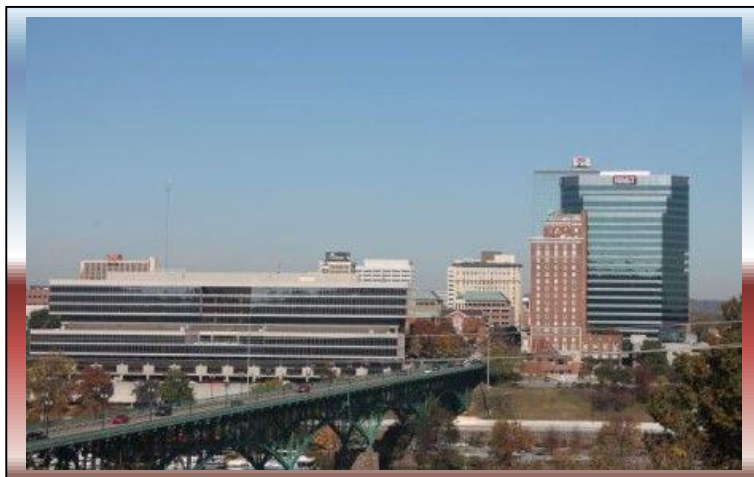




KNOX COUNTY TENNESSEE

FOR THE YEAR ENDED
JUNE 30, 2014



Tim Burchett
Knox County Mayor

COMPREHENSIVE ANNUAL FINANCIAL REPORT

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
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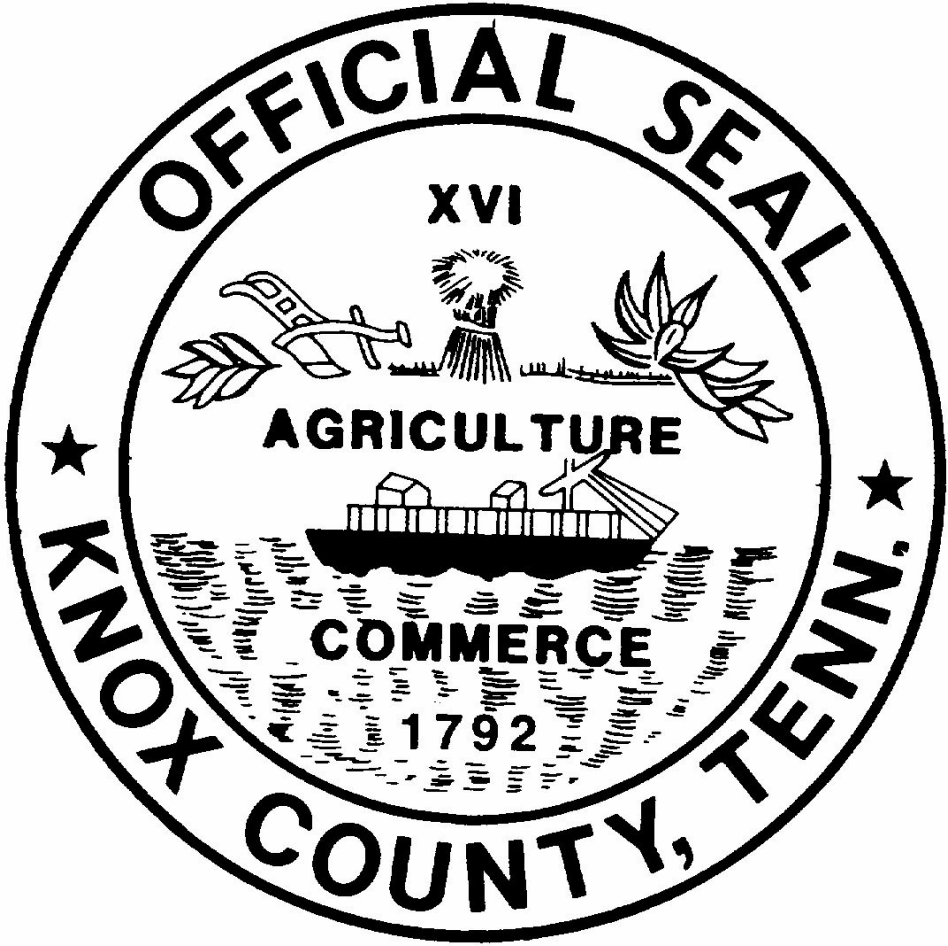
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Introductory Section





OFFICE OF COUNTY MAYOR TIM BURCHETT

400 Main Street, Suite 615, Knoxville, TN 37902

December 30, 2014

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, 2014, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentations, including all disclosures, rests with the County. County management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that has been established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position of the various funds of the County and its component units. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

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

State law requires that the County obtain an annual audit of its books and records. The independent audit performed by Pugh & Company, P. C., Certified Public Accountants, has been obtained to fulfill that requirement. The auditors have issued an unqualified ("clean") opinion on the County's financial statements for the year ended June 30, 2014. 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 \$14.2 million from the beginning of FY 2011 to the FY 2014 end of year.
- Restored 177 hours of operation per week within our public library system with no additional impact on the budget.
- Increased purchasing transparency by implementing first-in-the-state online, searchable databases for E-commerce card and purchase order transactions.
- Ensured more than \$2 million in savings over four years by utilizing public-private partnerships to provide pediatric care, as well as translation services for Knox County Health Department clients.

- Implemented mileage reimbursement at the standard federal rate in lieu of monthly travel allowances, which saved approximately \$78,000 annually.
- Sold unnecessary county vehicles, resulting in thousands of dollars in cost-avoidance savings through reduced maintenance, fuel and liability costs.
- Reduced Knox County's debt obligations by over \$58 million since taking office.
- Identified a funding mechanism to use one-time dollars to pay for the construction of a new Carter Elementary School, therefore eliminating a potential \$8 million in traditional bond interest payments. The school opened on time for the 2013-2014 school year.
- Sold the Solway greenwaste facility property for \$2 million; prior to the sale, the upkeep on the property cost taxpayers an average of \$245,000 annually.
- Engaged a committee of private sector experts to help advise Mayor Burchett on how to address the growing cost of employee health benefits in an attempt to bring those benefits more in-line with the private market; many of the committee's suggestions were implemented and the changes resulted in projected savings of \$1.7 million.
- 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.
- Saved Historic Knoxville High School, which is now being redeveloped for private use.
- Sold State Street properties, which are now under development as a mixed-use residential project known as Marble Alley.

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
- Juvenile Justice Center Expansion
- City County Improvements/Developments
- Many Parks and Greenways Improvements

Road Construction/Improvements:

- Bridge Improvements
- Parkside Drive Extension
- Bob Gray Roundabouts
- General Road Improvements
- State Aid Road Projects

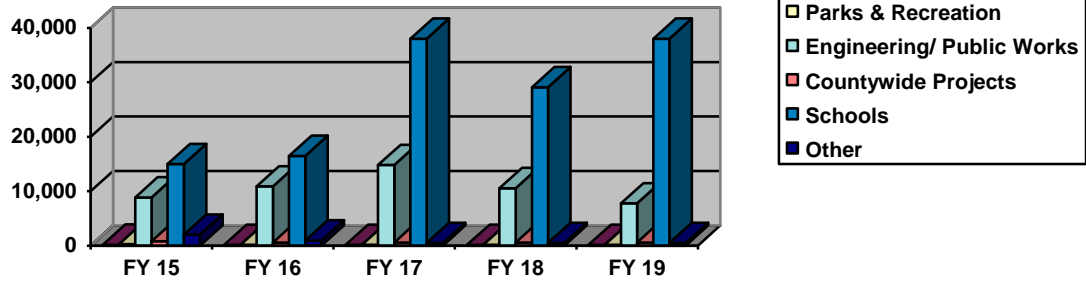
School Construction/Renovation:

- Physical Plant Upgrades
- Energy Management Project
- Northshore Elementary School
- CTE Magnet High School

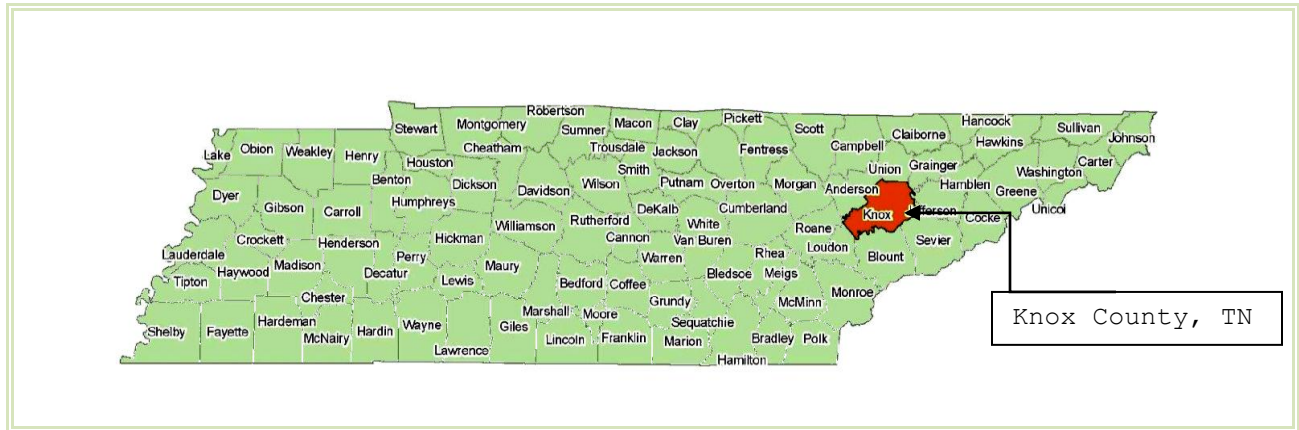
The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

Project Description	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	TOTAL
Libraries	\$ 200	\$ 150	\$ 150	\$ 150	\$ 150	\$ 800
Countywide Projects	811	600	600	600	600	3,211
Parks & Recreation	300	150	150	150	150	900
Engineering & Public Works	8,845	10,875	14,820	10,570	7,770	52,880
Building Improvements & Other	2,034	951	520	500	500	4,505
Schools	14,980	16,500	38,000	29,100	38,000	136,580
Total – Approved Projects	\$ 27,170	\$ 29,226	\$ 54,240	\$ 41,070	\$ 47,170	\$ 198,876

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



ABOUT KNOX COUNTY



The County is the third most populous county in the State of Tennessee. Located in Middle Eastern Tennessee at the headwaters of the Tennessee River, it is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. The U.S. Census Bureau's 2012 census demographic population data reported that 441,311 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 2012 census data was reported at 182,200. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 20,676. Knoxville has a land area of approximately 104 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee.

Manufacturing and Commerce

Located in the northeastern portion of the State, Knox County, along with Anderson, Blount, 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 2012 estimates, there were approximately 885 wholesale distribution houses, 1,630 retail establishments, and more than 5,400 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 790 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 89.3 compared to the average of all participating cities of 100. The County has over 6,000 acres of park and recreation space, with approximately 100 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.

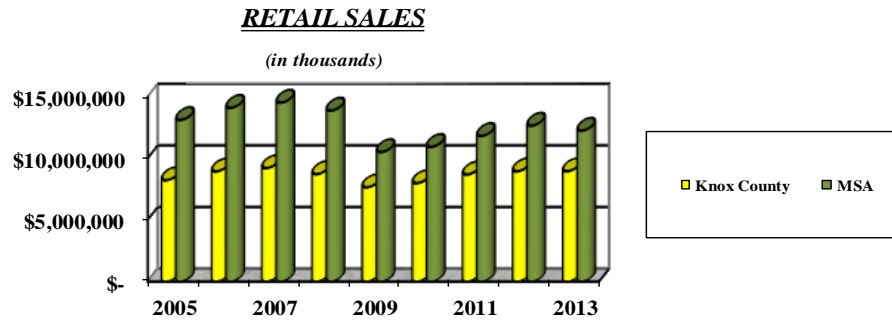
Industrial Investment

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 2014, approximately 3,003 new jobs were created in Knox County among the more than 4,704 jobs created across the metro area.

Commercial Development

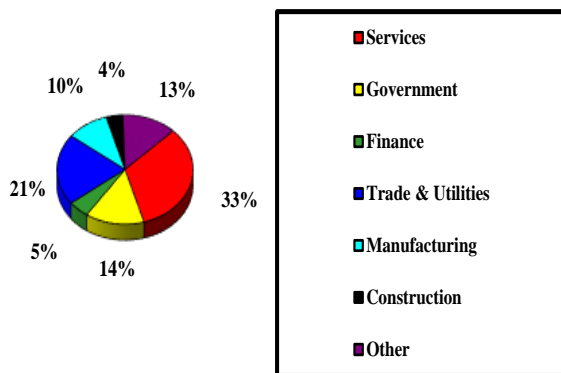
Four regional shopping malls and nearly 200 shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Knox County has traditionally been the regional hub of the MSA. The 2013 retail sales in the MSA grossed over \$13.2 billion, with approximately 67% of that total generated in Knox County.



Tourism

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

Non-Agricultural Employment



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

Unemployment

Historically, Knox County's unemployment rate has been low relative to the state and national rates. For the month of June 2014, the seasonally unadjusted unemployment rates for the County, state and nation stood at 6.3%, 6.6%, and 6.1%, respectively. The County's rate, while slightly higher than the nation's, reflects a full percentage decrease from the corresponding rate from June 2013, and the state and national rates reflect even larger reductions. These rates indicate improvements in economic conditions across the board.

Per Capita Income

In 2012, Knox County's per capita income was \$41,127. This represents an increase of 5.7 percent compared to 2011.

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 2014 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 by more than \$18 million. The increases in budgeted funds for public safety and education reflect the Mayor's commitment to ensure that adequate funding is provided for these essential functions. By careful budgeting of expenditures in the overall budget, other essential services to Knox County citizens (road maintenance, parks and recreation, library services, etc.) have been maintained at appropriate levels. Revenues have been estimated conservatively, and actual results exceeded the budget. Much of this was due to local taxes, 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, 2014 of \$632,397,204 is \$58,789,264 less than fiscal year 2011. 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 2014 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.

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, 2013. This was the eighteenth 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 nineteenth consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2015 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, 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, 2013

Executive Director/CEO



KNOX COUNTY, TENNESSEE
ROSTER OF PUBLICLY ELECTED OFFICIALS
 As of June 30, 2014

Elected Officials:

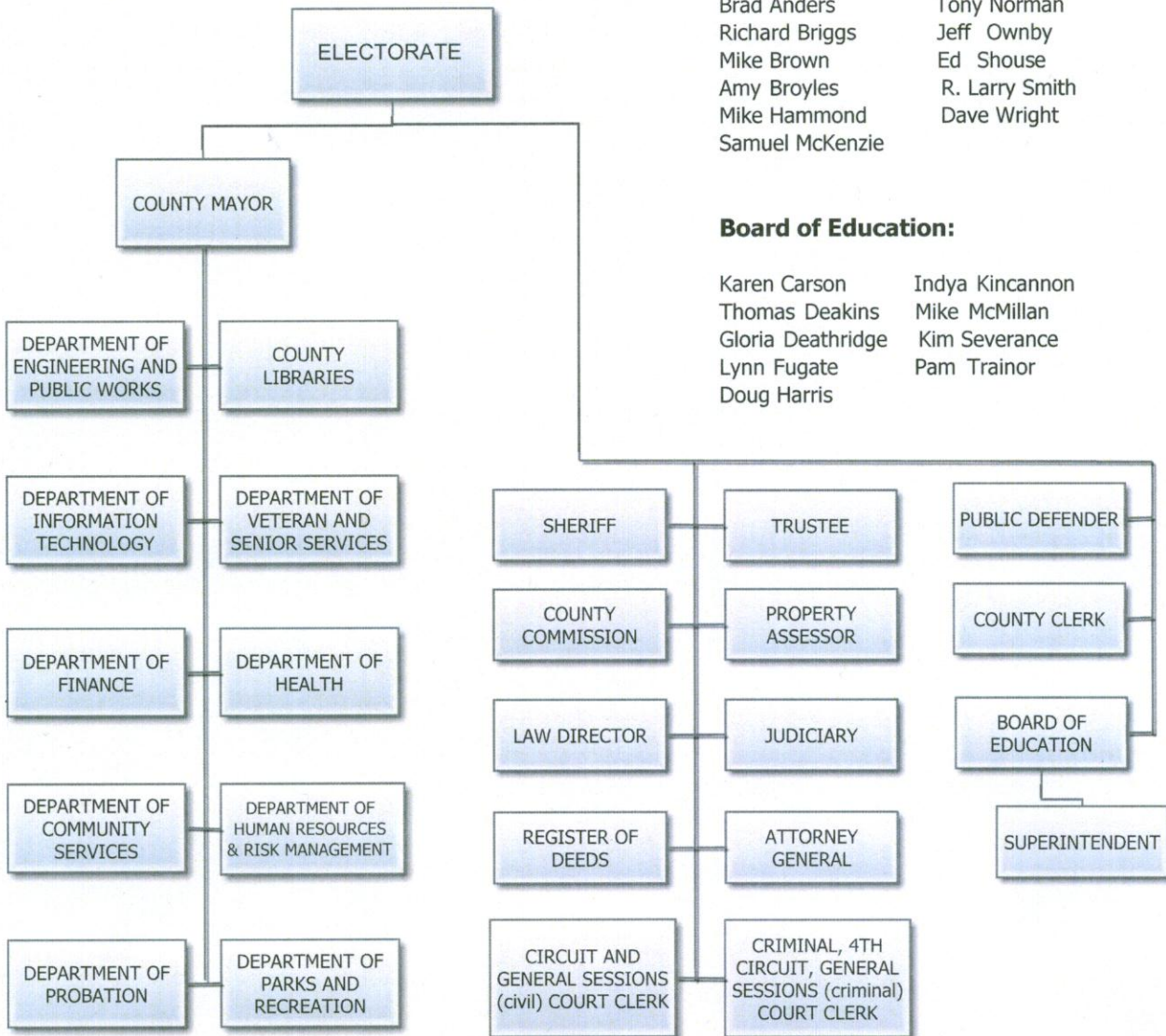
Assessor of Property - Phil Ballard
 Attorney General - Randall Nichols
 Circuit/General Sessions (civil) Clerk - Cathy Shanks
 County Clerk - Foster D. Arnett, Jr.
 County Mayor - Tim Burchett
 Criminal/Fourth Circuit/Sessions (criminal) Clerk - Joy McCroskey
 Law Director - Richard Armstrong
 Public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

Board of Commissioners:

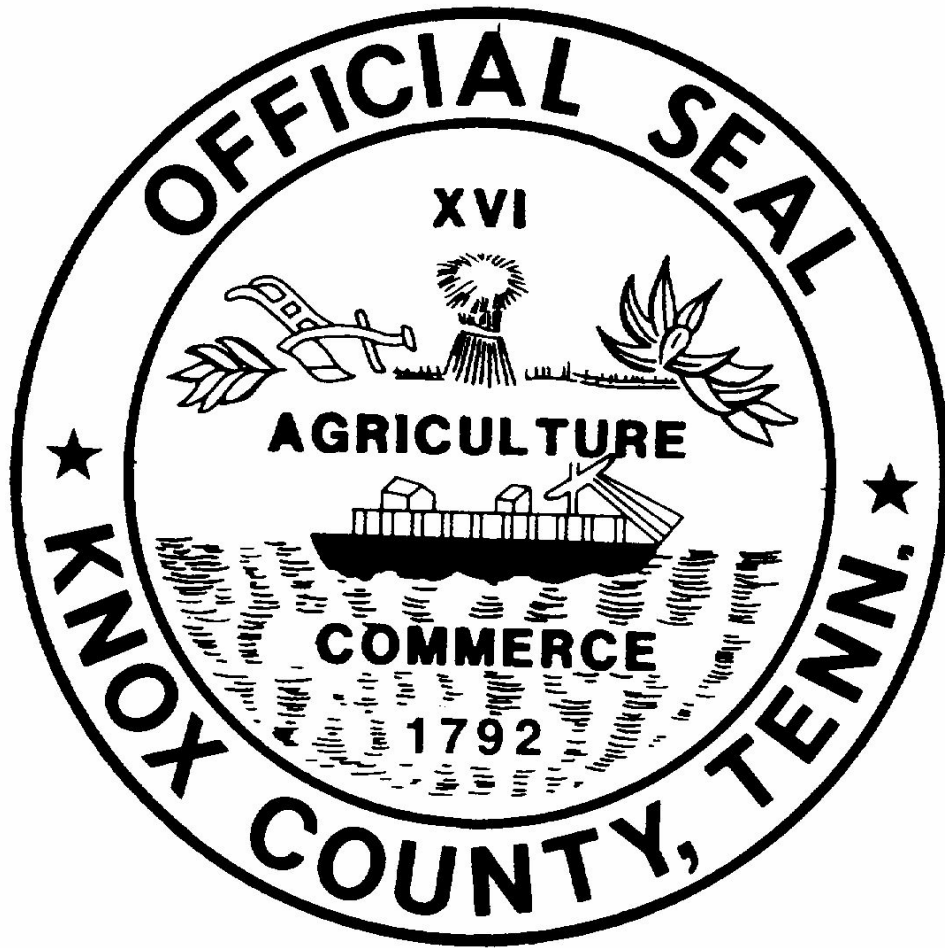
Brad Anders	Tony Norman
Richard Briggs	Jeff Ownby
Mike Brown	Ed Shouse
Amy Broyles	R. Larry Smith
Mike Hammond	Dave Wright
Samuel McKenzie	

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:
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KNOXVILLE, TENNESSEE 37923
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OAK RIDGE, TENNESSEE 37830
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and 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, fiduciary fund types and the aggregate remaining fund information of Knox County, Tennessee (the "County") as of and for the year ended June 30, 2014 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 2.10% of assets, 6.26% of net position and .10% 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 2.25% of assets, .32% of net position and 1.15% of the revenues of the BOE. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the TDC and the Partnership is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An 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.

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An Independently Owned Member
MCGLADREY ALLIANCE



TSCPA
Members of the Tennessee Society
Of Certified Public Accountants

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, fiduciary fund types and the aggregate remaining fund information of the County and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison statement 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 on pages xv through xxix and the schedules of funding progress and employer contributions on pages 94 through 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, supplemental section which includes the combining and individual 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information included in the introductory 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 and OMB Circular A-133

In accordance with *Government Auditing Standards*, we have also issued, in a separately bound document, our report dated December 29, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. In addition, we have also issued, in the same bound document, our report dated December 29, 2014 on the County's compliance for each major federal program, internal control over compliance and the schedules of expenditures of federal and state awards as required by OMB Circular A-133 and the Tennessee Comptroller of the Treasury.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 29, 2014

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-x of this report. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the governmental activities of the Knox County Primary Government exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$53,123,153 (net position). This amount includes a negative \$247,035,437 of unrestricted net position. The negative unrestricted net position amount resulted from the process by which the Primary Government issues debt on behalf of the Board of Education component unit.
- The Primary Government's change in net position for its governmental activities was a reduction of \$13,726,057. Total net position for the Primary Government (governmental and business-type activities) decreased by \$13,801,672 in 2014.
- At June 30, 2014, the Primary Government's governmental funds reported total fund balances of \$115,785,114, an increase of \$7,880,393 for the fiscal year.
- The Knox County Government's total bonded debt at the end of the year totaled \$632,397,204, an increase of 0.1 percent compared to the prior year total of \$631,616,485. Of the current year total, \$376,887,364 pertains to County general government activities and \$255,509,840 pertains to the Knox County Board of Education component unit. Bond principal paid in FY 2014 totaled \$38,294,281 and debt issued totaled \$39,075,000.
- The County Property Tax Rate was \$2.32 for the fiscal year. This is a reduction compared to the 2013 rate of \$2.36, as a result of reappraisal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
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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 1 and 2 of this report.

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

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

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
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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 Citizenry, which is available online at <http://www.knoxcounty.org/finance/budget.php>.

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Knox County Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 11-12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-93 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 94-96 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the individual fund statements are presented on pages 97-135. Combining and individual fund statements for proprietary funds can be found on pages 136-157 of this report.

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	June 30,	
	2014	Restated 2013
Current and Other Assets	\$ 336,902,146	\$ 303,456,217
Capital Assets	610,249,972	617,025,295
Total Assets	947,152,118	920,481,512
Deferred Outflows of Resources	22,993,020	23,157,744
Long-term Liabilities Outstanding	658,196,962	644,516,582
Other Liabilities	91,331,483	86,408,285
Total Liabilities	749,528,445	730,924,867
Deferred Inflows of Resources	167,493,540	145,865,179
Net Position:		
Invested in Capital Assets	284,908,028	290,649,727
Restricted	15,250,562	9,075,310
Unrestricted (Deficit)	(247,035,437)	(232,875,827)
Total Net Position	\$ 53,123,153	\$ 66,849,210

Governmental Net Position. Note: The fiscal year 2013 amounts shown in the comparative schedules of net position and changes in net position have been restated to provide for a pro forma presentation reflecting the effects of GASB Statement No. 65, adopted in 2014. The adoption of the statement resulted in the reclassification of items previously reported as liabilities (unearned revenues for property taxes and unamortized amounts on debt refundings) as deferred outflows of resources. These changes did not affect net position as previously reported. GASB Statement No. 65 also requires that debt issuance costs, which previously had been reported as assets in the government-wide financial statements, be expensed as incurred. As a result, the statements have been restated to remove the remaining debt issuance costs as previously reported, resulting in a reduction in net position as of June 30, 2013 of \$4,156,078. In addition, an adjustment to increase the liability for workers' compensation resulted in an additional decrease in net position of \$4,220,569 from the amount previously reported.

Current and other assets consist primarily of receivables, mostly taxes, and cash and investments. By far the largest portion of the Knox County Government's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any outstanding related debt

Knox County, Tennessee
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June 30, 2014

used to acquire those assets. The Knox County Government uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Knox County Government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The reasons for changes in capital assets are discussed later in this section.

An additional portion of the Knox County Primary Government's governmental activities net position represents resources that are subject to external restriction on how they may be used. These include restricted for Debt Service \$69,953 (last year \$110,208) Capital Projects \$7,068,211 (last year \$1,471,972). Other restrictions include Public Health and Welfare \$2,985,546, Public Safety \$2,663,638, and Other Purposes \$2,463,214 (last year the latter three combined totaled \$7,493,130). The remaining balance of unrestricted net position deficit of \$247,035,437 reflects a negative change of \$14,159,610 compared to the restated prior year unrestricted net position deficit of \$232,875,827. The reasons for the negative change in net position are discussed in the section describing governmental activities.

The unrestricted net position balance represents funds that would normally be available to be used to meet the government's ongoing obligations to citizens and creditors. The primary reason for the deficit balance of \$247,035,437 as of June 30, 2014 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, 2014, the amount of bonds, capital leases and loans issued by the County on behalf of the Board still outstanding was \$291,464,178, compared to the prior year amount of \$274,974,399. If these liabilities were shown with the Board's amounts to match the capital assets, the County would have had positive unrestricted net position of its governmental activities of \$44,428,741 in 2014 and \$42,098,572 in 2013 (which includes the effects of the restatement).

At the end of the current fiscal year, positive balances in total net position are reported for the total reporting unit, for the primary government and for each of the separate component units. The same situation held true for the prior fiscal year. The total reporting unit's net position decreased by \$20,403,135 during the current fiscal year, compared to an increase of \$26,159,352 (restated) for the prior year. For the total reporting unit, the amount of the decrease in net position is attributable to the underlying negative combined change in net position of the primary government and of the Board of Education component unit, totaling \$22,998,549, combined with the positive change in net position of the nonmajor component units of \$2,595,414 in the aggregate. The results for the Board, an overall negative change in net position of \$9,196,877, resulted from increases in expenses for education purposes of \$33,650,525, which were largely but not entirely offset by increases in the Basic Education Program funding from the State, tax revenues, and payments from

Knox County, Tennessee
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the primary government. See the next section for discussion of factors driving the results of the primary government's change in net position.

Governmental activities. Governmental activities decreased the Knox County Primary Government's net position by \$13,726,057 in 2014. This amount results from the overall realization of certain revenues, primarily state shared revenues and investment earnings, in amounts lower than in the prior year, combined with additional payments to component units.

The following table shows the changes in net position for the Primary Government-Governmental Activities for the fiscal years ended June 30, 2014 and 2013.

	2014	Restated 2013
Program Revenues:		
Charges for Services	\$ 41,199,716	\$ 41,555,546
Operating Grants and Contributions	15,068,332	14,465,074
General Revenues		
Local Taxes	186,395,268	185,958,839
Payments from Component Units	32,444,501	32,601,668
Other General Revenues	18,998,511	26,465,423
Total Revenues	294,106,328	301,046,550
Expenses:		
Finance and Administration	30,943,555	30,903,236
Administration of Justice	23,299,693	22,734,428
Public Safety	77,888,346	73,855,455
Public Health and Welfare	33,693,888	32,492,041
Social and Cultural Services	20,440,481	19,565,367
Other General Government	24,549,479	23,311,422
Engineering & Public Works	25,155,488	23,555,325
Debt Service	25,205,819	26,688,921
Payments to Component Units	46,655,636	36,004,093
Total Expenses	307,832,385	289,110,288
Change in Net Position	(13,726,057)	11,936,262
Net Position, July 1, restated	66,849,210	54,912,948
Net Position, June 30, restated 2013	\$ 53,123,153	\$ 66,849,210

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 \$355,830 compared to the prior year. These items represent

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2014

an aggregation of numerous transactions, and there is not a concentration of revenues in any area. These tend, therefore, to be relatively stable from year to year. Program revenues also include operating grants, which consist largely of grants received from the federal and state governments. These amounts increased by \$603,258 compared to the prior year. These revenues relate to numerous amounts received for various government functions. Both the 2014 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 \$436,429 compared to the prior year, a minor change reflecting unchanged tax rates (except for the effects of reappraisal) and relatively stable overall tax bases. 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 primarily of state shared revenues, investment revenue, and miscellaneous. The decrease from 2014 to 2013 in this category from the prior year of \$7,466,912 was primarily attributable to decreased investment earnings. In 2014, investment earnings were \$2,248,955. The 2013 corresponding total was \$7,779,556, for a net change of \$5,530,601. The largest component 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 2014, the change in fair value was a negative \$187,744, whereas the corresponding amount in 2013 was a positive \$5,053,927, resulting in a difference between the years of \$5,241,671. 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 \$18,722,097 compared to the prior year. This change was largely attributable to the increase in the amounts paid to component units of \$10,651,543. The amounts paid to the Board are primarily the result of debt issued by the County on behalf of the Board. As previously noted, the County issues debt on behalf of the Board for capital purposes because the Board may not incur its own debt obligations. Therefore, the net proceeds of such debt issues are paid to the Board, thus resulting in an expense to the Primary Government. Expenses in other categories were generally comparable to 2013 amounts and in line with expectations. Increases totaling \$5,633,054 were experienced in the areas of public safety and engineering and public works (mostly for roads), which reflected necessary increases in the cost of providing essential government services.

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
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Proprietary Net Position and Activities-Business-type Activities. Proprietary activities included as business-type activities in the government-wide statements consist solely of the operations of the County's Three Ridges Golf Course, an enterprise fund. These proprietary activities decreased the net position of the primary government by \$75,615 in 2014, comprising 0.5% of the total change in net position of the primary government and 0.4% of the change in net position of the total reporting unit. The golf course is supported by user fees: greens fees, cart fees, pro shop and snack bar. The results of operations for the golf course include the effects of depreciation, a noncash expense, totaling \$58,090. If the effects of depreciation were removed from the results of operations, the golf course would have had a decrease in net position of only \$17,525. Of the ending net position, \$453,946 was invested in capital assets, with the remaining amount of \$73,842 unrestricted. These amounts reflect the results of ordinary business operations.

Knox County, Tennessee
Net Position-Primary Government-Business-type Activities

	June 30,	
	2014	2013
Current and Other Assets	\$ 178,940	\$ 225,132
Capital Assets	453,946	503,880
Total Assets	632,886	729,012
Current Liabilities	102,056	120,866
Noncurrent Liabilities	3,042	4,743
Total Liabilities	105,098	125,609
Net Position:		
Invested in Capital Assets	453,946	503,880
Unrestricted	73,842	99,523
Total Net Position	\$ 527,788	\$ 603,403

**Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
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**Knox County, Tennessee
Primary Government-Business-type Activities**

	June 30,	
	2014	2013
Program Revenues:		
Charges for Services	\$ 861,989	\$ 877,775
Expenses:		
Operating Expenses	934,260	1,124,565
Nonoperating Expenses	3,344	-
Total Expenses	937,604	1,124,565
Change in Net Position	(75,615)	(246,790)
Net Position, July 1	603,403	850,193
Net Position, June 30	\$ 527,788	\$ 603,403

FINANCIAL ANALYSIS OF THE FUNDS

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

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

The categories of fund balance are:

Nonspendable fund balance relates to amounts that cannot be spent because they are in a form that is not expected to be converted to cash (e.g., inventories and prepaid items), as well as the long-term portion of certain 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
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Knox County, Tennessee
Primary Government--Governmental Fund Balances

	June 30,	
	2014	2013
Nonspendable	\$ 10,713,849	\$ 13,011,776
Restricted	15,250,562	9,075,310
Committed	31,405,405	29,617,875
Assigned	5,388,302	4,747,018
Unassigned	53,026,996	51,452,742
Total Fund Balances	\$ 115,785,114	\$ 107,904,721

As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$115,785,114, an increase of \$7,880,393 in comparison with the prior year total of \$107,904,721. The majority of the overall increase, \$6,816,125, resulted from operations of the County's four major governmental funds. Factors that affected the results for each of those individual funds are discussed below.

The General Fund is the chief operating fund of the Knox County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$53,026,996 compared to \$51,452,742 last year, an increase of \$1,574,254. Total fund balance decreased by \$176,735 resulting in total ending fund balance in 2014 of \$66,088,523 compared to \$66,265,258 in 2013. Total fund balance represents 41.5% of actual expenditures compared to 43.4% last year. The County has adopted a formal fund balance policy calling for the maintenance of a minimum level of unassigned fund balance equivalent to three months (25%) of regular operating expenditures plus transfers out. The County strives to maintain levels exceeding that minimum level in order to provide for unanticipated needs. The actual results reflect the achievement of this goal. Factors that affected the results of operations of the General Fund are discussed further in the following section.

The Debt Service Fund has a total fund balance of \$25,668,971, which compares to \$24,601,896 in 2013. The majority of the fund balance consists of amounts committed for debt service purposes by County Commission of \$21,679,018, compared to the prior year amount of \$18,766,688. The net increase in fund balance during the current year was \$1,067,075, compared to an increase of \$2,328,149 last year. The County had planned for a decrease in the Debt Service Fund, and had budgeted for \$6,961,236 to be applied to the current year budget. As the current year result of operations was an actual increase in fund balance of \$1,067,075, the fund experienced a positive variance of \$8,028,311 of actual results compared to the original adopted budget. This resulted from the significant savings from conservatively budgeting for its expenses that the County

Knox County, Tennessee
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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 increase in fund balance of \$5,596,239 in 2014, compared to a decrease in fund balance of \$21,520,410 in 2013. Fund balance at June 30, 2014 totaled \$7,068,211, compared to the June 30, 2013 balance of \$1,471,972. This change results from the timing of the issuance of bonds for capital purposes compared to the expenditures made therefrom. The County's practice is to issue debt for capital purposes generally on an annual basis, with the intent that debt proceeds be received as close as practicable to the timing of the planned expenditures. This is done to help keep interest charges as low as practicable. During FY 2014, the County issued debt while also spending proceeds from debt. The remaining fund balance represents amounts available to be spent for future capital projects, a normal result for this fund.

The Constitutional Officers Special Revenue Fund experienced an increase in the fund balance in the current year of \$329,546, resulting in fund balance at June 30, 2014 totaling \$3,986,924 compared to the June 30, 2013 total of \$3,657,378. 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 2014 totaled \$9,661,030, an increase of \$953,181 from the prior year total of \$8,707,849. These results were in line with expectations.

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

Net position of the Internal Service Funds at the end of the year amounted to \$8,454,187, compared to \$3,042,687 (restated) at the end of 2013. The increase of \$5,411,500 was primarily due to self-insurance healthcare claims activity. In FY 2014, this fund experienced an increase in fund net position of \$3,478,721, a difference of \$2,241,979 compared to the FY 2013 increase of \$1,236,742. This was primarily attributable to the lower than expected claims activity for the year. In addition, the General Fund provided an additional transfer of resources expected to have been needed to the Employee Benefits Fund to cover a small deficit expected to be experienced from operations of that 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, an increase of \$5,411,500, represents 7.7% of total charges for services of \$70,110,032. As the intent of these funds is to "break even," these results are positive in relation to original expectations, and reflect the variability and uncertainty in predicting the activity for the year. Total net position at year-end of \$8,454,187 reflects a modest accumulated net position for these funds over time, in line with expectations.

Knox County, Tennessee
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GENERAL FUND BUDGETARY HIGHLIGHTS

The total fund balance of the County's General Fund decreased by \$176,735 during 2014, compared to last year's \$6,975,057 increase. The General Fund's original budget planned for a net use of fund balance for the year of \$4,515,232. Therefore, the actual unassigned fund balance of \$53,026,996 was \$4,338,497 greater than originally planned. Key factors in the outcomes for the General Fund are as follows:

- Revenues exceeded budget in nine of twelve categories; total revenues of \$158,864,154 totaled 103.2% of the total budget of \$153,994,655. Local tax revenues, which include property and sales taxes (among others), exceeded the budget by \$1,055,705. While the County has the ability to raise tax rates, the government has chosen to keep tax rates steady (adjusted only for the effects of reappraisal) due to the recent economic recession and not further burden County taxpayers. Therefore, revenues were budgeted conservatively and in line with the previous year. Various other revenues exceeded the conservatively budgeted amounts, which also contributed to the General Fund positive budgetary outcome.
- The General Fund budget was adopted in amounts intended to provide funds for essential services while not providing for significant increases due to recent economic conditions. Expenditures of \$159,138,472 totaled 98.7% of the budget of \$161,257,723, reflecting the close monitoring of the budget to achieve results as planned.

Differences between the original budget and the final amended budget were within the normal course of County business and totaled a net \$3,768,598 increase in the total budgeted expenditures. Included in the increase were normal carryover appropriations for projects not completed during the previous fiscal year and appropriations for additional expenditures related to numerous additional revenues received for specific purposes during the year that were in addition to the revenues estimated in the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Knox County Government Total Reporting Unit reported a total balance of capital assets (net of accumulated depreciation) as of June 30, 2014, of \$1,022,819,970, which compares to the prior year total of \$1,015,388,348. 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 \$7,431,622 (0.7 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), Juvenile Justice Center, County additions/renovations, City/County Building Improvements, various school upgrades, numerous road projects, and various other projects.

Knox County, Tennessee
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The County Primary Government’s investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$973,345,120, less accumulated depreciation of \$363,095,148, leaving a net book value of \$610,249,972. The prior year net book value totaled \$617,025,295. 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 \$6,775,323. The decrease resulted primarily 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 of this report and on pages 184-186.

Long-term debt. At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$632,397,204, compared to \$631,616,485 at the end of 2013. All of the bonded debt was backed by the full faith and credit of the County government. \$255,509,840 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remaining \$376,887,364 of the Knox County Government’s debt represents bonds issued for general government purposes.

KNOX COUNTY GOVERNMENT’S Bonded Debt Changes during FY 2014:

Rollforward of Debt:	Primary Government	Board	Total
Beginning Balance	\$ 374,464,500	\$ 257,151,985	\$ 631,616,485
Principal Paid	(18,540,042)	(19,754,239)	(38,294,281)
Issued Amounts	20,962,906	18,112,094	39,075,000
Ending Amount – Bonds	<u>\$376,887,364</u>	<u>\$255,509,840</u>	<u>\$632,397,204</u>

Knox County’s total bonded debt increased by \$780,719 (0.1 percent) during the current fiscal year. The net change in bonded debt was planned, combined with reductions already achieved in previous years, as a result of the Mayor’s commitment to lower the overall bonded debt levels of the County.

Knox County’s debt is rated “AA+” by Standard & Poor’s, the highest rating in County history. In addition, the County’s debt is rated “Aa1” rating by Moody’s. These ratings were reaffirmed subsequent to June 30, 2014.

Knox County, Tennessee
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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 \$632,397,204. This translates to approximately \$1,363 per capita. This compares to the FY 2013 per capita amount of \$1,378.

