, June 30					<b>\$ 75,225,857</b>	<b>\$ 603,403</b>	<b>\$ 75,829,260</b>	<b>\$ 436,525,906</b>	<b>\$ 53,895,462</b>	<b>\$ 566,250,628</b>

**KNOX COUNTY, TENNESSEE**

**Balance Sheet  
Governmental Funds  
June 30, 2013**

	<b>General</b>	<b>Special Revenue Constitutional Officers</b>	<b>Capital Projects Public Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 19,865,598	\$ 4,355,320	\$ 27,808	\$ 18,584,043	\$ 9,520,264	\$ 52,353,033
Receivables:						
Accounts, Net	9,344,582	-	19,640	-	7,216,648	16,580,870
Local Taxes	110,975,001	-	-	34,721,441	-	145,696,442
Notes	1,274,000	-	-	9,245,000	2,987,965	13,506,965
Investments	33,859,983	-	4,253,501	-	-	38,113,484
Due from Other Funds	4,167,329	-	300,000	-	263,292	4,730,621
Due from Component Units	3,201,996	-	-	-	-	3,201,996
Advances to Other Governments	-	-	-	2,500,000	-	2,500,000
Inventories	227,841	-	-	-	12,388	240,229
Prepaid Items	106,106	-	-	-	25,046	131,152
Investment in Joint Venture	6,915,396	-	-	-	-	6,915,396
<b>TOTAL ASSETS</b>	<b>\$ 189,937,832</b>	<b>\$ 4,355,320</b>	<b>\$ 4,600,949</b>	<b>\$ 65,050,484</b>	<b>\$ 20,025,603</b>	<b>\$ 283,970,188</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable and Accrued Liabilities	\$ 10,222,787	\$ -	\$ 1,108,956	\$ 5,976	\$ 3,675,116	\$ 15,012,835
Due to Other Funds	1,585,770	697,942	2,020,021	-	1,240,386	5,544,119
Due to Component Units	476,412	-	-	-	266	476,678
Deferred Revenue	111,387,605	-	-	40,442,612	3,201,618	155,031,835
<b>TOTAL LIABILITIES</b>	<b>123,672,574</b>	<b>697,942</b>	<b>3,128,977</b>	<b>40,448,588</b>	<b>8,117,386</b>	<b>176,065,467</b>
<b>Fund Balances:</b>						
Nonspendable	7,249,342	-	-	5,725,000	37,434	13,011,776
Restricted	2,798,061	-	1,471,972	110,208	4,695,069	9,075,310
Committed	3,675,473	-	-	18,766,688	7,175,714	29,617,875
Assigned	1,089,640	3,657,378	-	-	-	4,747,018
Unassigned	51,452,742	-	-	-	-	51,452,742
<b>TOTAL FUND BALANCES</b>	<b>66,265,258</b>	<b>3,657,378</b>	<b>1,471,972</b>	<b>24,601,896</b>	<b>11,908,217</b>	<b>107,904,721</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 189,937,832</b>	<b>\$ 4,355,320</b>	<b>\$ 4,600,949</b>	<b>\$ 65,050,484</b>	<b>\$ 20,025,603</b>	<b>\$ 283,970,188</b>

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

---

## KNOX COUNTY, TENNESSEE

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

June 30, 2013

---

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

Ending Fund Balance - Governmental Funds	\$	107,904,721	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			616,697,120
Other long-term assets, consisting of deferred debt issuance costs (\$4,156,078) and pension asset (\$5,675,467), are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			9,831,545
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			7,263,256
Long-term liabilities, including bonds payable and related unamortized premium and unamortized amount on refunding, note payable, other post-employment benefit obligation, compensated absences, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.			
Bonds Payable	\$	631,616,485	
Unamortized Bond Premium		7,552,564	
Unamortized Amount on Refunding		(3,216,496)	
Fair Value of Interest Rate Swaps, net		7,012,512	
Notes Payable		4,640,390	
Accrued Interest		4,099,209	
Capital Lease Obligation		13,182,024	
Other Post-employment Benefit Obligation		782,362	
Compensated Absences		6,704,085	
		<u>6,704,085</u>	(672,373,135)

Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were deferred in the fund financial statements but have been recognized as revenues under the accrual basis.

5,902,350

Net Position of Governmental Activities

\$ 75,225,857

*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, 2013

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
County Property Taxes	\$ 111,881,184	\$ -	\$ -	\$ 32,886,294	\$ -	\$ 144,767,478
Local Option Sales Taxes	4,440,665	-	-	-	7,374,381	11,815,046
Lodging Taxes	-	-	-	-	5,547,738	5,547,738
Business Taxes	8,709,692	-	-	-	-	8,709,692
Wheel Taxes	504,302	-	-	-	10,432,198	10,936,500
Other Local Taxes	2,845,245	-	-	-	2,097,096	4,942,341
Licenses and Permits	3,701,844	-	-	-	-	3,701,844
Fines, Forfeitures and Penalties	2,710,496	-	-	-	924,911	3,635,407
Charges for Current Services	4,562,900	25,076,626	-	-	806,086	30,445,612
Other Local Revenues	8,749,400	-	548,095	-	1,206,018	10,503,513
State of Tennessee	11,229,915	-	1,385,619	-	6,723,631	19,339,165
Federal Government	734,813	-	-	-	9,498,340	10,233,153
Other Governments and Citizen Groups	320,723	-	-	-	782,290	1,103,013
Payments from Component Units	-	-	-	32,601,668	-	32,601,668
Increase in Equity Interest in Joint Venture	918,162	-	-	-	-	918,162
Investment Revenue	-	14,870	105,943	2,093,793	-	2,214,606
<b>Total Revenues</b>	<b>161,309,341</b>	<b>25,091,496</b>	<b>2,039,657</b>	<b>67,581,755</b>	<b>45,392,689</b>	<b>301,414,938</b>
<b>Expenditures</b>						
Current:						
Finance and Administration	21,822,661	8,498,333	-	-	-	30,320,994
Finance and Administration - Payments to Component Unit	6,653,874	-	-	-	-	6,653,874
Administration of Justice	15,719,185	6,427,924	-	-	74,711	22,221,820
Public Safety	69,650,368	-	-	-	3,306,050	72,956,418
Public Safety - Payments to Component Unit	326,200	-	-	-	-	326,200
Public Health and Welfare	19,402,706	-	-	-	11,963,358	31,366,064
Public Health and Welfare - Payments to Component Unit	256,628	-	-	-	-	256,628
Social and Cultural Services	4,287,559	-	-	-	12,080,078	16,367,637
Agricultural and Natural Resources	435,231	-	-	-	-	435,231
Other General Government	13,498,278	-	-	-	6,266,024	19,764,302
Other General Government - Payments to Component Unit	675,000	-	-	-	-	675,000
Engineering and Public Works	-	-	-	-	10,873,216	10,873,216
Debt Proceeds Paid to Component Unit	-	-	13,182,024	-	-	13,182,024
Capital Projects	-	-	29,402,147	-	354,891	29,757,038
Debt Service:						
Other Debt Service	-	-	-	1,826,198	-	1,826,198
Trustee's Commission	-	-	13,295	678,399	-	691,694
Principal	-	-	-	37,766,083	-	37,766,083
Interest	-	-	-	24,982,926	-	24,982,926
Refunding Bonds Issuance Costs	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>152,727,690</b>	<b>14,926,257</b>	<b>42,597,466</b>	<b>65,253,606</b>	<b>44,918,328</b>	<b>320,423,347</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>8,581,651</b>	<b>10,165,239</b>	<b>(40,557,809)</b>	<b>2,328,149</b>	<b>474,361</b>	<b>(19,008,409)</b>
<b>Other financing sources (uses)</b>						
Transfers from Other Funds	8,707,849	-	5,855,375	-	2,653,543	17,216,767
Transfers to Other Funds	(10,314,443)	(8,707,849)	-	-	(2,304,581)	(21,326,873)
Capital Lease Proceeds	-	-	13,182,024	-	-	13,182,024
<b>Total Other Financing Sources (Uses)</b>	<b>(1,606,594)</b>	<b>(8,707,849)</b>	<b>19,037,399</b>	<b>-</b>	<b>348,962</b>	<b>9,071,918</b>
<b>Net Change in Fund Balances</b>	<b>6,975,057</b>	<b>1,457,390</b>	<b>(21,520,410)</b>	<b>2,328,149</b>	<b>823,323</b>	<b>(9,936,491)</b>
<b>Fund Balances, July 1, as restated</b>	<b>59,290,201</b>	<b>2,199,988</b>	<b>22,992,382</b>	<b>22,273,747</b>	<b>11,084,894</b>	<b>117,841,212</b>
<b>Fund Balances, June 30</b>	<b>\$ 66,265,258</b>	<b>\$ 3,657,378</b>	<b>\$ 1,471,972</b>	<b>\$ 24,601,896</b>	<b>\$ 11,908,217</b>	<b>\$ 107,904,721</b>

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

---

**KNOX COUNTY, TENNESSEE**

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

For the year ended June 30, 2013

---

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

Net Change in Fund Balances - Total Governmental Funds	\$ (9,936,491)
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 (\$22,686,926) exceeded capital outlays (\$18,001,989) in the current period.	(4,684,937)
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements.	5,902,350
Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities.	(6,662,306)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is reflected as an expenditure in the governmental funds, whereas the repayment reduces long-term liabilities in the statement of net assets. Debt principal payments (\$37,766,083) exceeded debt proceeds (\$13,182,024) by this amount.	24,584,059
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$717,115) and amortization of deferred debt issuance costs (\$315,923). In addition, the amortization of bond premium results in reduction of expenses of \$1,530,543. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	497,505
The decrease in the liability for accrued interest of \$314,392, plus the increase in the balance of the net pension asset of \$854,414, decreased expenses reported in the statement of activities. In addition, the increase in the balance of the liability for other post-employment benefits increased expenses by \$134,872, and the increase in the compensated absences liability balance of \$828,078 increased expenses by that amount. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	205,856
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the assets sold is removed from the capital assets reported in the statement of net position and offset against the sale proceeds resulting in a gain on sale of capital assets in the statement of activities.	(4,662,359)
The increase in the fair value of an interest rate swap accounted for as an investment derivative instrument in the statement of activities did not provide current resources in governmental funds.	5,053,927
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The net revenue (expense) amounts of the internal service funds are reported with governmental activities.	<u>2,117,478</u>
Change in Net Position of Governmental Activities	<u>\$ 12,415,082</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, 2013**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
County Property Taxes	\$ 108,852,000	\$ 108,852,000	\$ 111,881,184	\$ 3,029,184
Local Option Sales Taxes	4,139,500	4,139,500	4,440,665	301,165
Business Taxes	7,495,000	7,495,000	8,709,692	1,214,692
Wheel Taxes	500,000	500,000	504,302	4,302
Other Local Taxes	2,730,500	2,856,679	2,845,245	(11,434)
Licenses and Permits	3,410,500	3,410,500	3,701,844	291,344
Fines, Forfeitures and Penalties	1,691,200	1,845,880	2,710,496	864,616
Charges for Current Services	4,129,542	4,165,019	4,562,900	397,881
Other Local Revenues	3,087,128	8,449,732	8,749,400	299,668
State of Tennessee	8,272,343	8,382,981	11,229,915	2,846,934
Federal Government	791,025	791,025	734,813	(56,212)
Other Governments and Citizen Groups	175,488	199,704	320,723	121,019
Increase in Equity Interest in Joint Venture	-	-	918,162	918,162
Total Revenues	<u>145,274,226</u>	<u>151,088,020</u>	<u>161,309,341</u>	<u>10,221,321</u>
<b>Expenditures</b>				
Current:				
Finance and Administration	22,581,973	22,058,767	21,822,661	236,106
Finance and Administration - Payments to Component Unit	5,283,874	8,153,874	6,653,874	1,500,000
Administration of Justice	15,780,599	15,974,851	15,719,185	255,666
Public Safety	69,921,811	70,511,044	69,650,368	860,676
Public Safety - Payments to Component Unit	326,200	326,200	326,200	-
Public Health and Welfare	20,803,792	20,301,618	19,402,706	898,912
Public Health and Welfare - Payments to Component Unit	256,628	256,628	256,628	-
Social and Cultural Services	4,270,622	4,484,992	4,287,559	197,433
Agricultural and Natural Resources	466,102	472,256	435,231	37,025
Other General Government	12,124,639	14,409,976	13,498,278	911,698
Other General Government - Payments to Component Unit	675,000	675,000	675,000	-
Total Expenditures	<u>152,491,240</u>	<u>157,625,206</u>	<u>152,727,690</u>	<u>4,897,516</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(7,217,014)</u>	<u>(6,537,186)</u>	<u>8,581,651</u>	<u>15,118,837</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	8,357,000	8,365,733	8,707,849	342,116
Transfers to Other Funds	(3,390,319)	(10,682,502)	(10,314,443)	368,059
Total Other Financing Sources	<u>4,966,681</u>	<u>(2,316,769)</u>	<u>(1,606,594)</u>	<u>710,175</u>
<b>Net Change in Fund Balances</b>	<u>\$ (2,250,333)</u>	<u>\$ (8,853,955)</u>	<u>6,975,057</u>	<u>\$ 15,829,012</u>
Fund Balances, July 1, as restated			<u>59,290,201</u>	
Fund Balances, June 30			<u>\$ 66,265,258</u>	

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

**KNOX COUNTY, TENNESSEE**

**Statement of Net Position  
Proprietary Funds  
June 30, 2013**

	<b>(Nonmajor) Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 127,559	\$ 17,078,432
Receivables:		
Accounts	21,656	492,655
Due from Other Funds	646	1,121,187
Due from Component Units	-	577,856
Notes	-	22,498
Inventories	73,595	247,023
Prepaid Items	1,676	83,981
<b>TOTAL CURRENT ASSETS</b>	<b>225,132</b>	<b>19,623,632</b>
<b>Capital Assets:</b>		
Land	880	-
Buildings	747,515	-
Machinery and Equipment	504,423	7,267,349
Computer Software	25,448	-
Land Improvements	66,463	-
Accumulated Depreciation	(840,849)	(6,939,174)
Capital Assets (Net of Accumulated Depreciation)	503,880	328,175
<b>TOTAL ASSETS</b>	<b>729,012</b>	<b>19,951,807</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	38,797	1,237,973
Due to Other Funds	39,384	268,951
Due to Component Units	-	231,139
Deferred Revenue	-	8,127
Claims Liability	-	10,811,830
Compensated Absences Payable	42,685	117,478
<b>TOTAL CURRENT LIABILITIES</b>	<b>120,866</b>	<b>12,675,498</b>
<b>Noncurrent Liabilities:</b>		
Compensated Absences Payable	4,743	13,053
<b>TOTAL LIABILITIES</b>	<b>125,609</b>	<b>12,688,551</b>
<b>NET POSITION</b>		
Invested in Capital Assets	503,880	328,175
Unrestricted	99,523	6,935,081
<b>TOTAL NET POSITION</b>	<b>\$ 603,403</b>	<b>\$ 7,263,256</b>

*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, 2013

---

	<b>(Nonmajor) Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>		
Charges for Services	\$ 877,775	\$ 67,769,931
<b>Operating Expenses</b>		
Cost of Sales and Services	426,477	2,477,586
General and Administration	458,990	12,643,399
Depreciation and Amortization	130,556	57,294
Medical Claims	-	23,613,269
Retirement Contributions	-	26,458,870
Other Employee Benefits	-	820,412
Worker's Compensation Claims	-	3,180,945
Other Claims Expense	-	1,126,964
Other Expenses	108,542	137,388
Total Operating Expenses	<u>1,124,565</u>	<u>70,516,127</u>
<b>Operating Loss</b>	<u>(246,790)</u>	<u>(2,746,196)</u>
<b>Nonoperating Revenues</b>		
Insurance Recovery	-	753,568
Total Nonoperating Revenues	<u>-</u>	<u>753,568</u>
<b>Loss before Transfers</b>	(246,790)	(1,992,628)
<b>Transfers</b>		
Transfers from Other Funds	<u>-</u>	<u>4,110,106</u>
<b>Change in Net Position</b>	(246,790)	2,117,478
<b>Total Net Position, July 1</b>	<u>850,193</u>	<u>5,145,778</u>
<b>Total Net Position, June 30</b>	<u>\$ 603,403</u>	<u>\$ 7,263,256</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, 2013

	<b>(Nonmajor) Enterprise Fund</b>	<b>Internal Service Funds</b>
	<u>          </u>	<u>          </u>
<b>Operating Activities</b>		
Cash Received from Customers	\$ 867,291	\$ -
Cash Received from Interfund Services Provided	-	68,223,514
Cash Paid to Employees	(465,934)	(1,404,035)
Cash Paid for Goods and Services	(509,534)	(16,534,809)
Cash Paid on Behalf of Employees	-	(51,777,102)
<b>Net Cash Used in Operating Activities</b>	<u>(108,177)</u>	<u>(1,492,432)</u>
<b>Noncapital Financing Activities</b>		
Receipts of Subrogation Payments	-	436
Transfers from Other Funds	-	4,110,106
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>-</u>	<u>4,110,542</u>
<b>Capital and Related Financing Activities</b>		
Proceeds from Insurance Recovery	-	753,568
Acquisition and Construction of Capital Assets	-	(220,623)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>-</u>	<u>532,945</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(108,177)</u>	<u>3,151,055</u>
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>235,736</u>	<u>13,927,377</u>
<b>End of Year</b>	<u>\$ 127,559</u>	<u>\$ 17,078,432</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating Loss	\$ (246,790)	\$ (2,746,196)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	130,556	57,294
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(9,838)	19,042
(Increase) Decrease in Due from Other Funds	(646)	506,173
Increase in Due from Component Units	-	(27,182)
Increase in Inventories	(4,786)	(30,632)
(Increase) Decrease in Prepaid Items	1,851	(44,530)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(4,438)	99,523
Increase in Due to Other Funds	19,148	170,986
Increase in Due to Component Units	-	25,534
Increase in Compensated Absences	6,766	23,800
Increase in Claims Liabilities	-	498,206
Decrease in Deferred Revenue	-	(44,450)
Total Adjustments	<u>138,613</u>	<u>1,253,764</u>
<b>Net Cash Used in Operating Activities</b>	<u>\$ (108,177)</u>	<u>\$ (1,492,432)</u>

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

**KNOX COUNTY, TENNESSEE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2013

	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,027,238	\$ 28,621,499
Investments:		
Mutual Funds	350,127,961	-
Common Collective Trusts	30,927,307	-
Guaranteed Investment Contracts	27,297,381	-
Corporate Bonds	1,769,724	-
U.S. Treasuries	7,299,220	-
Federal Agency Debt Securities	4,859,685	-
Federal Agency Mortgage Backed Securities	7,757,269	-
Total Investments	430,038,547	-
Receivables:		
Accounts	-	7,390,275
Employee Contributions	188,161	-
Employer Contributions	219,557	-
Total Receivables	407,718	7,390,275
<b>TOTAL ASSETS</b>	434,473,503	\$ 36,011,774
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	257,166	\$ 8,155,568
Due to Other Governments	-	5,364,354
Due to Litigants, Heirs and Others	-	22,491,852
<b>TOTAL LIABILITIES</b>	257,166	\$ 36,011,774
<b>NET POSITION</b>		
Held in Trust for:		
Pension Benefits	\$ 434,216,337	

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

---

**KNOX COUNTY, TENNESSEE**

**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
For the year ended June 30, 2013

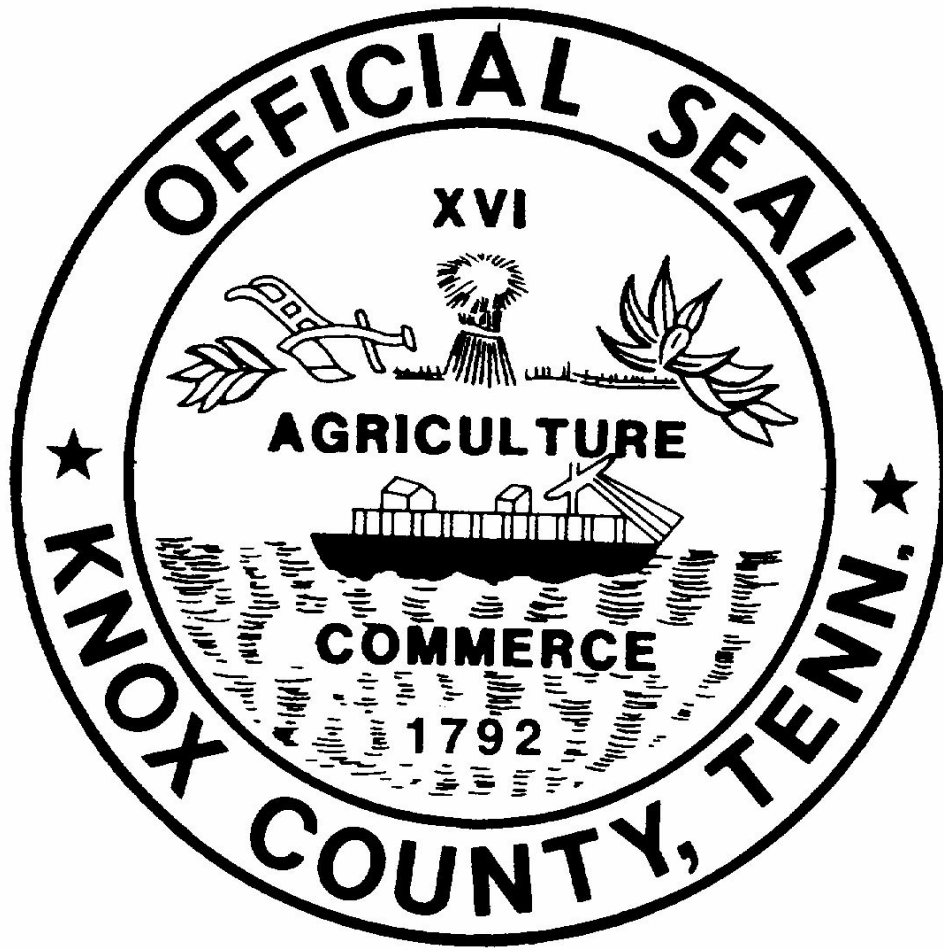
---

	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 18,270,083
Employees	11,464,545
Rollovers	515,444
Transfers from Other Plans	<u>302,991</u>
Total Contributions	<u>30,553,063</u>
Investment Earnings (Losses):	
Interest and Dividend Income	1,028,411
Net Appreciation (Depreciation) in Fair Value of Investments	<u>44,235,267</u>
Total Investment Earnings (Losses)	45,263,678
Less Investment Expenses	<u>(748,380)</u>
Net Investment Earnings (Losses)	<u>44,515,298</u>
Total Additions	<u>75,068,361</u>
<b>Deductions</b>	
Benefits and Refunds	28,733,023
Administrative Expenses	1,254,957
Transfers to Other Plans	<u>302,991</u>
Total Deductions	<u>30,290,971</u>
<b>Change in Net Position</b>	44,777,390
<b>Total Net Position Held in Trust for Pension Benefits, July 1 as restated</b>	<u>389,438,947</u>
<b>Total Net Position Held in Trust for Pension Benefits, June 30</b>	<u>\$ 434,216,337</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, 2013

Index

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

A.	Reporting Entity	32-34
B.	Government-wide and Fund Financial Statements	34-35
C.	Measurement Focus, Basis of Accounting, and Financial Statement Presentation	35-39
D.	Assets, Liabilities and Equity	39-45
E.	Additional Information	45

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

A.	Budgetary Data	46-49
----	----------------	-------

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

A.	Deposits and Investments	50-53
B.	Receivables	53-55
C.	Capital Assets	56-58
D.	Interfund and Component Unit Receivables and Payables	59-62
E.	Transfers and Similar Transactions	63-65
F.	Deferred/Unearned Revenue	66-67
G.	Leases	68
H.	Long-Term Liabilities	69-80
I.	Fund Equity	81-83
J.	Property Taxes	83-84

**Note IV - OTHER INFORMATION**

A.	Joint Ventures	85
B.	Related Organizations	86
C.	Risk Financing	87-88
D.	Other Post Employment Benefits	88-90
E.	Commitments and Contingencies	91-93
F.	Deferred Compensation	93
G.	Constitutional Officers	93-94
H.	Accounting Pronouncements	95-96
I.	Restatements	97-98

**Note V - EMPLOYEE RETIREMENT PLANS**

A.	General Information	98
B.	Defined Contribution Plans	99-101
C.	Defined Benefit Plans	102-108
D.	Prior Period Adjustment	108

KNOX COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2013

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

**A. Reporting Entity**

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

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

The **Knox County Board of Education** (the Board) consists of nine members elected by voters of the County and one superintendent appointed by members of the Board. The Board is fiscally dependent on the County because the County levies taxes for the Board, issues debt on behalf of the Board and approves the Board's Budget. The Board is responsible for elementary and secondary education within the County's jurisdiction. The Board operates a total of 88 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2012 - 2013 school year was 56,811 with a full time equivalent average daily attendance of 53,344. During the previous year, the full time equivalent average daily membership was 56,231 with a full time equivalent average daily attendance of 53,012.

The **Knox County Railroad Authority** (KCRA) was established by Knox County in April 1999, to provide for the continuation of rail service within the County. KCRA is governed by a two-member Board consisting of the County Mayor and a member selected by the County Commission. KCRA is fiscally dependent on the County for approval of all debt issuances.

The **Knox County Emergency Communications District** (the District) is an emergency response agency operating a consolidated public safety answering point service and emergency radio dispatch service for the residents of the County. The District is governed by an eleven-member Board of Directors, of whom the majority are appointed by the County. Debt issuances or lease agreements exceeding five years require County approval. The District has the authority to levy an emergency telephone service charge to be used to fund the emergency telephone service. The County, however, may reduce the levy provided the reduction does not preclude the District from the authorized activities established in the Tennessee Code Annotated.

**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, 2013*

**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.

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

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

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

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

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, 2013*

**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*.

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, 2013*

**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, 2013*

**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:



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

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

Fiduciary funds also include agency funds used to account for the receipt and disbursement of funds held for various third parties. Agency funds include transactions related to (1) local sales taxes collected by the State of Tennessee and remitted to the County for distribution to other municipalities, (2) funds held on behalf of 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

*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).

**D. Assets, Liabilities and Equity**

*Deposits and Investments*

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

The County maintains a pooled cash system through the Knox County Trustee. The fair value of purchased investments and investment income at fiscal year-end is allocated to major funds based on the total cash position of that fund at fiscal year-end. In accordance with County directive, the majority of interest earned during the year is allocated to the General Fund.

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

***Receivables, Payables, and Deferred Revenue***

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

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

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

All trade receivables are shown net of an allowance for doubtful accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1<sup>st</sup>, and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1<sup>st</sup> of the ensuing fiscal year. Property tax payments are due by February 28 of the following year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30<sup>th</sup>.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

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

***Inventories and Prepaid Assets***

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

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

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

***Derivative Instruments***

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

The County analyzes its derivative instruments into hedging derivative instruments and investment derivative instruments, as defined by Statement No. 53. If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the Statement of Net 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. (H) for more detailed analysis. The County formally assesses the effectiveness of its hedging derivative instruments at each year-end.

***Capital Assets***

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

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

***Compensated Absences***

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

***Long-Term Obligations***

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

***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 on the specific purposes for which amounts in the funds can be spent. The classifications are as follows:

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

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

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the County is the County Commission. For financial matters such as adopting the budget, establishing tax rates, approving the issuance of debt, and constraining amounts for specific purposes, the Commission utilizes resolutions to effect such actions. 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, 2013*

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

**D. Assets, Liabilities 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.)

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.

**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, 2013*

**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. The Board adopts annual budget amounts for certain expenditures within the School Construction Capital Projects Fund.

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

**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, 2013*

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

**A. Budgetary Data (Continued)**

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

***Supplemental Appropriations***

The following schedule shows the annual budget originally adopted for the County and the Board, and the revisions to that budget as authorized by the County Commission, for the year ended June 30, 2013:

Fund	Original Budget	Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 155,881,559	\$ 12,426,149	\$ 168,307,708
Special Revenue Funds:			
State and Federal Grants	151,795	2,389,152	2,540,947
Governmental Library	109,000	40,000	149,000
Public Library	12,558,482	55,470	12,613,952
Solid Waste	4,015,215	51,647	4,066,862
Hotel/Motel Tax	5,670,000	-	5,670,000
Drug Control	644,200	178,648	822,848
Engineering & Public Works	11,403,000	1,138,410	12,541,410
Total Special Revenue Funds	34,551,692	3,853,327	38,405,019
Debt Service Fund	74,250,000	-	74,250,000
Total - Governmental Funds	\$ 264,683,251	\$ 16,279,476	\$ 280,962,727

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

**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	\$ 401,710,000	\$ 23,687,658	\$ 425,397,658
Special Revenue Funds:			
Central Cafeteria	25,992,842	1,350,000	27,342,842
Capital Projects Fund:			
School Construction	20,500,000	-	20,500,000
Total - the Board	<u>\$ 448,202,842</u>	<u>\$ 25,037,658</u>	<u>\$ 473,240,500</u>

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2013, 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, 2013*

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

**A. Deposits and Investments**

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

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

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

***Interest Rate Risk***

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

	Primary Government, Governmental Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value or Carrying Amount	Weighted Average Maturity (Years)	Fair Value or Carrying Amount	Weighted Average Maturity (Years)
Cash Equivalents Classified as Investments	\$ 6,181,406		\$ 5,989,460	
Common Collective Trusts	\$ -		\$ 30,927,307	
Guaranteed Investment Contracts	\$ -		\$ 27,297,381	
Mutual Funds	\$ -		\$ 406,484,263	
Fixed Income Securities:				
U.S. Treasuries	\$ 3,356,998	0.828	\$ 9,483,919	9.953
Federal Agency Mortgage Backed Securities	-		10,445,369	20.450
Federal Agency Debt Securities	14,978,672	0.828	6,410,580	4.087
Corporate Bonds	-		2,449,642	8.894
Municipal Bonds	19,777,814	1.120	-	
Total Fixed Income Securities	\$ 38,113,484	0.980	\$ 28,789,510	12.276

***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, 2013 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, 2013*

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

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

*Credit risk*

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

	Primary Government, Governmental Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value	S&P/Moody's Ratings	Fair Value	S&P/Moody's Ratings
U.S. Treasuries	\$ 3,356,998	Aaa	\$ 9,483,919	Aaa
Federal Agency Mortgage Backed Securities	-		10,445,369	Aaa
Federal Agency Debt Securities	14,978,672	AA+	6,370,281	AA+
Federal Agency Debt Securities	-		40,299	Aaa
Corporate Bonds:				
Corporate Bonds	-		41,965	AA+
Corporate Bonds	-		147,301	AA
Corporate Bonds	-		71,321	AA-
Corporate Bonds	-		174,945	A+
Corporate Bonds	-		245,173	A
Corporate Bonds	-		912,573	A-
Corporate Bonds	-		482,389	BBB+
Corporate Bonds	-		227,651	BBB
Corporate Bonds	-		146,324	Unrated
Municipal Bonds	1,173,704	AAA	-	
Municipal Bonds	1,000,790	Aaa	-	
Municipal Bonds	1,860,075	AA+	-	
Municipal Bonds	751,900	Aa1	-	
Municipal Bonds	5,127,681	AA	-	
Municipal Bonds	4,017,304	Aa2	-	
Municipal Bonds	3,219,884	AA-	-	
Municipal Bonds	1,451,552	Aa3	-	
Municipal Bonds	774,263	A+	-	
Municipal Bonds	400,661	Unrated	-	
<b>Total Fixed Income Securities</b>	<b>\$ 38,113,484</b>		<b>\$ 28,789,510</b>	

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

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

**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	\$ 112,993,933	\$ 35,363,662	\$ -	\$ -	\$ -	\$ -	\$ 148,357,595	\$ -
Accounts	9,344,582	-	19,640	7,216,648	492,655	21,656	17,095,181	7,390,275
Contributions	-	-	-	-	-	-	-	407,718
<b>Gross Receivables</b>	<b>122,338,515</b>	<b>35,363,662</b>	<b>19,640</b>	<b>7,216,648</b>	<b>492,655</b>	<b>21,656</b>	<b>165,452,776</b>	<b>7,797,993</b>
Less: Allowances for Uncollectibles	(2,018,932)	(642,221)	-	-	-	-	(2,661,153)	-
<b>Net Total Receivables</b>	<b>\$ 120,319,583</b>	<b>\$ 34,721,441</b>	<b>\$ 19,640</b>	<b>\$ 7,216,648</b>	<b>\$ 492,655</b>	<b>\$ 21,656</b>	<b>\$ 162,791,623</b>	<b>\$ 7,797,993</b>



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**B. Receivables (Continued)**

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

<u>Component Units:</u>	Government-wide Totals				
	The Board	The Partnership	The District	The Corporation	KCRA
Receivables:					
Taxes	\$ 128,098,165	\$ -	\$ -	\$ -	\$ -
Accounts	43,200,011	2,231,330	972,204	197,272	6,433
Gross Receivables	171,298,176	2,231,330	972,204	197,272	6,433
Less: Allowances for Uncollectibles	(2,243,967)	(38,272)	-	-	-
Net Total Receivables	<u>\$ 169,054,209</u>	<u>\$ 2,193,058</u>	<u>\$ 972,204</u>	<u>\$ 197,272</u>	<u>\$ 6,433</u>

The General Fund has the following note receivable at June 30, 2013:

- (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, 2013, \$1,274,000 remained outstanding.

The County's Debt Service Fund has the following notes receivable at June 30, 2013:

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**B. Receivables (Continued)**

- (2) A loan receivable from the Industrial Development Board of Blount County was made for the purpose of providing financial assistance to the Board for the acquisition and development of property as a business and industrial park. The loan bears interest at 5% annually and is to be repaid from amounts to be received by the Board from land sales and other revenues related to the park. At June 30, 2013, the loan balance was \$6,020,000.

The State and Federal Grants Special Revenue Fund had \$2,987,965 of notes receivable at June 30, 2013. These note agreements are from eligible County citizens participating in various state and federal low-income housing projects. These notes are executed with a range of below market interest rates and varying repayment terms.

***Advances to Other Government***

During the fiscal year ended June 30, 2006, the County advanced \$2,500,000 to the Knoxville-Knox County Community Action Committee (CAC). An additional advance during the fiscal year ended June 30, 2009 for \$3,500,000 was made to CAC from Knox County. These advances were made to provide funding for operations and are to be repaid from grant monies and other funding received by CAC. During the fiscal year ended June 30, 2011, CAC paid the County \$3,500,000 towards the advances leaving a balance due to the County of \$2,500,000. CAC made no payments during the fiscal years ended 2012 and 2013.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**C. Capital Assets**

Activity in the County's and the Component Unit's capital assets for the fiscal year ended June 30, 2013, was the following:

**Primary Government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 99,913,247	\$ 1,499,526	\$ 483,158	\$ 100,929,615
Construction in Progress	54,238,147	8,290,501	13,831,243	48,697,405
Total Capital Assets, not being depreciated	<u>154,151,394</u>	<u>9,790,027</u>	<u>14,314,401</u>	<u>149,627,020</u>
Capital Assets being depreciated:				
Buildings	207,363,736	369,779	13,330,214	194,403,301
Land Improvements	20,357,037	-	-	20,357,037
Machinery and Equipment	41,090,078	3,260,680	2,378,757	41,972,001
Intangible Assets	26,685,704	233,702	11,253,779	15,665,627
Infrastructure	518,633,107	18,882,825	-	537,515,932
Total Capital Assets being depreciated	<u>814,129,662</u>	<u>22,746,986</u>	<u>26,962,750</u>	<u>809,913,898</u>
Less Accumulated Depreciation for:				
Buildings	82,457,021	5,272,974	8,691,315	79,038,680
Land Improvements	12,707,423	871,307	-	13,578,730
Machinery and Equipment	32,129,808	2,793,614	2,355,297	32,568,125
Intangible Assets	21,774,172	820,484	11,253,779	11,340,877
Infrastructure	193,003,370	12,985,841	-	205,989,211
Total Accumulated Depreciation	<u>342,071,794</u>	<u>22,744,220</u>	<u>22,300,391</u>	<u>342,515,623</u>
Total Capital Assets being depreciated, net	<u>472,057,868</u>	<u>2,766</u>	<u>4,662,359</u>	<u>467,398,275</u>
Governmental Activities Capital Assets, net	<u>\$ 626,209,262</u>	<u>\$ 9,792,793</u>	<u>\$ 18,976,760</u>	<u>\$ 617,025,295</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**C. Capital Assets (Continued)**

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
<b>Three Ridges Golf Course:</b>				
Land and Construction in Progress	\$ 880	\$ -	\$ -	\$ 880
Buildings	747,515	-	-	747,515
Machinery and Equipment	504,423	-	-	504,423
Computer Software	25,448	-	-	25,448
Land Improvements	66,463	-	-	66,463
Less: Accumulated Depreciation	(710,293)	(130,556)	-	(840,849)
Total	\$ 634,436	\$ (130,556)	\$ -	\$ 503,880

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

Finance and Administration	\$ 579,467
Administration of Justice	518,125
Public Safety	2,655,125
Public Health and Welfare	1,253,121
Social and Cultural Services	3,017,612
Other General Government	1,464,593
Engineering & Public Works	13,256,177
Total Depreciation Expense - Governmental Activities	<u>\$ 22,744,220</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**C. Capital Assets (Continued)**

**Component Unit – the Board**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 21,975,930	\$ -	\$ 15,500	\$ 21,960,430
Construction in Progress	51,676,768	39,283,970	33,247,596	57,713,142
Total Capital Assets, not being depreciated	73,652,698	39,283,970	33,263,096	79,673,572
Capital Assets being depreciated:				
Buildings	440,966,668	32,055,620	338,452	472,683,836
Land Improvements	2,236,040	163,286	7,500	2,391,826
Machinery and Equipment	42,410,511	16,198,694	1,572,475	57,036,730
Intangible Assets	508,678	-	-	508,678
Total Capital Assets being depreciated	486,121,897	48,417,600	1,918,427	532,621,070
Less Accumulated Depreciation for:				
Buildings	179,070,664	9,172,932	338,452	187,905,144
Land Improvements	1,001,812	137,220	375	1,138,657
Machinery and Equipment	27,422,663	5,589,161	1,572,475	31,439,349
Intangible Assets	484,477	13,981	-	498,458
Total Accumulated Depreciation	207,979,616	14,913,294	1,911,302	220,981,608
Total Capital Assets being depreciated, net	278,142,281	33,504,306	7,125	311,639,462
Governmental Activities Capital Assets, net	\$ 351,794,979	\$ 72,788,276	\$ 33,270,221	\$ 391,313,034

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

**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, 2013, 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	\$ 697,942
	Public Improvement	2,020,021
	State and Federal Grants	808,133
	Public Library	146,727
	Solid Waste	163,247
	Drug Control	4,097
	Engineering & Public Works	19,407
	Vehicle Service Center	242,347
	Self Insurance	841
	Building Operations	17,559
	Technical Support	7,624
	Three Ridges Golf Course	39,384
		<u>4,167,329</u>
Public Improvement	General	<u>300,000</u>
Total Major Governmental Funds		<u>4,467,329</u>
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants	General	230,496
	Solid Waste	2,336
	Drug Control	3,811
		<u>236,643</u>
Solid Waste	General	25,788
	State and Federal Grants	861
		<u>26,649</u>
Total Nonmajor Governmental Funds		<u>263,292</u>
Total Governmental Funds		<u>\$ 4,730,621</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

Receivable Fund	Payable Fund	Amount
<u>Enterprise Fund:</u>		
Three Ridges Golf Course	General	\$ 646
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 88,848
	State and Federal Grants	3,481
	Public Library	1,607
	Solid Waste	4,597
	Engineering & Public Works	80,754
	Self Insurance	40
	Building Operations	34
		<u>179,361</u>
Mailroom Services	General	17,749
	State and Federal Grants	15
	Public Library	9
	Solid Waste	4
	Engineering & Public Works	220
	Employee Benefits	481
	Self Insurance	25
		<u>18,503</u>
Employee Benefits	General	10,800
	Solid Waste	1,080
		<u>11,880</u>
Self Insurance Healthcare	General	<u>911,443</u>
Total Internal Service Funds		<u>\$ 1,121,187</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

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

Receivable Fund	Payable Fund	Amount
<u>Primary Government - Major Funds:</u>		
General	Component Unit - the Board, General Purpose School	\$ 499,744
	Component Unit - the Board, School Federal Projects	38,257
	Component Unit - the Board, School General Projects	1,665,223
	Component Unit - the Board, School Construction	982,994
	Component Unit - the District	15,778
Total Primary Government - Major Funds		3,201,996
<u>Primary Government - Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the Board, School General Projects	58
	Component Unit - the District	670
		728
Employee Benefits	Component Unit - the Board, General Purpose School	216,924
	Component Unit - the Board, School Federal Projects	35,101
	Component Unit - the Board, School General Projects	7,018
		259,043
Self Insurance	Component Unit - the Board, General Purpose School	318,085
Total Primary Government - Internal Service Funds		577,856
Total Primary Government		\$ 3,779,852



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

**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	\$ 447,313
	Primary Government - Solid Waste	266
	Primary Government - Employee Benefits	228,361
		<u>675,940</u>
Component Unit - the Board, School Federal Projects	Primary Government - General	<u>24</u>
Component Unit - the Board, School Construction	Primary Government - General	<u>29,075</u>
Total Component Unit - the Board		<u>\$ 705,039</u>
Component Unit - the District	Primary Government - Employee Benefits	<u>\$ 2,778</u>

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

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose School	School Federal Projects	\$ 9,033,811
	School General Projects	314,828
	School Construction	15,518,438
		<u>24,867,077</u>
<u>Nonmajor Special Revenue Funds:</u>		
School Federal Projects	General Purpose School	89,653
	School General Projects	<u>22,185</u>
		<u>111,838</u>
School General Projects	General Purpose School	1,220,530
	School Federal Projects	785,509
		<u>2,006,039</u>
Total Board of Education		<u>\$ 26,984,954</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

**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, 2013, is as follows:

***Primary Government:***

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 8,707,849
Public Improvement	General	5,575,000
	Engineering & Public Works	280,375
		<u>5,855,375</u>
Total Major Governmental Funds		<u>14,563,224</u>
<u>Nonmajor Governmental Funds:</u>		
Special Revenue Funds:		
State and Federal Grants	General	617,755
Governmental Library	General	40,000
Public Library	General	1,130,000
	Hotel/Motel	540,000
		<u>1,670,000</u>
Solid Waste	General	25,788
	Engineering & Public Works	300,000
		<u>325,788</u>
Total Nonmajor Governmental Funds		<u>2,653,543</u>
Total Governmental Funds		<u>\$ 17,216,767</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

Transfers - In	Transfers - Out	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	Engineering & Public Works	\$ 173,160
Building Operations	General	1,625,900
	Public Library	716,846
	Solid Waste	51,000
	Engineering & Public Works	143,200
		<u>2,536,946</u>
Self Insurance Healthcare	General	<u>1,000,000</u>
Self Insurance	General	300,000
	Engineering & Public Works	100,000
		<u>400,000</u>
Total Internal Service Funds		<u>\$ 4,110,106</u>

In addition, payments of \$1,254,957 were made from the Pension Trust – Defined Benefit Funds for the County Retirement Board administrative expenses.

