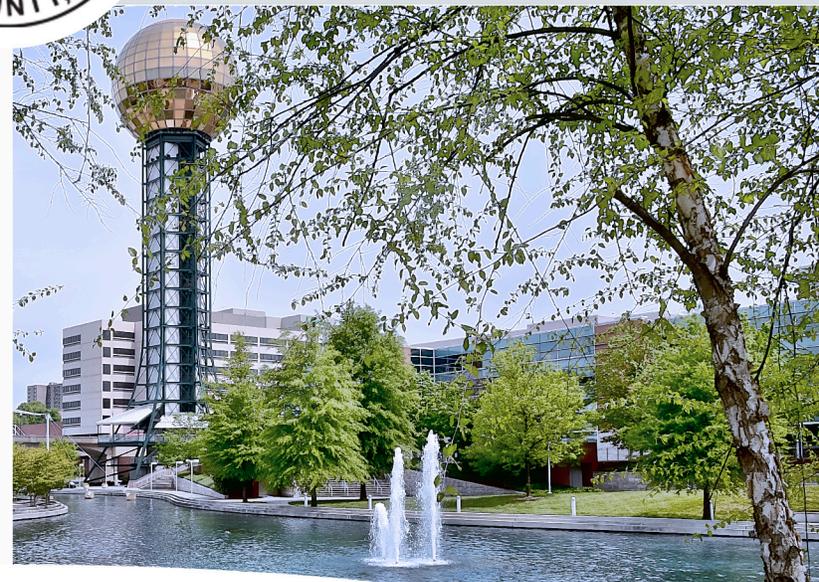


For the Year Ended June 30, 2015  
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

Tim Burchett, County Mayor



# KNOX COUNTY TENNESSEE



**KNOX COUNTY, TENNESSEE**  
**Comprehensive Annual Financial Report**  
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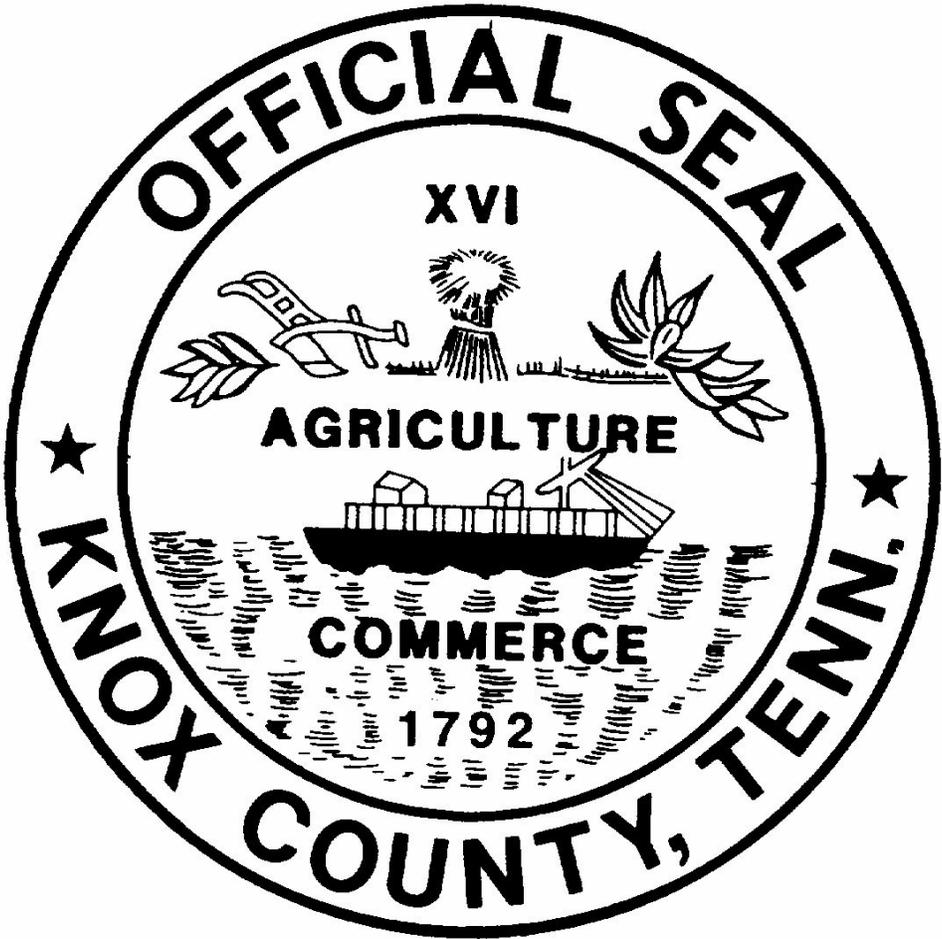
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# Introductory Section