Additional information on the Knox County's long-term debt can be found in the Note III.I to the Financial Statements of this report and on pages 179-182.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Knox County for June 2014 was 6.3%, which is a decrease from the final unemployment rate figure of 7.5% percent for June 2013. This compares favorably to the state's average rate of 6.6% percent for June 2014, and 8.5% for June 2013. The national unemployment averages were 6.1% for June 2014 and 7.6% for June 2013.
- The General Fund budget adopted for 2015 reflects a balanced budget totaling \$164,275,513. The budget does not anticipate using existing fund balance except for a minor anticipated use of restricted resources.
- Additional information regarding the County's budget may be found at http://www.knoxcounty.org/finance/pdfs/2014_2015_budget/2014-2015adopted_budget_detail.pdf.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Knox County Government's finances for all those with an interest in the government's finances. The County's CAFR and additional information regarding the County may be located online at: <http://www.knoxcounty.org/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, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Knox County Board of Education	Nonmajor Component Units	Total Reporting Unit
Assets						
Cash and Cash Equivalents	\$ 85,628,635	\$ 96,086	\$ 85,724,721	\$ 21,081,683	\$ 24,988,456	\$ 131,794,860
Accounts Receivable	16,035,243	7,346	16,042,589	39,650,997	1,669,917	57,363,503
Local Taxes Receivable, net	166,179,741	-	166,179,741	106,283,112	-	272,462,853
Notes Receivable	11,499,419	-	11,499,419	-	-	11,499,419
Investments	40,258,236	-	40,258,236	28,344,926	-	68,603,162
Due from Component Units	1,525,518	-	1,525,518	-	-	1,525,518
Due from Primary Government	-	-	-	219,741	3,575	223,316
Internal Balances	14,436	(14,436)	-	-	-	-
Advances to Other Governments	2,465,000	-	2,465,000	-	-	2,465,000
Inventories	374,057	75,298	449,355	2,398,492	-	2,847,847
Land Held for Resale	-	-	-	-	22,017,217	22,017,217
Prepaid Items	287,740	210	287,950	1,573,462	60,452	1,921,864
Pension Asset	5,857,917	-	5,857,917	-	-	5,857,917
Other Post-Employment Benefits Asset	354,018	-	354,018	-	-	354,018
Equity Interest in Joint Venture	6,422,186	-	6,422,186	-	-	6,422,186
Capital Assets:						
Land and Construction in Process	134,778,476	880	134,779,356	45,332,244	4,477,565	184,589,165
Other Capital Assets, Net of Accumulated Depreciation	475,471,496	453,066	475,924,562	358,271,054	4,035,189	838,230,805
Total Assets	947,152,118	618,450	947,770,568	603,155,711	57,252,371	1,608,178,650
Deferred Outflows of Resources						
Deferred Outflows of Unamortized Amount on Refundings	2,541,998	-	2,541,998	-	-	2,541,998
Deferred Outflows of Hedging Derivatives	20,451,022	-	20,451,022	-	-	20,451,022
Total Deferred Outflows of Resources	22,993,020	-	22,993,020	-	-	22,993,020
Liabilities						
Accounts Payable	14,371,478	60,238	14,431,716	55,668,374	495,642	70,595,732
Due to Component Units	223,316	-	223,316	-	-	223,316
Due to Primary Government	-	-	-	1,524,967	551	1,525,518
Unearned Revenue	3,426,462	-	3,426,462	3,795,687	-	7,222,149
Accrued Interest	4,001,229	-	4,001,229	-	-	4,001,229
Self-insurance Liability	16,218,020	-	16,218,020	-	-	16,218,020
Long-term Obligations:						
Accrued Pension Obligation	-	-	-	3,075,588	-	3,075,588
Other Post-Employment Benefits Obligation	937,656	-	937,656	-	-	937,656
Fair Value of Interest Rate Swap Derivatives	27,651,278	-	27,651,278	-	-	27,651,278
Other Long-term Obligations:						
Due in Less than One Year	53,090,978	27,382	53,118,360	2,818,961	238,772	56,176,093
Due in More than One Year	629,608,028	3,042	629,611,070	10,968,218	26,530	640,605,818
Total Liabilities	749,528,445	90,662	749,619,107	77,851,795	761,495	828,232,397
Deferred Inflows of Resources						
Deferred Inflows of Property Taxes and Other Receivables	167,493,540	-	167,493,540	98,712,773	-	266,206,313
Net Position						
Investment in Capital Assets	-	453,946	453,946	403,603,298	8,512,754	412,569,998
Net Investment in Capital Assets (see note below)	284,908,028	-	284,908,028	-	-	(6,556,150)
Restricted for:						
Debt Service	69,953	-	69,953	-	-	69,953
Capital Projects	7,068,211	-	7,068,211	-	-	7,068,211
Public Health and Welfare Purposes	2,985,546	-	2,985,546	-	-	2,985,546
Public Safety Purposes	2,663,638	-	2,663,638	-	-	2,663,638
Education Purposes	-	-	-	19,589,721	-	19,589,721
Other Purposes	2,463,214	-	2,463,214	-	18,742	2,481,956
Unrestricted (see note below)	(247,035,437)	73,842	(246,961,595)	3,398,124	47,959,380	95,860,087
Total Net Position	\$ 53,123,153	\$ 527,788	\$ 53,650,941	\$ 426,591,143	\$ 56,490,876	\$ 536,732,960

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 \$291,464,178 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 \$291,464,178 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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total Reporting Unit
					Governmental Activities	Business-type Activities	Total	The Board	Nonmajor Component Units	
Primary government:										
Governmental activities:										
Finance and Administration	\$ 30,943,555	\$ 20,581,958	\$ 101,250	\$ -	\$ (10,260,347)		\$ (10,260,347)			\$ (10,260,347)
Finance and Administration-Payment to Component Unit	6,753,874	-	-	-	(6,753,874)		(6,753,874)			(6,753,874)
Administration of Justice	23,299,693	10,042,760	84,867	-	(13,172,066)		(13,172,066)			(13,172,066)
Public Safety	77,888,346	3,305,146	3,526,330	-	(71,056,870)		(71,056,870)			(71,056,870)
Public Safety-Payment to Component Unit	326,200	-	-	-	(326,200)		(326,200)			(326,200)
Public Health and Welfare	33,693,888	5,834,345	7,928,413	-	(19,931,130)		(19,931,130)			(19,931,130)
Public Health and Welfare-Payment to Component Unit	211,628	-	-	-	(211,628)		(211,628)			(211,628)
Social and Cultural Services	19,921,048	885,537	473,494	-	(18,562,017)		(18,562,017)			(18,562,017)
Agricultural and Natural Resources	519,433	-	-	-	(519,433)		(519,433)			(519,433)
Other General Government	23,803,616	282,845	1,342,207	-	(22,178,564)		(22,178,564)			(22,178,564)
Other General Government-Payment to Component Unit	600,000	-	-	-	(600,000)		(600,000)			(600,000)
Engineering and Public Works	25,155,488	267,125	1,611,771	-	(23,276,592)		(23,276,592)			(23,276,592)
Education - Payment to Component Unit	38,763,934	-	-	-	(38,763,934)		(38,763,934)			(38,763,934)
Debt Issuance Costs	745,863	-	-	-	(745,863)		(745,863)			(745,863)
Debt Service - Interest and Fees	25,205,819	-	-	-	(25,205,819)		(25,205,819)			(25,205,819)
Total governmental activities	307,832,385	41,199,716	15,068,332	-	(251,564,337)		(251,564,337)			(251,564,337)
Business-type activities:										
Three Ridges Golf Course	937,604	861,989	-	-	-	\$ (75,615)	(75,615)			(75,615)
Total primary government	\$ 308,769,989	\$ 42,061,705	\$ 15,068,332	\$ -	(251,564,337)	(75,615)	(251,639,952)			(251,639,952)
Component units:										
Board of Education	\$ 560,610,890	\$ 15,155,847	\$ 68,826,803	\$ -			\$ (476,628,240)			(476,628,240)
Nonmajor Component Units	7,397,708	6,078,468	37,029	883,814			-	\$ (398,397)		(398,397)
Total component units	\$ 568,008,598	\$ 21,234,315	\$ 68,863,832	\$ 883,814			(476,628,240)	(398,397)		(477,026,637)
General Revenues:										
Property Taxes					145,415,011	-	145,415,011	115,339,172	-	260,754,183
Sales Taxes					11,133,979	-	11,133,979	128,518,755	-	139,652,734
Lodging Taxes					5,860,554	-	5,860,554	-	-	5,860,554
Business Taxes					7,566,636	-	7,566,636	-	-	7,566,636
Wheel Taxes					11,448,102	-	11,448,102	1,561,822	-	13,009,924
Other Local Taxes					4,970,986	-	4,970,986	1,073,324	-	6,044,310
Investment Revenue					2,248,955	-	2,248,955	207,532	21,763	2,478,250
Payments from Component Units					32,444,501	-	32,444,501	-	-	32,444,501
Payments from Primary Government					-	-	-	45,517,808	1,137,828	46,655,636
Shared Revenues					14,766,864	-	14,766,864	1,369,610	-	16,136,474
Other Revenues					288,487	-	288,487	-	-	288,487
Other Governments and Citizens Groups					728,102	-	728,102	-	90,080	818,182
Miscellaneous					966,103	-	966,103	214,340	5,000	1,185,443
Grants and Contributions Not Restricted for Specific Programs					-	-	-	173,629,000	1,739,140	175,368,140
Total General Revenues					237,838,280	-	237,838,280	467,431,363	2,993,811	708,263,454
Change in Net Position					(13,726,057)	(75,615)	(13,801,672)	(9,196,877)	2,595,414	(20,403,135)
Net Position, July 1, as restated (See Note IV H)					66,849,210	603,403	67,452,613	435,788,020	53,895,462	557,136,095
Net Position, June 30					\$ 53,123,153	\$ 527,788	\$ 53,650,941	\$ 426,591,143	\$ 56,490,876	\$ 536,732,960

KNOX COUNTY, TENNESSEE

**Balance Sheet
Governmental Funds
June 30, 2014**

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 27,661,523	\$ 4,443,700	\$ 271,659	\$ 20,835,956	\$ 8,878,087	\$ 62,090,925
Receivables:						
Accounts, Net	7,588,363	-	63,896	35,000	7,640,117	15,327,376
Local Taxes	111,332,636	-	-	54,847,105	-	166,179,741
Notes	1,151,000	-	-	7,475,000	2,850,946	11,476,946
Investments	31,021,172	-	9,237,064	-	-	40,258,236
Due from Other Funds	1,340,091	-	50,000	647,025	1,617,096	3,654,212
Due from Component Units	849,644	-	193,905	-	-	1,043,549
Advances to Other Governments	-	-	-	2,465,000	-	2,465,000
Inventories	125,767	-	-	-	10,530	136,297
Prepaid Items	212,181	-	-	-	23,185	235,366
Investment in Joint Venture	6,422,186	-	-	-	-	6,422,186
TOTAL ASSETS	\$ 187,704,563	\$ 4,443,700	\$ 9,816,524	\$ 86,305,086	\$ 21,019,961	\$ 309,289,834
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 6,507,480	\$ -	\$ 2,554,408	\$ 4,714	\$ 3,976,141	\$ 13,042,743
Due to Other Funds	3,228,062	456,776	193,905	-	725,980	4,604,723
Due to Component Units	98,069	-	-	-	-	98,069
Unearned Revenue	29,258	-	-	-	3,345,355	3,374,613
TOTAL LIABILITIES	9,862,869	456,776	2,748,313	4,714	8,047,476	21,120,148
DEFERRED INFLOWS OF RESOURCES						
Deferred Property Taxes and Notes Receivable	111,753,171	-	-	60,631,401	-	172,384,572
FUND BALANCES						
Nonspendable	6,760,134	-	-	3,920,000	33,715	10,713,849
Restricted	2,557,432	-	7,068,211	69,953	5,554,966	15,250,562
Committed	2,342,583	-	-	21,679,018	7,383,804	31,405,405
Assigned	1,401,378	3,986,924	-	-	-	5,388,302
Unassigned	53,026,996	-	-	-	-	53,026,996
TOTAL FUND BALANCES	66,088,523	3,986,924	7,068,211	25,668,971	12,972,485	115,785,114
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 187,704,563	\$ 4,443,700	\$ 9,816,524	\$ 86,305,086	\$ 21,019,961	\$ 309,289,834

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, 2014

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

Ending Fund Balance - Governmental Funds	\$	115,785,114
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		609,915,182
Other long-term assets, consisting of pension asset (\$5,857,917) and other post-employment benefits asset (\$354,018), are not available to pay for current-period expenditures and, therefore, are not reported as assets in the fund financial statements.		6,211,935
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.		8,454,187
Long-term liabilities, including bonds payable and related unamortized premium, loans 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	\$	632,397,204
Unamortized Bond Premium		6,497,791
Fair Value of Interest Rate Swaps, net		7,200,256
Loans Payable		8,709,231
Accrued Interest		4,001,229
Capital Lease Obligations		27,245,107
Other Post-employment Benefit Obligation		937,656
Compensated Absences		7,687,821
		<u>(694,676,295)</u>
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts are recorded as deferred inflows of resources in the fund financial statements but have been recognized as revenues under the accrual basis		4,891,032
Deferred outflows of unamortized amounts on refundings increase the amount of net position reported in the statement of net position, but are not reported as assets in the funds.		<u>2,541,998</u>
Net Position of Governmental Activities	\$	<u><u>53,123,153</u></u>

KNOX COUNTY, TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2014

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
County Property Taxes	\$ 113,050,682	\$ -	\$ -	\$ 33,375,647	\$ -	\$ 146,426,329
Local Option Sales Taxes	4,043,904	-	-	-	7,090,075	11,133,979
Lodging Taxes	-	-	-	-	5,860,554	5,860,554
Business Taxes	7,566,636	-	-	-	-	7,566,636
Wheel Taxes	519,752	-	-	-	10,928,350	11,448,102
Other Local Taxes	2,898,638	-	-	-	2,072,348	4,970,986
Licenses and Permits	3,827,598	-	-	-	-	3,827,598
Fines, Forfeitures and Penalties	2,246,055	-	-	-	702,979	2,949,034
Charges for Current Services	6,007,089	24,342,164	-	-	721,065	31,070,318
Other Local Revenues	7,088,972	-	81,185	70,000	1,295,825	8,535,982
State of Tennessee	9,757,201	-	1,611,771	-	6,768,923	18,137,895
Federal Government	1,297,509	-	-	-	9,940,643	11,238,152
Other Governments and Citizen Groups	560,118	-	-	-	162,901	723,019
Payments from Component Units	-	-	-	31,929,023	-	31,929,023
Investment Revenue	-	13,249	(3,365)	2,013,916	-	2,023,800
Total Revenues	158,864,154	24,355,413	1,689,591	67,388,586	45,543,663	297,841,407
Expenditures						
Current:						
Finance and Administration	22,537,866	7,897,189	-	-	101,250	30,536,305
Finance and Administration - Payments to Component Unit	6,753,874	-	-	-	-	6,753,874
Administration of Justice	16,229,625	6,467,648	-	-	90,003	22,787,276
Public Safety	71,825,583	-	-	-	3,133,321	74,958,904
Public Safety - Payments to Component Unit	326,200	-	-	-	-	326,200
Public Health and Welfare	20,487,227	-	-	-	12,332,469	32,819,696
Public Health and Welfare - Payments to Component Unit	211,628	-	-	-	-	211,628
Social and Cultural Services	4,527,355	-	-	-	12,767,521	17,294,876
Agricultural and Natural Resources	519,433	-	-	-	-	519,433
Other General Government	14,626,471	-	15,971	-	6,723,556	21,365,998
Other General Government - Payments to Component Unit	600,000	-	-	-	-	600,000
Engineering and Public Works	-	-	-	-	11,782,056	11,782,056
Decrease in Equity Interest in Joint Venture	493,210	-	-	-	-	493,210
Debt Proceeds Paid to Component Unit	-	-	38,763,934	-	-	38,763,934
Debt Issuance Costs	-	-	745,863	-	-	745,863
Capital Projects	-	-	18,403,407	-	12,321	18,415,728
Debt Service:						
Other Debt Service	-	-	-	1,628,599	-	1,628,599
Trustee's Commission	-	-	-	680,090	-	680,090
Principal	-	-	-	40,630,308	-	40,630,308
Interest	-	-	-	23,577,780	-	23,577,780
Total Expenditures	159,138,472	14,364,837	57,929,175	66,516,777	46,942,497	344,891,758
Excess (Deficiency) of Revenues Over (Under) Expenditures	(274,318)	9,990,576	(56,239,584)	871,809	(1,398,834)	(47,050,351)
Other financing sources (uses)						
Transfers from Other Funds	9,661,030	-	1,574,999	195,266	4,479,532	15,910,827
Transfers to Other Funds	(9,563,447)	(9,661,030)	-	-	(2,016,430)	(21,240,907)
Capital Lease Proceeds	-	-	14,872,404	-	-	14,872,404
Long-term Bonds Issued	-	-	39,075,000	-	-	39,075,000
Long-term Loan Issued	-	-	5,962,500	-	-	5,962,500
Premium on Long-term Debt Issued	-	-	350,920	-	-	350,920
Total Other Financing Sources (Uses)	97,583	(9,661,030)	61,835,823	195,266	2,463,102	54,930,744
Net Change in Fund Balances	(176,735)	329,546	5,596,239	1,067,075	1,064,268	7,880,393
Fund Balances, July 1	66,265,258	3,657,378	1,471,972	24,601,896	11,908,217	107,904,721
Fund Balances, June 30	\$ 66,088,523	\$ 3,986,924	\$ 7,068,211	\$ 25,668,971	\$ 12,972,485	\$ 115,785,114

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, 2014

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

Net Change in Fund Balances - Total Governmental Funds	\$ 7,880,393
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 (\$22,184,917) exceeded capital outlays (\$18,454,998) in the current period.	(3,729,919)
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.	4,891,032
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.	(5,902,350)
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 proceeds (\$59,909,904) exceeded principal payments (\$40,997,261) by this amount.	(18,912,643)
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$674,498). In addition, the amortization of bond premium results in reduction of expenses of \$1,405,693. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	731,195
Debt issued at a premium provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net assets.	(350,920)
The decrease in the liability for accrued interest of \$97,980, plus the increase in the balance of the net pension asset of \$182,450 and the increase in the balance of the net other post-employment asset of \$354,018, 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 \$155,294, and the increase in the compensated absences liability balance of \$983,736 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.	(504,582)
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.	(3,052,019)
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.	(187,744)
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>5,411,500</u>
Change in Net Position of Governmental Activities	<u>\$ (13,726,057)</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, 2014**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
County Property Taxes	\$ 111,328,000	\$ 111,328,000	\$ 113,050,682	\$ 1,722,682
Local Option Sales Taxes	4,480,600	4,480,600	4,043,904	(436,696)
Business Taxes	7,900,000	7,900,000	7,566,636	(333,364)
Wheel Taxes	525,000	525,000	519,752	(5,248)
Other Local Taxes	2,678,000	2,790,307	2,898,638	108,331
Licenses and Permits	3,594,100	3,594,100	3,827,598	233,498
Fines, Forfeitures and Penalties	1,691,150	1,882,788	2,246,055	363,267
Charges for Current Services	4,171,905	4,865,597	6,007,089	1,141,492
Other Local Revenues	3,462,685	6,734,887	7,088,972	354,085
State of Tennessee	8,567,664	8,898,388	9,757,201	858,813
Federal Government	725,000	725,000	1,297,509	572,509
Other Governments and Citizen Groups	251,000	269,988	560,118	290,130
Total Revenues	<u>149,375,104</u>	<u>153,994,655</u>	<u>158,864,154</u>	<u>4,869,499</u>
Expenditures				
Current:				
Finance and Administration	23,274,534	23,333,239	22,537,866	795,373
Finance and Administration - Payments to Component Unit	8,153,874	6,753,874	6,753,874	-
Administration of Justice	16,278,957	16,452,013	16,229,625	222,388
Public Safety	71,129,531	72,087,406	71,825,583	261,823
Public Safety - Payments to Component Unit	326,200	326,200	326,200	-
Public Health and Welfare	20,244,036	20,575,140	20,487,227	87,913
Public Health and Welfare - Payments to Component Unit	256,628	211,628	211,628	-
Social and Cultural Services	4,355,040	4,529,703	4,527,355	2,348
Agricultural and Natural Resources	493,062	519,461	519,433	28
Other General Government	12,377,263	15,375,849	14,626,471	749,378
Other General Government - Payments to Component Unit	600,000	600,000	600,000	-
Decrease in Equity Interest in Joint Venture	-	493,210	493,210	-
Total Expenditures	<u>157,489,125</u>	<u>161,257,723</u>	<u>159,138,472</u>	<u>2,119,251</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,114,021)</u>	<u>(7,263,068)</u>	<u>(274,318)</u>	<u>6,988,750</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	7,677,800	7,710,263	9,661,030	1,950,767
Transfers to Other Funds	(4,079,011)	(9,563,456)	(9,563,447)	9
Total Other Financing Sources	<u>3,598,789</u>	<u>(1,853,193)</u>	<u>97,583</u>	<u>1,950,776</u>
Net Change in Fund Balances	<u>\$ (4,515,232)</u>	<u>\$ (9,116,261)</u>	<u>(176,735)</u>	<u>\$ 8,939,526</u>
Fund Balances, July 1			<u>66,265,258</u>	
Fund Balances, June 30			<u>\$ 66,088,523</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, 2014

	(Nonmajor) Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 96,086	\$ 23,537,710
Receivables:		
Accounts	7,346	707,867
Due from Other Funds	-	1,558,325
Due from Component Units	-	481,969
Notes	-	22,473
Inventories	75,298	237,760
Prepaid Items	210	52,374
TOTAL CURRENT ASSETS	178,940	26,598,478
Capital Assets:		
Land	880	-
Buildings	747,515	-
Machinery and Equipment	506,923	6,252,586
Computer Software	25,448	-
Land Improvements	66,463	-
Accumulated Depreciation	(893,283)	(5,917,796)
Capital Assets (Net of Accumulated Depreciation)	453,946	334,790
TOTAL ASSETS	632,886	26,933,268
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	60,238	1,328,735
Due to Other Funds	14,436	593,378
Due to Component Units	-	125,247
Unearned Revenue	-	51,849
Claims Liability	-	16,218,020
Compensated Absences Payable	27,382	145,667
TOTAL CURRENT LIABILITIES	102,056	18,462,896
Noncurrent Liabilities:		
Compensated Absences Payable	3,042	16,185
TOTAL LIABILITIES	105,098	18,479,081
NET POSITION		
Invested in Capital Assets	453,946	334,790
Unrestricted	73,842	8,119,397
TOTAL NET POSITION	\$ 527,788	\$ 8,454,187

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, 2014

	(Nonmajor) Enterprise Fund	Internal Service Funds
Operating Revenues		
Charges for Services	\$ 861,989	\$ 70,110,032
Operating Expenses		
Cost of Sales and Services	367,835	2,551,132
General and Administration	420,557	13,460,746
Depreciation and Amortization	58,090	88,029
Medical Claims	-	21,970,143
Retirement Contributions	-	26,691,927
Other Employee Benefits	-	799,117
Worker's Compensation & Other Claims	-	4,330,872
Other Expenses	87,778	136,646
Total Operating Expenses	<u>934,260</u>	<u>70,028,612</u>
Operating Income (Loss)	<u>(72,271)</u>	<u>81,420</u>
Nonoperating Expense		
Loss on Disposal of Assets	<u>(3,344)</u>	<u>-</u>
Income (Loss) before Transfers	<u>(75,615)</u>	<u>81,420</u>
Transfers		
Transfers to Other Funds	-	(200,000)
Transfers from Other Funds	<u>-</u>	<u>5,530,080</u>
Change in Net Postion	<u>(75,615)</u>	<u>5,411,500</u>
Total Net Position, July 1, as restated	<u>603,403</u>	<u>3,042,687</u>
Total Net Position, June 30	<u><u>\$ 527,788</u></u>	<u><u>\$ 8,454,187</u></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, 2014

	(Nonmajor) Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
Operating Activities		
Cash Received from Customers	\$ 876,945	\$ -
Cash Received from Interfund Services Provided	-	69,597,291
Cash Paid to Employees	(404,487)	(1,639,433)
Cash Paid for Goods and Services	(489,087)	(16,540,514)
Cash Paid on Behalf of Employees	-	(50,193,527)
Net Cash Provided by (Used in) Operating Activities	<u>(16,629)</u>	<u>1,223,817</u>
Noncapital Financing Activities		
Receipts of Subrogation Payments	-	25
Transfers from Other Funds	-	5,530,080
Transfers to Other Funds	-	(200,000)
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>5,330,105</u>
Capital and Related Financing Activities		
Loss on Disposal of Assets	(3,344)	-
Acquisition and Construction of Capital Assets	(11,500)	(94,644)
Net Cash Used in Capital and Related Financing Activities	<u>(14,844)</u>	<u>(94,644)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(31,473)	6,459,278
Cash and Cash Equivalents Beginning of Year	<u>127,559</u>	<u>17,078,432</u>
End of Year	<u><u>\$ 96,086</u></u>	<u><u>\$ 23,537,710</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	\$ (72,271)	\$ 81,420
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	58,090	88,029
Loss on Disposal of Fixed Asset	3,344	-
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	14,310	(409,117)
(Increase) Decrease in Due from Other Funds	646	(243,233)
Decrease in Due from Component Units	-	95,887
(Increase) Decrease in Inventories	(1,703)	9,263
Decrease in Prepaid Items	1,466	31,607
Increase in Accounts Payable and Accrued Liabilities	21,441	67,522
Increase (Decrease) in Due to Other Funds	(24,948)	324,427
Decrease in Due to Component Units	-	(105,892)
Increase (Decrease) in Compensated Absences	(17,004)	31,321
Increase in Claims Liabilities	-	1,208,861
Increase in Unearned Revenue	-	43,722
Total Adjustments	<u>55,642</u>	<u>1,142,397</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (16,629)</u></u>	<u><u>\$ 1,223,817</u></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, 2014

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 3,172,778	\$ 24,468,419
Investments, at Fair Value:		
Mutual Funds	405,524,382	-
Common Collective Trusts	30,306,536	-
Guaranteed Investment Contracts	28,283,442	-
Corporate Bonds	2,276,060	-
U.S. Treasuries	10,745,218	-
Federal Agency Debt Securities	3,740,136	-
Federal Agency Mortgage Backed Securities	6,597,370	-
Total Investments	<u>487,473,144</u>	<u>-</u>
Receivables:		
Accounts	-	7,649,115
Employee Contributions	211,111	-
Employer Contributions	199,132	-
Receivable for Investment Sold	299,869	-
Accrued Interest and Dividends	126,885	-
Total Receivables	<u>836,997</u>	<u>7,649,115</u>
TOTAL ASSETS	<u>491,482,919</u>	<u>\$ 32,117,534</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	395,372	\$ 8,654,322
Due to Other Governments	-	6,171,040
Due to Litigants, Heirs and Others	-	17,292,172
TOTAL LIABILITIES	<u>395,372</u>	<u>\$ 32,117,534</u>
NET POSITION		
Held in Trust for:		
Pension and Other Employee Benefits	<u>\$ 491,087,547</u>	

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

KNOX COUNTY, TENNESSEE

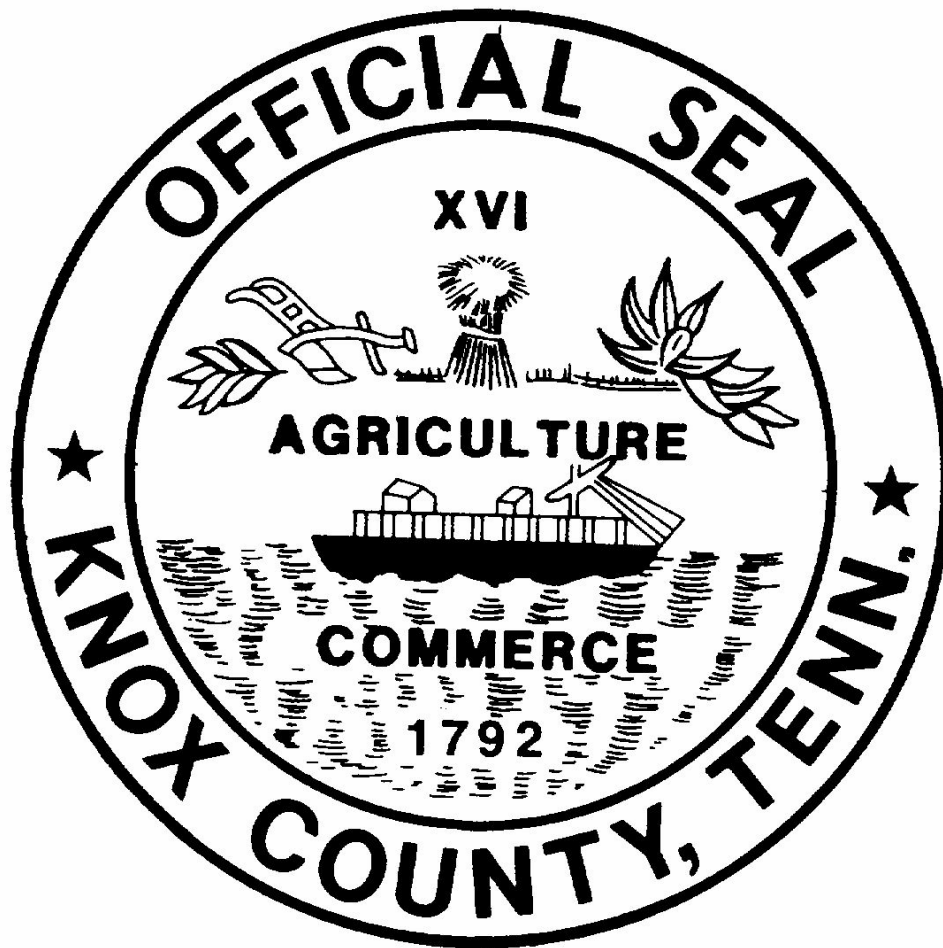
**Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

For the year ended June 30, 2014

	Pension and Other Employee Benefit Trust Funds
Additions	
Contributions:	
Employer	\$ 14,634,343
Employees	11,702,773
Rollovers	392,632
	<hr/>
Total Contributions	26,729,748
	<hr/>
Investment Earnings (Losses):	
Interest and Dividend Income	4,583,272
Net Appreciation (Depreciation) in Fair Value of Investments	61,061,141
Total Investment Earnings (Losses)	65,644,413
Less Investment Expenses	(503,134)
Net Investment Earnings (Losses)	65,141,279
	<hr/>
Other Additions:	
Transfers from Other Plans	666,407
Legal Settlements	12,584
	<hr/>
Total Other Additions	678,991
	<hr/>
Total Additions	92,550,018
	<hr/>
Deductions	
Benefits and Refunds	33,138,484
Administrative Expenses	1,873,917
Transfers to Other Plans	666,407
Total Deductions	35,678,808
	<hr/>
Change in Net Position	56,871,210
	<hr/>
Total Net Position Held in Trust for Pension and Other Employee Benefits, July 1	434,216,337
	<hr/>
Total Net Position Held in Trust for Pension and Other Employee Benefits, June 30	\$ 491,087,547
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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, 2014

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KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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 89 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2013 - 2014 school year was 57,038 with a full time equivalent average daily attendance of 53,739. During the previous year, the full time equivalent average daily membership was 56,811 with a full time equivalent average daily attendance of 53,344.

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Major Component Unit - the Board

The Great Schools Partnership Charitable Trust (the Partnership) was established during the fiscal year ended June 30, 2005. Its purpose is to provide financial and other support to the Knox County Schools by expending funds in furtherance of specific programs and activities conducted by the Board, or by distributions of funds directly to the Board. The Partnership is a legally separate, tax-exempt organization governed by a board consisting of representatives of the Board, Knox County, the City of Knoxville, and various other governmental, educational, and not-for-profit organizations. Although the Board does not control the timing or amount of expenditures made by the Partnership, the majority of the resources, or income therefrom, that the Partnership holds are restricted to the exempt purposes of the Board by the donors. Therefore, the Partnership is considered a component unit of the Board and is discretely presented in the Board's financial statements. During fiscal year 2014, the Partnership entered into an agreement with a separate not-for-profit organization whereby that organization became a supporting organization of the Partnership. Amounts presented in the financial statements reflect this combined reporting presentation.

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

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

B. Government-wide and Fund Financial Statements

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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, 2014

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, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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, 2014

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, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Deposits and Investments

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

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

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

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, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables, Payables, and Unearned Revenue

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, 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 \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, 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. In general, unpaid accumulated sick leave does not vest and is not recorded as a liability. During FY 2014, the County implemented a policy whereby retiring employees may be paid for unused sick leave in varying amounts up to a maximum of \$10,000, and a liability has been recorded for these estimated termination payments. Vacation, compensatory, and sick leave benefits from the County's and the Board's governmental funds are not reported in their respective fund financial statements because it is not expected that such amounts would be liquidated with expendable available financial resources. No expenditure is reported for these amounts. For the County and Component Unit governmental activities, compensated absences liabilities are generally liquidated by the respective general fund. The compensated absences liability and the related change in liability are reported in the government-wide and proprietary fund financial statements of the County and its component units.

Long-Term Obligations

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity

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

Nonspendable fund balance includes amounts that cannot be spent because they are (a) not in spendable form, or (b) legally or contractually required to be maintained intact (e.g., endowments.) Fund balance not in spendable form includes items not expected to be converted to cash (e.g., inventories and prepaid items), as well as 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, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The County has adopted a policy requiring that a minimum level of unassigned fund balance in the General Fund equal to three months (25%) of regular, ongoing operating expenditures be maintained.

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

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

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, 2014

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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, 2014

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, 2014:

Fund	Original Budget	Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 161,568,136	\$ 9,253,043	\$ 170,821,179
Special Revenue Funds:			
State, Federal and Other Grants	151,795	1,139,761	1,291,556
Governmental Library	125,000	22,000	147,000
Public Library	12,620,900	242,464	12,863,364
Solid Waste	3,994,897	-	3,994,897
Hotel/Motel Tax	5,715,000	161,089	5,876,089
Drug Control	660,495	534,938	1,195,433
Engineering & Public Works	11,637,900	1,356,818	12,994,718
Total Special Revenue Funds	34,905,987	3,457,070	38,363,057
Debt Service Fund	73,000,000	-	73,000,000
Total - Governmental Funds	\$ 269,474,123	\$ 12,710,113	\$ 282,184,236

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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	\$ 419,867,000	\$ 14,917,639	\$ 434,784,639
Special Revenue Funds:			
Central Cafeteria	26,146,452	750,000	26,896,452
Capital Projects Fund:			
School Construction	19,700,000	-	19,700,000
Total - the Board	<u>\$ 465,713,452</u>	<u>\$ 15,667,639</u>	<u>\$ 481,381,091</u>

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2014, 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, 2014

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 and the Board's governmental activities investments and the activities of the County's and the Board's Pension Trust funds:

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

	Primary Government and Board 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	\$ 39,134		\$ 4,698,020	
Certificate of Deposits held greater than 90 days	\$ 8,169,561		\$ -	
Common Collective Trusts	\$ -		\$ 30,306,536	
Guaranteed Investment Contracts	\$ -		\$ 28,283,422	
Mutual Funds	\$ -		\$ 464,362,940	
Fixed Income Securities:				
U.S. Treasuries	\$ 1,502,465	0.441	\$ 14,342,467	9.700
Federal Agency Mortgage Backed Securities	4,430,534	0.971	8,803,824	25.200
Federal Agency Debt Securities	5,328,432	0.528	4,889,627	2.600
Corporate Bonds	-		3,103,849	6.900
Municipal Bonds	38,671,172	0.170	-	
Total Fixed Income Securities	\$ 49,932,603	2.110	\$ 31,139,767	12.700

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, 2014 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, 2014

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

	Primary Government and Board 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	\$ 1,502,465	Aaa	\$ 14,342,467	AA+
Federal Agency Mortgage Backed Securities	4,430,534	AA+	8,803,824	Aaa
Federal Agency Debt Securities	5,328,432	AA+	4,889,627	AA+
Corporate Bonds:				
Corporate Bonds	-		125,131	AAA
Corporate Bonds	-		205,586	AA+
Corporate Bonds	-		148,845	AA
Corporate Bonds	-		217,573	AA-
Corporate Bonds	-		403,900	A+
Corporate Bonds	-		588,135	A
Corporate Bonds	-		787,203	A-
Corporate Bonds	-		627,476	BBB+
Municipal Bonds	5,639,577	AAA	-	
Municipal Bonds	371,683	Aaa	-	
Municipal Bonds	8,525,700	AA+	-	
Municipal Bonds	2,676,811	Aa1	-	
Municipal Bonds	9,714,910	AA	-	
Municipal Bonds	3,260,739	Aa2	-	
Municipal Bonds	3,135,237	AA-	-	
Municipal Bonds	1,268,204	Aa3	-	
Municipal Bonds	1,301,171	A+	-	
Municipal Bonds	2,777,140	A	-	
Total Fixed Income Securities	<u>\$ 49,932,603</u>		<u>\$ 31,139,767</u>	

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

The County's and Board's governmental activities investments and the County's and the Board's pension trust investments have no investments in any single issuer of fixed income securities 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	\$ 113,383,573	\$ 55,577,040	\$ -	\$ -	\$ -	\$ -	\$ 168,960,613	\$ -
Accounts	7,588,363	35,000	63,896	7,640,117	707,867	7,346	16,042,589	8,075,869
Contributions	-	-	-	-	-	-	-	410,243
Gross Receivables	120,971,936	55,612,040	63,896	7,640,117	707,867	7,346	185,003,202	8,486,112
Less: Allowances for Uncollectibles	(2,050,937)	(729,935)	-	-	-	-	(2,780,872)	-
Net Total Receivables	\$ 118,920,999	\$ 54,882,105	\$ 63,896	\$ 7,640,117	\$ 707,867	\$ 7,346	\$ 182,222,330	\$ 8,486,112

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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>	<u>Government-wide Totals</u>			
	<u>The Board</u>	<u>The Partnership</u>	<u>The District</u>	<u>The Corporation</u>
Receivables:				
Taxes	\$ 108,478,325	\$ -	\$ -	\$ -
Accounts	38,804,176	846,821	1,497,385	172,532
Gross Receivables	147,282,501	846,821	1,497,385	172,532
Less: Allowances for Uncollectibles	(2,195,213)	-	-	-
Net Total Receivables	<u>\$ 145,087,288</u>	<u>\$ 846,821</u>	<u>\$ 1,497,385</u>	<u>\$ 172,532</u>

The General Fund has the following note receivable at June 30, 2014:

- (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, 2014, \$1,151,000 remained outstanding.

The County's Debt Service Fund has the following note and loan receivable at June 30, 2014:

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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, 2014, the loan balance was \$6,020,000.