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

Transfers - In	Transfers - Out	Amount
<u>Special Revenue Funds (Nonmajor):</u>		
General Purpose School	Central Cafeteria	\$ 625,008
	School General Projects	20,000
		<u>645,008</u>
School General Projects	General Purpose School	5,671,950
	School Federal Projects	1,430,311
		<u>7,102,261</u>
School Federal Projects	General Purpose School	<u>61,883</u>
School Construction	General Purpose School	<u>13,565,000</u>
Total Board of Education		<u>\$ 21,374,152</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

**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	\$ 12,101,668
	Component Unit - the Board, School Construction	20,500,000
Total Primary Government		<u>\$ 32,601,668</u>
Component Unit - General Purpose School	Primary Government - General	\$ 1,182,000
Component Unit - School General Projects	Primary Government - General	2,870,000
Component Unit - School Construction	Primary Government - Public Improvement	13,182,024
Component Unit - Great Schools Partnership	Primary Government - General	2,601,874
		<u>19,835,898</u>
Component Unit - The District	Primary Government - General	582,828
Component Unit - The Corporation	Primary Government - General	675,000
Total Component Units		<u>\$ 21,093,726</u>

*Transactions between the Board and its Component Unit:*

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

In addition to the above transactions, the Primary Government agreed to contribute funding for a new elementary school, which is operated and maintained by the Board. The County's portion of the cost of the new building was \$11,379,334, plus certain additional expenditures (communications cabling, etc.). The total portion paid by the County through June 30, 2013 of \$14,910,367 has been reported as a payment from the Primary Government to the Board in the government-wide financial statements.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**F. Deferred/Unearned Revenues**

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

	Deferred Revenue	Unearned Revenue
Primary Government - Major Funds:		
<u>General Fund:</u>		
Unearned revenue	\$ 62,688	\$ 62,688
Taxes receivable, earned in current fiscal year	4,472,875	-
Taxes receivable, applicable to subsequent fiscal year	105,578,042	105,578,042
Notes receivable, applicable to subsequent fiscal year	1,274,000	1,274,000
	111,387,605	106,914,730
 <u>Debt Service Fund:</u>		
Taxes receivable, earned in current fiscal year	1,429,475	-
Taxes receivable, applicable to subsequent fiscal year	32,993,137	32,993,137
Notes receivable, applicable to subsequent fiscal year	6,020,000	6,020,000
	40,442,612	39,013,137
 Primary Government - Nonmajor Funds:		
<u>General Grants Fund:</u>		
Unexpended grant funds	3,201,618	3,201,618
 <u>Internal Service - Employee Benefits Fund:</u>		
Unearned revenue	233	233
 <u>Internal Service - Building Operations Fund:</u>		
Unearned revenue	7,894	7,894
 Total Internal Service Funds	8,127	8,127
 Total - Primary Government	\$ 155,039,962	\$ 149,137,612

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**F. Deferred/Unearned Revenues (Continued)**

	Deferred Revenue	Unearned Revenue
Component Unit - the Board - Major Fund		
<u>General Purpose School:</u>		
Taxes receivable, earned in current fiscal year	\$ 4,980,109	\$ -
Taxes receivable, applicable to subsequent fiscal year	116,757,697	116,757,697
	121,737,806	116,757,697
Component Unit - the Board - Nonmajor Funds		
<u>School Federal Projects:</u>		
Unexpended grant funds	60,368	60,368
<u>School General Projects:</u>		
Unexpended grant funds	1,392,090	1,392,090
<u>Central Cafeteria:</u>		
Unearned revenue	332,885	332,885
Total Component Unit - the Board	\$ 123,523,149	\$ 118,543,040

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**G. Leases**

*Capital Lease*

The Primary Government leases various equipment through a capital leasing arrangement. The Primary Government's capital lease obligation is reflected as a liability in the Statement of Net Position.

The future minimum lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Primary Government</u>
2014	\$ 1,043,045
2015	1,030,955
2016	1,030,955
2017	1,030,955
2018	1,030,955
2019-2023	5,154,776
2024-2028	<u>5,154,776</u>
Total Minimum Lease Payments	\$ 15,476,417
Less: Amounts Representing Interest	<u>(2,294,393)</u>
Present Value of Minimum Lease Payments	<u>\$ 13,182,024</u>

Capital lease obligations currently outstanding for the Primary Government are as follows:

<u>Lessor</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Last Maturity Date</u>	<u>Principal Balance</u>
SunTrust Bank	Energy Management Equipment	2.19%	2/1/2028	<u>\$ 13,182,024</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**H. Long-Term Liabilities**

*Loan Payable*

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
2014	\$ 403,034	\$ 33,418	\$ 436,452
2015	406,066	30,386	436,452
2016	409,121	27,331	436,452
2017	412,201	24,251	436,452
2018	415,303	21,149	436,452
2019-2023	2,123,868	58,392	2,182,260
2024-2025	470,797	2,062	472,859
Total	<u>\$ 4,640,390</u>	<u>\$ 196,989</u>	<u>\$ 4,837,379</u>



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

***General Obligation and Public Improvement Bonds***

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

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

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

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

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

**KNOX COUNTY, TENNESSEE**  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

	Interest Rate	Last Maturity Date	Principal Balance
<b>Governmental Activities:</b>			
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	\$ 17,681,918
General Obligation - Refunding Bonds, Series 2003A	5.00%	2/1/2017	4,978,776
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	31,391,866
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	10,401,589
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	43,042,857
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	25,360,113
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	44,431,820
General Obligation - Series 2007	Variable Rate (.1% at 6/30/11)	6/1/2034	50,450,000
General Obligation - Series 2007 (Taxable)	4.75-5.75%	6/1/2027	52,425,000
General Obligation - Series 2008	Variable Rate (.96% at 6/30/11)	6/1/2029	22,610,250
General Obligation - Series 2009	3.00-4.00%	6/1/2018	2,980,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	995,311
General Obligation - Refunding Bonds, Series 2010B	2.00-5.00%	4/1/2035	30,090,000
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	9,480,000
General Obligation - Series 2010D (Federally Taxable Build America Bonds)	1.125-6.00% (1)	6/1/2035	16,950,000
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	<u>11,195,000</u>
Total Bonded Debt to be repaid by Governmental Activities			<u>374,464,500</u>
<b>The Board:</b>			
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	30,348,082
General Obligation - Refunding Series 2003A	5.00%	2/1/2017	11,341,224
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	29,108,134
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	14,663,411
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	22,457,143
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	15,139,887
General Obligation - Refunding Series 2005B	3.65-5.00%	5/1/2018	6,070,000
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	23,993,180
General Obligation - Series 2007	Variable Rate (.1% at 6/30/11)	6/1/2034	18,550,000
General Obligation - Series 2008	Variable Rate (.96% at 6/30/11)	6/1/2029	12,174,750
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	14,929,689
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	18,435,000
General Obligation - Qualified School Construction Bonds	.0% (2)	7/1/2027	25,891,485
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	<u>14,050,000</u>
Total Bonded Debt to be repaid by the Board			<u>257,151,985</u>
Total Bonded Debt			<u>\$ 631,616,485</u>

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

KNOX COUNTY, TENNESSEE

**Notes to Financial Statements**

*June 30, 2013*

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

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

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

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

Fiscal Year Ending June 30,	Primary Government Debt			To be Repaid By:		
	Principal	Interest	Total	County	Board	Total
2014	\$ 38,294,281	\$ 29,668,877	\$ 67,963,158	\$ 36,256,964	\$ 31,706,194	\$ 67,963,158
2015	41,289,281	27,989,585	69,278,866	35,287,014	33,991,852	69,278,866
2016	41,564,281	26,001,383	67,565,664	35,383,505	32,182,159	67,565,664
2017	39,409,281	24,112,137	63,521,418	34,158,766	29,362,652	63,521,418
2018	35,264,281	22,344,248	57,608,529	32,336,005	25,272,524	57,608,529
2019 - 2023	148,801,405	90,154,681	238,956,086	145,625,065	93,331,021	238,956,086
2024 - 2028	133,578,675	60,041,272	193,619,947	125,341,073	68,278,874	193,619,947
2029 - 2033	120,365,000	24,907,151	145,272,151	100,271,874	45,000,277	145,272,151
2034 - 2035	33,050,000	2,056,800	35,106,800	23,516,675	11,590,125	35,106,800
<b>Total</b>	<b>\$ 631,616,485</b>	<b>\$ 307,276,134</b>	<b>\$ 938,892,619</b>	<b>\$ 568,176,941</b>	<b>\$ 370,715,678</b>	<b>\$ 938,892,619</b>

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$193,712,441 and \$113,563,693, respectively, for a total of \$307,276,134.

***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, 2013:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<b>Primary Government</b>					
Bonded Debt	\$ 669,015,766	\$ -	\$ (37,399,281)	\$ 631,616,485	\$ 38,294,281
Unamortized Bond Premium	9,083,107	-	(1,530,543)	7,552,564	1,387,829
Unamortized Amount on Refunding	(3,933,611)	-	717,115	(3,216,496)	(674,498)
Note Payable	5,007,192	-	(366,802)	4,640,390	403,034
Capital Lease	-	13,182,024	-	13,182,024	809,321
Compensated Absences	6,023,400	7,921,362	(7,062,718)	6,882,044	6,193,839
<b>Total - Primary Government</b>	<b>\$ 685,195,854</b>	<b>\$ 21,103,386</b>	<b>\$ (45,642,229)</b>	<b>\$ 660,657,011</b>	<b>\$ 46,413,806</b>
<b>Component Unit - the Board</b>					
Compensated Absences	\$ 2,385,234	\$ 2,623,042	\$ (2,541,595)	\$ 2,466,681	\$ 2,220,013
<b>Total Component Unit - the Board</b>	<b>\$ 2,385,234</b>	<b>\$ 2,623,042</b>	<b>\$ (2,541,595)</b>	<b>\$ 2,466,681</b>	<b>\$ 2,220,013</b>
<b>Component Unit - the District</b>					
Compensated Absences	\$ 261,933	\$ 317,963	\$ (324,793)	\$ 255,103	\$ 229,593
<b>Total - the District</b>	<b>\$ 261,933</b>	<b>\$ 317,963</b>	<b>\$ (324,793)</b>	<b>\$ 255,103</b>	<b>\$ 229,593</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

*Subsequent Event – Debt Issuance*

In September 2013, the County issued \$39,075,000 in general obligation bonds. The bonds were issued to fund the cost of various capital projects as approved in the County's Capital Improvement Plan. The bonds bear interest at rates from 2.0% to 4.35% and mature in varying amounts through 2035.

*Interest Rate Swaps*

*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, 2013*

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

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

*Terms.* Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$72 million and the associated variable-rate bond has a \$72 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series C-1-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2013, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-1.01%
Net interest rate swap payments		2.94%
Variable-rate bond coupon payments		0.07%
Synthetic interest rate on bonds		3.01%

*Fair value.* As of June 30, 2013, the swap had a negative fair value of (\$8,392,069), a change of \$5,190,962 compared to the June 30, 2012 balance of (\$13,583,031). 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, 2013, 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, 2013, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody's, Standard & Poor's and Fitch, respectively.

*Basis risk.* As noted above, the swap exposes the County to basis risk should the rate on the bonds increase to above 63.2% 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

*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, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>			Net Interest Rate Swap Payment	Total
	Principal	Interest			
2014	\$ 2,325,000	\$ 42,350	\$ 1,779,378	\$ 4,146,728	
2015	2,475,000	40,723	1,710,997	4,226,720	
2016	2,625,000	38,990	1,638,204	4,302,194	
2017	2,775,000	37,153	1,560,999	4,373,152	
2018	2,950,000	35,210	1,479,383	4,464,593	
2019-2023	17,675,000	142,485	5,986,650	23,804,135	
2024-2028	23,950,000	72,345	3,039,648	27,061,993	
2029	5,725,000	4,008	168,379	5,897,387	
	<u>\$ 60,500,000</u>	<u>\$ 413,264</u>	<u>\$ 17,363,638</u>	<u>\$ 78,276,902</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, 2013*

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

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

*Objective of the interest rate swap.* In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$70 million Series VI-A-1 variable-rate bonds. The intention of the swap was to effectively change the County’s variable interest rate on the bonds to a synthetic fixed rate. The swap agreement has been determined to be an ineffective hedge, and is therefore accounted for as an investment derivative instrument. 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 3.395 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$70 million and the associated variable-rate bond has a \$70 million original principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-A-1 Bonds. The bonds’ variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the “SIFMA”). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2013, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.40%
Variable payment to Authority	% of LIBOR	-0.94%
Net interest rate swap payments		2.46%
Variable-rate bond coupon payments		0.07%
Synthetic interest rate on bonds		2.53%

*Fair value.* As of June 30, 2013, the swap had a negative fair value of (\$7,012,512), a change of \$5,053,927 compared to the June 30, 2012 balance of (\$12,066,439). 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, 2013*

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

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

*Credit risk.* As of June 30, 2013, 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, 2013, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody's, Standard & Poor's and Fitch, respectively.

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

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

*Swap payments and associated debt.* As of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2014	\$ 1,000,000	\$ 45,850	\$ 1,609,270	\$ 2,655,120
2015	2,000,000	45,150	1,584,701	3,629,851
2016	3,000,000	43,750	1,535,563	4,579,313
2017	3,200,000	41,650	1,461,856	4,703,506
2018	3,400,000	39,410	1,383,235	4,822,645
2019-2023	20,200,000	158,445	5,561,193	25,919,638
2024-2028	26,530,000	79,254	2,781,702	29,390,956
2029	6,170,000	4,319	151,591	6,325,910
	<u>\$ 65,500,000</u>	<u>\$ 457,828</u>	<u>\$ 16,069,111</u>	<u>\$ 82,026,939</u>



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**H. 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). The swap has a notional amount of \$77 million and the associated variable-rate bond has a \$77 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series D-3-A Bonds. The bonds’ variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the “SIFMA”). The bonds and the related swap agreement mature on June 1, 2034. As of June 30, 2013, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.89%
Variable payment to Authority	% of LIBOR	<u>-1.00%</u>
Net interest rate swap payments		2.89%
Variable-rate bond coupon payments		<u>0.69%</u>
Synthetic interest rate on bonds		<u><u>3.58%</u></u>

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2013

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

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

*Fair value.* As of June 30, 2013, the swap had a negative fair value of (\$11,549,179), a change of \$7,385,970 compared to the June 30, 2012 balance of (\$18,935,149). 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, 2013, 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, 2013, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody's, Standard & Poor's and Fitch, respectively.

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

*Swap payments and associated debt.* As of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds			Total
	Principal	Interest	Net Interest Rate Swap Payment	
2014	\$ 1,725,000	\$ 473,843	\$ 1,974,143	\$ 4,172,986
2015	1,850,000	461,898	1,924,375	4,236,273
2016	2,000,000	449,086	1,871,000	4,320,086
2017	2,100,000	435,236	1,813,298	4,348,534
2018	2,250,000	420,694	1,752,710	4,423,404
2019-2023	9,575,000	1,864,037	7,766,022	19,205,059
2024-2028	5,700,000	1,618,026	6,741,083	14,059,109
2029-2033	34,150,000	1,130,853	4,711,401	39,992,254
2035	9,075,000	62,844	261,825	9,399,669
	<u>\$ 68,425,000</u>	<u>\$ 6,916,517</u>	<u>\$ 28,815,857</u>	<u>\$ 104,157,374</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**I. Fund Equity**

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

	<u>Major Funds</u>				Total
	General	Constitutional Officers	Capital Projects Public Improvement	Debt Service	
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Inventories	\$ 227,840	\$ -	\$ -	\$ -	\$ 227,840
Prepays	106,106	-	-	-	106,106
Long-term Receivables	-	-	-	5,725,000	5,725,000
Investment in Joint Venture	6,915,396	-	-	-	6,915,396
	<u>7,249,342</u>	<u>-</u>	<u>-</u>	<u>5,725,000</u>	<u>12,974,342</u>
<b>Restricted for:</b>					
Finance and Administration	386,150	-	-	-	386,150
Administration of Justice	860,234	-	-	-	860,234
Public Safety	112,084	-	-	-	112,084
Public Health & Welfare	1,071,652	-	-	-	1,071,652
Social and Cultural	367,941	-	-	-	367,941
Debt Service	-	-	-	110,208	110,208
Capital Projects	-	-	1,471,972	-	1,471,972
	<u>2,798,061</u>	<u>-</u>	<u>1,471,972</u>	<u>110,208</u>	<u>4,380,241</u>
<b>Committed to:</b>					
Finance and Administration	218,715	-	-	-	218,715
Administration of Justice	39,375	-	-	-	39,375
Public Safety	86,350	-	-	-	86,350
Public Health & Welfare	1,185,917	-	-	-	1,185,917
Social and Cultural	112,616	-	-	-	112,616
Other General Government	2,032,500	-	-	-	2,032,500
Debt Service	-	-	-	18,766,688	18,766,688
	<u>3,675,473</u>	<u>-</u>	<u>-</u>	<u>18,766,688</u>	<u>22,442,161</u>
<b>Assigned to:</b>					
Finance and Administration	2,185	1,547,206	-	-	1,549,391
Administration of Justice	19,689	2,110,172	-	-	2,129,861
Public Safety	198,595	-	-	-	198,595
Public Health & Welfare	351,738	-	-	-	351,738
Social and Cultural	71,927	-	-	-	71,927
Other General Government	445,506	-	-	-	445,506
	<u>1,089,640</u>	<u>3,657,378</u>	<u>-</u>	<u>-</u>	<u>4,747,018</u>
<b>Unassigned:</b>	<u>51,452,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,452,742</u>
Total fund balances	<u>\$ 66,265,258</u>	<u>\$ 3,657,378</u>	<u>\$ 1,471,972</u>	<u>\$ 24,601,896</u>	<u>\$ 95,996,504</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**I. Fund Equity (Continued)**

Nonmajor Governmental Funds

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	ADA Construction	Total
<b>Fund balances:</b>									
<b>Nonspendable:</b>									
Inventories	\$ 12,388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,388
Prepays	25,046	-	-	-	-	-	-	-	25,046
	<u>37,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,434</u>
<b>Restricted for:</b>									
Administration of Justice	16,247	-	-	-	-	-	-	-	16,247
Public Safety	357,444	-	-	-	-	2,120,361	-	-	2,477,805
Public Health & Welfare	1,323,719	-	-	-	-	-	-	-	1,323,719
Social and Cultural	48,742	-	-	-	633,586	-	-	-	682,328
Other General Government	194,970	-	-	-	-	-	-	-	194,970
	<u>1,941,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>633,586</u>	<u>2,120,361</u>	<u>-</u>	<u>-</u>	<u>4,695,069</u>
<b>Committed to:</b>									
Public Health & Welfare	-	-	-	1,257,366	-	-	-	-	1,257,366
Social and Cultural	-	44,430	936,122	-	-	-	-	-	980,552
Engineering & Public Works	-	-	-	-	-	-	4,197,936	-	4,197,936
Capital Projects	-	-	-	-	-	-	-	739,860	739,860
	<u>-</u>	<u>44,430</u>	<u>936,122</u>	<u>1,257,366</u>	<u>-</u>	<u>-</u>	<u>4,197,936</u>	<u>739,860</u>	<u>7,175,714</u>
Total fund balances	<u>\$ 1,978,556</u>	<u>\$ 44,430</u>	<u>\$ 936,122</u>	<u>\$ 1,257,366</u>	<u>\$ 633,586</u>	<u>\$ 2,120,361</u>	<u>\$ 4,197,936</u>	<u>\$ 739,860</u>	<u>\$ 11,908,217</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**I. Fund Equity (Continued)**

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

	<u>Major Funds</u>		<u>Nonmajor Special Revenue Funds</u>			<u>Total</u>
	<u>General Purpose Schools</u>	<u>School Construction Capital Projects</u>	<u>School Federal Projects</u>	<u>School General Projects</u>	<u>Central Cafeteria</u>	
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Inventories	\$ 941,839	\$ -	\$ -	\$ -	\$ 291,179	\$ 1,233,018
Prepays	1,400,776	-	-	-	-	1,400,776
	<u>2,342,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,179</u>	<u>2,633,794</u>
<b>Restricted for:</b>						
Education	11,863,858	-	12,378	-	7,625,207	19,501,443
<b>Committed to:</b>						
Education	11,430,000	-	-	3,667,144	-	15,097,144
<b>Assigned to:</b>						
Education	243,357	-	-	-	-	243,357
<b>Unassigned:</b>	<u>7,026,715</u>	<u>(720,127)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,306,588</u>
Total fund balances	<u>\$ 32,906,545</u>	<u>\$ (720,127)</u>	<u>\$ 12,378</u>	<u>\$ 3,667,144</u>	<u>\$ 7,916,386</u>	<u>\$ 43,782,326</u>

The School Construction Capital Projects Fund had a deficit balance of \$720,127 at June 30, 2013. This deficit balance was caused by the timing of the recognition of various expenditures prior to the end of the year. Expenditures for this fund are funded primarily by debt proceeds. Subsequent to year end, in September 2013, the County issued \$39,075,000 in general obligation bonds, of which \$18,110,000 was allocated to the School Construction Fund. This source of funds eliminated the 6/30/2013 fund deficit.

**J. Property Taxes**

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**J. Property Taxes (Continued)**

Taxes were levied at a rate of \$2.36 per \$100 of assessed values. Tax collections of \$240,734,414 for fiscal year 2013 were approximately 97 percent of the total tax levy.

The 2013 fiscal year property tax rate of \$2.36 was divided between the County and the Board as follows:

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

The 2014 fiscal year property tax rate of \$2.32 is divided as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 0.96	41.38%
Debt Service Fund	0.30	12.93%
Total - Primary Government	1.26	54.31%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	1.06	45.69%
Total Tax Levy	\$ 2.32	100.00%

**NOTE IV. OTHER INFORMATION**

**A. Joint Ventures**

The County is a participant in a joint venture with the City of Knoxville and the Knoxville Utilities Board in the operation of the Geographic Information Systems. The Geographic Information Systems was established to create and maintain a digitized mapping system of Knox County. Each of the participants appoints one of the three board members who oversee the operations. In March 1987, the County issued public improvement bonds, which included \$5,500,000 used to install the geographic information system. In accordance with the terms of the joint venture agreement, payments are shared between the County, the City of Knoxville and the Knoxville Utilities Board. In the 2013 fiscal year, the joint venture received 92 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$314,657 for the year ended June 30, 2013. The County does not retain an equity interest in the joint venture. Complete separate financial statements for the Geographic Information Systems may be obtained at 606 Main Street, Suite 150, Main Place, Knoxville, TN 37902.

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



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

**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, 2013, the County appropriated operating subsidies of \$1,339,919 to the Community Action Committee.

In FY 2013, 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 2013, 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, 2013*

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

**C. Risk Financing**

The County has established risk-financing funds (the Self Insurance Healthcare Fund, and the Self Insurance Fund) associated with the employee's health insurance plan and payments to cover worker's compensation and general liability claims and settlements, respectively. The Board and the District (component units), the Geographic Information Systems (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 the plan.

The risk financing funds are accounted for as internal service funds where assets are set aside for claim settlements. On January 1, 2008, Knox County became self-insured offering County employees and their families healthcare coverage using Cigna Healthcare of Tennessee as a third-party administrator until December 31, 2012. Beginning January 1, 2013, Knox County elected to use Humana and CVS Caremark as third-party administrators of their healthcare coverage. In the Self Insurance Healthcare Fund a premium is charged to each fund, participating Component Unit, joint venture, or outside entity that accounts for eligible employees. The total charges for the funds are calculated using trends in actual claims experience. In instances where medical claims materially exceed premiums received, each participating entity is charged a pro-rata basis for any fund deficits incurred.

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

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

	Self Insurance Healthcare Fund - Medical Claims		Self Insurance Fund - General Liability, and Workers' Compensation	
	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012
Unpaid Claims - Beginning Balance	\$ 1,986,894	\$ 2,175,581	\$ 8,326,732	\$ 5,290,432
Incurred Claims (Including IBNR's)	23,153,100	22,947,866	3,124,723	4,868,690
Claim Payments	(23,633,112)	(23,136,553)	(2,169,747)	(1,832,390)
Unpaid Claims - Ending Balance	<u>\$ 1,506,882</u>	<u>\$ 1,986,894</u>	<u>\$ 9,281,708</u>	<u>\$ 8,326,732</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**C. Risk Financing (Continued)**

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

**D. Other Post Employment Benefits**

***Plan Description***

As authorized by County Resolution, the County provides post-retirement health care benefits for County and classified school retirees and their dependents. 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.

***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, 2013, the retirees contributed \$167,020 and \$164,466 respectively to the active Cigna and Humana medical plans. Retirees contributed 100% of the cost of the Medicare Advantage premium totaling \$348,628.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

*Annual OPEB Cost and Net OPEB Obligation*

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

The plan contains both active employees and retirees. Although the County's annual contribution is 51.62% 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	\$	284,272
Interest on net OPEB Obligation		25,900
Adjustment to annual required contribution		(31,367)
Annual OPEB Cost		278,805
Contribution made		(143,933)
Increase (decrease) in net OPEB obligation		134,872
Net OPEB obligation July 1, 2012		647,490
Net OPEB obligation June 30, 2013	\$	782,362

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, 2011	\$ 263,802	46.49%	\$ 508,294
June 30, 2012	267,974	48.06%	647,490
June 30, 2013	278,805	51.62%	782,362

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

*Funded Status and Funding Progress*

As of July 1, 2012, the most recent actuarial valuation date, the County healthcare plan was 0% funded. The actuarial accrued liability for benefits for June 30, 2013 was \$2,746,949, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,746,949. 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.

*Actuarial Methods and Assumptions*

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

In the June 30, 2012 valuation, the projected unit credit cost method was used. The actuarial assumptions included a funded interest rate of 4.0% and a participation rate of 12%. Annual health care costs are assumed to increase 9% in the first year of valuation. Future annual increases are assumed to grade uniformly to 5% by the year 2018. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2013 was 23 years.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

**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, 2013, the amount of any liabilities that could result from such audits cannot be determined. However, the County believes that any such amounts would not have a material adverse effect on the County's financial position.

The County and the Board utilize encumbrance accounting in their governmental funds. Encumbrances outstanding at June 30, 2013 that have been reappropriated in the subsequent year are as follows:

Primary Government:

Major Funds:	
General	\$ 493,845
Capital Projects Public Improvement	2,937,582
Nonmajor Governmental Funds	754,198
Total Primary Government	<u>\$ 4,185,625</u>

Componet Unit - the Board:

Major Funds:	
General Purpose School	\$ 243,358
School Construction Capital Projects	7,512,752
Nonmajor Governmental Funds	1,517,112
Total Component Unit - the Board	<u>\$ 9,273,222</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

The County and the Board have several outstanding construction projects as of June 30, 2013. 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, 2013:

	Spent to Date	Contractual Commitment Remaining at June 30, 2013	Capital Improvement Plan July 1, 2013 - June 30, 2014
<u>Primary Government:</u>			
Ballcamp Road Improvements	\$ 17,149,240	\$ -	\$ -
Energy Management Project - County	14,004,728	-	-
Dry Gap Pike	6,128,392	-	50,000
Stormwater Management Plan	7,426,284	-	-
Outlet Mall Drive/Synder Road	3,338,476	-	-
Parkside Drive	9,360,422	-	-
Dutchtown Road Functional Planning	12,340,518	-	-
Other Projects	126,063,711	2,937,582	13,490,761
<b>Total - Primary Government</b>	<b>\$ 195,811,771</b>	<b>\$ 2,937,582</b>	<b>\$ 13,540,761</b>
<u>Component Unit - the Board:</u>			
Physical Plant Upgrades	\$ 13,276,249	\$ 7,100,538	\$ 3,000,000
Gibbs Elementary School	15,404,720	-	-
Cedar Bluff - K-3	20,036,668	-	-
Northshore Elementary School	17,299,738	410,022	-
Other Projects	152,045,801	2,192	10,950,000
<b>Total - the Board</b>	<b>\$ 218,063,176</b>	<b>\$ 7,512,752</b>	<b>\$ 13,950,000</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

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

**F. Deferred Compensation**

The County and the Board jointly offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The District also offers its employees a separate deferred compensation plan. The plans, available to all full-time County, Board and District employees at their option, permit participants to defer a portion of their salary, at least \$20 per month, until future years. The deferred compensation is not available to participants until termination, retirement, death or an unforeseeable emergency. (See also Employee Retirement Plans).

**G. Constitutional Officers**

The Constitutional Officers Special Revenue Fund includes the operations of the following elected officials:

*Trustee* - serves as the treasurer and primary investment manager of the County's funds and manages property tax collection efforts.

*Knox County Clerk* - serves as the Clerk of the County Commission. Principally engaged in the sale of motor vehicle licenses and acceptance of applications of motor vehicle registrations of the State of Tennessee.

*Circuit and General Sessions, Criminal and Fourth Circuit Courts Clerks and Clerk and Master* - serve as the clerical and support staff for the various courts for both civil and criminal proceedings.

*Register of Deeds* - collects various fees for the recording of conveyances, trust deeds, chattels, charters, plats and other legal instruments.

These officials, responsible for the collection and remittance of State, County and other funds, earn fees and commissions for their services.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**G. Constitutional Officers (Continued)**

The operations of the Constitutional Officers are operated under the provisions of Section 8-22-104, Tennessee Code Annotated (TCA). Salaries and related benefits of the officials and staff are paid from fees and commissions earned. Fees earned in excess of these costs are remitted to the County's General Fund, less an allowance of three months of anticipated operating expenses retained in the respective fee account. Salaries for clerical assistance were supported by chancery court decrees that were obtained under provisions of Section 8-20-101, et seq., TCA. These activities are accounted for in the County's Constitutional Officers' Special Revenue Fund.

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

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

Included in the Supplementary Schedules of the County's Comprehensive Annual Financial Report are schedules (reported on the cash basis of accounting) of detailed operations of the respective offices for the fiscal year ended June 30, 2013. These schedules only include the cash operations of the offices. They do not include the expenditures reported in the County's General Fund.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**H. Accounting Pronouncements**

The County adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, required for fiscal periods beginning after December 15, 2011, in fiscal 2013. This Statement establishes accounting and financial reporting requirements for service concession arrangements. The adoption of this Statement did not have a material effect on the County's financial condition and results of operations.

The County adopted GASB Statement No. 61, *The Financial Reporting entity: Omnibus--an Amendment of GASB Statements No. 14 and No. 34*, required for fiscal periods beginning after June 15, 2012, in fiscal 2013. This Statement amends certain reporting entity issues related to component units and equity interests in joint ventures. As a result of the implementation of this Statement, the Development Corporation of Knox County has been included as a component unit.

The County adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, required for fiscal periods beginning after December 15, 2011, in fiscal 2013. This Statement provides financial reporting guidance for deferred outflows and deferred inflows of resources, and identifies net position as the residual of all other elements presented in a statement of financial position. The adoption of this Statement did not have a material effect on the County's financial condition and results of operations.

The County plans to adopt GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, required for fiscal periods beginning after December 15, 2012, in fiscal 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

The County plans to adopt GASB Statement No. 66, *Technical Corrections-2012-an Amendment of GASB Statements No. 10 and No. 62*, required for fiscal periods beginning after December 15, 2012, in fiscal 2014. This Statement resolves conflicting guidance that resulted from the issuance of two subsequent pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**H. Accounting Pronouncements (Continued)**

The County plans to adopt GASB Statement No. 67, *Financial Reporting for Pension Plans-an Amendment of GASB Statement No. 25*, required for fiscal periods beginning after June 15, 2013, in fiscal 2014. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

The County plans to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*, required for fiscal periods beginning after June 15, 2014, in fiscal 2015. This Statement replaces the requirements of Statements No. 27, *Accounting for Pensions by State and Local Government Employers*, and No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered through trusts or equivalent arrangements that meet certain criteria. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

The County plans to adopt GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, required for fiscal periods beginning after December 15, 2013, in fiscal 2015. This Statement establishes accounting and financial reporting standards, specific to the government environment, related to government mergers, acquisitions, and transfers as well as transfers or sales of government operations. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

The County plans to adopt GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, required for fiscal periods beginning after December 15, 2013, in fiscal 2015. This Statement establishes consistency in the accounting and financial reporting standards applied to governments that extend nonfinancial financial guarantees, and to those that receive nonfinancial financial guarantees. This Statement will also enhance the information disclosed about a government's obligations and risk exposure from extending nonfinancial financial guarantees. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**I. Restatements**

During the fiscal year ended June 30, 2013, the County became aware of a provision in State law regarding the distribution of mixed drink taxes. The applicable law (TCA 57-4-306) specifies that one-half of the portion of mixed drink taxes remitted from the State to local governments is to be remitted by the local governments to the county school fund (i.e., the Board). Although this law had been in effect for a number of years, it had been widely overlooked by local governments in the state, and both Knox County and the Town of Farragut had not been remitting the required mixed drink taxes to the Board. Therefore, a prior period adjustment has been made to record the amounts due from the County to the Board totaling \$247,490, and to record the Board's receivable from the Town of Farragut totaling \$1,270,515, applicable to mixed drink taxes collected but not remitted in prior years.

Also during the fiscal year ended June 30, 2013, the County identified errors in the recorded amounts allocated to the General Fund and Debt Service Fund applicable to those funds' balances in the County's pooled cash and investments. The errors, totaling \$2,400,165, occurred in prior years, and a prior period adjustment has been made to correct the errors.

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

	Beginning Fund Balance/ Net Position, as Previously Reported	Adjustment to Record Mixed Drink Tax	Adjustment to Correct Allocated Balances in Pooled Cash and Investments	Beginning Fund Balance/ Net Position, as Restated
<b>Fund Balance:</b>				
Primary Government:				
General Fund	\$ 61,339,133	\$ (247,490)	\$ (1,801,442)	\$ 59,290,201
Debt Service Fund	\$ 22,872,470	\$ -	\$ (598,723)	\$ 22,273,747
Component Unit - the Board:				
General Fund	\$ 48,308,831	\$ 1,518,005	\$ -	\$ 49,826,836
<b>Net Position:</b>				
Primary Government:				
Governmental Activities	\$ 65,458,430	\$ (247,490)	\$ (2,400,165)	\$ 62,810,775
Component Unit - the Board:				
Governmental Activities	\$ 421,830,445	\$ 1,518,005	\$ -	\$ 423,348,450

In addition, as a result of the adoption of GASB Statement No. 61 (see Note IV (H)), the Development Corporation of Knox County has been included as a component unit beginning with the fiscal year ended June 30, 2013. The Corporation's beginning net position of \$33,183,185 has been included in the Total Reporting Unit's beginning net position as of July 1, 2012.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**I. Restatements (Continued)**

In addition, in FY 2013 a prior period adjustment to the defined contribution plan's statements was recorded. See Note V (D) for additional information.

**NOTE V: EMPLOYEE RETIREMENT PLANS**

**A. General Information**

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

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

The three defined contribution plans and the three defined benefit plans are part of the County's financial reporting entity and are included in the accompanying financial statements. The operations of the Knox County Closed Defined Benefit Plan (County DB Plan), the County's Defined Contribution Plan (County DC Plan), the County's Uniformed Officers Pension Plan (UOPP DB Plan), and the County's Medical Expense Retirement Defined Contribution Plan (MERP DC Plan) are recorded as County pension trust funds. The operations of the Board's Certificated Teacher's Defined Benefit Plan (Teacher's DB Plan) are recorded in the Board's pension trust fund. Complete separate financial statements for the three defined contribution plans and the three defined benefit plans may be obtained at Suite 371, City County Building, 400 Main Street, Knoxville, TN 37902.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**B. Defined Contribution Plans**

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.

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

At June 30, 2013, there were 5,640 active plan members. During the year, the employer and member contributions (prior to forfeitures) amounted to \$7,722,614 and \$7,722,614 respectively.

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

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

In January 2008, the Pension Board added two additional outside 457 Vendors as investment alternatives. Knoxville Teachers Credit Union (Board employees only) and Security Benefit were added January 1, 2008 and 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. Each vendor prepares separate financial reports.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

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

As of June 30, 2013, there were 879 Plan members in one of the 457(b) Plans offered. During the year, member contributions amounted to \$1,557,044 and the employer contributed \$1,453,749.

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

Effective July 1, 1999:

- (1) A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum distribution of \$100 for each year of eligible service from the Knox County Retirement & Pension Board, and
- (2) A participant making contributions through payroll deductions to the Medical 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) Retirees are eligible for an additional distribution of a specific amount approved by the Board annually to help defer the retiree's medical costs. The history of this distribution is as follows:

Calendar Years 1999 - 2012	\$3,540
Calendar Year 2013	\$120

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

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

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

At June 30, 2013, the Medical Expense Retirement Plan had 1,676 members and 591 of them contributed funds to the plan. During the year employer and member contributions amounted to \$49,420 and \$207,509, respectively.

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

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 will be 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 will have the responsibility of investing their contribution plus the 10% employer contribution from an array of investment options. The Pension Board will handle the investment of the additional 2% of the employer contributions.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

**C. Defined Benefit Plans**

*Plan Descriptions*

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

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

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

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

In the *Defined Benefit Plan* and the *Teacher Plan*, provisions and contribution requirements are established and may be amended by the Knox County Retirement Board in compliance with state law. For the *Uniformed Officers Plan*, some provisions and employee contribution 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 Board in compliance with state law. The Knox County Retirement Board administers the Plans and the Board's administrative costs are paid from the assets of these three plans. Separate financial reports are prepared for all three plans.

Participant data at January 1, 2013 was as follows:

Description	County DB Plan	Uniformed Officers' DB Plan	Teachers' DB Plan
Actives Contributing	103	739	7
Actives Not Contributing	4,341	-	-
Retirees - Beneficiaries and Disabled	204	6	451
Retirees	1,654	70	-
Inactives with Contribution Accounts	263	14	8
Inactives, DC Plan	353	-	-
<b>Total Participants</b>	<b>6,918</b>	<b>829</b>	<b>466</b>

As a result of the November 2012, Knox County Election, the UOPP will be closed to new participants as of January 1, 2014. All Law Enforcement and Correction Officers (including the Sheriff and Chief Deputy) hired after January 1, 2014, will be enrolled in a new Defined Contribution Plan called STAR (see Note V – B for more details.)