## OFFICE OF COUNTY MAYOR TIM BURCHETT

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

December 22, 2015

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, 2015, 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, 2015. 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 \$18 million from the beginning of FY 2011 to the FY 2015 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 \$68 million since taking office.
- Identified a funding mechanism to use one-time dollars to pay for the construction of a new Carter Elementary School, therefore eliminating a potential \$8 million in traditional bond interest payments. The school opened on time for the 2013-2014 school year.
- Sold the Solway greenwaste facility property for \$2 million; prior to the sale, the upkeep on the property cost taxpayers an average of \$245,000 annually.
- Engaged a committee of private sector experts to help advise Mayor Burchett on how to address the growing cost of employee health benefits in an attempt to bring those benefits more in-line with the private market; many of the committee's suggestions were implemented and the changes resulted in projected savings of \$1.7 million.
- Supported the Halls and Northeast Knox greenway projects, as well as the Knox-Blount greenway project.
- 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 is now being used for senior housing. This provides additional services to the community and places the property back on the County tax roll.
- Saved Historic Knoxville High School, which is now being redeveloped for private use.
- Sold State Street properties, which are now under development as a mixed-use residential project known as Marble Alley.
- Opened the new Karns Senior Center, bringing the total number of Knox County senior centers to six.
- Helped launch a youth dental program in partnership with the Great Schools Partnership, Knox County Schools and the Elgin Children's Foundation.
- Opened a larger, safer and more efficient Knox County Solid Waste convenience center in the Karns community.

***Legislative Initiatives***

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

***Capital Improvement Initiatives***

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

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

*General Construction/Renovation:*

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

*Road Construction/Improvements:*

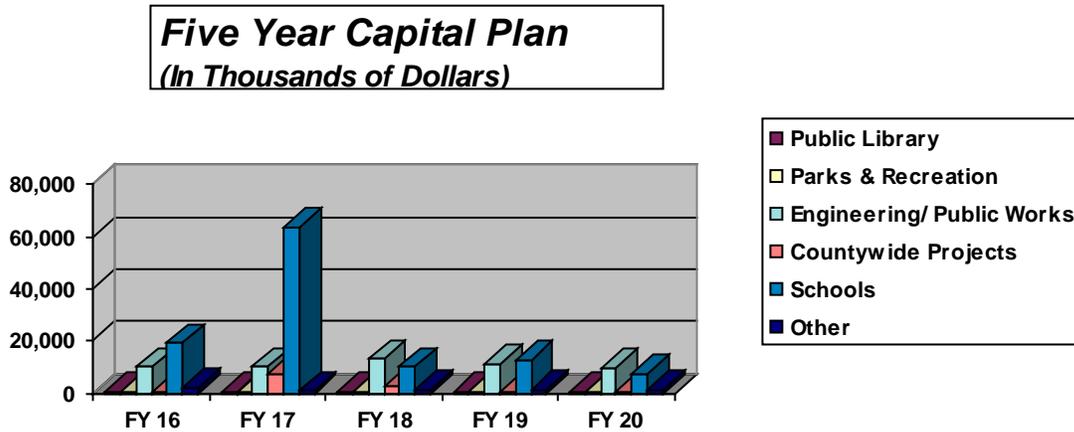
- Ball Camp Road Improvements
- Parkside Drive Extension
- Dry Gap Pike Improvements
- Tazewell Pike Improvements
- General Road Improvements

*School Construction/Renovation:*

- Physical Plant Upgrades
- Energy Management Project
- Security Camera System
- Gresham Middle School
- Career Magnet Academy
- Belle Morris Elementary School
- Shannondale Elementary School