The State, Federal and Other Grants Special Revenue Fund had \$2,850,946 of notes receivable at June 30, 2014. 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 2013 and 2014. Subsequent to the fiscal year 2014 year end, CAC made a payment to the County of \$35,000, which has been reclassified as a current receivable.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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, 2014, was the following:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 100,929,615	\$ 2,604,822	\$ 4,424,363	\$ 99,110,074
Construction in Progress	48,697,405	11,345,610	24,374,613	35,668,402
Total Capital Assets, not being depreciated	149,627,020	13,950,432	28,798,976	134,778,476
Capital Assets being depreciated:				
Buildings	194,403,301	17,102,969	-	211,506,270
Land Improvements	20,357,037	3,820,662	-	24,177,699
Machinery and Equipment	41,972,001	3,513,730	1,671,905	43,813,826
Intangible Assets	15,665,627	52,145	22,040	15,695,732
Infrastructure	537,515,932	5,857,185	-	543,373,117
Total Capital Assets being depreciated	809,913,898	30,346,691	1,693,945	838,566,644
Less Accumulated Depreciation for:				
Buildings	79,038,680	4,217,018	-	83,255,698
Land Improvements	13,578,730	897,506	-	14,476,236
Machinery and Equipment	32,568,125	3,093,056	1,671,381	33,989,800
Intangible Assets	11,340,877	660,483	22,040	11,979,320
Infrastructure	205,989,211	13,404,883	-	219,394,094
Total Accumulated Depreciation	342,515,623	22,272,946	1,693,421	363,095,148
Total Capital Assets being depreciated, net	467,398,275	8,073,745	524	475,471,496
Governmental Activities Capital Assets, net	\$ 617,025,295	\$ 22,024,177	\$ 28,799,500	\$ 610,249,972

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Primary Government

	Beginning Balance		Increases		Decreases		Ending Balance
Business-type Activities:							
Three Ridges Golf Course:							
Land and Construction in Progress	\$ 880	\$	-	\$	-	\$	880
Buildings	747,515		-		-		747,515
Machinery and Equipment	504,423		11,500		(9,000)		506,923
Computer Software	25,448		-		-		25,448
Land Improvements	66,463		-		-		66,463
Less: Accumulated Depreciation	(840,849)		(58,090)		5,656		(893,283)
Total	\$ 503,880	\$	(46,590)	\$	(3,344)	\$	453,946

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

Finance and Administration	\$ 407,250
Administration of Justice	512,417
Public Safety	2,929,442
Public Health and Welfare	874,192
Social and Cultural Services	2,626,172
Other General Government	1,511,295
Engineering & Public Works	13,412,178
Total Depreciation Expense - Governmental Activities	\$ 22,272,946

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Component Unit – the Board

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 21,960,430	\$ -	\$ 2,062	\$ 21,958,368
Construction in Progress	57,713,142	23,986,484	58,325,750	23,373,876
Total Capital Assets, not being depreciated	79,673,572	23,986,484	58,327,812	45,332,244
Capital Assets being depreciated:				
Buildings	472,683,836	36,255,934	-	508,939,770
Land Improvements	2,391,826	121,769	-	2,513,595
Machinery and Equipment	57,036,730	25,834,392	1,244,007	81,627,115
Intangible Assets	508,678	1,494,101	-	2,002,779
Total Capital Assets being depreciated	532,621,070	63,706,196	1,244,007	595,083,259
Less Accumulated Depreciation for:				
Buildings	187,905,144	10,438,519	-	198,343,663
Land Improvements	1,138,657	152,003	-	1,290,660
Machinery and Equipment	31,439,349	6,545,879	1,244,007	36,741,221
Intangible Assets	498,458	35,123	-	533,581
Total Accumulated Depreciation	220,981,608	17,171,524	1,244,007	236,909,125
Total Capital Assets being depreciated, net	311,639,462	46,534,672	-	358,174,134
Governmental Activities Capital Assets, net	\$ 391,313,034	\$ 70,521,156	\$ 58,327,812	\$ 403,506,378

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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, 2014, 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	\$ 456,776
	State, Federal and Other Grants	161,844
	Governmental Library	29,279
	Public Library	165,074
	Solid Waste	144,100
	Drug Control	10,232
	Engineering & Public Works	92,953
	Vehicle Service Center	218,030
	Employee Benefits	17,000
	Self Insurance	1,019
	Building Operations	15,654
	Technical Support	13,694
	Three Ridges Golf Course	14,436
		<u>1,340,091</u>
Debt Service	General	<u>647,025</u>
Public Improvement	General	<u>50,000</u>
Total Major Governmental Funds		<u>2,037,116</u>
<u>Nonmajor Special Revenue Funds:</u>		
State, Federal and Other Grants	General	704,861
	Solid Waste	8,484
	Drug Control	9,156
		<u>722,501</u>
Engineering & Public Works	General	<u>110,045</u>
Governmental Library	General	<u>50,000</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Receivable Fund	Payable Fund	Amount
ADA Construction	Building Operations	127,372
Drug Control	General	150
Solid Waste	General	600,000
	State, Federal and Other Grants	7,028
		<u>607,028</u>
Total Nonmajor Governmental Funds		<u>1,617,096</u>
Total Governmental Funds		<u>\$ 3,654,212</u>
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 67,139
	State, Federal and Other Grants	790
	Public Library	1,747
	Solid Waste	10,071
	Engineering & Public Works	78,122
	Self Insurance	71
	Building Operations	35
		<u>157,975</u>
Mailroom Services	General	20,063
	State, Federal and Other Grants	9
	Engineering & Public Works	52
	Employee Benefits	465
	Self Insurance	38
		<u>20,627</u>
Employee Benefits	General	12,761
	State, Federal and Other Grants	6,534
	Public Library	505
		<u>19,800</u>
Self Insurance	Employee Benefits	<u>200,000</u>
Self Insurance Healthcare	General	<u>966,018</u>
Technical Support	Public Improvement	<u>193,905</u>
Total Internal Service Funds		<u>\$ 1,558,325</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Primary Government - Major Funds:</u>		
General	Component Unit - the Board, General Purpose School	\$ 666,955
	Component Unit - the Board, School Federal Projects	9,400
	Component Unit - the Board, School General Projects	84,400
	Component Unit - the Board, School Construction	88,889
		<u>849,644</u>
Public Improvement	Component Unit - the Board, General Purpose School	<u>193,905</u>
Total Primary Government - Major Funds		<u>1,043,549</u>
<u>Primary Government - Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the Board, School General Projects	90
	Component Unit - the Board, School General Projects	59
	Component Unit - the District	551
		<u>700</u>
Employee Benefits	Component Unit - the Board, General Purpose School	218,169
	Component Unit - the Board, School Federal Projects	36,379
	Component Unit - the Board, School General Projects	6,324
		<u>260,872</u>
Self Insurance	Component Unit - the Board, General Purpose School	<u>220,397</u>
Total Primary Government - Internal Service Funds		<u>481,969</u>
Total Primary Government		<u>\$ 1,525,518</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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	\$ 87,469
	Primary Government - Employee Benefits	121,672
		<u>209,141</u>
Component Unit - the Board, School Construction	Primary Government - General	<u>10,600</u>
Total Component Unit - the Board		<u>\$ 219,741</u>
Component Unit - the District	Primary Government - Employee Benefits	<u>\$ 3,575</u>

Due to/from Other Funds - The Board:

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose School	School Federal Projects	\$ 12,506,897
	School General Projects	480,162
	School Construction	25,216,644
		<u>38,203,703</u>
<u>Nonmajor Special Revenue Funds:</u>		
School Federal Projects	General Purpose School	114,775
	School General Projects	<u>120,033</u>
		<u>234,808</u>
School General Projects	General Purpose School	741,072
	School Federal Projects	267,793
		<u>1,008,865</u>
Total Board of Education		<u>\$ 39,447,376</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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, 2014, is as follows:

Primary Government:

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 9,661,030
Debt Service	General	195,266
Public Improvement	General	1,279,749
	Engineering & Public Works	295,250
		<u>1,574,999</u>
Total Major Governmental Funds		<u>11,431,295</u>
<u>Nonmajor Governmental Funds:</u>		
<u>Special Revenue Funds:</u>		
State, Federal and Other Grants	General	1,555,567
Governmental Library	General	50,000
Public Library	General	1,130,000
	Hotel/Motel	540,000
		<u>1,670,000</u>
Solid Waste	General	600,000
Engineering & Public Works	General	510,000
Drug Control	General	93,965
Total Nonmajor Governmental Funds		<u>4,479,532</u>
Total Governmental Funds		<u>\$ 15,910,827</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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	\$ 250,180
Building Operations	General	1,648,900
	Public Library	725,000
	Solid Waste	51,000
	Engineering & Public Works	155,000
		<u>2,579,900</u>
Employee Benefits	General	<u>2,000,000</u>
Self Insurance	General	500,000
	Employee Benefits	200,000
		<u>700,000</u>
Total Internal Service Funds		<u>\$ 5,530,080</u>

In addition, payments of \$1,873,917 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	\$ 745,008
	School Construction	3,215,000
		<u>3,960,008</u>
School General Projects	General Purpose School	10,530,907
	School Federal Projects	567,038
		<u>11,097,945</u>
School Federal Projects	General Purpose School	62,271
	School General Projects	41,309
		<u>103,580</u>
Total Board of Education		<u>\$ 15,161,533</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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	\$ 10,938,398
	Component Unit - the Board, School Construction	19,500,000
	Component Unit - the Board, School General Projects	<u>1,490,625</u>
Total Primary Government		<u>\$ 31,929,023</u>
Component Unit - General Purpose School	Primary Government - General	\$ 4,052,000
Component Unit - School Construction	Primary Government - Public Improvement	32,801,434
Component Unit - School General Projects	Primary Government - Public Improvement	5,962,500
Component Unit - Great Schools Partnership	Primary Government - General	<u>2,701,874</u>
		<u>45,517,808</u>
Component Unit - The District	Primary Government - General	<u>537,828</u>
Component Unit - The Corporation	Primary Government - General	<u>600,000</u>
Total Component Units		<u>\$ 46,655,636</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	<u>\$ 3,147,995</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Unearned Revenues

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

	Fund Financial Statements
Primary Government - Major Funds:	
<u>General Fund:</u>	
Unearned revenue	\$ 29,258
Primary Government - Nonmajor Funds:	
<u>General Grants Fund:</u>	
Unexpended grant funds	3,344,995
<u>Governmental Library Fund:</u>	
Unearned revenue	360
<u>Internal Service - Employee Benefits Fund:</u>	
Unearned revenue	29,761
<u>Internal Service - Building Operations Fund:</u>	
Unearned revenue	7,894
<u>Internal Service - Self Insurance Healthcare Fund:</u>	
Unearned revenue	14,194
Total Internal Service Funds	51,849
Total - Primary Government	\$ 3,426,462
Component Unit - the Board - Nonmajor Funds:	
<u>School General Projects:</u>	
Unexpended grant funds	\$ 3,424,872
<u>Central Cafeteria:</u>	
Unearned revenue	370,815
Total Component Unit - the Board	\$ 3,795,687

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Deferred Inflows

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

	Fund Financial Statements	Government-wide Financial Statements
Primary Government - Major Funds:		
<u>General Fund:</u>		
Taxes receivable, delinquent	\$ 3,720,478	\$ -
Taxes receivable, applicable to subsequent fiscal year	106,881,693	106,881,693
Notes receivable, applicable to subsequent fiscal year	1,151,000	1,151,000
	111,753,171	108,032,693
 <u>Debt Service Fund:</u>		
Taxes receivable, delinquent	1,170,554	-
Taxes receivable, applicable to subsequent fiscal year	53,440,847	53,440,847
Notes receivable, applicable to subsequent fiscal year	6,020,000	6,020,000
	60,631,401	59,460,847
 Total - Primary Government	\$ 172,384,572	\$ 167,493,540
 Component Unit - the Board - Major Fund		
<u>General Purpose School:</u>		
Taxes receivable, delinquent	\$ 4,118,327	\$ -
Taxes receivable, applicable to subsequent fiscal year	97,974,887	97,974,887
Accounts receivable, applicable to subsequent fiscal year	737,886	737,886
	\$ 102,831,100	\$ 98,712,773
 Total Component Unit - the Board	\$ 102,831,100	\$ 98,712,773

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Leases

Capital Lease

All capital leases pertain to governmental activities.

The Primary Government leases various equipment through capital leasing arrangements. The Primary Government's capital lease obligations are 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>
2015	\$ 1,030,955
2016	2,306,705
2017	2,053,020
2018	2,083,682
2019	2,115,263
2020 - 2024	11,084,219
2025 - 2029	10,997,668
2030 - 2031	<u>2,262,496</u>
Total Minimum Lease Payments	\$ 33,934,008
Less: Amounts Representing Interest	<u>(6,688,901)</u>
Present Value of Minimum Lease Payments	<u>\$ 27,245,107</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>\$ 12,372,703</u>
Bank of America Public Capital Corp.	Energy Management Equipment	3.09%	8/1/2030	<u>\$ 14,872,404</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities

Loans Payable

All loans payable pertain to governmental activities.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	418,428	18,024	436,452
2020 - 2024	2,139,853	42,407	2,182,260
2025	36,384	23	36,407
Total	<u>\$ 4,237,356</u>	<u>\$ 163,571</u>	<u>\$ 4,400,927</u>

In addition, in August 2013, the County entered into a loan agreement whereby the County borrowed funds for the Board of Education, which acquired computer equipment for instructional purposes in various schools. The total borrowed of \$5,962,500 is to be repaid in four equal annual installments of \$1,490,625 ending in 2016. The first payment was made in 2013, resulting in a balance as of June 30, 2014 totaling \$4,471,875.

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

General Obligation and Public Improvement Bonds

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

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

As all bonded indebtedness is County debt, the portion issued on behalf of the Board is not considered capital-related debt in the primary government's statement of net 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, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

	Interest Rate	Last Maturity Date	Principal Balance
Governmental Activities:			
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	\$ 14,055,818
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	30,046,749
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	42,385,714
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	22,635,624
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	43,311,690
General Obligation - Series 2007	Variable Rate (.618% at 6/30/14)	6/1/2034	50,450,000
General Obligation - Series 2007 (Taxable Pension Bonds)	4.75-5.75%	6/1/2027	50,975,000
General Obligation - Series 2008	Variable Rate (.06% at 6/30/14)	6/1/2029	21,654,750
General Obligation - Series 2009	3.00-4.00%	6/1/2018	2,425,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	993,748
General Obligation - Refunding Bonds, Series 2010B	2.00-5.00%	4/1/2035	30,065,000
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	8,770,000
General Obligation - Series 2010D (Federally Taxable Build America Bonds)	1.125-6.00% (1)	6/1/2035	16,925,000
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	5,850,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	20,962,906
Total Bonded Debt to be repaid by Governmental Activities			376,887,364
The Board:			
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	24,559,182
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	28,128,251
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	22,114,286
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	13,494,376
General Obligation - Refunding Series 2005B	3.65-5.00%	5/1/2018	4,975,000
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	23,388,310
General Obligation - Series 2007	Variable Rate (.618% at 6/30/14)	6/1/2034	18,550,000
General Obligation - Series 2008	Variable Rate (.06% at 6/30/14)	6/1/2029	11,660,250
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	14,906,252
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	17,100,000
General Obligation - Qualified School Construction Bonds	.0% (2)	7/1/2027	24,067,204
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	8,450,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	18,112,094
Total Bonded Debt to be repaid by the Board			255,509,840
Total Bonded Debt			\$ 632,397,204

(1) Stated interest rates on the Build America Bonds do not include the effects of the interest subsidy expected to be received from the federal government pursuant to the federal Build America Bonds program. The interest rate subsidy 35% at issuance of the bonds, is being reduced due to sequestration by the federal government at a current rate of 7.2%.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

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

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

Fiscal Year Ending June 30,	Primary Government Debt			To be Repaid By:		
	Principal	Interest	Total	County	Board	Total
2015	\$ 42,104,281	\$ 29,402,041	\$ 71,506,322	\$ 36,481,997	\$ 35,024,325	\$ 71,506,322
2016	42,414,281	27,397,539	69,811,820	36,588,520	33,223,300	69,811,820
2017	40,284,281	25,482,793	65,767,074	35,363,513	30,403,561	65,767,074
2018	36,774,281	23,690,842	60,465,123	33,868,507	26,596,616	60,465,123
2019	36,659,281	22,104,341	58,763,622	33,455,925	25,307,697	58,763,622
2020 - 2024	148,811,405	89,644,726	238,456,131	147,884,497	90,571,634	238,456,131
2025 - 2029	146,009,394	57,075,098	203,084,492	130,701,274	72,383,218	203,084,492
2030 - 2034	128,515,000	21,359,364	149,874,364	102,473,505	47,400,859	149,874,364
2035	10,825,000	542,713	11,367,713	6,307,704	5,060,009	11,367,713
Total	\$ 632,397,204	\$ 296,699,457	\$ 929,096,661	\$ 563,125,442	\$ 365,971,219	\$ 929,096,661

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$186,238,078 and \$110,461,379, respectively, for a total of \$296,699,457.

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, 2014:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<u>Primary Government</u>					
Bonded Debt	\$ 631,616,485	\$ 39,075,000	\$ (38,294,281)	\$ 632,397,204	\$ 42,104,281
Unamortized Bond Premium	7,552,564	350,920	(1,405,693)	6,497,791	1,251,155
Loans Payable	4,640,390	5,962,500	(1,893,659)	8,709,231	1,896,691
Capital Lease	13,182,024	14,872,404	(809,321)	27,245,107	764,145
Compensated Absences	6,882,044	8,767,923	(7,769,870)	7,880,097	7,102,088
Total - Primary Government	\$ 663,873,507	\$ 69,028,747	\$ (50,172,824)	\$ 682,729,430	\$ 53,118,360
<u>Component Unit - the Board</u>					
Compensated Absences	\$ 2,466,681	\$ 2,712,609	\$ (2,047,111)	\$ 3,132,179	\$ 2,818,961
Total Component Unit - the Board	\$ 2,466,681	\$ 2,712,609	\$ (2,047,111)	\$ 3,132,179	\$ 2,818,961
<u>Component Unit - the District</u>					
Compensated Absences	\$ 255,103	\$ 324,481	\$ (314,282)	\$ 265,302	\$ 238,772
Total - the District	\$ 255,103	\$ 324,481	\$ (314,282)	\$ 265,302	\$ 238,772

For the primary government, compensated absences totaling \$30,424 pertains to the non-major enterprise fund, with the remaining long-term liabilities related to governmental activities.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Subsequent Event – Debt Issuance

In October 2014, the County issued \$86,880,000 in general obligation bonds. Bonds in the amount of \$30,040,000 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 2.125% to 5.0% and mature in varying amounts through 2036. In addition, bonds totaling \$56,840,000 were issued to provide funds for the current refunding of the County's General Obligation Refunding Bonds, Series 2005B and the General Obligation Bonds, Series 2007. The bonds bear interest at rates from .25% to 3.23% and mature in varying amounts through 2027.

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, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). 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, 2014, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-1.07%
Net interest rate swap payments		2.88%
Variable-rate bond coupon payments		0.06%
Synthetic interest rate on bonds		2.94%

Fair value. As of June 30, 2014, the swap had a negative fair value of (\$8,385,607), a change of \$6,462 compared to the June 30, 2013 balance of (\$8,392,069). 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, 2014, 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, 2014, 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, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. 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, 2014, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2015	\$ 2,475,000	\$ 34,905	\$ 1,670,553	\$ 4,180,458	
2016	2,625,000	33,420	1,599,481	4,257,901	
2017	2,775,000	31,845	1,524,102	4,330,947	
2018	2,950,000	30,180	1,444,415	4,424,595	
2019	3,125,000	28,410	1,359,703	4,513,113	
2020-2024	18,775,000	111,525	5,337,587	24,224,112	
2025-2029	25,450,000	47,640	2,280,050	27,777,690	
	<u>\$ 58,175,000</u>	<u>\$ 317,925</u>	<u>\$ 15,215,891</u>	<u>\$ 73,708,816</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, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

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

Terms. Under the swap, the Authority pays a fixed payment of 3.40 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR). 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, 2014, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.40%
Variable payment to Authority	% of LIBOR	-1.00%
Net interest rate swap payments		2.40%
Variable-rate bond coupon payments		0.06%
Synthetic interest rate on bonds		2.46%

Fair value. As of June 30, 2014, the swap had a negative fair value of (\$7,200,256), a change of \$187,744 compared to the June 30, 2013 balance of (\$7,012,512). 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, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Credit risk. As of June 30, 2014, 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, 2014, 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, 2014, 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
2015	\$ 2,000,000	\$ 38,700	\$ 1,542,840	\$ 3,581,540
2016	3,000,000	37,500	1,495,000	4,532,500
2017	3,200,000	35,700	1,423,240	4,658,940
2018	3,400,000	33,780	1,346,696	4,780,476
2019	3,600,000	31,740	1,265,368	4,897,108
2020-2024	21,360,000	123,690	4,931,108	26,414,798
2025-2029	27,940,000	52,014	2,073,625	30,065,639
	<u>\$ 64,500,000</u>	<u>\$ 353,124</u>	<u>\$ 14,077,877</u>	<u>\$ 78,931,001</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Series D-3-A

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

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

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.89 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). 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, 2014, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment by Authority	Fixed	3.89%
Variable payment to Authority	% of LIBOR	<u>-1.07%</u>
Net interest rate swap payments		2.82%
Variable-rate bond coupon payments		<u>0.67%</u>
Synthetic interest rate on bonds		<u><u>3.49%</u></u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Fair value. As of June 30, 2014, the swap had a negative fair value of (\$12,065,415), a change of \$516,236 compared to the June 30, 2013 balance of (\$11,549,179). 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, 2014, 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, 2014, 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, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Swap payments and associated debt. As of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2015	\$ 1,850,000	\$ 444,489	\$ 1,878,005	\$	4,172,494
2016	2,000,000	432,160	1,825,917		4,258,077
2017	2,100,000	418,832	1,769,605		4,288,437
2018	2,250,000	404,838	1,710,477		4,365,315
2019	2,375,000	389,844	1,647,126		4,411,970
2020-2024	8,250,000	1,729,974	7,309,298		17,289,272
2025-2029	5,925,000	1,519,059	6,418,160		13,862,219
2030-2034	41,950,000	860,656	3,636,347		46,447,003
	<u>\$ 66,700,000</u>	<u>\$ 6,199,852</u>	<u>\$ 26,194,935</u>	<u>\$</u>	<u>99,094,787</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity

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

	<u>Major Funds</u>				Total
	General	Constitutional Officers	Capital Projects Public Improvement	Debt Service	
Fund balances:					
Nonspendable:					
Inventories	\$ 125,767	\$ -	\$ -	\$ -	\$ 125,767
Prepays	212,181	-	-	-	212,181
Long-term Receivables	-	-	-	3,920,000	3,920,000
Investment in Joint Venture	6,422,186	-	-	-	6,422,186
	<u>6,760,134</u>	<u>-</u>	<u>-</u>	<u>3,920,000</u>	<u>10,680,134</u>
Restricted for:					
Finance and Administration	280,143	-	-	-	280,143
Administration of Justice	804,576	-	-	-	804,576
Public Safety	150,508	-	-	-	150,508
Public Health & Welfare	1,051,052	-	-	-	1,051,052
Social and Cultural	271,153	-	-	-	271,153
Debt Service	-	-	-	69,953	69,953
Capital Projects	-	-	7,068,211	-	7,068,211
	<u>2,557,432</u>	<u>-</u>	<u>7,068,211</u>	<u>69,953</u>	<u>9,695,596</u>
Committed to:					
Finance and Administration	39,640	-	-	-	39,640
Administration of Justice	102,505	-	-	-	102,505
Public Safety	88,000	-	-	-	88,000
Public Health & Welfare	55,000	-	-	-	55,000
Social and Cultural	27,438	-	-	-	27,438
Other General Government	2,030,000	-	-	-	2,030,000
Debt Service	-	-	-	21,679,018	21,679,018
	<u>2,342,583</u>	<u>-</u>	<u>-</u>	<u>21,679,018</u>	<u>24,021,601</u>
Assigned to:					
Finance and Administration	1,227,631	1,888,555	-	-	3,116,186
Administration of Justice	15,956	2,098,369	-	-	2,114,325
Public Safety	90,388	-	-	-	90,388
Public Health & Welfare	53,780	-	-	-	53,780
Social and Cultural	723	-	-	-	723
Other General Government	12,900	-	-	-	12,900
	<u>1,401,378</u>	<u>3,986,924</u>	<u>-</u>	<u>-</u>	<u>5,388,302</u>
Unassigned:	53,026,996	-	-	-	53,026,996
Total fund balances	<u>\$ 66,088,523</u>	<u>\$ 3,986,924</u>	<u>\$ 7,068,211</u>	<u>\$ 25,668,971</u>	<u>\$ 102,812,629</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity (Continued)

Nonmajor Governmental Funds

	State, Federal and Other Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	ADA Construction	Total
Fund balances:									
Nonspendable:									
Inventories	\$ 10,530	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,530
Prepays	21,460	-	1,725	-	-	-	-	-	23,185
	<u>31,990</u>	<u>-</u>	<u>1,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,715</u>
Restricted for:									
Finance and Administration	23,312	-	-	-	-	-	-	-	23,312
Administration of Justice	20,704	-	-	-	-	-	-	-	20,704
Public Safety	485,961	-	-	-	-	2,027,169	-	-	2,513,130
Public Health & Welfare	1,934,494	-	-	-	-	-	-	-	1,934,494
Social and Cultural	124,730	-	-	-	619,066	-	-	-	743,796
Other General Government	319,530	-	-	-	-	-	-	-	319,530
	<u>2,908,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>619,066</u>	<u>2,027,169</u>	<u>-</u>	<u>-</u>	<u>5,554,966</u>
Committed to:									
Public Health & Welfare	-	-	-	1,257,922	-	-	-	-	1,257,922
Social and Cultural	-	46,706	1,145,865	-	-	-	-	-	1,192,571
Engineering & Public Works	-	-	-	-	-	-	4,205,772	-	4,205,772
Capital Projects	-	-	-	-	-	-	-	727,539	727,539
	<u>-</u>	<u>46,706</u>	<u>1,145,865</u>	<u>1,257,922</u>	<u>-</u>	<u>-</u>	<u>4,205,772</u>	<u>727,539</u>	<u>7,383,804</u>
Total fund balances	<u>\$ 2,940,721</u>	<u>\$ 46,706</u>	<u>\$ 1,147,590</u>	<u>\$ 1,257,922</u>	<u>\$ 619,066</u>	<u>\$ 2,027,169</u>	<u>\$ 4,205,772</u>	<u>\$ 727,539</u>	<u>\$ 12,972,485</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity (Continued)

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

	<u>Major Funds</u>		<u>Nonmajor Special Revenue Funds</u>			<u>Total</u>
	<u>General Purpose Schools</u>	<u>School Construction Capital Projects</u>	<u>School Federal Projects</u>	<u>School General Projects</u>	<u>Central Cafeteria</u>	
Fund balances:						
Nonspendable:						
Inventories	\$ 819,050	\$ -	\$ -	\$ 952,534	\$ 626,908	\$ 2,398,492
Prepays	1,551,997	-	8,949	-	-	1,560,946
	<u>2,371,047</u>	<u>-</u>	<u>8,949</u>	<u>952,534</u>	<u>626,908</u>	<u>3,959,438</u>
Restricted for:						
Education	12,270,359	-	3,429	-	7,306,984	19,580,772
Committed to:						
Education	1,000,000	-	-	2,486,658	-	3,486,658
Assigned to:						
Education	494,534	-	-	-	-	494,534
Unassigned:	2,442,194	(6,147,485)	-	-	-	(3,705,291)
Total fund balances	<u>\$ 18,578,134</u>	<u>\$ (6,147,485)</u>	<u>\$ 12,378</u>	<u>\$ 3,439,192</u>	<u>\$ 7,933,892</u>	<u>\$ 23,816,111</u>

The School Construction Capital Projects Fund had a deficit balance of \$6,147,485 at June 30, 2014. 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 October 2014, the County issued \$30,040,000 in general obligation bonds, of which \$14,535,000 was allocated to the School Construction Fund. This source of funds eliminated the 6/30/2014 fund deficit.

K. Property Taxes

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

K. Property Taxes (Continued)

Taxes were levied at a rate of \$2.32 per \$100 of assessed values. Tax collections of \$244,964,416 for fiscal year 2014 were approximately 97 percent of the total tax levy.

The 2014 fiscal year property tax rate of \$2.32 was divided between the County and the Board as follows:

	Amount	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%

The 2015 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%

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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 2014 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 \$346,742 for the year ended June 30, 2014. 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, 2014

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, 2014, the County appropriated operating subsidies of \$1,389,919 to the Community Action Committee.

In FY 2014, 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 2014, 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, 2014

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 2014	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2013
Unpaid Claims - Beginning				
Balance, as restated for 2013	\$ 1,506,882	\$ 1,986,894	\$ 13,502,277	\$ 11,752,558
Incurred Claims (Including				
IBNR's)	21,478,479	23,153,100	3,741,151	3,919,466
Claim Payments	(21,794,910)	(23,633,112)	(2,215,859)	(2,169,747)
Unpaid Claims - Ending				
Balance, as restated for 2013	<u>\$ 1,190,451</u>	<u>\$ 1,506,882</u>	<u>\$ 15,027,569</u>	<u>\$ 13,502,277</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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.

The Self Insurance Fund had a deficit net position balance of \$4,834,003 at June 30, 2014. Management plans to eliminate the deficit by increasing revenue and by implementing additional procedures designed to reduce claims costs by additional monitoring and settlement procedures.

D. Other Post Employment Benefits

Retiree Healthcare

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, 2014, the retirees contributed \$305,632 to the active Humana medical plans. Retirees contributed 100% of the cost of the Medicare Advantage premium totaling \$365,633.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Retiree Healthcare (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

The plan contains both active employees and retirees. Although the County's 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	\$	303,599
Interest on net OPEB Obligation		31,294
Adjustment to annual required contribution		(40,231)
Annual OPEB Cost		<u>294,662</u>
Contribution made		<u>(139,368)</u>
Increase (decrease) in net OPEB obligation		155,294
Net OPEB obligation July 1, 2013		782,362
Net OPEB obligation June 30, 2014	\$	<u><u>937,656</u></u>

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
June 30, 2014	294,662	47.30%	937,656

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Retiree Healthcare (Continued)

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the County healthcare plan was 0% funded. The actuarial accrued liability for benefits for June 30, 2014 was \$2,809,911, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,809,911. 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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Retiree Healthcare (Continued)

Actuarial Methods and Assumptions (Continued)

In the June 30, 2013 valuation, the projected unit credit cost method was used. The actuarial assumptions included a funded interest rate of 4.0% and a participation rate of 12%. Annual health care costs are assumed to increase 9% in the first year of valuation. Future annual increases are assumed to grade uniformly to 5% by the year 2017. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2014 was 22 years.

Disability Plan

Plan Description

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Disability Plan (Continued)

Funding Policies

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

Actuarial Measurement Date	June 30, 2014
Actuarial Cost Method	Individual Entry Age Normal
Actuarial Valuation of Assets	Smoothed Market Value Over 5 Years
Inflation Rate	2.40%
Investment Return	7.00%
Projected Salary Increases	3.00%
Post Retirement Increases (Cost of Living Adjustments)	None

The amortization policy is that the unfunded actuarial accrued liability shall be amortized over 20 years.

As the effective date of the plan was January 1, 2014, there was no ARC for the year ended June 30, 2014. Actual employer contributions for the fiscal year totaled \$354,018.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$	-
Interest on net OPEB Obligation		-
Adjustment to annual required contribution		-
Annual OPEB Cost		-
Contribution made		(354,018)
Increase (decrease) in net OPEB obligation		(354,018)
Net OPEB obligation July 1, 2013		-
Net OPEB (asset) obligation June 30, 2014	\$	(354,018)

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Disability Plan (Continued)

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the County plan was 18.55% funded. The actuarial accrued liability for benefits for June 30, 2014 was \$1,983,227, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,615,307. The market value of plan assets was \$367,920. Covered payroll totaled \$152,946,739, and the UAAL as a percentage of covered payroll was 1.06%.

Actuarial Valuations

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

Actuarial Methods and Assumptions

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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, 2014, 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, 2014 that have been reappropriated in the subsequent year are as follows:

Primary Government:

Major Funds:	
General	\$ 1,311,020
Capital Projects Public Improvement	4,721,594
Nonmajor Governmental Funds	543,027
Total Primary Government	<u>\$ 6,575,641</u>

Component Unit - the Board:

Major Funds:	
General Purpose School	\$ 494,534
School Construction Capital Projects	6,306,318
Nonmajor Governmental Funds	132,681
Total Component Unit - the Board	<u>\$ 6,933,533</u>

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

The County and the Board have several outstanding construction projects as of June 30, 2014. 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, 2014:

	Spent to Date	Contractual Commitment Remaining at June 30, 2014	Capital Improvement Plan July 1, 2014 - June 30, 2015
<u>Primary Government:</u>			
Ballcamp Road Improvements	\$ 17,149,881	\$ -	\$ -
Energy Management Project - County	14,004,728	-	-
Dry Gap Pike	6,199,192	-	-
Stormwater Management Plan	8,159,780	-	-
Outlet Mall Drive/Synder Road	3,616,263	-	-
Parkside Drive	10,677,897	-	-
Dutchtown Road Functional Planning	12,829,422	-	-
Other Projects	141,578,015	4,721,594	16,208,019
Total - Primary Government	\$ 214,215,178	\$ 4,721,594	\$ 16,208,019
<u>Component Unit - the Board:</u>			
Physical Plant Upgrades	\$ 18,918,408	\$ 4,853,282	\$ 3,700,000
Gibbs Elementary School	15,404,720	-	-
Cedar Bluff - K-3	20,036,668	-	-
Northshore Elementary School	19,108,057	-	-
Other Projects	146,621,528	1,453,036	11,280,000
Total - the Board	\$ 220,089,381	\$ 6,306,318	\$ 14,980,000

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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. Constitutional Officers

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE IV. OTHER INFORMATION (Continued)

F. Constitutional Officers (Continued)

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

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

Included in the Supplementary Schedules of the County's Comprehensive Annual Financial Report are schedules (reported on the cash basis of accounting) of detailed operations of the respective offices for the fiscal year ended June 30, 2014. These schedules only include the cash operations of the offices. They do not include the expenditures reported in the County's General Fund.

G. Accounting Pronouncements

The County adopted 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. As a result of the adoption of this Statement, certain property taxes and notes receivable recognized as assets before the related resources are available have been reported as deferred inflows of resources. See Note III (G.) for amounts reported as deferred inflows at June 30, 2014.

The County adopted 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*.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE IV. OTHER INFORMATION (Continued)

G. Accounting Pronouncements (Continued)

The County adopted 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. The adoption of this statement resulted in certain changes in the accounting and financial reporting standards used in the separate financial statements issued by the County's pension plans.

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. With the adoption of GASB Statement No. 68 in FY 2015, the County and Board will be required to record their net pension liability (NPL) on their respective financial statements by reducing net position, based upon actuarially computed valuations. The NPL, which is the difference between the total computed pension liability and the market value of assets held in trust for the participants, will then be adjusted annually through pension expense. In addition, expanded disclosures regarding the pension plans and additional required supplementary information are required by this Statement. Management is in the process of determining the effects that the adoption of this Statement will have on the County's and Board'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.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE IV. OTHER INFORMATION (Continued)

G. Accounting Pronouncements (Continued)

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.

The County plans to adopt GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*, required for fiscal periods beginning after June 15, 2014, in fiscal 2015. Provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Management is in the process of determining the effects that the adoption of this Statement will have on the County's financial statements.

H. Accounting Changes and Restatements

During the fiscal year ended June 30, 2014, the County adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of the adoption of this Statement, certain items previously reported as assets or liabilities have been reclassified as deferred inflows or deferred outflows. Property taxes and other receivables, levied for future fiscal years or otherwise not available to finance expenditures of the current period, that previously had been reported as deferred revenue in the governmental fund financial statements and as unearned revenue in the government-wide financial statements have been reclassified as deferred inflows of resources. In addition, the unamortized amounts on refundings of debt, previously reported as an element of long-term obligations, have been reclassified as deferred outflows of resources. As deferred inflows and outflows of resources are components of net position along with assets and liabilities, these changes did not affect the total net position as previously reported.

The Statement also requires that debt issuance costs, which previously were reported as assets in the government-wide financial statements, should be expensed as incurred. As a result of the adoption of this Statement, the beginning net position of governmental activities has been restated to reflect the writeoff of deferred debt issuance costs totaling \$4,156,078 reported as assets in the prior year statement of net position.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE IV. OTHER INFORMATION (Continued)

H. Accounting Changes and Restatements (Continued)

During the preceding fiscal year, the Board had recorded a receivable of \$1,270,515 to recognize an estimate of the amount due from the Town of Farragut for mixed drink taxes that the Town had collected but not remitted to the Board as required by State law. During the current fiscal year, the Town and the Board reached an agreement whereby a portion of the total receivable totaling \$737,886 will be paid to the Board in installments during 2015 and 2016. As a result of the adoption of the Statement, these long-term installments are recognized as deferred inflows of resources as they are not available to finance expenditures of the current period.

Also during the current fiscal year, the County received information indicating that the amount of its estimated liability for workers' compensation, reported in the Self Insurance Fund in the internal service fund financial statements and included in governmental activities in the government-wide financial statements, should be increased, and that a portion of the increase pertained to preceding fiscal years. As a result, the beginning balances of net position in the related fund and government-wide financial statements has been restated by \$4,220,569.

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

	Beginning Fund Balance/ Net Position, as Previously Reported	Reclassify Non-current Receivables as Deferred Inflows	Adjustment to Expense Deferred Debt Issuance Costs	Adjustment to Workers' Compensation Liability	Beginning Fund Balance/ Net Position, as Restated
Fund Balance:					
Component Unit - the Board:					
General Fund	\$ 32,906,545	\$ (737,886)	\$ -	\$ -	\$ 32,168,659
Net Position:					
Internal Service Fund:					
Self Insurance Fund	\$ 536,549	\$ -	\$ -	\$ (4,220,569)	\$ (3,684,020)
Primary Government:					
Governmental Activities	\$ 75,225,857	\$ -	\$ (4,156,078)	\$ (4,220,569)	\$ 66,849,210
Component Unit - the Board:					
Governmental Activities	\$ 434,501,516	\$ (737,886)	\$ -	\$ -	\$ 433,763,630

NOTE V: EMPLOYEE RETIREMENT PLANS

A. General Information

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

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

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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. The plan requires all participants to contribute a minimum of 6% of compensation and the employer matching contribution is 6%. Participants are 100% vested in the employer contributions after completing five years of credited service.

At June 30, 2014, there were 5,821 active plan members. During the year, the County's and Board's employer and member contributions (net of forfeitures) amounted to \$7,866,315 and \$7,755,315 respectively.

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

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

The employer matching contributions for the 457 Plan are deposited into the participants asset accumulation plan account.

In January 2008, the Pension Board added two additional outside 457 Vendors as investment alternatives. Knoxville Teachers Credit Union (Board employees only) and Security Benefit were added January 1, 2008 and volunteer contributions made by participants in the Asset Accumulation Plan would also be eligible for the match offered by the employer. In September 2008, Nationwide, a third 457 Vendor was added to the Program. Each vendor prepares separate financial reports and are not included in the Knox County Voluntary 457 Plan Trust.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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, 2014, there were 883 Plan members in the Knox County Voluntary 457(b) Plan. During the year, member contributions amounted to \$2,494,026 and the employer contributed \$1,470,978.

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

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 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:

<u>Calendar Year</u>	
2014	\$120
2013	120
2012	120

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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, 2014, the Medical Expense Retirement Plan had 1,542 members and 577 of them contributed funds to the plan. During the year employer and member contributions amounted to \$46,033 and \$193,213, respectively.

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

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

At June 30, 2014, the STAR Plan had 43 members. During the year employees contributed \$18,278 and the employer contributed \$30,463 for the basic 10% contribution and \$6,094 for the 2% supplemental contribution.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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 *Uniformed Officers Pension Plan (UOPP)* was approved by the voters of Knox County during the November 2006 elections. The Plan was established July 1, 2007 with approximately 600 sworn Sheriff's Office employees electing to transfer their retirement balance from the 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 between June 1, 2007 and January 1, 2014, who are sworn officers of the Sheriff's Department, were 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. The UOPP plan was closed to new members January 1, 2014 (see Note V (B)).

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

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 certified member," is defined as that certified 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.

In the *Defined Benefit Plan* and the *Teacher Plan*, provisions and contribution requirements are established and may be amended by the Knox County Retirement and Pension 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 and Pension 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 DB plans. Separate financial reports are prepared for all three plans.

Participant data at January 1, 2014 was as follows:

Description	County DB Plan	UOPP DB Plan	Teachers' DB Plan
Actives Contributing	85	753	4
Retirees, Beneficiaries and Disabled	924	88	446
Terminated Participants entitled but not yet receiving benetits	260	12	7
Total Participants	1,269	853	457

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

As a result of the November 2012, Knox County Election, the UOPP is 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, are enrolled in a new Defined Contribution Plan called STAR (see Note V (B) for more details.)

Along with the closing of the UOPP Plan effective January 1, 2014, an OPEB - Employee Disability Plan created under IRC Section 501c(9) was implemented 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 has closed the disability benefits section of both the Closed DB Plan and the UOPP Plan for any new claims. See Note IV (D) for additional information regarding the Employee Disability Plan.

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, 2014

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.

During FY 2015, TCRS will provide the County and Board with its Net Pension Liability (NPL) as determined by GASB Statement No. 67. Currently TCRS is in the process of calculating the County's and Board's NPL which cannot be reasonably determined at this time by TCRS. Also see Note IV (G) for discussion related to GASB Statement No. 68.

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

Funding Policy

In the *County DB Plan*, plan members are required to make contributions at the rate of 5% 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.

In the *Teachers' DB Plan*, most plan members are required to contribute 3% of the first \$4,800 then 5% thereafter of salary to the plan.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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.

Under the *TCRS plan*, most teachers are required by state statute to contribute 5% 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, 2014 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, 2014, 2013 and 2012 were \$21,792,648, \$20,904,288, \$20,246,139, respectively, equal to the required contributions for each year.

The TCRS plan for Knox County Mayor and Officials requires employees to contribute 5% 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, 2014 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 TCRS State Employee Plan is the retirement system for all Assistant District Attorneys (ADAs) on the Knox County Payroll System. All ADAs transferred to the TCRS State Employee Plan in September 2013 when it was discovered based on TN State Legislation that all ADAs are considered state employees when it comes to retirement. ADAs do not contribute to the TCRS Legacy Plan but may elect to voluntarily contribute to the 401(k) or the 457(b) plan offered by the State. The County's contribution in FY14 on behalf of the ADAs was 15.07% of compensation. For those ADAs who elect to contribute at least \$50 per month to the State 401(k), the County will match \$50 per month. TCRS is introducing a new Hybrid Retirement Plan effective for ADAs starting on or after July 1, 2014, who have no prior service with TCRS. This will have an impact on the County's cost in FY 2015.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

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	UOPP DB Plan	TCRS	Teachers' DB Plan
Actuarial Measurement Date	June 30, 2014	June 30, 2014	July 1, 2013	June 30, 2014
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	Frozen Entry Age	Individual 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	2.35%	2.35%	3.00%	2.35%
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%	3.25%	2.50%	3.00%
Vesting	100% after 5 years of Service	100% after 5 years of Service	100% after 10 years of service	100% after 5 years of Service

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

In the TCRS, the unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2013 was 7 years.