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

Along with the closing of the UOPP Plan effective January 1, 2014, a 501c(9) Disability Trust Plan will be started for all eligible participants in all the Knox County Retirement Systems (except City A Teachers) who become disabled on or after January 1, 2014. This will close the disability benefits section of both the Closed DB Plan and the UOPP Plan for any new claims. The new Disability Plan will have a 90 day waiting period before benefits begin, pay 60% of highest 12 month pre-disability income with offset for worker compensation &/or Social Security Disability without a cost of living adjustment, and a return to employment incentive (those participants disabled prior to January 1, 2014, will continue under the disability plan they were approved under.) Disability benefits will stop the earlier of normal or early retirement, death, or no longer disabled.

The Knox County Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34 - 37 of the Tennessee Code Annotated (TCA). The Tennessee General Assembly amends state statutes. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

Some employees of Knox County Mayor and Officials are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with ten years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after ten years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34 - 37 of the Tennessee Code Annotated (TCA). The Tennessee General Assembly amends state statutes. Political Subdivisions such as Knox County Mayor and Officials participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

**Funding Policy**

In the *County DB Plan*, plan members are required to make contributions at the rate of 5.0% of earnable compensation. The County, however, is required to make contributions only to the extent necessary to maintain the funded status of the plan as actuarially determined. The employer contribution rate for the year ending June 30, 2013 was 88.0%.

In the *Teachers' DB Plan*, most plan members are required to contribute 3.0% of the first \$4,800 then 5.0% thereafter of salary to the plan. The employer contribution rate for the Board is established at an actuarially determined rate and was 1463.5% of annual covered payroll for the year ending June 30, 2013.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

In the *Uniform Officers Pension Plan*, participants contribute 6% of earnable compensation until they have 30 years of credited service with the UOPP Plan. The participant makes no contribution if he or she has 30 plus years of service. The County is required to make contributions to the extent necessary to achieve the funding status of the plan as actuarially determined. The employer contribution rate was 15.05% of annual covered payroll for the year ending June 30, 2013.

Under the *TCRS plan*, most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Knox County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2013 was 8.88% of annual covered payroll.

The employer contribution requirement for Knox County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2013, 2012 and 2011 were \$20,904,288, \$20,246,139, \$19,981,105, respectively, equal to the required contributions for each year.

The TCRS plan for Knox County Mayor and Officials requires employees to contribute 5.0% of earnable compensation.

Knox County Mayor and Officials are required to contribute at an actuarially determined rate; the rate for the County for the fiscal year ending June 30, 2013 was 10.70% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Knox County Mayor and Officials is established and may be amended by the TCRS Board of Trustees. The annual required contributions for the current year were determined as part of actuarial valuations using the following significant assumptions:

	Primary Government		Component Unit - The Board	
	County DB Plan	Uniformed Officers DB Plan	TCRS	Teachers' DB Plan
Actuarial Valuation Date	January 1, 2013	January 1, 2013	July 1, 2011	January 1, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Frozen Entry Age	Entry Age Normal
Actuarial Valuation of Assets	Smoothed Market Value Over 5 Years	Smoothed Market Value Over 5 Years	Smoothed Market Value Over 10 Years	Smoothed Market Value Over 5 Years
Inflation Rate	3.00%	3.00%	3.00%	3.00%
Investment Return	7.00%	7.00%	7.50%	7.00%
Projected Salary Increases	3.00%	3.00%	4.75%	3.00%
Post Retirement Increases (Cost of Living Adjustments)	3.00%	3.00%	2.50%	3.00%

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

In the TCRS, the unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 9 years.

The changes in the Net Pension Obligation (Asset), components of the Annual Required Contribution, and adjustments to the Annual Required Contribution are as follows:

Description	Primary Government County DB Plan			Primary Government Uniformed Officers Pension Plan			Component Unit - The Board Teachers' DB Plan		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
NPO: Net Pension									
Obligation (Asset), Beginning of Year*	\$ (3,737,810)	\$ (3,933,101)	\$ (3,966,626)	\$ (1,083,243)	\$ (801,195)	\$ (603,049)	\$ 3,139,282	\$ 3,166,041	\$ 3,193,028
Annual Pension Cost:									
Annual Required Contribution (ARC)	2,378,622	1,497,424	1,218,164	4,609,314	4,108,886	4,094,421	1,183,029	1,046,949	1,217,506
Interest on NPO (Asset)	(261,647)	(294,983)	(297,497)	(75,827)	(60,743)	(45,229)	219,750	237,453	239,477
Adjustments to ARC**	299,760	328,224	331,022	86,873	67,588	50,326	(251,760)	(264,212)	(266,464)
Total Annual Pension Cost	2,416,735	1,530,665	1,251,689	4,620,360	4,115,731	4,099,518	1,151,019	1,020,190	1,190,519
Contributions Made	2,870,544	1,335,374	1,218,164	5,020,965	4,397,779	4,297,664	1,183,029	1,046,949	1,217,506
Increase (Decrease) in NPO (Asset)	(453,809)	195,291	33,525	(400,605)	(282,048)	(198,146)	(32,010)	(26,759)	(26,987)
NPO (Asset), End of Year	\$ (4,191,619)	\$ (3,737,810)	\$ (3,933,101)	\$ (1,483,848)	\$ (1,083,243)	\$ (801,195)	\$ 3,107,272	\$ 3,139,282	\$ 3,166,041
Amortization Period (in years)	25	25	25	30	25	25	25	25	25
Remaining Amortization Period (in years)	19.5			29.5			19.5		
Interest Rate (per annum) Percentage of Contributions/APC	7.00%	7.50%	7.50%	7.00%	7.50%	7.50%	7.00%	7.50%	7.50%
	118.78%	87.24%	97.32%	108.67%	106.85%	104.83%	102.78%	102.62%	102.27%

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

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

**Trend Information (TCRS)**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 89,091	100.00%	\$ -
June 30, 2012	\$ 86,548	100.00%	\$ -
June 30, 2011	\$ 81,837	100.00%	\$ -

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2013*

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

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

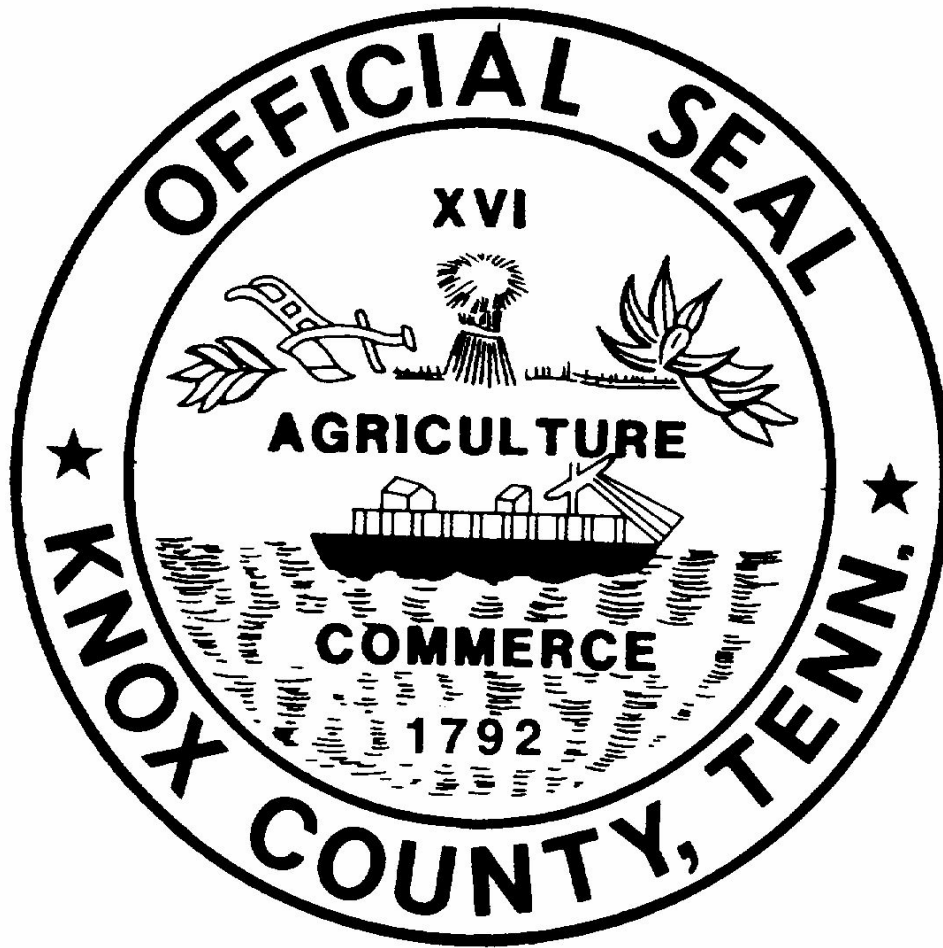
The schedules of funding progress, presented as required supplementary information (RSI) following the notes to financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. The following are the three most recent actuarial valuations of the Knox County and TCRS Defined Benefit Plans:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - EAN (prior to 1/1/09 Aggregate) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
<b>County DB Plan:</b>						
1/1/2011	\$ 60,419,535	\$ 75,562,269	\$ 15,142,734	79.96%	\$ 3,835,987	394.75%
1/1/2012	53,269,896	75,233,596	21,963,700	70.81%	3,181,621	690.33%
1/1/2013	48,072,000	76,734,548	28,662,548	62.65%	2,806,090	1021.44%
<b>Teacher's DB Plan:</b>						
1/1/2011	\$ 70,428,532	\$ 78,267,707	\$ 7,839,175	89.98%	\$ 823,283	952.18%
1/1/2012	65,150,937	77,615,350	12,464,413	83.94%	328,419	N/A
1/1/2013	60,384,664	79,037,520	18,652,856	76.40%	117,974	N/A
<b>Uniformed Officers Pension Plan:</b>						
1/1/2011	\$108,614,901	\$ 136,916,313	\$ 28,301,412	79.33%	\$ 27,274,742	103.76%
1/1/2012	112,378,618	146,067,491	33,688,873	76.94%	27,091,364	124.35%
1/1/2013	117,526,735	146,609,127	29,082,392	80.16%	29,784,860	97.64%
<b>Knox County Executive and Officials TCRS (Amounts Expressed in Thousands):</b>						
7/1/2007	\$ 828	\$ 935	\$ 107	88.56%	\$ 130	82.31%
7/1/2009	722	1,126	404	64.15%	357	113.11%
7/1/2011	1,012	1,522	510	66.50%	746	68.33%

**D. Prior Period Adjustment – Correction of an Accounting Error for Defined Contribution Plans**

Prior to FY 2013, the County did not record the fair value adjustment of the unrealized gains (losses) of the defined contribution plan's investments in common collective trusts and guaranteed investment contracts. Generally Accepted Accounting Principles (GAAP) require that investments in interest-earning contracts with insurance companies and common collective trusts should be reported at estimated fair value. Previously the County had reported these investments at contract value. The effect of this prior period adjustment was an increase in total investments, assets and net position of \$1,808,870 as of July 1, 2012 for the County's Defined Contribution Plan, Voluntary 457 Plan, and Medical Retirement Defined Contribution Plan.

# Required Supplemental Information Section





**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2013*

**Schedules of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - EAN (prior to 1/1/09 Aggregate) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
<b>County DB Plan:</b>						
1/1/1997	\$ 80,067,931	\$ 80,067,931	\$ -	100.00%	\$ 18,757,024	0.00%
1/1/1998	89,622,330	89,622,330	-	100.00%	16,839,606	0.00%
1/1/1999	89,289,817	89,289,817	-	100.00%	11,894,535	0.00%
1/1/2000	90,400,104	90,400,104	-	100.00%	10,582,373	0.00%
1/1/2001	90,876,819	90,876,819	-	100.00%	10,292,951	0.00%
1/1/2002	90,458,876	90,458,876	-	100.00%	9,245,646	0.00%
1/1/2003	84,553,434	84,553,434	-	100.00%	8,081,941	0.00%
1/1/2004	81,996,895	81,996,895	-	100.00%	7,552,549	0.00%
1/1/2005	79,398,895	79,398,895	-	100.00%	6,799,378	0.00%
1/1/2006	78,756,498	78,756,498	-	100.00%	6,141,456	0.00%
1/1/2007	82,094,299	82,094,299	-	100.00%	5,510,340	0.00%
1/1/2008	79,179,398	79,179,398	-	100.00%	5,112,493	0.00%
1/1/2009	56,512,743	75,435,555	18,922,812	74.92%	5,310,881	356.30%
1/1/2010	61,231,126	75,999,563	14,768,437	80.57%	4,637,314	318.47%
1/1/2011	60,419,535	75,562,269	15,142,734	79.96%	3,835,987	394.75%
1/1/2012	53,269,896	75,233,596	21,963,700	70.81%	3,181,621	690.33%
1/1/2013	48,072,000	76,734,548	28,662,548	62.65%	2,806,090	1021.44%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - EAN (prior to 1/1/05 Aggregate) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
<b>Teachers' DB Plan:</b>						
1/1/1997	\$ 31,532,498	\$ 31,532,498	\$ -	100.00%	\$ 16,518,534	0.00%
1/1/1998	55,425,760	55,425,760	-	100.00%	16,280,062	0.00%
1/1/1999	62,622,721	62,622,721	-	100.00%	15,714,131	0.00%
1/1/2000	70,243,735	70,243,735	-	100.00%	14,392,249	0.00%
1/1/2001	69,634,862	69,634,862	-	100.00%	14,009,264	0.00%
1/1/2002	72,917,044	72,917,044	-	100.00%	13,254,219	0.00%
1/1/2003	71,458,839	71,458,839	-	100.00%	12,286,006	0.00%
1/1/2004	73,472,465	73,472,465	-	100.00%	11,014,729	0.00%
1/1/2005	74,889,828	82,120,286	7,230,458	91.20%	7,595,733	95.19%
1/1/2006	75,174,360	83,066,476	7,892,116	90.50%	6,274,664	125.78%
1/1/2007	84,154,462	84,362,290	207,828	99.75%	5,236,764	3.97%
1/1/2008	83,327,598	84,657,462	1,329,864	98.43%	4,102,017	32.42%
1/1/2009	61,496,011	83,991,358	22,495,347	73.22%	2,018,191	1114.63%
1/1/2010	69,493,440	79,131,091	9,637,651	87.82%	1,050,650	917.30%
1/1/2011	70,428,532	78,267,707	7,839,175	89.98%	823,283	952.18%
1/1/2012	65,150,937	77,615,350	12,464,413	83.94%	328,419	N/A
1/1/2013	60,384,664	79,037,520	18,652,856	76.40%	117,974	N/A

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2013*

**Schedules of Funding Progress (Continued)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
<b>Uniformed Officers Pension Plan:</b>						
1/1/2008	\$ 97,974,663	\$ 104,812,621	\$ 6,837,958	93.48%	\$ 24,238,059	28.21%
1/1/2009	85,035,207	115,217,224	30,182,017	73.80%	25,671,228	117.57%
1/1/2010	103,280,780	128,135,474	24,854,694	80.60%	27,198,799	91.38%
1/1/2011	108,614,901	136,916,313	28,301,412	79.33%	27,274,742	103.76%
1/1/2012	112,378,618	146,067,491	33,688,873	76.94%	27,091,364	124.35%
1/1/2013	117,526,735	146,609,127	29,082,392	80.16%	29,784,860	97.64%

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

**Knox Co Executive and Officials**

TCRS (Amounts Expressed in Thousands):

6/30/1991	\$ 296	\$ 296	\$ -	100.00%	\$ 141	0.00%
6/30/1993	371	371	-	100.00%	157	0.00%
6/30/1995	441	441	-	100.00%	74	0.00%
6/30/1997	600	600	-	100.00%	77	0.00%
6/30/1999	704	704	-	100.00%	81	0.00%
6/30/2001	792	792	-	100.00%	81	0.00%
7/1/2003	842	842	-	100.00%	83	0.00%
7/1/2005	901	901	-	100.00%	86	0.00%
7/1/2007	828	935	107	88.56%	130	82.31%
7/1/2009	722	1,126	404	64.15%	357	113.11%
7/1/2011	1,012	1,522	510	66.50%	746	68.33%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
--------------------------	-------------------------------	---	-----------------------------	--------------------	---------------------	---

**Other Post-employment Benefits - Healthcare Plan:**

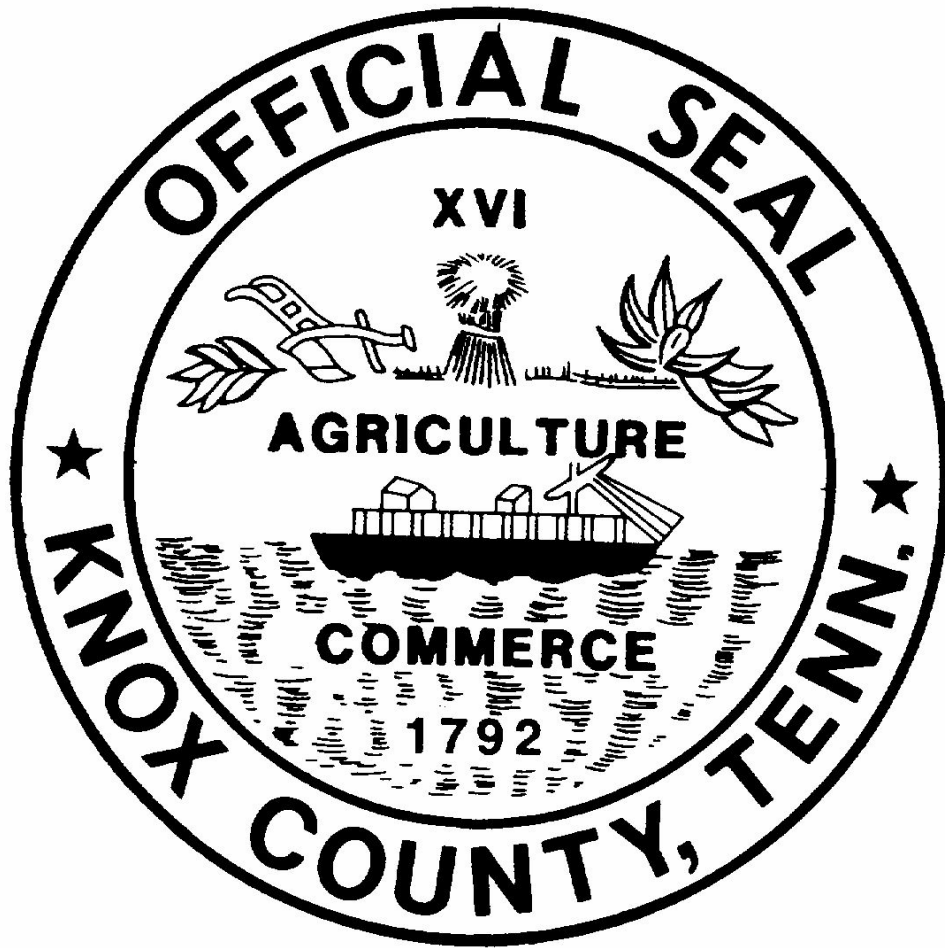
7/1/2007	\$ -	\$ 2,644,971	\$ 2,644,971	0%	N/A	N/A
7/1/2009	-	2,434,379	2,434,379	0%	N/A	N/A
7/1/2011	-	2,623,061	2,623,061	0%	N/A	N/A

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2013*

**Schedules of Employer Contributions**  
**(Last Ten Fiscal Years)**

Year Ended June 30,	County DB Plan			Uniformed Officers' DB Plan			Teachers' DB Plan		
	Annual Required Contribution	Actual Contribution	Percentage Contributed	Annual Required Contribution	Actual Contribution	Percentage Contributed	Annual Required Contribution	Actual Contribution	Percentage Contributed
1999	\$ -	\$ -	N/A	\$ -	\$ -	N/A	\$ 773,683	\$ 778,642	100.64%
2000	-	-	N/A	-	-	N/A	357,275	343,534	96.15%
2001	-	-	N/A	-	-	N/A	-	400,000	N/A
2002	-	-	N/A	-	-	N/A	344,411	600,000	174.21%
2003	-	-	N/A	-	-	N/A	412,445	600,000	145.47%
2004	-	-	N/A	-	-	N/A	784,838	784,838	100.00%
2005	-	-	N/A	-	-	N/A	881,447	881,447	100.00%
2006	-	-	N/A	-	-	N/A	739,370	739,370	100.00%
2007	-	-	N/A	-	-	N/A	771,772	771,772	100.00%
2008	-	100,000	N/A	1,823,530	1,823,530	100.00%	135,786	135,786	100.00%
2009	98,387	-	0.00%	2,525,395	2,825,187	111.87%	198,608	250,000	125.88%
2010	1,877,420	2,127,420	113.32%	4,263,867	4,569,658	107.17%	1,898,484	1,898,864	100.02%
2011	1,218,164	1,218,164	100.00%	4,094,421	4,297,664	104.96%	1,217,506	1,217,506	100.00%
2012	1,497,424	1,335,374	89.18%	4,108,886	4,397,779	107.03%	1,046,949	1,046,949	100.00%
2013	2,378,622	2,870,544	120.68%	4,609,314	5,020,965	108.93%	1,183,029	1,183,029	100.00%

# 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, 2013 and June 30, 2012

---

	2013	Restated 2012
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 19,865,598	\$ 7,274,606
Receivables (Net of Allowances for Uncollectibles):		
Accounts	9,344,582	8,905,650
Local Taxes	110,975,001	109,606,368
Notes	1,274,000	1,393,000
Investments	33,859,983	44,159,604
Due from Other Funds	4,167,329	3,228,876
Due from Component Units	3,201,996	893,282
Inventories	227,841	89,326
Prepaid Items	106,106	95,554
Investment in Joint Venture	6,915,396	5,997,234
	<u>6,915,396</u>	<u>5,997,234</u>
<b>TOTAL ASSETS</b>	<u>\$ 189,937,832</u>	<u>\$ 181,643,500</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 10,222,787	\$ 7,988,749
Due to Other Funds	1,585,770	2,672,678
Due to Component Units	476,412	1,538,545
Deferred Revenue	111,387,605	110,153,327
	<u>111,387,605</u>	<u>110,153,327</u>
<b>TOTAL LIABILITIES</b>	<u>123,672,574</u>	<u>122,353,299</u>
<b>Fund Balances:</b>		
Nonspendable	7,249,342	6,182,114
Restricted	2,798,061	2,787,302
Committed	3,675,473	5,596,444
Assigned	1,089,640	465,211
Unassigned	51,452,742	44,259,130
	<u>51,452,742</u>	<u>44,259,130</u>
<b>TOTAL FUND BALANCES</b>	<u>66,265,258</u>	<u>59,290,201</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 189,937,832</u>	<u>\$ 181,643,500</u>

**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2013 and June 30, 2012

	2013	2012
<b>Revenues</b>		
County Property Taxes	\$ 111,881,184	\$ 109,695,118
Local Option Sales Taxes	4,440,665	4,015,846
Business Taxes	8,709,692	7,782,614
Wheel Taxes	504,302	499,643
Other Local Taxes	2,845,245	2,877,880
Licenses and Permits	3,701,844	3,586,182
Fines, Forfeitures and Penalties	2,710,496	1,904,656
Charges for Current Services	4,562,900	3,887,795
Other Local Revenues	8,749,400	3,894,081
State of Tennessee	11,229,915	11,291,662
Federal Government	734,813	667,926
Other Governments and Citizen Groups	320,723	547,301
Payments from Component Units	-	3,457,546
Increase in Equity Interest in Joint Venture	918,162	331,142
<b>Total Revenues</b>	<b>161,309,341</b>	<b>154,439,392</b>
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	21,822,661	22,630,508
Finance and Administration - Payments to Component Unit	6,653,874	3,823,874
Administration of Justice	15,719,185	15,327,858
Public Safety	69,650,368	68,097,446
Public Safety - Payments to Component Unit	326,200	326,200
Public Health and Welfare	19,402,706	18,903,041
Public Health and Welfare - Payments to Component Unit	256,628	256,628
Social and Cultural Services	4,287,559	4,158,762
Agricultural and Natural Resources	435,231	365,774
Other General Government	13,498,278	11,645,436
Other General Government - Payments to Component Unit	675,000	600,000
<b>Total Expenditures</b>	<b>152,727,690</b>	<b>146,135,527</b>
Excess (Deficiency) of Revenues Over Over (Under) Expenditures	8,581,651	8,303,865
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	8,707,849	7,780,851
Transfers to Other Funds	(10,314,443)	(7,327,918)
<b>Total Other Financing Sources</b>	<b>(1,606,594)</b>	<b>452,933</b>
<b>Net Change in Fund Balances</b>	<b>6,975,057</b>	<b>8,756,798</b>
Fund Balances, July 1, as restated	59,290,201	50,533,403
<b>Fund Balances, June 30, as restated for 2012</b>	<b>\$ 66,265,258</b>	<b>\$ 59,290,201</b>

## **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, 2013

(With Comparative Totals for June 30, 2012)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2013	2012
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 485,508	\$ 1,186,688	\$ 220,713	\$ 1,447,310	\$ 442,149	\$ 572,952	\$ 4,355,320	\$ 3,832,731
<b>TOTAL ASSETS</b>	<b>\$ 485,508</b>	<b>\$ 1,186,688</b>	<b>\$ 220,713</b>	<b>\$ 1,447,310</b>	<b>\$ 442,149</b>	<b>\$ 572,952</b>	<b>\$ 4,355,320</b>	<b>\$ 3,832,731</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Due to Other Funds	\$ 101,497	\$ 302,944	\$ -	\$ -	\$ -	\$ 293,501	\$ 697,942	\$ 1,632,743
<b>Fund Balances:</b>								
Assigned	384,011	883,744	220,713	1,447,310	442,149	279,451	3,657,378	2,199,988
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 485,508</b>	<b>\$ 1,186,688</b>	<b>\$ 220,713</b>	<b>\$ 1,447,310</b>	<b>\$ 442,149</b>	<b>\$ 572,952</b>	<b>\$ 4,355,320</b>	<b>\$ 3,832,731</b>

**KNOX COUNTY, TENNESSEE**

**Constitutional Officers' Special Revenue Fund  
Combining Schedule of Revenues, Expenditures  
And Changes in Fund Balances  
For the year ended June 30, 2013  
(With comparative totals for the year ended June 30, 2012)**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2013	2012
<b>Revenues</b>								
Charges for Services	\$ 9,638,744	\$ 5,188,256	\$ 1,409,636	\$ 4,484,253	\$ 1,502,151	\$ 2,853,586	\$ 25,076,626	\$ 22,782,206
Investment Revenue	1,363	6,124	-	-	-	7,383	14,870	17,627
Total Revenues	9,640,107	5,194,380	1,409,636	4,484,253	1,502,151	2,860,969	25,091,496	22,799,833
<b>Expenditures</b>								
Current:								
General Government:								
Salaries - County Officials	131,800	123,446	76,117	119,407	114,884	108,551	674,205	704,640
Salaries - Staff	1,851,656	2,934,340	1,083,410	2,774,036	661,052	1,147,965	10,452,459	10,345,311
Employee Benefits and Payroll Taxes	568,893	949,394	367,391	947,840	266,699	393,431	3,493,648	3,559,004
Travel	-	-	7,915	8,400	-	8,400	24,715	27,100
Other	38,308	68,731	-	-	773	173,418	281,230	799,224
Total Expenditures	2,590,657	4,075,911	1,534,833	3,849,683	1,043,408	1,831,765	14,926,257	15,435,279
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,049,450	1,118,469	(125,197)	634,570	458,743	1,029,204	10,165,239	7,364,554
<b>Other Financing Uses</b>								
Transfers to Other Funds	(6,092,903)	(1,193,725)	-	-	(377,840)	(1,043,381)	(8,707,849)	(7,780,851)
Net Change in Fund Balances	956,547	(75,256)	(125,197)	634,570	80,903	(14,177)	1,457,390	(416,297)
Fund Balances, July 1	(572,536)	959,000	345,910	812,740	361,246	293,628	2,199,988	2,616,285
Fund Balances, June 30	\$ 384,011	\$ 883,744	\$ 220,713	\$ 1,447,310	\$ 442,149	\$ 279,451	\$ 3,657,378	\$ 2,199,988

**KNOX COUNTY, TENNESSEE**

**Constitutional Officers' Special Revenue Fund  
Schedule of Revenues, Expenditures, and Fees Remitted to General Fund  
For the year ended June 30, 2013**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds
<b>Constitutional Officers Special Revenue Fund</b>						
<b>Summary of Revenues and Expenditures Resulting from Operations, and Fees Remitted to General Fund</b>						
Revenues	\$ 9,640,107	\$ 5,194,380	\$ 1,409,636	\$ 4,484,253	\$ 1,502,151	\$ 2,860,969
Expenditures	(2,590,657)	(4,075,911)	(1,534,833)	(3,849,683)	(1,043,408)	(1,831,765)
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,049,450	1,118,469	(125,197)	634,570	458,743	1,029,204
Fees Remitted to County General Fund	(6,092,903)	(1,193,725)	-	-	(377,840)	(1,043,381)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Fees Remitted	\$ 956,547	\$ (75,256)	\$ (125,197)	\$ 634,570	\$ 80,903	\$ (14,177)

**Summary of General Fund Expenditures Related to Office Operations of Constitutional Officers,  
Compared to Fees Remitted from Constitutional Officers to General Fund**

Fees Remitted from Constitutional Officers to County General Fund	\$ 6,092,903	\$ 1,193,725	\$ -	\$ -	\$ 377,840	\$ 1,043,381
General Fund Expenditures:						
Personal Services/						
Employee Benefits	-	-	-	-	-	(83,355)
Contracted Services	(449,231)	(438,158)	(90,664)	(167,904)	(83,297)	(103,928)
Supplies and Materials	(114,490)	(81,833)	(17,813)	(73,042)	(17,962)	(26,927)
Capital Outlay	-	(1,126)	-	-	-	-
Other Charges	(21,018)	(1,027)	(1,677)	(32,129)	(1,302)	(2,888)
Capital Outlay	-	-	-	-	-	-
Total General Fund Expenditures for Office Operations of Constitutional Officers	(584,739)	(522,144)	(110,154)	(273,075)	(102,561)	(217,098)
Excess (Deficiency) of Fees Remitted Over (Under) General Fund Expenditures	\$ 5,508,164	\$ 671,581	\$ (110,154)	\$ (273,075)	\$ 275,279	\$ 826,283

## **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, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 27,808	\$ 14,959,395
Accounts Receivable (Net of Allowances for Uncollectibles):	19,640	19,818
Investments	4,253,501	8,899,001
Due from Other Funds	<u>300,000</u>	<u>42,238</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,600,949</u></u>	<u><u>\$ 23,920,452</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 1,108,956	\$ 911,713
Due to Other Funds	2,020,021	4,879
Due to Component Units	<u>-</u>	<u>11,478</u>
<b>TOTAL LIABILITIES</b>	<u>3,128,977</u>	<u>928,070</u>
<b>Fund Balances:</b>		
Restricted	<u>1,471,972</u>	<u>22,992,382</u>
<b>TOTAL FUND BALANCES</b>	<u>1,471,972</u>	<u>22,992,382</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 4,600,949</u></u>	<u><u>\$ 23,920,452</u></u>

---

**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Investment Revenue	\$ 105,943	\$ 27,266
Other Local Revenues	548,095	3,248,666
State of Tennessee	1,385,619	81,490
Payments from Component Units	<u>-</u>	<u>2,500,000</u>
Total Revenues	<u>2,039,657</u>	<u>5,857,422</u>
<b>Expenditures</b>		
Capital Projects	29,402,147	7,866,153
Debt Proceeds Paid to Component Unit	13,182,024	13,578,202
Debt Issuance Costs	-	106,387
Other	<u>13,295</u>	<u>-</u>
Total Expenditures	<u>42,597,466</u>	<u>21,550,742</u>
Deficiency of Revenues Under Expenditures	<u>(40,557,809)</u>	<u>(15,693,320)</u>
<b>Other Financing Sources</b>		
Long-term Bonds Issued	-	14,400,000
Long-term Note Issued	-	5,000,000
Premium on Long-term Debt Issued	-	254,526
Capital Lease Proceeds	13,182,024	-
Transfers from Other Funds	<u>5,855,375</u>	<u>4,816,643</u>
Total Other Financing Sources	<u>19,037,399</u>	<u>24,471,169</u>
Net Change in Fund Balances	(21,520,410)	8,777,849
Fund Balances, July 1	<u>22,992,382</u>	<u>14,214,533</u>
Fund Balances, June 30	<u><u>\$ 1,471,972</u></u>	<u><u>\$ 22,992,382</u></u>

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)  
 Schedule of Construction Project Expenditures-  
 Budget And Actual  
 For the year ended June 30, 2013

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Knob Creek Bridge	\$ 578,925	\$ 232,783	\$ 81,185	\$ 313,968	\$ 264,957
Bob Gray Roundabouts	1,257,450	-	139,075	139,075	1,118,375
Bridge Replacement	6,931,783	3,839,779	1,145,261	4,985,040	1,946,743
Hardin Valley Road	28,940	28,940	-	28,940	-
Ballcamp Improvements	17,324,705	17,149,040	200	17,149,240	175,465
Lovell Road	2,831,386	2,609,258	-	2,609,258	222,128
Dry Gap Pike	6,233,368	6,128,392	-	6,128,392	104,976
Maynardville/Norris/Emory	1,515,409	842,249	480,775	1,323,024	192,385
Parkside Drive Extension	16,797,420	9,197,368	163,054	9,360,422	7,436,998
Dutchtown Road Functional Plan	15,589,878	10,865,414	1,475,104	12,340,518	3,249,360
Karns Connector	222,000	-	37,327	37,327	184,673
Gallaher View Road	3,075,229	3,075,229	13,650	3,088,879	(13,650)
Farlow Drive	637,000	470,378	130,666	601,044	35,956
Tazewell Pike / Emory Road	281,476	323,486	46,488	369,974	(88,498)
Dutchtown Innovation	622,889	622,889	-	622,889	-
Nubbin Ridge Road	109,200	-	-	-	109,200
Outlet Mall Drive/Snyder Road Connect	3,870,225	1,627,694	1,710,782	3,338,476	531,749
National Drive-John Sevier Highway	206,668	62,855	1,500	64,355	142,313
State Aid	2,935,800	-	1,796,872	1,796,872	1,138,928
<i>Total Road Construction</i>	<i>81,049,751</i>	<i>57,075,754</i>	<i>7,221,939</i>	<i>64,297,693</i>	<i>16,752,058</i>
<i>Building Renovations:</i>					
Juvenile Court/ Detention	14,434,633	14,095,658	45,469	14,141,127	293,506
County Wide Renovations	200,000	-	-	-	200,000
Knox Central	1,629,537	1,218,264	752,040	1,970,304	(340,767)
Knox Central CIP '11	78,632	-	225	225	78,407
Fairview Technical Center	5,000	-	-	-	5,000
John Tarleton	159,134	133,435	4,650	138,085	21,049
AJ/ Dwight Kessel Garage	2,321,073	1,400,835	197,365	1,598,200	722,873
City/County Improvement	15,117,769	11,273,366	1,574,242	12,847,608	2,270,161
Knox County Health Renovations	11,270,466	10,917,338	64,978	10,982,316	288,150
Old Courthouse Renovation	3,522,040	1,419,843	495,317	1,915,160	1,606,880
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	311,000	278,719	71,803	350,522	(39,522)
Juvenile Justice Center Phases II	3,000,000	-	246,969	246,969	2,753,031
ADA Improvements	1,000,000	-	-	-	1,000,000
Family Justice Center	14,200	-	-	-	14,200
B-911 Center	38,000	-	13,170	13,170	24,830
Health Department CDC/Lab Renovation	134,500	-	79,048	79,048	55,452
EPW Administration Building	80,139	-	80,139	80,139	-
Northshore Drive & Choto Road	700,000	-	65,950	65,950	634,050
<i>Total Building Renovations</i>	<i>69,551,618</i>	<i>56,285,799</i>	<i>3,691,365</i>	<i>59,977,164</i>	<i>9,574,454</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, 2013**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures (Continued)</b>					
<i>Capital Projects (Continued):</i>					
<i>Building Construction:</i>					
South Sportsplex	500,000	-	-	-	500,000
Lawson McGhee Library	848,784	560,758	44,977	605,735	243,049
Various Library Branches	656,261	384,848	218,164	603,012	53,249
Senior Centers	22,800	-	9,686	9,686	13,114
Carter Senior Center	1,289,632	1,289,632	-	1,289,632	-
Frank Strang Senior Center	-	-	10,256	10,256	(10,256)
Karns Senior Center	300,000	-	-	-	300,000
<b>Total Building Construction:</b>	<b>3,617,477</b>	<b>2,235,238</b>	<b>283,083</b>	<b>2,518,321</b>	<b>1,099,156</b>
<i>Other:</i>					
Seven Island Foot Bridge	1,747,700	283,528	-	283,528	1,464,172
Halls Greenway	154,903	154,903	-	154,903	-
Knox-Blount Greenway-Phase I	360,198	-	13,195	13,195	347,003
Halls Park - School Link Phase II	703,942	-	31,262	31,262	672,680
Knox-Blount Greenway-Phase II	145,198	7,581	39,041	46,622	98,576
Park Facility Improvement	726,792	483,258	117,473	600,731	126,061
Rifle Range Road Park	3,812,500	3,777,586	7,977	3,785,563	26,937
Ten Mile Creek Greenway	267,886	267,886	-	267,886	-
Greenways	33,253	8,280	-	8,280	24,973
Technology Upgrade - Libraries	1,250,000	241,100	-	241,100	1,008,900
Finance Software Upgrade	1,569,308	1,364,522	7,133	1,371,655	197,653
PBA Project Management	4,170,201	3,445,910	283,131	3,729,041	441,160
Energy Management Project - County	16,176,571	14,004,728	-	14,004,728	2,171,843
Solway Yard Waste Facility	1,386,400	1,363,255	-	1,363,255	23,145
Stormwater Management	11,376,620	6,996,545	429,739	7,426,284	3,950,336
Karns Convenience Center	850,000	-	-	-	850,000
Dutchtown Convenience Center	571,890	510,555	-	510,555	61,335
Geometric Improvements	3,612,075	1,699,759	97,479	1,797,238	1,814,837
County Sidewalk	707,831	72,670	512,551	585,221	122,610
Major Equipment - Engineering & Public Works	971,195	336,665	477,787	814,452	156,743
Major Equipment - Sheriff Denton	2,412,157	302,067	1,266,778	1,568,845	843,312
Powell Middle School	15,358,025	15,384,230	4,133	15,388,363	(30,338)
New Carter Elementary	15,040,619	11,409	14,910,367	14,921,776	118,843
Family Investment - Renovation	130,000	96,396	7,714	104,110	25,890
<b>Total Other</b>	<b>83,535,264</b>	<b>50,812,833</b>	<b>18,205,760</b>	<b>69,018,593</b>	<b>14,516,671</b>
<b>Total Capital Projects</b>	<b>\$ 237,754,110</b>	<b>\$ 166,409,624</b>	<b>\$ 29,402,147</b>	<b>\$ 195,811,771</b>	<b>\$ 41,942,339</b>



## **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, 2013 and June 30, 2012

---

	2013	Restated 2012
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 18,584,043	\$ 15,720,614
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	34,721,441	35,032,266
Notes	9,245,000	9,245,000
Due from Other Funds	-	758,681
Advance to Other Governments	2,500,000	2,500,000
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 65,050,484</u>	<u>\$ 63,256,561</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 5,976	\$ 5,842
Due to Other Funds	-	216,779
Deferred Revenue	40,442,612	40,760,193
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>40,448,588</u>	<u>40,982,814</u>
<b>Fund Balances:</b>		
Nonspendable	5,725,000	5,725,000
Restricted	110,208	56,175
Committed	18,766,688	16,492,572
	<u>                    </u>	<u>                    </u>
TOTAL FUND BALANCES	<u>24,601,896</u>	<u>22,273,747</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 65,050,484</u>	<u>\$ 63,256,561</u>

---

**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Property Taxes	\$ 32,886,294	\$ 32,380,337
Investment Revenue	2,093,793	2,066,857
Payments from Component Units	32,601,668	30,770,645
Total Revenues	<u>67,581,755</u>	<u>65,217,839</u>
<b>Expenditures</b>		
Debt Service:		
Trustee's Commission	678,399	650,744
Principal	37,766,083	35,615,702
Interest	24,982,926	25,888,063
Other Debt Service	1,826,198	2,599,751
Refunding Bonds Issuance Costs	-	149,005
Total Expenditures	<u>65,253,606</u>	<u>64,903,265</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,328,149</u>	<u>314,574</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	-	1,201,227
Transfers to Other Funds	-	(943,818)
Refunding Bonds Issued	-	21,505,000
Premium on Refunding Bonds	-	1,113,363
Payment to Holders of Refunded Debt	-	(22,469,358)
Total Other Financing Sources	<u>-</u>	<u>406,414</u>
Net Change in Fund Balances	2,328,149	720,988
Fund Balances, July 1, as restated	<u>22,273,747</u>	<u>21,552,759</u>
Fund Balances, June 30, as restated for 2012	<u>\$ 24,601,896</u>	<u>\$ 22,273,747</u>