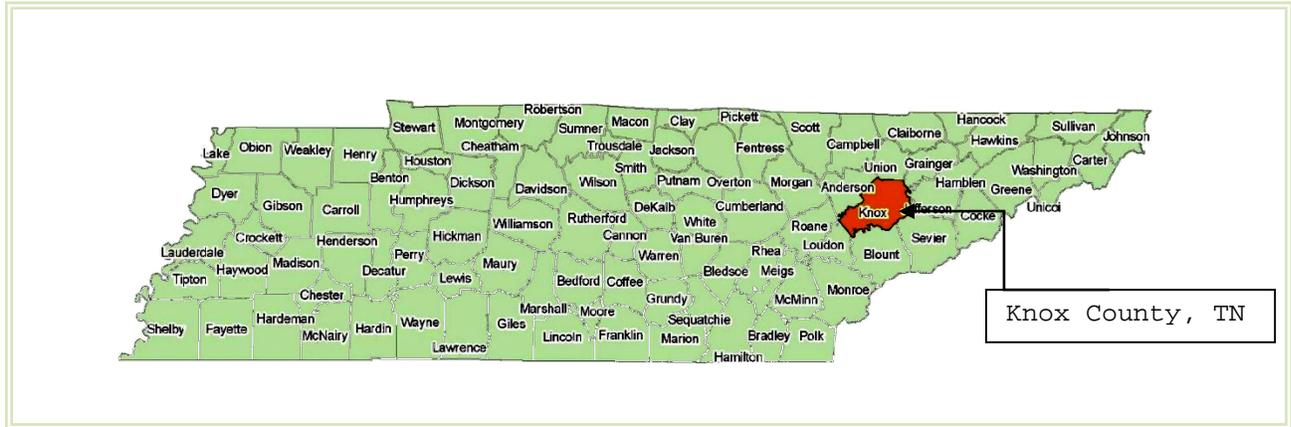
The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

<b>Project Description</b>	<b>FY 15-16</b>	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>TOTAL</b>
Libraries	\$ 195	\$ 235	\$ 200	\$ 200	\$ 200	\$ 1,030
Countywide Projects	250	7,200	2,300	300	300	10,350
Parks & Recreation	535	100	200	200	200	1,235
Engineering & Public Works	9,975	9,965	13,025	11,350	9,525	53,840
Building Improvements & Other	1,890	900	1,000	1,000	1,000	5,790
Schools	19,150	63,750	10,000	12,400	7,400	112,700
<b>Total – Approved Projects</b>	<b>\$ 31,995</b>	<b>\$ 82,150</b>	<b>\$ 26,725</b>	<b>\$ 25,450</b>	<b>\$ 18,625</b>	<b>\$ 184,945</b>



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

## ABOUT KNOX COUNTY



The County is the third most populous county in the State of Tennessee. Located in Middle Eastern Tennessee at the headwaters of the Tennessee River, it is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. The U.S. Census Bureau's 2014 census demographic population data reported that 448,644 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 2014 census data was reported at 184,281. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 21,687. 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 2014 estimates, there were approximately 971 wholesale establishments, 1,629 retail establishments, and more than 5,800 service industries located in the County.

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

The MSA includes more than 780 manufacturing firms, which produce a large variety of items including medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts.

### ***Business Climate***

The County has a history of being a regional leader in economic activity. The County offers premier location opportunities for high-technology and precision manufacturing firms. The University of Tennessee, Tennessee Valley Authority and the Oak Ridge National Laboratory help to provide a stable, secure employment base. The Knoxville area is home to many medium-sized manufacturing and distribution operations as well as customer service centers. The Knoxville area boasts a strong and reliable workforce, and low union membership rates. These assets, combined with an excellent location at the intersections of Interstates 40, 75 and 81, make Knox County a great location for any business. The County is also well served by 125 truck lines, two railroads, six airlines, and three local river terminals that provide direct links to the Great Lakes and to the Gulf of Mexico. The Knoxville area continually receives recognition for high quality of life, combining an attractive natural setting with a moderate four-season climate. In addition, the Knoxville area ranks among the nation's top markets for low cost of living. The Knoxville MSA ranks as one of the top southeastern urban areas with an index of 87.4 compared to the average of all participating cities of 100. The County has over 6,000 acres of park and recreation space, with approximately 157 miles of greenways and walking trails. The arts and culture are well served, with the Knoxville Symphony, Knoxville Opera Company, Knoxville Museum of Art, and several performing arts organizations, including the Clarence Brown Theater, providing numerous cultural opportunities. Live entertainment includes touring Broadway productions and many concerts at numerous venues throughout the area, including the historic, beautifully renovated Tennessee and Bijou theaters.