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

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

Description	Primary Government County DB Plan			Primary Government Uniformed Officers Pension Plan			Component Unit - The Board Teachers' DB Plan		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
NPO: Net Pension									
Obligation (Asset), Beginning 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
Annual Pension Cost:									
Annual Required Contribution (ARC)	2,467,803	2,378,622	1,497,424	4,483,986	4,609,314	4,108,886	1,726,537	1,183,029	1,046,949
Interest on NPO (Asset)	(293,413)	(261,647)	(294,983)	(103,869)	(75,827)	(60,743)	217,509	219,750	237,453
Adjustments to ARC**	336,154	299,760	328,224	119,000	86,873	67,588	(249,193)	(251,760)	(264,212)
Total Annual Pension Cost	2,510,544	2,416,735	1,530,665	4,499,117	4,620,360	4,115,731	1,694,853	1,151,019	1,020,190
Contributions Made	2,678,157	2,870,544	1,335,374	4,513,954	5,020,965	4,397,779	1,726,537	1,183,029	1,046,949
Increase (Decrease) in NPO (Asset)	(167,613)	(453,809)	195,291	(14,837)	(400,605)	(282,048)	(31,684)	(32,010)	(26,759)
NPO (Asset), End of Year	\$ (4,359,232)	\$ (4,191,619)	\$ (3,737,810)	\$ (1,498,685)	\$ (1,483,848)	\$ (1,083,243)	\$ 3,075,588	\$ 3,107,272	\$ 3,139,282
Amortization Period (in years)	25	25	25	25	25	25	25	25	25
Remaining Amortization Period (in years)	19	19.5		29	29.5		19	19.5	
Interest Rate (per annum) Percentage of Contributions/APC	7.00%	7.00%	7.50%	7.00%	7.00%	7.50%	7.00%	7.00%	7.50%

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

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

Trend Information (TCRS)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 90,961	100.00%	\$ -
June 30, 2013	\$ 89,091	100.00%	\$ -
June 30, 2012	\$ 86,548	100.00%	\$ -

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2014

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 pension and OPEB liabilities for benefits. The following are the three most recent actuarial valuations:

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)
County DB Plan:						
1/1/2014	\$ 50,001,876	\$ 78,116,710	\$ 28,114,834	65.69%	\$ 2,407,110	1167.99%
1/1/2013	48,072,000	76,734,548	28,662,548	62.65%	2,806,090	1021.44%
1/1/2012	53,269,896	75,233,596	21,963,700	70.81%	3,181,621	690.33%
Teachers' DB Plan:						
1/1/2014	\$ 62,406,385	\$ 76,462,290	\$ 14,055,905	81.62%	\$0**	N/A
1/1/2013	60,384,664	79,037,520	18,652,856	76.40%	117,974	N/A
1/1/2012	65,150,937	77,615,350	12,464,413	83.94%	328,419	N/A
** All active participants have now reached expected retirement age and are expected to immediately retire. Therefore, the expected compensation to be paid is \$0.						
Uniformed Officers Pension Plan:						
1/1/2014	\$ 133,651,853	\$ 157,978,371	\$ 24,326,518	84.60%	\$ 30,343,030	80.17%
1/1/2013	117,526,735	146,609,127	29,082,392	80.16%	29,784,860	97.64%
1/1/2012	112,378,618	146,067,491	33,688,873	76.94%	27,091,364	124.35%
Knox Co Executive and Officials						
TCRS (Amounts Expressed in Thousands):						
7/1/2013	\$ 1,234	\$ 1,766	\$ 531	69.91%	\$ 808	65.75%
7/1/2011	1,012	1,522	510	66.50%	746	68.33%
7/1/2009	722	935	107	64.15%	357	113.11%

Required Supplemental Information Section



KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2014

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - EAN (prior to 1/1/09 Aggregate) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
County DB Plan:						
1/1/2005	\$ 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%
1/1/2014	50,001,876	78,116,710	28,114,834	65.69%	2,407,110	1167.99%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - EAN (prior to 1/1/05 Aggregate) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Teachers' DB Plan:						
1/1/2005	\$ 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
1/1/2014	62,406,385	76,462,290	14,055,905	81.62%	0**	N/A

** All active participants have now reached expected retirement age and are expected to immediately retire. Therefore, the expected compensation to be paid is \$0.

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)
Uniformed Officers Pension Plan:						
1/1/2008	\$ 97,974,663	\$ 104,812,621	\$ 6,837,958	93.48%	\$ 24,238,059	28.21%
1/1/2009	85,035,207	115,217,224	30,182,017	73.80%	25,671,228	117.57%
1/1/2010	103,280,780	128,135,474	24,854,694	80.60%	27,198,799	91.38%
1/1/2011	108,614,901	136,916,313	28,301,412	79.33%	27,274,742	103.76%
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%
1/1/2014	133,651,853	157,978,371	24,326,518	84.60%	30,343,030	80.17%

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2014

Schedules of Funding Progress (Continued)

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):						
6/30/1995	\$ 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%
7/1/2013	1,234	1,766	531	69.91%	808	65.75%

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) - EAN (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
OPEB - Employee Disability Plan:						
6/30/2014	\$ 367,920	\$ 1,983,227	\$ 1,615,307	18.55%	\$ 152,946,739	4.93%

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

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
7/1/2013	-	2,809,911	2,809,911	0%	N/A	N/A

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2014

Schedules of Employer Contributions
(Last Ten Fiscal Years)

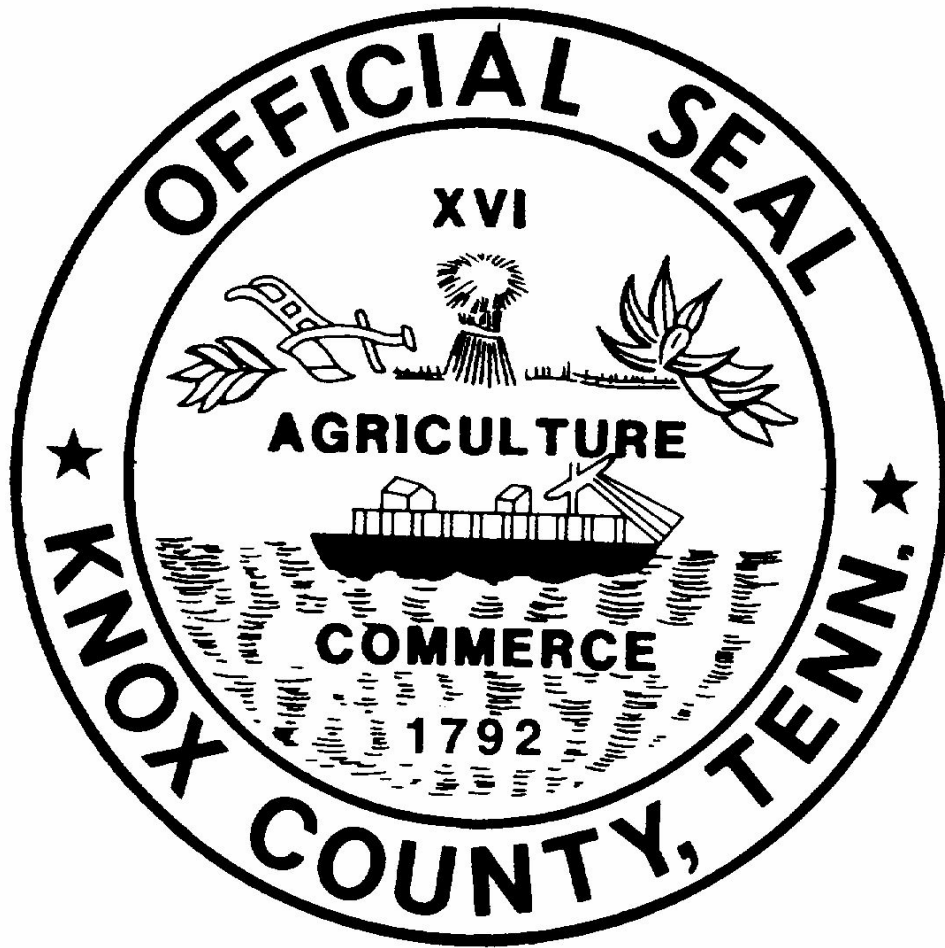
Year Ended June 30,	County DB Plan			Uniformed Officers' DB Plan			Teachers' DB Plan		
	Annual Required Contribution	Actual Contribution	Percentage Contributed	Annual Required Contribution	Actual Contribution	Percentage Contributed	Annual Required Contribution	Actual Contribution	Percentage Contributed
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%
2014	2,467,803	2,678,157	108.52%	4,483,986	4,513,954	100.67%	1,726,537	1,726,537	100.00%

Schedule of Employer OPEB Contributions
(Current Fiscal Years)

OPEB - Employee Disability Plan			
Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014 (A)	N/A	\$ 354,018	N/A

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

Supplemental Section



GENERAL FUND

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

KNOX COUNTY, TENNESSEE**General Fund
Comparative Balance Sheets
June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 27,661,523	\$ 19,865,598
Receivables (Net of Allowances for Uncollectibles):		
Accounts	7,588,363	9,344,582
Local Taxes	111,332,636	110,975,001
Notes	1,151,000	1,274,000
Investments, at Fair Value	31,021,172	33,859,983
Due from Other Funds	1,340,091	4,167,329
Due from Component Units	849,644	3,201,996
Inventories	125,767	227,841
Prepaid Items	212,181	106,106
Investment in Joint Venture	6,422,186	6,915,396
	<u>187,704,563</u>	<u>189,937,832</u>
TOTAL ASSETS	\$ 187,704,563	\$ 189,937,832
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 6,507,480	\$ 10,222,787
Due to Other Funds	3,228,062	1,585,770
Due to Component Units	98,069	476,412
Unearned Revenue	29,258	62,688
	<u>9,862,869</u>	<u>12,347,657</u>
TOTAL LIABILITIES	9,862,869	12,347,657
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes and Notes Receivable	111,753,171	111,324,917
	<u>111,753,171</u>	<u>111,324,917</u>
FUND BALANCES		
Nonspendable	6,760,134	7,249,342
Restricted	2,557,432	2,798,061
Committed	2,342,583	3,675,473
Assigned	1,401,378	1,089,640
Unassigned	53,026,996	51,452,742
	<u>66,088,523</u>	<u>66,265,258</u>
TOTAL FUND BALANCES	66,088,523	66,265,258
TOTAL LIABILITIES AND FUND BALANCES	\$ 187,704,563	\$ 189,937,832

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Revenues		
County Property Taxes	\$ 113,050,682	\$ 111,881,184
Local Option Sales Taxes	4,043,904	4,440,665
Business Taxes	7,566,636	8,709,692
Wheel Taxes	519,752	504,302
Other Local Taxes	2,898,638	2,845,245
Licenses and Permits	3,827,598	3,701,844
Fines, Forfeitures and Penalties	2,246,055	2,710,496
Charges for Current Services	6,007,089	4,562,900
Other Local Revenues	7,088,972	8,749,400
State of Tennessee	9,757,201	11,229,915
Federal Government	1,297,509	734,813
Other Governments and Citizen Groups	560,118	320,723
Increase in Equity Interest in Joint Venture	-	918,162
	<hr/>	<hr/>
Total Revenues	158,864,154	161,309,341
	<hr/>	<hr/>
Expenditures		
Current:		
General Government:		
Finance and Administration	22,537,866	21,822,661
Finance and Administration - Payments to Component Unit	6,753,874	6,653,874
Administration of Justice	16,229,625	15,719,185
Public Safety	71,825,583	69,650,368
Public Safety - Payments to Component Unit	326,200	326,200
Public Health and Welfare	20,487,227	19,402,706
Public Health and Welfare - Payments to Component Unit	211,628	256,628
Social and Cultural Services	4,527,355	4,287,559
Agricultural and Natural Resources	519,433	435,231
Other General Government	14,626,471	13,498,278
Other General Government - Payments to Component Unit	600,000	675,000
Decrease in Equity Interest in Joint Venture	493,210	-
	<hr/>	<hr/>
Total Expenditures	159,138,472	152,727,690
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Over (Under) Expenditures	(274,318)	8,581,651
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers from Other Funds	9,661,030	8,707,849
Transfers to Other Funds	(9,563,447)	(10,314,443)
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	97,583	(1,606,594)
	<hr/>	<hr/>
Net Change in Fund Balances	(176,735)	6,975,057
	<hr/>	<hr/>
Fund Balances, July 1	66,265,258	59,290,201
	<hr/>	<hr/>
Fund Balances, June 30	\$ 66,088,523	\$ 66,265,258
	<hr/>	<hr/>

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, 2014

(With Comparative Totals for June 30, 2013)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2014	2013
ASSETS								
Cash and Cash Equivalents	\$ 549,208	\$ 1,415,828	\$ 353,992	\$ 1,250,809	\$ 493,568	\$ 380,295	\$ 4,443,700	\$ 4,355,320
TOTAL ASSETS	\$ 549,208	\$ 1,415,828	\$ 353,992	\$ 1,250,809	\$ 493,568	\$ 380,295	\$ 4,443,700	\$ 4,355,320
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to Other Funds	\$ 70,553	\$ 300,049	\$ -	\$ -	\$ -	\$ 86,174	\$ 456,776	\$ 697,942
Fund Balances:								
Assigned	478,655	1,115,779	353,992	1,250,809	493,568	294,121	3,986,924	3,657,378
TOTAL LIABILITIES AND FUND BALANCES	\$ 549,208	\$ 1,415,828	\$ 353,992	\$ 1,250,809	\$ 493,568	\$ 380,295	\$ 4,443,700	\$ 4,355,320

KNOX COUNTY, TENNESSEE

**Constitutional Officers' Special Revenue Fund
Combining Schedule of Revenues, Expenditures
And Changes in Fund Balances
For the year ended June 30, 2014
(With comparative totals 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	Totals	
							2014	2013
Revenues								
Charges for Services	\$ 9,284,264	\$ 5,324,935	\$ 1,576,707	\$ 4,372,786	\$ 1,452,757	\$ 2,330,715	\$ 24,342,164	\$ 25,076,626
Investment Revenue	1,103	6,699	-	-	-	5,447	13,249	14,870
Total Revenues	9,285,367	5,331,634	1,576,707	4,372,786	1,452,757	2,336,162	24,355,413	25,091,496
Expenditures								
Current:								
General Government:								
Salaries - County Officials	128,049	117,609	80,576	124,775	124,563	113,431	689,003	674,205
Salaries - Staff	1,690,812	2,418,379	1,001,034	2,851,937	662,637	1,180,624	9,805,423	10,452,459
Employee Benefits and Payroll Taxes	591,569	1,008,228	356,598	984,175	252,357	411,448	3,604,375	3,493,648
Travel	-	-	5,220	8,400	-	8,400	22,020	24,715
Other	-	81,224	-	-	15,376	147,416	244,016	281,230
Total Expenditures	2,410,430	3,625,440	1,443,428	3,969,287	1,054,933	1,861,319	14,364,837	14,926,257
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,874,937	1,706,194	133,279	403,499	397,824	474,843	9,990,576	10,165,239
Other Financing Uses								
Transfers to Other Funds	(6,780,293)	(1,474,159)	-	(600,000)	(346,405)	(460,173)	(9,661,030)	(8,707,849)
Net Change in Fund Balances	94,644	232,035	133,279	(196,501)	51,419	14,670	329,546	1,457,390
Fund Balances, July 1	384,011	883,744	220,713	1,447,310	442,149	279,451	3,657,378	2,199,988
Fund Balances, June 30	\$ 478,655	\$ 1,115,779	\$ 353,992	\$ 1,250,809	\$ 493,568	\$ 294,121	\$ 3,986,924	\$ 3,657,378

KNOX COUNTY, TENNESSEE

**Constitutional Officers' Special Revenue Fund
Schedule of Revenues, Expenditures, and Fees Remitted to General Fund
For the year ended June 30, 2014**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds
Constitutional Officers Special Revenue Fund						
Summary of Revenues and Expenditures Resulting from Operations, and Fees Remitted to General Fund						
Revenues	\$ 9,285,367	\$ 5,331,634	\$ 1,576,707	\$ 4,372,786	\$ 1,452,757	\$ 2,336,162
Expenditures	(2,410,430)	(3,625,440)	(1,443,428)	(3,969,287)	(1,054,933)	(1,861,319)
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,874,937	1,706,194	133,279	403,499	397,824	474,843
Fees Remitted to County General Fund	(6,780,293)	(1,474,159)	-	(600,000)	(346,405)	(460,173)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Fees Remitted	\$ 94,644	\$ 232,035	\$ 133,279	\$ (196,501)	\$ 51,419	\$ 14,670

**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	\$ 6,780,293	\$ 1,474,159	\$ -	\$ 600,000	\$ 346,405	\$ 460,173
General Fund Expenditures:						
Personal Services/						
Employee Benefits	-	-	-	-	-	(86,959)
Contracted Services	(708,043)	(406,547)	(69,003)	(166,376)	(88,524)	(94,294)
Supplies and Materials	(124,159)	(114,951)	(13,279)	(103,956)	(22,032)	(25,951)
Other Charges	(67,930)	(1,027)	(1,677)	(32,129)	(1,302)	(2,888)
Capital Outlay	-	(47,052)	(71,540)	-	-	(105,889)
Total General Fund Expenditures for Office Operations of Constitutional Officers	(900,132)	(569,577)	(155,499)	(302,461)	(111,858)	(315,981)
Excess (Deficiency) of Fees Remitted Over (Under) General Fund Expenditures	\$ 5,880,161	\$ 904,582	\$ (155,499)	\$ 297,539	\$ 234,547	\$ 144,192

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, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 271,659	\$ 27,808
Accounts Receivable (Net of Allowances for Uncollectibles)	63,896	19,640
Investments, at Fair Value	9,237,064	4,253,501
Due from Other Funds	50,000	300,000
Due from Component Units	193,905	-
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 9,816,524</u>	<u>\$ 4,600,949</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,554,408	\$ 1,108,956
Due to Other Funds	193,905	2,020,021
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>2,748,313</u>	<u>3,128,977</u>
 Fund Balances:		
Restricted	<u>7,068,211</u>	<u>1,471,972</u>
TOTAL FUND BALANCES	<u>7,068,211</u>	<u>1,471,972</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,816,524</u>	<u>\$ 4,600,949</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, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Investment Revenue	\$ (3,365)	\$ 105,943
Other Local Revenues	81,185	548,095
State of Tennessee	<u>1,611,771</u>	<u>1,385,619</u>
Total Revenues	<u>1,689,591</u>	<u>2,039,657</u>
Expenditures		
Capital Projects	18,403,407	29,402,147
Payments to Component Unit	38,763,934	13,182,024
Debt Issuance Costs	745,863	-
Other	<u>15,971</u>	<u>13,295</u>
Total Expenditures	<u>57,929,175</u>	<u>42,597,466</u>
Deficiency of Revenues Under Expenditures	<u>(56,239,584)</u>	<u>(40,557,809)</u>
Other Financing Sources		
Long-term Bonds Issued	39,075,000	-
Premium on Long-term Debt Issued	350,920	-
Capital Lease Proceeds	14,872,404	13,182,024
Loan Proceeds	5,962,500	-
Transfers from Other Funds	<u>1,574,999</u>	<u>5,855,375</u>
Total Other Financing Sources	<u>61,835,823</u>	<u>19,037,399</u>
Net Change in Fund Balances	5,596,239	(21,520,410)
Fund Balances, July 1	<u>1,471,972</u>	<u>22,992,382</u>
Fund Balances, June 30	<u>\$ 7,068,211</u>	<u>\$ 1,471,972</u>

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Schedule of Construction Project Expenditures-
Budget And Actual
For the year ended June 30, 2014**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Knob Creek Bridge	\$ 578,925	\$ 313,968	\$ -	\$ 313,968	\$ 264,957
Bob Gray Roundabouts	1,417,067	139,075	621,486	760,561	656,506
Bridge Replacement	6,931,783	4,985,040	567,534	5,552,574	1,379,209
Hardin Valley Road	28,940	28,940	-	28,940	-
Ballcamp Improvements	17,324,705	17,149,240	641	17,149,881	174,824
Lovell Road	2,997,627	2,609,258	-	2,609,258	388,369
Dry Gap Pike	6,283,367	6,128,392	70,800	6,199,192	84,175
Maynardville/Norris/Emory	1,715,409	1,323,024	146,361	1,469,385	246,024
Parkside Drive Extension	16,783,770	9,360,422	1,317,475	10,677,897	6,105,873
Dutchtown Road Functional Plan	14,820,931	12,340,518	488,904	12,829,422	1,991,509
Karns Connector	4,222,000	37,327	188,265	225,592	3,996,408
Gallaher View Road	3,088,879	3,088,879	-	3,088,879	-
Farlow Drive	601,044	601,044	-	601,044	-
Tazewell Pike / Emory Road	401,629	369,974	31,655	401,629	-
Dutchtown Innovation	622,889	622,889	-	622,889	-
Outlet Mall Drive/Snyder Road Connect	3,710,608	3,338,476	277,787	3,616,263	94,345
National Drive-John Sevier Highway	384,938	64,355	320,583	384,938	-
General Road Improvements	400,000	-	-	-	400,000
State Aid	4,116,800	1,796,872	2,015,327	3,812,199	304,601
W. Beaver Creek and Clinton Hwy	359,200	-	313,407	313,407	45,793
Walker Springs Sinkhole	100,000	-	70,877	70,877	29,123
Gray Hendrix and Garrison	422,650	-	64,410	64,410	358,240
Lakefront Drive	59,500	-	6,590	6,590	52,910
General Culvert Maintenance	141,160	-	-	-	141,160
Total Road Construction	87,513,821	64,297,693	6,502,102	70,799,795	16,714,026
 <i>Building Renovations:</i>					
Juvenile Court/ Detention	14,390,588	14,141,127	129,702	14,270,829	119,759
County Wide Renovations	200,000	-	-	-	200,000
Knox Central	1,640,037	1,970,304	451,735	2,422,039	(782,002)
Knox Central CIP '11	78,632	225	-	225	78,407
Fairview Technical Center	23,500	-	(8,528)	(8,528)	32,028
John Tarleton	159,134	138,085	-	138,085	21,049
AJ/ Dwight Kessel Garage	2,367,573	1,598,200	37,188	1,635,388	732,185
City/County Improvement	15,296,019	12,847,608	362,822	13,210,430	2,085,589
Knox County Health Renovations	11,413,466	10,982,316	165,042	11,147,358	266,108
Old Courthouse Renovation	3,619,040	1,915,160	895,223	2,810,383	808,657
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	746,550	350,522	329,790	680,312	66,238
Juvenile Justice Center Phases II	3,074,045	246,969	3,297,951	3,544,920	(470,875)
ADA Improvements	1,094,751	-	-	-	1,094,751
Family Justice Center	66,700	-	14,497	14,497	52,203
B-911 Center	63,000	13,170	39,857	53,027	9,973
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	753,321	65,950	(43,566)	22,384	730,937
Courtroom Improvement	6,500	-	-	-	6,500
Total Building Renovations	70,742,990	59,977,164	5,671,713	65,648,877	5,094,113

KNOX COUNTY, TENNESSEE

**Public Improvement Capital Projects Fund (Major)
Schedule of Construction Project Expenditures-
Budget And Actual (Continued)
For the year ended June 30, 2014**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures (Continued)					
<i>Capital Projects (Continued):</i>					
<i>Building Construction:</i>					
South Sportsplex	500,000	-	-	-	500,000
Lawson McGhee Library	1,048,784	605,735	267,558	873,293	175,491
Various Library Branches	656,261	603,012	51,719	654,731	1,530
Senior Centers	59,800	9,686	30,298	39,984	19,816
Carter Senior Center	1,289,632	1,289,632	-	1,289,632	-
Frank Strang Senior Center	-	10,256	-	10,256	(10,256)
Medical Examiner	-	-	1,615,731	1,615,731	(1,615,731)
Karns Senior Center	1,500,000	-	69,843	69,843	1,430,157
Safety Center	1,000,000	-	-	-	1,000,000
<i>Total Building Construction:</i>	<i>6,054,477</i>	<i>2,518,321</i>	<i>2,035,149</i>	<i>4,553,470</i>	<i>1,501,007</i>
<i>Other:</i>					
Seven Island Foot Bridge	1,747,701	283,528	-	283,528	1,464,173
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	7,834	39,096	664,846
Knox-Blount Greenway-Phase II	145,198	46,622	-	46,622	98,576
Park Facility Improvement	726,792	600,731	42,048	642,779	84,013
Rifle Range Road Park	3,812,500	3,785,563	11,188	3,796,751	15,749
Ten Mile Creek Greenway	267,886	267,886	-	267,886	-
Greenways	33,253	8,280	9,576	17,856	15,397
Technology Upgrade - Libraries	1,250,000	241,100	104,246	345,346	904,654
Finance Software Upgrade	1,569,308	1,371,655	12,196	1,383,851	185,457
PBA Project Management	4,747,150	3,729,041	317,143	4,046,184	700,966
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	11,811,620	7,426,284	733,496	8,159,780	3,651,840
Karns Convenience Center	850,000	-	3,354	3,354	846,646
Dutchtown Convenience Center	571,890	510,555	36,750	547,305	24,585
Geometric Improvements	3,725,188	1,797,238	245,334	2,042,572	1,682,616
County Sidewalk	757,831	585,221	35,989	621,210	136,621
Major Equipment - Engineering & Public Works	1,896,195	814,452	472,787	1,287,239	608,956
Major Equipment - Sheriff Dention	3,706,620	1,568,845	1,047,403	2,616,248	1,090,372
Powell Middle School	15,358,025	15,388,363	-	15,388,363	(30,338)
New Carter Elementary	15,390,368	14,921,776	444,957	15,366,733	23,635
Family Investment - Renovation	130,000	104,110	8,337	112,447	17,553
Election Commission	184,298	-	-	-	184,298
East Bridge	50,000	-	-	-	50,000
Meads Quarry	100,000	-	7,800	7,800	92,200
Info Tech Equipment	1,000,000	-	654,005	654,005	345,995
<i>Total Other</i>	<i>88,613,837</i>	<i>69,018,593</i>	<i>4,194,443</i>	<i>73,213,036</i>	<i>15,400,801</i>
<i>Total Capital Projects</i>	<i>\$ 252,925,125</i>	<i>\$ 195,811,771</i>	<i>\$ 18,403,407</i>	<i>\$ 214,215,178</i>	<i>\$ 38,709,947</i>

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, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 20,835,956	\$ 18,584,043
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	54,847,105	34,721,441
Notes	7,475,000	9,245,000
Accounts	35,000	-
Due from Other Funds	647,025	-
Advance to Other Governments	2,465,000	2,500,000
TOTAL ASSETS	<u><u>\$ 86,305,086</u></u>	<u><u>\$ 65,050,484</u></u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 4,714	\$ 5,976
TOTAL LIABILITIES	<u>4,714</u>	<u>5,976</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes and Notes Receivable	<u>60,631,401</u>	<u>40,442,612</u>
FUND BALANCES		
Nonspendable	3,920,000	5,725,000
Restricted	69,953	110,208
Committed	<u>21,679,018</u>	<u>18,766,688</u>
TOTAL FUND BALANCES	<u>25,668,971</u>	<u>24,601,896</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u><u>\$ 86,305,086</u></u>	<u><u>\$ 65,050,484</u></u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Property Taxes	\$ 33,375,647	\$ 32,886,294
Investment Revenue	2,013,916	2,093,793
Other Local Revenues	70,000	-
Payments from Component Units	<u>31,929,023</u>	<u>32,601,668</u>
Total Revenues	<u>67,388,586</u>	<u>67,581,755</u>
Expenditures		
Debt Service:		
Trustee's Commission	680,090	678,399
Principal	40,630,308	37,766,083
Interest	23,577,780	24,982,926
Other Debt Service	<u>1,628,599</u>	<u>1,826,198</u>
Total Expenditures	<u>66,516,777</u>	<u>65,253,606</u>
Excess of Revenues Over Expenditures	<u>871,809</u>	<u>2,328,149</u>
Other Financing Sources		
Transfers from Other Funds	<u>195,266</u>	<u>-</u>
Net Change in Fund Balances	1,067,075	2,328,149
Fund Balances, July 1	<u>24,601,896</u>	<u>22,273,747</u>
Fund Balances, June 30	<u>\$ 25,668,971</u>	<u>\$ 24,601,896</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, 2014 and June 30, 2013

	2014				2013		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Property Taxes	\$ 32,517,000	\$ 32,517,000	\$ 33,375,647	\$ 858,647	\$ 32,533,000	\$ 32,886,294	\$ 353,294
Investment Revenue	1,862,450	1,862,450	2,013,916	151,466	2,040,229	2,093,793	53,564
Other Local Revenues	-	-	70,000	70,000	-	-	-
Payments from Component Units	30,438,398	30,438,398	31,929,023	1,490,625	30,527,602	32,601,668	2,074,066
Total Revenues	64,817,848	64,817,848	67,388,586	2,570,738	65,100,831	67,581,755	2,480,924
Expenditures							
Debt Service:							
Trustee's Commission	710,563	710,563	680,090	30,473	708,438	678,399	30,039
Principal	39,763,810	41,254,435	40,630,308	624,127	37,734,614	37,766,083	(31,469)
Interest	30,525,627	29,035,002	23,577,780	5,457,222	32,556,948	24,982,926	7,574,022
Other Debt Service	2,000,000	2,000,000	1,628,599	371,401	2,000,000	1,826,198	173,802
Total Expenditures	73,000,000	73,000,000	66,516,777	6,483,223	73,000,000	65,253,606	7,746,394
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,182,152)	(8,182,152)	871,809	9,053,961	(7,899,169)	2,328,149	10,227,318
Other Financing Sources (Uses)							
Transfers from Other Funds	1,220,916	1,220,916	195,266	(1,025,650)	1,521,320	-	(1,521,320)
Transfers to Other Funds	-	-	-	-	(1,250,000)	-	1,250,000
Total Other Financing Sources (Uses)	1,220,916	1,220,916	195,266	(1,025,650)	271,320	-	(271,320)
Net Change in Fund Balances	(6,961,236)	(6,961,236)	1,067,075	8,028,311	(7,627,849)	2,328,149	9,955,998
Fund Balances, July 1	24,601,896	24,601,896	24,601,896	-	22,273,747	22,273,747	-
Fund Balances, June 30	\$ 17,640,660	\$ 17,640,660	\$ 25,668,971	\$ 8,028,311	\$ 14,645,898	\$ 24,601,896	\$ 9,955,998

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

CAPITAL PROJECTS FUND

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

KNOX COUNTY, TENNESSEE**Combining Balance Sheet
Nonmajor Governmental Funds**June 30, 2014

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 8,277,920	\$ 600,167	\$ 8,878,087
Receivables (Net of Allowance for Uncollectibles):			
Accounts	7,640,117	-	7,640,117
Notes	2,850,946	-	2,850,946
Due from Other Funds	1,489,724	127,372	1,617,096
Inventories	10,530	-	10,530
Prepaid Items	23,185	-	23,185
TOTAL ASSETS	\$ 20,292,422	\$ 727,539	\$ 21,019,961
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 3,976,141	\$ -	\$ 3,976,141
Due to Other Funds	725,980	-	725,980
Unearned Revenue	3,345,355	-	3,345,355
TOTAL LIABILITIES	8,047,476	-	8,047,476
Fund Balances:			
Nonspendable	33,715	-	33,715
Restricted	5,554,966	-	5,554,966
Committed	6,656,265	727,539	7,383,804
TOTAL FUND BALANCES	12,244,946	727,539	12,972,485
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,292,422	\$ 727,539	\$ 21,019,961

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2014**

	Special Revenue Funds	ADA Construction Capital Project Fund	Total Nonmajor Governmental Funds
Revenues			
Local Option Sales Taxes	\$ 7,090,075	\$ -	\$ 7,090,075
Lodging Taxes	5,860,554	-	5,860,554
Wheel Taxes	10,928,350	-	10,928,350
Other Local Taxes	2,072,348	-	2,072,348
Fines, Forfeitures and Penalties	702,979	-	702,979
Charges for Current Services	721,065	-	721,065
Other Local Revenues	1,295,825	-	1,295,825
State of Tennessee	6,768,923	-	6,768,923
Federal Government	9,940,643	-	9,940,643
Other Governments and Citizen Groups	162,901	-	162,901
Total Revenues	45,543,663	-	45,543,663
Expenditures			
Current:			
Finance and Administration	101,250	-	101,250
Administration of Justice	90,003	-	90,003
Public Safety	3,133,321	-	3,133,321
Public Health and Welfare	12,332,469	-	12,332,469
Social and Cultural Services	12,767,521	-	12,767,521
Other General Government	6,723,556	-	6,723,556
Engineering and Public Works	11,782,056	-	11,782,056
Capital Projects	-	12,321	12,321
Total Expenditures	46,930,176	12,321	46,942,497
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,386,513)	(12,321)	(1,398,834)
Other Financing Sources (Uses)			
Transfers from Other Funds	4,479,532	-	4,479,532
Transfers to Other Funds	(2,016,430)	-	(2,016,430)
Total Other Financing Sources (Uses)	2,463,102	-	2,463,102
Net Change in Fund Balances	1,076,589	(12,321)	1,064,268
Fund Balances, July 1	11,168,357	739,860	11,908,217
Fund Balances, June 30	\$ 12,244,946	\$ 727,539	\$ 12,972,485

KNOX COUNTY, TENNESSEE

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2014

	Federal, State And Other Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total Nonmajor Special Revenue Funds
ASSETS								
Cash and Cash Equivalents	\$ 305,198	\$ 4,345	\$ 637,277	\$ 858,536	\$ 1,706,885	\$ 2,191,012	\$ 2,574,667	\$ 8,277,920
Receivables (Net of Allowance for Uncollectibles):								
Accounts	3,080,621	30,713	1,084,649	76,915	1,197,908	20,833	2,148,478	7,640,117
Notes	2,850,946	-	-	-	-	-	-	2,850,946
Due from Other Funds	722,501	50,000	-	607,028	-	150	110,045	1,489,724
Inventories	10,530	-	-	-	-	-	-	10,530
Prepaid Items	21,460	-	1,725	-	-	-	-	23,185
TOTAL ASSETS	\$ 6,991,256	\$ 85,058	\$ 1,723,651	\$ 1,542,479	\$ 2,904,793	\$ 2,211,995	\$ 4,833,190	\$ 20,292,422
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable and Accrued Liabilities	\$ 529,335	\$ 8,713	\$ 408,735	\$ 121,902	\$ 2,285,727	\$ 165,438	\$ 456,291	\$ 3,976,141
Due to Other Funds	176,205	29,279	167,326	162,655	-	19,388	171,127	725,980
Unearned Revenue	3,344,995	360	-	-	-	-	-	3,345,355
TOTAL LIABILITIES	4,050,535	38,352	576,061	284,557	2,285,727	184,826	627,418	8,047,476
Fund Balances:								
Nonspendable	31,990	-	1,725	-	-	-	-	33,715
Restricted	2,908,731	-	-	-	619,066	2,027,169	-	5,554,966
Committed	-	46,706	1,145,865	1,257,922	-	-	4,205,772	6,656,265
TOTAL FUND BALANCES	2,940,721	46,706	1,147,590	1,257,922	619,066	2,027,169	4,205,772	12,244,946
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,991,256	\$ 85,058	\$ 1,723,651	\$ 1,542,479	\$ 2,904,793	\$ 2,211,995	\$ 4,833,190	\$ 20,292,422

KNOX COUNTY, TENNESSEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2014

	Federal, State And Other Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total Nonmajor Special Revenue Funds
Revenues								
Local Option Sales Taxes	\$ -	\$ -	\$ -	\$ 2,400,000	\$ -	\$ -	\$ 4,690,075	\$ 7,090,075
Lodging Taxes	-	-	-	-	5,860,554	-	-	5,860,554
Wheel Taxes	-	-	10,928,350	-	-	-	-	10,928,350
Other Local Taxes	-	58,888	-	-	-	-	2,013,460	2,072,348
Fines, Forfeitures and Penalties	47,022	-	-	50,567	-	593,190	12,200	702,979
Charges for Current Services	375,352	5,310	340,378	-	-	-	25	721,065
Other Local Revenues	300,582	1,972	6,974	599,611	-	131,786	254,900	1,295,825
State of Tennessee	1,384,740	-	51,900	322,621	-	-	5,009,662	6,768,923
Federal Government	9,831,125	-	-	-	-	109,518	-	9,940,643
Other Governments and Citizen Groups	111,321	31,000	19,580	1,000	-	-	-	162,901
Total Revenues	12,050,142	97,170	11,347,182	3,373,799	5,860,554	834,494	11,980,322	45,543,663
Expenditures								
Current:								
Finance and Administration	101,250	-	-	-	-	-	-	101,250
Administration of Justice	90,003	-	-	-	-	-	-	90,003
Public Safety	2,111,670	-	-	-	-	1,021,651	-	3,133,321
Public Health and Welfare	8,410,226	-	-	3,922,243	-	-	-	12,332,469
Social and Cultural Services	541,913	144,894	12,080,714	-	-	-	-	12,767,521
Other General Government	1,388,482	-	-	-	5,335,074	-	-	6,723,556
Engineering and Public Works	-	-	-	-	-	-	11,782,056	11,782,056
Total Expenditures	12,643,544	144,894	12,080,714	3,922,243	5,335,074	1,021,651	11,782,056	46,930,176
Excess (Deficiency) of Revenues Over (Under) Expenditures	(593,402)	(47,724)	(733,532)	(548,444)	525,480	(187,157)	198,266	(1,386,513)
Other Financing Sources (Uses)								
Transfers from Other Funds	1,555,567	50,000	1,670,000	600,000	-	93,965	510,000	4,479,532
Transfers to Other Funds	-	-	(725,000)	(51,000)	(540,000)	-	(700,430)	(2,016,430)
Total Other Financing Sources (Uses)	1,555,567	50,000	945,000	549,000	(540,000)	93,965	(190,430)	2,463,102
Net Change in Fund Balances	962,165	2,276	211,468	556	(14,520)	(93,192)	7,836	1,076,589
Fund Balances, July 1	1,978,556	44,430	936,122	1,257,366	633,586	2,120,361	4,197,936	11,168,357
Fund Balances, June 30	\$ 2,940,721	\$ 46,706	\$ 1,147,590	\$ 1,257,922	\$ 619,066	\$ 2,027,169	\$ 4,205,772	\$ 12,244,946

KNOX COUNTY, TENNESSEE

**Federal, State and Other Grants Fund
Comparative Balance Sheets
June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 305,198	\$ 227,351
Receivables (Net of Allowances for Uncollectibles):		
Accounts	3,080,621	3,001,637
Notes	2,850,946	2,987,965
Due from Other Funds	722,501	236,643
Inventories	10,530	12,388
Prepaid Items	21,460	25,046
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 6,991,256</u>	<u>\$ 6,491,030</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 529,335	\$ 498,366
Due to Other Funds	176,205	812,490
Unearned Revenue	3,344,995	3,201,618
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>4,050,535</u>	<u>4,512,474</u>
 Fund Balances:		
Nonspendable	31,990	37,434
Restricted	2,908,731	1,941,122
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>2,940,721</u>	<u>1,978,556</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,991,256</u>	<u>\$ 6,491,030</u>

KNOX COUNTY, TENNESSEE

Federal, State and Other Grants Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 47,022	\$ 41,951
Charges for Current Services	375,352	462,906
Other Local Revenues	300,582	192,658
State of Tennessee	1,384,740	1,303,096
Federal Government	9,831,125	9,439,242
Other Governmental and Citizen Groups	<u>111,321</u>	<u>731,080</u>
Total Revenues	<u>12,050,142</u>	<u>12,170,933</u>
Expenditures		
Current:		
General Government:		
Finance and Administration	101,250	-
Administration of Justice	90,003	74,711
Public Safety	2,111,670	2,615,866
Public Health and Welfare	8,410,226	8,325,485
Social and Cultural Services	541,913	363,197
Other General Government	<u>1,388,482</u>	<u>1,339,833</u>
Total Expenditures	<u>12,643,544</u>	<u>12,719,092</u>
Deficiency of Revenues		
Under Expenditures	<u>(593,402)</u>	<u>(548,159)</u>
Other Financing Sources		
Transfers from Other Funds	<u>1,555,567</u>	<u>617,755</u>
Net Change in Fund Balances	962,165	69,596
Fund Balances, July 1	<u>1,978,556</u>	<u>1,908,960</u>
Fund Balances, June 30	<u><u>\$ 2,940,721</u></u>	<u><u>\$ 1,978,556</u></u>