KNOX COUNTY, TENNESSEE

**Debt Service Fund (Major)**  
**Comparative Schedules of Revenues, Expenditures**  
**And Changes in Fund Balances - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2013 and June 30, 2012

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Property Taxes	\$ 32,533,000	\$ 32,533,000	\$ 32,886,294	\$ 353,294	\$ 31,567,625	\$ 32,380,337	\$ 812,712
Other Governments/Citizen Groups	-	-	-	-	134,457	-	(134,457)
Investment Revenue	2,040,229	2,040,229	2,093,793	53,564	2,240,460	2,066,857	(173,603)
Payments from Component Units	30,527,602	30,527,602	32,601,668	2,074,066	30,770,645	30,770,645	-
<b>Total Revenues</b>	<b>65,100,831</b>	<b>65,100,831</b>	<b>67,581,755</b>	<b>2,480,924</b>	<b>64,713,187</b>	<b>65,217,839</b>	<b>504,652</b>
<b>Expenditures</b>							
Debt Service:							
Trustee's Commission	708,438	708,438	678,399	30,039	704,206	650,744	53,462
Principal	37,734,614	37,734,614	37,766,083	(31,469)	35,615,702	35,615,702	-
Interest	32,556,948	32,556,948	24,982,926	7,574,022	32,486,274	25,888,063	6,598,211
Other Debt Service	2,000,000	2,000,000	1,826,198	173,802	2,000,000	2,599,751	(599,751)
Refunding Bonds Issuance Costs	-	-	-	-	-	149,005	(149,005)
<b>Total Expenditures</b>	<b>73,000,000</b>	<b>73,000,000</b>	<b>65,253,606</b>	<b>7,746,394</b>	<b>70,806,182</b>	<b>64,903,265</b>	<b>5,902,917</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,899,169)	(7,899,169)	2,328,149	10,227,318	(6,092,995)	314,574	6,407,569
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	1,521,320	1,521,320	-	(1,521,320)	1,417,606	1,201,227	(216,379)
Transfers to Other Funds	(1,250,000)	(1,250,000)	-	1,250,000	(943,818)	(943,818)	-
Refunding Bonds Issued	-	-	-	-	-	21,505,000	21,505,000
Premium on Refunding Bonds	-	-	-	-	-	1,113,363	1,113,363
Payment to Holders of Refunded Debt	-	-	-	-	-	(22,469,358)	(22,469,358)
<b>Total Other Financing Sources (Uses)</b>	<b>271,320</b>	<b>271,320</b>	<b>-</b>	<b>(271,320)</b>	<b>473,788</b>	<b>406,414</b>	<b>(67,374)</b>
<b>Net Change in Fund Balances</b>	<b>(7,627,849)</b>	<b>(7,627,849)</b>	<b>2,328,149</b>	<b>9,955,998</b>	<b>(5,619,207)</b>	<b>720,988</b>	<b>6,340,195</b>
Fund Balances, July 1, as restated	22,273,747	22,273,747	22,273,747	-	21,552,759	21,552,759	-
<b>Fund Balances, June 30, as restated for 2012</b>	<b>\$ 14,645,898</b>	<b>\$ 14,645,898</b>	<b>\$ 24,601,896</b>	<b>\$ 9,955,998</b>	<b>\$ 15,933,552</b>	<b>\$ 22,273,747</b>	<b>\$ 6,340,195</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

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

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

**Solid Waste Fund:** This fund is used to account for 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, 2013

---

	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,753,646	\$ 766,618	\$ 9,520,264
Receivables (Net of Allowance for Uncollectibles):			
Accounts	7,216,648	-	7,216,648
Notes	2,987,965	-	2,987,965
Due from Other Funds	263,292	-	263,292
Inventories	12,388	-	12,388
Prepaid Items	25,046	-	25,046
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 19,258,985	\$ 766,618	\$ 20,025,603
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ 3,648,358	\$ 26,758	\$ 3,675,116
Due to Other Funds	1,240,386	-	1,240,386
Due to Component Units	266	-	266
Deferred Revenue	3,201,618	-	3,201,618
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	8,090,628	26,758	8,117,386
	<hr/>	<hr/>	<hr/>
<b>Fund Balances:</b>			
Nonspendable	37,434	-	37,434
Restricted	4,695,069	-	4,695,069
Committed	6,435,854	739,860	7,175,714
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	11,168,357	739,860	11,908,217
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,258,985	\$ 766,618	\$ 20,025,603
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the year ended June 30, 2013**

	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Local Option Sales Taxes	\$ 7,374,381	\$ -	\$ 7,374,381
Lodging Taxes	5,547,738	-	5,547,738
Wheel Taxes	10,432,198	-	10,432,198
Other Local Taxes	2,097,096	-	2,097,096
Fines, Forfeitures and Penalties	924,911	-	924,911
Charges for Current Services	806,086	-	806,086
Other Local Revenues	1,206,018	-	1,206,018
State of Tennessee	6,723,631	-	6,723,631
Federal Government	9,498,340	-	9,498,340
Other Governments and Citizen Groups	782,290	-	782,290
<b>Total Revenues</b>	<b>45,392,689</b>	<b>-</b>	<b>45,392,689</b>
<b>Expenditures</b>			
Current:			
Administration of Justice	74,711	-	74,711
Public Safety	3,306,050	-	3,306,050
Public Health and Welfare	11,963,358	-	11,963,358
Social and Cultural Services	12,080,078	-	12,080,078
Other General Government	6,266,024	-	6,266,024
Engineering and Public Works	10,873,216	-	10,873,216
Capital Projects	-	354,891	354,891
<b>Total Expenditures</b>	<b>44,563,437</b>	<b>354,891</b>	<b>44,918,328</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>829,252</b>	<b>(354,891)</b>	<b>474,361</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	2,653,543	-	2,653,543
Transfers to Other Funds	(2,304,581)	-	(2,304,581)
<b>Total Other Financing Sources (Uses)</b>	<b>348,962</b>	<b>-</b>	<b>348,962</b>
<b>Net Change in Fund Balances</b>	<b>1,178,214</b>	<b>(354,891)</b>	<b>823,323</b>
<b>Fund Balances, July 1</b>	<b>9,990,143</b>	<b>1,094,751</b>	<b>11,084,894</b>
<b>Fund Balances, June 30</b>	<b>\$ 11,168,357</b>	<b>\$ 739,860</b>	<b>\$ 11,908,217</b>

**KNOX COUNTY, TENNESSEE**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds**

June 30, 2013

	<b>State and Federal Grants</b>	<b>Governmental Library</b>	<b>Public Library</b>	<b>Solid Waste</b>	<b>Hotel/Motel Tax</b>	<b>Drug Control</b>	<b>Engineering &amp; Public Works</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 227,351	\$ 27,726	\$ 602,461	\$ 1,365,663	\$ 1,848,222	\$ 2,129,379	\$ 2,552,844	\$ 8,753,646
Receivables (Net of Allowance for Uncollectibles):								
Accounts	3,001,637	30,000	859,482	150,943	1,034,242	329	2,140,015	7,216,648
Notes	2,987,965	-	-	-	-	-	-	2,987,965
Due from Other Funds	236,643	-	-	26,649	-	-	-	263,292
Inventories	12,388	-	-	-	-	-	-	12,388
Prepaid Items	25,046	-	-	-	-	-	-	25,046
<b>TOTAL ASSETS</b>	<b>\$ 6,491,030</b>	<b>\$ 57,726</b>	<b>\$ 1,461,943</b>	<b>\$ 1,543,255</b>	<b>\$ 2,882,464</b>	<b>\$ 2,129,708</b>	<b>\$ 4,692,859</b>	<b>\$ 19,258,985</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable and Accrued Liabilities	\$ 498,366	\$ 13,296	\$ 377,478	\$ 114,359	\$ 2,248,878	\$ 1,439	\$ 394,542	\$ 3,648,358
Due to Other Funds	812,490	-	148,343	171,264	-	7,908	100,381	1,240,386
Due to Component Units	-	-	-	266	-	-	-	266
Deferred Revenue	3,201,618	-	-	-	-	-	-	3,201,618
<b>TOTAL LIABILITIES</b>	<b>4,512,474</b>	<b>13,296</b>	<b>525,821</b>	<b>285,889</b>	<b>2,248,878</b>	<b>9,347</b>	<b>494,923</b>	<b>8,090,628</b>
Fund Balances:								
Nonspendable	37,434	-	-	-	-	-	-	37,434
Restricted	1,941,122	-	-	-	633,586	2,120,361	-	4,695,069
Committed	-	44,430	936,122	1,257,366	-	-	4,197,936	6,435,854
<b>TOTAL FUND BALANCES</b>	<b>1,978,556</b>	<b>44,430</b>	<b>936,122</b>	<b>1,257,366</b>	<b>633,586</b>	<b>2,120,361</b>	<b>4,197,936</b>	<b>11,168,357</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,491,030</b>	<b>\$ 57,726</b>	<b>\$ 1,461,943</b>	<b>\$ 1,543,255</b>	<b>\$ 2,882,464</b>	<b>\$ 2,129,708</b>	<b>\$ 4,692,859</b>	<b>\$ 19,258,985</b>



**KNOX COUNTY, TENNESSEE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
For the year ended June 30, 2013

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total Nonmajor Special Revenue Funds
<b>Revenues</b>								
Local Option Sales Taxes	\$ -	\$ -	\$ -	\$ 2,400,000	\$ -	\$ -	\$ 4,974,381	\$ 7,374,381
Lodging Taxes	-	-	-	-	5,547,738	-	-	5,547,738
Wheel Taxes	-	-	10,432,198	-	-	-	-	10,432,198
Other Local Taxes	-	56,643	-	-	-	-	2,040,453	2,097,096
Fines, Forfeitures and Penalties	41,951	-	-	49,207	-	830,403	3,350	924,911
Charges for Current Services	462,906	4,469	338,711	-	-	-	-	806,086
Other Local Revenues	192,658	1,368	9,288	549,131	-	120,973	332,600	1,206,018
State of Tennessee	1,303,096	-	51,900	389,122	-	-	4,979,513	6,723,631
Federal Government	9,439,242	-	-	-	-	59,098	-	9,498,340
Other Governments and Citizen Groups	731,080	31,462	19,748	-	-	-	-	782,290
<b>Total Revenues</b>	<b>12,170,933</b>	<b>93,942</b>	<b>10,851,845</b>	<b>3,387,460</b>	<b>5,547,738</b>	<b>1,010,474</b>	<b>12,330,297</b>	<b>45,392,689</b>
<b>Expenditures</b>								
Current:								
Administration of Justice	74,711	-	-	-	-	-	-	74,711
Public Safety	2,615,866	-	-	-	-	690,184	-	3,306,050
Public Health and Welfare	8,325,485	-	-	3,637,873	-	-	-	11,963,358
Social and Cultural Services	363,197	144,098	11,572,783	-	-	-	-	12,080,078
Other General Government	1,339,833	-	-	-	4,926,191	-	-	6,266,024
Engineering and Public Works	-	-	-	-	-	-	10,873,216	10,873,216
<b>Total Expenditures</b>	<b>12,719,092</b>	<b>144,098</b>	<b>11,572,783</b>	<b>3,637,873</b>	<b>4,926,191</b>	<b>690,184</b>	<b>10,873,216</b>	<b>44,563,437</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(548,159)</b>	<b>(50,156)</b>	<b>(720,938)</b>	<b>(250,413)</b>	<b>621,547</b>	<b>320,290</b>	<b>1,457,081</b>	<b>829,252</b>
<b>Other Financing Sources (Uses)</b>								
Transfers from Other Funds	617,755	40,000	1,670,000	325,788	-	-	-	2,653,543
Transfers to Other Funds	-	-	(716,846)	(51,000)	(540,000)	-	(996,735)	(2,304,581)
<b>Total Other Financing Sources (Uses)</b>	<b>617,755</b>	<b>40,000</b>	<b>953,154</b>	<b>274,788</b>	<b>(540,000)</b>	<b>-</b>	<b>(996,735)</b>	<b>348,962</b>
<b>Net Change in Fund Balances</b>	<b>69,596</b>	<b>(10,156)</b>	<b>232,216</b>	<b>24,375</b>	<b>81,547</b>	<b>320,290</b>	<b>460,346</b>	<b>1,178,214</b>
<b>Fund Balances, July 1</b>	<b>1,908,960</b>	<b>54,586</b>	<b>703,906</b>	<b>1,232,991</b>	<b>552,039</b>	<b>1,800,071</b>	<b>3,737,590</b>	<b>9,990,143</b>
<b>Fund Balances, June 30</b>	<b>\$ 1,978,556</b>	<b>\$ 44,430</b>	<b>\$ 936,122</b>	<b>\$ 1,257,366</b>	<b>\$ 633,586</b>	<b>\$ 2,120,361</b>	<b>\$ 4,197,936</b>	<b>\$ 11,168,357</b>

---

**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Fund  
Comparative Balance Sheets  
June 30, 2013 and June 30, 2012**

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 227,351	\$ 214,943
Receivables (Net of Allowances for Uncollectibles):		
Accounts	3,001,637	3,681,952
Notes	2,987,965	3,193,702
Due from Other Funds	236,643	383,851
Inventories	12,388	5,997
Prepaid Items	25,046	32,195
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 6,491,030</u>	<u>\$ 7,512,640</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 498,366	\$ 895,402
Due to Other Funds	812,490	1,032,178
Deferred Revenue	3,201,618	3,676,100
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>4,512,474</u>	<u>5,603,680</u>
 <b>Fund Balances:</b>		
Nonspendable	37,434	38,192
Restricted	1,941,122	1,842,573
Committed	-	28,195
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>1,978,556</u>	<u>1,908,960</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,491,030</u>	<u>\$ 7,512,640</u>

---

**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 41,951	\$ 51,185
Charges for Current Services	462,906	401,954
Other Local Revenues	192,658	130,312
State of Tennessee	1,303,096	1,437,033
Federal Government	9,439,242	10,431,496
Other Governmental and Citizen Groups	<u>731,080</u>	<u>857,760</u>
Total Revenues	<u>12,170,933</u>	<u>13,309,740</u>
<b>Expenditures</b>		
Current:		
General Government:		
Administration of Justice	74,711	25,877
Public Safety	2,615,866	2,559,883
Public Health and Welfare	8,325,485	8,785,785
Social and Cultural Services	363,197	624,911
Other General Government	<u>1,339,833</u>	<u>1,565,113</u>
Total Expenditures	<u>12,719,092</u>	<u>13,561,569</u>
Deficiency of Revenues		
Under Expenditures	<u>(548,159)</u>	<u>(251,829)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>617,755</u>	<u>375,131</u>
Net Change in Fund Balances	69,596	123,302
Fund Balances, July 1	<u>1,908,960</u>	<u>1,785,658</u>
Fund Balances, June 30	<u>\$ 1,978,556</u>	<u>\$ 1,908,960</u>

**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2013 and June 30, 2012**

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 151,795	\$ 370,229	\$ 370,229	\$ -	\$ 297,626	\$ 296,874	\$ (752)
Other Local Revenues	-	-	1,175	1,175	-	95,294	95,294
Federal Government	-	924,225	413,244	(510,981)	764,142	448,760	(315,382)
<b>Total Revenues</b>	<b>151,795</b>	<b>1,294,454</b>	<b>784,648</b>	<b>(509,806)</b>	<b>1,061,768</b>	<b>840,928</b>	<b>(220,840)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Personal Services	-	1,179,237	580,661	598,576	733,867	575,761	158,106
Employee Benefits	-	385,863	200,481	185,382	247,391	195,771	51,620
Contracted Services	140,000	348,135	152,890	195,245	215,045	183,780	31,265
Supplies and Materials	-	273,640	91,879	181,761	114,693	70,243	44,450
Other Charges	11,795	328,549	12,168	316,381	430,188	95,618	334,570
Capital Outlay	-	25,523	17,100	8,423	28,412	-	28,412
<b>Total Expenditures</b>	<b>151,795</b>	<b>2,540,947</b>	<b>1,055,179</b>	<b>1,485,768</b>	<b>1,769,596</b>	<b>1,121,173</b>	<b>648,423</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,246,493)	(270,531)	975,962	(707,828)	(280,245)	427,583
<b>Other Financing Sources</b>							
Transfers from Other Funds	-	-	300,000	300,000	-	-	-
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(1,246,493)</b>	<b>29,469</b>	<b>1,275,962</b>	<b>(707,828)</b>	<b>(280,245)</b>	<b>427,583</b>
Fund Balances, July 1	286,905	286,905	286,905	-	567,150	567,150	-
Fund Balances, June 30	<u>\$ 286,905</u>	<u>\$ (959,588)</u>	<u>\$ 316,374</u>	<u>\$ 1,275,962</u>	<u>\$ (140,678)</u>	<u>\$ 286,905</u>	<u>\$ 427,583</u>
<b>Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):</b>							
Fund Balances (Budget Basis)			\$ 316,374			\$ 286,905	
Entity Difference:							
Unbudgeted Funds			<u>1,662,182</u>			<u>1,622,055</u>	
Fund Balances (GAAP Basis)			<u>\$ 1,978,556</u>			<u>\$ 1,908,960</u>	

---

**KNOX COUNTY, TENNESSEE**

**Governmental Library Fund  
Comparative Balance Sheets  
June 30, 2013 and June 30, 2012**

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 27,726	\$ 581
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	30,000	33,966
Due from Other Funds	-	30,000
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 57,726</u>	<u>\$ 64,547</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 13,296	\$ 2,637
Due to Other Funds	-	7,324
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>13,296</u>	<u>9,961</u>
<b>Fund Balances:</b>		
Committed	<u>44,430</u>	<u>54,586</u>
TOTAL FUND BALANCES	<u>44,430</u>	<u>54,586</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 57,726</u>	<u>\$ 64,547</u>

---

**KNOX COUNTY, TENNESSEE**

**Governmental Library Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Litigation Tax	\$ 56,643	\$ 58,084
Charges for Current Services	4,469	5,243
Other Local Revenues	1,368	2,019
Other Governments and Citizens Groups	<u>31,462</u>	<u>31,689</u>
Total Revenues	<u>93,942</u>	<u>97,035</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>144,098</u>	<u>128,275</u>
Deficiency of Revenues Under Expenditures	<u>(50,156)</u>	<u>(31,240)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>40,000</u>	<u>30,000</u>
Net Change in Fund Balances	(10,156)	(1,240)
Fund Balances, July 1	<u>54,586</u>	<u>55,826</u>
Fund Balances, June 30	<u><u>\$ 44,430</u></u>	<u><u>\$ 54,586</u></u>

**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, 2013 and June 30, 2012**

	2013				2012			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Litigation Tax	\$ 68,666	\$ 68,666	\$ 56,643	\$ (12,023)	\$ 68,666	\$ 58,084	\$ (10,582)	
Charges for Current Services	9,000	9,000	4,469	(4,531)	9,100	5,243	(3,857)	
Other Local Revenues	1,000	1,000	1,368	368	900	2,019	1,119	
Other Governments and Citizens Groups	30,334	30,334	31,462	1,128	30,000	31,689	1,689	
<b>Total Revenues</b>	<b>109,000</b>	<b>109,000</b>	<b>93,942</b>	<b>(15,058)</b>	<b>108,666</b>	<b>97,035</b>	<b>(11,631)</b>	
<b>Expenditures</b>								
Current:								
General Government:								
Social and Cultural Services:								
Personal Services	50,383	50,946	50,946	-	50,244	50,243	1	
Employee Benefits	15,225	15,370	15,370	-	15,063	15,063	-	
Contracted Services	9,736	9,736	7,793	1,943	9,760	7,604	2,156	
Supplies and Materials	32,177	71,199	68,241	2,958	54,204	54,168	36	
Other Charges	1,479	1,749	1,748	1	1,329	1,197	132	
<b>Total Expenditures</b>	<b>109,000</b>	<b>149,000</b>	<b>144,098</b>	<b>4,902</b>	<b>130,600</b>	<b>128,275</b>	<b>2,325</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(40,000)	(50,156)	(10,156)	(21,934)	(31,240)	(9,306)	
<b>Other Financing Sources</b>								
Transfers from Other Funds	-	40,000	40,000	-	834	30,000	29,166	
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(10,156)</b>	<b>(10,156)</b>	<b>(21,100)</b>	<b>(1,240)</b>	<b>19,860</b>	
Fund Balances, July 1	54,586	54,586	54,586	-	55,826	55,826	-	
<b>Fund Balances, June 30</b>	<b>\$ 54,586</b>	<b>\$ 54,586</b>	<b>\$ 44,430</b>	<b>\$ (10,156)</b>	<b>\$ 34,726</b>	<b>\$ 54,586</b>	<b>\$ 19,860</b>	

---

**KNOX COUNTY, TENNESSEE**

**Public Library Fund**  
**Comparative Balance Sheets**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 602,461	\$ 2,112
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	859,482	975,914
Due from Other Funds	-	444,817
Prepaid Items	-	13,313
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 1,461,943</u>	<u>\$ 1,436,156</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 377,478	\$ 347,285
Due to Other Funds	148,343	384,965
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>525,821</u>	<u>732,250</u>
 <b>Fund Balances:</b>		
Nonspendable	-	13,313
Committed	936,122	690,593
	<u>                    </u>	<u>                    </u>
TOTAL FUND BALANCES	<u>936,122</u>	<u>703,906</u>
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,461,943</u>	<u>\$ 1,436,156</u>



---

**KNOX COUNTY, TENNESSEE**

**Public Library Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Wheel Taxes	\$ 10,432,198	\$ 10,335,827
Charges for Current Services	338,711	340,219
Other Local Revenues	9,288	8,320
State of Tennessee	51,900	51,306
Other Governments and Citizens Groups	19,748	17,595
Total Revenues	<u>10,851,845</u>	<u>10,753,267</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>11,572,783</u>	<u>11,682,552</u>
Deficiency of Revenues Under Expenditures	<u>(720,938)</u>	<u>(929,285)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	1,670,000	1,779,269
Transfers to Other Funds	<u>(716,846)</u>	<u>(716,846)</u>
Total Other Financing Sources	<u>953,154</u>	<u>1,062,423</u>
Net Change in Fund Balances	232,216	133,138
Fund Balances, July 1	<u>703,906</u>	<u>570,768</u>
Fund Balances, June 30	<u>\$ 936,122</u>	<u>\$ 703,906</u>

**KNOX COUNTY, TENNESSEE**

**Public Library Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2013 and June 30, 2012**

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Wheel Taxes	\$ 10,528,176	\$ 10,528,176	\$ 10,432,198	\$ (95,978)	\$ 10,330,000	\$ 10,335,827	\$ 5,827
Charges for Current Services	300,000	300,000	338,711	38,711	300,000	340,219	40,219
Other Local Revenues	9,000	9,000	9,288	288	9,000	8,320	(680)
State of Tennessee	51,306	51,900	51,900	-	51,306	51,306	-
Other Governments and Citizens Groups	-	-	19,748	19,748	-	17,595	17,595
<b>Total Revenues</b>	<b>10,888,482</b>	<b>10,889,076</b>	<b>10,851,845</b>	<b>(37,231)</b>	<b>10,690,306</b>	<b>10,753,267</b>	<b>62,961</b>
<b>Expenditures</b>							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	6,369,392	6,396,738	6,346,313	50,425	6,274,744	6,194,759	79,985
Employee Benefits	1,919,104	1,930,358	1,906,343	24,015	1,910,987	1,857,040	53,947
Contracted Services	1,163,605	1,199,270	1,127,465	71,805	1,292,966	1,205,033	87,933
Supplies and Materials	2,086,832	2,074,187	1,930,681	143,506	2,144,276	2,091,226	53,050
Other Charges	172,703	172,703	168,825	3,878	157,154	157,133	21
Capital Outlay	130,000	123,850	93,156	30,694	177,361	177,361	-
<b>Total Expenditures</b>	<b>11,841,636</b>	<b>11,897,106</b>	<b>11,572,783</b>	<b>324,323</b>	<b>11,957,488</b>	<b>11,682,552</b>	<b>274,936</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(953,154)	(1,008,030)	(720,938)	287,092	(1,267,182)	(929,285)	337,897
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	1,670,000	1,670,000	1,670,000	-	1,882,263	1,779,269	(102,994)
Transfers to Other Funds	(716,846)	(716,846)	(716,846)	-	(716,846)	(716,846)	-
<b>Total Other Financing Sources (Uses)</b>	<b>953,154</b>	<b>953,154</b>	<b>953,154</b>	<b>-</b>	<b>1,165,417</b>	<b>1,062,423</b>	<b>(102,994)</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(54,876)</b>	<b>232,216</b>	<b>287,092</b>	<b>(101,765)</b>	<b>133,138</b>	<b>234,903</b>
Fund Balances, July 1	703,906	703,906	703,906	-	570,768	570,768	-
<b>Fund Balances, June 30</b>	<b>\$ 703,906</b>	<b>\$ 649,030</b>	<b>\$ 936,122</b>	<b>\$ 287,092</b>	<b>\$ 469,003</b>	<b>\$ 703,906</b>	<b>\$ 234,903</b>

---

**KNOX COUNTY, TENNESSEE**

**Solid Waste Fund**  
**Comparative Balance Sheets**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,365,663	\$ 1,351,556
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	150,943	85,284
Due from Other Funds	<u>26,649</u>	<u>57,636</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,543,255</u></u>	<u><u>\$ 1,494,476</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 114,359	\$ 94,628
Due to Other Funds	171,264	166,857
Due to Component Units	<u>266</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><u>285,889</u></u>	<u><u>261,485</u></u>
 <b>Fund Balances:</b>		
Committed	<u>1,257,366</u>	<u>1,232,991</u>
<b>TOTAL FUND BALANCES</b>	<u><u>1,257,366</u></u>	<u><u>1,232,991</u></u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <u><u>\$ 1,543,255</u></u>	 <u><u>\$ 1,494,476</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Solid Waste Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Local Option Sales Taxes	\$ 2,400,000	\$ 2,400,000
Fines, Forfeitures, and Penalties	49,207	58,558
Charges for Current Services	-	12,900
Other Local Revenues	549,131	716,670
State of Tennessee	389,122	417,398
Total Revenues	<u>3,387,460</u>	<u>3,605,526</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Health and Welfare	<u>3,637,873</u>	<u>3,737,739</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(250,413)</u>	<u>(132,213)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	325,788	214,902
Transfers to Other Funds	<u>(51,000)</u>	<u>(51,000)</u>
Total Other Financing Sources	<u>274,788</u>	<u>163,902</u>
Net Change in Fund Balances	24,375	31,689
Fund Balances, July 1	<u>1,232,991</u>	<u>1,201,302</u>
Fund Balances, June 30	<u>\$ 1,257,366</u>	<u>\$ 1,232,991</u>

**KNOX COUNTY, TENNESSEE**

**Solid Waste Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2013 and June 30, 2012**

	2013				2012			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Local Option Sales Taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ -	\$ 2,400,000	\$ 2,400,000	\$ -	
Fines, Forfeitures, and Penalties	60,000	60,000	49,207	(10,793)	60,000	58,558	(1,442)	
Charges for Current Services	-	-	-	-	312,375	12,900	(299,475)	
Other Local Revenues	715,000	715,000	549,131	(165,869)	650,000	716,670	66,670	
State of Tennessee	398,500	398,500	389,122	(9,378)	400,500	417,398	16,898	
<b>Total Revenues</b>	<b>3,573,500</b>	<b>3,573,500</b>	<b>3,387,460</b>	<b>(186,040)</b>	<b>3,822,875</b>	<b>3,605,526</b>	<b>(217,349)</b>	
<b>Expenditures</b>								
Current:								
General Government:								
Public Health and Welfare:								
Personal Services	733,006	733,505	709,681	23,824	743,446	726,335	17,111	
Employee Benefits	281,436	282,070	268,000	14,070	286,493	268,630	17,863	
Contracted Services	2,627,871	2,561,806	2,268,595	293,211	2,717,174	2,429,543	287,631	
Supplies and Materials	84,175	155,423	116,799	38,624	137,569	130,222	7,347	
Other Charges	173,227	183,102	175,776	7,326	172,505	165,235	7,270	
Capital Outlay	-	-	-	-	30,000	-	30,000	
Litter and Trash Collection:								
Personal Services	-	19,256	19,256	-	-	-	-	
Employee Benefits	-	8,209	8,209	-	-	-	-	
Contracted Services	5,750	5,741	5,488	253	15,950	6,089	9,861	
Supplies and Materials	11,750	15,750	15,465	285	11,750	11,685	65	
Capital Outlay	47,000	51,000	50,604	396	3,000	-	3,000	
<b>Total Expenditures</b>	<b>3,964,215</b>	<b>4,015,862</b>	<b>3,637,873</b>	<b>377,989</b>	<b>4,117,887</b>	<b>3,737,739</b>	<b>380,148</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(390,715)	(442,362)	(250,413)	191,949	(295,012)	(132,213)	162,799	
<b>Other Financing Sources (Uses)</b>								
Transfers from Other Funds	441,715	467,503	325,788	(141,715)	310,845	214,902	(95,943)	
Transfers to Other Funds	(51,000)	(51,000)	(51,000)	-	(51,000)	(51,000)	-	
<b>Total Other Financing Sources (Uses)</b>	<b>390,715</b>	<b>416,503</b>	<b>274,788</b>	<b>(141,715)</b>	<b>259,845</b>	<b>163,902</b>	<b>(95,943)</b>	
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(25,859)</b>	<b>24,375</b>	<b>50,234</b>	<b>(35,167)</b>	<b>31,689</b>	<b>66,856</b>	
Fund Balances, July 1	1,232,991	1,232,991	1,232,991	-	1,201,302	1,201,302	-	
Fund Balances, June 30	\$ 1,232,991	\$ 1,207,132	\$ 1,257,366	\$ 50,234	\$ 1,166,135	\$ 1,232,991	\$ 66,856	

---

**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Fund**  
**Comparative Balance Sheets**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,848,222	\$ 1,558,910
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>1,034,242</u>	<u>1,036,266</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,882,464</u>	<u>\$ 2,595,176</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 2,248,878	\$ 1,890,012
Due to Other Funds	<u>-</u>	<u>153,125</u>
<b>TOTAL LIABILITIES</b>	<u>2,248,878</u>	<u>2,043,137</u>
<b>Fund Balances:</b>		
Restricted	<u>633,586</u>	<u>552,039</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,882,464</u>	<u>\$ 2,595,176</u>

---

**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Lodging Taxes	<u>\$ 5,547,738</u>	<u>\$ 5,696,181</u>
<b>Expenditures</b>		
Current:		
General Government:		
Other General Government	<u>4,926,191</u>	<u>5,076,526</u>
Excess of Revenues Over Expenditures	621,547	619,655
<b>Other Financing Uses</b>		
Transfers to Other Funds	<u>(540,000)</u>	<u>(612,500)</u>
Net Change in Fund Balances	81,547	7,155
Fund Balances, July 1	<u>552,039</u>	<u>544,884</u>
Fund Balances, June 30	<u><u>\$ 633,586</u></u>	<u><u>\$ 552,039</u></u>

**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2013 and June 30, 2012**

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Lodging Taxes	\$ 5,500,000	\$ 5,500,000	\$ 5,547,738	\$ 47,738	\$ 5,441,887	\$ 5,696,181	\$ 254,294
<b>Expenditures</b>							
Current:							
General Government:							
Other General Government:	4,830,000	4,926,965	4,926,191	774	5,088,887	5,076,526	12,361
Excess of Revenues Over Expenditures	670,000	573,035	621,547	48,512	353,000	619,655	266,655
<b>Other Financing Uses</b>							
Transfers to Other Funds	(840,000)	(743,035)	(540,000)	203,035	(612,500)	(612,500)	-
Net Change in Fund Balances	(170,000)	(170,000)	81,547	251,547	(259,500)	7,155	266,655
Fund Balances, July 1	552,039	552,039	552,039	-	544,884	544,884	-
Fund Balances, June 30	\$ 382,039	\$ 382,039	\$ 633,586	\$ 251,547	\$ 285,384	\$ 552,039	\$ 266,655



---

**KNOX COUNTY, TENNESSEE**

**Drug Control Fund**  
**Comparative Balance Sheets**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,129,379	\$ 1,786,872
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>329</u>	<u>14,410</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,129,708</u></u>	<u><u>\$ 1,801,282</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 1,439	\$ 560
Due to Other Funds	<u>7,908</u>	<u>651</u>
<b>TOTAL LIABILITIES</b>	<u>9,347</u>	<u>1,211</u>
 <b>Fund Balances:</b>		
Restricted	<u>2,120,361</u>	<u>1,800,071</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,129,708</u></u>	<u><u>\$ 1,801,282</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Drug Control Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 830,403	\$ 786,523
Other Local Revenues	120,973	171,808
Federal Government	<u>59,098</u>	<u>21,047</u>
Total Revenues	<u>1,010,474</u>	<u>979,378</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Safety	<u>690,184</u>	<u>533,145</u>
Net Change in Fund Balances	320,290	446,233
Fund Balances, July 1	<u>1,800,071</u>	<u>1,353,838</u>
Fund Balances, June 30	<u><u>\$ 2,120,361</u></u>	<u><u>\$ 1,800,071</u></u>

KNOX COUNTY, TENNESSEE

**Drug Control Fund**  
**Comparative Schedules of Revenues, Expenditures**  
**And Changes in Fund Balances - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2013 and June 30, 2012

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Fines, Forfeitures, and Penalties	\$ 644,200	\$ 644,200	\$ 830,403	\$ 186,203	\$ 470,000	\$ 786,523	\$ 316,523
Other Local Revenues	-	-	120,973	120,973	-	171,808	171,808
Federal Government	-	-	59,098	59,098	-	21,047	21,047
Total Revenues	644,200	644,200	1,010,474	366,274	470,000	979,378	509,378
<b>Expenditures</b>							
Current:							
General Government:							
Public Safety:							
Personal Services	-	14,300	14,290	10	-	-	-
Employee Benefits	-	6,400	6,363	37	-	-	-
Contracted Services	222,200	375,808	375,356	452	215,000	357,920	(142,920)
Supplies and Materials	167,000	148,840	21,853	126,987	116,053	90,185	25,868
Other Charges	30,000	52,500	52,036	464	43,000	27,223	15,777
Capital Outlay	225,000	225,000	220,286	4,714	100,000	57,817	42,183
Total Expenditures	644,200	822,848	690,184	132,664	474,053	533,145	(59,092)
Net Change in Fund Balances	-	(178,648)	320,290	498,938	(4,053)	446,233	450,286
Fund Balances, July 1	1,800,071	1,800,071	1,800,071	-	1,353,838	1,353,838	-
Fund Balances, June 30	\$ 1,800,071	\$ 1,621,423	\$ 2,120,361	\$ 498,938	\$ 1,349,785	\$ 1,800,071	\$ 450,286

---

**KNOX COUNTY, TENNESSEE**

**Engineering & Public Works Fund**  
**Comparative Balance Sheets**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,552,844	\$ 2,484,033
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	2,140,015	2,091,380
Due from Other Funds	<u>-</u>	<u>67,677</u>
TOTAL ASSETS	<u>\$ 4,692,859</u>	<u>\$ 4,643,090</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 394,542	\$ 654,742
Due to Other Funds	<u>100,381</u>	<u>250,758</u>
TOTAL LIABILITIES	<u>494,923</u>	<u>905,500</u>
 <b>Fund Balances:</b>		
Committed	<u>4,197,936</u>	<u>3,737,590</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,692,859</u>	<u>\$ 4,643,090</u>

---

**KNOX COUNTY, TENNESSEE**

**Engineering & Public Works Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Local Option Sales Taxes	\$ 4,974,381	\$ 4,660,406
Other Local Taxes	2,040,453	2,021,540
Fines, Forfeitures, and Penalties	3,350	13,651
Other Local Revenues	332,600	399,000
State of Tennessee	<u>4,979,513</u>	<u>5,005,443</u>
Total Revenues	<u>12,330,297</u>	<u>12,100,040</u>
<b>Expenditures</b>		
Current:		
Engineering & Public Works	<u>10,873,216</u>	<u>10,498,407</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,457,081	1,601,633
<b>Other Financing Uses:</b>		
Transfers to Other Funds	<u>(996,735)</u>	<u>(1,006,293)</u>
Net Change in Fund Balances	460,346	595,340
Fund Balances, July 1	<u>3,737,590</u>	<u>3,142,250</u>
Fund Balances, June 30	<u>\$ 4,197,936</u>	<u>\$ 3,737,590</u>

**KNOX COUNTY, TENNESSEE**

**Engineering & Public Works Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2013 and June 30, 2012**

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Option Sales Taxes	\$ 4,511,000	\$ 4,511,000	\$ 4,974,381	\$ 463,381	\$ 4,325,000	\$ 4,660,406	\$ 335,406
Other Local Taxes	1,975,000	1,975,000	2,040,453	65,453	1,950,000	2,021,540	71,540
Fines, Forfeitures and Penalties	10,000	10,000	3,350	(6,650)	20,000	13,651	(6,349)
Other Local Revenues	-	-	332,600	332,600	-	399,000	399,000
State of Tennessee	4,907,000	4,907,000	4,979,513	72,513	5,106,812	5,005,443	(101,369)
<b>Total Revenues</b>	<b>11,403,000</b>	<b>11,403,000</b>	<b>12,330,297</b>	<b>927,297</b>	<b>11,401,812</b>	<b>12,100,040</b>	<b>698,228</b>
<b>Expenditures</b>							
Current:							
Engineering & Public Works:							
Administration:							
Personal Services	1,218,842	1,206,328	1,206,294	34	1,176,685	1,131,723	44,962
Employee Benefits	385,604	380,555	374,152	6,403	392,494	347,129	45,365
Contracted Services	78,873	75,591	69,346	6,245	104,219	77,117	27,102
Supplies and Materials	54,200	59,636	57,312	2,324	93,123	80,098	13,025
Other Charges	90,389	90,698	89,948	750	88,160	87,496	664
Highways and Bridge Maintenance:							
Personal Services	2,666,608	2,707,208	2,707,208	-	2,762,917	2,669,481	93,436
Employee Benefits	1,057,669	1,057,669	1,051,040	6,629	1,051,443	1,036,026	15,417
Contracted Services	688,210	1,081,057	1,079,288	1,769	1,026,469	1,025,261	1,208
Supplies and Materials	2,602,225	2,127,027	2,122,094	4,933	2,277,370	2,268,526	8,844
Other Charges	361,711	361,711	361,500	211	301,982	301,982	-
Capital Outlay	-	156,030	156,030	-	-	-	-
Various Highway:							
Personal Services	545,887	544,840	537,286	7,554	537,745	535,128	2,617
Employee Benefits	180,202	187,526	187,526	-	185,580	183,137	2,443
Contracted Services	141,950	154,953	131,640	23,313	277,390	182,352	95,038
Supplies and Materials	132,259	1,136,387	605,831	530,556	1,042,331	455,142	587,189
Other Charges	104,631	136,721	136,721	-	107,532	107,504	28
Capital Outlay	25,000	-	-	-	10,305	10,305	-
<b>Total Expenditures</b>	<b>10,334,260</b>	<b>11,463,937</b>	<b>10,873,216</b>	<b>590,721</b>	<b>11,435,745</b>	<b>10,498,407</b>	<b>937,338</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,068,740	(60,937)	1,457,081	1,518,018	(33,933)	1,601,633	1,635,566
Other Financing Sources (Uses)							
Transfer From Other Funds	-	-	-	-	70,464	-	(70,464)
Transfer To Other Funds	(1,068,740)	(1,077,473)	(996,735)	80,738	(1,018,171)	(1,006,293)	11,878
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(1,138,410)</b>	<b>460,346</b>	<b>1,598,756</b>	<b>(981,640)</b>	<b>595,340</b>	<b>1,576,980</b>
Fund Balances, July 1	3,737,590	3,737,590	3,737,590	-	3,142,250	3,142,250	-
<b>Fund Balances, June 30</b>	<b>\$ 3,737,590</b>	<b>\$ 2,599,180</b>	<b>\$ 4,197,936</b>	<b>\$ 1,598,756</b>	<b>\$ 2,160,610</b>	<b>\$ 3,737,590</b>	<b>\$ 1,576,980</b>

---

**KNOX COUNTY, TENNESSEE**

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

**Comparative Balance Sheets**

June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	<u>\$ 766,618</u>	<u>\$ 1,186,703</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>\$ 26,758</u>	<u>\$ 91,952</u>
<b>Fund Balances</b>		
Committed	<u>739,860</u>	<u>1,094,751</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 766,618</u></u>	<u><u>\$ 1,186,703</u></u>

---

**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Local Taxes	\$ -	\$ -
<b>Expenditures</b>		
Capital Projects:		
Capital Projects	<u>354,891</u>	<u>280,465</u>
Net Change in Fund Balances	(354,891)	(280,465)
Fund Balances, July 1	<u>1,094,751</u>	<u>1,375,216</u>
Fund Balances, June 30	<u><u>\$ 739,860</u></u>	<u><u>\$ 1,094,751</u></u>



**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund (Nonmajor)  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)**

For the years ended June 30, 2013 and June 30, 2012

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>							
Capital Projects:							
Contracted Services	-	-	-	-	335,000	280,465	54,535
Supplies & Materials	-	-	-	-	55,000	-	55,000
Other Charges	-	-	-	-	10,000	-	10,000
Capital Outlay	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	400,000	280,465	119,535
Net Change in Fund Balances	-	-	-	-	(400,000)	(280,465)	119,535
Fund Balances, July 1				-	1,375,216	1,375,216	-
Fund Balances, June 30	\$ -	\$ -	\$ -	\$ -	\$ 975,216	\$ 1,094,751	\$ 119,535

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

Beginning in FY 2013, this fund is no longer being budgeted for on an annual basis. Instead, the activities in this fund are being budgeted for on a project-length basis and the related appropriations therefor are accounted for in the County's Capital Improvement Plan budget.