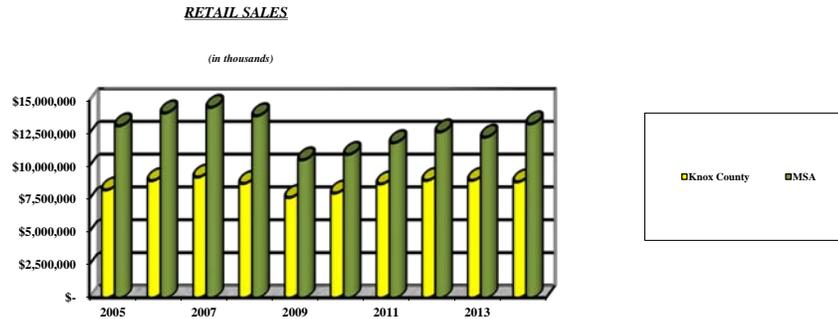
### ***Industrial Investment***

The Knoxville MSA has been recognized nationally as a leading location to live and do business. In 2015, The Brookings Institution ranked the Knoxville metro area as the 48th best-performing in the country based on its showing in job growth, unemployment, output (gross product), and house prices. Among metro areas in Tennessee, Knoxville was second only to Nashville (7th best nationally). Commerce and industry vary from the media success of Scripps Television Networks (HGTV, DIY, Food, Cooking, GAC, and Travel), to Sysco Corporation's (largest food service marketer and distributor in North America) regional warehouse and distribution center. In addition, many other local companies are recognized as national and global leaders, including Clayton Homes, Brunswick Corporation, Keurig Green Mountain, Bush Brothers, Pilot/Flying J Travel Centers, and Ruby Tuesday.

The area is also gaining a reputation as a prime location for corporate headquarters. High profile companies headquartered here in the MSA include the Tennessee Valley Authority, Jewelry Television, AC Entertainment, DeRoyal Industries, PetSafe/Radio Systems Corporation, and Regal Entertainment. Knox County has 7 business parks and a Technology Corridor to meet a wide range of corporate facility needs. In 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***

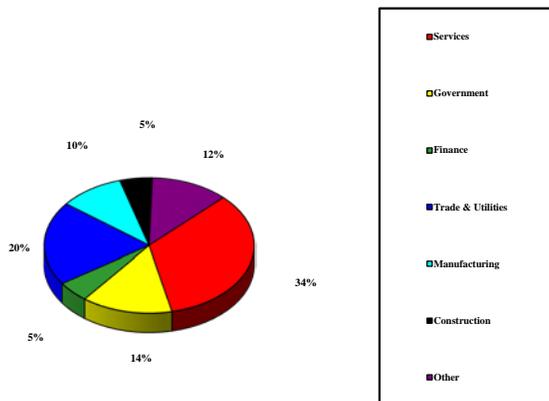
Four regional shopping malls and over 200 shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Knox County has traditionally been the regional hub of the MSA. The 2014 retail sales in the MSA grossed over \$13.2 billion, with approximately 67% of that total 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 which had over 10 million guests in 2014.

***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 2015, the seasonally unadjusted unemployment rates for the County, state and nation stood at 5.3%, 6.3%, and 5.5%, respectively. The County's rate, while in line with the nation's, reflects a full percentage decrease from the corresponding rate from June 2014, and the state and national rates reflect moderate reductions. These rates indicate improvements in economic conditions across the board.

### **Per Capita Income**

In 2014, Knox County's per capita income was \$43,012. This represents an increase of 3.0 percent compared to 2013.