KNOX COUNTY, TENNESSEE

**Federal, State and Other Grants Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2014 and June 30, 2013**

	2014				2013		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Charges for Current Services	\$ 151,795	\$ 342,878	\$ 342,878	\$ -	\$ 370,229	\$ 370,229	\$ -
Other Local Revenues	-	-	71,134	71,134	-	1,175	1,175
Federal Government	-	278,004	397,104	119,100	924,225	413,244	(510,981)
Total Revenues	<u>151,795</u>	<u>620,882</u>	<u>811,116</u>	<u>190,234</u>	<u>1,294,454</u>	<u>784,648</u>	<u>(509,806)</u>
Expenditures							
Current:							
General Government:							
Personal Services	-	677,786	565,617	112,169	1,179,237	580,661	598,576
Employee Benefits	-	248,681	203,661	45,020	385,863	200,481	185,382
Contracted Services	140,000	175,823	141,156	34,667	348,135	152,890	195,245
Supplies and Materials	-	106,337	86,593	19,744	273,640	91,879	181,761
Other Charges	11,795	82,929	82,929	-	328,549	12,168	316,381
Capital Outlay	-	-	-	-	25,523	17,100	8,423
Total Expenditures	<u>151,795</u>	<u>1,291,556</u>	<u>1,079,956</u>	<u>211,600</u>	<u>2,540,947</u>	<u>1,055,179</u>	<u>1,485,768</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(670,674)</u>	<u>(268,840)</u>	<u>401,834</u>	<u>(1,246,493)</u>	<u>(270,531)</u>	<u>975,962</u>
Other Financing Sources							
Transfers from Other Funds	<u>-</u>	<u>16,148</u>	<u>200,000</u>	<u>183,852</u>	<u>-</u>	<u>300,000</u>	<u>300,000</u>
Net Change in Fund Balances	<u>-</u>	<u>(654,526)</u>	<u>(68,840)</u>	<u>585,686</u>	<u>(1,246,493)</u>	<u>29,469</u>	<u>1,275,962</u>
Fund Balances, July 1	<u>316,374</u>	<u>316,374</u>	<u>316,374</u>	<u>-</u>	<u>286,905</u>	<u>286,905</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 316,374</u>	<u>\$ (338,152)</u>	<u>\$ 247,534</u>	<u>\$ 585,686</u>	<u>\$ (959,588)</u>	<u>\$ 316,374</u>	<u>\$ 1,275,962</u>
Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):							
Fund Balances (Budget Basis)			\$ 247,534			\$ 316,374	
Entity Difference:							
Unbudgeted Funds			<u>2,693,187</u>			<u>1,662,182</u>	
Fund Balances (GAAP Basis)			<u>\$ 2,940,721</u>			<u>\$ 1,978,556</u>	

KNOX COUNTY, TENNESSEE

**Governmental Library Fund
Comparative Balance Sheets
June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,345	\$ 27,726
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	30,713	30,000
Due from Other Funds	<u>50,000</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 85,058</u></u>	<u><u>\$ 57,726</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 8,713	\$ 13,296
Due to Other Funds	29,279	-
Unearned Revenue	<u>360</u>	<u>-</u>
TOTAL LIABILITIES	<u>38,352</u>	<u>13,296</u>
 Fund Balances:		
Committed	<u>46,706</u>	<u>44,430</u>
TOTAL FUND BALANCES	<u>46,706</u>	<u>44,430</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 85,058</u></u>	<u><u>\$ 57,726</u></u>

KNOX COUNTY, TENNESSEE

**Governmental Library Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
Litigation Tax	\$ 58,888	\$ 56,643
Charges for Current Services	5,310	4,469
Other Local Revenues	1,972	1,368
Other Governments and Citizens Groups	<u>31,000</u>	<u>31,462</u>
Total Revenues	<u>97,170</u>	<u>93,942</u>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	<u>144,894</u>	<u>144,098</u>
Deficiency of Revenues Under Expenditures	<u>(47,724)</u>	<u>(50,156)</u>
Other Financing Sources		
Transfers from Other Funds	<u>50,000</u>	<u>40,000</u>
Net Change in Fund Balances	2,276	(10,156)
Fund Balances, July 1	<u>44,430</u>	<u>54,586</u>
Fund Balances, June 30	<u>\$ 46,706</u>	<u>\$ 44,430</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, 2014 and June 30, 2013**

	2014				2013			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Litigation Tax	\$ 65,500	\$ 65,500	\$ 58,888	\$ (6,612)	\$ 68,666	\$ 56,643	\$ (12,023)	
Charges for Current Services	8,000	8,000	5,310	(2,690)	9,000	4,469	(4,531)	
Other Local Revenues	1,200	1,200	1,972	772	1,000	1,368	368	
Other Governments and Citizens Groups	30,300	30,300	31,000	700	30,334	31,462	1,128	
Total Revenues	105,000	105,000	97,170	(7,830)	109,000	93,942	(15,058)	
Expenditures								
Current:								
General Government:								
Social and Cultural Services:								
Personal Services	51,951	52,371	52,371	-	50,946	50,946	-	
Employee Benefits	16,022	16,162	16,161	1	15,370	15,370	-	
Contracted Services	9,515	9,515	7,806	1,709	9,736	7,793	1,943	
Supplies and Materials	46,143	67,452	67,123	329	71,199	68,241	2,958	
Other Charges	1,369	1,500	1,433	67	1,749	1,748	1	
Total Expenditures	125,000	147,000	144,894	2,106	149,000	144,098	4,902	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,000)	(42,000)	(47,724)	(5,724)	(40,000)	(50,156)	(10,156)	
Other Financing Sources								
Transfers from Other Funds	20,000	42,000	50,000	8,000	40,000	40,000	-	
Net Change in Fund Balances	-	-	2,276	2,276	-	(10,156)	(10,156)	
Fund Balances, July 1	44,430	44,430	44,430	-	54,586	54,586	-	
Fund Balances, June 30	\$ 44,430	\$ 44,430	\$ 46,706	\$ 2,276	\$ 54,586	\$ 44,430	\$ (10,156)	

KNOX COUNTY, TENNESSEE

Public Library Fund
Comparative Balance Sheets
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 637,277	\$ 602,461
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	1,084,649	859,482
Prepaid Items	<u>1,725</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,723,651</u></u>	<u><u>\$ 1,461,943</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 408,735	\$ 377,478
Due to Other Funds	<u>167,326</u>	<u>148,343</u>
TOTAL LIABILITIES	<u>576,061</u>	<u>525,821</u>
 Fund Balances:		
Nonspendable	1,725	-
Committed	<u>1,145,865</u>	<u>936,122</u>
TOTAL FUND BALANCES	<u>1,147,590</u>	<u>936,122</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,723,651</u></u>	<u><u>\$ 1,461,943</u></u>

KNOX COUNTY, TENNESSEE

Public Library Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Wheel Taxes	\$ 10,928,350	\$ 10,432,198
Charges for Current Services	340,378	338,711
Other Local Revenues	6,974	9,288
State of Tennessee	51,900	51,900
Other Governments and Citizens Groups	19,580	19,748
Total Revenues	<u>11,347,182</u>	<u>10,851,845</u>
Expenditures		
Current:		
General Government:		
Social and Cultural Services	<u>12,080,714</u>	<u>11,572,783</u>
Deficiency of Revenues Under Expenditures	<u>(733,532)</u>	<u>(720,938)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	1,670,000	1,670,000
Transfers to Other Funds	<u>(725,000)</u>	<u>(716,846)</u>
Total Other Financing Sources	<u>945,000</u>	<u>953,154</u>
Net Change in Fund Balances	211,468	232,216
Fund Balances, July 1	<u>936,122</u>	<u>703,906</u>
Fund Balances, June 30	<u>\$ 1,147,590</u>	<u>\$ 936,122</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, 2014 and June 30, 2013**

	2014				2013		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Wheel Taxes	\$ 10,550,000	\$ 10,550,000	\$ 10,928,350	\$ 378,350	\$ 10,528,176	\$ 10,432,198	\$ (95,978)
Charges for Current Services	340,000	340,000	340,378	378	300,000	338,711	38,711
Other Local Revenues	9,000	9,000	6,974	(2,026)	9,000	9,288	288
State of Tennessee	51,900	51,900	51,900	-	51,900	51,900	-
Other Governments and Citizens Groups	-	-	19,580	19,580	-	19,748	19,748
Total Revenues	10,950,900	10,950,900	11,347,182	396,282	10,889,076	10,851,845	(37,231)
Expenditures							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	6,513,265	6,545,039	6,545,039	-	6,396,738	6,346,313	50,425
Employee Benefits	2,025,354	2,037,873	2,037,872	1	1,930,358	1,906,343	24,015
Contracted Services	1,145,175	1,177,128	1,170,288	6,840	1,199,270	1,127,465	71,805
Supplies and Materials	2,039,403	2,028,929	1,978,203	50,726	2,074,187	1,930,681	143,506
Other Charges	172,703	179,748	179,665	83	172,703	168,825	3,878
Capital Outlay	-	169,647	169,647	-	123,850	93,156	30,694
Total Expenditures	11,895,900	12,138,364	12,080,714	57,650	11,897,106	11,572,783	324,323
Excess (Deficiency) of Revenues Over (Under) Expenditures	(945,000)	(1,187,464)	(733,532)	453,932	(1,008,030)	(720,938)	287,092
Other Financing Sources (Uses)							
Transfers from Other Funds	1,670,000	1,670,000	1,670,000	-	1,670,000	1,670,000	-
Transfers to Other Funds	(725,000)	(725,000)	(725,000)	-	(716,846)	(716,846)	-
Total Other Financing Sources (Uses)	945,000	945,000	945,000	-	953,154	953,154	-
Net Change in Fund Balances	-	(242,464)	211,468	453,932	(54,876)	232,216	287,092
Fund Balances, July 1	936,122	936,122	936,122	-	703,906	703,906	-
Fund Balances, June 30	\$ 936,122	\$ 693,658	\$ 1,147,590	\$ 453,932	\$ 649,030	\$ 936,122	\$ 287,092

KNOX COUNTY, TENNESSEE

Solid Waste Fund
Comparative Balance Sheets
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 858,536	\$ 1,365,663
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	76,915	150,943
Due from Other Funds	<u>607,028</u>	<u>26,649</u>
TOTAL ASSETS	<u><u>\$ 1,542,479</u></u>	<u><u>\$ 1,543,255</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 121,902	\$ 114,359
Due to Other Funds	162,655	171,264
Due to Component Units	<u>-</u>	<u>266</u>
TOTAL LIABILITIES	<u><u>284,557</u></u>	<u><u>285,889</u></u>
 Fund Balances:		
Committed	<u>1,257,922</u>	<u>1,257,366</u>
TOTAL FUND BALANCES	<u><u>1,257,922</u></u>	<u><u>1,257,366</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,542,479</u></u>	<u><u>\$ 1,543,255</u></u>

KNOX COUNTY, TENNESSEE

Solid Waste Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Local Option Sales Taxes	\$ 2,400,000	\$ 2,400,000
Fines, Forfeitures, and Penalties	50,567	49,207
Other Local Revenues	599,611	549,131
State of Tennessee	322,621	389,122
Other Governments and Citizens Groups	1,000	-
Total Revenues	<u>3,373,799</u>	<u>3,387,460</u>
Expenditures		
Current:		
General Government:		
Public Health and Welfare	<u>3,922,243</u>	<u>3,637,873</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(548,444)</u>	<u>(250,413)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	600,000	325,788
Transfers to Other Funds	<u>(51,000)</u>	<u>(51,000)</u>
Total Other Financing Sources	<u>549,000</u>	<u>274,788</u>
Net Change in Fund Balances	556	24,375
Fund Balances, July 1	<u>1,257,366</u>	<u>1,232,991</u>
Fund Balances, June 30	<u>\$ 1,257,922</u>	<u>\$ 1,257,366</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, 2014 and June 30, 2013**

	2014				2013			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Local Option Sales Taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ -	\$ 2,400,000	\$ 2,400,000	\$ -	
Fines, Forfeitures, and Penalties	50,000	50,000	50,567	567	60,000	49,207	(10,793)	
Other Local Revenues	650,000	650,000	599,611	(50,389)	715,000	549,131	(165,869)	
State of Tennessee	378,500	378,500	322,621	(55,879)	398,500	389,122	(9,378)	
Other Governments and Citizens Groups	-	-	1,000	1,000	-	-	-	
Total Revenues	3,478,500	3,478,500	3,373,799	(104,701)	3,573,500	3,387,460	(186,040)	
Expenditures								
Current:								
General Government:								
Public Health and Welfare:								
Personal Services	739,300	791,438	791,438	-	733,505	709,681	23,824	
Employee Benefits	300,871	303,045	303,045	-	282,070	268,000	14,070	
Contracted Services	2,560,747	2,440,442	2,425,709	14,733	2,561,806	2,268,595	293,211	
Supplies and Materials	100,605	128,312	127,988	324	155,423	116,799	38,624	
Other Charges	173,227	182,227	175,630	6,597	183,102	175,776	7,326	
Litter and Trash Collection:								
Personal Services	43,579	45,736	45,736	-	19,256	19,256	-	
Employee Benefits	5,568	19,467	19,467	-	8,209	8,209	-	
Contracted Services	5,750	14,967	14,967	-	5,741	5,488	253	
Supplies and Materials	14,250	18,263	18,263	-	15,750	15,465	285	
Capital Outlay	-	-	-	-	51,000	50,604	396	
Total Expenditures	3,943,897	3,943,897	3,922,243	21,654	4,015,862	3,637,873	377,989	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(465,397)	(465,397)	(548,444)	(83,047)	(442,362)	(250,413)	191,949	
Other Financing Sources (Uses)								
Transfers from Other Funds	475,000	475,000	600,000	125,000	467,503	325,788	(141,715)	
Transfers to Other Funds	(51,000)	(51,000)	(51,000)	-	(51,000)	(51,000)	-	
Total Other Financing Sources (Uses)	424,000	424,000	549,000	125,000	416,503	274,788	(141,715)	
Net Change in Fund Balances	(41,397)	(41,397)	556	41,953	(25,859)	24,375	50,234	
Fund Balances, July 1	1,257,366	1,257,366	1,257,366	-	1,232,991	1,232,991	-	
Fund Balances, June 30	\$ 1,215,969	\$ 1,215,969	\$ 1,257,922	\$ 41,953	\$ 1,207,132	\$ 1,257,366	\$ 50,234	

KNOX COUNTY, TENNESSEE

**Hotel/Motel Tax Fund
Comparative Balance Sheets
June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,706,885	\$ 1,848,222
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>1,197,908</u>	<u>1,034,242</u>
TOTAL ASSETS	<u><u>\$ 2,904,793</u></u>	<u><u>\$ 2,882,464</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>\$ 2,285,727</u>	<u>\$ 2,248,878</u>
TOTAL LIABILITIES	<u>2,285,727</u>	<u>2,248,878</u>
 Fund Balances:		
Restricted	<u>619,066</u>	<u>633,586</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,904,793</u></u>	<u><u>\$ 2,882,464</u></u>

KNOX COUNTY, TENNESSEE

Hotel/Motel Tax Fund
Comparative Statements of Revenues, Expenditures
And Changes in Fund Balances
For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Lodging Taxes	<u>\$ 5,860,554</u>	<u>\$ 5,547,738</u>
Expenditures		
Current:		
General Government:		
Other General Government	<u>5,335,074</u>	<u>4,926,191</u>
Excess of Revenues Over Expenditures	525,480	621,547
Other Financing Uses		
Transfers to Other Funds	<u>(540,000)</u>	<u>(540,000)</u>
Net Change in Fund Balances	(14,520)	81,547
Fund Balances, July 1	<u>633,586</u>	<u>552,039</u>
Fund Balances, June 30	<u><u>\$ 619,066</u></u>	<u><u>\$ 633,586</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, 2014 and June 30, 2013**

	2014				2013		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Lodging Taxes	\$ 5,600,000	\$ 5,761,089	\$ 5,860,554	\$ 99,465	\$ 5,500,000	\$ 5,547,738	\$ 47,738
Expenditures							
Current:							
General Government:							
Other General Government:	5,175,000	5,336,089	5,335,074	1,015	4,926,965	4,926,191	774
Excess of Revenues Over Expenditures	425,000	425,000	525,480	100,480	573,035	621,547	48,512
Other Financing Uses							
Transfers to Other Funds	(540,000)	(540,000)	(540,000)	-	(743,035)	(540,000)	203,035
Net Change in Fund Balances	(115,000)	(115,000)	(14,520)	100,480	(170,000)	81,547	251,547
Fund Balances, July 1	633,586	633,586	633,586	-	552,039	552,039	-
Fund Balances, June 30	\$ 518,586	\$ 518,586	\$ 619,066	\$ 100,480	\$ 382,039	\$ 633,586	\$ 251,547

KNOX COUNTY, TENNESSEE

Drug Control Fund
Comparative Balance Sheets
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,191,012	\$ 2,129,379
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	20,833	329
Due from Other Funds	<u>150</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 2,211,995</u></u>	<u><u>\$ 2,129,708</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 165,438	\$ 1,439
Due to Other Funds	<u>19,388</u>	<u>7,908</u>
TOTAL LIABILITIES	<u>184,826</u>	<u>9,347</u>
 Fund Balances:		
Restricted	<u>2,027,169</u>	<u>2,120,361</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,211,995</u></u>	<u><u>\$ 2,129,708</u></u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Fines, Forfeitures, and Penalties	\$ 593,190	\$ 830,403
Other Local Revenues	131,786	120,973
Federal Government	<u>109,518</u>	<u>59,098</u>
Total Revenues	<u>834,494</u>	<u>1,010,474</u>
Expenditures		
Current:		
General Government:		
Public Safety	<u>1,021,651</u>	<u>690,184</u>
Total Expenditures	<u>1,021,651</u>	<u>690,184</u>
Net Change in Fund Balances	(187,157)	320,290
Other Financing Sources:		
Transfers from Other Funds	<u>93,965</u>	<u>-</u>
Net Change in Fund Balance	(93,192)	320,290
Fund Balances, July 1	<u>2,120,361</u>	<u>1,800,071</u>
Fund Balances, June 30	<u>\$ 2,027,169</u>	<u>\$ 2,120,361</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, 2014 and June 30, 2013

	2014				2013		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Fines, Forfeitures, and Penalties	\$ 660,495	\$ 660,495	\$ 593,190	\$ (67,305)	\$ 644,200	\$ 830,403	\$ 186,203
Other Local Revenues	-	-	131,786	131,786	-	120,973	120,973
Federal Government	-	-	109,518	109,518	-	59,098	59,098
Total Revenues	660,495	660,495	834,494	173,999	644,200	1,010,474	366,274
Expenditures							
Current:							
General Government:							
Public Safety:							
Personal Services	-	-	-	-	14,300	14,290	10
Employee Benefits	-	-	-	-	6,400	6,363	37
Contracted Services	292,000	412,973	289,218	123,755	375,808	375,356	452
Supplies and Materials	147,500	221,465	174,617	46,848	148,840	21,853	126,987
Other Charges	42,995	62,995	62,547	448	52,500	52,036	464
Capital Outlay	178,000	498,000	495,269	2,731	225,000	220,286	4,714
Total Expenditures	660,495	1,195,433	1,021,651	173,782	822,848	690,184	132,664
Net Change in Fund Balances	-	(534,938)	(187,157)	347,781	(178,648)	320,290	498,938
Other Financing Sources							
Transfers from Other Funds	-	93,965	93,965	-	-	-	-
Total Other Financing Sources	-	93,965	93,965	-	-	-	-
Net Change in Fund Balance	-	(440,973)	(93,192)	347,781	(178,648)	320,290	498,938
Fund Balances, July 1	2,120,361	2,120,361	2,120,361	-	1,800,071	1,800,071	-
Fund Balances, June 30	\$ 2,120,361	\$ 1,679,388	\$ 2,027,169	\$ 347,781	\$ 1,621,423	\$ 2,120,361	\$ 498,938

KNOX COUNTY, TENNESSEE

**Engineering & Public Works Fund
Comparative Balance Sheets
June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,574,667	\$ 2,552,844
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	2,148,478	2,140,015
Due from Other Funds	<u>110,045</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 4,833,190</u>	<u>\$ 4,692,859</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 456,291	\$ 394,542
Due to Other Funds	<u>171,127</u>	<u>100,381</u>
TOTAL LIABILITIES	<u>627,418</u>	<u>494,923</u>
 Fund Balances:		
Committed	<u>4,205,772</u>	<u>4,197,936</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,833,190</u>	<u>\$ 4,692,859</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Local Option Sales Taxes	\$ 4,690,075	\$ 4,974,381
Other Local Taxes	2,013,460	2,040,453
Fines, Forfeitures, and Penalties	12,200	3,350
Charges for Current Services	25	-
Other Local Revenues	254,900	332,600
State of Tennessee	<u>5,009,662</u>	<u>4,979,513</u>
Total Revenues	<u>11,980,322</u>	<u>12,330,297</u>
Expenditures		
Current:		
Engineering & Public Works	<u>11,782,056</u>	<u>10,873,216</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	198,266	1,457,081
Other Financing Uses:		
Transfers from Other Funds	510,000	-
Transfers to Other Funds	<u>(700,430)</u>	<u>(996,735)</u>
Total Other Financing Sources (Uses)	<u>(190,430)</u>	<u>(996,735)</u>
Net Change in Fund Balances	7,836	460,346
Fund Balances, July 1	<u>4,197,936</u>	<u>3,737,590</u>
Fund Balances, June 30	<u>\$ 4,205,772</u>	<u>\$ 4,197,936</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, 2014 and June 30, 2013**

	2014				2013		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Local Option Sales Taxes	\$ 4,921,900	\$ 4,921,900	\$ 4,690,075	\$ (231,825)	\$ 4,511,000	\$ 4,974,381	\$ 463,381
Other Local Taxes	2,100,000	2,100,000	2,013,460	(86,540)	1,975,000	2,040,453	65,453
Fines, Forfeitures and Penalties	5,000	5,000	12,200	7,200	10,000	3,350	(6,650)
Charges for Current Services	1,000	1,000	25	(975)	-	-	-
Other Local Revenues	-	-	254,900	254,900	-	332,600	332,600
State of Tennessee	4,610,000	4,610,000	5,009,662	399,662	4,907,000	4,979,513	72,513
Total Revenues	11,637,900	11,637,900	11,980,322	342,422	11,403,000	12,330,297	927,297
Expenditures							
Current:							
Engineering & Public Works:							
Administration:							
Personal Services	1,275,500	1,285,515	1,285,515	-	1,206,328	1,206,294	34
Employee Benefits	415,422	428,657	428,657	-	380,555	374,152	6,403
Contracted Services	89,338	76,348	76,348	-	75,591	69,346	6,245
Supplies and Materials	64,350	65,268	65,268	-	59,636	57,312	2,324
Other Charges	98,869	98,490	98,490	-	90,698	89,948	750
Capital Outlay	23,000	25,259	25,259	-	-	-	-
Highways and Bridge Maintenance:							
Personal Services	2,679,909	2,939,627	2,939,627	-	2,707,208	2,707,208	-
Employee Benefits	1,084,676	1,149,252	1,149,251	1	1,057,669	1,051,040	6,629
Contracted Services	889,200	1,052,446	1,052,446	-	1,081,057	1,079,288	1,769
Supplies and Materials	2,862,786	2,648,696	2,648,696	-	2,127,027	2,122,094	4,933
Other Charges	375,000	375,330	375,330	-	361,711	361,500	211
Capital Outlay	-	-	-	-	156,030	156,030	-
Various Highway:							
Personal Services	561,714	578,917	578,917	-	544,840	537,286	7,554
Employee Benefits	201,927	202,624	202,624	-	187,526	187,526	-
Contracted Services	140,950	206,354	201,409	4,945	154,953	131,640	23,313
Supplies and Materials	132,259	1,041,494	534,211	507,283	1,136,387	605,831	530,556
Other Charges	113,000	120,010	120,008	2	136,721	136,721	-
Total Expenditures	11,007,900	12,294,287	11,782,056	512,231	11,463,937	10,873,216	590,721
Excess (Deficiency) of Revenues Over (Under) Expenditures	630,000	(656,387)	198,266	854,653	(60,937)	1,457,081	1,518,018
Other Financing Sources (Uses)							
Transfer From Other Funds	-	297,541	510,000	212,459	-	-	-
Transfer To Other Funds	(630,000)	(700,431)	(700,430)	1	(1,077,473)	(996,735)	80,738
Total Other Financing Sources (Uses)	(630,000)	(402,890)	(190,430)	212,460	(1,077,473)	(996,735)	80,738
Net Change in Fund Balances	-	(1,059,277)	7,836	1,067,113	(1,138,410)	460,346	1,598,756
Fund Balances, July 1	4,197,936	4,197,936	4,197,936	-	3,737,590	3,737,590	-
Fund Balances, June 30	\$ 4,197,936	\$ 3,138,659	\$ 4,205,772	\$ 1,067,113	\$ 2,599,180	\$ 4,197,936	\$ 1,598,756

KNOX COUNTY, TENNESSEE

ADA Construction Capital Projects Fund (Nonmajor)

Comparative Balance Sheets

June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 600,167	\$ 766,618
Due from Other Funds	<u>127,372</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 727,539</u>	<u>\$ 766,618</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>\$ -</u>	<u>\$ 26,758</u>
 Fund Balances:		
Committed	<u>727,539</u>	<u>739,860</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 727,539</u>	<u>\$ 766,618</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, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Local Taxes	<u>\$ -</u>	<u>\$ -</u>
Expenditures		
Capital Projects	<u>12,321</u>	<u>354,891</u>
Net Change in Fund Balances	(12,321)	(354,891)
Fund Balances, July 1	<u>739,860</u>	<u>1,094,751</u>
Fund Balances, June 30	<u><u>\$ 727,539</u></u>	<u><u>\$ 739,860</u></u>

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, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 96,086	\$ 127,559
Accounts Receivable	7,346	21,656
Due from Other Funds	-	646
Inventories	75,298	73,595
Prepaid Items	210	1,676
	<u>178,940</u>	<u>225,132</u>
TOTAL CURRENT ASSETS		
Capital Assets:		
Land	880	880
Buildings	747,515	747,515
Machinery and Equipment	506,923	504,423
Computer Software	25,448	25,448
Land Improvements	66,463	66,463
Accumulated Depreciation	(893,283)	(840,849)
	<u>453,946</u>	<u>503,880</u>
Capital Assets (Net of Accumulated Depreciation)		
	<u>453,946</u>	<u>503,880</u>
TOTAL ASSETS	<u>632,886</u>	<u>729,012</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	60,238	38,797
Due to Other Funds	14,436	39,384
Compensated Absences	27,382	42,685
	<u>102,056</u>	<u>120,866</u>
TOTAL CURRENT LIABILITIES		
Noncurrent Liabilities:		
Compensated Absences	3,042	4,743
	<u>3,042</u>	<u>4,743</u>
TOTAL LIABILITIES	<u>105,098</u>	<u>125,609</u>
NET POSITION		
Invested in Capital Assets	453,946	503,880
Unrestricted	73,842	99,523
	<u>527,788</u>	<u>603,403</u>
TOTAL NET POSITION	<u>\$ 527,788</u>	<u>\$ 603,403</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, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Golf Fees	\$ 428,843	\$ 438,604
Cart and Range Fees	242,248	246,266
Pro Shop	97,669	103,923
Snack Bar	93,229	88,982
	<hr/>	<hr/>
Total Operating Revenues	861,989	877,775
	<hr/>	<hr/>
Operating Expenses		
Personal Services	344,232	368,676
Employee Benefits	76,325	90,314
Contracted Services	76,699	62,649
Supplies and Materials	291,136	363,828
Other Charges	87,778	108,542
Depreciation	58,090	130,556
	<hr/>	<hr/>
Total Operating Expenses	934,260	1,124,565
	<hr/>	<hr/>
Operating Loss	(72,271)	(246,790)
	<hr/>	<hr/>
Nonoperating Revenues (Expenses)		
Loss on Disposal of Capital Asset	(3,344)	-
	<hr/>	<hr/>
Change in Net Position	(75,615)	(246,790)
	<hr/>	<hr/>
Net Position, July 1	603,403	850,193
	<hr/>	<hr/>
Net Position, June 30	<u>\$ 527,788</u>	<u>\$ 603,403</u>

KNOX COUNTY, TENNESSEE

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

For the Years Ended June 30, 2014 and June 30, 2013

	2014	2013
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 876,945	\$ 867,291
Payments to Vendors	(489,087)	(509,534)
Payments to Employees	(404,487)	(465,934)
	(16,629)	(108,177)
Cash Flows Used by Capital and Related Financing Activities		
Loss on Disposal of Equipment	(3,344)	
Purchase of Equipment	(11,500)	-
	(14,844)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(31,473)	(108,177)
Cash and Cash Equivalents - Beginning of Year	127,559	235,736
Cash and Cash Equivalents - End of Year	\$ 96,086	\$ 127,559
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Loss	\$ (72,271)	\$ (246,790)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	58,090	130,556
Loss on Disposal of Capital Asset	3,344	-
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	14,310	(9,838)
(Increase) decrease in Due from Other Funds	646	(646)
(Increase) in Inventory	(1,703)	(4,786)
Decrease in Prepaid Items	1,466	1,851
Increase (Decrease) in Accounts Payable and Accrued Liabilities	21,441	(4,438)
Increase (Decrease) in Due to Other Funds	(24,948)	19,148
Increase in Compensated Absences Payable	(17,004)	6,766
	(16,629)	(108,177)
Net Cash Provided (Used) by Operating Activities	\$ (16,629)	\$ (108,177)

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, 2014

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
ASSETS									
Current Assets:									
Cash and Cash Equivalents	\$ -	\$ 272,947	\$ 2,594,092	\$ 9,871,917	\$ 4,758,018	\$ 534,711	\$ 141,420	\$ 5,364,605	\$ 23,537,710
Receivables:									
Accounts	134,754	530	292,139	-	161,748	-	-	118,696	707,867
Due from Other Funds	157,975	20,627	19,800	200,000	-	193,905	-	966,018	1,558,325
Due from Component Units	700	-	260,872	220,397	-	-	-	-	481,969
Notes Receivable	-	-	-	22,473	-	-	-	-	22,473
Inventories	198,038	39,722	-	-	-	-	-	-	237,760
Prepaid Items	2,095	-	12,755	-	-	-	-	37,524	52,374
TOTAL CURRENT ASSETS	493,562	333,826	3,179,658	10,314,787	4,919,766	728,616	141,420	6,486,843	26,598,478
Capital Assets:									
Machinery and Equipment	220,301	-	-	33,352	72,217	506,490	5,420,226	-	6,252,586
Accumulated Depreciation	(137,345)	-	-	(33,352)	(72,217)	(267,110)	(5,407,772)	-	(5,917,796)
Capital Assets (Net of Accumulated Depreciation)	82,956	-	-	-	-	239,380	12,454	-	334,790
TOTAL ASSETS	576,518	333,826	3,179,658	10,314,787	4,919,766	967,996	153,874	6,486,843	26,933,268
LIABILITIES									
Current liabilities:									
Accounts Payable and Accrued Liabilities	110,659	4,065	716,004	81,610	205,905	208,861	-	1,631	1,328,735
Due to Other Funds	218,030	-	217,465	1,128	143,061	13,694	-	-	593,378
Due to Component Units	-	-	125,247	-	-	-	-	-	125,247
Unearned Revenue	-	-	29,761	-	7,894	-	-	14,194	51,849
Claims Liabilities	-	-	-	15,027,569	-	-	-	1,190,451	16,218,020
Compensated Absences Payable	86,526	-	24,506	34,635	-	-	-	-	145,667
TOTAL CURRENT LIABILITIES	415,215	4,065	1,112,983	15,144,942	356,860	222,555	-	1,206,276	18,462,896
Noncurrent Liabilities:									
Compensated Absences Payable	9,614	-	2,723	3,848	-	-	-	-	16,185
TOTAL LIABILITIES	424,829	4,065	1,115,706	15,148,790	356,860	222,555	-	1,206,276	18,479,081
NET POSITION									
Invested in Capital Assets	82,956	-	-	-	-	239,380	12,454	-	334,790
Unrestricted	68,733	329,761	2,063,952	(4,834,003)	4,562,906	506,061	141,420	5,280,567	8,119,397
TOTAL NET POSITION (DEFICIT)	\$ 151,689	\$ 329,761	\$ 2,063,952	\$ (4,834,003)	\$ 4,562,906	\$ 745,441	\$ 153,874	\$ 5,280,567	\$ 8,454,187

KNOX COUNTY, TENNESSEE

**Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2014**

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
Operating Revenues									
Charges for Services	\$ 3,417,057	\$ 235,564	\$ 28,653,861	\$ 3,288,127	\$ 7,746,961	\$ 370,443	\$ -	\$ 26,398,019	\$ 70,110,032
Operating Expenses									
Cost of Sales and Services	2,327,249	223,883	-	-	-	-	-	-	2,551,132
General and Administration	1,247,989	-	650,463	807,238	9,082,404	231,833	-	1,440,819	13,460,746
Depreciation and Amortization	9,497	-	-	-	339	66,442	11,751	-	88,029
Medical Claims	-	-	491,664	-	-	-	-	21,478,479	21,970,143
Retirement Contributions	-	-	26,691,927	-	-	-	-	-	26,691,927
Other Employee Benefits	-	-	799,117	-	-	-	-	-	799,117
Worker's Compensation & Other Claims	-	-	-	4,330,872	-	-	-	-	4,330,872
Other Expenses	136,346	-	-	-	-	300	-	-	136,646
Total Operating Expenses	3,721,081	223,883	28,633,171	5,138,110	9,082,743	298,575	11,751	22,919,298	70,028,612
Operating Income (Loss)	(304,024)	11,681	20,690	(1,849,983)	(1,335,782)	71,868	(11,751)	3,478,721	81,420
Transfers									
Transfers to Other Funds	-	-	(200,000)	-	-	-	-	-	(200,000)
Transfers from Other Funds	250,180	-	2,000,000	700,000	2,579,900	-	-	-	5,530,080
Total transfers	250,180	-	1,800,000	700,000	2,579,900	-	-	-	5,330,080
Change in Net Position	(53,844)	11,681	1,820,690	(1,149,983)	1,244,118	71,868	(11,751)	3,478,721	5,411,500
Total Net Position (Deficit), July 1, as restated	205,533	318,080	243,262	(3,684,020)	3,318,788	673,573	165,625	1,801,846	3,042,687
Total Net Position (Deficit), June 30	\$ 151,689	\$ 329,761	\$ 2,063,952	\$ (4,834,003)	\$ 4,562,906	\$ 745,441	\$ 153,874	\$ 5,280,567	\$ 8,454,187

KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
Operating Activities									
Cash Received from Interfund Services Provided	\$ 3,421,258	\$ 233,522	\$ 28,645,347	\$ 3,189,066	\$ 7,585,213	\$ 176,538	\$ -	\$ 26,346,347	\$ 69,597,291
Cash Paid to Employees	(853,561)	-	(455,120)	(330,752)	-	-	-	-	(1,639,433)
Cash Paid for Goods and Services	(2,502,944)	(228,222)	(54,292)	(3,131,130)	(9,021,728)	(161,379)	-	(1,440,819)	(16,540,514)
Cash Paid on Behalf of Employees	(305,248)	-	(28,000,940)	(107,713)	-	-	-	(21,779,626)	(50,193,527)
Net Cash Provided by (Used in) Operating Activities	(240,495)	5,300	134,995	(380,529)	(1,436,515)	15,159	-	3,125,902	1,223,817
Noncapital Financing Activities									
Subrogation Payments	-	-	-	25	-	-	-	-	25
Transfers from Other Funds	250,180	-	2,000,000	700,000	2,579,900	-	-	-	5,530,080
Transfers to Other Funds	-	-	(200,000)	-	-	-	-	-	(200,000)
Net Cash Provided by Noncapital Financing Activities	250,180	-	1,800,000	700,025	2,579,900	-	-	-	5,330,105
Capital and Related Financing Activities									
Acquisition and Construction of Capital Assets	(9,685)	-	-	-	-	(84,959)	-	-	(94,644)
Net Cash Used in Capital and Related Financing Activities	(9,685)	-	-	-	-	(84,959)	-	-	(94,644)
Net Increase (Decrease) in Cash and Cash Equivalents	-	5,300	1,934,995	319,496	1,143,385	(69,800)	-	3,125,902	6,459,278
Cash and Cash Equivalents Beginning of Year	-	267,647	659,097	9,552,421	3,614,633	604,511	141,420	2,238,703	17,078,432
End of Year	\$ -	\$ 272,947	\$ 2,594,092	\$ 9,871,917	\$ 4,758,018	\$ 534,711	\$ 141,420	\$ 5,364,605	\$ 23,537,710
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities									
Operating Income (Loss)	\$ (304,024)	\$ 11,681	\$ 20,690	\$ (1,849,983)	\$ (1,335,782)	\$ 71,868	\$ (11,751)	\$ 3,478,721	\$ 81,420
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:									
Depreciation and Amortization	9,497	-	-	-	339	66,442	11,751	-	88,029
Change in Assets and Liabilities:									
(Increase) Decrease in Accounts Receivable	(17,213)	82	(28,293)	3,251	(161,748)	(193,905)	-	(11,291)	(409,117)
(Increase) Decrease in Due from Other Funds	21,386	(2,124)	(7,920)	(200,000)	-	-	-	(54,575)	(243,233)
(Increase) Decrease in Due from Component Units	28	-	(1,829)	97,688	-	-	-	-	95,887
(Increase) Decrease in Inventories	17,497	(8,234)	-	-	-	-	-	-	9,263
(Increase) Decrease in Prepaid Items	(2,095)	-	(3,191)	-	-	-	-	36,893	31,607
Increase (Decrease) in Accounts Payable and Accrued Liabilities	49,165	3,895	14,321	21,858	(64,792)	64,684	-	(21,609)	67,522
Increase (Decrease) in Due to Other Funds	(24,317)	-	216,984	222	125,468	6,070	-	-	324,427
Decrease in Due to Component Units	-	-	(105,892)	-	-	-	-	-	(105,892)
Increase in Compensated Absences	9,581	-	597	21,143	-	-	-	-	31,321
Increase (Decrease) in Claims Liabilities	-	-	-	1,525,292	-	-	-	(316,431)	1,208,861
Increase in Unearned Revenues	-	-	29,528	-	-	-	-	14,194	43,722
Total Adjustments	63,529	(6,381)	114,305	1,469,454	(100,733)	(56,709)	11,751	(352,819)	1,142,397
Net Cash Provided by (Used in) Operating Activities	\$ (240,495)	\$ 5,300	\$ 134,995	\$ (380,529)	\$ (1,436,515)	\$ 15,159	\$ -	\$ 3,125,902	\$ 1,223,817

KNOX COUNTY, TENNESSEE

Vehicle Service Center Fund
Comparative Statements of Net Position
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Accounts Receivable	\$ 134,754	\$ 117,541
Due from Other Funds	157,975	179,361
Due from Component Units	700	728
Inventories	198,038	215,535
Prepaid Items	2,095	-
	<u>493,562</u>	<u>513,165</u>
TOTAL CURRENT ASSETS		
Capital Assets:		
Machinery and Equipment	220,301	210,616
Accumulated Depreciation	<u>(137,345)</u>	<u>(127,848)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>82,956</u>	<u>82,768</u>
TOTAL ASSETS	<u>576,518</u>	<u>595,933</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	110,659	61,494
Due to Other Funds	218,030	242,347
Compensated Absences	<u>86,526</u>	<u>77,903</u>
TOTAL CURRENT LIABILITIES	<u>415,215</u>	<u>381,744</u>
Noncurrent Liabilities:		
Compensated Absences	<u>9,614</u>	<u>8,656</u>
TOTAL LIABILITIES	<u>424,829</u>	<u>390,400</u>
NET POSITION		
Invested in Capital Assets	82,956	82,768
Unrestricted	<u>68,733</u>	<u>122,765</u>
TOTAL NET POSITION	<u>\$ 151,689</u>	<u>\$ 205,533</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 3,417,057</u>	<u>\$ 3,269,359</u>
Operating Expenses		
Costs of Sales and Services	2,327,249	2,246,566
General and Administrative	1,247,989	1,130,661
Depreciation and Amortization	9,497	5,065
Other Expenses	<u>136,346</u>	<u>136,304</u>
Total Operating Expenses	<u>3,721,081</u>	<u>3,518,596</u>
Loss before Transfers	<u>(304,024)</u>	<u>(249,237)</u>
Transfers		
Transfers from Other Funds	<u>250,180</u>	<u>173,160</u>
Change in Net Position	(53,844)	(76,077)
Net Position, July 1	<u>205,533</u>	<u>281,610</u>
Net Position, June 30	<u><u>\$ 151,689</u></u>	<u><u>\$ 205,533</u></u>