## 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, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 127,559	\$ 235,736
Accounts Receivable	21,656	11,818
Due from Other Funds	646	-
Inventories	73,595	68,809
Prepaid Items	<u>1,676</u>	<u>3,527</u>
TOTAL CURRENT ASSETS	<u>225,132</u>	<u>319,890</u>
<b>Capital Assets:</b>		
Land	880	880
Buildings	747,515	747,515
Machinery and Equipment	504,423	504,423
Computer Software	25,448	25,448
Land Improvements	66,463	66,463
Accumulated Depreciation	<u>(840,849)</u>	<u>(710,293)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>503,880</u>	<u>634,436</u>
TOTAL ASSETS	<u>729,012</u>	<u>954,326</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	38,797	43,235
Due to Other Funds	39,384	20,236
Compensated Absences	<u>42,685</u>	<u>36,596</u>
TOTAL CURRENT LIABILITIES	<u>120,866</u>	<u>100,067</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>4,743</u>	<u>4,066</u>
TOTAL LIABILITIES	<u>125,609</u>	<u>104,133</u>
<b>NET POSITION</b>		
Invested in Capital Assets	503,880	634,436
Unrestricted	<u>99,523</u>	<u>215,757</u>
TOTAL NET POSITION	<u>\$ 603,403</u>	<u>\$ 850,193</u>

---

**KNOX COUNTY, TENNESSEE**

**Three Ridges Golf Course Fund**  
**Comparative Statements of Revenues, Expenses**  
**and Changes in Net Position**  
For the Years Ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Golf Fees	\$ 438,604	\$ 479,851
Cart and Range Fees	246,266	288,065
Pro Shop	103,923	106,880
Snack Bar	<u>88,982</u>	<u>103,204</u>
Total Operating Revenues	<u>877,775</u>	<u>978,000</u>
<b>Operating Expenses</b>		
Personal Services	368,676	386,459
Employee Benefits	90,314	98,315
Contracted Services	62,649	64,821
Supplies and Materials	363,828	331,303
Other Charges	108,542	132,913
Depreciation	<u>130,556</u>	<u>133,792</u>
Total Operating Expenses	<u>1,124,565</u>	<u>1,147,603</u>
Change in Net Position	(246,790)	(169,603)
Net Position, July 1	<u>850,193</u>	<u>1,019,796</u>
Net Position, June 30	<u><u>\$ 603,403</u></u>	<u><u>\$ 850,193</u></u>

---

**KNOX COUNTY, TENNESSEE**

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

For the Years Ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers and Users	\$ 867,291	\$ 971,548
Payments to Vendors	(509,534)	(530,194)
Payments to Employees	(465,934)	(466,434)
	<u>(108,177)</u>	<u>(25,080)</u>
<b>Cash Flows Used by Capital and Related Financing Activities</b>		
Purchase of Equipment	-	(49,554)
	<u>-</u>	<u>(49,554)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(108,177)	(74,634)
Cash and Cash Equivalents - Beginning of Year	235,736	310,370
Cash and Cash Equivalents - End of Year	<u>\$ 127,559</u>	<u>\$ 235,736</u>
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</b>		
Operating Loss	\$ (246,790)	\$ (169,603)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	130,556	133,792
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(9,838)	(6,452)
(Increase) decrease in Due from Other Funds	(646)	-
(Increase) in Inventory	(4,786)	(5,828)
Decrease in Prepaid Items	1,851	1,851
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(4,438)	4,835
Increase (Decrease) in Due to Other Funds	19,148	932
Increase in Compensated Absences Payable	6,766	15,393
	<u>6,766</u>	<u>15,393</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (108,177)</u>	<u>\$ (25,080)</u>

## INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

**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, 2013

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>ASSETS</b>									
<b>Current Assets:</b>									
Cash and Cash Equivalents	\$ -	\$ 267,647	\$ 659,097	\$ 9,552,421	\$ 3,614,633	\$ 604,511	\$ 141,420	\$ 2,238,703	\$ 17,078,432
Receivables:									
Accounts	117,541	612	263,846	3,251	-	-	-	107,405	492,655
Due from Other Funds	179,361	18,503	11,880	-	-	-	-	911,443	1,121,187
Due from Component Units	728	-	259,043	318,085	-	-	-	-	577,856
Notes Receivable	-	-	-	22,498	-	-	-	-	22,498
Inventories	215,535	31,488	-	-	-	-	-	-	247,023
Prepaid Items	-	-	9,564	-	-	-	-	74,417	83,981
<b>TOTAL CURRENT ASSETS</b>	<b>513,165</b>	<b>318,250</b>	<b>1,203,430</b>	<b>9,896,255</b>	<b>3,614,633</b>	<b>604,511</b>	<b>141,420</b>	<b>3,331,968</b>	<b>19,623,632</b>
<b>Capital Assets:</b>									
Machinery and Equipment	210,616	-	-	33,352	72,217	421,531	6,529,633	-	7,267,349
Accumulated Depreciation	(127,848)	-	-	(33,352)	(71,878)	(200,668)	(6,505,428)	-	(6,939,174)
Capital Assets (Net of Accumulated Depreciation)	82,768	-	-	-	339	220,863	24,205	-	328,175
<b>TOTAL ASSETS</b>	<b>595,933</b>	<b>318,250</b>	<b>1,203,430</b>	<b>9,896,255</b>	<b>3,614,972</b>	<b>825,374</b>	<b>165,625</b>	<b>3,331,968</b>	<b>19,951,807</b>
<b>LIABILITIES</b>									
<b>Current liabilities:</b>									
Accounts Payable and Accrued Liabilities	61,494	170	701,683	59,752	270,697	144,177	-	-	1,237,973
Due to Other Funds	242,347	-	481	906	17,593	7,624	-	-	268,951
Due to Component Units	-	-	231,139	-	-	-	-	-	231,139
Deferred Revenue	-	-	233	-	7,894	-	-	-	8,127
Claims Liabilities	-	-	-	9,281,708	-	-	-	1,530,122	10,811,830
Compensated Absences Payable	77,903	-	23,969	15,606	-	-	-	-	117,478
<b>TOTAL CURRENT LIABILITIES</b>	<b>381,744</b>	<b>170</b>	<b>957,505</b>	<b>9,357,972</b>	<b>296,184</b>	<b>151,801</b>	<b>-</b>	<b>1,530,122</b>	<b>12,675,498</b>
<b>Noncurrent Liabilities:</b>									
Compensated Absences Payable	8,656	-	2,663	1,734	-	-	-	-	13,053
<b>TOTAL LIABILITIES</b>	<b>390,400</b>	<b>170</b>	<b>960,168</b>	<b>9,359,706</b>	<b>296,184</b>	<b>151,801</b>	<b>-</b>	<b>1,530,122</b>	<b>12,688,551</b>
<b>NET POSITION</b>									
Invested in Capital Assets	82,768	-	-	-	339	220,863	24,205	-	328,175
Unrestricted	122,765	318,080	243,262	536,549	3,318,449	452,710	141,420	1,801,846	6,935,081
<b>TOTAL NET POSITION</b>	<b>\$ 205,533</b>	<b>\$ 318,080</b>	<b>\$ 243,262</b>	<b>\$ 536,549</b>	<b>\$ 3,318,788</b>	<b>\$ 673,573</b>	<b>\$ 165,625</b>	<b>\$ 1,801,846</b>	<b>\$ 7,263,256</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenses and Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2013**

	<b>Vehicle Service Center</b>	<b>Mailroom</b>	<b>Employee Benefits</b>	<b>Self Insurance</b>	<b>Building Operations</b>	<b>Technical Support Service</b>	<b>Capital Leasing</b>	<b>Self Insurance Healthcare</b>	<b>Total</b>
<b>Operating Revenues</b>									
Charges for Services	\$ 3,269,359	\$ 251,424	\$ 28,471,788	\$ 3,383,612	\$ 7,219,001	\$ 371,486	\$ -	\$ 24,803,261	\$ 67,769,931
<b>Operating Expenses</b>									
Cost of Sales and Services	2,246,566	231,020	-	-	-	-	-	-	2,477,586
General and Administration	1,130,661	-	593,511	375,885	8,916,240	213,682	-	1,413,420	12,643,399
Depreciation and Amortization	5,065	-	-	-	715	36,349	15,165	-	57,294
Medical Claims	-	-	460,170	-	-	-	-	23,153,099	23,613,269
Retirement Contributions	-	-	26,458,870	-	-	-	-	-	26,458,870
Other Employee Benefits	-	-	820,412	-	-	-	-	-	820,412
Worker's Compensation Claims	-	-	-	3,180,945	-	-	-	-	3,180,945
Other Claims Expense	-	-	-	1,126,964	-	-	-	-	1,126,964
Other Expenses	136,304	-	-	-	-	1,084	-	-	137,388
<b>Total Operating Expenses</b>	<b>3,518,596</b>	<b>231,020</b>	<b>28,332,963</b>	<b>4,683,794</b>	<b>8,916,955</b>	<b>251,115</b>	<b>15,165</b>	<b>24,566,519</b>	<b>70,516,127</b>
<b>Operating Income (Loss)</b>	<b>(249,237)</b>	<b>20,404</b>	<b>138,825</b>	<b>(1,300,182)</b>	<b>(1,697,954)</b>	<b>120,371</b>	<b>(15,165)</b>	<b>236,742</b>	<b>(2,746,196)</b>
<b>Nonoperating Revenues</b>									
Insurance Recovery	-	-	-	753,568	-	-	-	-	753,568
<b>Income (Loss) before Transfers</b>	<b>(249,237)</b>	<b>20,404</b>	<b>138,825</b>	<b>(546,614)</b>	<b>(1,697,954)</b>	<b>120,371</b>	<b>(15,165)</b>	<b>236,742</b>	<b>(1,992,628)</b>
<b>Transfers</b>									
Transfers from Other Funds	173,160	-	-	400,000	2,536,946	-	-	1,000,000	4,110,106
<b>Change in Net Position</b>	<b>(76,077)</b>	<b>20,404</b>	<b>138,825</b>	<b>(146,614)</b>	<b>838,992</b>	<b>120,371</b>	<b>(15,165)</b>	<b>1,236,742</b>	<b>2,117,478</b>
<b>Total Net Position, July 1</b>	<b>281,610</b>	<b>297,676</b>	<b>104,437</b>	<b>683,163</b>	<b>2,479,796</b>	<b>553,202</b>	<b>180,790</b>	<b>565,104</b>	<b>5,145,778</b>
<b>Total Net Position, June 30</b>	<b>\$ 205,533</b>	<b>\$ 318,080</b>	<b>\$ 243,262</b>	<b>\$ 536,549</b>	<b>\$ 3,318,788</b>	<b>\$ 673,573</b>	<b>\$ 165,625</b>	<b>\$ 1,801,846</b>	<b>\$ 7,263,256</b>



KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows  
Internal Service Funds

For the Year Ended June 30, 2013

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>Operating Activities</b>									
Cash Received from Interfund Services Provided	\$ 3,275,460	\$ 252,957	\$ 28,411,817	\$ 3,351,369	\$ 7,888,222	\$ 371,741	\$ -	\$ 24,671,948	\$ 68,223,514
Cash Paid to Employees	(787,704)	-	(396,688)	(219,643)	-	-	-	-	(1,404,035)
Cash Paid for Goods and Services	(2,347,321)	(229,603)	(54,637)	(3,497,998)	(8,909,511)	(82,319)	-	(1,413,420)	(16,534,809)
Cash Paid on Behalf of Employees	(271,333)	-	(27,744,004)	(74,477)	-	-	-	(23,687,288)	(51,777,102)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(130,898)</b>	<b>23,354</b>	<b>216,488</b>	<b>(440,749)</b>	<b>(1,021,289)</b>	<b>289,422</b>	<b>-</b>	<b>(428,760)</b>	<b>(1,492,432)</b>
<b>Noncapital Financing Activities</b>									
Subrogation Payments	-	-	-	436	-	-	-	-	436
Transfers from Other Funds	173,160	-	-	400,000	2,536,946	-	-	1,000,000	4,110,106
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>173,160</b>	<b>-</b>	<b>-</b>	<b>400,436</b>	<b>2,536,946</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>4,110,542</b>
<b>Capital and Related Financing Activities</b>									
Proceeds from Insurance Recovery	-	-	-	753,568	-	-	-	-	753,568
Acquisition and Construction of Capital Assets	(69,524)	-	-	-	-	(151,099)	-	-	(220,623)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(69,524)</b>	<b>-</b>	<b>-</b>	<b>753,568</b>	<b>-</b>	<b>(151,099)</b>	<b>-</b>	<b>-</b>	<b>532,945</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(27,262)</b>	<b>23,354</b>	<b>216,488</b>	<b>713,255</b>	<b>1,515,657</b>	<b>138,323</b>	<b>-</b>	<b>571,240</b>	<b>3,151,055</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>27,262</b>	<b>244,293</b>	<b>442,609</b>	<b>8,839,166</b>	<b>2,098,976</b>	<b>466,188</b>	<b>141,420</b>	<b>1,667,463</b>	<b>13,927,377</b>
<b>End of Year</b>	<b>\$ -</b>	<b>\$ 267,647</b>	<b>\$ 659,097</b>	<b>\$ 9,552,421</b>	<b>\$ 3,614,633</b>	<b>\$ 604,511</b>	<b>\$ 141,420</b>	<b>\$ 2,238,703</b>	<b>\$ 17,078,432</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>									
Operating Income (Loss)	\$ (249,237)	\$ 20,404	\$ 138,825	\$ (1,300,182)	\$ (1,697,954)	\$ 120,371	\$ (15,165)	\$ 236,742	\$ (2,746,196)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:									
Depreciation and Amortization	5,065	-	-	-	715	36,349	15,165	-	57,294
Change in Assets and Liabilities:									
(Increase) Decrease in Accounts Receivable	316	(60)	(48,048)	745	162,842	-	-	(96,753)	19,042
(Increase) Decrease in Due from Other Funds	5,371	1,593	8,775	-	506,379	255	-	(16,200)	506,173
(Increase) Decrease in Due from Component Units	414	-	5,392	(32,988)	-	-	-	-	(27,182)
(Increase) Decrease in Inventories	(34,160)	3,528	-	-	-	-	-	-	(30,632)
(Increase) Decrease in Prepaid Items	2,995	-	26,892	-	-	-	-	(74,417)	(44,530)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(24,493)	(2,111)	58,321	(64,396)	8,433	126,769	-	(3,000)	99,523
Increase (Decrease) in Due to Other Funds	166,131	-	255	626	(1,704)	5,678	-	-	170,986
Increase in Due to Component Units	-	-	25,534	-	-	-	-	-	25,534
Increase (Decrease) in Compensated Absences	(3,300)	-	26,632	468	-	-	-	-	23,800
Increase (Decrease) in Claims Liabilities	-	-	-	954,978	-	-	-	(456,772)	498,206
Decrease in Deferred Revenues	-	-	(26,090)	-	-	-	-	(18,360)	(44,450)
Total Adjustments	118,339	2,950	77,663	859,433	676,665	169,051	15,165	(665,502)	1,253,764
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (130,898)</b>	<b>\$ 23,354</b>	<b>\$ 216,488</b>	<b>\$ (440,749)</b>	<b>\$ (1,021,289)</b>	<b>\$ 289,422</b>	<b>\$ -</b>	<b>\$ (428,760)</b>	<b>\$ (1,492,432)</b>

---

KNOX COUNTY, TENNESSEE

**Vehicle Service Center Fund**  
**Comparative Statements of Net Position**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ -	\$ 27,262
Accounts Receivable	117,541	117,857
Due from Other Funds	179,361	184,732
Due from Component Units	728	1,142
Inventories	215,535	181,375
Prepaid Items	-	2,995
	<u>513,165</u>	<u>515,363</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>Capital Assets:</b>		
Machinery and Equipment	210,616	141,092
Accumulated Depreciation	<u>(127,848)</u>	<u>(122,783)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>82,768</u>	<u>18,309</u>
<b>TOTAL ASSETS</b>	<u>595,933</u>	<u>533,672</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	61,494	85,987
Due to Other Funds	242,347	76,216
Compensated Absences	<u>77,903</u>	<u>80,873</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>381,744</u>	<u>243,076</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>8,656</u>	<u>8,986</u>
<b>TOTAL LIABILITIES</b>	<u>390,400</u>	<u>252,062</u>
<b>NET POSITION</b>		
Invested in Capital Assets	82,768	18,309
Unrestricted	<u>122,765</u>	<u>263,301</u>
<b>TOTAL NET POSITION</b>	<u>\$ 205,533</u>	<u>\$ 281,610</u>

---

**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	\$ 3,269,359	\$ 3,405,656
<b>Operating Expenses</b>		
Costs of Sales and Services	2,246,566	2,321,618
General and Administrative	1,130,661	1,191,264
Depreciation and Amortization	5,065	5,021
Other Expenses	136,304	136,225
Total Operating Expenses	3,518,596	3,654,128
Loss before Transfers	(249,237)	(248,472)
<b>Transfers</b>		
Transfers from Other Funds	173,160	173,160
Change in Net Position	(76,077)	(75,312)
Net Position, July 1	281,610	356,922
Net Position, June 30	<u>\$ 205,533</u>	<u>\$ 281,610</u>

---

**KNOX COUNTY, TENNESSEE**

**Mailroom Fund**  
**Comparative Statements of Net Position**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 267,647	\$ 244,293
Accounts Receivable	612	552
Due from Other Funds	18,503	20,096
Inventories	<u>31,488</u>	<u>35,016</u>
 TOTAL ASSETS	 <u>318,250</u>	 <u>299,957</u>
 <b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	 <u>170</u>	 <u>2,281</u>
 TOTAL LIABILITIES	 <u>170</u>	 <u>2,281</u>
 <b>NET POSITION</b>		
Unrestricted	 <u><u>\$ 318,080</u></u>	 <u><u>\$ 297,676</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Mailroom Fund**  
**Comparative Statements of Revenues, Expenses**  
**and Changes in Net Position**  
For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	<u>\$ 251,424</u>	<u>\$ 243,063</u>
<b>Operating Expenses</b>		
Costs of Sales and Services	<u>231,020</u>	<u>222,014</u>
Change in Net Position	20,404	21,049
Net Position, July 1	<u>297,676</u>	<u>276,627</u>
Net Position, June 30	<u><u>\$ 318,080</u></u>	<u><u>\$ 297,676</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Employee Benefits Fund**  
**Comparative Statements of Net Position**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 659,097	\$ 442,609
Accounts Receivable	263,846	215,798
Due from Other Funds	11,880	20,655
Due from Component Units	259,043	264,435
Prepaid Items	<u>9,564</u>	<u>36,456</u>
<b>TOTAL ASSETS</b>	<u>1,203,430</u>	<u>979,953</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	701,683	643,362
Due to Other Funds	481	226
Due to Component Units	231,139	205,605
Compensated Absences	23,969	-
Deferred Revenue	<u>233</u>	<u>26,323</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>957,505</u>	<u>875,516</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>2,663</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>960,168</u>	<u>875,516</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 243,262</u>	<u>\$ 104,437</u>

---

**KNOX COUNTY, TENNESSEE**

**Employee Benefits Fund**  
**Comparative Statements of Revenues, Expenses**  
**and Changes in Net Position**  
For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	\$ 28,471,788	\$ 26,900,072
<b>Operating Expenses</b>		
Finance and Administration:		
General and Administrative	593,511	34,496
Medical Claims	460,170	400,215
Retirement Contributions	26,458,870	25,536,822
Other Employee Benefits	820,412	878,986
Total Operating Expenses	<u>28,332,963</u>	<u>26,850,519</u>
Change in Net Position	138,825	49,553
Net Position, July 1	<u>104,437</u>	<u>54,884</u>
Net Position, June 30	<u>\$ 243,262</u>	<u>\$ 104,437</u>

---

**KNOX COUNTY, TENNESSEE**

**Self Insurance Fund**  
**Comparative Statements of Net Position**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 9,552,421	\$ 8,839,166
Accounts Receivable	3,251	3,996
Notes Receivable	22,498	22,934
Due from Component Units	318,085	285,097
	<u>9,896,255</u>	<u>9,151,193</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>Capital Assets:</b>		
Machinery and Equipment	33,352	33,352
Accumulated Depreciation	(33,352)	(33,352)
	<u>-</u>	<u>-</u>
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>9,896,255</u>	<u>9,151,193</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	59,752	124,148
Due to Other Funds	906	278
Claims Liability	9,281,708	8,326,732
Compensated Absences	15,606	15,185
	<u>9,357,972</u>	<u>8,466,343</u>
<b>TOTAL CURRENT LIABILITIES</b>		
<b>Noncurrent Liabilities:</b>		
Compensated Absences	1,734	1,687
	<u>1,734</u>	<u>1,687</u>
<b>TOTAL LIABILITIES</b>	<u>9,359,706</u>	<u>8,468,030</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 536,549</u>	<u>\$ 683,163</u>



---

**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	\$ 3,383,612	\$ 3,410,227
<b>Operating Expenses</b>		
General and Administrative	375,885	436,373
Workers' Compensation Claims	3,180,945	2,975,403
Other Claims Expense	<u>1,126,964</u>	<u>6,412,712</u>
Total Operating Expenses	<u>4,683,794</u>	<u>9,824,488</u>
Operating Loss	<u>(1,300,182)</u>	<u>(6,414,261)</u>
<b>Nonoperating Revenues</b>		
Insurance Recovery	753,568	4,052,400
Subrogations Payments	<u>-</u>	<u>1,984</u>
Total Nonoperating Revenues	<u>753,568</u>	<u>4,054,384</u>
Loss before Transfers	<u>(546,614)</u>	<u>(2,359,877)</u>
<b>Transfers</b>		
Transfers From Other Funds	<u>400,000</u>	<u>94,818</u>
Change in Net Position	(146,614)	(2,265,059)
Net Position, July 1	<u>683,163</u>	<u>2,948,222</u>
Net Position, June 30	<u>\$ 536,549</u>	<u>\$ 683,163</u>

---

**KNOX COUNTY, TENNESSEE**

**Building Operations Fund**  
**Comparative Statements of Net Position**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 3,614,633	\$ 2,098,976
Accounts Receivable	-	162,842
Due from Other Funds	-	506,379
	<u>3,614,633</u>	<u>2,768,197</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>Capital Assets:</b>		
Machinery and Equipment	72,217	72,217
Accumulated Depreciation	<u>(71,878)</u>	<u>(71,163)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>339</u>	<u>1,054</u>
<b>TOTAL ASSETS</b>	<u>3,614,972</u>	<u>2,769,251</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	270,697	262,264
Due to Other Funds	17,593	19,297
Deferred Revenue	<u>7,894</u>	<u>7,894</u>
<b>TOTAL LIABILITIES</b>	<u>296,184</u>	<u>289,455</u>
<b>NET POSITION</b>		
Invested in Capital Assets	339	1,054
Unrestricted	<u>3,318,449</u>	<u>2,478,742</u>
<b>TOTAL NET POSITION</b>	<u>\$ 3,318,788</u>	<u>\$ 2,479,796</u>

---

**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	<u>\$ 7,219,001</u>	<u>\$ 7,298,499</u>
<b>Operating Expenses</b>		
General and Administrative	8,916,240	9,270,219
Depreciation and Amortization	<u>715</u>	<u>1,505</u>
Total Operating Expenses	<u>8,916,955</u>	<u>9,271,724</u>
Operating Loss	<u>(1,697,954)</u>	<u>(1,973,225)</u>
<b>Transfers</b>		
Transfers In - Other Funds	2,536,946	2,779,946
Transfers Out - Other Funds	<u>-</u>	<u>(806,721)</u>
Change in Net Position	838,992	-
Net Position, July 1	<u>2,479,796</u>	<u>2,479,796</u>
Net Position, June 30	<u><u>\$ 3,318,788</u></u>	<u><u>\$ 2,479,796</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Technical Support Service Fund**  
**Comparative Statements of Net Position**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 604,511	\$ 466,188
Due from Other Funds	-	255
	<u>604,511</u>	<u>466,443</u>
<b>TOTAL CURRENT ASSETS</b>		
	<u>604,511</u>	<u>466,443</u>
<b>Capital Assets:</b>		
Machinery and Equipment	421,531	270,432
Accumulated Depreciation	<u>(200,668)</u>	<u>(164,319)</u>
	<u>220,863</u>	<u>106,113</u>
Capital Assets (Net of Accumulated Depreciation)		
	<u>220,863</u>	<u>106,113</u>
<b>TOTAL ASSETS</b>	<u>825,374</u>	<u>572,556</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	144,177	17,408
Due to Other Funds	<u>7,624</u>	<u>1,946</u>
	<u>151,801</u>	<u>19,354</u>
<b>TOTAL LIABILITIES</b>	<u>151,801</u>	<u>19,354</u>
<b>NET POSITION</b>		
Invested in Capital Assets	220,863	106,113
Unrestricted	<u>452,710</u>	<u>447,089</u>
<b>TOTAL NET POSITION</b>	<u>\$ 673,573</u>	<u>\$ 553,202</u>

---

**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	<u>\$ 371,486</u>	<u>\$ 379,964</u>
<b>Operating Expenses</b>		
General and Administrative	213,682	377,960
Depreciation and Amortization	36,349	29,927
Other Expense	<u>1,084</u>	<u>4,540</u>
Total Operating Expenses	<u>251,115</u>	<u>412,427</u>
Change in Net Position	120,371	(32,463)
Net Position, July 1	<u>553,202</u>	<u>585,665</u>
Net Position, June 30	<u><u>\$ 673,573</u></u>	<u><u>\$ 553,202</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Capital Leasing Fund**  
**Comparative Statements of Net Position**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 141,420	\$ 141,420
<b>Capital Assets:</b>		
Machinery and Equipment	6,529,633	6,900,964
Accumulated Depreciation	<u>(6,505,428)</u>	<u>(6,861,594)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>24,205</u>	<u>39,370</u>
<b>TOTAL ASSETS</b>	<u>165,625</u>	<u>180,790</u>
<b>NET POSITION</b>		
Invested in Capital Assets	24,205	39,370
Unrestricted	<u>141,420</u>	<u>141,420</u>
<b>TOTAL NET POSITION</b>	<u>\$ 165,625</u>	<u>\$ 180,790</u>

---

**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>		
Depreciation and Amortization	<u>15,165</u>	<u>16,303</u>
Change in Net Position	(15,165)	(16,303)
Net Position, July 1	<u>180,790</u>	<u>197,093</u>
Net Position, June 30	<u><u>\$ 165,625</u></u>	<u><u>\$ 180,790</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Self Insurance Healthcare Fund**  
**Comparative Statements of Net Position**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 2,238,703	\$ 1,667,463
Accounts Receivable	107,405	10,652
Due from Other Funds	911,443	895,243
Prepaid Items	74,417	-
	<u>3,331,968</u>	<u>2,573,358</u>
<b>TOTAL ASSETS</b>		
	<u>3,331,968</u>	<u>2,573,358</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	-	3,000
Claims Liability	1,530,122	1,986,894
Deferred Revenue	-	18,360
	<u>1,530,122</u>	<u>2,008,254</u>
<b>TOTAL LIABILITIES</b>		
	<u>1,530,122</u>	<u>2,008,254</u>
<b>NET POSITION</b>		
Unrestricted	<u>1,801,846</u>	<u>565,104</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,801,846</u>	<u>\$ 565,104</u>



---

**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	<u>\$ 24,803,261</u>	<u>\$ 24,737,083</u>
<b>Operating Expenses</b>		
General and Administrative	1,413,420	1,012,875
Medical Claims	<u>23,153,099</u>	<u>23,315,866</u>
Total Operating Expenses	<u>24,566,519</u>	<u>24,328,741</u>
Income before Transfers	<u>236,742</u>	<u>408,342</u>
<b>Transfers</b>		
Transfers from Other Funds	<u>1,000,000</u>	<u>-</u>
Change in Net Position	1,236,742	408,342
Net Position, July 1	<u>565,104</u>	<u>156,762</u>
Net Position, June 30	<u><u>\$ 1,801,846</u></u>	<u><u>\$ 565,104</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 TRUST FUNDS

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

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

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

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

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

### AGENCY FUNDS

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

**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 Trust Funds  
June 30, 2013**

	Defined Benefit Plan	Defined Contribution Plan	Voluntary 457 Plan	Medical Retirement Plan	Uniformed Officers Plan	Total
<b>ASSETS</b>						
Cash and Cash equivalents	\$ 1,541,996	\$ 274,792	\$ -	\$ -	\$ 2,210,450	\$ 4,027,238
Investments:						
Mutual Funds	44,071,994	185,023,511	8,541,453	3,299,501	109,191,502	350,127,961
Common Collective Trusts	-	27,589,115	1,249,088	2,089,104	-	30,927,307
Guaranteed Investment Contracts	-	26,490,791	806,590	-	-	27,297,381
Corporate Bonds	531,712	-	-	-	1,238,012	1,769,724
U.S. Treasuries	1,702,781	-	-	-	5,596,439	7,299,220
Federal Agency Debt Securities	1,211,305	-	-	-	3,648,380	4,859,685
Federal Agency Mortgage Backed Securities	2,102,159	-	-	-	5,655,110	7,757,269
Total Investments	49,619,951	239,103,417	10,597,131	5,388,605	125,329,443	430,038,547
Receivables:						
Employee Contributions	4,966	180,401	-	2,794	-	188,161
Employer Contributions	-	198,785	20,098	674	-	219,557
Total Receivables	4,966	379,186	20,098	3,468	-	407,718
<b>TOTAL ASSETS</b>	<b>51,166,913</b>	<b>239,757,395</b>	<b>10,617,229</b>	<b>5,392,073</b>	<b>127,539,893</b>	<b>434,473,503</b>
<b>LIABILITIES</b>						
Accounts Payable - Administrative Expenses	80,236	-	-	-	176,930	257,166
<b>NET POSITION</b>						
Held in Trust for:						
Pension Benefits	\$ 51,086,677	\$ 239,757,395	\$ 10,617,229	\$ 5,392,073	\$ 127,362,963	\$ 434,216,337

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Changes in Fiduciary Net Position  
Pension Trust Funds**

For the year ended June 30, 2013

	Defined Benefit Plan	Defined Contribution Plan	Voluntary 457 Plan	Medical Retirement Plan	Uniformed Officers Plan	Total
<b>Additions</b>						
Contributions:						
Employer	\$ 4,550,089	\$ 8,818,463	\$ -	\$ 50,209	\$ 4,851,322	\$ 18,270,083
Employees	182,540	7,855,903	1,577,256	210,765	1,638,081	11,464,545
Rollovers	-	237,402	278,042	-	-	515,444
Transfers from Other Plans	-	74,031	-	228,960	-	302,991
<b>Total Contributions</b>	<b>4,732,629</b>	<b>16,985,799</b>	<b>1,855,298</b>	<b>489,934</b>	<b>6,489,403</b>	<b>30,553,063</b>
Investment Earnings (Losses):						
Interest and Dividend Income	305,113	-	-	-	723,298	1,028,411
Net Appreciation (Depreciation) in Fair Value of Investments	5,654,254	24,662,040	1,117,131	219,118	12,582,724	44,235,267
<b>Total Investment Earnings (Losses)</b>	<b>5,959,367</b>	<b>24,662,040</b>	<b>1,117,131</b>	<b>219,118</b>	<b>13,306,022</b>	<b>45,263,678</b>
Less Investment Expenses	(283,666)	-	-	-	(464,714)	(748,380)
<b>Net Investment Earnings (Losses)</b>	<b>5,675,701</b>	<b>24,662,040</b>	<b>1,117,131</b>	<b>219,118</b>	<b>12,841,308</b>	<b>44,515,298</b>
<b>Total Additions</b>	<b>10,408,330</b>	<b>41,647,839</b>	<b>2,972,429</b>	<b>709,052</b>	<b>19,330,711</b>	<b>75,068,361</b>
<b>Deductions</b>						
Benefits and Refunds	7,578,004	15,926,794	552,368	840,798	3,835,059	28,733,023
Administrative Expenses	411,705	-	-	-	843,252	1,254,957
Transfers to Other Plans	302,991	-	-	-	-	302,991
<b>Total Deductions</b>	<b>8,292,700</b>	<b>15,926,794</b>	<b>552,368</b>	<b>840,798</b>	<b>4,678,311</b>	<b>30,290,971</b>
<b>Change in Net Position</b>	<b>2,115,630</b>	<b>25,721,045</b>	<b>2,420,061</b>	<b>(131,746)</b>	<b>14,652,400</b>	<b>44,777,390</b>
<b>Total Net Position Held in Trust for Pension Benefits, July 1, as restated</b>	<b>48,971,047</b>	<b>214,036,350</b>	<b>8,197,168</b>	<b>5,523,819</b>	<b>112,710,563</b>	<b>389,438,947</b>
<b>Total Net Position Held in Trust for Pension Benefits, June 30</b>	<b>\$ 51,086,677</b>	<b>\$ 239,757,395</b>	<b>\$ 10,617,229</b>	<b>\$ 5,392,073</b>	<b>\$ 127,362,963</b>	<b>\$ 434,216,337</b>

---

KNOX COUNTY, TENNESSEE

**Comparative Statements of Fiduciary Net Position**  
**Pension Trust Fund - Defined Benefit Plan**  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents - Money Market Funds	\$ 1,541,996	\$ 1,424,999
Investments, at Fair Value		
Mutual Funds	44,071,994	39,020,734
Corporate Bonds	531,712	643,660
State and Municipal Bonds	-	103,311
U.S. Treasuries	1,702,781	4,525,959
Federal Agency Debt Securities	1,211,305	882,835
Federal Agency Mortgage Backed Securities	<u>2,102,159</u>	<u>2,014,114</u>
Total Investments	<u>49,619,951</u>	<u>47,190,613</u>
Receivables:		
Interest and Dividends	-	23,442
Employee Contributions	4,966	7,674
Receivables for Investments Sold	<u>-</u>	<u>1,818,039</u>
Total Receivable	<u>4,966</u>	<u>1,849,155</u>
<b>TOTAL ASSETS</b>	<u>51,166,913</u>	<u>50,464,767</u>
<b>LIABILITIES</b>		
Accounts Payable - Administrative Expenses	80,236	113,956
Accounts Payable for Investments Purchased	<u>-</u>	<u>1,379,764</u>
<b>TOTAL LIABILITIES</b>	<u>80,236</u>	<u>1,493,720</u>
<b>NET POSITION</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 51,086,677</u>	<u>\$ 48,971,047</u>

---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Position**  
**Pension Trust Fund - Defined Benefit Plan**  
For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Additions</b>		
Contributions:		
Employees	\$ 182,540	\$ 182,951
Employer	<u>4,550,089</u>	<u>1,504,162</u>
Total Contributions	<u>4,732,629</u>	<u>1,687,113</u>
Investment Earnings:		
Interest and Dividend Income	305,113	453,186
Net Appreciation (Depreciation) in Fair Value of Investments	<u>5,654,254</u>	<u>222,928</u>
Total Investment Earnings (Losses)	5,959,367	676,114
Less Investment Expenses	<u>(283,666)</u>	<u>(243,658)</u>
Net Investment Earnings (Losses)	<u>5,675,701</u>	<u>432,456</u>
Total Additions	<u>10,408,330</u>	<u>2,119,569</u>
<b>Deductions</b>		
Benefits and Refunds	7,578,004	7,685,782
Administrative Expenses	411,705	371,853
Transfers to Other Plans	<u>302,991</u>	<u>292,884</u>
Total Deductions	<u>8,292,700</u>	<u>8,350,519</u>
<b>Change in Net Position</b>	2,115,630	(6,230,950)
<b>Total Net Position Held in Trust for Pension Benefits, July 1</b>	<u>48,971,047</u>	<u>55,201,997</u>
<b>Total Net Position Held in Trust for Pension Benefits, June 30</b>	<u>\$ 51,086,677</u>	<u>\$ 48,971,047</u>

---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Position**  
**Pension Trust Fund - Defined Contribution Plan**  
June 30, 2013 and June 30, 2012

---

	2013	(As Restated) 2012
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents - Money Market Funds	\$ 274,792	\$ 224,040
Investments, at Fair Value:		
Mutual Funds	185,023,511	164,044,988
Common Collective Trusts	27,589,115	27,042,974
Guaranteed Investment Contracts	<u>26,490,791</u>	<u>22,724,348</u>
Total Investments	<u>239,103,417</u>	<u>213,812,310</u>
Receivables:		
Employee Contributions	180,401	-
Employer Contributions	<u>198,785</u>	<u>-</u>
Total Receivables	<u>379,186</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>239,757,395</u>	<u>214,036,350</u>
<b>NET POSITION</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 239,757,395</u>	<u>\$ 214,036,350</u>

---

**KNOX COUNTY, TENNESSEE**

**Statement of Changes in Fiduciary Net Position  
Pension Trust Fund - Defined Contribution Plan**

June 30, 2013

---

	<u>2013</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 8,818,463
Employees	7,855,903
Rollovers	237,402
Transfers from Other Plans	<u>74,031</u>
Total Contributions	16,985,799
Investment Earnings (Losses):	
Net Appreciation (Depreciation) in Fair Value of Investments	<u>24,662,040</u>
Total Additions	<u>41,647,839</u>
<b>Deductions</b>	
Benefits and Refunds	<u>15,926,794</u>
<b>Change in Net Position</b>	25,721,045
<b>Total Net Position Held in Trust for Pension Benefits, July 1, as Restated</b>	<u>214,036,350</u>
<b>Total Net Position Held in Trust for Pension Benefits, June 30</b>	<u><u>\$ 239,757,395</u></u>



---

**KNOX COUNTY, TENNESSEE**

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

June 30, 2013 and June 30, 2012

---

	2013	(As Restated) 2012
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	\$ 8,541,453	\$ 6,631,509
Common Collective Trusts	1,249,088	963,277
Guaranteed Investment Contracts	806,590	602,382
	<hr/>	<hr/>
Total Investments	10,597,131	8,197,168
	<hr/>	<hr/>
Receivables:		
Employee Contributions	20,098	-
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	10,617,229	8,197,168
	<hr/>	<hr/>
<b>NET POSITION</b>		
Held in Trust For:		
Pension Benefits	\$ 10,617,229	\$ 8,197,168
	<hr/> <hr/>	<hr/> <hr/>

---

**KNOX COUNTY, TENNESSEE**

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

June 30, 2013

---

	<u>2013</u>
<b>Additions</b>	
Contributions:	
Employee	\$ 1,577,256
Rollovers	<u>278,042</u>
Total Contributions	1,855,298
Investment Earnings (Losses):	
Net Appreciation (Depreciation) in Fair Value of Investments	<u>1,117,131</u>
Total Additions	<u>2,972,429</u>
<b>Deductions</b>	
Benefits and Refunds	<u>552,368</u>
<b>Change in Net Position</b>	2,420,061
<b>Total Net Position Held in Trust for Pension Benefits, July 1, as Restated</b>	<u>8,197,168</u>
<b>Total Net Position Held in Trust for Pension Benefits, June 30</b>	<u><u>\$ 10,617,229</u></u>

---

**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Position**  
**Pension Trust Fund - Medical Retirement Defined Contribution Plan**  
June 30, 2013 and June 30, 2012

---

	2013	(As Restated) 2012
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	\$ 3,299,501	\$ 4,387,117
Common Collective Trusts	<u>2,089,104</u>	<u>1,136,702</u>
 Total Investments	<u>5,388,605</u>	<u>5,523,819</u>
 Receivables:		
Employee Contributions	2,794	-
Employer Contributions	<u>674</u>	<u>-</u>
 Total Receivables	<u>3,468</u>	<u>-</u>
 TOTAL ASSETS	<u>5,392,073</u>	<u>5,523,819</u>
 <b>NET POSITION</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 5,392,073</u>	<u>\$ 5,523,819</u>