## ***FINANCIAL INFORMATION***

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

For the annual budget process, the FY 2015 adopted budget provided for a modest increase (1.7%) in General Fund expenditures. Most of the budgeted increase was for needed additional expenditures for public safety. Education funding, provided for in the General Purpose School Fund (the general fund for the Board of Education component unit) has also increased by more than \$5 million. The increases in budgeted funds for public safety and education reflect the Mayor's commitment to ensure that adequate funding is provided for these essential functions. By careful budgeting of expenditures in the overall budget, other essential services to Knox County citizens (road maintenance, parks and recreation, library services, etc.) have been maintained at appropriate levels. Revenues have been estimated conservatively, and actual results exceeded the budget. Much of this was due to local taxes, other local revenues and funding from the State that exceeded originally budgeted estimates.

The planned reduction in the County's bonded debt levels are dependent on both the levels of debt service payments and the amounts of new debt added. Debt service expenditures are provided for in the County's annual budgets, and the amounts of debt retirement have been provided for based on the required upcoming debt service. The amount of new debt to be added is dependent on the amount needed for projects approved in the County's adopted Capital Improvement Plan, which covers the upcoming five-year period. This funding mechanism provides for a matching of debt service expenditures with the useful lives of the assets acquired with the bond proceeds. In order to reduce the overall levels of bonded debt, it has been necessary to reduce the approved projects to be funded from debt proceeds. This reduction is being accomplished. The total bonded debt as of June 30, 2015 of \$622,812,923 is \$68,373,545 less than fiscal year 2011. This change resulted from the payments

of bonded debt in the current year exceeding new issuances. Additional reductions are planned in future years to accomplish the Mayor's stated goal of reducing County bonded debt.

### ***OTHER INFORMATION***

#### ***Awards***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Knox County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the nineteenth 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 twentieth consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2016 Annual Operating Budget. In qualifying for the award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

#### ***Acknowledgments***

The preparation of the CAFR was made possible by the dedicated service of the Department of Finance. Those involved have our sincere appreciation for the individual and collective contributions made in the preparation of the report. Perry Benshoof, Jack Blackburn, Jennifer Bodie, Steve Campbell, Jeff Clark, Dora Compton, Susan Corlew, Patti Galvan-Balzer, Peter Lin, 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, 2014**