KNOX COUNTY, TENNESSEE

Mailroom Fund
Comparative Statements of Net Position
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 272,947	\$ 267,647
Accounts Receivable	530	612
Due from Other Funds	20,627	18,503
Inventories	<u>39,722</u>	<u>31,488</u>
TOTAL ASSETS	<u>333,826</u>	<u>318,250</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>4,065</u>	<u>170</u>
TOTAL LIABILITIES	<u>4,065</u>	<u>170</u>
NET POSITION		
Unrestricted	<u><u>\$ 329,761</u></u>	<u><u>\$ 318,080</u></u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Charges for Sales and Services	\$ 235,564	\$ 251,424
Operating Expenses		
Costs of Sales and Services	<u>223,883</u>	<u>231,020</u>
Change in Net Position	11,681	20,404
Net Position, July 1	<u>318,080</u>	<u>297,676</u>
Net Position, June 30	<u><u>\$ 329,761</u></u>	<u><u>\$ 318,080</u></u>

KNOX COUNTY, TENNESSEE

Employee Benefits Fund
Comparative Statements of Net Position
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,594,092	\$ 659,097
Accounts Receivable	292,139	263,846
Due from Other Funds	19,800	11,880
Due from Component Units	260,872	259,043
Prepaid Items	12,755	9,564
	<hr/>	<hr/>
TOTAL ASSETS	3,179,658	1,203,430
	<hr/>	<hr/>
LIABILITIES		
Liabilities:		
Accounts Payable and		
Accrued Liabilities	716,004	701,683
Due to Other Funds	217,465	481
Due to Component Units	125,247	231,139
Compensated Absences	24,506	23,969
Unearned Revenue	29,761	233
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	1,112,983	957,505
	<hr/>	<hr/>
Noncurrent Liabilities:		
Compensated Absences	2,723	2,663
	<hr/>	<hr/>
TOTAL LIABILITIES	1,115,706	960,168
	<hr/>	<hr/>
NET POSITION		
Unrestricted	\$ 2,063,952	\$ 243,262
	<hr/> <hr/>	<hr/> <hr/>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Charges for Sales and Services	\$ 28,653,861	\$ 28,471,788
Operating Expenses		
Finance and Administration:		
General and Administrative	650,463	593,511
Medical Claims	491,664	460,170
Retirement Contributions	26,691,927	26,458,870
Other Employee Benefits	799,117	820,412
Total Operating Expenses	<u>28,633,171</u>	<u>28,332,963</u>
Income before Transfers	20,690	138,825
Transfers		
Transfers from Other Funds	2,000,000	-
Transfers to Other Funds	<u>(200,000)</u>	<u>-</u>
Total Transfers	<u>1,800,000</u>	<u>-</u>
Change in Net Position	1,820,690	138,825
Net Position, July 1	<u>243,262</u>	<u>104,437</u>
Net Position, June 30	<u>\$ 2,063,952</u>	<u>\$ 243,262</u>

KNOX COUNTY, TENNESSEE

Self Insurance Fund
Comparative Statements of Net Position
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 9,871,917	\$ 9,552,421
Accounts Receivable	-	3,251
Notes Receivable	22,473	22,498
Due from Other Funds	200,000	-
Due from Component Units	220,397	318,085
	<u>10,314,787</u>	<u>9,896,255</u>
TOTAL CURRENT ASSETS	<u>10,314,787</u>	<u>9,896,255</u>
Capital Assets:		
Machinery and Equipment	33,352	33,352
Accumulated Depreciation	(33,352)	(33,352)
	<u>-</u>	<u>-</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>10,314,787</u>	<u>9,896,255</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	81,610	59,752
Due to Other Funds	1,128	906
Claims Liability	15,027,569	13,502,277
Compensated Absences	34,635	15,606
	<u>15,144,942</u>	<u>13,578,541</u>
TOTAL CURRENT LIABILITIES	<u>15,144,942</u>	<u>13,578,541</u>
Noncurrent Liabilities:		
Compensated Absences	3,848	1,734
	<u>15,148,790</u>	<u>13,580,275</u>
TOTAL LIABILITIES	<u>15,148,790</u>	<u>13,580,275</u>
NET POSITION		
Unrestricted, as restated	<u>\$ (4,834,003)</u>	<u>\$ (3,684,020)</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>Restated 2013</u>
Operating Revenues		
Charges for Sales and Services	\$ 3,288,127	\$ 3,383,612
Operating Expenses		
General and Administrative	807,238	375,885
Workers' Compensation & Other Claims	4,330,872	5,102,652
Total Operating Expenses	5,138,110	5,478,537
Operating Loss	(1,849,983)	(2,094,925)
Nonoperating Revenues		
Insurance Recovery	-	753,568
Loss before Transfers	(1,849,983)	(1,341,357)
Transfers		
Transfers From Other Funds	700,000	400,000
Change in Net Position	(1,149,983)	(941,357)
Net Position (Deficit), July 1, as restated	(3,684,020)	(2,742,663)
Net Position (Deficit), June 30, as restated for 2013	<u>\$ (4,834,003)</u>	<u>\$ (3,684,020)</u>

KNOX COUNTY, TENNESSEE

Building Operations Fund
Comparative Statements of Net Position
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,758,018	\$ 3,614,633
Accounts Receivable	<u>161,748</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>4,919,766</u>	<u>3,614,633</u>
Capital Assets:		
Machinery and Equipment	72,217	72,217
Accumulated Depreciation	<u>(72,217)</u>	<u>(71,878)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>339</u>
TOTAL ASSETS	<u>4,919,766</u>	<u>3,614,972</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	205,905	270,697
Due to Other Funds	143,061	17,593
Unearned Revenue	<u>7,894</u>	<u>7,894</u>
TOTAL LIABILITIES	<u>356,860</u>	<u>296,184</u>
NET POSITION		
Invested in Capital Assets	-	339
Unrestricted	<u>4,562,906</u>	<u>3,318,449</u>
TOTAL NET POSITION	<u><u>\$ 4,562,906</u></u>	<u><u>\$ 3,318,788</u></u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Charges for Sales and Services	\$ 7,746,961	\$ 7,219,001
Operating Expenses		
General and Administrative	9,082,404	8,916,240
Depreciation and Amortization	339	715
Total Operating Expenses	<u>9,082,743</u>	<u>8,916,955</u>
Operating Loss	<u>(1,335,782)</u>	<u>(1,697,954)</u>
Transfers		
Transfers In - Other Funds	<u>2,579,900</u>	<u>2,536,946</u>
Change in Net Position	1,244,118	838,992
Net Position, July 1	<u>3,318,788</u>	<u>2,479,796</u>
Net Position, June 30	<u>\$ 4,562,906</u>	<u>\$ 3,318,788</u>

KNOX COUNTY, TENNESSEE

Technical Support Service Fund
Comparative Statements of Net Position
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 534,711	\$ 604,511
Due from Other Funds	<u>193,905</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>728,616</u>	<u>604,511</u>
Capital Assets:		
Machinery and Equipment	506,490	421,531
Accumulated Depreciation	<u>(267,110)</u>	<u>(200,668)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>239,380</u>	<u>220,863</u>
TOTAL ASSETS	<u>967,996</u>	<u>825,374</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	208,861	144,177
Due to Other Funds	<u>13,694</u>	<u>7,624</u>
TOTAL LIABILITIES	<u>222,555</u>	<u>151,801</u>
NET POSITION		
Invested in Capital Assets	239,380	220,863
Unrestricted	<u>506,061</u>	<u>452,710</u>
TOTAL NET POSITION	<u>\$ 745,441</u>	<u>\$ 673,573</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Charges for Sales and Services	\$ 370,443	\$ 371,486
Operating Expenses		
General and Administrative	231,833	213,682
Depreciation and Amortization	66,442	36,349
Other Expense	300	1,084
Total Operating Expenses	<u>298,575</u>	<u>251,115</u>
Change in Net Position	71,868	120,371
Net Position, July 1	<u>673,573</u>	<u>553,202</u>
Net Position, June 30	<u>\$ 745,441</u>	<u>\$ 673,573</u>

KNOX COUNTY, TENNESSEE

Capital Leasing Fund
Comparative Statements of Net Position
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 141,420	\$ 141,420
Capital Assets:		
Machinery and Equipment	5,420,226	6,529,633
Accumulated Depreciation	<u>(5,407,772)</u>	<u>(6,505,428)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>12,454</u>	<u>24,205</u>
TOTAL ASSETS	<u>153,874</u>	<u>165,625</u>
NET POSITION		
Invested in Capital Assets	12,454	24,205
Unrestricted	<u>141,420</u>	<u>141,420</u>
TOTAL NET POSITION	<u>\$ 153,874</u>	<u>\$ 165,625</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Charges for Sales and Services	\$ -	\$ -
Operating Expenses		
Depreciation and Amortization	<u>11,751</u>	<u>15,165</u>
Change in Net Position	(11,751)	(15,165)
Net Position, July 1	<u>165,625</u>	<u>180,790</u>
Net Position, June 30	<u><u>\$ 153,874</u></u>	<u><u>\$ 165,625</u></u>

KNOX COUNTY, TENNESSEE

Self Insurance Healthcare Fund
Comparative Statements of Net Position
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,364,605	\$ 2,238,703
Accounts Receivable	118,696	107,405
Due from Other Funds	966,018	911,443
Prepaid Items	<u>37,524</u>	<u>74,417</u>
TOTAL ASSETS	<u>6,486,843</u>	<u>3,331,968</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	1,631	23,240
Claims Liability	1,190,451	1,506,882
Unearned Revenue	<u>14,194</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,206,276</u>	<u>1,530,122</u>
NET POSITION		
Unrestricted	<u>5,280,567</u>	<u>1,801,846</u>
TOTAL NET POSITION	<u>\$ 5,280,567</u>	<u>\$ 1,801,846</u>

KNOX COUNTY, TENNESSEE

Self Insurance Healthcare Fund
Comparative Statements of Revenues, Expenses
and Changes in Net Position
For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Charges for Sales and Services	<u>\$ 26,398,019</u>	<u>\$ 24,803,261</u>
Operating Expenses		
General and Administrative	1,440,819	1,413,420
Medical Claims	<u>21,478,479</u>	<u>23,153,099</u>
Total Operating Expenses	<u>22,919,298</u>	<u>24,566,519</u>
Income before Transfers	<u>3,478,721</u>	<u>236,742</u>
Transfers		
Transfers from Other Funds	<u>-</u>	<u>1,000,000</u>
Change in Net Position	3,478,721	1,236,742
Net Position, July 1	<u>1,801,846</u>	<u>565,104</u>
Net Position, June 30	<u><u>\$ 5,280,567</u></u>	<u><u>\$ 1,801,846</u></u>

FIDUCIARY FUNDS

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

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

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

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

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

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

Pension Trust Funds for Uniformed Officers Plans: These funds are used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's Uniformed Officers Pension Plan (defined benefit plan) and the Sheriff's Total Accumulation Retirement Plan (defined contribution plan).

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

AGENCY FUNDS

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

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

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

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

KNOX COUNTY, TENNESSEE

**Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2014**

	Closed Defined Benefit Plan	Asset Accumulation Plan	Voluntary 457 Plan	Medical Expense Retirement Plan	Uniformed Officers Pension Plan	Sheriff's Total Accumulation Retirement Plan	Employee Disability Plan	Total
ASSETS								
Cash and Cash equivalents	\$ 1,143,307	\$ 83,715	\$ -	\$ -	\$ 1,945,756	\$ -	\$ -	\$ 3,172,778
Investments, at Fair Value:								
Mutual Funds	44,095,187	215,910,099	11,116,596	3,949,169	130,063,141	47,176	343,014	405,524,382
Common Collective Trusts	-	27,502,284	1,560,048	1,217,926	-	1,373	24,905	30,306,536
Guaranteed Investment Contracts	-	27,048,184	849,643	377,866	-	7,749	-	28,283,442
Corporate Bonds	620,367	-	-	-	1,655,693	-	-	2,276,060
U.S. Treasuries	2,695,875	-	-	-	8,049,343	-	-	10,745,218
Federal Agency Debt Securities	861,459	-	-	-	2,878,677	-	-	3,740,136
Federal Agency Mortgage Backed Securities	1,653,575	-	-	-	4,943,795	-	-	6,597,370
Total Investments	49,926,463	270,460,567	13,526,287	5,544,961	147,590,649	56,298	367,919	487,473,144
Receivables:								
Employee Contributions	3,585	182,301	22,907	2,318	-	-	-	211,111
Employer Contributions	-	198,577	-	555	-	-	-	199,132
Receivable for Investment Sold	299,869	-	-	-	-	-	-	299,869
Accrued Interest and Dividends	35,312	-	-	-	91,573	-	-	126,885
Total Receivables	338,766	380,878	22,907	2,873	91,573	-	-	836,997
TOTAL ASSETS	51,408,536	270,925,160	13,549,194	5,547,834	149,627,978	56,298	367,919	491,482,919
LIABILITIES								
Accounts Payable - Administrative Expenses	111,077	-	-	-	284,295	-	-	395,372
NET POSITION								
Held in Trust for:								
Pension Benefits	\$ 51,297,459	\$ 270,925,160	\$ 13,549,194	\$ 5,547,834	\$ 149,343,683	\$ 56,298	\$ 367,919	\$ 491,087,547

KNOX COUNTY, TENNESSEE

**Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds**

For the year ended June 30, 2014

	Closed Defined Benefit Plan	Asset Accumulation Plan	Voluntary 457 Plan	Medical Expense Retirement Plan	Uniformed Officers Pension Plan	Sheriff's Total Accumulation Retirement Plan	Employee Disability Plan	Total
Additions								
Contributions:								
Employer	\$ 829,824	\$ 9,207,975	\$ -	\$ 46,033	\$ 4,513,954	\$ 36,557	\$ -	\$ 14,634,343
Employees	146,065	7,981,063	1,632,458	193,213	1,731,696	18,278	-	11,702,773
Rollovers	-	42,776	349,856	-	-	-	-	392,632
Total Contributions	975,889	17,231,814	1,982,314	239,246	6,245,650	54,835	-	26,729,748
Investment Earnings:								
Interest and Dividend Income	262,978	3,360,759	162,482	46,272	749,765	94	922	4,583,272
Net Appreciation in Fair Value of Investments	7,749,697	30,372,385	1,585,082	414,183	20,925,446	1,369	12,979	61,061,141
Total Investment Earnings	8,012,675	33,733,144	1,747,564	460,455	21,675,211	1,463	13,901	65,644,413
Less Investment Expenses	(202,645)	-	-	-	(300,489)	-	-	(503,134)
Net Investment Earnings	7,810,030	33,733,144	1,747,564	460,455	21,374,722	1,463	13,901	65,141,279
Other Additions:								
Transfers from Other Plans	-	68,729	-	243,660	-	-	354,018	666,407
Legal Settlements	-	12,584	-	-	-	-	-	12,584
Total Other Additions	-	81,313	-	243,660	-	-	354,018	678,991
Total Additions	8,785,919	51,046,271	3,729,878	943,361	27,620,372	56,298	367,919	92,550,018
Deductions								
Benefits and Refunds	7,733,618	19,524,488	797,913	787,600	4,294,865	-	-	33,138,484
Administrative Expenses	529,130	-	-	-	1,344,787	-	-	1,873,917
Transfers to Other Plans	312,389	354,018	-	-	-	-	-	666,407
Total Deductions	8,575,137	19,878,506	797,913	787,600	5,639,652	-	-	35,678,808
Change in Net Position	210,782	31,167,765	2,931,965	155,761	21,980,720	56,298	367,919	56,871,210
Total Net Position Held in Trust for Pension Benefits, July 1	51,086,677	239,757,395	10,617,229	5,392,073	127,362,963	-	-	434,216,337
Total Net Position Held in Trust for Pension Benefits, June 30	\$ 51,297,459	\$ 270,925,160	\$ 13,549,194	\$ 5,547,834	\$ 149,343,683	\$ 56,298	\$ 367,919	\$ 491,087,547

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Position
Pension Trust Fund - Closed Defined Benefit Plan
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents - Money Market Funds	\$ 1,143,307	\$ 1,541,996
Investments, at Fair Value		
Mutual Funds	44,095,187	44,071,994
Corporate Bonds	620,367	531,712
U.S. Treasuries	2,695,875	1,702,781
Federal Agency Debt Securities	861,459	1,211,305
Federal Agency Mortgage Backed Securities	<u>1,653,575</u>	<u>2,102,159</u>
Total Investments	<u>49,926,463</u>	<u>49,619,951</u>
Receivables:		
Interest and Dividends	35,312	-
Employee Contributions	3,585	4,966
Receivables for Investments Sold	<u>299,869</u>	<u>-</u>
Total Receivable	<u>338,766</u>	<u>4,966</u>
TOTAL ASSETS	<u>51,408,536</u>	<u>51,166,913</u>
LIABILITIES		
Accounts Payable - Administrative Expenses	<u>111,077</u>	<u>80,236</u>
TOTAL LIABILITIES	<u>111,077</u>	<u>80,236</u>
NET POSITION		
Held in Trust For:		
Pension Benefits	<u>\$ 51,297,459</u>	<u>\$ 51,086,677</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Position
Pension Trust Fund - Closed Defined Benefit Plan
For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Additions		
Contributions:		
Employees	\$ 146,065	\$ 182,540
Employer	<u>829,824</u>	<u>4,550,089</u>
Total Contributions	<u>975,889</u>	<u>4,732,629</u>
Investment Earnings:		
Interest and Dividend Income	262,978	305,113
Net Appreciation (Depreciation) in Fair Value of Investments	<u>7,749,697</u>	<u>5,654,254</u>
Total Investment Earnings (Losses)	8,012,675	5,959,367
Less Investment Expenses	<u>(202,645)</u>	<u>(283,666)</u>
Net Investment Earnings (Losses)	<u>7,810,030</u>	<u>5,675,701</u>
Total Additions	<u>8,785,919</u>	<u>10,408,330</u>
Deductions		
Benefits and Refunds	7,733,618	7,578,004
Administrative Expenses	529,130	411,705
Transfers to Other Plans	<u>312,389</u>	<u>302,991</u>
Total Deductions	<u>8,575,137</u>	<u>8,292,700</u>
Change in Net Position	210,782	2,115,630
Total Net Position Held in Trust for Pension Benefits, July 1	<u>51,086,677</u>	<u>48,971,047</u>
Total Net Position Held in Trust for Pension Benefits, June 30	<u>\$ 51,297,459</u>	<u>\$ 51,086,677</u>

KNOX COUNTY, TENNESSEE

Comparative Statements of Fiduciary Net Position
Pension Trust Fund - Asset Accumulation Plan
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents - Money Market Funds	\$ 83,715	\$ 274,792
Investments, at Fair Value:		
Mutual Funds	215,910,099	185,023,511
Common Collective Trusts	27,502,284	27,589,115
Guaranteed Investment Contracts	<u>27,048,184</u>	<u>26,490,791</u>
Total Investments	<u>270,460,567</u>	<u>239,103,417</u>
Receivables:		
Employee Contributions	182,301	180,401
Employer Contributions	<u>198,577</u>	<u>198,785</u>
Total Receivables	<u>380,878</u>	<u>379,186</u>
TOTAL ASSETS	<u>270,925,160</u>	<u>239,757,395</u>
NET POSITION		
Held in Trust For:		
Pension Benefits	<u>\$ 270,925,160</u>	<u>\$ 239,757,395</u>

KNOX COUNTY, TENNESSEE

**Comparative Statements of Changes in Fiduciary Net Position
Pension Trust Fund - Asset Accumulation Plan**

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Additions		
Contributions:		
Employer	\$ 9,207,975	\$ 8,818,463
Employees	7,981,063	7,855,903
Rollovers	42,776	237,402
	<u>17,231,814</u>	<u>16,911,768</u>
Total Contributions		
Investment Earnings:		
Interest and Dividend Income	3,360,759	3,127,839
Net Appreciation in Fair Value of Investments	30,372,385	21,534,201
	<u>33,733,144</u>	<u>24,662,040</u>
Total Investment Earnings		
Other Additions:		
Transfers from Other Plans	68,729	74,031
Legal Settlement	12,584	-
	<u>81,313</u>	<u>74,031</u>
Total Other Additions		
Total Additions	<u>51,046,271</u>	<u>41,647,839</u>
Deductions		
Benefits and Refunds	19,524,488	15,926,794
Transfer to Other Plans	354,018	-
	<u>19,878,506</u>	<u>15,926,794</u>
Total Deductions		
Change in Net Position	31,167,765	25,721,045
Total Net Position Held in Trust for Pension Benefits, July 1	<u>239,757,395</u>	<u>214,036,350</u>
Total Net Position Held in Trust for Pension Benefits, June 30	<u>\$ 270,925,160</u>	<u>\$ 239,757,395</u>

KNOX COUNTY, TENNESSEE

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

June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 11,116,596	\$ 8,541,453
Common Collective Trusts	1,560,048	1,249,088
Guaranteed Investment Contracts	<u>849,643</u>	<u>806,590</u>
 Total Investments	 <u>13,526,287</u>	 <u>10,597,131</u>
 Receivables:		
Employee Contributions	 <u>22,907</u>	 <u>20,098</u>
 TOTAL ASSETS	 <u>13,549,194</u>	 <u>10,617,229</u>
 NET POSITION		
Held in Trust For:		
Pension Benefits	 <u>\$ 13,549,194</u>	 <u>\$ 10,617,229</u>

KNOX COUNTY, TENNESSEE

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

For the years ended June 30, 2014 and June 30, 2013

	2014	2013
Additions		
Contributions:		
Employee	\$ 1,632,458	\$ 1,577,256
Rollovers	349,856	278,042
Total Contributions	<u>1,982,314</u>	<u>1,855,298</u>
Investment Earnings (Losses):		
Interest and Dividend Income	162,482	122,565
Net Appreciation (Depreciation) in Fair Value of Investments	<u>1,585,082</u>	<u>994,566</u>
Total Investment Earnings (Losses)	<u>1,747,564</u>	<u>1,117,131</u>
Total Additions	<u>3,729,878</u>	<u>2,972,429</u>
Deductions		
Benefits and Refunds	<u>797,913</u>	<u>552,368</u>
Change in Net Position	2,931,965	2,420,061
Total Net Position Held in Trust for Pension Benefits, July 1	<u>10,617,229</u>	<u>8,197,168</u>
Total Net Position Held in Trust for Pension Benefits, June 30	<u><u>\$ 13,549,194</u></u>	<u><u>\$ 10,617,229</u></u>

KNOX COUNTY, TENNESSEE

**Comparative Statements of Fiduciary Net Position
Pension Trust Fund - Medical Expense Retirement Plan
June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Investments, at Fair Value:		
Mutual Funds	\$ 3,949,169	\$ 3,299,501
Common Collective Trusts	1,217,926	2,089,104
Guaranteed Investment Contract	<u>377,866</u>	<u>-</u>
 Total Investments	 <u>5,544,961</u>	 <u>5,388,605</u>
 Receivables:		
Employee Contributions	2,318	2,794
Employer Contributions	<u>555</u>	<u>674</u>
 Total Receivables	 <u>2,873</u>	 <u>3,468</u>
 TOTAL ASSETS	 <u>5,547,834</u>	 <u>5,392,073</u>
 NET POSITION		
Held in Trust For:		
Pension Benefits	<u>\$ 5,547,834</u>	<u>\$ 5,392,073</u>

KNOX COUNTY, TENNESSEE

**Comparative Statements of Changes in Fiduciary Net Position
Pension Trust Fund - Medical Expense Retirement Plan**

For the years ended June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
Additions		
Contributions:		
Employees	\$ 193,213	\$ 210,765
Employer	46,033	50,209
	<u>239,246</u>	<u>260,974</u>
Total Contributions		
Investment Earnings:		
Interest and Dividend Income	46,272	48,815
Net Appreciation in Fair Value of Investments	414,183	170,303
	<u>460,455</u>	<u>219,118</u>
Total Investment Earnings		
Other Additions:		
Transfers from Other Plans	243,660	228,960
	<u>943,361</u>	<u>709,052</u>
Total Additions		
Deductions		
Benefits and Refunds	787,600	840,798
	<u>155,761</u>	<u>(131,746)</u>
Change in Net Position		
Total Net Position Held in Trust for Pension Benefits, July 1,	<u>5,392,073</u>	<u>5,523,819</u>
Total Net Position Held in Trust for Pension Benefits, June 30	<u>\$ 5,547,834</u>	<u>\$ 5,392,073</u>

KNOX COUNTY, TENNESSEE

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

June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents - Money Market Funds	\$ 1,945,756	\$ 2,210,450
Investments, at Fair Value:		
Mutual Funds	130,063,141	109,191,502
Corporate Bonds	1,655,693	1,238,012
U.S. Treasuries	8,049,343	5,596,439
Federal Agency Debt Securities	2,878,677	3,648,380
Federal Agency Mortgage Backed Securities	<u>4,943,795</u>	<u>5,655,110</u>
Total Investments	<u>147,590,649</u>	<u>125,329,443</u>
Receivables:		
Accrued Interest and Dividends	<u>91,573</u>	<u>-</u>
TOTAL ASSETS	<u>149,627,978</u>	<u>127,539,893</u>
LIABILITIES		
Accounts Payable - Administrative Expenses	<u>284,295</u>	<u>176,930</u>
NET POSITION		
Held in Trust For:		
Pension Benefits	<u>\$ 149,343,683</u>	<u>\$ 127,362,963</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, 2014 and June 30, 2013

	2014	2013
Additions		
Contributions:		
Employees	\$ 1,731,696	\$ 1,638,081
Employer	4,513,954	4,851,322
Total Contributions	<u>6,245,650</u>	<u>6,489,403</u>
Investment Earnings (Losses):		
Interest and Dividend Income	749,765	723,298
Net Appreciation (Depreciation) in Fair Value of Investments	<u>20,925,446</u>	<u>12,582,724</u>
Total Investment Earnings (Losses)	21,675,211	13,306,022
Less Investment Expenses	<u>(300,489)</u>	<u>(464,714)</u>
Net Investment Earnings (Losses)	<u>21,374,722</u>	<u>12,841,308</u>
Total Additions	<u>27,620,372</u>	<u>19,330,711</u>
Deductions		
Benefits and Refunds	4,294,865	3,835,059
Administrative Expenses	<u>1,344,787</u>	<u>843,252</u>
Total Deductions	<u>5,639,652</u>	<u>4,678,311</u>
Change in Net Position	21,980,720	14,652,400
Total Net Position Held in Trust for Pension Benefits, July 1	<u>127,362,963</u>	<u>112,710,563</u>
Total Net Position Held in Trust for Pension Benefits, June 30	<u>\$ 149,343,683</u>	<u>\$ 127,362,963</u>

KNOX COUNTY, TENNESSEE

Statement of Fiduciary Net Position
Pension Trust Fund - Sheriff's Total Accumulation Retirement Plan
June 30, 2014

	<u>2014</u>
ASSETS	
Investments, at Fair Value:	
Mutual Funds	\$ 47,176
Common Collective Trusts	1,373
Guaranteed Investment Contract	<u>7,749</u>
 Total Investments	 <u>56,298</u>
 TOTAL ASSETS	 <u>56,298</u>
 NET POSITION	
Held in Trust For:	
Pension Benefits	<u><u>\$ 56,298</u></u>

KNOX COUNTY, TENNESSEE

Statement of Changes in Fiduciary Net Position
Pension Trust Fund - Sheriff's Total Accumulation Retirement Plan
For the year ended June 30, 2014

	<u>2014</u>
Additions	
Contributions:	
Employees	\$ 18,278
Employer	<u>36,557</u>
Total Contributions	<u>54,835</u>
Investment Earnings (Losses):	
Interest and Dividend Income	94
Net Appreciation (Depreciation) in Fair Value of Investments	<u>1,369</u>
Net Investment Earnings (Losses)	<u>1,463</u>
Total Additions	<u>56,298</u>
Change in Net Position	56,298
Total Net Position Held in Trust for Pension Benefits, July 1	<u>-</u>
Total Net Position Held in Trust for Pension Benefits, June 30	<u><u>\$ 56,298</u></u>

KNOX COUNTY, TENNESSEE

Statement of Fiduciary Net Position
Other Employee Benefit Trust Fund - Employee Disability Plan
June 30, 2014

	<u>2014</u>
ASSETS	
Investments, at Fair Value:	
Mutual Funds	\$ 343,014
Common Collective Trusts	<u>24,905</u>
 Total Investments	 <u>367,919</u>
 TOTAL ASSETS	 <u>367,919</u>
 LIABILITIES	
Accounts Payable - Administrative Expenses	 <u>-</u>
 NET POSITION	
Held in Trust For:	
Pension Benefits	 <u><u>\$ 367,919</u></u>

KNOX COUNTY, TENNESSEE

Statement of Changes in Fiduciary Net Position
Other Employee Benefit Trust Fund - Employee Disability Plan
For the year ended June 30, 2014

	<u>2014</u>
Additions	
Other:	
Transfers From Other Plans	<u>\$ 354,018</u>
Total Contributions	<u>354,018</u>
Investment Earnings:	
Interest and Dividend Income	922
Net Appreciation in Fair Value of Investments	<u>12,979</u>
Total Investment Earnings	<u>13,901</u>
Total Additions	<u>367,919</u>
Deductions	
Benefits and Refunds	-
Administrative Expenses	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	367,919
Total Net Position Held in Trust for Pension Benefits, July 1	<u>-</u>
Total Net Position Held in Trust for Pension Benefits, June 30	<u><u>\$ 367,919</u></u>

KNOX COUNTY, TENNESSEE

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2014

(With comparative totals for June 30, 2013)

	Municipal Sales Tax	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
					2014	2013
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 405,446	\$ 1,193,540	\$ 22,869,433	\$ 24,468,419	\$ 28,621,499
Receivables:						
Accounts	7,055,336	-	-	593,779	7,649,115	7,390,275
TOTAL ASSETS	<u>\$ 7,055,336</u>	<u>\$ 405,446</u>	<u>\$ 1,193,540</u>	<u>\$ 23,463,212</u>	<u>\$ 32,117,534</u>	<u>\$ 36,011,774</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 7,055,336	\$ 405,446	\$ 1,193,540	\$ -	\$ 8,654,322	\$ 8,155,568
Due to Other Governments	-	-	-	6,171,040	6,171,040	5,364,354
Due to Litigants, Heirs and Others	-	-	-	17,292,172	17,292,172	22,491,852
TOTAL LIABILITIES	<u>\$ 7,055,336</u>	<u>\$ 405,446</u>	<u>\$ 1,193,540</u>	<u>\$ 23,463,212</u>	<u>\$ 32,117,534</u>	<u>\$ 36,011,774</u>

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2014

(With comparative totals for the year ended June 30, 2013)

	Municipal Sales Tax	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
					2014	2013
Assets and Liabilities, July 1	\$ 6,848,502	\$ 380,446	\$ 926,620	\$ 27,856,206	\$ 36,011,774	\$ 34,791,269
Additions	42,400,879	180,000	6,632,922	92,312,575	141,526,376	146,048,948
Deductions	(42,194,045)	(155,000)	(6,366,002)	(96,705,569)	(145,420,616)	(144,828,443)
Assets and Liabilities, June 30	<u>\$ 7,055,336</u>	<u>\$ 405,446</u>	<u>\$ 1,193,540</u>	<u>\$ 23,463,212</u>	<u>\$ 32,117,534</u>	<u>\$ 36,011,774</u>

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, and Register
Combined Analysis of Fee and Commission Accounts**

For the Year Ended June 30, 2014

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total
Revenues							
Fees and Commissions	\$ 9,284,264	\$ 5,324,935	\$ 1,576,707	\$ 4,372,786	\$ 1,452,757	\$ 2,330,715	\$ 24,342,164
Interest Earned	1,103	6,699	-	-	-	5,447	13,249
Total Revenues	9,285,367	5,331,634	1,576,707	4,372,786	1,452,757	2,336,162	24,355,413
Expenditures							
Salaries-Staff	1,690,812	2,418,379	1,001,034	2,851,937	662,637	1,180,624	9,805,423
Payroll Taxes/Benefits	591,569	1,008,228	356,598	984,175	252,357	411,448	3,604,375
County Official/Administrative Officer	128,049	117,609	80,576	124,775	124,563	113,431	689,003
Travel	-	-	5,220	8,400	-	8,400	22,020
Other Expenditures	-	81,224	-	-	15,376	147,416	244,016
Total Expenditures	2,410,430	3,625,440	1,443,428	3,969,287	1,054,933	1,861,319	14,364,837
Other (Sources) Uses							
Fees and Commissions to County (General Fund)	6,811,237	1,477,054	-	600,000	346,405	667,500	9,902,196
Total Expenditures and Other Uses	9,221,667	5,102,494	1,443,428	4,569,287	1,401,338	2,528,819	24,267,033
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	63,700	229,140	133,279	(196,501)	51,419	(192,657)	88,380
Balances, July 1, 2013	485,508	1,186,688	220,713	1,447,310	442,149	572,952	4,355,320
Balances, June 30, 2014	\$ 549,208	\$ 1,415,828	\$ 353,992	\$ 1,250,809	\$ 493,568	\$ 380,295	\$ 4,443,700

KNOX COUNTY, TENNESSEE

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2014

	Nonmajor Component Units			Total Nonmajor Component Units
	Knox County Emergency Communications District	Knox County Development Corporation	Knox County Railroad Authority	
Assets				
Cash and Cash Equivalents	\$ 13,391,498	\$ 11,583,678	\$ 13,280	\$ 24,988,456
Accounts Receivable	1,497,385	172,532	-	1,669,917
Due from Primary Government	3,575	-	-	3,575
Land Held for Resale	-	22,017,217	-	22,017,217
Prepaid Items	39,599	20,853	-	60,452
Capital Assets:				
Land and Construction in Process	4,477,565	-	-	4,477,565
Other Capital Assets, Net of Accumulated Depreciation	4,026,369	8,820	-	4,035,189
Total Assets	23,435,991	33,803,100	13,280	57,252,371
Liabilities				
Accounts Payable	273,203	222,439	-	495,642
Due to Primary Government	551	-	-	551
Other Long-term Obligations:				
Due in Less than One Year	238,772	-	-	238,772
Due in More than One Year	26,530	-	-	26,530
Total Liabilities	539,056	222,439	-	761,495
Net Position				
Investment in Capital Assets	8,503,934	8,820	-	8,512,754
Restricted for:				
Other Purposes	-	18,742	-	18,742
Net Position - Unrestricted	14,393,001	33,553,099	13,280	47,959,380
Total Net Position	\$ 22,896,935	\$ 33,580,661	\$ 13,280	\$ 56,490,876

KNOX COUNTY, TENNESSEE

Combining Statement of Activities

Nonmajor Component Units

For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Component Units</u>			<u>Total Nonmajor Component Units</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>The District</u>	<u>The Corporation</u>		<u>KCRA</u>
Knox County Emergency Communications District	\$ 6,594,673	\$ 5,968,373	\$ 37,029	\$ 883,814	\$ 294,543	\$ -	\$ -	294,543
Knox County Development Corporation	766,645	73,705	-	-	-	(692,940)	-	(692,940)
Knox County Railroad Authority	36,390	36,390	-	-	-	-	-	-
Total component units	<u>\$ 7,397,708</u>	<u>\$ 6,078,468</u>	<u>\$ 37,029</u>	<u>\$ 883,814</u>	<u>294,543</u>	<u>(692,940)</u>	<u>-</u>	<u>(398,397)</u>
General Revenues:								
Investment Revenue					13,525	8,238	-	21,763
Payments from Primary Government					537,828	600,000	-	1,137,828
Other Revenues					-	-	-	-
Other Governments and Citizens Groups					-	90,080	-	90,080
Miscellaneous					5,000	-	-	5,000
Grants and Contributions Not Restricted for Specific Programs					1,719,140	20,000	-	1,739,140
Total General Revenues					<u>2,275,493</u>	<u>718,318</u>	<u>-</u>	<u>2,993,811</u>
Change in Net Position					2,570,036	25,378	-	2,595,414
Net Position, July 1					20,326,899	33,555,283	13,280	53,895,462
Net Position, June 30					<u>\$ 22,896,935</u>	<u>\$ 33,580,661</u>	<u>\$ 13,280</u>	<u>\$ 56,490,876</u>

KNOX COUNTY, TENNESSEE

**Knox County Primary Government
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2014**

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		\$57,000,000 General Obligation (Taxable) Series 2007	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	\$ 1,500,000	\$ 2,851,488
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	2,000,000	2,772,738
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	2,250,000	2,667,738
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	2,300,000	2,550,738
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	2,400,000	2,429,988
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	2,525,000	2,302,788
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	5,450,000	2,162,650
2022	-	-	-	-	2,064,367	933,064	-	-	2,799,429	1,089,806	-	-	698,052	1,490,260	-	2,522,500	5,725,000	1,860,175
2023	-	-	-	-	1,978,567	839,508	-	-	2,957,143	977,829	-	-	649,351	1,458,847	-	2,522,500	6,025,000	1,542,437
2024	-	-	-	-	2,097,367	740,339	-	-	3,128,000	859,543	-	-	681,818	1,429,627	-	2,522,500	6,300,000	1,196,000
2025	-	-	-	-	2,225,050	634,933	-	-	3,298,857	734,423	-	-	714,286	1,398,945	-	2,522,500	6,650,000	833,750
2026	-	-	-	-	2,353,433	522,666	-	-	3,482,857	602,469	-	-	746,753	1,366,802	-	2,522,500	7,000,000	451,375
2027	-	-	-	-	2,489,317	403,538	-	-	3,666,857	463,154	-	-	762,987	1,333,198	4,734,257	2,522,500	850,000	48,875
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 14,055,818	\$ 1,565,234	\$ 4,978,776	\$ 588,637	\$30,046,749	\$13,219,449	\$10,401,589	\$ 2,101,165	\$42,385,714	\$15,470,196	\$22,635,624	\$ 4,682,904	\$43,311,690	\$27,185,553	\$50,450,000	\$42,381,655	\$50,975,000	\$23,670,740

continued

KNOX COUNTY, TENNESSEE

**Knox County Primary Government
Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2014**

Fiscal Year Ending June 30,	\$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		\$20,962,906 General Obligation Bonds Series 2013		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 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	\$ 437,230	\$ 757,753	\$ 18,932,692	\$ 17,549,305
2016	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	456,007	749,008	19,916,376	16,672,144
2017	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	469,419	735,328	19,612,340	15,751,173
2018	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	810,083	722,419	19,019,714	14,848,793
2019	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	844,954	700,141	19,463,044	13,992,881
2020	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	871,778	674,793	18,810,019	13,112,933
2021	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	912,014	648,640	19,673,740	12,244,488
2022	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	938,838	621,279	16,839,748	11,333,069
2023	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	979,074	593,114	17,361,447	10,578,321
2024	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	1,005,898	563,741	18,153,583	9,777,149
2025	1,634,750	451,587	-	-	40,625	41,984	1,500,000	862,750	-	-	500,000	833,000	330,000	88,275	1,032,722	532,307	17,926,290	8,934,454
2026	1,716,000	369,850	-	-	76,562	40,135	1,500,000	814,000	-	-	500,000	810,500	340,000	79,200	1,059,545	498,744	18,775,150	8,078,241
2027	1,803,750	284,050	-	-	6,250	35,963	1,700,000	754,000	-	-	1,300,000	785,500	345,000	69,000	1,099,780	461,661	18,758,198	7,161,439
2028	1,891,500	193,862	-	-	6,250	35,616	1,800,000	686,000	-	-	1,350,000	714,000	365,000	58,650	1,126,605	417,669	19,291,388	6,283,853
2029	1,985,750	99,287	-	-	6,250	35,269	1,750,000	614,000	-	-	1,400,000	639,750	390,000	47,700	1,153,429	372,605	20,110,365	5,381,896
2030	-	-	-	-	67,187	34,922	2,000,000	544,000	-	-	1,450,000	562,750	390,000	36,000	1,193,665	326,468	16,311,617	4,439,951
2031	-	-	-	-	67,187	31,194	2,100,000	464,000	-	-	1,500,000	483,000	400,000	24,300	1,233,901	278,721	17,035,680	3,681,650
2032	-	-	-	-	73,437	27,330	2,200,000	380,000	-	-	1,575,000	400,500	410,000	12,300	1,260,725	229,365	17,775,536	2,889,336
2033	-	-	-	-	79,687	23,108	2,300,000	292,000	-	-	1,625,000	306,000	-	-	1,314,373	177,360	18,133,773	2,052,682
2034	-	-	-	-	85,937	18,525	2,400,000	200,000	-	-	1,700,000	208,500	-	-	1,354,609	120,184	18,964,345	1,188,935
2035	-	-	-	-	239,062	13,626	2,600,000	104,000	-	-	1,775,000	106,500	-	-	1,408,257	61,259	6,022,319	285,385
Totals	\$ 21,654,750	\$ 9,639,009	\$ 2,425,000	\$ 228,125	\$ 993,748	\$ 840,812	\$ 30,065,000	\$ 16,166,750	\$ 8,770,000	\$ 1,605,050	\$ 16,925,000	\$ 14,953,090	\$ 5,850,000	\$ 1,697,150	\$ 20,962,906	\$ 10,242,559	\$ 376,887,364	\$ 186,238,078