---

**KNOX COUNTY, TENNESSEE**

**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund - Medical Retirement Defined Contribution Plan**  
June 30, 2013

---

	<u>2013</u>
<b>Additions</b>	
Contributions:	
Employees	\$ 210,765
Employer	50,209
Transfers from Other Plans	<u>228,960</u>
Total Contributions	489,934
Investment Earnings:	
Net Appreciation (Depreciation) in Fair Value of Investments	<u>219,118</u>
Total Additions	<u>709,052</u>
<b>Deductions</b>	
Benefits and Refunds	<u>840,798</u>
<b>Change in Net Position</b>	(131,746)
<b>Total Net Position Held in Trust for Pension Benefits, July 1, as Restated</b>	<u>5,523,819</u>
<b>Total Net Position Held in Trust for Pension Benefits, June 30</b>	<u><u>\$ 5,392,073</u></u>

---

## KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents - Money Market Funds	\$ 2,210,450	\$ 2,426,880
Investments, at Fair Value		
Mutual Funds	109,191,502	85,101,532
Corporate Bonds	1,238,012	1,656,278
U.S. Treasuries	5,596,439	8,911,567
Federal Agency Debt Securities	3,648,380	2,016,249
Federal Agency Mortgage Backed Securities	<u>5,655,110</u>	<u>7,386,335</u>
Total Investments	<u>125,329,443</u>	<u>105,071,961</u>
Receivables:		
Employer Contributions	-	233,839
Receivable for Investments Sold	-	5,159,727
Accrued Interest and Dividends	<u>-</u>	<u>13,129</u>
Total Receivables	<u>-</u>	<u>5,406,695</u>
<b>TOTAL ASSETS</b>	<u>127,539,893</u>	<u>112,905,536</u>
<b>LIABILITIES</b>		
Accounts Payable - Administrative Expenses	<u>176,930</u>	<u>194,973</u>
<b>NET POSITION</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 127,362,963</u>	<u>\$ 112,710,563</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, 2013 and June 30, 2012

---

	2013	2012
<b>Additions</b>		
Contributions:		
Employees	\$ 1,638,081	\$ 1,728,668
Employer	4,851,322	4,558,715
Total Contributions	<u>6,489,403</u>	<u>6,287,383</u>
Investment Earnings (Losses):		
Interest and Dividend Income	723,298	658,221
Net Appreciation (Depreciation) in Fair Value of Investments	<u>12,582,724</u>	<u>(578,661)</u>
Total Investment Earnings (Losses)	13,306,022	79,560
Less Investment Expenses	<u>(464,714)</u>	<u>(416,585)</u>
Net Investment Earnings (Losses)	<u>12,841,308</u>	<u>(337,025)</u>
Total Additions	<u>19,330,711</u>	<u>5,950,358</u>
<b>Deductions</b>		
Benefits and Refunds	3,835,059	3,118,235
Administrative Expenses	<u>843,252</u>	<u>666,583</u>
Total Deductions	<u>4,678,311</u>	<u>3,784,818</u>
<b>Change in Net Position</b>	14,652,400	2,165,540
<b>Total Net Position Held in Trust for Pension Benefits, July 1</b>	<u>112,710,563</u>	<u>110,545,023</u>
<b>Total Net Position Held in Trust for Pension Benefits, June 30</b>	<u>\$ 127,362,963</u>	<u>\$ 112,710,563</u>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Fiduciary Assets and Liabilities**

**Agency Funds**

June 30, 2013

(With comparative totals for June 30, 2012)

	Municipal Sales Tax	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
					2013	2012
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ -	\$ 380,446	\$ 926,620	\$ 27,314,433	\$ 28,621,499	\$ 27,313,746
Receivables:						
Accounts	6,848,502	-	-	541,773	7,390,275	7,477,523
<b>TOTAL ASSETS</b>	<u>\$ 6,848,502</u>	<u>\$ 380,446</u>	<u>\$ 926,620</u>	<u>\$ 27,856,206</u>	<u>\$ 36,011,774</u>	<u>\$ 34,791,269</u>
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	\$ 6,848,502	\$ 380,446	\$ 926,620	\$ -	\$ 8,155,568	\$ 8,433,004
Due to Other Governments	-	-	-	5,364,354	5,364,354	5,692,378
Due to Litigants, Heirs and Others	-	-	-	22,491,852	22,491,852	20,665,887
<b>TOTAL LIABILITIES</b>	<u>\$ 6,848,502</u>	<u>\$ 380,446</u>	<u>\$ 926,620</u>	<u>\$ 27,856,206</u>	<u>\$ 36,011,774</u>	<u>\$ 34,791,269</u>

**KNOX COUNTY, TENNESSEE**

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

For the year ended June 30, 2013

(With comparative totals for the year ended June 30, 2012)

	Municipal				Totals	
	Sales Tax	Subdivision Bonds	External Agencies	Constitutional Officers	2013	2012
Assets and Liabilities, July 1	\$ 6,910,915	\$ 208,446	\$ 1,313,643	\$ 26,358,265	\$ 34,791,269	\$ 35,489,927
Additions	41,009,241	197,000	6,241,057	98,601,650	146,048,948	144,841,557
Deductions	(41,071,654)	(25,000)	(6,628,080)	(97,103,709)	(144,828,443)	(145,540,215)
Assets and Liabilities, June 30	<u>\$ 6,848,502</u>	<u>\$ 380,446</u>	<u>\$ 926,620</u>	<u>\$ 27,856,206</u>	<u>\$ 36,011,774</u>	<u>\$ 34,791,269</u>



**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, and Register  
Combined Analysis of Fee and Commission Accounts  
For the Year Ended June 30, 2013**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total
<b>Revenues</b>							
Fees and Commissions	\$ 9,638,744	\$ 5,188,256	\$ 1,409,636	\$ 4,484,253	\$ 1,502,151	\$ 2,853,586	\$ 25,076,626
Interest Earned	1,363	6,124	-	-	-	7,383	14,870
<b>Total Revenues</b>	<b>9,640,107</b>	<b>5,194,380</b>	<b>1,409,636</b>	<b>4,484,253</b>	<b>1,502,151</b>	<b>2,860,969</b>	<b>25,091,496</b>
<b>Expenditures</b>							
Salaries-Staff	1,851,656	2,934,340	1,083,410	2,774,036	661,052	1,147,965	10,452,459
Payroll Taxes/Benefits	568,893	949,394	367,391	947,840	266,699	393,431	3,493,648
County Official/Administrative Officer	131,800	123,446	76,117	119,407	114,884	108,551	674,205
Travel	-	-	7,915	8,400	-	8,400	24,715
Other Expenditures	38,308	68,731	-	-	773	173,418	281,230
<b>Total Expenditures</b>	<b>2,590,657</b>	<b>4,075,911</b>	<b>1,534,833</b>	<b>3,849,683</b>	<b>1,043,408</b>	<b>1,831,765</b>	<b>14,926,257</b>
<b>Other (Sources) Uses</b>							
Fees and Commissions to County (General Fund)	7,116,584	1,094,858	-	-	458,456	972,752	9,642,650
<b>Total Expenditures and Other Uses</b>	<b>9,707,241</b>	<b>5,170,769</b>	<b>1,534,833</b>	<b>3,849,683</b>	<b>1,501,864</b>	<b>2,804,517</b>	<b>24,568,907</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>							
	(67,134)	23,611	(125,197)	634,570	287	56,452	522,589
Balances, July 1, 2012	552,642	1,163,077	345,910	812,740	441,862	516,500	3,832,731
Balances, June 30, 2013	\$ 485,508	\$ 1,186,688	\$ 220,713	\$ 1,447,310	\$ 442,149	\$ 572,952	\$ 4,355,320

**KNOX COUNTY, TENNESSEE**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
June 30, 2013

	Nonmajor Component Units			Total Nonmajor Component Units
	Knox County Emergency Communications District	Knox County Development Corporation	Knox County Railroad Authority	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 13,297,866	\$ 14,021,968	\$ 25,212	\$ 27,345,046
Accounts Receivable	972,204	197,272	6,433	1,175,909
Due from Primary Government	2,778	-	-	2,778
Land Held for Resale	-	19,526,327	-	19,526,327
Prepaid Items	-	22,312	-	22,312
Capital Assets:				
Land and Construction in Process	2,360,324	-	-	2,360,324
Other Capital Assets, Net of Accumulated Depreciation	4,168,854	13,879	-	4,182,733
<b>Total Assets</b>	<u>20,802,026</u>	<u>33,781,758</u>	<u>31,645</u>	<u>54,615,429</u>
<b>Liabilities</b>				
Accounts Payable	203,576	226,475	18,365	448,416
Due to Primary Government	16,448	-	-	16,448
Other Long-term Obligations:				
Due in Less than One Year	229,593	-	-	229,593
Due in More than One Year	25,510	-	-	25,510
<b>Total Liabilities</b>	<u>475,127</u>	<u>226,475</u>	<u>18,365</u>	<u>719,967</u>
<b>Net Position</b>				
Investment in Capital Assets	6,529,178	13,879	-	6,543,057
Restricted for:				
Other Purposes	-	22,458	-	22,458
Net Position - Unrestricted	13,797,721	33,518,946	13,280	47,329,947
<b>Total Net Position</b>	<u>\$ 20,326,899</u>	<u>\$ 33,555,283</u>	<u>\$ 13,280</u>	<u>\$ 53,895,462</u>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Activities  
Nonmajor Component Units  
For the Year Ended June 30, 2013**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Component Units</b>			<b>Total Nonmajor Component Units</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>The District</b>	<b>The Corporation</b>	<b>KCRA</b>	
Knox County Emergency Communications District	\$ 6,405,718	\$ 6,347,390	\$ 16,372	\$ 747,638	\$ 705,682	\$ -	\$ -	705,682
Knox County Development Corporation	725,747	88,779	-	-	-	(636,968)	-	(636,968)
Knox County Railroad Authority	62,716	62,866	-	-	-	-	150	150
<b>Total component units</b>	<u>\$ 7,194,181</u>	<u>\$ 6,499,035</u>	<u>\$ 16,372</u>	<u>\$ 747,638</u>	<u>705,682</u>	<u>(636,968)</u>	<u>150</u>	<u>68,864</u>
<b>General Revenues:</b>								
Investment Revenue					17,960	12,991	-	30,951
Payments from Primary Government					582,828	675,000	-	1,257,828
Other Revenues					-	242,350	-	242,350
Other Governments and Citizens Groups					-	78,725	-	78,725
Miscellaneous					5,368	-	-	5,368
Grants and Contributions Not Restricted for Specific Programs					1,719,140	-	-	1,719,140
<b>Total General Revenues</b>					<u>2,325,296</u>	<u>1,009,066</u>	<u>-</u>	<u>3,334,362</u>
Change in Net Position					3,030,978	372,098	150	3,403,226
Net Position, July 1					17,295,921	33,183,185	13,130	50,492,236
Net Position, June 30					<u>\$ 20,326,899</u>	<u>\$ 33,555,283</u>	<u>\$ 13,280</u>	<u>\$ 53,895,462</u>

**KNOX COUNTY, TENNESSEE**

**Knox County Primary Government  
Schedule of Debt Service Requirements  
General Bonded Debt  
June 30, 2013**

Fiscal Year Ending June 30,	\$31,200,221 General Obligation Refunding Series 2002A		\$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	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	3,626,100	977,704	-	248,939	1,345,117	1,509,368	-	520,940	657,143	1,721,714	2,724,489	1,255,719	1,120,130	1,999,432	-	2,522,500
2015	7,280,815	700,601	-	248,939	1,420,750	1,451,364	-	520,940	1,314,286	1,695,429	2,837,499	1,120,226	1,201,299	1,949,026	-	2,522,500
2016	1,573,077	332,976	3,163,596	248,939	1,499,183	1,389,617	1,888,180	520,940	1,971,429	1,642,857	2,931,640	978,996	1,298,701	1,894,968	-	2,522,500
2017	1,648,077	258,255	1,815,180	90,759	1,577,600	1,324,128	2,074,923	422,540	2,102,857	1,564,000	3,069,085	834,511	1,363,636	1,836,526	-	2,522,500
2018	1,730,770	179,970	-	-	1,665,617	1,254,896	2,122,646	319,557	2,234,286	1,479,886	3,209,585	683,049	1,461,039	1,775,162	-	2,522,500
2019	1,823,079	93,432	-	-	1,752,933	1,181,299	2,240,917	214,205	2,365,714	1,390,514	3,362,301	524,457	1,542,208	1,709,416	-	2,522,500
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
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
2022	-	-	-	-	2,064,367	933,064	-	-	2,799,429	1,089,806	-	-	698,052	1,490,260	-	2,522,500
2023	-	-	-	-	1,978,567	839,508	-	-	2,957,143	977,829	-	-	649,351	1,458,847	-	2,522,500
2024	-	-	-	-	2,097,367	740,339	-	-	3,128,000	859,543	-	-	681,818	1,429,627	-	2,522,500
2025	-	-	-	-	2,225,050	634,933	-	-	3,298,857	734,423	-	-	714,286	1,398,945	-	2,522,500
2026	-	-	-	-	2,353,433	522,666	-	-	3,482,857	602,469	-	-	746,753	1,366,802	-	2,522,500
2027	-	-	-	-	2,489,317	403,538	-	-	3,666,857	463,154	-	-	762,987	1,333,198	4,734,257	2,522,500
2028	-	-	-	-	2,487,500	276,925	-	-	3,857,429	316,480	-	-	795,455	1,298,864	5,611,649	2,285,787
2029	-	-	-	-	2,638,332	142,829	-	-	4,054,570	162,183	-	-	827,922	1,263,068	5,904,112	2,005,205
2030	-	-	-	-	-	-	-	-	-	-	-	-	5,032,468	1,225,812	6,178,297	1,709,999
2031	-	-	-	-	-	-	-	-	-	-	-	-	5,227,273	999,351	6,507,319	1,401,084
2032	-	-	-	-	-	-	-	-	-	-	-	-	5,438,312	764,123	6,818,062	1,075,718
2033	-	-	-	-	-	-	-	-	-	-	-	-	5,649,351	519,399	7,165,362	734,815
2034	-	-	-	-	-	-	-	-	-	-	-	-	5,892,857	265,179	7,530,942	376,547
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 17,681,918</b>	<b>\$ 2,542,938</b>	<b>\$ 4,978,776</b>	<b>\$ 837,576</b>	<b>\$31,391,866</b>	<b>\$14,728,817</b>	<b>\$ 10,401,589</b>	<b>\$ 2,622,105</b>	<b>\$43,042,857</b>	<b>\$17,191,910</b>	<b>\$25,360,113</b>	<b>\$ 5,938,623</b>	<b>\$44,431,820</b>	<b>\$29,184,985</b>	<b>\$50,450,000</b>	<b>\$44,904,155</b>

*continued*

KNOX COUNTY, TENNESSEE

Knox County Primary Government  
 Schedule of Debt Service Requirements  
 General Bonded Debt (Continued)  
 June 30, 2013

Fiscal Year Ending June 30,	\$57,000,000 General Obligation (Taxable) Series 2007		\$26,000,000 General Obligation Series 2008		\$4,550,000 Women's Basketball Hall of Fame		\$1,000,000 Build America Bonds Series 2010A		\$30,115,000 Refunding Bonds Series 2010B		\$11,120,000 Refunding Bonds Series 2010C		\$17,000,000 Build America Bonds Series 2010D		\$17,090,000 General Obligation Bonds Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	1,450,000	2,927,612	955,500	1,130,512	555,000	108,163	1,563	53,032	25,000	1,122,250	710,000	315,650	25,000	930,237	5,345,000	373,150	18,540,042	17,716,922
2015	1,500,000	2,851,488	1,004,250	1,082,737	575,000	90,125	1,563	52,989	300,000	1,121,750	735,000	294,350	50,000	929,738	275,000	159,350	18,495,462	16,791,552
2016	2,000,000	2,772,738	1,053,000	1,032,525	590,000	70,000	1,563	52,942	400,000	1,115,750	765,000	264,950	50,000	928,588	275,000	153,850	19,460,369	15,923,136
2017	2,250,000	2,667,738	1,105,000	979,875	620,000	46,400	1,563	52,888	400,000	1,105,750	795,000	234,350	50,000	927,275	270,000	148,350	19,142,921	15,015,845
2018	2,300,000	2,550,738	1,163,500	924,625	640,000	21,600	17,188	52,828	515,000	1,095,750	830,000	202,550	50,000	925,713	270,000	137,550	18,209,631	14,126,374
2019	2,400,000	2,429,988	1,218,750	866,450	-	-	17,188	52,141	700,000	1,082,875	865,000	169,350	50,000	923,963	280,000	132,150	18,618,090	13,292,740
2020	2,525,000	2,302,788	1,280,500	805,512	-	-	32,813	51,368	1,100,000	1,063,625	895,000	143,400	250,000	922,063	285,000	126,550	17,938,241	12,438,140
2021	5,450,000	2,162,650	1,345,500	741,487	-	-	39,062	49,876	450,000	1,008,625	925,000	116,550	250,000	911,750	295,000	115,150	18,761,726	11,595,848
2022	5,725,000	1,860,175	1,413,750	674,212	-	-	45,312	48,098	1,400,000	995,125	955,000	88,800	500,000	900,500	300,000	109,250	15,900,910	10,711,790
2023	6,025,000	1,542,437	1,482,000	603,525	-	-	45,312	46,036	1,450,000	953,125	985,000	60,150	500,000	878,000	310,000	103,250	16,382,373	9,985,207
2024	6,300,000	1,196,000	1,556,750	529,425	-	-	43,750	43,974	1,500,000	909,625	1,020,000	30,600	500,000	855,500	320,000	96,275	17,147,685	9,213,408
2025	6,650,000	833,750	1,634,750	451,587	-	-	40,625	41,984	1,500,000	862,750	-	-	500,000	833,000	330,000	88,275	16,893,568	8,402,147
2026	7,000,000	451,375	1,716,000	369,850	-	-	76,562	40,135	1,500,000	814,000	-	-	500,000	810,500	340,000	79,200	17,715,605	7,579,497
2027	850,000	48,875	1,803,750	284,050	-	-	6,250	35,963	1,700,000	754,000	-	-	1,300,000	785,500	345,000	69,000	17,658,418	6,699,778
2028	-	-	1,891,500	193,862	-	-	6,250	35,616	1,800,000	686,000	-	-	1,350,000	714,000	365,000	58,650	18,164,783	5,866,184
2029	-	-	1,985,750	99,287	-	-	6,250	35,269	1,750,000	614,000	-	-	1,400,000	639,750	390,000	47,700	18,956,936	5,009,291
2030	-	-	-	-	-	-	67,187	34,922	2,000,000	544,000	-	-	1,450,000	562,750	390,000	36,000	15,117,952	4,113,483
2031	-	-	-	-	-	-	67,187	31,194	2,100,000	464,000	-	-	1,500,000	483,000	400,000	24,300	15,801,779	3,402,929
2032	-	-	-	-	-	-	73,437	27,330	2,200,000	380,000	-	-	1,575,000	400,500	410,000	12,300	16,514,811	2,659,971
2033	-	-	-	-	-	-	79,687	23,108	2,300,000	292,000	-	-	1,625,000	306,000	-	-	16,819,400	1,875,322
2034	-	-	-	-	-	-	85,937	18,525	2,400,000	200,000	-	-	1,700,000	208,500	-	-	17,609,736	1,068,751
2035	-	-	-	-	-	-	239,062	13,626	2,600,000	104,000	-	-	1,775,000	106,500	-	-	4,614,062	224,126
Totals	\$ 52,425,000	\$ 26,598,352	\$ 22,610,250	\$ 10,769,521	\$ 2,980,000	\$ 336,288	\$ 995,311	\$ 893,844	\$ 30,090,000	\$ 17,289,000	\$ 9,480,000	\$ 1,920,700	\$ 16,950,000	\$ 15,883,327	\$ 11,195,000	\$ 2,070,300	\$ 374,464,500	\$ 193,712,441

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt  
June 30, 2013**

Fiscal Year Ending June 30,	\$51,799,779 General Obligation Refunding Series 2002A		\$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		\$11,150,000 Refunding Bonds Series 2005B	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	5,788,900	1,560,859	-	567,061	979,883	1,213,132	-	743,685	342,857	898,286	1,645,511	769,281	1,095,000	296,229
2015	13,719,185	1,320,137	-	567,061	1,054,250	1,166,511	-	743,685	685,714	884,571	1,717,501	686,274	1,150,000	243,998
2016	2,516,923	532,760	7,206,404	567,061	1,125,817	1,116,883	2,661,820	743,685	1,028,571	857,143	1,728,360	599,754	1,210,000	188,798
2017	2,636,923	413,208	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	1,275,000	130,113
2018	2,769,230	287,954	-	-	1,284,383	1,008,604	2,992,354	456,193	1,165,714	772,114	1,905,415	418,451	1,340,000	67,000
2019	2,916,921	149,492	-	-	1,372,067	949,451	3,159,083	305,795	1,234,286	725,486	2,002,699	321,293	-	-
2020	-	-	-	-	1,456,267	886,789	2,925,077	147,017	1,306,286	676,114	2,105,819	219,387	-	-
2021	-	-	-	-	1,572,000	820,618	-	-	1,381,714	623,863	2,218,667	112,448	-	-
2022	-	-	-	-	1,685,633	749,936	-	-	1,460,571	568,594	-	-	-	-
2023	-	-	-	-	1,996,433	674,742	-	-	1,542,857	510,171	-	-	-	-
2024	-	-	-	-	2,127,633	595,036	-	-	1,632,000	448,457	-	-	-	-
2025	-	-	-	-	2,274,950	510,317	-	-	1,721,143	383,177	-	-	-	-
2026	-	-	-	-	2,421,567	420,084	-	-	1,817,143	314,331	-	-	-	-
2027	-	-	-	-	2,585,683	324,337	-	-	1,913,143	241,646	-	-	-	-
2028	-	-	-	-	2,887,500	222,575	-	-	2,012,571	165,120	-	-	-	-
2029	-	-	-	-	3,086,668	114,796	-	-	2,115,430	84,617	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 30,348,082</b>	<b>\$ 4,264,410</b>	<b>\$ 11,341,224</b>	<b>\$ 1,907,924</b>	<b>\$ 29,108,134</b>	<b>\$ 11,838,058</b>	<b>\$ 14,663,411</b>	<b>\$ 3,743,270</b>	<b>\$ 22,457,143</b>	<b>\$ 8,969,690</b>	<b>\$ 15,139,887</b>	<b>\$ 3,638,127</b>	<b>\$ 6,070,000</b>	<b>\$ 926,138</b>

*continued*

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt (Continued)  
June 30, 2013**

Fiscal Year Ending June 30,	\$27,000,000 General Obligation Series 2005		\$18,550,000 General Obligation Series 2007		\$14,000,000 General Obligation Series 2008		\$15,000,000 Build America Bonds Series 2010A		\$21,440,000 Refunding Bonds Series 2010C		\$29,236,000 Qualified School Construction Bonds Series 2010		\$18,815,000 General Obligation Bonds Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	604,870	1,079,693	-	927,500	514,500	608,738	23,437	795,480	1,335,000	614,400	1,824,281	1,417,361	5,600,000	460,250	19,754,239	11,951,955
2015	648,701	1,052,474	-	927,500	540,750	583,013	23,437	794,848	1,405,000	574,350	1,824,281	1,417,361	25,000	236,250	22,793,819	11,198,033
2016	701,299	1,023,282	-	927,500	567,000	555,975	23,437	794,145	1,485,000	518,150	1,824,281	1,417,361	25,000	235,750	22,103,912	10,078,247
2017	736,364	991,724	-	927,500	595,000	527,625	23,437	793,324	1,575,000	458,750	1,824,281	1,417,361	430,000	235,250	20,266,360	9,096,292
2018	788,961	958,588	-	927,500	626,500	497,875	257,812	792,434	1,670,000	395,750	1,824,281	1,417,361	430,000	218,050	17,054,650	8,217,874
2019	832,792	923,084	-	927,500	656,250	466,550	257,812	782,121	1,770,000	328,950	1,824,281	1,417,361	440,000	209,450	16,466,191	7,506,533
2020	876,623	885,609	-	927,500	689,500	433,738	492,187	770,520	1,855,000	275,850	1,824,281	1,417,361	450,000	200,650	13,981,040	6,840,535
2021	920,455	846,161	-	927,500	724,500	399,263	585,938	748,124	1,945,000	220,200	1,824,281	1,417,361	455,000	182,650	11,627,555	6,298,188
2022	376,948	804,740	-	927,500	761,250	363,038	679,688	721,465	2,040,000	161,850	1,824,281	1,417,361	480,000	173,550	9,308,371	5,888,034
2023	350,649	787,778	-	927,500	798,000	324,975	679,688	690,539	2,135,000	100,650	1,824,281	1,417,361	490,000	163,950	9,816,908	5,597,666
2024	368,182	771,998	-	927,500	838,250	285,075	656,250	659,614	1,220,000	36,600	1,824,281	1,417,361	505,000	152,925	9,171,596	5,294,566
2025	385,714	755,430	-	927,500	880,250	243,163	609,375	629,754	-	-	1,824,281	1,417,361	520,000	140,300	8,215,713	5,007,002
2026	403,247	738,073	-	927,500	924,000	199,150	1,148,438	602,028	-	-	1,824,281	1,417,361	535,000	126,000	9,073,676	4,744,527
2027	412,013	719,927	1,740,743	927,500	971,250	152,950	93,750	539,437	-	-	2,003,856	1,417,361	555,000	109,950	10,275,438	4,433,108
2028	429,545	701,386	2,063,351	840,463	1,018,500	104,388	93,750	534,234	-	-	171,976	139,589	585,000	93,300	9,262,193	2,801,055
2029	447,078	682,057	2,170,888	737,295	1,069,250	53,463	93,750	529,031	-	-	-	-	610,000	75,750	9,593,064	2,277,009
2030	2,717,532	661,938	2,271,703	628,751	-	-	1,007,813	523,828	-	-	-	-	610,000	57,450	6,607,048	1,871,967
2031	2,822,727	539,649	2,392,681	515,166	-	-	1,007,813	467,894	-	-	-	-	640,000	39,150	6,863,221	1,561,859
2032	2,936,688	412,627	2,506,938	395,532	-	-	1,101,563	409,945	-	-	-	-	665,000	19,950	7,210,189	1,238,054
2033	3,050,649	280,476	2,634,638	270,185	-	-	1,195,313	346,605	-	-	-	-	-	-	6,880,600	897,266
2034	3,182,143	143,196	2,769,058	138,453	-	-	1,289,063	277,875	-	-	-	-	-	-	7,240,264	559,524
2035	-	-	-	-	-	-	3,585,938	204,399	-	-	-	-	-	-	3,585,938	204,399
Totals	\$ 23,993,180	\$ 15,759,890	\$ 18,550,000	\$ 16,510,845	\$ 12,174,750	\$ 5,798,979	\$ 14,929,689	\$ 13,407,644	\$ 18,435,000	\$ 3,685,500	\$ 25,891,485	\$ 19,982,643	\$ 14,050,000	\$ 3,130,575	\$ 257,151,985	\$ 113,563,693

---

***KNOX COUNTY, TENNESSEE***

***Schedule of Salaries and Bonds of Principal Elected Officials***  
***For the year ended June 30, 2013***

---

<b>OFFICIAL</b>	<b>AUTHORIZATION FOR SALARY</b>	<b>SALARY PAID DURING YEAR</b>	<b>BOND AMOUNT</b>	<b>SURETY</b>
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 128,510	\$ 50,000	Hartford Fire Insurance
Attorney General	Section 8-6-104, T.C.A.	\$ 5,500	\$ -	
Circuit and Civil Sessions Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 127,226	\$ 300,000	Hartford Fire Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 108,617	\$ 50,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 161,809	\$ 50,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 129,579	\$ 250,000	Hartford Fire Insurance
Law Director*	Section 3.08, Knox County Charter	\$ 134,837	\$ -	
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 117,690	\$ 100,000	Hartford Fire Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 138,001	\$ 25,000	Hartford Fire Insurance
Trustee	Section 8-24-102 (k), T.C.A.	\$ 108,617	\$ 15,226,673	Hartford Fire Insurance

\*This Official did not serve a full twelve months in this position.



---

**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds  
Comparative Schedules by Source<sup>1</sup>  
June 30, 2013 and 2012  
(In Thousands of Dollars)**

---

	<u>2013</u>	<u>2012</u>
Governmental Funds Capital Assets:		
Land	\$ 100,930	\$ 99,913
Buildings	194,403	212,009
Improvements Other than Buildings	20,357	20,357
Machinery and Equipment	34,705	33,672
Intangibles	15,536	21,910
Infrastructure	537,516	518,633
Construction in Progress	48,697	54,239
Total Governmental Funds Capital Assets	<u>\$ 952,144</u>	<u>\$ 960,733</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 4,399	\$ 4,316
Special Revenue Funds	5,105	3,552
Capital Projects Funds	942,640	952,865
Total Governmental Funds Capital Assets	<u>\$ 952,144</u>	<u>\$ 960,733</u>

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

**KNOX COUNTY, TENNESSEE**

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

**Schedule by Function and Activity<sup>1</sup>**

**June 30, 2013**

(In Thousands of Dollars)

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery And Equipment	Intangibles	Infrastructure	Construction In Progress	Total
General Government:								
Finance and Administration	\$ -	\$ 899	\$ 16	\$ 1,652	\$ 8,925	\$ -	\$ 47	\$ 11,539
Administration of Justice	1,150	22,046	129	389	34	-	842	24,590
Public Safety	366	54,892	29	17,394	759	-	946	74,386
Public Health and Welfare	2,663	22,532	716	3,413	-	-	249	29,573
Social and Cultural Services	20,629	62,918	19,429	3,231	4,763	-	4,186	115,156
Other General Government	4,349	28,830	15	4,210	903	-	17,529	55,836
<b>Total General Government</b>	<b>29,157</b>	<b>192,117</b>	<b>20,334</b>	<b>30,289</b>	<b>15,384</b>	<b>-</b>	<b>23,799</b>	<b>311,080</b>
Engineering & Public Works	71,773	2,286	23	4,416	152	537,516	24,898	641,064
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 100,930</b>	<b>\$ 194,403</b>	<b>\$ 20,357</b>	<b>\$ 34,705</b>	<b>\$ 15,536</b>	<b>\$ 537,516</b>	<b>\$ 48,697</b>	<b>\$ 952,144</b>

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

---

**KNOX COUNTY, TENNESSEE**

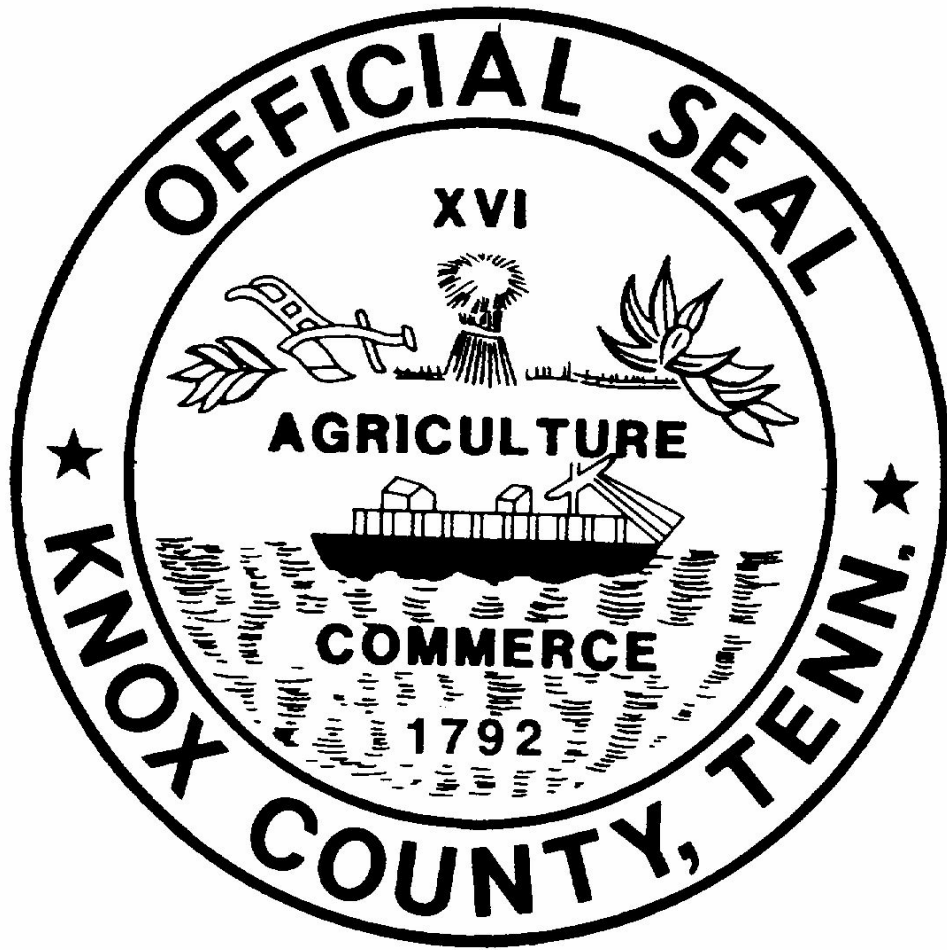
**Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity<sup>1</sup>  
For the Fiscal Year Ended June 30, 2013  
(In Thousands of Dollars)**

---

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2013</b>
General Government:				
Finance and Administration	\$ 11,657	\$ 362	\$ 480	\$ 11,539
Administration of Justice	34,719	796	10,925	24,590
Public Safety	73,296	1,849	759	74,386
Public Health and Welfare	43,239	294	13,960	29,573
Social and Cultural Services	114,753	463	60	115,156
Other General Government	54,340	2,243	747	55,836
Total General Government	<u>332,004</u>	<u>6,007</u>	<u>26,931</u>	<u>311,080</u>
Engineering & Public Works	<u>628,729</u>	<u>26,309</u>	<u>13,974</u>	<u>641,064</u>
Total Governmental Funds Capital Assets	<u>\$ 960,733</u>	<u>\$ 32,316</u>	<u>\$ 40,905</u>	<u>\$ 952,144</u>

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

# Component Unit – Board of Education



## **DISCRETELY PRESENTED COMPONENT UNIT KNOX COUNTY BOARD OF EDUCATION**

This section presents combining and individual fund financial statements for the Knox County Board of Education (the Board), a discretely presented component unit. The Board uses a general fund, a capital projects fund, three special revenue funds, a pension trust fund, and an agency fund. This section also includes the Statement of Net 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:** 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, 2013

	<b>Board of Education</b>	<b>Component Unit</b>	
	<b>Total -- Governmental Activities</b>	<b>Great Schools Partnership</b>	<b>Total Component Unit</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 55,516,736	\$ 1,016,103	\$ 56,532,839
Accounts Receivable	43,200,011	2,193,058	45,393,069
Local Taxes Receivable, net	125,854,198	-	125,854,198
Investments	-	-	-
Due from Primary Government	705,039	-	705,039
Inventories	1,569,676	-	1,569,676
Prepaid Items	1,400,776	324	1,401,100
Capital Assets:			
Land and Construction in Process	79,673,572	-	79,673,572
Other Capital Assets, Net of Accumulated Depreciation	311,639,462	3,082	311,642,544
<b>Total Assets</b>	<b>619,559,470</b>	<b>3,212,567</b>	<b>622,772,037</b>
<b>Liabilities</b>			
Accounts Payable	57,177,557	1,188,177	58,365,734
Due to Knox County Primary Government	3,763,404	-	3,763,404
Unearned Revenue	118,543,040	-	118,543,040
Long-term Liability-Accrued Pension Obligation	3,107,272	-	3,107,272
Other Long-term Obligations:			
Due in Less than One Year	2,220,013	-	2,220,013
Due in More than One Year	246,668	-	246,668
<b>Total Liabilities</b>	<b>185,057,954</b>	<b>1,188,177</b>	<b>186,246,131</b>
<b>Net Position</b>			
Investment in Capital Assets	391,316,116	-	391,316,116
Restricted for:			
Capital Projects	13,182,024	-	13,182,024
Education Purposes	19,501,443	-	19,501,443
Net Position - Unrestricted	10,501,933	2,024,390	12,526,323
<b>Total Net Position</b>	<b>\$ 434,501,516</b>	<b>\$ 2,024,390</b>	<b>\$ 436,525,906</b>

**Knox County Board of Education**

**Statement of Activities**

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education Governmental Activities	Component Unit The Partnership	Total Component Unit
<b>Knox County Board of Education:</b>							
Governmental activities:							
Education	\$ 492,035,374	\$ 16,680,762	\$ 68,644,307	\$ -	\$ (406,710,305)		\$ (406,710,305)
Education - Payment to Primary Government	32,601,668	-	-	-	(32,601,668)		(32,601,668)
<b>Total primary government</b>	<u>\$ 524,637,042</u>	<u>\$ 16,680,762</u>	<u>\$ 68,644,307</u>	<u>\$ -</u>	<u>(439,311,973)</u>		<u>(439,311,973)</u>
<b>Component unit:</b>							
Great Schools Partnership	\$ 4,965,197	\$ 1,074	\$ 2,233,950	\$ -		\$ (2,730,173)	(2,730,173)
<b>Total component unit</b>	<u>\$ 4,965,197</u>	<u>\$ 1,074</u>	<u>\$ 2,233,950</u>	<u>\$ -</u>		<u>(2,730,173)</u>	<u>(2,730,173)</u>
<b>General Revenues:</b>							
Property Taxes				113,862,764	-		113,862,764
Sales Taxes				127,612,963	-		127,612,963
Wheel Taxes				1,515,396	-		1,515,396
Other Local Taxes				1,019,405	-		1,019,405
Interest Income				133,824	1,887		135,711
Miscellaneous				371,993	-		371,993
Grants and Contributions Not Restricted for Specific Programs				169,491,089	-		169,491,089
Payments from Knox County Primary Government				32,144,391	2,641,874		34,786,265
State Shared Revenues				1,671,340			1,671,340
Payments from Component Unit				2,641,874	-		2,641,874
<b>Total General Revenues</b>				<u>450,465,039</u>	<u>2,643,761</u>		<u>453,108,800</u>
Change in Net Position				11,153,066	(86,412)		11,066,654
Net Position, July 1, as restated				423,348,450	2,110,802		425,459,252
Net Position, June 30				<u>\$ 434,501,516</u>	<u>\$ 2,024,390</u>		<u>\$ 436,525,906</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

**Balance Sheet**

**Governmental Funds**

June 30, 2013

	<b>General Purpose School</b>	<b>School Construction Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 31,845,225	\$ 15,783,404	\$ 7,888,107	\$ 55,516,736
Receivables (Net of Allowance for Uncollectibles):				
Accounts	22,850,628	-	20,349,383	43,200,011
Local Taxes	122,586,919	3,267,279	-	125,854,198
Due from Other Funds	24,867,077	-	2,117,877	26,984,954
Due from Primary Government	675,940	29,075	24	705,039
Inventories	941,839	-	627,837	1,569,676
Prepaid Items	1,400,776	-	-	1,400,776
<b>TOTAL ASSETS</b>	<b>\$ 205,168,404</b>	<b>\$ 19,079,758</b>	<b>\$ 30,983,228</b>	<b>\$ 255,231,390</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 48,179,117	\$ 3,298,453	\$ 5,699,987	\$ 57,177,557
Due to Other Funds	1,310,183	15,518,438	10,156,333	26,984,954
Due to Primary Government	1,034,753	982,994	1,745,657	3,763,404
Deferred Revenue	121,737,806	-	1,785,343	123,523,149
<b>TOTAL LIABILITIES</b>	<b>172,261,859</b>	<b>19,799,885</b>	<b>19,387,320</b>	<b>211,449,064</b>
<b>Fund Balance:</b>				
Nonspendable	2,342,615	-	291,179	2,633,794
Restricted	11,863,858	-	7,637,585	19,501,443
Committed	11,430,000	-	3,667,144	15,097,144
Assigned	243,357	-	-	243,357
Unassigned	7,026,715	(720,127)	-	6,306,588
<b>TOTAL FUND BALANCES</b>	<b>32,906,545</b>	<b>(720,127)</b>	<b>11,595,908</b>	<b>43,782,326</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 205,168,404</b>	<b>\$ 19,079,758</b>	<b>\$ 30,983,228</b>	<b>\$ 255,231,390</b>