Executive Director/CEO



**KNOX COUNTY, TENNESSEE**  
**ROSTER OF PUBLICLY ELECTED OFFICIALS**  
 As of June 30, 2015

**Elected Officials:**

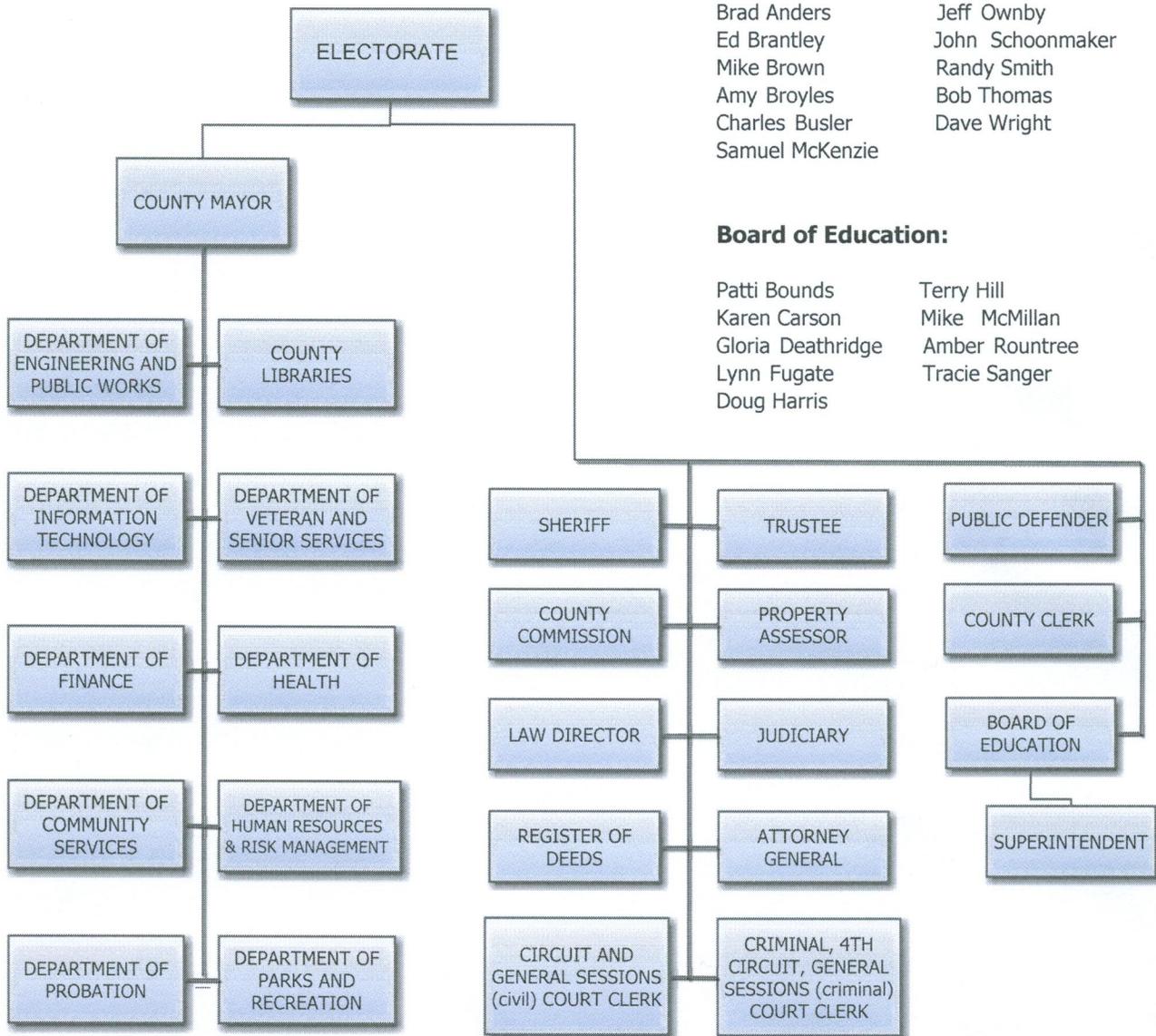
Assessor of Property - Phil Ballard  
 Attorney General - Charne P. Allen  
 Circuit/General Sessions (civil) Clerk - Cathy Shanks  
 County Clerk - Foster D. Arnett, Jr.  
 County Mayor - Tim Burchett  
 Criminal/Fourth Circuit/Sessions (criminal) Clerk - Mike Hammond  
 Law Director - Richard Armstrong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

**Board of Commissioners:**

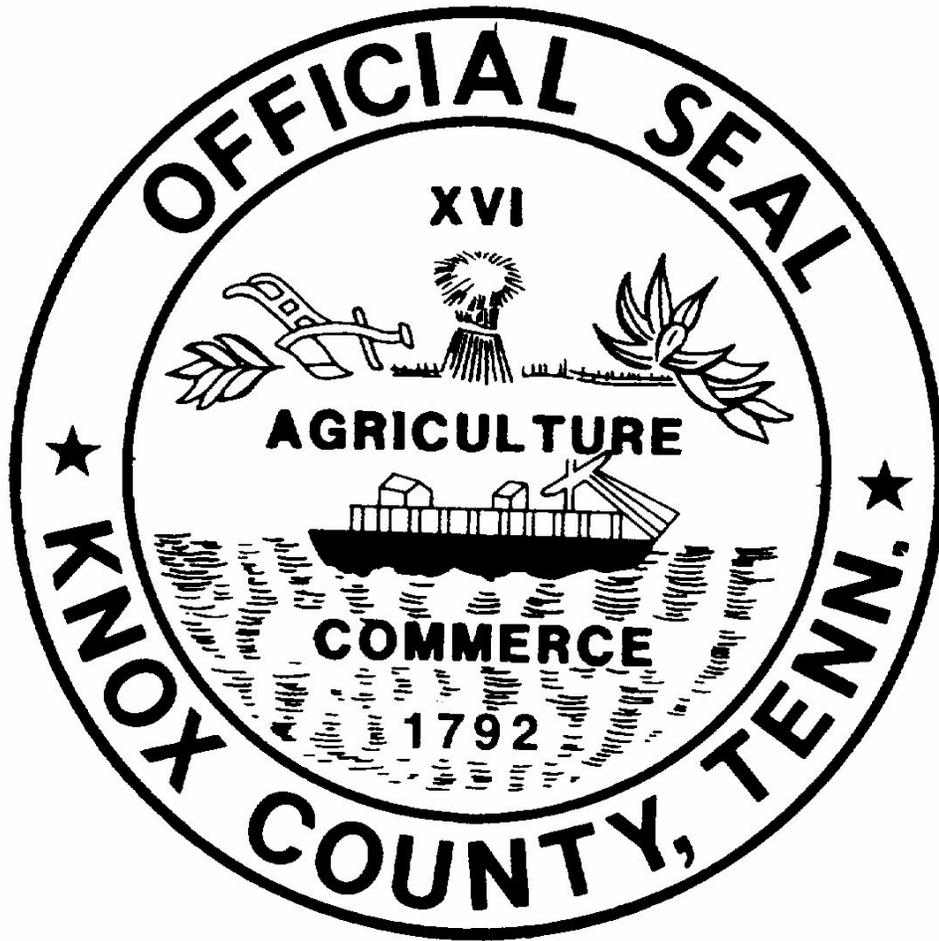
Brad Anders	Jeff Ownby
Ed Brantley	John Schoonmaker
Mike Brown	Randy Smith
Amy Broyles	Bob Thomas
Charles Busler	Dave Wright
Samuel McKenzie	