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt
June 30, 2014**

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		\$27,000,000 General Obligation Series 2005	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	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	\$ 648,701
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	701,299	1,023,282
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	736,364	991,724
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	788,961	958,588
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	-	-	832,792	923,084
2020	-	-	-	-	1,456,267	886,789	2,925,077	147,017	1,306,286	676,114	2,105,819	219,387	-	-	876,623	885,609
2021	-	-	-	-	1,572,000	820,618	-	-	1,381,714	623,863	2,218,667	112,448	-	-	920,455	846,161
2022	-	-	-	-	1,685,633	749,936	-	-	1,460,571	568,594	-	-	-	-	376,948	804,740
2023	-	-	-	-	1,996,433	674,742	-	-	1,542,857	510,171	-	-	-	-	350,649	787,778
2024	-	-	-	-	2,127,633	595,036	-	-	1,632,000	448,457	-	-	-	-	368,182	771,998
2025	-	-	-	-	2,274,950	510,317	-	-	1,721,143	383,177	-	-	-	-	385,714	755,430
2026	-	-	-	-	2,421,567	420,084	-	-	1,817,143	314,331	-	-	-	-	403,247	738,073
2027	-	-	-	-	2,585,683	324,337	-	-	1,913,143	241,646	-	-	-	-	412,013	719,927
2028	-	-	-	-	2,887,500	222,575	-	-	2,012,571	165,120	-	-	-	-	429,545	701,386
2029	-	-	-	-	3,086,668	114,796	-	-	2,115,430	84,617	-	-	-	-	447,078	682,057
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,717,532	661,938
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,822,727	539,649
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,936,688	412,627
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,050,649	280,476
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,182,143	143,196
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 24,559,182	\$ 2,703,551	\$ 11,341,224	\$ 1,340,863	\$ 28,128,251	\$ 10,624,926	\$ 14,663,411	\$ 2,999,585	\$ 22,114,286	\$ 8,071,404	\$ 13,494,376	\$ 2,868,846	\$ 4,975,000	\$ 629,909	\$ 23,388,310	\$ 14,680,197

continued

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Schedule of Debt Service Requirements
General Bonded Debt (Continued)
June 30, 2014**

Fiscal Year Ending June 30,	\$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		\$18,112,094 General Obligation Bonds Series 2013		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ -	\$ 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	\$ 377,770	\$ 654,703	\$ 23,171,589	\$ 11,852,736
2016	-	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	393,993	647,148	22,497,905	10,725,395
2017	-	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	405,581	635,328	20,671,941	9,731,620
2018	-	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	699,917	624,175	17,754,567	8,842,049
2019	-	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	730,046	604,927	17,196,237	8,111,460
2020	-	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	753,222	583,026	14,734,262	7,423,561
2021	-	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	787,986	560,429	12,415,541	6,858,617
2022	-	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	811,162	536,790	10,119,533	6,424,824
2023	-	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	845,926	512,455	10,662,834	6,110,121
2024	-	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	869,102	487,077	10,040,698	5,781,643
2025	-	927,500	880,250	243,163	609,375	629,754	-	-	1,824,281	1,417,361	520,000	140,300	892,278	459,917	9,107,991	5,466,919
2026	-	927,500	924,000	199,150	1,148,438	602,028	-	-	1,824,281	1,417,361	535,000	126,000	915,455	430,918	9,989,131	5,175,445
2027	1,740,743	927,500	971,250	152,950	93,750	539,437	-	-	2,003,856	1,417,361	555,000	109,950	950,220	398,877	11,225,658	4,831,985
2028	2,063,351	840,463	1,018,500	104,388	93,750	534,234	-	-	171,976	139,589	585,000	93,300	973,395	360,869	10,235,588	3,161,924
2029	2,170,888	737,295	1,069,250	53,463	93,750	529,031	-	-	-	-	610,000	75,750	996,571	321,933	10,589,635	2,598,942
2030	2,271,703	628,751	-	-	1,007,813	523,828	-	-	-	-	610,000	57,450	1,031,335	282,070	7,638,383	2,154,037
2031	2,392,681	515,166	-	-	1,007,813	467,894	-	-	-	-	640,000	39,150	1,066,099	240,817	7,929,320	1,802,676
2032	2,506,938	395,532	-	-	1,101,563	409,945	-	-	-	-	665,000	19,950	1,089,275	198,173	8,299,464	1,436,227
2033	2,634,638	270,185	-	-	1,195,313	346,605	-	-	-	-	-	-	1,135,627	153,240	8,016,227	1,050,506
2034	2,769,058	138,453	-	-	1,289,063	277,875	-	-	-	-	-	-	1,170,391	103,840	8,410,655	663,364
2035	-	-	-	-	3,585,938	204,399	-	-	-	-	-	-	1,216,743	52,929	4,802,681	257,328
Totals	\$ 18,550,000	\$ 15,583,345	\$ 11,660,250	\$ 5,190,241	\$ 14,906,252	\$ 12,612,164	\$ 17,100,000	\$ 3,071,100	\$ 24,067,204	\$ 18,565,282	\$ 8,450,000	\$ 2,670,325	\$ 18,112,094	\$ 8,849,641	\$ 255,509,840	\$ 110,461,379

KNOX COUNTY, TENNESSEE

***Schedule of Salaries and Bonds of Principal Elected Officials
For the year ended June 30, 2014***

OFFICIAL	AUTHORIZATION FOR SALARY	SALARY PAID DURING YEAR	BOND AMOUNT	SURETY
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 134,268	\$ 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.	\$ 130,206	\$ 400,000	Hartford Fire Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 113,624	\$ 110,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 165,207	\$ 100,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 138,086	\$ 250,000	Hartford Fire Insurance
Law Director	Section 3.08, Knox County Charter	\$ 165,203	\$ -	
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 122,724	\$ 100,000	Hartford Fire Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 144,335	\$ 100,000	Hartford Fire Insurance
Trustee	Section 8-24-102 (k), T.C.A.	\$ 107,032	\$ 17,431,456	Hartford Fire Insurance

KNOX COUNTY, TENNESSEE

**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source¹
June 30, 2014 and 2013
(In Thousands of Dollars)**

	<u>2014</u>	<u>2013</u>
Governmental Funds Capital Assets:		
Land	\$ 99,110	\$ 100,930
Buildings	211,507	194,403
Improvements Other than Buildings	24,178	20,357
Machinery and Equipment	37,561	34,705
Intangibles	15,566	15,536
Infrastructure	543,373	537,516
Construction in Progress	35,668	48,697
Total Governmental Funds Capital Assets	<u>\$ 966,963</u>	<u>\$ 952,144</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 4,849	\$ 4,399
Special Revenue Funds	6,148	5,105
Capital Projects Funds	955,966	942,640
Total Governmental Funds Capital Assets	<u>\$ 966,963</u>	<u>\$ 952,144</u>

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

KNOX COUNTY, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity¹

June 30, 2014

(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	\$ -	\$ 17,904	\$ 16	\$ 1,705	\$ 8,903	\$ -	\$ 55	\$ 28,583
Administration of Justice	685	22,046	129	413	34	-	4,270	27,577
Public Safety	491	54,891	29	19,569	802	-	1,276	77,058
Public Health and Welfare	2,754	22,578	753	3,428	-	-	2,033	31,546
Social and Cultural Services	17,760	62,918	23,160	3,576	4,772	-	831	113,017
Other General Government	4,349	28,884	6	4,063	903	-	19,082	57,287
Total General Government	26,039	209,221	24,093	32,754	15,414	-	27,547	335,068
Engineering & Public Works	73,071	2,286	85	4,807	152	543,373	8,121	631,895
Total Governmental Funds Capital Assets	\$ 99,110	\$ 211,507	\$ 24,178	\$ 37,561	\$ 15,566	\$ 543,373	\$ 35,668	\$ 966,963

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

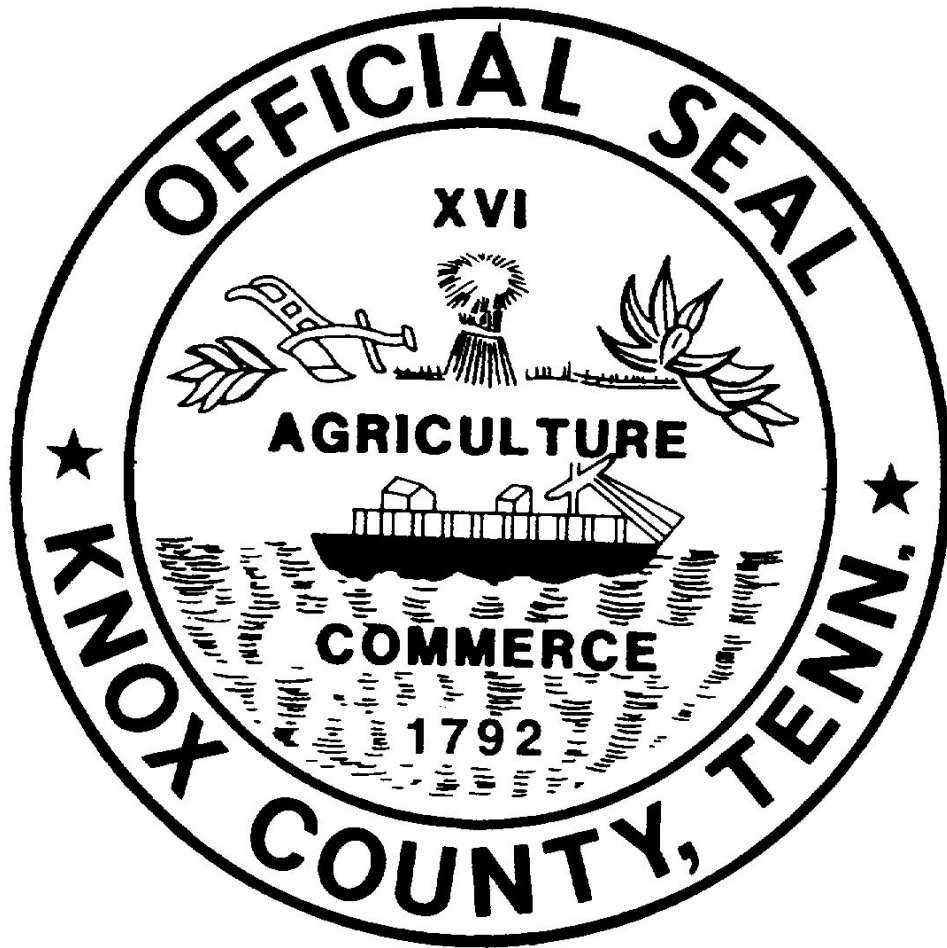
KNOX COUNTY, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
For the Fiscal Year Ended June 30, 2014
(In Thousands of Dollars)

Function and Activity	Governmental Funds Capital Assets July 1, 2013	Additions	Deductions	Governmental Funds Capital Assets June 30, 2014
General Government:				
Finance and Administration	\$ 11,539	\$ 17,132	\$ 88	\$ 28,583
Administration of Justice	24,590	3,454	467	27,577
Public Safety	74,386	2,744	72	77,058
Public Health and Welfare	29,573	2,458	485	31,546
Social and Cultural Services	115,156	5,175	7,314	113,017
Other General Government	55,836	1,607	156	57,287
Total General Government	311,080	32,570	8,582	335,068
Engineering & Public Works	641,064	11,632	20,801	631,895
Total Governmental Funds Capital Assets	\$ 952,144	\$ 44,202	\$ 29,383	\$ 966,963

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

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, 2014

	Board of Education	Component Unit	
	Total -- Governmental Activities	Great Schools Partnership	Total Component Unit
Assets			
Cash and Cash Equivalents	\$ 18,946,963	\$ 2,134,720	\$ 21,081,683
Accounts Receivable	38,804,176	846,821	39,650,997
Local Taxes Receivable, net	106,283,112	-	106,283,112
Investments	17,883,062	10,461,864	28,344,926
Due from Primary Government	219,741	-	219,741
Inventories	2,398,492	-	2,398,492
Prepaid Items	1,560,946	12,516	1,573,462
Capital Assets:			
Land and Construction in Process	45,332,244	-	45,332,244
Other Capital Assets, Net of Accumulated Depreciation	358,174,134	96,920	358,271,054
Total Assets	589,602,870	13,552,841	603,155,711
Liabilities			
Accounts Payable	54,128,627	1,539,747	55,668,374
Due to Knox County Primary Government	1,524,967	-	1,524,967
Unearned Revenue	3,795,687	-	3,795,687
Long-term Liability-Accrued Pension Obligation	3,075,588	-	3,075,588
Other Long-term Obligations:			
Due in Less than One Year	2,818,961	-	2,818,961
Due in More than One Year	313,218	10,655,000	10,968,218
Total Liabilities	65,657,048	12,194,747	77,851,795
Deferred Inflows of Resources			
Deferred Inflows of Property Taxes	98,712,773	-	98,712,773
Net Position			
Investment in Capital Assets	403,506,378	96,920	403,603,298
Restricted for:			
Education Purposes	19,589,721	-	19,589,721
Net Position - Unrestricted	2,136,950	1,261,174	3,398,124
Total Net Position	\$ 425,233,049	\$ 1,358,094	\$ 426,591,143

Knox County Board of Education

Statement of Activities

For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Board of Education Governmental Activities</u>	<u>Component Unit The Partnership</u>	<u>Total Component Unit</u>
Knox County Board of Education:							
Governmental activities:							
Education	\$ 524,247,435	\$ 15,155,847	\$ 65,364,807	\$ -	\$ (443,726,781)		\$ (443,726,781)
Education - Payment to Primary Government	32,444,501	-	-	-	(32,444,501)		(32,444,501)
Total primary government	<u>\$ 556,691,936</u>	<u>\$ 15,155,847</u>	<u>\$ 65,364,807</u>	<u>\$ -</u>	<u>(476,171,282)</u>		<u>(476,171,282)</u>
Component unit:							
Great Schools Partnership	\$ 7,066,949	\$ -	\$ 3,461,996	\$ -		\$ (3,604,953)	(3,604,953)
Total component unit	<u>\$ 7,066,949</u>	<u>\$ -</u>	<u>\$ 3,461,996</u>	<u>\$ -</u>		<u>(3,604,953)</u>	<u>(3,604,953)</u>
General Revenues:							
Property Taxes					115,339,172	-	115,339,172
Sales Taxes					128,518,755	-	128,518,755
Wheel Taxes					1,561,822	-	1,561,822
Other Local Taxes					1,073,324	-	1,073,324
Interest Income					30,575	176,957	207,532
Miscellaneous					154,514	59,826	214,340
Grants and Contributions Not Restricted for Specific Programs					173,629,000	-	173,629,000
Payments from Knox County Primary Government					42,815,934	2,701,874	45,517,808
State Shared Revenues					1,369,610		1,369,610
Payments from Component Unit					3,147,995	-	3,147,995
Total General Revenues					<u>467,640,701</u>	<u>2,938,657</u>	<u>470,579,358</u>
Change in Net Position					(8,530,581)	(666,296)	(9,196,877)
Net Position, July 1, as restated					433,763,630	2,024,390	435,788,020
Net Position, June 30					<u>\$ 425,233,049</u>	<u>\$ 1,358,094</u>	<u>\$ 426,591,143</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Balance Sheet

Governmental Funds

June 30, 2014

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 7,438,431	\$ -	\$ 11,508,532	\$ 18,946,963
Receivables (Net of Allowance for Uncollectibles):				
Accounts	22,583,155	-	16,221,021	38,804,176
Local Taxes	102,907,918	3,375,194	-	106,283,112
Investments, at Fair Value	-	17,883,062	-	17,883,062
Due from Other Funds	38,203,703	-	1,243,673	39,447,376
Due from Primary Government	209,141	10,600	-	219,741
Inventories	819,050	-	1,579,442	2,398,492
Prepaid Items	1,551,997	-	8,949	1,560,946
TOTAL ASSETS	\$ 173,713,395	\$ 21,268,856	\$ 30,561,617	\$ 225,543,868
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 50,148,798	\$ 2,110,808	\$ 1,869,021	\$ 54,128,627
Due to Other Funds	855,847	25,216,644	13,374,885	39,447,376
Due to Primary Government	1,299,516	88,889	136,562	1,524,967
Unearned Revenue	-	-	3,795,687	3,795,687
TOTAL LIABILITIES	52,304,161	27,416,341	19,176,155	98,896,657
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes and Other Receivable	102,831,100	-	-	102,831,100
FUND BALANCES				
Nonspendable	2,371,047	-	1,588,391	3,959,438
Restricted	12,270,359	-	7,310,413	19,580,772
Committed	1,000,000	-	2,486,658	3,486,658
Assigned	494,534	-	-	494,534
Unassigned	2,442,194	(6,147,485)	-	(3,705,291)
TOTAL FUND BALANCES	18,578,134	(6,147,485)	11,385,462	23,816,111
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 173,713,395	\$ 21,268,856	\$ 30,561,617	\$ 225,543,868

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, 2014

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

Ending Fund Balance - Governmental Funds	\$ 23,816,111
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	403,506,378
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.	4,118,327
Long-term liabilities, consisting of compensated absences (\$3,132,179) and pension obligation (\$3,075,588), are not due and payable in the current period and therefore are not reported in the funds.	<u>(6,207,767)</u>
Net Position of Governmental Activities	<u><u>\$ 425,233,049</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, 2014

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 116,200,954	\$ -	\$ -	\$ 116,200,954
Local Option Sales Taxes	108,988,291	19,530,464	-	128,518,755
Wheel Tax	1,561,822	-	-	1,561,822
Other Local Taxes	1,073,324	-	-	1,073,324
Licenses and Permits	30,162	-	2,458	32,620
Charges for Current Services	676,261	-	8,214,703	8,890,964
Other Local Revenues	988,064	-	5,914,041	6,902,105
State of Tennessee	177,041,251	-	3,154,828	180,196,079
Federal Government	541,795	-	52,230,671	52,772,466
Other Governments and Citizen Groups	-	-	6,879,544	6,879,544
Interest Earned	-	30,575	-	30,575
Payments from Primary Government	4,052,000	32,801,434	5,962,500	42,815,934
Payment from Component Unit	-	-	3,147,995	3,147,995
Total Revenues	<u>411,153,924</u>	<u>52,362,473</u>	<u>85,506,740</u>	<u>549,023,137</u>
Expenditures				
Current:				
Education	407,172,881	-	94,074,731	501,247,612
Capital Outlay	-	34,913,278	-	34,913,278
Payments to Primary Government	10,938,398	19,500,000	1,490,625	31,929,023
Other Charges	-	161,553	-	161,553
Total Expenditures	<u>418,111,279</u>	<u>54,574,831</u>	<u>95,565,356</u>	<u>568,251,466</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(6,957,355)</u>	<u>(2,212,358)</u>	<u>(10,058,616)</u>	<u>(19,228,329)</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	3,960,008	-	11,201,525	15,161,533
Transfers to Other Funds	(10,593,178)	(3,215,000)	(1,353,355)	(15,161,533)
Total Other Financing Sources (Uses)	<u>(6,633,170)</u>	<u>(3,215,000)</u>	<u>9,848,170</u>	<u>-</u>
Net Change in Fund Balances	<u>(13,590,525)</u>	<u>(5,427,358)</u>	<u>(210,446)</u>	<u>(19,228,329)</u>
Fund Balances, July 1, as restated	<u>32,168,659</u>	<u>(720,127)</u>	<u>11,595,908</u>	<u>43,044,440</u>
Fund Balances, June 30	<u>\$ 18,578,134</u>	<u>\$ (6,147,485)</u>	<u>\$ 11,385,462</u>	<u>\$ 23,816,111</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit
Knox County Board of Education
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities**

For the Year Ended June 30, 2014

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

Net Change in Fund Balances - Total Governmental Funds \$ (19,228,329)

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 (\$29,364,868) exceeded depreciation (\$17,171,524) in the current period. 12,193,344

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. 4,118,327

Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities. (4,980,109)

The increase in the liability for compensated absences of \$665,498 resulted in additional expenses, and the reduction of the net pension obligation of \$31,684 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. (633,814)

Change in Net Position of Governmental Activities \$ (8,530,581)

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Balance Sheets
June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 7,438,431	\$ 31,845,225
Receivables (Net of Allowance for Uncollectibles):		
Accounts	22,583,155	22,850,628
Local Taxes	102,907,918	122,586,919
Due from Primary Government	209,141	675,940
Due from Other Funds	38,203,703	24,867,077
Prepaid Items	1,551,997	1,400,776
Inventories	819,050	941,839
TOTAL ASSETS	<u><u>\$ 173,713,395</u></u>	<u><u>\$ 205,168,404</u></u>
 LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 50,148,798	\$ 48,361,060
Due to Other Funds	855,847	1,310,183
Due to Primary Government	1,299,516	1,034,753
TOTAL LIABILITIES	<u>52,304,161</u>	<u>50,705,996</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes and Other Receivable	<u>102,831,100</u>	<u>122,293,749</u>
 FUND BALANCES		
Nonspendable	2,371,047	2,342,615
Restricted	12,270,359	11,863,858
Committed	1,000,000	11,430,000
Assigned	494,534	243,357
Unassigned	2,442,194	7,026,715
TOTAL FUND BALANCES	<u>18,578,134</u>	<u>32,168,659</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u><u>\$ 173,713,395</u></u>	<u><u>\$ 205,168,404</u></u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
For the years ended June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
Property Taxes	\$ 116,200,954	\$ 114,503,867
Local Option Sales Taxes	108,988,291	108,192,138
Wheel Tax	1,561,822	1,515,396
Other Local Taxes	1,073,324	1,019,405
Licenses and Permits	30,162	29,441
Charges for Current Services	676,261	598,808
Other Local Revenues	988,064	1,353,595
State of Tennessee	177,041,251	173,589,298
Federal Government	541,795	502,729
Payment from Primary Government	4,052,000	1,182,000
	<u>411,153,924</u>	<u>402,486,677</u>
Expenditures		
Current:		
Education	407,172,881	388,651,475
Payments to Primary Government	10,938,398	12,101,668
	<u>418,111,279</u>	<u>400,753,143</u>
Total Expenditures		
	<u>418,111,279</u>	<u>400,753,143</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,957,355)</u>	<u>1,733,534</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	3,960,008	645,008
Transfers to Other Funds	(10,593,178)	(19,298,833)
	<u>(6,633,170)</u>	<u>(18,653,825)</u>
Total Other Financing Sources (Uses)		
	<u>(6,633,170)</u>	<u>(18,653,825)</u>
Net Change in Fund Balances	(13,590,525)	(16,920,291)
Fund Balances, July 1, as restated	<u>32,168,659</u>	<u>49,088,950</u>
Fund Balances, June 30, as restated for 2013	<u>\$ 18,578,134</u>	<u>\$ 32,168,659</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
General Fund - General Purpose School
Comparative Schedules of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2014 and June 30, 2013**

	2014				2013		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Property Taxes	\$ 116,048,000	\$ 116,048,000	\$ 116,200,954	\$ 152,954	\$ 113,452,000	\$ 114,503,867	\$ 1,051,867
Local Option Sales Taxes	110,047,000	110,047,000	108,988,291	(1,058,709)	106,030,000	108,192,138	2,162,138
Wheel Tax	1,500,000	1,500,000	1,561,822	61,822	1,500,000	1,515,396	15,396
Other Local Taxes	1,089,500	1,089,500	1,073,324	(16,176)	1,089,500	1,019,405	(70,095)
Licenses and Permits	36,000	36,000	30,162	(5,838)	36,000	29,441	(6,559)
Charges for Current Services	765,500	765,500	676,261	(89,239)	765,500	598,808	(166,692)
Other Local Revenues	1,795,000	1,795,000	988,064	(806,936)	2,596,000	1,353,595	(1,242,405)
State of Tennessee	178,922,000	178,922,000	177,041,251	(1,880,749)	171,462,000	173,589,298	2,127,298
Federal Government	537,000	566,282	541,795	(24,487)	537,000	502,729	(34,271)
Payments from Primary Government	4,052,000	4,052,000	4,052,000	-	1,182,000	1,182,000	-
Total Revenues	414,792,000	414,821,282	411,153,924	(3,667,358)	398,650,000	402,486,677	3,836,677
Expenditures							
Current:							
Education:							
Personal Services	276,316,526	273,657,606	270,967,578	2,690,028	260,645,284	257,505,853	3,139,431
Employee Benefits	73,755,004	73,755,004	71,677,476	2,077,528	71,728,701	70,171,267	1,557,434
Contracted Services	24,102,677	25,681,430	25,456,924	224,506	25,471,922	25,301,506	170,416
Supplies and Materials	22,172,737	30,408,307	30,204,786	203,521	27,640,037	27,266,997	373,040
Other Charges	7,573,653	8,393,638	8,350,962	42,676	7,932,106	7,893,445	38,661
Capital Outlay	536,656	753,892	515,155	238,737	528,318	512,407	15,911
Payments to Primary Government	10,938,398	10,938,398	10,938,398	-	10,027,602	12,101,668	(2,074,066)
Total Expenditures	415,395,651	423,588,275	418,111,279	5,476,996	403,973,970	400,753,143	3,220,827
Excess (Deficiency) of Revenues Over (Under) Expenditures	(603,651)	(8,766,993)	(6,957,355)	1,809,638	(5,323,970)	1,733,534	7,057,504
Other Financing Sources (Uses)							
Transfers from Other Funds	805,000	4,020,000	3,960,008	(59,992)	555,000	645,008	90,008
Transfers to Other Funds	(4,471,349)	(11,196,364)	(10,593,178)	603,186	(21,423,688)	(19,298,833)	2,124,855
Total Other Financing Sources (Uses)	(3,666,349)	(7,176,364)	(6,633,170)	543,194	(20,868,688)	(18,653,825)	2,214,863
Net Change in Fund Balances	(4,270,000)	(15,943,357)	(13,590,525)	2,352,832	(26,192,658)	(16,920,291)	9,272,367
Fund Balances, July 1, as restated	32,168,659	32,168,659	32,168,659	-	49,088,950	49,088,950	-
Fund Balances, June 30, as restated for 2013	\$ 27,898,659	\$ 16,225,302	\$ 18,578,134	\$ 2,352,832	\$ 22,896,292	\$ 32,168,659	\$ 9,272,367

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Balance Sheets
June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 15,783,404
Receivables (Net of Allowance for Uncollectibles):		
Sales Taxes	3,375,194	3,267,279
Investments, at Fair Value	17,883,062	-
Due from Primary Government	<u>10,600</u>	<u>29,075</u>
TOTAL ASSETS	<u><u>\$ 21,268,856</u></u>	<u><u>\$ 19,079,758</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,110,808	\$ 3,298,453
Due to Other Funds	25,216,644	15,518,438
Due to Primary Government	<u>88,889</u>	<u>982,994</u>
TOTAL LIABILITIES	<u>27,416,341</u>	<u>19,799,885</u>
Fund Balances (Deficit):		
Unassigned	<u>(6,147,485)</u>	<u>(720,127)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 21,268,856</u></u>	<u><u>\$ 19,079,758</u></u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
For the years ended June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
Local Option Sales Taxes	\$ 19,530,464	\$ 19,420,825
Interest Earned	30,575	133,824
Debt Proceeds Received from Primary Government	<u>32,801,434</u>	<u>13,182,024</u>
Total Revenues	<u>52,362,473</u>	<u>32,736,673</u>
Expenditures		
Capital Projects	34,913,278	39,283,970
Payments to Primary Government	19,500,000	20,500,000
Other Charges	<u>161,553</u>	<u>178,072</u>
Total Expenditures	<u>54,574,831</u>	<u>59,962,042</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,212,358)</u>	<u>(27,225,369)</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	-	13,565,000
Transfers to Other Funds	<u>(3,215,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,215,000)</u>	<u>13,565,000</u>
Net Change in Fund Balance	(5,427,358)	(13,660,369)
Fund Balances, July 1	<u>(720,127)</u>	<u>12,940,242</u>
Fund Balances (Deficit), June 30	<u><u>\$ (6,147,485)</u></u>	<u><u>\$ (720,127)</u></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, 2014 and June 30, 2013**

	2014				2013		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Sales Taxes	\$ 19,700,000	\$ 19,700,000	\$ 19,530,464	\$ (169,536)	\$ 19,417,595	\$ 19,420,825	\$ 3,230
Other Local Revenue	-	-	-	-	80,000	29,074	(50,926)
Total Revenues	<u>19,700,000</u>	<u>19,700,000</u>	<u>19,530,464</u>	<u>(169,536)</u>	<u>19,497,595</u>	<u>19,449,899</u>	<u>(47,696)</u>
Expenditures							
Payments to Primary Government	19,700,000	19,700,000	19,500,000	200,000	20,500,000	20,500,000	-
Total Expenditures	<u>19,700,000</u>	<u>19,700,000</u>	<u>19,500,000</u>	<u>200,000</u>	<u>20,500,000</u>	<u>20,500,000</u>	<u>-</u>
Net Change in Fund Balances	-	-	30,464	30,464	(1,002,405)	(1,050,101)	(47,696)
Fund Balances, July 1 (Budget Basis)	-	-	-	-	-	-	-
Fund Balances (Deficit), June 30 (Budget Basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,464</u>	<u>\$ 30,464</u>	<u>\$ (1,002,405)</u>	<u>\$ (1,050,101)</u>	<u>\$ (47,696)</u>

Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):

Fund Balances (Deficit) (Budget Basis)	\$ 30,464	\$ (1,050,101)
Timing Differences:		
Project Length Budgets	(6,177,949)	329,974
Fund Balances (Deficit)(GAAP Basis)	<u>\$ (6,147,485)</u>	<u>\$ (720,127)</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, 2014**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
Expenditures					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Physical Plant Upgrades	\$ 29,410,609	\$ -	\$ 17,064,127	\$ 17,064,127	\$ 12,346,482
Amherst Elementary	16,077,296	16,069,788	-	16,069,788	7,508
Cedar Bluff K-3	20,036,668	20,036,668	-	20,036,668	-
New Holston Middle	11,944,500	11,927,856	15,634	11,943,490	1,010
Gibbs Elementary School	15,404,720	15,404,720	-	15,404,720	-
Powell Middle	1,128,543	1,124,829	-	1,124,829	3,714
Ball Camp ES Addition/Renovation	5,424,334	5,336,379	-	5,336,379	87,955
Carter Renovations	2,500,000	2,396,073	103,927	2,500,000	-
Southwest Elementary	18,300,000	17,299,738	1,808,319	19,108,057	(808,057)
School Energy Savings Project	23,603,423	39,142,319	321,080	39,463,399	(15,859,976)
Hardin Valley High School	50,000,000	49,982,267	-	49,982,267	17,733
Shannondale Elementary	4,015,000	-	1,925,997	1,925,997	2,089,003
Energy Management Project IIIB	13,182,024	6,455,466	6,376,274	12,831,740	350,284
CTE Magnet High	3,785,000	-	2,150,075	2,150,075	1,634,925
Energy Management Project IIIC	-	-	5,147,845	5,147,845	(5,147,845)
<i>Total Capital Projects:</i>	<u>\$ 214,812,117</u>	<u>\$ 185,176,103</u>	<u>\$ 34,913,278</u>	<u>\$ 220,089,381</u>	<u>\$ (5,277,264)</u>
Project Expenditures			\$ 34,913,278		
Adjustment for expenditures budgeted on an annual basis and other non-project expenditures				19,661,553	
Total School Construction Fund Expenditures				<u>\$ 54,574,831</u>	

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2014

	School Federal Projects	School General Projects	Central Cafeteria	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 4,049,988	\$ 7,458,544	\$ 11,508,532
Receivables (Net of Allowance for Uncollectibles):				
Accounts	13,570,013	2,111,068	539,940	16,221,021
Due from Other Funds	234,808	1,008,865	-	1,243,673
Inventories	-	952,534	626,908	1,579,442
Prepaid Items	8,949	-	-	8,949
TOTAL ASSETS	\$ 13,813,770	\$ 8,122,455	\$ 8,625,392	\$ 30,561,617
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 980,923	\$ 567,413	\$ 320,685	\$ 1,869,021
Due to Other Funds	12,774,690	600,195	-	13,374,885
Due to Primary Government	45,779	90,783	-	136,562
Unearned Revenue	-	3,424,872	370,815	3,795,687
TOTAL LIABILITIES	13,801,392	4,683,263	691,500	19,176,155
Fund Balances:				
Nonspendable	8,949	952,534	626,908	1,588,391
Restricted	3,429	-	7,306,984	7,310,413
Committed	-	2,486,658	-	2,486,658
TOTAL FUND BALANCES	12,378	3,439,192	7,933,892	11,385,462
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,813,770	\$ 8,122,455	\$ 8,625,392	\$ 30,561,617

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, 2014

	School Federal Projects	School General Projects	Central Cafeteria	Total Nonmajor Governmental Funds
Revenues				
Licenses and Permits	\$ -	\$ 2,458	\$ -	\$ 2,458
Charges for Current Services	-	743,069	7,471,634	8,214,703
Other Local Revenues	-	4,945,572	968,469	5,914,041
State of Tennessee	88,984	2,518,259	547,585	3,154,828
Federal Government	35,218,470	-	17,012,201	52,230,671
Other Governments and Citizen Groups	5,102,111	1,777,433	-	6,879,544
Payments from Primary Government	-	5,962,500	-	5,962,500
Payment from Component Unit	-	3,147,995	-	3,147,995
Total Revenues	40,409,565	19,097,286	25,999,889	85,506,740
Expenditures				
Education	39,946,107	28,891,249	25,237,375	94,074,731
Payments to Primary Government	-	1,490,625	-	1,490,625
Total Expenditures	39,946,107	30,381,874	25,237,375	95,565,356
Excess (Deficiency) of Revenues Over (Under) Expenditures	463,458	(11,284,588)	762,514	(10,058,616)
Other Financing Sources (Uses)				
Transfers from Other Funds	103,580	11,097,945	-	11,201,525
Transfers to Other Funds	(567,038)	(41,309)	(745,008)	(1,353,355)
Total Other Financing Sources (Uses)	(463,458)	11,056,636	(745,008)	9,848,170
Net Change in Fund Balances	-	(227,952)	17,506	(210,446)
Fund Balances, July 1	12,378	3,667,144	7,916,386	11,595,908
Fund Balances, June 30	\$ 12,378	\$ 3,439,192	\$ 7,933,892	\$ 11,385,462

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Federal Projects Fund
Comparative Balance Sheets
June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 13,570,013	\$ 13,604,066
Due From Other Funds	234,808	111,838
Due From Primary Government	-	24
Prepaid Items	8,949	-
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 13,813,770</u>	<u>\$ 13,715,928</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 980,923	\$ 3,750,504
Due to Other Funds	12,774,690	9,819,320
Due to Primary Government	45,779	73,358
Unearned Revenue	-	60,368
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>13,801,392</u>	<u>13,703,550</u>
 Fund Balances:		
Nonspendable	8,949	-
Restricted	3,429	12,378
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>12,378</u>	<u>12,378</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,813,770</u>	<u>\$ 13,715,928</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, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
State of Tennessee	\$ 88,984	\$ 65,671
Federal Government	35,218,470	39,134,089
Other Governments and Citizen Groups	<u>5,102,111</u>	<u>4,567,872</u>
Total Revenues	<u>40,409,565</u>	<u>43,767,632</u>
Expenditures		
Current:		
Education	<u>39,946,107</u>	<u>42,399,204</u>
Excess of Revenues Over Expenditures	<u>463,458</u>	<u>1,368,428</u>
Other Financing Sources (Uses)		
Transfers from Other Funds	103,580	61,883
Transfers to Other Funds	<u>(567,038)</u>	<u>(1,430,311)</u>
Total Other Financing Uses	<u>(463,458)</u>	<u>(1,368,428)</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, 2014 and June 30, 2013**

	2014				2013			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
State of Tennessee	\$ 133,283	\$ 133,283	\$ 88,984	\$ (44,299)	\$ 88,368	\$ 65,671	\$ (22,697)	
Federal Government	43,972,869	43,972,869	35,218,470	(8,754,399)	48,986,501	39,134,089	(9,852,412)	
Other Governments and Citizen Groups	8,367,870	8,367,870	5,102,111	(3,265,759)	9,047,944	4,567,872	(4,480,072)	
Total Revenues	52,474,022	52,474,022	40,409,565	(12,064,457)	58,122,813	43,767,632	(14,355,181)	
Expenditures								
Current:								
Education:								
Personal Services	32,168,338	32,168,338	25,948,190	6,220,148	34,800,394	28,077,269	6,723,125	
Employee Benefits	7,945,122	7,945,122	6,105,798	1,839,324	8,345,839	6,300,735	2,045,104	
Contracted Services	2,898,276	2,898,276	2,624,220	274,056	3,576,316	2,181,166	1,395,150	
Supplies and Materials	2,982,232	2,982,232	1,671,480	1,310,752	4,749,975	2,071,277	2,678,698	
Other Charges	1,450,976	1,450,976	1,016,448	434,528	2,058,402	1,212,041	846,361	
Capital Outlay	4,495,326	4,495,326	2,579,971	1,915,355	3,182,299	2,556,716	625,583	
Total Expenditures	51,940,270	51,940,270	39,946,107	11,994,163	56,713,225	42,399,204	14,314,021	
Excess (Deficiency) of Revenues Over (Under) Expenditures	533,752	533,752	463,458	(70,294)	1,409,588	1,368,428	(41,160)	
Other Financing Sources (Uses)								
Transfer from Other Funds	33,286	33,286	103,580	70,294	61,883	61,883	-	
Transfer to Other Funds	(567,038)	(567,038)	(567,038)	-	(1,471,471)	(1,430,311)	41,160	
Total Other Financing Sources (Uses)	(533,752)	(533,752)	(463,458)	70,294	(1,409,588)	(1,368,428)	41,160	
Net Change in Fund Balances	-	-	-	-	-	-	-	
Fund Balances, July 1	12,378	12,378	12,378	-	12,378	12,378	-	
Fund Balances, June 30	\$ 12,378	\$ 12,378	\$ 12,378	\$ -	\$ 12,378	\$ 12,378	\$ -	

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

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
School General Projects Fund
Comparative Balance Sheets
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,049,988	\$ 3,167,310
Receivables (Net of Allowance for Uncollectibles):		
Accounts	2,111,068	3,200,649
Due from Other Funds	1,008,865	2,006,039
Inventories	<u>952,534</u>	<u>336,658</u>
TOTAL ASSETS	<u>\$ 8,122,455</u>	<u>\$ 8,710,656</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 567,413	\$ 1,642,110
Due to Primary Government	90,783	1,672,299
Due to Other Funds	600,195	337,013
Unearned Revenue	<u>3,424,872</u>	<u>1,392,090</u>
TOTAL LIABILITIES	<u>4,683,263</u>	<u>5,043,512</u>
Fund Balances:		
Nonspendable	952,534	-
Committed	<u>2,486,658</u>	<u>3,667,144</u>
TOTAL FUND BALANCES	<u>3,439,192</u>	<u>3,667,144</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,122,455</u>	<u>\$ 8,710,656</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, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
Licenses and Permits	\$ 2,458	\$ 2,400
Charges for Current Services	743,069	695,759
Other Local Revenues	4,945,572	5,839,586
State of Tennessee	2,518,259	3,302,351
Other Governments and Citizens Groups	1,777,433	471,171
Payments from Component Unit	3,147,995	2,641,874
Payments from Primary Government	5,962,500	2,870,000
	<hr/>	<hr/>
Total Revenues	19,097,286	15,823,141
	<hr/>	<hr/>
Expenditures		
Current:		
Education	28,891,249	19,596,334
Payments to Primary Government	1,490,625	-
	<hr/>	<hr/>
Total Expenditures	30,381,874	19,596,334
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(11,284,588)	(3,773,193)
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers from Other Funds	11,097,945	7,102,261
Transfers to Other Funds	(41,309)	(20,000)
	<hr/>	<hr/>
Total Other Financing Sources	11,056,636	7,082,261
	<hr/>	<hr/>
Net Change in Fund Balances	(227,952)	3,309,068
Fund Balances, July 1	3,667,144	358,076
	<hr/>	<hr/>
Fund Balances, June 30	\$ 3,439,192	\$ 3,667,144
	<hr/> <hr/>	<hr/> <hr/>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
 Knox County Board of Education
 School General Projects Fund
 Comparative Schedules of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual (GAAP Basis)
 For the years ended June 30, 2014 and June 30, 2013