---

**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Position**  
June 30, 2013

---

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

Ending Fund Balance - Governmental Funds	\$ 43,782,326
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	391,313,034
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.	4,980,109
Long-term liabilities, consisting of compensated absences (\$2,466,681) and pension obligation (\$3,107,272), are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,573,953)</u>
Net Position of Governmental Activities	<u><u>\$ 434,501,516</u></u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 114,503,867	\$ 19,420,825	\$ -	\$ 133,924,692
Local Option Sales Taxes	108,192,138	-	-	108,192,138
Wheel Tax	1,515,396	-	-	1,515,396
Other Local Taxes	1,019,405	-	-	1,019,405
Licenses and Permits	29,441	-	2,400	31,841
Charges for Current Services	598,808	-	9,123,794	9,722,602
Other Local Revenues	1,353,595	-	6,663,081	8,016,676
State of Tennessee	173,589,298	-	3,890,050	177,479,348
Federal Government	502,729	-	56,067,252	56,569,981
Other Governments and Citizen Groups	-	-	5,039,043	5,039,043
Interest Earned	-	133,824	-	133,824
Payments from Primary Government	1,182,000	-	2,870,000	4,052,000
Payment from Component Unit	-	-	2,641,874	2,641,874
Debt Proceeds Received from Primary Government	-	13,182,024	-	13,182,024
<b>Total Revenues</b>	<b>402,486,677</b>	<b>32,736,673</b>	<b>86,297,494</b>	<b>521,520,844</b>
<b>Expenditures</b>				
Current:				
Education	388,651,475	-	88,480,108	477,131,583
Capital Outlay	-	39,283,970	-	39,283,970
Payments to Primary Government	12,101,668	20,500,000	-	32,601,668
Other Charges	-	178,072	-	178,072
<b>Total Expenditures</b>	<b>400,753,143</b>	<b>59,962,042</b>	<b>88,480,108</b>	<b>549,195,293</b>
<b>Excess of Revenues Over Expenditures</b>	<b>1,733,534</b>	<b>(27,225,369)</b>	<b>(2,182,614)</b>	<b>(27,674,449)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	645,008	13,565,000	7,164,144	21,374,152
Transfers to Other Funds	(19,298,833)	-	(2,075,319)	(21,374,152)
<b>Total Other Financing Sources (Uses)</b>	<b>(18,653,825)</b>	<b>13,565,000</b>	<b>5,088,825</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(16,920,291)</b>	<b>(13,660,369)</b>	<b>2,906,211</b>	<b>(27,674,449)</b>
<b>Fund Balances, July 1, as restated</b>	<b>49,826,836</b>	<b>12,940,242</b>	<b>8,689,697</b>	<b>71,456,775</b>
<b>Fund Balances, June 30</b>	<b>\$ 32,906,545</b>	<b>\$ (720,127)</b>	<b>\$ 11,595,908</b>	<b>\$ 43,782,326</b>

**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
For the Year Ended June 30, 2013

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

Net Change in Fund Balances - Total Governmental Funds \$ (27,674,449)

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 (\$39,520,982) exceeded depreciation (\$14,913,294) in the current period. 24,607,688

The Primary Government provided a capital asset to the Board. This transaction did not provide current resources to governmental funds, but resulted in the recognition of revenue in the statement of activities. 14,910,367

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. 4,980,109

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. (5,621,212)

The increase in the liability for compensated absences of \$81,447 resulted in additional expenses, and the reduction of the net pension obligation of \$32,010 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. (49,437)

Change in Net Position of Governmental Activities \$ 11,153,066

---

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Balance Sheets  
June 30, 2013 and June 30, 2012

---

	2013	Restated 2012
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 31,845,225	\$ 43,826,041
Receivables (Net of Allowance for Uncollectibles):		
Accounts	22,850,628	24,761,790
Local Taxes	122,586,919	122,038,090
Due from Primary Government	675,940	1,711,122
Due from Other Funds	24,867,077	31,309,989
Prepaid Items	1,400,776	1,305,178
Inventories	941,839	942,317
	<hr/>	<hr/>
TOTAL ASSETS	\$ 205,168,404	\$ 225,894,527
	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 48,179,117	\$ 48,723,608
Due to Other Funds	1,310,183	5,233,795
Due to Primary Government	1,034,753	1,033,642
Deferred Revenue	121,737,806	121,076,646
	<hr/>	<hr/>
TOTAL LIABILITIES	172,261,859	176,067,691
	<hr/>	<hr/>
<b>Fund Balances:</b>		
Nonspendable	2,342,615	2,247,495
Restricted	11,863,858	20,469,574
Committed	11,430,000	-
Assigned	243,357	935,597
Unassigned	7,026,715	26,174,170
	<hr/>	<hr/>
TOTAL FUND BALANCES	32,906,545	49,826,836
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 205,168,404	\$ 225,894,527
	<hr/>	<hr/>

---

**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, 2013 and June 30, 2012**

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Property Taxes	\$ 114,503,867	\$ 112,732,649
Local Option Sales Taxes	108,192,138	108,989,512
Wheel Tax	1,515,396	1,501,397
Other Local Taxes	1,019,405	1,020,172
Licenses and Permits	29,441	29,422
Charges for Current Services	598,808	1,008,029
Other Local Revenues	1,353,595	1,719,212
State of Tennessee	173,589,298	166,183,421
Federal Government	502,729	564,136
Payment from Primary Government	1,182,000	1,182,000
Total Revenues	<u>402,486,677</u>	<u>394,929,950</u>
<b>Expenditures</b>		
Current:		
Education	388,651,475	369,805,044
Payments to Primary Government	12,101,668	10,926,382
Total Expenditures	<u>400,753,143</u>	<u>380,731,426</u>
Excess of Revenues Over Expenditures	<u>1,733,534</u>	<u>14,198,524</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	645,008	419,077
Transfers to Other Funds	<u>(19,298,833)</u>	<u>(507,930)</u>
Total Other Financing Sources (Uses)	<u>(18,653,825)</u>	<u>(88,853)</u>
Net Change in Fund Balances	(16,920,291)	14,109,671
Fund Balances, July 1, as restated	<u>49,826,836</u>	<u>35,717,165</u>
Fund Balances, June 30, as restated for 2012	<u>\$ 32,906,545</u>	<u>\$ 49,826,836</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 General Fund - General Purpose School  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis) (Continued)  
 For the years ended June 30, 2013 and June 30, 2012

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	645,000	555,000	645,008	90,008	400,000	419,077	19,077
Transfers to Other Funds	(430,567)	(21,423,688)	(19,298,833)	2,124,855	(250,000)	(507,930)	(257,930)
Total Other Financing Sources (Uses)	214,433	(20,868,688)	(18,653,825)	2,214,863	150,000	(88,853)	(238,853)
Net Change in Fund Balances	(4,970,000)	(26,192,658)	(16,920,291)	9,272,367	(7,450,946)	14,109,671	21,560,617
Fund Balances, July 1, as restated	49,826,836	49,826,836	49,826,836	-	35,717,165	35,717,165	-
Fund Balances, June 30	\$ 44,856,836	\$ 23,634,178	\$ 32,906,545	\$ 9,272,367	\$ 28,266,219	\$ 49,826,836	\$ 21,560,617

**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, 2013 and June 30, 2012**

	2013				2012			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Property Taxes	\$ 113,452,000	\$ 113,452,000	\$ 114,503,867	\$ 1,051,867	\$ 110,832,000	\$ 112,732,649	\$ 1,900,649	
Local Option Sales Taxes	106,030,000	106,030,000	108,192,138	2,162,138	99,400,000	108,989,512	9,589,512	
Wheel Tax	1,500,000	1,500,000	1,515,396	15,396	1,500,000	1,501,397	1,397	
Other Local Taxes	1,089,500	1,089,500	1,019,405	(70,095)	1,089,500	1,020,172	(69,328)	
Licenses and Permits	36,000	36,000	29,441	(6,559)	36,000	29,422	(6,578)	
Charges for Current Services	910,500	765,500	598,808	(166,692)	1,191,800	1,008,029	(183,771)	
Other Local Revenues	2,906,000	2,596,000	1,353,595	(1,242,405)	2,668,988	1,719,212	(949,776)	
State of Tennessee	166,952,000	171,462,000	173,589,298	2,127,298	162,792,712	166,183,421	3,390,709	
Federal Government	537,000	537,000	502,729	(34,271)	558,040	564,136	6,096	
Payments from Primary Government	2,682,000	1,182,000	1,182,000	-	1,182,000	1,182,000	-	
<b>Total Revenues</b>	<b>396,095,000</b>	<b>398,650,000</b>	<b>402,486,677</b>	<b>3,836,677</b>	<b>381,251,040</b>	<b>394,929,950</b>	<b>13,678,910</b>	
<b>Expenditures</b>								
Current:								
Education:								
Personal Services	266,519,894	260,645,284	257,505,853	3,139,431	249,000,680	243,802,515	5,198,165	
Employee Benefits	70,713,702	71,728,701	70,171,267	1,557,434	68,032,860	67,218,431	814,429	
Contracted Services	22,901,111	25,471,922	25,301,506	170,416	24,342,980	24,128,316	214,664	
Supplies and Materials	23,447,240	27,640,037	27,266,997	373,040	26,941,539	26,747,882	193,657	
Other Charges	7,163,228	7,932,106	7,893,445	38,661	9,155,264	7,308,201	1,847,063	
Capital Outlay	506,656	528,318	512,407	15,911	678,404	599,699	78,705	
Payments to Primary Government	10,027,602	10,027,602	12,101,668	(2,074,066)	10,700,259	10,926,382	(226,123)	
<b>Total Expenditures</b>	<b>401,279,433</b>	<b>403,973,970</b>	<b>400,753,143</b>	<b>3,220,827</b>	<b>388,851,986</b>	<b>380,731,426</b>	<b>8,120,560</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,184,433)	(5,323,970)	1,733,534	7,057,504	(7,600,946)	14,198,524	21,799,470	
<b>Other Financing Sources (Uses)</b>								
Transfers from Other Funds	645,000	555,000	645,008	90,008	400,000	419,077	19,077	
Transfers to Other Funds	(430,567)	(21,423,688)	(19,298,833)	2,124,855	(250,000)	(507,930)	(257,930)	
<b>Total Other Financing Sources (Uses)</b>	<b>214,433</b>	<b>(20,868,688)</b>	<b>(18,653,825)</b>	<b>2,214,863</b>	<b>150,000</b>	<b>(88,853)</b>	<b>(238,853)</b>	
<b>Net Change in Fund Balances</b>	<b>(4,970,000)</b>	<b>(26,192,658)</b>	<b>(16,920,291)</b>	<b>9,272,367</b>	<b>(7,450,946)</b>	<b>14,109,671</b>	<b>21,560,617</b>	
Fund Balances, July 1, as restated	49,826,836	49,826,836	49,826,836	-	35,717,165	35,717,165	-	
<b>Fund Balances, June 30, as restated for 2012</b>	<b>\$ 44,856,836</b>	<b>\$ 23,634,178</b>	<b>\$ 32,906,545</b>	<b>\$ 9,272,367</b>	<b>\$ 28,266,219</b>	<b>\$ 49,826,836</b>	<b>\$ 21,560,617</b>	

---

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Balance Sheets  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 15,783,404	\$ 20,769,768
Receivables (Net of Allowance for Uncollectibles):		
Sales Taxes	3,267,279	3,298,668
Investments	-	8,498,816
Due from Primary Government	29,075	44,506
	<u>19,079,758</u>	<u>32,611,758</u>
TOTAL ASSETS	<u>\$ 19,079,758</u>	<u>\$ 32,611,758</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 3,298,453	\$ 3,955,217
Due to Other Funds	15,518,438	15,716,299
Due to Primary Government	982,994	-
	<u>19,799,885</u>	<u>19,671,516</u>
TOTAL LIABILITIES	<u>19,799,885</u>	<u>19,671,516</u>
<b>Fund Balances (Deficit):</b>		
Restricted	-	8,594,613
Committed	-	4,345,629
Unassigned	(720,127)	-
	<u>(720,127)</u>	<u>12,940,242</u>
TOTAL FUND BALANCES (DEFICIT)	<u>(720,127)</u>	<u>12,940,242</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,079,758</u>	<u>\$ 32,611,758</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, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Sales Taxes	\$ 19,420,825	\$ 19,598,888
Interest Earned	133,824	744
Debt Proceeds Received from Primary Government	<u>13,182,024</u>	<u>13,578,202</u>
Total Revenues	<u>32,736,673</u>	<u>33,177,834</u>
<b>Expenditures</b>		
Capital Projects	39,283,970	28,533,840
Payments to Primary Government	20,500,000	22,344,263
Other Charges	<u>178,072</u>	<u>197,368</u>
Total Expenditures	<u>59,962,042</u>	<u>51,075,471</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(27,225,369)</u>	<u>(17,897,637)</u>
<b>Other Financing Sources</b>		
Transfers From Other Funds	<u>13,565,000</u>	<u>-</u>
Total Other Financing Sources	<u>13,565,000</u>	<u>-</u>
Net Change in Fund Balance	(13,660,369)	(17,897,637)
Fund Balances, July 1	<u>12,940,242</u>	<u>30,837,879</u>
Fund Balances (Deficit), June 30	<u>\$ (720,127)</u>	<u>\$ 12,940,242</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (Budget Basis)  
For the years ended June 30, 2013 and June 30, 2012**

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Sales Taxes	\$ 19,417,595	\$ 19,417,595	\$ 19,420,825	\$ 3,230	\$ 17,952,750	\$ 19,598,888	\$ 1,646,138
Other Local Revenue	80,000	80,000	29,074	(50,926)	600,000	744	(599,256)
<b>Total Revenues</b>	<b>19,497,595</b>	<b>19,497,595</b>	<b>19,449,899</b>	<b>(47,696)</b>	<b>18,552,750</b>	<b>19,599,632</b>	<b>1,046,882</b>
<b>Expenditures</b>							
Other Charges:							
Payments to Primary Government	20,500,000	20,500,000	20,500,000	-	19,844,263	19,844,263	-
Other Charges	-	-	-	-	200,000	197,368	2,632
<b>Total Expenditures</b>	<b>20,500,000</b>	<b>20,500,000</b>	<b>20,500,000</b>	<b>-</b>	<b>20,044,263</b>	<b>20,041,631</b>	<b>2,632</b>
<b>Net Change in Fund Balances</b>	<b>(1,002,405)</b>	<b>(1,002,405)</b>	<b>(1,050,101)</b>	<b>(47,696)</b>	<b>(1,491,513)</b>	<b>(441,999)</b>	<b>1,049,514</b>
Fund Balances, July 1 (Budget Basis)	-	-	-	-	-	-	-
<b>Fund Balances (Deficit), June 30 (Budget Basis)</b>	<b>\$ (1,002,405)</b>	<b>\$ (1,002,405)</b>	<b>\$ (1,050,101)</b>	<b>\$ (47,696)</b>	<b>\$ (1,491,513)</b>	<b>\$ (441,999)</b>	<b>\$ 1,049,514</b>
<b>Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):</b>							
Fund Balances (Deficit) (Budget Basis)				\$ (1,050,101)		\$ (441,999)	
Timing Differences:							
Project Length Budgets				329,974		13,382,241	
Fund Balances (Deficit)(GAAP Basis)				<u>\$ (720,127)</u>		<u>\$ 12,940,242</u>	

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School Construction Capital Projects Fund  
 Schedule of Construction Project Expenditures -  
 Budget and Actual  
 For the year ended June 30, 2013

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Physical Plant Upgrades	\$ 28,736,858	\$ -	\$ 13,276,249	\$ 13,276,249	\$ 15,460,609
Amherst Elementary	16,077,296	16,069,788	-	16,069,788	7,508
Cedar Bluff K-3	20,036,668	20,030,831	5,837	20,036,668	-
Brickey Elementary	14,410,824	14,410,824	-	14,410,824	-
New Holston Middle	11,944,500	11,922,864	4,992	11,927,856	16,644
West High Library / Cafeteria	2,200,000	2,200,000	-	2,200,000	-
Gibbs Elementary School	15,404,720	15,391,694	13,026	15,404,720	-
Powell Middle	1,128,543	1,121,609	3,220	1,124,829	3,714
Karns High Addition and Renovations	3,000,000	3,000,000	-	3,000,000	-
Ball Camp ES Addition/Renovation	5,424,334	5,224,146	112,233	5,336,379	87,955
Carter Renovations	2,500,000	-	2,396,073	2,396,073	103,927
Southwest Elementary	18,300,000	4,958,025	12,341,713	17,299,738	1,000,262
School Energy Savings Project	23,603,423	34,469,767	4,672,552	39,142,319	(15,538,896)
Hardin Valley High School	50,000,000	49,979,658	2,609	49,982,267	17,733
Pond Gap Elementary	7,000,000	-	-	-	7,000,000
Shannondale Elementary	4,015,000	-	-	-	4,015,000
Energy Management Project IIIB	13,182,024	-	6,455,466	6,455,466	6,726,558
<i>Total Capital Projects:</i>	<u>\$ 236,964,190</u>	<u>\$ 178,779,206</u>	<u>\$ 39,283,970</u>	<u>\$ 218,063,176</u>	<u>\$ 18,901,014</u>
Project Expenditures			\$ 39,283,970		
Adjustment for expenditures budgeted on an annual basis and other non-project expenditures			<u>20,678,072</u>		
Total School Construction Fund Expenditures			<u>\$ 59,962,042</u>		

---

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

June 30, 2013

---

	<b>School Federal Projects</b>	<b>School General Projects</b>	<b>Central Cafeteria</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 3,167,310	\$ 4,720,797	\$ 7,888,107
Receivables (Net of Allowance for Uncollectibles):				
Accounts	13,604,066	3,200,649	3,544,668	20,349,383
Due from Other Funds	111,838	2,006,039	-	2,117,877
Due from Primary Government	24	-	-	24
Inventories	-	336,658	291,179	627,837
<b>TOTAL ASSETS</b>	<b>\$ 13,715,928</b>	<b>\$ 8,710,656</b>	<b>\$ 8,556,644</b>	<b>\$ 30,983,228</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 3,750,504	\$ 1,642,110	\$ 307,373	\$ 5,699,987
Due to Other Funds	9,819,320	337,013	-	10,156,333
Due to Primary Government	73,358	1,672,299	-	1,745,657
Deferred Revenue	60,368	1,392,090	332,885	1,785,343
<b>TOTAL LIABILITIES</b>	<b>13,703,550</b>	<b>5,043,512</b>	<b>640,258</b>	<b>19,387,320</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	291,179	291,179
Restricted	12,378	-	7,625,207	7,637,585
Committed	-	3,667,144	-	3,667,144
<b>TOTAL FUND BALANCES</b>	<b>12,378</b>	<b>3,667,144</b>	<b>7,916,386</b>	<b>11,595,908</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,715,928</b>	<b>\$ 8,710,656</b>	<b>\$ 8,556,644</b>	<b>\$ 30,983,228</b>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

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

**Nonmajor Governmental Funds**

For the Year Ended June 30, 2013

	<b>School Federal Projects</b>	<b>School General Projects</b>	<b>Central Cafeteria</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Licenses and Permits	\$ -	\$ 2,400	\$ -	\$ 2,400
Charges for Current Services	-	695,759	8,428,035	9,123,794
Other Local Revenues	-	5,839,586	823,495	6,663,081
State of Tennessee	65,671	3,302,351	522,028	3,890,050
Federal Government	39,134,089	-	16,933,163	56,067,252
Other Governments and Citizen Groups	4,567,872	471,171	-	5,039,043
Payments from Primary Government	-	2,870,000	-	2,870,000
Payment from Component Unit	-	2,641,874	-	2,641,874
<b>Total Revenues</b>	<b>43,767,632</b>	<b>15,823,141</b>	<b>26,706,721</b>	<b>86,297,494</b>
<b>Expenditures</b>				
Current:				
Education	42,399,204	19,596,334	26,484,570	88,480,108
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,368,428</b>	<b>(3,773,193)</b>	<b>222,151</b>	<b>(2,182,614)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	61,883	7,102,261	-	7,164,144
Transfers to Other Funds	(1,430,311)	(20,000)	(625,008)	(2,075,319)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,368,428)</b>	<b>7,082,261</b>	<b>(625,008)</b>	<b>5,088,825</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>3,309,068</b>	<b>(402,857)</b>	<b>2,906,211</b>
<b>Fund Balances, July 1</b>	<b>12,378</b>	<b>358,076</b>	<b>8,319,243</b>	<b>8,689,697</b>
<b>Fund Balances, June 30</b>	<b>\$ 12,378</b>	<b>\$ 3,667,144</b>	<b>\$ 7,916,386</b>	<b>\$ 11,595,908</b>

---

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Fund  
Comparative Balance Sheets  
June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 13,604,066	\$ 17,275,433
Due From Other Funds	111,838	4,188,637
Due From Primary Government	24	-
Prepaid Items	-	8,896
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 13,715,928</u>	<u>\$ 21,472,966</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 3,750,504	\$ 5,294,387
Due to Other Funds	9,819,320	16,101,533
Due to Primary Government	73,358	35,871
Deferred Revenue	60,368	28,797
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>13,703,550</u>	<u>21,460,588</u>
 <b>Fund Balances:</b>		
Nonspendable	-	8,896
Restricted	12,378	3,482
	<u>                    </u>	<u>                    </u>
TOTAL FUND BALANCES	<u>12,378</u>	<u>12,378</u>
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,715,928</u>	<u>\$ 21,472,966</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, 2013 and June 30, 2012**

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
State of Tennessee	\$ 65,671	\$ 92,124
Federal Government	39,134,089	47,949,050
Other Governments and Citizen Groups	<u>4,567,872</u>	<u>2,226,311</u>
Total Revenues	<u>43,767,632</u>	<u>50,267,485</u>
<b>Expenditures</b>		
Current:		
Education	<u>42,399,204</u>	<u>48,830,907</u>
Excess of Revenues Over Expenditures	<u>1,368,428</u>	<u>1,436,578</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	61,883	60,645
Transfers to Other Funds	<u>(1,430,311)</u>	<u>(1,497,223)</u>
Total Other Financing Uses	<u>(1,368,428)</u>	<u>(1,436,578)</u>
Net Change in Fund Balances	-	-
Fund Balances, July 1	<u>12,378</u>	<u>12,378</u>
Fund Balances, June 30	<u><u>\$ 12,378</u></u>	<u><u>\$ 12,378</u></u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School Federal Projects Fund  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
 For the years ended June 30, 2013 and June 30, 2012

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
State of Tennessee	\$ 88,368	\$ 88,368	\$ 65,671	\$ (22,697)	\$ 121,008	\$ 92,124	\$ (28,884)
Federal Government	48,986,501	48,986,501	39,134,089	(9,852,412)	57,709,243	47,949,050	(9,760,193)
Other Governments and Citizen Groups	9,047,944	9,047,944	4,567,872	(4,480,072)	6,188,450	2,226,311	(3,962,139)
<b>Total Revenues</b>	<b>58,122,813</b>	<b>58,122,813</b>	<b>43,767,632</b>	<b>(14,355,181)</b>	<b>64,018,701</b>	<b>50,267,485</b>	<b>(13,751,216)</b>
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	34,800,394	34,800,394	28,077,269	6,723,125	36,431,421	29,563,674	6,867,747
Employee Benefits	8,345,839	8,345,839	6,300,735	2,045,104	8,623,229	6,956,721	1,666,508
Contracted Services	3,576,316	3,576,316	2,181,166	1,395,150	4,183,857	2,961,375	1,222,482
Supplies and Materials	4,749,975	4,749,975	2,071,277	2,678,698	5,310,311	3,041,658	2,268,653
Other Charges	2,058,402	2,058,402	1,212,041	846,361	3,317,939	2,263,770	1,054,169
Capital Outlay	3,182,299	3,182,299	2,556,716	625,583	4,518,362	4,043,709	474,653
<b>Total Expenditures</b>	<b>56,713,225</b>	<b>56,713,225</b>	<b>42,399,204</b>	<b>14,314,021</b>	<b>62,385,119</b>	<b>48,830,907</b>	<b>13,554,212</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,409,588	1,409,588	1,368,428	(41,160)	1,633,582	1,436,578	(197,004)
<b>Other Financing Sources (Uses)</b>							
Transfer from Other Funds	-	61,883	61,883	-	84,516	60,645	(23,871)
Transfer to Other Funds	(1,471,471)	(1,471,471)	(1,430,311)	41,160	(1,687,494)	(1,497,223)	190,271
<b>Total Other Financing Sources (Uses)</b>	<b>(1,471,471)</b>	<b>(1,409,588)</b>	<b>(1,368,428)</b>	<b>41,160</b>	<b>(1,602,978)</b>	<b>(1,436,578)</b>	<b>166,400</b>
<b>Net Change in Fund Balances</b>	<b>(61,883)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,604</b>	<b>-</b>	<b>(30,604)</b>
Fund Balances, July 1	12,378	12,378	12,378	-	12,378	12,378	-
Fund Balances, June 30	\$ (49,505)	\$ 12,378	\$ 12,378	\$ -	\$ 42,982	\$ 12,378	\$ (30,604)

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, 2013 and June 30, 2012**

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,167,310	\$ -
Receivables (Net of Allowance for Uncollectibles):		
Accounts	3,200,649	2,241,451
Due from Other Funds	2,006,039	1,749,903
Inventories	336,658	-
	<u>8,710,656</u>	<u>3,991,354</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,710,656</u>	<u>\$ 3,991,354</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 1,642,110	\$ 1,290,744
Due to Primary Government	1,672,299	354,772
Due to Other Funds	337,013	196,902
Deferred Revenue	1,392,090	1,790,860
	<u>5,043,512</u>	<u>3,633,278</u>
<b>TOTAL LIABILITIES</b>	<u>5,043,512</u>	<u>3,633,278</u>
<b>Fund Balances:</b>		
Committed	<u>3,667,144</u>	<u>358,076</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 8,710,656</u>	<u>\$ 3,991,354</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, 2013 and June 30, 2012**

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Licenses and Permits	\$ 2,400	\$ 2,934
Charges for Current Services	695,759	806,071
Other Local Revenues	5,839,586	2,984,381
State of Tennessee	3,302,351	2,412,934
Federal Government	-	28,801
Other Governments and Citizens Groups	471,171	492,730
Payments from Component Unit	2,641,874	2,641,874
Payments from Primary Government	<u>2,870,000</u>	<u>-</u>
Total Revenues	<u>15,823,141</u>	<u>9,369,725</u>
<b>Expenditures</b>		
Current:		
Education	<u>19,596,334</u>	<u>11,294,154</u>
Deficiency of Revenues Under Expenditures	<u>(3,773,193)</u>	<u>(1,924,429)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	7,102,261	1,944,508
Transfers To Other Funds	<u>(20,000)</u>	<u>(19,077)</u>
Total Other Financing Sources	<u>7,082,261</u>	<u>1,925,431</u>
Net Change in Fund Balances	3,309,068	1,002
Fund Balances, July 1	<u>358,076</u>	<u>357,074</u>
Fund Balances, June 30	<u><u>\$ 3,667,144</u></u>	<u><u>\$ 358,076</u></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, 2013 and June 30, 2012

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Licenses and Permits	\$ -	\$ -	\$ 2,400	\$ 2,400	\$ -	\$ 2,934	\$ 2,934
Charges for Current Services	987,050	987,050	695,759	(291,291)	1,784,828	806,071	(978,757)
Other Local Revenues	8,078,327	8,078,327	5,839,586	(2,238,741)	2,674,419	2,984,381	309,962
State of Tennessee	3,302,351	3,302,351	3,302,351	-	3,025,374	2,412,934	(612,440)
Federal Government	-	-	-	-	28,801	28,801	-
Payments from Component Government	2,641,874	2,641,874	2,641,874	-	2,641,874	2,641,874	-
Payments from Primary Government	2,870,000	2,870,000	2,870,000	-	-	-	-
Other Governments and Citizens Groups	703,209	703,209	471,171	(232,038)	708,349	492,730	(215,619)
<b>Total Revenues</b>	<b>18,582,811</b>	<b>18,582,811</b>	<b>15,823,141</b>	<b>(2,759,670)</b>	<b>10,863,645</b>	<b>9,369,725</b>	<b>(1,493,920)</b>
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	8,089,504	8,089,504	7,910,903	178,601	6,652,210	6,317,045	335,165
Employee Benefits	1,836,533	1,836,533	1,836,568	(35)	1,614,009	1,389,673	224,336
Contracted Services	2,482,296	2,482,296	1,353,551	1,128,745	1,817,254	1,128,390	688,864
Supplies and Materials	11,851,650	11,851,650	7,918,793	3,932,857	2,514,356	1,992,737	521,619
Other Charges	489,614	489,614	152,795	336,819	246,676	166,309	80,367
Capital Outlay	920,595	920,595	423,724	496,871	417,413	300,000	117,413
<b>Total Expenditures</b>	<b>25,670,192</b>	<b>25,670,192</b>	<b>19,596,334</b>	<b>6,073,858</b>	<b>13,261,918</b>	<b>11,294,154</b>	<b>1,967,764</b>
Deficiency of Revenues Under Expenditures	(7,087,381)	(7,087,381)	(3,773,193)	3,314,188	(2,398,273)	(1,924,429)	473,844
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	7,089,981	7,089,981	7,102,261	12,280	2,398,819	1,944,508	(454,311)
Transfers to Other Funds	(20,000)	(20,000)	(20,000)	-	-	(19,077)	(19,077)
<b>Total Other Financing Sources (Uses)</b>	<b>7,069,981</b>	<b>7,069,981</b>	<b>7,082,261</b>	<b>12,280</b>	<b>2,398,819</b>	<b>1,925,431</b>	<b>(473,388)</b>
Net Change in Fund Balances	(17,400)	(17,400)	3,309,068	3,326,468	546	1,002	456
Fund Balances, July 1	358,076	358,076	358,076	-	357,074	357,074	-
Fund Balances, June 30	\$ 340,676	\$ 340,676	\$ 3,667,144	\$ 3,326,468	\$ 357,620	\$ 358,076	\$ 456

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, 2013 and June 30, 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,720,797	\$ 4,320,875
Receivables (Net of Allowance for Uncollectibles):		
Accounts	3,544,668	4,463,041
Inventories	291,179	477,983
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 8,556,644</u>	<u>\$ 9,261,899</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 307,373	\$ 646,000
Deferred Revenue	332,885	296,656
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>640,258</u>	<u>942,656</u>
<b>Fund Balances:</b>		
Nonspendable	291,179	477,983
Restricted	7,625,207	7,841,260
	<u>                    </u>	<u>                    </u>
TOTAL FUND BALANCES	<u>7,916,386</u>	<u>8,319,243</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,556,644</u>	<u>\$ 9,261,899</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, 2013 and June 30, 2012**

---

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Charges for Current Services	\$ 8,428,035	\$ 9,262,528
Other Local Revenues	823,495	509,546
State of Tennessee	522,028	363,274
Federal Government	<u>16,933,163</u>	<u>15,926,157</u>
Total Revenues	<u>26,706,721</u>	<u>26,061,505</u>
<b>Expenditures</b>		
Current:		
Education:		
Food Service	<u>26,484,570</u>	<u>24,367,869</u>
Excess of Revenues Over Expenditures	<u>222,151</u>	<u>1,693,636</u>
<b>Other Financing Uses</b>		
Transfers to Other Funds	<u>(625,008)</u>	<u>(400,000)</u>
Net Change in Fund Balances	(402,857)	1,293,636
Fund Balances, July 1	<u>8,319,243</u>	<u>7,025,607</u>
Fund Balances, June 30	<u><u>\$ 7,916,386</u></u>	<u><u>\$ 8,319,243</u></u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Fund  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2013 and June 30, 2012**

	2013				2012		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 10,040,994	\$ 10,040,994	\$ 8,428,035	\$ (1,612,959)	\$ 9,526,301	\$ 9,262,528	\$ (263,773)
Other Local Revenues	202,300	202,300	823,495	621,195	282,907	509,546	226,639
State of Tennessee	429,359	429,359	522,028	92,669	283,870	363,274	79,404
Federal Government	15,320,189	15,920,189	16,933,163	1,012,974	15,647,564	15,926,157	278,593
<b>Total Revenues</b>	<b>25,992,842</b>	<b>26,592,842</b>	<b>26,706,721</b>	<b>113,879</b>	<b>25,740,642</b>	<b>26,061,505</b>	<b>320,863</b>
<b>Expenditures</b>							
Current:							
Education:							
Food Service:							
Personal Services	7,609,656	8,320,656	8,320,579	77	7,935,475	7,935,029	446
Employee Benefits	3,026,072	2,340,272	2,340,208	64	2,609,747	2,200,433	409,314
Contracted Services	698,500	1,091,400	1,038,397	53,003	1,311,000	1,190,974	120,026
Supplies & Materials	13,176,914	14,171,714	14,171,669	45	12,251,720	12,083,694	168,026
Other Charges	326,000	369,900	369,885	15	482,700	450,762	31,938
Capital Outlay	530,700	423,900	243,832	180,068	750,000	506,977	243,023
<b>Total Expenditures</b>	<b>25,367,842</b>	<b>26,717,842</b>	<b>26,484,570</b>	<b>233,272</b>	<b>25,340,642</b>	<b>24,367,869</b>	<b>972,773</b>
Excess of Revenues Over Expenditures	625,000	(125,000)	222,151	347,151	400,000	1,693,636	1,293,636
<b>Other Financing Uses</b>							
Transfers to Other Funds	(625,000)	(625,000)	(625,008)	(8)	(400,000)	(400,000)	-
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(750,000)</b>	<b>(402,857)</b>	<b>347,143</b>	<b>-</b>	<b>1,293,636</b>	<b>1,293,636</b>
Fund Balances, July 1	8,319,243	8,319,243	8,319,243	-	7,025,607	7,025,607	-
<b>Fund Balances, June 30</b>	<b>\$ 8,319,243</b>	<b>\$ 7,569,243</b>	<b>\$ 7,916,386</b>	<b>\$ 347,143</b>	<b>\$ 7,025,607</b>	<b>\$ 8,319,243</b>	<b>\$ 1,293,636</b>

**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2013

	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,962,222	\$ 8,339,963
Investments, at Fair Value		
Mutual Funds	56,356,302	-
Corporate Bonds	679,918	-
U.S. Treasuries	2,184,699	-
Federal Agency Debt Securities	1,550,895	-
Federal Agency Mortgage Backed Securities	2,688,100	-
Total Investments	<u>63,459,914</u>	<u>-</u>
Receivables (Net of Allowance for Uncollectibles):		
Employee Contributions	1,672	-
Other Assets	-	40,269
Total Receivables	<u>1,672</u>	<u>40,269</u>
<b>TOTAL ASSETS</b>	<u>65,423,808</u>	<u>\$ 8,380,232</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	97,829	30,339
Liability for Student Activities	-	8,349,893
<b>TOTAL LIABILITIES</b>	<u>97,829</u>	<u>\$ 8,380,232</u>
<b>NET POSITION</b>		
Held in Trust for:		
Pension Benefits	<u>\$ 65,325,979</u>	

**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit -**  
**Knox County Board of Education**  
**Comparative Statements of Fiduciary Net Position**  
**Pension Trust Fund - Defined Benefit Plan**  
June 30, 2013 and June 30, 2012

	2013	2012
<b>ASSETS</b>		
Cash and Cash Equivalents - Money Market Funds	\$ 1,962,222	\$ 1,813,635
Investments, at Fair Value:		
Mutual Funds	56,356,302	49,662,753
Corporate Bonds	679,918	819,203
State and Municipal Bonds	-	131,487
U.S. Treasuries	2,184,699	5,760,311
Federal Agency Debt Securities	1,550,895	1,123,608
Federal Agency Mortgage Backed Securities	2,688,100	2,563,417
Total Investments	63,459,914	60,060,779
Receivables:		
Employee Contributions	1,672	-
Receivable for Investments Sold	-	2,164,266
Accrued Interest and Dividends	-	29,835
Total Receivables	1,672	2,194,101
<b>TOTAL ASSETS</b>	<b>65,423,808</b>	<b>64,068,515</b>
<b>LIABILITIES</b>		
Accounts Payable - Administrative Expenses	97,829	141,274
Accounts Payable for Investments Purchased	-	1,756,064
<b>TOTAL LIABILITIES</b>	<b>97,829</b>	<b>1,897,338</b>
<b>NET POSITION</b>		
Held in Trust For:		
Pension Benefits	\$ 65,325,979	\$ 62,171,177



---

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Comparative Statements of Changes in Fiduciary Net Position  
Pension Trust Fund - Defined Benefit Plan  
For the years ended June 30, 2013 and June 30, 2012**

---

	<u>2013</u>	<u>2012</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 2,909,566	\$ 1,046,949
Employee	25,783	39,382
Total Contributions	<u>2,935,349</u>	<u>1,086,331</u>
Investment Income:		
Interest and Dividend Income	386,266	564,335
Net Appreciation (Depreciation) in Fair Value of Investments	<u>7,134,052</u>	<u>279,236</u>
Total Investment Earnings (Losses)	7,520,318	843,571
Less Investment Expense	<u>(332,087)</u>	<u>(285,845)</u>
Net Investment Earnings (Losses)	<u>7,188,231</u>	<u>557,726</u>
Total Additions	<u>10,123,580</u>	<u>1,644,057</u>
<b>Deductions</b>		
Benefits and Refunds	6,555,391	6,357,676
Payments to Primary Government	<u>413,387</u>	<u>416,719</u>
Total Deductions	<u>6,968,778</u>	<u>6,774,395</u>
Change in Net Position	3,154,802	(5,130,338)
Total Net Position Held in Trust for Pension Benefits, July 1	<u>62,171,177</u>	<u>67,301,515</u>
Total Net Position Held in Trust for Pension Benefits, June 30	<u>\$ 65,325,979</u>	<u>\$ 62,171,177</u>

---

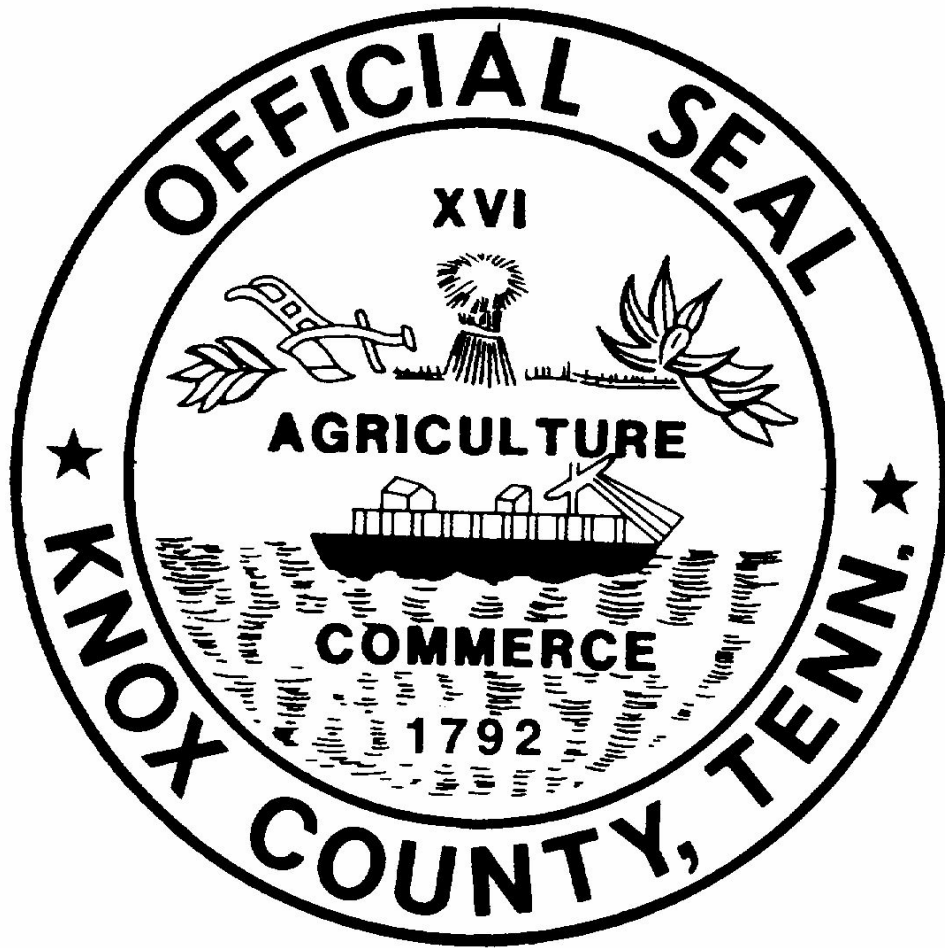
**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Agency Fund - Student Activity Fund**  
**Comparative Statements of Changes in Fiduciary Assets and Liabilities**  
For the years ended June 30, 2013 and June 30, 2012

---

	<u>2013</u>	<u>2012</u>
Assets and Liabilities, July 1	\$ 7,583,099	\$ 7,027,324
Additions	19,859,769	19,430,652
Deductions	<u>(19,092,975)</u>	<u>(18,874,877)</u>
Assets and Liabilities, June 30	<u>\$ 8,349,893</u>	<u>\$ 7,583,099</u>

# Statistical Section



## STATISTICAL SECTION (Unaudited)

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

<b>Contents</b>	<b>Page</b>
Financial Trends	227-235
<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	236-239
<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	240-242
<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	243-244
<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	245-247
<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)

	2004	2005	2006	2007	2008	2009	2010	2011	Restated 2012	2013
Primary government										
Governmental activities										
Net investment in capital assets	\$ 430,036,480	\$ 395,113,478	\$ 365,746,439	\$ 333,733,504	\$ 349,499,226	\$ 298,546,888	\$ 292,183,224	\$ 281,020,672	\$ 276,642,614	\$ 290,649,727
Restricted	34,559,910	60,297,870	68,750,828	68,165,803	33,687,672	38,289,171	27,202,060	23,180,877	30,030,542	9,075,310
Unrestricted	(148,747,919)	(150,361,587)	(204,425,615)	(205,476,472)	(244,843,510)	(216,381,847)	(234,271,029)	(252,750,590)	(243,862,381)	(224,499,180)
Total primary governmental activities net position	\$ 315,848,471	\$ 305,049,761	\$ 230,071,652	\$ 196,422,835	\$ 138,343,388	\$ 120,454,212	\$ 85,114,255	\$ 51,450,959	\$ 62,810,775	\$ 75,225,857
Business-type activities										
Three Ridges Golf Course										
Investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 893,709	\$ 832,590	\$ 718,674	\$ 634,436	\$ 503,880
Unrestricted	-	-	-	-	-	286,781	304,278	301,122	215,757	99,523
Total business-type activities net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,180,490	\$ 1,136,868	\$ 1,019,796	\$ 850,193	\$ 603,403
Component units										
Investment in capital assets	\$ 246,697,189	\$ 255,600,529	\$ 269,693,300	\$ 287,591,285	\$ 308,057,666	\$ 317,191,247	\$ 316,329,152	\$ 340,624,791	\$ 356,215,731	\$ 397,859,173
Restricted	5,045,320	9,118,222	16,479,581	16,556,546	4,118,075	16,585,893	13,121,345	26,094,913	16,457,515	32,705,925
Unrestricted	33,961,884	30,697,796	78,988,946	79,856,696	58,586,611	29,308,255	44,027,622	62,159,294	103,278,242	59,856,270
Total component units activities net position	\$ 285,704,393	\$ 295,416,547	\$ 365,161,827	\$ 384,004,527	\$ 370,762,352	\$ 363,085,395	\$ 373,478,119	\$ 428,878,998	\$ 475,951,488	\$ 490,421,368
Total reporting unit activities net position	\$ 601,552,864	\$ 600,466,308	\$ 595,233,479	\$ 580,427,362	\$ 509,105,740	\$ 484,720,097	\$ 459,729,242	\$ 481,349,753	\$ 539,612,456	\$ 566,250,628

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, TENNESSEE

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Primary government:										
Governmental activities:										
Finance and Administration	\$ 34,272,564	\$ 36,027,013	\$ 37,137,558	\$ 41,307,625	\$ 45,573,546	\$ 41,738,286	\$ 42,195,745	\$ 35,025,924	\$ 31,753,114	\$ 30,903,236
Finance and Administration - payment to component unit	-	-	2,570,000	4,148,000	6,385,000	4,018,649	3,823,874	3,823,874	3,823,874	6,653,874
Administration of Justice	12,635,947	13,701,681	16,568,869	15,277,291	16,211,461	15,651,510	15,691,782	24,277,040	22,434,728	22,734,428
Public Safety	61,702,000	59,055,357	61,608,268	66,374,696	68,125,715	71,388,947	74,109,826	72,135,474	72,565,353	73,855,455
Public Safety - payment to component unit	603,450	603,450	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200
Public Health and Welfare	37,216,721	38,368,614	43,340,309	40,902,596	40,356,191	38,463,931	38,366,594	33,731,246	32,546,227	32,492,041
Public Health and Welfare - payment to component unit	562,635	562,635	646,990	256,628	166,628	166,628	256,628	256,628	256,628	256,628
Social and Cultural Services	15,130,591	16,592,017	19,562,356	22,529,501	21,148,707	21,651,989	21,594,069	21,140,636	19,036,194	19,130,136
Agricultural and Natural Resources	346,591	390,615	402,907	425,395	461,142	433,295	413,675	380,453	365,774	435,231
Other General Government	20,354,933	16,622,981	24,327,500	29,449,900	13,151,278	21,017,395	16,893,864	20,252,535	24,717,611	22,832,602
Other General Government - payment to component unit	-	-	-	-	-	-	-	-	-	675,000
Engineering & Public Works	23,223,425	21,570,330	24,718,942	24,647,845	22,815,377	23,605,027	24,009,373	24,045,860	21,964,447	23,555,325
Engineering & Public Works - payment to component unit	-	-	-	-	-	25,872	-	-	-	-
Education - payment to component unit	32,000,000	24,844,700	71,812,250	29,174,787	5,000,000	14,853,832	29,586,094	50,924,958	13,578,202	28,092,391
Debt Service - interest and fees	17,958,758	21,404,699	23,403,511	25,920,605	28,915,724	30,093,010	25,524,229	28,885,417	28,193,240	26,688,921
Debt Service - other	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>256,007,615</u>	<u>249,744,092</u>	<u>326,425,660</u>	<u>300,741,069</u>	<u>268,636,969</u>	<u>283,434,571</u>	<u>292,791,953</u>	<u>315,206,245</u>	<u>271,561,592</u>	<u>288,631,468</u>
Business-type activities:										
Three Ridges Golf Course	-	-	-	-	-	464,137	961,678	1,044,409	1,147,603	1,124,565
Total primary government expenses	<u>\$ 256,007,615</u>	<u>\$ 249,744,092</u>	<u>\$ 326,425,660</u>	<u>\$ 300,741,069</u>	<u>\$ 268,636,969</u>	<u>\$ 283,898,708</u>	<u>\$ 293,753,631</u>	<u>\$ 316,250,654</u>	<u>\$ 272,709,195</u>	<u>\$ 289,756,033</u>
Component units:										
Board of Education	\$ 386,742,267	\$ 395,291,970	\$ 405,567,591	\$ 429,883,031	\$ 462,569,748	\$ 470,348,600	\$ 480,162,339	\$ 481,991,842	\$ 503,634,777	\$ 526,960,365
Knox County Emergency Communications District	6,840,936	7,148,453	6,468,004	6,302,412	6,394,749	6,922,634	6,653,464	6,428,917	6,420,765	6,405,718
Knox County Development Corporation	-	-	-	-	-	-	-	-	-	725,747
Knox County Railroad Authority	220,964	63,818	77,809	298,394	382,538	63,759	55,017	227,658	40,430	62,716
Total component units expenses	<u>\$ 393,804,167</u>	<u>\$ 402,504,241</u>	<u>\$ 412,113,404</u>	<u>\$ 436,483,837</u>	<u>\$ 469,347,035</u>	<u>\$ 477,334,993</u>	<u>\$ 486,870,820</u>	<u>\$ 488,648,417</u>	<u>\$ 510,095,972</u>	<u>\$ 534,154,546</u>
Total reporting unit expenses	<u>\$ 649,811,782</u>	<u>\$ 652,248,333</u>	<u>\$ 738,539,064</u>	<u>\$ 737,224,906</u>	<u>\$ 737,984,004</u>	<u>\$ 761,233,701</u>	<u>\$ 780,624,451</u>	<u>\$ 804,899,071</u>	<u>\$ 782,805,167</u>	<u>\$ 823,910,579</u>

Continued

KNOX COUNTY, TENNESSEE

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Program Revenues</b>										
Primary government:										
Governmental activities:										
Charges for Services:										
Finance and Administration	\$ 26,732,880	\$ 28,316,120	\$ 20,316,983	\$ 20,508,747	\$ 23,475,489	\$ 18,291,849	\$ 19,541,913	\$ 19,359,362	\$ 21,247,575	\$ 21,290,699
Administration of Justice	3,212,895	3,657,019	11,071,804	11,190,419	12,348,218	10,535,989	9,990,310	10,101,442	10,129,539	10,382,380
Public Safety	903,493	1,032,281	533,509	499,320	983,881	1,333,523	1,330,976	1,439,718	4,478,725	2,759,919
Public Health and Welfare	5,086,478	4,901,207	5,349,029	5,182,137	4,283,390	4,252,529	4,050,480	4,244,236	4,705,246	4,997,021
Social and Cultural Services	2,206,814	1,873,889	1,122,961	1,193,157	1,327,729	1,324,927	1,117,171	880,631	949,557	950,683
Other General Government	21	5,697	2,412,907	1,984,775	88,337	249,935	85,295	689,972	592,251	290,846
Engineering & Public Works	50,692	20,570	53,041	-	20,105	214,851	652,250	436,570	758,766	883,998
Operating grants and contributions	23,108,400	22,760,584	23,799,473	20,535,731	15,232,355	13,162,718	16,546,478	18,111,952	13,941,943	14,465,074
Total governmental activities	61,301,673	62,567,367	64,659,707	61,094,286	57,759,504	49,366,321	53,314,873	55,263,883	56,803,602	56,020,620
Business-type activities:										
Three Ridges Golf Course	-	-	-	-	-	462,055	918,056	927,337	978,000	877,775
Total primary government program revenues	\$ 61,301,673	\$ 62,567,367	\$ 64,659,707	\$ 61,094,286	\$ 57,759,504	\$ 49,828,376	\$ 54,232,929	\$ 56,191,220	\$ 57,781,602	\$ 56,898,395
Component units:										
Charges for Services:										
Board of Education	\$ 11,723,822	\$ 12,199,060	\$ 12,406,982	\$ 13,452,161	\$ 13,744,165	\$ 12,545,538	\$ 14,558,045	\$ 16,621,446	\$ 15,778,275	\$ 16,681,836
Knox County Emergency Communications District	3,806,247	3,867,183	3,739,653	3,562,338	5,605,505	6,215,901	6,209,957	6,132,513	6,457,347	6,347,390
Knox County Development Corporation	-	-	-	-	-	-	-	-	-	88,779
Knox County Railroad Authority	-	-	-	-	-	-	-	-	-	62,866
Operating grants and contributions	150,148,071	166,164,250	168,419,769	174,417,041	50,968,461	55,064,528	75,166,748	82,127,060	75,304,345	70,894,629
Capital grants and contributions	-	-	131,471	-	-	-	-	-	-	747,638
Total component units program revenues	\$ 165,678,140	\$ 182,230,493	\$ 184,697,875	\$ 191,431,540	\$ 70,318,131	\$ 73,825,967	\$ 95,934,750	\$ 104,881,019	\$ 97,539,967	\$ 94,823,138
Total reporting unit program revenues	\$ 226,979,813	\$ 244,797,860	\$ 249,357,582	\$ 252,525,826	\$ 128,077,635	\$ 123,654,343	\$ 150,167,679	\$ 161,072,239	\$ 155,321,569	\$ 151,721,533
Net (expenses)/revenues										
Primary government activities	\$ (194,705,942)	\$ (187,176,725)	\$ (261,765,953)	\$ (239,646,783)	\$ (210,877,465)	\$ (234,070,332)	\$ (239,520,702)	\$ (260,059,434)	\$ (214,927,593)	\$ (232,857,638)
Component units	(228,126,027)	(220,273,748)	(227,415,529)	(245,052,297)	(399,028,904)	(403,509,026)	(390,936,070)	(383,767,398)	(412,556,005)	(439,331,408)
Total net (expenses) revenues for reporting unit	\$ (422,831,969)	\$ (407,450,473)	\$ (489,181,482)	\$ (484,699,080)	\$ (609,906,369)	\$ (637,579,358)	\$ (630,456,772)	\$ (643,826,832)	\$ (627,483,598)	\$ (672,189,046)

Continued

KNOX COUNTY, TENNESSEE

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Revenues and Other Changes in Net Position</b>										
Primary government:										
Governmental activities:										
Taxes										
Property taxes	\$ 113,293,837	\$ 116,504,303	\$ 117,697,785	\$ 124,861,193	\$ 128,874,750	\$ 140,608,170	\$ 134,655,757	\$ 142,138,781	\$ 139,862,073	\$ 144,007,522
Sales taxes	9,185,734	9,133,387	9,626,296	10,031,562	9,952,384	8,987,868	9,708,315	10,433,188	11,076,254	11,815,046
Lodging taxes	4,025,335	4,207,643	4,702,072	5,286,419	5,382,819	4,815,765	4,830,079	5,152,412	5,696,181	5,547,738
Business taxes	5,115,059	5,605,190	5,864,308	6,651,425	6,629,276	7,440,271	6,332,408	7,347,327	7,782,614	8,709,692
Wheel taxes	1,186,075	9,182,465	10,118,110	10,347,460	10,636,138	10,570,144	10,471,856	10,937,485	10,835,470	10,936,500
Other local taxes	3,249,019	3,671,045	3,649,170	3,667,617	3,793,818	4,317,993	4,669,629	4,620,907	2,935,940	4,942,341
Investment revenue	2,016,481	2,756,903	7,142,137	8,179,185	5,641,188	2,936,051	(1,678,577)	3,204,476	(4,260,317)	7,779,556
Other revenues	31,715,158	25,001,861	27,521,207	36,236,016	36,856,107	36,821,934	38,280,459	38,088,691	54,072,973	50,760,348
Contracts - other governments and citizens	1,797,835	307,354	466,759	584,683	419,470	851,750	294,120	1,236,916	96,628	264,452
Miscellaneous	-	7,864	-	152,406	1,122,914	11,700	517,094	3,118,883	667,645	262,735
Transfers	-	-	-	-	-	(1,182,572)	-	-	-	-
Total governmental activities	171,584,533	176,378,015	186,787,844	205,997,966	209,308,864	216,179,074	208,081,140	226,279,066	228,765,461	245,025,930
Business-type activities:										
Transfers	-	-	-	-	-	1,182,572	-	-	-	-
Total primary government	\$ 171,584,533	\$ 176,378,015	\$ 186,787,844	\$ 205,997,966	\$ 209,308,864	\$ 217,361,646	\$ 208,081,140	\$ 226,279,066	\$ 228,765,461	\$ 245,025,930
Component units:										
Taxes										
Property taxes	\$ 88,924,962	\$ 91,224,003	\$ 96,753,338	\$ 97,724,691	\$ 102,342,297	\$ 107,324,525	\$ 106,737,074	\$ 112,371,639	\$ 110,866,194	\$ 113,862,764
Sales taxes	104,990,997	109,296,323	118,690,397	125,062,455	125,522,010	116,296,501	114,769,928	119,973,142	128,588,400	127,612,963
Wheel taxes	1,186,075	1,500,000	1,500,000	1,459,461	1,500,030	1,490,723	1,494,272	1,525,119	1,501,397	1,515,396
Other local taxes	-	-	1,139,144	1,276,897	1,352,978	554,495	1,065,154	1,006,769	1,039,271	1,019,405
Investment revenue	222,216	361,331	2,003,350	2,746,738	1,739,023	418,377	120,512	132,360	42,669	166,662
Payments from primary government	33,166,085	26,010,785	75,355,440	33,905,615	11,877,828	19,391,181	33,992,796	55,331,660	17,984,904	36,044,093
Other revenues	-	-	-	-	-	4,525,727	1,420,641	1,372,773	1,475,328	1,913,690
Contracts - other governments and citizens	1,518,460	1,593,460	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	78,725
Miscellaneous	-	-	-	-	-	-	109,577	4	503,211	377,361
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
Total component units	\$ 230,008,795	\$ 229,985,902	\$ 297,160,809	\$ 263,894,997	\$ 388,091,306	\$ 395,832,069	\$ 401,328,794	\$ 439,168,277	\$ 424,927,305	\$ 453,801,288
Total reporting unit	\$ 401,593,328	\$ 406,363,917	\$ 483,948,653	\$ 469,892,963	\$ 597,400,170	\$ 613,193,715	\$ 609,409,934	\$ 665,447,343	\$ 653,692,766	\$ 698,827,218
<b>Change in Net Position</b>										
Primary government activities	\$ (23,121,409)	\$ (10,798,710)	\$ (74,978,109)	\$ (33,648,817)	\$ (1,568,601)	\$ (16,708,686)	\$ (31,439,562)	\$ (33,780,368)	\$ 13,837,868	\$ 12,168,292
Component units activities	1,882,768	9,712,154	69,745,280	18,842,700	(10,937,598)	(7,676,957)	10,392,724	55,400,879	12,371,300	14,469,880
Total reporting unit	\$ (21,238,641)	\$ (1,086,556)	\$ (5,232,829)	\$ (14,806,117)	\$ (12,506,199)	\$ (24,385,643)	\$ (21,046,838)	\$ 21,620,511	\$ 26,209,168	\$ 26,638,172



**KNOX COUNTY, TENNESSEE**

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

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

(1) First year of tax.

Continued

**KNOX COUNTY, TENNESSEE**

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

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

(1) First year of tax.

Continued

**KNOX COUNTY, TENNESSEE**

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

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

(1) First year of tax.

KNOX COUNTY, TENNESSEE

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

	Fiscal Year								Restated 2012	2013
	2004	2005	2006	2007	2008	2009	2010	2011		
General fund										
Reserved	\$ 8,671,373	\$ 7,934,931	\$ 7,823,979	\$ 9,306,651	\$ 11,024,655	\$ 9,080,512	\$ 8,382,154	\$ -	\$ -	\$ -
Unreserved	39,593,912	40,799,145	49,774,563	46,495,324	48,348,469	44,197,261	43,415,759	-	-	-
Nonspendable	-	-	-	-	-	-	-	5,880,449	6,182,114	7,249,342
Restricted	-	-	-	-	-	-	-	2,212,749	2,787,302	2,798,061
Committed	-	-	-	-	-	-	-	9,294	5,596,444	3,675,473
Assigned	-	-	-	-	-	-	-	957,967	465,211	1,089,640
Unassigned	-	-	-	-	-	-	-	43,521,876	44,259,130	51,452,742
Total general fund	<u>\$ 48,265,285</u>	<u>\$ 48,734,076</u>	<u>\$ 57,598,542</u>	<u>\$ 55,801,975</u>	<u>\$ 59,373,124</u>	<u>\$ 53,277,773</u>	<u>\$ 51,797,913</u>	<u>\$ 52,582,335</u>	<u>\$ 59,290,201</u>	<u>\$ 66,265,258</u>
All other governmental funds										
Reserved	\$ 22,402,928	\$ 24,624,542	\$ 12,295,421	\$ 21,463,450	\$ 10,173,788	\$ 13,950,926	\$ 22,514,296	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue constitutional officers	3,563,157	4,793,783	3,784,117	3,826,048	5,405,844	3,831,682	2,387,038	-	-	-
Capital projects public improvement	(20,814,424)	5,645,300	(3,214,692)	(9,257,333)	(28,415,905)	12,367,955	(4,050,370)	-	-	-
Debt service	28,024,529	30,906,228	24,120,114	26,617,102	24,383,887	17,757,274	15,753,733	-	-	-
Other governmental funds	16,105,862	15,957,883	15,157,943	12,742,029	13,448,644	9,879,284	6,658,756	-	-	-
Nonspendable	-	-	-	-	-	-	-	5,910,592	5,776,505	5,762,434
Restricted	-	-	-	-	-	-	-	20,968,128	27,243,240	6,277,249
Committed	-	-	-	-	-	-	-	22,133,322	23,331,278	25,942,402
Assigned	-	-	-	-	-	-	-	-	2,199,988	3,657,378
Total all other governmental funds	<u>\$ 49,282,052</u>	<u>\$ 81,927,736</u>	<u>\$ 52,142,903</u>	<u>\$ 55,391,296</u>	<u>\$ 24,996,258</u>	<u>\$ 57,787,121</u>	<u>\$ 43,263,453</u>	<u>\$ 49,012,042</u>	<u>\$ 58,551,011</u>	<u>\$ 41,639,463</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$ 136,756,864	\$ 148,071,025	\$ 156,075,279	\$ 161,129,442	\$ 165,894,884	\$ 169,892,631	\$ 171,522,503	\$ 178,306,446	\$ 182,423,476	\$ 186,718,795
Licenses and permits	3,226,481	3,472,814	3,741,911	3,623,663	3,696,245	3,415,502	3,252,786	3,342,613	3,586,182	3,701,844
Fines, forfeitures and penalties	2,856,308	3,231,893	4,058,576	4,126,768	4,366,159	4,114,621	3,428,205	2,247,102	2,814,573	3,635,407
Charges for current services	27,142,787	27,835,419	28,388,616	27,931,145	30,467,122	25,843,423	26,838,941	26,977,222	27,430,317	30,445,612
Other local revenues	4,271,988	4,383,663	4,470,506	2,590,971	10,018,778	5,049,121	4,787,595	8,660,028	8,570,876	10,503,513
State of Tennessee	19,657,610	19,312,368	16,370,956	21,319,794	19,645,086	17,799,336	18,913,035	16,997,956	18,284,332	19,339,165
Federal government	6,472,966	5,779,123	11,534,036	8,635,219	7,834,280	6,534,996	9,290,911	12,117,880	11,120,469	10,233,153
Other governments and citizen groups	2,321,912	1,455,388	1,040,630	3,830,345	1,738,118	1,347,906	640,110	1,669,274	1,454,345	1,103,013
Investment earnings	2,015,723	2,713,771	7,145,359	8,180,389	173,206	794,846	174,952	1,037,903	2,111,750	2,214,606
Payments from component units	27,473,875	20,838,840	21,649,922	23,229,518	23,614,046	24,914,174	26,432,876	26,227,344	36,728,191	32,601,668
Fees received from county officials	370,274	426,736	207,187	173,375	199,697	173,830	-	-	-	-
Increase in equity interest in joint venture	-	-	10,385	713,764	46,412	-	-	349,085	331,142	918,162
Total revenues	232,566,788	237,521,040	254,693,363	265,484,393	267,694,033	259,880,386	265,281,914	277,932,853	294,855,653	301,414,938
<b>Expenditures</b>										
Finance and administration	34,004,920	35,792,902	36,919,202	41,092,636	42,994,827	40,263,423	40,628,916	33,375,623	31,446,206	30,320,994
Finance and administration - payments to component units	-	1,000,000	2,570,000	4,148,000	6,385,000	4,018,649	3,823,874	3,823,874	3,823,874	6,653,874
Administration of justice	12,139,488	13,069,224	13,915,861	12,477,574	13,635,809	13,141,252	13,060,783	23,761,351	21,973,316	22,221,820
Public safety	55,531,601	57,235,374	59,624,309	64,460,665	66,148,272	69,556,725	72,519,183	72,338,730	71,190,474	72,956,418
Public safety - payments to component units	603,450	603,450	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200
Public health and welfare	36,382,457	37,318,628	40,028,212	39,407,838	39,351,120	37,443,749	37,113,902	32,481,343	31,426,565	31,366,064
Public health and welfare - payments to component units	562,635	562,635	646,990	256,628	166,628	166,628	256,628	256,628	256,628	256,628
Social and cultural services	13,955,047	14,688,232	15,179,033	17,697,777	17,868,031	19,224,930	18,490,914	18,082,432	16,594,500	16,367,637
Agricultural and natural resources	346,591	390,615	402,907	425,395	461,142	433,295	413,675	380,453	365,774	435,231
Other general government	13,625,581	13,533,836	11,690,474	14,173,623	13,878,441	14,588,454	14,871,749	19,777,716	18,887,075	20,439,302
Engineering & Public Works	11,938,273	8,607,547	12,887,045	11,228,081	11,096,021	12,130,409	11,875,623	11,736,732	10,498,407	10,873,216
Engineering & Public Works - payments to component units	-	-	-	-	-	25,872	-	-	-	-
Decrease in equity interest in joint venture	442,629	457,224	-	-	-	20,682	528,848	-	-	-
Debt proceeds paid to component unit	32,000,000	24,000,000	27,000,000	18,550,000	-	14,000,000	14,822,428	29,004,906	13,578,202	13,182,024
Debt issuance cost	144,875	308,200	337,500	340,537	489,154	368,000	247,856	441,307	106,387	-
Payments to component units	-	5,500	44,994,500	10,750,000	5,000,000	-	-	-	-	-
Capital Outlay	40,140,959	24,273,922	37,596,153	47,004,907	26,612,521	18,427,009	22,814,409	8,975,940	8,146,618	29,757,038
Debt Service:										
Principal	18,790,467	20,040,468	21,370,468	22,980,467	24,185,467	28,550,620	31,080,467	34,695,467	35,615,702	37,766,083
Interest	18,567,892	21,439,049	23,704,393	25,102,520	27,307,441	29,218,581	22,292,340	25,297,513	25,888,063	24,982,926
Other charges	559,594	868,759	1,230,283	1,309,719	2,064,509	1,965,036	3,691,792	3,955,168	3,399,500	2,517,892
Total expenditures	289,736,459	274,195,565	350,963,730	331,732,567	297,970,583	303,869,154	308,859,587	318,711,383	293,523,491	320,423,347
Excess (deficiency) of revenues over (under) expenditures	(57,169,671)	(36,674,525)	(96,270,367)	(66,248,174)	(30,276,550)	(43,988,768)	(43,577,673)	(40,778,530)	1,332,162	(19,008,409)
<b>Other financing sources (uses)</b>										
Transfers in	42,381,859	23,722,579	32,427,313	26,009,546	23,608,526	25,711,520	25,795,690	9,942,342	16,198,023	17,216,767
Transfers out	(43,446,859)	(23,933,579)	(34,077,313)	(27,309,546)	(80,419,372)	(28,898,609)	(26,010,479)	(9,882,229)	(18,439,226)	(21,326,873)
Capital lease proceeds	-	-	-	-	-	-	11,651,171	-	-	13,182,024
Refunding bonds issued	-	93,310,000	-	-	-	-	4,550,000	62,675,000	21,505,000	-
Bonds issued	72,000,000	70,000,000	77,000,000	69,000,000	57,000,000	40,000,000	16,000,000	46,236,000	14,400,000	-
Premium on debt issued	-	8,238,711	-	-	-	332,400	207,763	2,458,913	1,367,889	-
Discount on bonds issued	-	(585,773)	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	(21,605,024)	(100,962,938)	-	-	-	-	-	-	-	-
Payments to holders of refunded debt	-	-	-	-	-	-	(4,620,000)	(64,118,485)	(22,469,358)	-
Notes issued	-	-	-	-	3,263,507	33,538,969	-	-	5,000,000	-
Decrease in equity interest in joint venture	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	49,329,976	69,789,000	75,350,000	67,700,000	3,452,661	70,684,280	27,574,145	47,311,541	17,562,328	9,071,918
Net change in fund balances	\$ (7,839,695)	\$ 33,114,475	\$ (20,920,367)	\$ 1,451,826	\$ (26,823,889)	\$ 26,695,512	\$ (16,003,528)	\$ 6,533,011	\$ 18,894,490	\$ (9,936,491)
Debt service as a percentage of noncapital expenditures	14.54%	16.49%	13.78%	15.94%	19.07%	20.37%	18.71%	19.74%	21.93%	20.75%

**KNOX COUNTY, TENNESSEE**

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

<b>Lien Date January 1 (See Note)</b>	<b>Real Property</b>		<b>Personal Property</b>	<b>Public Utilities</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
	<b>Residential Property</b>	<b>Commercial Property</b>						
2003	\$ 3,734,742,216	\$ 2,097,259,995	\$ 524,793,083	\$ 230,140,743	\$ 6,586,936,037	2.96	\$ 26,077,315,130	25.26%
2004	3,868,378,901	2,117,646,997	519,472,411	238,136,066	6,743,634,375	2.96	26,548,593,422	25.40%
2005	4,591,145,550	2,361,174,167	535,320,641	253,369,983	7,741,010,341	2.69	26,950,949,204	28.72%
2006	4,795,655,994	2,401,268,770	546,690,987	256,025,735	7,999,641,486	2.69	27,151,191,568	29.46%
2007	5,053,615,647	2,505,298,928	502,485,204	244,990,311	8,306,390,090	2.69	28,594,512,118	29.05%
2008	5,266,062,092	2,612,533,583	516,425,881	254,125,962	8,649,147,518	2.69	29,779,470,369	29.04%
2009	6,359,675,257	2,886,995,420	555,839,420	278,517,456	10,081,027,553	2.36	34,793,933,155	28.97%
2010	6,294,721,029	3,098,239,712	530,285,362	263,158,114	10,186,404,217	2.36	35,172,924,653	28.96%
2011	6,338,212,825	3,192,310,025	535,788,687	272,395,481	10,338,707,018	2.36	35,618,054,223	29.03%
2012	6,400,123,490	3,286,251,686	584,825,806	269,579,260	10,540,780,242	2.36	36,763,830,714	28.67%

**Source:** Knox County, Tennessee Trustee Department.

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

- Real Property: Residential and Farm at 25% of value
- Commercial and Industrial at 40% of value
- Personal property at 30% of value
- Public Utilities at 55% of value (Railroads 40%)

The lien date of January 1 represents the date that the legal claim to the taxable property is recognized. The related property tax revenue is levied for the subsequent fiscal year.

**KNOX COUNTY, TENNESSEE**

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

	<b>Year Taxes Are Payable</b>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Knox County Direct Rates										
General	\$ 1.36	\$ 1.36	\$ 1.24	\$ 1.24	\$ 1.13	\$ 1.10	\$ 0.97	\$ 0.97	\$ 0.97	\$ 0.97
Public Library	-	-	-	-	-	-	-	-	-	-
Solid Waste	-	-	-	-	-	-	-	-	-	-
Debt Service	0.25	0.25	0.22	0.22	0.33	0.36	0.31	0.31	0.31	0.31
ADA Construction	-	-	-	-	-	-	-	-	-	-
Schools	1.35	1.35	1.23	1.23	1.23	1.23	1.08	1.08	1.08	1.08
Total direct rate	2.96	2.96	2.69	2.69	2.69	2.69	2.36	2.36	2.36	2.36
City of Knoxville Rates	<u>3.05</u>	<u>2.81</u>	<u>2.81</u>	<u>2.81</u>	<u>2.81</u>	<u>2.81</u>	<u>2.46</u>	<u>2.46</u>	<u>2.46</u>	<u>2.46</u>
Total direct & overlapping rates	<u>\$ 6.01</u>	<u>\$ 5.77</u>	<u>\$ 5.50</u>	<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>

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

**KNOX COUNTY, TENNESSEE**

**Principal Property Taxpayers  
Tax Year 2012 and Nine Years Ago  
(Unaudited)**

<b><u>Taxpayer</u></b>	<b>Tax Year 2012</b>			<b>Tax Year 2003</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Metro Knoxville	\$ 59,665,480	1	0.57%	\$ -	-	-
Bellsouth Telecommunications	59,333,800	2	0.56%	83,177,205	1	1.25%
Verizon Wireless Tennessee	30,226,000	3	0.29%	-	-	-
West Town Mall	26,700,440	4	0.25%	36,429,360	2	0.55%
AT&T Mobility	26,274,904	5	0.25%	-	-	-
Tennessee Holding	17,720,000	6	0.17%	-	-	-
Hertz Knoxville One	15,978,800	7	0.15%	-	-	-
Concord Telephone Exchange	14,011,995	8	0.13%	10,333,148	7	0.16%
JWR Holdings Lic & University Residences Knoxville	12,982,360	9	0.12%	-	-	-
Hart	12,721,600	10	0.12%	-	-	-
Knoxville Center	-	-	-	23,585,240	3	0.36%
Norfolk Southern	-	-	-	12,682,911	4	0.19%
Parkway Properties	-	-	-	12,098,520	5	0.18%
Fort Sanders Alliance	-	-	-	10,475,680	6	0.16%
HPW Family Partnership	-	-	-	9,060,120	8	0.14%
Daikin Drivetrain Components Corp	-	-	-	7,044,880	9	0.11%
East Tennessee Baptist Hospital	-	-	-	6,573,080	10	0.10%
<b>Totals</b>	<b>\$ 275,615,379</b>		<b>2.61%</b>	<b>\$ 211,460,144</b>		<b>3.20%</b>

Source: Knox County, Tennessee Trustee Department.



**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2004	\$ 193,576	\$ 186,380	96.3%	\$ 7,024	\$ 193,404	99.9%
2005	198,465	191,042	96.3%	7,237	198,279	99.9%
2006	206,853	198,584	96.0%	8,059	206,643	99.9%
2007	214,490	207,118	96.6%	7,066	214,184	99.9%
2008	223,263	215,195	96.4%	7,673	222,868	99.8%
2009	232,423	221,475	95.3%	10,307	231,782	99.7%
2010	237,524	227,064	95.6%	9,222	236,286	99.5%
2011	240,149	230,908	96.2%	7,163	238,071	99.1%
2012	243,801	234,803	96.3%	5,451	240,254	98.5%
2013	248,634	240,734	96.8%	-	240,734	96.8%

Source: Knox County, Tennessee Trustee Department.

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>Primary Government</b>		<b>Component Units</b>	<b>Total Reporting Unit</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (2)</b>
	<b>General Obligation Bonds and Notes</b>	<b>Capital Leases</b>	<b>Capital Leases</b>			
2004	\$ 430,534	\$ -	\$ 6,714	\$ 437,248	3.48%	\$ 1,085
2005	478,868	-	5,652	484,520	3.64%	1,185
2006	534,497	-	4,552	539,049	3.81%	1,287
2007	580,517	-	3,409	583,926	3.88%	1,377
2008	616,596	-	12,930	629,526	4.02%	1,464
2009	632,121	-	11,767	643,888	4.19%	1,480
2010	616,971	11,651	23,124	651,746	4.05%	1,505
2011	691,186	-	-	691,186	4.07%	1,582
2012	674,023	-	-	674,023	3.85% (2)	1,528 (2)
2013	636,256	13,182	-	649,438	3.71% (2)	1,456 (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 245 for personal income and population data.*

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

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value (1) of Property</b>	<b>Per Capita (2)</b>
2004	\$ 430,534	\$ 28,025	\$ 402,509	1.52%	\$ 998
2005	478,868	28,906	449,962	1.67%	1,099
2006	534,498	24,116	510,382	1.88%	1,218
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%	1,545
2012	669,016	17,147	651,869	1.77%	1,477
2013	631,616	18,877	612,739	1.62% (3)	1,375 (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 238 for property value data.*

*(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 245.*

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

**KNOX COUNTY, TENNESSEE**

**Direct and Overlapping Governmental Activities Debt  
As of June 30, 2013  
(amounts expressed in thousands)  
(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County Subtotal, direct debt	\$ 631,616	100.00%	<u>\$ 631,616</u>
City of Knoxville overlapping debt	168,895	100.00%	168,895
Town of Farragut overlapping debt	-		<u>-</u>
Total direct and overlapping debt			<u><u>\$ 800,511</u></u>

Note: Percentage of overlap based on assessed property values.

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>Population</b> (3)	<b>Personal Income</b> (amounts expressed in thousands) (1)	<b>Per Capita Personal Income</b> (1)	<b>Median Age</b> (3)	<b>School Enrollment</b> (3)	<b>Unemployment Rate</b> (2)
2004	403,311	\$ 12,572,396	\$ 31,417	38.0	\$ 96,563	4.1%
2005	409,324	13,301,853	32,815	37.5	92,507	4.8%
2006	418,888	14,142,669	33,996	37.8	92,507	4.5%
2007	424,257	15,033,901	35,491	37.3	107,039	3.3%
2008	430,444	15,666,206	36,342	37.6	110,198	3.8%
2009	434,617	15,371,687	35,278	37.1	112,688	8.5%
2010	433,097	16,089,189	37,148	42.7	113,848	7.8%
2011	436,877	16,994,073	38,894	42.8	108,109	7.6%
2012	441,311	17,524,193 (4)	40,888 (4)	42.9	108,109 (4)	6.7%
2013	445,680 (4)	17,524,193 (4)	40,888 (4)	43.0 (4)	108,109 (4)	7.3%

*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 2012 and Nine Years Ago  
(Unaudited)**

<b>Employer (1)</b>	<b>2012</b>			<b>2003</b>		
	<b>Employees (2)</b>	<b>Rank</b>	<b>Percentage of Total Knoxville MSA Employment (3)</b>	<b>Employees (2)</b>	<b>Rank</b>	<b>Percentage of Total Knoxville MSA Employment (3)</b>
U.S. Department of Energy, Oak Ridge Operations	12,947	1	3.62%	-		-
Covenant Health	9,328	2	2.61%	8,000	2	2.14%
Knox County Public Schools	6,771	3	1.89%	7,230	3	1.93%
The University of Tennessee	6,409	4	1.79%	8,311	1	2.22%
Wal-Mart Stores	5,326	5	1.49%	4,173	4	1.11%
Tennova Healthcare	4,613	6	1.29%	3,707	5	0.99%
University Health System	3,986	7	1.11%	-		-
K-VA-T Food Stores	3,537	8	0.99%	-		-
State of Tennessee, Regional Offices	3,468	9	0.97%	-		-
Knox County Government	3,037	10	0.85%	2,500	10	0.67%
St. Mary's Medical Center	-		-	3,553	6	0.95%
Baptist Health System of East Tennessee	-		-	3,000	7	0.80%
City of Knoxville	-		-	2,798	8	0.75%
Clayton Homes	-		-	2,508	9	0.67%
<b>Total</b>	<b>59,422</b>		<b>16.61%</b>	<b>45,780</b>		<b>12.23%</b>

(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)**

	<b>Full-time Equivalent Employees by Function</b>									
<b>Function</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
General government	516	515	557	566	529	541	534	521	503	504
Public safety	872	867	902	938	979	969	975	1013	1025	1037
Public health and welfare	289	275	336	377	340	343	324	320	310	291
Highways	109	109	107	112	117	120	117	114	114	116
Social, cultural, and recreation	204	211	198	201	191	196	190	203	194	197
<b>Total</b>	<b>1,990</b>	<b>1,977</b>	<b>2,100</b>	<b>2,194</b>	<b>2,156</b>	<b>2,169</b>	<b>2,140</b>	<b>2,171</b>	<b>2,146</b>	<b>2,145</b>

Source: Knox County Budget.

**KNOX COUNTY, TENNESSEE**

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

<b>Function</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Sheriff (1)										
Arrests	28,386	31,218	32,508	33,233	32,054	33,548	29,833	29,557	25,571	*
Accidents	4,026	4,868	4,889	5,972	4,321	4,500	3,441	3,190	3,080	*
Incidents	16,704	15,595	21,870	30,302	29,873	38,388	32,258	32,319	32,414	*
Health services (2)										
Clinical services										
Pediatric cases	11,162	10,850	10,537	9,947	8,254	7,570	8,542	3,558	-	-
Preventive health cases	18,161	13,749	14,571	12,502	12,725	11,812	33,630	24,902	22,958	10,254
WIC services	16,936	26,533	31,156	29,892	32,198	34,085	33,583	33,242	34,625	35,568
Communicable diseases treated	17,195	17,896	18,893	16,497	14,087	16,434	16,207	17,437	17,941	17,615
New prescriptions filled	86,573	58,778	48,771	33,913	6,839	9,837	8,653	7,459	3,413	1,241
Women's health visits	-	-	-	-	-	-	10,687	12,285	11,070	12,328
Social Services visits	-	-	-	-	-	-	10,923	13,103	11,186	10,385
Other health related visits	-	-	-	-	-	-	16,203	11,555	6,694	7,853
Engineering & public works (2)										
Street resurfacing (miles)	85	78	38	34	20	28	44	13	17	22
Road maintenance service orders processed	2,024	1,525	1,288	1,306	2,726	1,869	2,687	2,829	1,973	2,876
Litter reduction from right of way (miles)	417	361	538	817	238	720	830	1,046	637	839
Parks & recreation (2)										
Number of park shelter reservations	690	843	900	931	995	1,500	3,000	3,500	3,800	4,500
Total all participants on all teams	26,800	27,700	28,750	30,345	30,402	44,450	30,000	30,000	37,000	37,000
Total number of attendees at events	16,925	35,000	35,000	16,757	16,792	90,000	20,500	21,500	90,000	125,084

\* 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Sheriff										
Detention Facility	1	1	1	1	1	1	1	1	1	1
Penal Farm	1	1	1	1	1	1	1	1	1	1
Patrol units	N/A	N/A	10	10	10	8	10	10	9	9
Engineering & Public Works										
Streets (lane miles)	N/A	N/A	2,033	2,033	2,033	2,033	2,033	2,089	2,107	2,107
Bridges	138	138	138	138	138	142	142	142	142	142
Traffic signals	47	49	51	53	55	58	59	64	65	68
Parks & Recreation										
Parks acreage	2,915	2,874	3,026	3,051	3,076	3,122	3,296	3,296	3,347	3,347
Parks	40	43	45	46	47	47	49	49	50	51
Spray pools	-	2	2	3	3	3	3	3	3	3
Tennis courts	6	6	7	7	7	7	7	7	7	7

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