	2014				2013		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues							
Licenses and Permits	\$ -	\$ -	\$ 2,458	\$ 2,458	\$ -	\$ 2,400	\$ 2,400
Charges for Current Services	978,798	978,798	743,069	(235,729)	987,050	695,759	(291,291)
Other Local Revenues	8,400,837	8,400,837	4,945,572	(3,455,265)	8,078,327	5,839,586	(2,238,741)
State of Tennessee	4,222,172	4,222,172	2,518,259	(1,703,913)	3,302,351	3,302,351	-
Payments from Component Unit	3,147,995	3,147,995	3,147,995	-	2,641,874	2,641,874	-
Payments from Primary Government	-	-	5,962,500	5,962,500	2,870,000	2,870,000	-
Other Governments and Citizens Groups	1,984,623	1,984,623	1,777,433	(207,190)	703,209	471,171	(232,038)
Total Revenues	18,734,425	18,734,425	19,097,286	362,861	18,582,811	15,823,141	(2,759,670)
Expenditures							
Current:							
Education:							
Personal Services	8,396,770	8,396,770	7,452,957	943,813	8,089,504	7,910,903	178,601
Employee Benefits	2,020,621	2,020,621	1,810,739	209,882	1,836,533	1,836,568	(35)
Contracted Services	4,429,132	4,429,132	3,072,503	1,356,629	2,482,296	1,353,551	1,128,745
Supplies and Materials	16,303,121	16,303,121	15,826,795	476,326	11,851,650	7,918,793	3,932,857
Other Charges	585,162	585,162	473,545	111,617	489,614	152,795	336,819
Capital Outlay	921,588	921,588	254,710	666,878	920,595	423,724	496,871
Payments to Primary Government	-	-	1,490,625	(1,490,625)	-	-	-
Total Expenditures	32,656,394	32,656,394	30,381,874	2,274,520	25,670,192	19,596,334	6,073,858
Deficiency of Revenues Under Expenditures	(13,921,969)	(13,921,969)	(11,284,588)	2,637,381	(7,087,381)	(3,773,193)	3,314,188
Other Financing Sources (Uses)							
Transfers from Other Funds	13,963,278	13,963,278	11,097,945	(2,865,333)	7,089,981	7,102,261	12,280
Transfers to Other Funds	(41,309)	(41,309)	(41,309)	-	(20,000)	(20,000)	-
Total Other Financing Sources (Uses)	13,921,969	13,921,969	11,056,636	(2,865,333)	7,069,981	7,082,261	12,280
Net Change in Fund Balances	-	-	(227,952)	(227,952)	(17,400)	3,309,068	3,326,468
Fund Balances, July 1	3,667,144	3,667,144	3,667,144	-	358,076	358,076	-
Fund Balances, June 30	\$ 3,667,144	\$ 3,667,144	\$ 3,439,192	\$ (227,952)	\$ 340,676	\$ 3,667,144	\$ 3,326,468

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, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 7,458,544	\$ 4,720,797
Receivables (Net of Allowance for Uncollectibles):		
Accounts	539,940	3,544,668
Inventories	626,908	291,179
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 8,625,392</u>	<u>\$ 8,556,644</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 320,685	\$ 307,373
Unearned Revenue	370,815	332,885
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>691,500</u>	<u>640,258</u>
Fund Balances:		
Nonspendable	626,908	1,041,179
Restricted	7,306,984	6,875,207
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>7,933,892</u>	<u>7,916,386</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,625,392</u>	<u>\$ 8,556,644</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, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
Charges for Current Services	\$ 7,471,634	\$ 8,428,035
Other Local Revenues	968,469	823,495
State of Tennessee	547,585	522,028
Federal Government	<u>17,012,201</u>	<u>16,933,163</u>
Total Revenues	<u>25,999,889</u>	<u>26,706,721</u>
Expenditures		
Current:		
Education:		
Food Service	<u>25,237,375</u>	<u>26,484,570</u>
Excess of Revenues Over Expenditures	<u>762,514</u>	<u>222,151</u>
Other Financing Uses		
Transfers to Other Funds	<u>(745,008)</u>	<u>(625,008)</u>
Net Change in Fund Balances	17,506	(402,857)
Fund Balances, July 1	<u>7,916,386</u>	<u>8,319,243</u>
Fund Balances, June 30	<u><u>\$ 7,933,892</u></u>	<u><u>\$ 7,916,386</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, 2014 and June 30, 2013**

	2014				2013			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
Revenues								
Charges for Current Services	\$ 8,241,755	\$ 8,241,755	\$ 7,471,634	\$ (770,121)	\$ 10,040,994	\$ 8,428,035	\$ (1,612,959)	
Other Local Revenues	551,539	551,539	968,469	416,930	202,300	823,495	621,195	
State of Tennessee	519,450	519,450	547,585	28,135	429,359	522,028	92,669	
Federal Government	16,833,708	16,833,708	17,012,201	178,493	15,920,189	16,933,163	1,012,974	
Total Revenues	26,146,452	26,146,452	25,999,889	(146,563)	26,592,842	26,706,721	113,879	
Expenditures								
Current:								
Education:								
Food Service:								
Personal Services	7,536,737	8,316,937	8,316,903	34	8,320,656	8,320,579	77	
Employee Benefits	3,126,050	3,126,050	2,414,004	712,046	2,340,272	2,340,208	64	
Contracted Services	1,305,100	1,017,590	1,098,276	(80,686)	1,091,400	1,038,397	53,003	
Supplies & Materials	12,571,565	12,317,895	12,080,166	237,729	14,171,714	14,171,669	45	
Other Charges	382,000	382,000	337,061	44,939	369,900	369,885	15	
Capital Outlay	480,000	990,980	990,965	15	423,900	243,832	180,068	
Total Expenditures	25,401,452	26,151,452	25,237,375	914,077	26,717,842	26,484,570	233,272	
Excess of Revenues Over Expenditures	745,000	(5,000)	762,514	767,514	(125,000)	222,151	347,151	
Other Financing Uses								
Transfers to Other Funds	(745,000)	(745,000)	(745,008)	(8)	(625,000)	(625,008)	(8)	
Net Change in Fund Balances	-	(750,000)	17,506	767,506	(750,000)	(402,857)	347,143	
Fund Balances, July 1	7,916,386	7,916,386	7,916,386	347,143	8,319,243	8,319,243	-	
Fund Balances, June 30	\$ 7,916,386	\$ 7,166,386	\$ 7,933,892	\$ 767,506	\$ 7,569,243	\$ 7,916,386	\$ 347,143	

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 1,525,242	\$ 8,604,934
Investments, at Fair Value:		
Mutual Funds	58,838,558	-
Corporate Bonds	827,789	-
U.S. Treasuries	3,597,249	-
Federal Agency Debt Securities	1,149,491	-
Federal Agency Mortgage Backed Securities	2,206,454	-
Total Investments	<u>66,619,541</u>	<u>-</u>
Receivables:		
Interest and Dividends	47,118	-
Employee Contributions	788	-
Receivable for Investments Sold	400,131	-
Other Assets	-	41,823
Total Receivables	<u>448,037</u>	<u>41,823</u>
TOTAL ASSETS	<u>68,592,820</u>	<u>8,646,757</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	151,918	19,037
Liability for Student Activities	-	8,627,720
TOTAL LIABILITIES	<u>151,918</u>	<u>\$ 8,646,757</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	<u>\$ 68,440,902</u>	

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -
Knox County Board of Education
Comparative Statements of Fiduciary Net Position
Pension Trust Fund - Teacher's Plan (Defined Benefit Plan)
June 30, 2014 and June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents - Money Market Funds	\$ 1,525,242	\$ 1,962,222
Investments, at Fair Value:		
Mutual Funds	58,838,558	56,356,302
Corporate Bonds	827,789	679,918
U.S. Treasuries	3,597,249	2,184,699
Federal Agency Debt Securities	1,149,491	1,550,895
Federal Agency Mortgage Backed Securities	<u>2,206,454</u>	<u>2,688,100</u>
Total Investments	<u>66,619,541</u>	<u>63,459,914</u>
Receivables:		
Employee Contributions	788	1,672
Receivable for Investments Sold	400,131	-
Accrued Interest and Dividends	<u>47,118</u>	<u>-</u>
Total Receivables	<u>448,037</u>	<u>1,672</u>
TOTAL ASSETS	<u>68,592,820</u>	<u>65,423,808</u>
LIABILITIES		
Accounts Payable - Administrative Expenses	<u>151,918</u>	<u>97,829</u>
TOTAL LIABILITIES	<u>151,918</u>	<u>97,829</u>
NET POSITION		
Held in Trust For: Pension Benefits	<u>\$ 68,440,902</u>	<u>\$ 65,325,979</u>

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Comparative Statements of Changes in Fiduciary Net Position
Pension Trust Fund - Teacher's Plan (Defined Benefit Plan)
For the years ended June 30, 2014 and June 30, 2013**

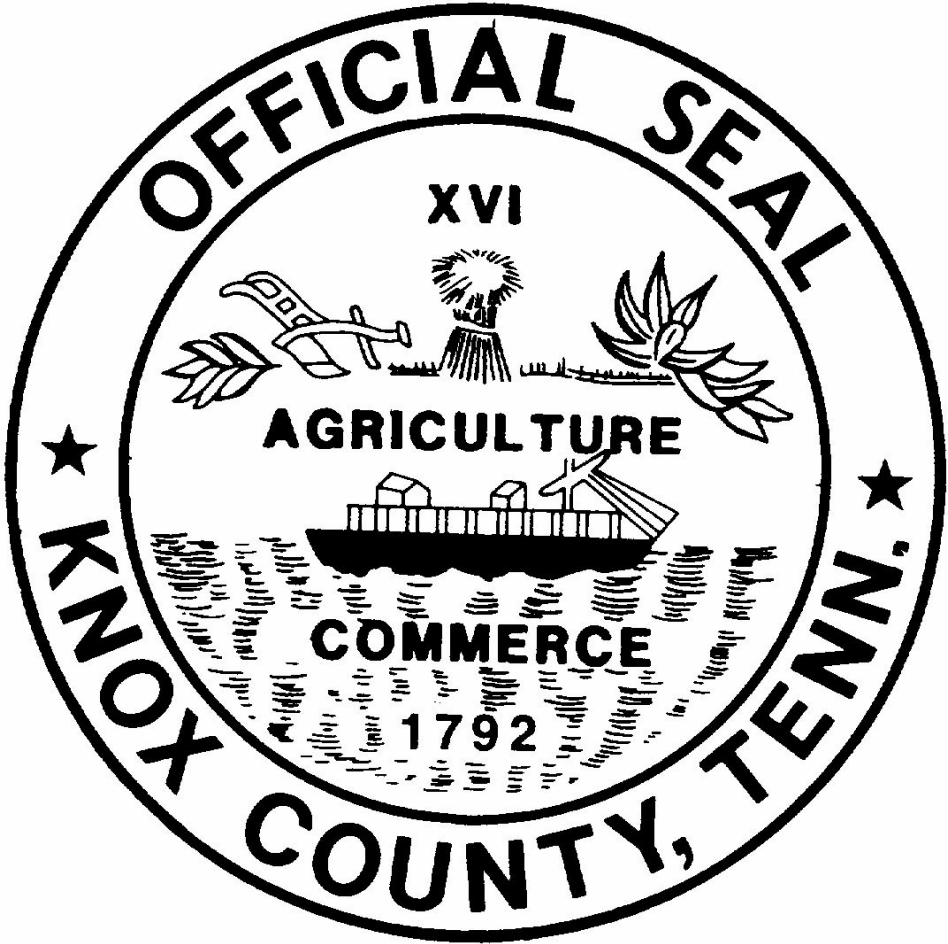
	<u>2014</u>	<u>2013</u>
Additions		
Contributions:		
Employer	\$ -	\$ 2,909,566
Employee	11,488	25,783
Total Contributions	<u>11,488</u>	<u>2,935,349</u>
Investment Income:		
Interest and Dividend Income	347,722	386,266
Net Appreciation (Depreciation) in Fair Value of Investments	<u>10,133,615</u>	<u>7,134,052</u>
Total Investment Earnings (Losses)	10,481,337	7,520,318
Less Investment Expense	<u>(276,643)</u>	<u>(332,087)</u>
Net Investment Earnings (Losses)	<u>10,204,694</u>	<u>7,188,231</u>
Total Additions	<u>10,216,182</u>	<u>10,123,580</u>
Deductions		
Benefits and Refunds	6,612,778	6,555,391
Administrative Expenses	<u>488,481</u>	<u>413,387</u>
Total Deductions	<u>7,101,259</u>	<u>6,968,778</u>
Change in Net Position	3,114,923	3,154,802
Total Net Position Held in Trust for Pension Benefits, July 1	<u>65,325,979</u>	<u>62,171,177</u>
Total Net Position Held in Trust for Pension Benefits, June 30	<u>\$ 68,440,902</u>	<u>\$ 65,325,979</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, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>
Assets and Liabilities, July 1	\$ 8,349,893	\$ 7,583,099
Additions	20,453,773	19,859,769
Deductions	<u>(20,175,946)</u>	<u>(19,092,975)</u>
Assets and Liabilities, June 30	<u>\$ 8,627,720</u>	<u>\$ 8,349,893</u>

Statistical Section



STATISTICAL SECTION (Unaudited)

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

Contents	Page
Financial Trends	215-223
<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	224-227
<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	228-230
<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	231-232
<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	233-235
<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)

	2005	2006	2007	2008	2009	2010	2011	Restated 2012	2013	2014
Primary government										
Governmental activities										
Net investment in capital assets										
Restricted	\$ 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	\$ 284,908,028
Unrestricted	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	15,250,562
Total primary governmental activities net position	\$ (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)	\$ (247,035,437)
Business-type activities										
Three Ridges Golf Course										
Investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ 893,709	\$ 832,590	\$ 718,674	\$ 634,436	\$ 503,880	\$ 453,946
Unrestricted	-	-	-	-	286,781	304,278	301,122	215,757	99,523	73,842
Total business-type activities net position	\$ -	\$ -	\$ -	\$ -	\$ 1,180,490	\$ 1,136,868	\$ 1,019,796	\$ 850,193	\$ 603,403	\$ 527,788
Component units										
Investment in capital assets	\$ 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	\$ 412,116,052
Restricted	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	19,608,463
Unrestricted	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	51,357,504
Total component units activities net position	\$ 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	\$ 483,082,019
Total reporting unit activities net position	\$ 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	\$ 536,732,960

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Primary government:										
Governmental activities:										
Finance and Administration	\$ 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	\$ 30,943,555
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	6,753,874
Administration of Justice	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	23,299,693
Public Safety	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	77,888,346
Public Safety - payment to component unit	603,450	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200
Public Health and Welfare	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	33,693,888
Public Health and Welfare - payment to component unit	562,635	646,990	256,628	166,628	166,628	256,628	256,628	256,628	256,628	211,628
Social and Cultural Services	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	19,921,048
Agricultural and Natural Resources	390,615	402,907	425,395	461,142	433,295	413,675	380,453	365,774	435,231	519,433
Other General Government	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	23,803,616
Other General Government - payment to component unit	-	-	-	-	-	-	-	-	675,000	600,000
Engineering & Public Works	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	25,155,488
Engineering & Public Works - payment to component unit	-	-	-	-	25,872	-	-	-	-	-
Education - payment to component unit	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	38,763,934
Debt Service - interest and fees	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	25,205,819
Debt Service - other	-	-	-	-	-	-	-	-	-	745,863
Total governmental activities	<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>	<u>307,832,385</u>
Business-type activities:										
Three Ridges Golf Course	-	-	-	-	464,137	961,678	1,044,409	1,147,603	1,124,565	937,604
Total primary government expenses	<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>	<u>\$ 308,769,989</u>
Component units:										
Board of Education	\$ 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	\$ 560,610,890
Nonmajor Component Units	7,212,271	6,545,813	6,600,806	6,777,287	6,986,393	6,708,481	6,656,575	6,461,195	7,194,181	7,397,708
Total component units expenses	<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>	<u>\$ 568,008,598</u>
Total reporting unit expenses	<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>	<u>\$ 876,778,587</u>

Continued

KNOX COUNTY, TENNESSEE

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenues										
Primary government:										
Governmental activities:										
Charges for Services:										
Finance and Administration	\$ 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	\$ 20,581,958
Administration of Justice	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	10,042,760
Public Safety	1,032,281	533,509	499,320	983,881	1,333,523	1,330,976	1,439,718	4,478,725	2,759,919	3,305,146
Public Health and Welfare	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	5,834,345
Social and Cultural Services	1,873,889	1,122,961	1,193,157	1,327,729	1,324,927	1,117,171	880,631	949,557	950,683	885,537
Other General Government	5,697	2,412,907	1,984,775	88,337	249,935	85,295	689,972	592,251	290,846	282,845
Engineering & Public Works	20,570	53,041	-	20,105	214,851	652,250	436,570	758,766	883,998	267,125
Operating grants and contributions	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	15,068,332
Total governmental activities	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	56,268,048
Business-type activities:										
Three Ridges Golf Course	-	-	-	-	462,055	918,056	927,337	978,000	877,775	861,989
Total primary government program revenues	\$ 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	\$ 57,130,037
Component units:										
Charges for Services:										
Board of Education	\$ 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	\$ 15,155,847
Nonmajor Component Units	3,867,183	3,739,653	3,562,338	5,605,505	6,215,901	6,209,957	6,132,513	6,457,347	6,499,035	6,078,468
Operating grants and contributions	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	68,863,832
Capital grants and contributions	-	131,471	-	-	-	-	-	-	747,638	883,814
Total component units program revenues	\$ 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	\$ 90,981,961
Total reporting unit program revenues	\$ 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	\$ 148,111,998
Net (expenses)/revenues										
Primary government activities	\$ (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)	\$ (251,639,952)
Component units	(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)	(477,026,637)
Total net (expenses) revenues for reporting unit	\$ (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)	\$ (728,666,589)

Continued

KNOX COUNTY, TENNESSEE

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Primary government:										
Governmental activities:										
Taxes										
Property taxes	\$ 117,697,785	\$ 124,861,193	\$ 128,874,750	\$ 140,608,170	\$ 134,655,757	\$ 142,138,781	\$ 139,862,073	\$ 144,007,522	\$ 144,007,522	\$ 145,415,011
Sales taxes	9,626,296	10,031,562	9,952,384	8,987,868	9,708,315	10,433,188	11,076,254	11,815,046	11,815,046	11,133,979
Lodging taxes	4,702,072	5,286,419	5,382,819	4,815,765	4,830,079	5,152,412	5,696,181	5,547,738	5,547,738	5,860,554
Business taxes	5,864,308	6,651,425	6,629,276	7,440,271	6,332,408	7,347,327	7,782,614	8,709,692	8,709,692	7,566,636
Wheel taxes	10,118,110	10,347,460	10,636,138	10,570,144	10,471,856	10,937,485	10,835,470	10,936,500	10,936,500	11,448,102
Other local taxes	3,649,170	3,667,617	3,793,818	4,317,993	4,669,629	4,620,907	2,935,940	4,942,341	4,942,341	4,970,986
Investment revenue	7,142,137	8,179,185	5,641,188	2,936,051	(1,678,577)	3,204,476	(4,260,317)	7,779,556	7,779,556	2,248,955
Other revenues	27,521,207	36,236,016	36,856,107	36,821,934	38,280,459	38,088,691	54,072,973	50,760,348	50,760,348	47,499,852
Contracts - other governments and citizens	466,759	584,683	419,470	851,750	294,120	1,236,916	96,628	264,452	264,452	728,102
Miscellaneous	-	152,406	1,122,914	11,700	517,094	3,118,883	667,645	262,735	262,735	966,103
Transfers	-	-	-	(1,182,572)	-	-	-	-	-	-
Total governmental activities	186,787,844	205,997,966	209,308,864	216,179,074	208,081,140	226,279,066	228,765,461	245,025,930	245,025,930	237,838,280
Business-type activities:										
Transfers										
	-	-	-	1,182,572	-	-	-	-	-	-
Total primary government	\$ 186,787,844	\$ 205,997,966	\$ 209,308,864	\$ 217,361,646	\$ 208,081,140	\$ 226,279,066	\$ 228,765,461	\$ 245,025,930	\$ 245,025,930	\$ 237,838,280
Component units:										
Taxes										
Property taxes	\$ 96,753,338	\$ 97,724,691	\$ 102,342,297	\$ 107,324,525	\$ 106,737,074	\$ 112,371,639	\$ 110,866,194	\$ 113,862,764	\$ 113,862,764	\$ 115,339,172
Sales taxes	118,690,397	125,062,455	125,522,010	116,296,501	114,769,928	119,973,142	128,588,400	127,612,963	127,612,963	128,518,755
Wheel taxes	1,500,000	1,459,461	1,500,030	1,490,723	1,494,272	1,525,119	1,501,397	1,515,396	1,515,396	1,561,822
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	1,019,405	1,073,324
Investment revenue	2,003,350	2,746,738	1,739,023	418,377	120,512	132,360	42,669	166,662	166,662	229,295
Payments from primary government	75,355,440	33,905,615	11,877,828	19,391,181	33,992,796	55,331,660	17,984,904	36,044,093	36,044,093	46,655,636
Other revenues	-	-	-	4,525,727	1,420,641	1,372,773	1,475,328	1,913,690	1,913,690	1,369,610
Contracts - other governments and citizens	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	78,725	78,725	90,080
Miscellaneous	-	-	-	-	109,577	4	503,211	377,361	377,361	219,340
Grants and Contributions Not Restricted for Specific Programs	-	-	142,038,000	144,111,400	139,899,700	145,735,671	161,206,791	171,210,229	171,210,229	175,368,140
Total component units	\$ 297,160,809	\$ 263,894,997	\$ 388,091,306	\$ 395,832,069	\$ 401,328,794	\$ 439,168,277	\$ 424,927,305	\$ 453,801,288	\$ 453,801,288	\$ 470,425,174
Total reporting unit	\$ 483,948,653	\$ 469,892,963	\$ 597,400,170	\$ 613,193,715	\$ 609,409,934	\$ 665,447,343	\$ 653,692,766	\$ 698,827,218	\$ 698,827,218	\$ 708,263,454
Change in Net Position										
Primary government activities	\$ (388,881)	\$ (55,767,987)	\$ (30,337,919)	\$ 6,484,181	\$ (25,989,192)	\$ (13,241,636)	\$ (31,293,973)	\$ 30,098,337	\$ 12,168,292	\$ (13,801,672)
Component units activities	76,887,061	36,479,468	143,039,009	(3,196,835)	(2,180,232)	48,232,207	41,159,907	41,245,283	14,469,880	(6,601,463)
Total reporting unit	\$ 76,498,180	\$ (19,288,519)	\$ 112,701,090	\$ 3,287,346	\$ (28,169,424)	\$ 34,990,571	\$ 9,865,934	\$ 71,343,620	\$ 26,638,172	\$ (20,403,135)

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Property Tax	Sales Tax	Lodging Tax	Business Tax	Wheel Tax	Other Local Tax	Total
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
2014	145,415,011	11,133,979	5,860,554	7,566,636	11,448,102	4,970,986	186,395,268

Continued

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Property Tax	Sales Tax	Wheel Tax	Other Local Tax	Total
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
2014	115,339,172	128,518,755	1,561,822	1,073,324	246,493,073

Continued

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Property Tax	Sales Tax	Lodging Tax	Business Tax	Wheel Tax	Other Local Tax	Total
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
2014	260,754,183	139,652,734	5,860,554	7,566,636	13,009,924	6,044,310	432,888,341

KNOX COUNTY, TENNESSEE

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	Restated 2012	2013	2014
General fund										
Reserved	\$ 7,934,931	\$ 7,823,979	\$ 9,306,651	\$ 11,024,655	\$ 9,080,512	\$ 8,382,154	\$ -	\$ -	\$ -	\$ -
Unreserved	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	6,760,134
Restricted	-	-	-	-	-	-	2,212,749	2,787,302	2,798,061	2,557,432
Committed	-	-	-	-	-	-	9,294	5,596,444	3,675,473	2,342,583
Assigned	-	-	-	-	-	-	957,967	465,211	1,089,640	1,401,378
Unassigned	-	-	-	-	-	-	43,521,876	44,259,130	51,452,742	53,026,996
Total general fund	<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>	<u>\$ 66,088,523</u>
All other governmental funds										
Reserved	\$ 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	4,793,783	3,784,117	3,826,048	5,405,844	3,831,682	2,387,038	-	-	-	-
Capital projects public improvement	5,645,300	(3,214,692)	(9,257,333)	(28,415,905)	12,367,955	(4,050,370)	-	-	-	-
Debt service	30,906,228	24,120,114	26,617,102	24,383,887	17,757,274	15,753,733	-	-	-	-
Other governmental funds	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	3,953,715
Restricted	-	-	-	-	-	-	20,968,128	27,243,240	6,277,249	12,693,130
Committed	-	-	-	-	-	-	22,133,322	23,331,278	25,942,402	29,062,822
Assigned	-	-	-	-	-	-	-	2,199,988	3,657,378	3,986,924
Total all other governmental funds	<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>	<u>\$ 49,696,591</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 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	\$ 187,406,586
Licenses and permits	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	3,827,598
Fines, forfeitures and penalties	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	2,949,034
Charges for current services	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	31,070,318
Other local revenues	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	8,535,982
State of Tennessee	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	18,137,895
Federal government	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	11,238,152
Other governments and citizen groups	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	723,019
Investment earnings	2,713,771	7,145,359	8,180,389	173,206	794,846	174,952	1,037,903	2,111,750	2,214,606	2,023,800
Payments from component units	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	31,929,023
Fees received from county officials	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	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	297,841,407
Expenditures										
Finance and administration	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	30,536,305
Finance and administration - payments to component unit	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	6,753,874
Administration of justice	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	22,787,276
Public safety	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	74,958,904
Public safety - payments to component unit	603,450	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200
Public health and welfare	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	32,819,696
Public health and welfare - payments to component unit	562,635	646,990	256,628	166,628	166,628	256,628	256,628	256,628	256,628	211,628
Social and cultural services	14,688,232	15,719,033	17,697,777	17,868,031	19,224,930	18,490,914	18,082,432	16,594,500	16,367,637	17,294,876
Agricultural and natural resources	390,615	402,907	425,395	461,142	433,295	413,675	380,453	365,774	435,231	519,433
Other general government	13,533,836	11,690,674	14,173,623	13,878,441	14,588,454	14,871,749	19,777,716	18,887,075	20,439,302	21,365,998
Other general government - payments to component unit	-	-	-	-	-	-	-	-	-	600,000
Engineering & Public Works	8,607,547	12,887,045	11,228,081	11,096,021	12,130,049	11,875,623	11,736,732	10,498,407	10,873,216	11,782,056
Engineering & Public Works - payments to component unit	-	-	-	-	25,872	-	-	-	-	-
Decrease in equity interest in joint venture	457,224	-	-	-	20,682	528,848	-	-	-	493,210
Debt proceeds paid to component unit	24,000,000	27,000,000	18,550,000	-	14,000,000	14,822,428	29,004,906	13,578,202	13,182,024	38,763,934
Debt issuance cost	308,200	337,500	340,537	489,154	368,000	247,856	441,307	106,387	-	745,863
Payments to component unit	5,500	44,994,500	10,750,000	5,000,000	-	-	-	-	-	-
Capital Outlay	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	18,415,728
Debt Service:										
Principal	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	40,630,308
Interest	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	23,577,780
Other charges	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	2,308,689
Total expenditures	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	344,891,758
Excess (deficiency) of revenues over (under) expenditures	(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)	(47,050,351)
Other financing sources (uses)										
Transfers in	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	15,910,827
Transfers out	(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)	(21,240,907)
Capital lease proceeds	-	-	-	-	-	11,651,171	-	-	13,182,024	14,872,404
Refunding bonds issued	93,310,000	-	-	-	-	4,550,000	62,675,000	21,505,000	-	-
Bonds issued	70,000,000	77,000,000	69,000,000	57,000,000	40,000,000	16,000,000	46,236,000	14,400,000	-	39,075,000
Loan issued	-	-	-	-	-	-	-	-	-	5,962,500
Premium on debt issued	8,238,711	-	-	-	332,400	207,763	2,458,913	1,367,889	-	350,920
Discount on bonds issued	(585,773)	-	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	(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	-	-
Total other financing sources (uses)	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	54,930,744
Net change in fund balances	\$ 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)	\$ 7,880,393
Debt service as a percentage of noncapital expenditures	16.49%	13.78%	15.94%	19.07%	20.37%	18.71%	19.74%	21.93%	20.75%	19.21%

KNOX COUNTY, TENNESSEE

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

Lien Date January 1 (See Note)	Real Property		Personal Property	Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
2004	\$ 3,868,282,100	\$ 2,117,646,997	\$ 519,472,411	\$ 238,136,066	\$ 6,743,537,574	2.96	\$ 26,548,156,722	25.40%
2005	4,591,036,325	2,361,173,967	535,320,641	253,369,983	7,740,900,916	2.69	26,951,511,804	28.72%
2006	4,795,546,769	2,401,268,570	546,690,987	256,025,735	7,999,532,061	2.69	27,150,754,168	29.46%
2007	5,053,612,148	2,505,298,728	502,485,204	244,990,311	8,306,386,391	2.69	28,594,497,618	29.05%
2008	5,264,656,656	2,612,533,383	516,452,576	254,125,962	8,647,768,577	2.69	29,773,937,112	29.04%
2009	6,358,325,898	2,886,901,400	555,839,420	278,517,456	10,079,584,174	2.36	34,788,300,665	28.97%
2010	6,293,203,744	3,098,030,754	530,130,578	263,158,114	10,184,523,190	2.36	35,165,817,171	28.96%
2011	6,337,376,707	3,191,959,772	536,666,886	272,395,481	10,338,398,846	2.36	35,616,214,676	29.03%
2012	6,399,084,305	3,281,433,647	585,216,236	269,579,260	10,535,313,448	2.36	36,748,900,885	28.67%
2013	6,449,645,497	3,539,910,521	616,438,735	271,557,298	10,877,552,051	2.32	37,707,887,827	28.85%

Source: Knox County, Tennessee Trustee Department.

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

- Real Property: Residential and Farm at 25% of value
- Commercial and Industrial at 40% of value
- Personal property at 30% of value
- Public Utilities at 55% of value (Railroads 40%)

The lien date of January 1 represents the date that the legal claim to the taxable property is recognized. The related property tax revenue is levied for the subsequent fiscal year.

KNOX COUNTY, TENNESSEE

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

	Year Taxes Are Payable									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Knox County Direct Rates										
General	\$ 1.36	\$ 1.24	\$ 1.24	\$ 1.13	\$ 1.10	\$ 0.97	\$ 0.97	\$ 0.97	\$ 0.97	\$ 0.96
Public Library	-	-	-	-	-	-	-	-	-	-
Solid Waste	-	-	-	-	-	-	-	-	-	-
Debt Service	0.25	0.22	0.22	0.33	0.36	0.31	0.31	0.31	0.31	0.30
ADA Construction	-	-	-	-	-	-	-	-	-	-
Schools	1.35	1.23	1.23	1.23	1.23	1.08	1.08	1.08	1.08	1.06
Total direct rate	2.96	2.69	2.69	2.69	2.69	2.36	2.36	2.36	2.36	2.32
City of Knoxville Rates	2.81	2.81	2.81	2.81	2.81	2.46	2.46	2.46	2.46	2.39
Total direct & overlapping rates	\$ 5.77	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 4.82	\$ 4.82	\$ 4.82	\$ 4.82	\$ 4.71

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

KNOX COUNTY, TENNESSEE

Principal Property Taxpayers
Tax Year 2013 and Nine Years Ago
(Unaudited)

<u>Taxpayer</u>	<u>Tax Year 2013</u>			<u>Tax Year 2004</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Metro Knoxville	\$ 61,823,680	1	0.57%	\$ -	-	-
Bellsouth Telecommunications	53,206,781	2	0.49%	83,177,205	1	1.24%
Verizon Wireless Tennessee	31,471,225	3	0.29%	-	-	-
AT&T Mobility	30,113,327	4	0.28%	-	-	-
West Town Mall	27,749,840	5	0.26%	37,504,160	2	0.56%
Tennessee Holding	17,720,000	6	0.16%	-	-	-
Exedy America Corp	16,708,076	7	0.15%	-	-	-
Hart	14,401,120	8	0.13%	-	-	-
Hertz Knoxville One	13,600,000	9	0.13%	-	-	-
Rohm & Haas Chemicals	12,810,940	10	0.12%	-	-	-
Knoxville Center	-	-	-	24,800,160	3	0.37%
Parkway Properties	-	-	-	13,274,480	4	0.20%
Norfolk Southern	-	-	-	12,682,911	5	0.19%
Fort Sanders Alliance	-	-	-	11,581,560	6	0.17%
Concord Telephone Exchange	-	-	-	10,333,148	7	0.15%
HPW Family Partnership	-	-	-	9,728,080	8	0.14%
Daikin Drivetrain Components Corp	-	-	-	7,524,335	9	0.11%
East Tennessee Baptist Hospital	-	-	-	7,603,480	10	0.11%
Totals	<u>\$ 279,604,989</u>		<u>2.57%</u>	<u>\$ 218,209,519</u>		<u>3.24%</u>

Source: Knox County, Tennessee Trustee Department.

KNOX COUNTY, TENNESSEE

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 198,457	\$ 191,042	96.3%	\$ 7,255	\$ 198,297	99.9%
2006	206,845	198,584	96.0%	8,093	206,677	99.9%
2007	214,480	207,118	96.6%	7,147	214,265	99.9%
2008	223,260	215,195	96.4%	7,761	222,956	99.9%
2009	232,382	221,475	95.3%	10,448	231,923	99.8%
2010	237,485	227,064	95.6%	9,680	236,744	99.7%
2011	240,087	230,908	96.2%	8,041	238,949	99.5%
2012	243,810	234,803	96.3%	7,288	242,091	99.3%
2013	248,519	240,734	96.9%	5,000	245,734	98.9%
2014	252,270	244,964	97.1%	-	244,964	97.1%

Source: Knox County, Tennessee Trustee Department.

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Primary Government		Component Units	Total Reporting Unit	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds and Loans	Capital Leases	Capital Leases			
2005	\$ 486,583	-	\$ 5,652	\$ 492,235	3.70%	\$ 1,204
2006	540,357	-	4,552	544,909	3.85%	1,300
2007	585,591	-	3,409	589,000	3.92%	1,389
2008	620,932	-	12,930	633,862	4.05%	1,474
2009	666,104	-	11,767	677,871	4.41%	1,558
2010	650,194	11,651	23,124	684,969	4.26%	1,582
2011	696,097	-	-	696,097	4.10%	1,593
2012	679,172	-	-	679,172	3.74%	1,540
2013	640,593	13,182	-	653,775	3.60% (2)	1,469
2014	647,604	27,245	-	674,849	3.72% (2)	1,506 (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 231 for personal income and population data.

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

KNOX COUNTY, TENNESSEE

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
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%	1,378
2014	632,397	21,749	610,648	1.62% (3)	1,363 (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 224 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 231.

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

KNOX COUNTY, TENNESSEE

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2014
(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	\$ 674,849	100.00%	\$ 674,849
Subtotal, direct debt			<u>674,849</u>
City of Knoxville overlapping debt	159,435	100.00%	159,435
Town of Farragut overlapping debt	750	100.00%	<u>750</u>
Total direct and overlapping debt			<u><u>\$ 835,034</u></u>

Note: Percentage of overlap based on assessed property values.

KNOX COUNTY, TENNESSEE

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

Fiscal Year	Population (3)	Personal Income (amounts expressed in thousands)	(1)	Per Capita Personal Income	(1)	Median Age	(3)	School Enrollment	(3)	Unemployment Rate	(2)
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		37.2		113,848		7.8%	
2011	436,877	16,994,073		38,894		37.2		108,109		7.6%	
2012	441,311	18,149,825		41,127		37.2		111,190		6.7%	
2013	444,622	18,149,825 (4)		40,888 (4)		37.3		111,190 (4)		7.3%	
2014	447,933 (4)	18,149,825 (4)		40,888 (4)		37.3 (4)		111,190 (4)		6.3%	

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 2013 and Nine Years Ago
(Unaudited)**

Employer (1)	2013			2004		
	Employees (2)	Rank	Percentage of Total Knoxville MSA Employment (3)	Employees (2)	Rank	Percentage of Total Knoxville MSA Employment (3)
U.S. Department of Energy, Oak Ridge Operations	11,877	1	3.45%	-		-
Covenant Health	9,122	2	2.65%	8,000	1	2.44%
Knox County Public Schools	7,066	3	2.05%	7,848	3	2.39%
The University of Tennessee	6,550	4	1.90%	7,934	2	2.42%
Wal-Mart Stores	5,776	5	1.68%	4,600	4	1.40%
McGee Tyson Air National Guard Base	4,897	6	1.42%	-		-
University Health System	4,061	7	1.18%	2,764	7	0.84%
K-VA-T Food Stores	3,857	8	1.12%	-		-
DENSO Mfg	3,400	9	0.99%	-		-
Tennova Healthcare	3,124	10	0.91%	-		-
Knox County Government	-		-	2,500	9	0.76%
St. Mary's Medical Center	-		-	3,461	5	1.05%
Baptist Health System of East Tennessee	-		-	3,000	6	0.91%
City of Knoxville	-		-	2,858	8	0.87%
Clayton Homes	-		-	2,023	10	0.62%
Total	59,730		17.35%	44,988		13.70%

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

(2) Greater Knoxville Chamber of Commerce.

(3) Tennessee Department of Labor and Workforce Development.

KNOX COUNTY, TENNESSEE

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

	Full-time Equivalent Employees by Function									
Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	515	557	566	529	541	534	521	503	504	508
Public safety	867	902	938	979	969	975	1013	1025	1037	1038
Public health and welfare	275	336	377	340	343	324	320	310	291	283
Highways	109	107	112	117	120	117	114	114	116	113
Social, cultural, and recreation	211	198	201	191	196	190	203	194	197	197
Total	1,977	2,100	2,194	2,156	2,169	2,140	2,171	2,146	2,145	2,139

Source: Knox County Budget.

KNOX COUNTY, TENNESSEE

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sheriff (1)										
Arrests	31,218	32,508	33,233	32,054	33,548	29,833	29,557	25,571	25,533	*
Accidents	4,868	4,889	5,972	4,321	4,500	3,441	3,190	3,080	2,793	*
Incidents	15,595	21,870	30,302	29,873	38,388	32,258	32,319	32,414	30,949	*
Health services (2)										
Clinical services										
Pediatric cases	10,850	10,537	9,947	8,254	7,570	8,542	3,558	-	-	-
Preventive health cases	13,749	14,571	12,502	12,725	11,812	33,630	24,902	22,958	10,254	9,851
WIC services	26,533	31,156	29,892	32,198	34,085	33,583	33,242	34,625	35,568	36,446
Communicable diseases treated	17,896	18,893	16,497	14,087	16,434	16,207	17,437	17,941	17,615	9,452
New prescriptions filled	58,778	48,771	33,913	6,839	9,837	8,653	7,459	3,413	1,241	1,037
Women's health visits	-	-	-	-	-	10,687	12,285	11,070	12,328	7,838
Social Services visits	-	-	-	-	-	10,923	13,103	11,186	10,385	10,523
Other health related visits	-	-	-	-	-	16,203	11,555	6,694	7,853	11,501
Engineering & public works (2)										
Street resurfacing (miles)	78	38	34	20	28	44	13	17	22	21
Road maintenance service orders processed	1,525	1,288	1,306	2,726	1,869	2,687	2,829	1,973	2,876	2,563
Litter reduction from right of way (miles)	361	538	817	238	720	830	1,046	637	839	1,035
Parks & recreation (2)										
Number of park shelter reservations	843	900	931	995	1,500	3,000	3,500	3,800	4,500	5,500
Total all participants on all teams	27,700	28,750	30,345	30,402	44,450	30,000	30,000	37,000	37,000	40,000
Total number of attendees at events	35,000	35,000	16,757	16,792	90,000	20,500	21,500	90,000	125,084	160,000

* 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									
	<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>	<u>2014</u>
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	10	10	10	8	10	10	9	9	9
Engineering & Public Works										
Streets (lane miles)	N/A	2,033	2,033	2,033	2,033	2,033	2,089	2,107	2,107	2,230
Bridges	138	138	138	138	142	142	142	142	142	143
Traffic signals	49	51	53	55	58	59	64	65	68	70
Parks & Recreation										
Parks acreage	2,874	3,026	3,051	3,076	3,122	3,296	3,296	3,347	3,347	2,600
Parks	43	45	46	47	47	49	49	50	51	49
Spray pools	2	2	3	3	3	3	3	3	3	3
Tennis courts	6	7	7	7	7	7	7	7	7	13

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