**Board of Education:**

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



# Financial Section



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



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OAK RIDGE, TENNESSEE 37830  
TELEPHONE 865-769-1657

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, budgetary comparison statement of the general fund, fiduciary fund types and the aggregate remaining fund information of Knox County, Tennessee (the "County") as of and for the year ended June 30, 2015 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 2.36% of total assets and deferred outflows, 9.24% of net position and .88% of revenues of the County. We did not audit the financial statements of the Great Schools Partnership Charitable Trust (the "Partnership"), a discretely presented Component Unit reported in the financial statements of the Knox County Board of Education (the "BOE"). The Partnership comprises 2.06% of total assets and deferred outflows, .40% of net position and 1.18% 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 County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Emphasis of Matter**

As discussed in Notes IV-H and V, during fiscal year 2015 the County implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages xvi through xxx and the schedules of changes in net pension liabilities or assets, investment returns, employer contributions and schedule of funding progress of the various pension and other post-employment benefit plans on pages 115 through 123 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

**Other Reporting Required by Government Auditing Standards and OMB Circular A-133**

In accordance with *Government Auditing Standards*, we have also issued, in a separately bound document, our report dated December 22, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. In addition, we have also issued, in the same bound document, our report dated December 22, 2015, 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 22, 2015

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2015**

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, 2015. 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 \$14,037,215 (net position). This amount includes a negative \$262,043,799 of unrestricted net position. The negative unrestricted net position amount resulted from the process by which the Primary Government issues debt on behalf of the Board of Education component unit.
- The Primary Government's change in net position for its governmental activities was an increase of \$6,293,531. Total net position for the Primary Government (governmental and business-type activities) increased by \$6,341,653 in 2015.
- At June 30, 2015, the Primary Government's governmental funds reported total fund balances of \$123,872,196, an increase of \$8,087,082 for the fiscal year.
- The Knox County Government's total bonded debt at the end of the year totaled \$622,812,923, a decrease of 0.15 percent compared to the prior year total of \$632,397,204. Of the current year total, \$376,815,961 pertains to County general government activities and \$245,996,962 pertains to the Knox County Board of Education component unit. Bond principal paid in FY 2015 totaled \$112,484,281 and debt issued totaled \$102,900,000.
- The County Property Tax Rate was \$2.32 for the fiscal year. There was no change from the 2014 rate.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2015**

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

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

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

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

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

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2015**

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

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

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

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

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

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

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

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2015**

**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 13-114 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 115-123 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the individual fund statements are presented on pages 124-161. Combining and individual fund statements for proprietary funds can be found on pages 162-183 of this report.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
Current and Other Assets	\$ 344,357,970	\$ 336,902,146
Capital Assets	605,696,376	610,249,972
Total Assets	950,054,346	947,152,118
Deferred Outflows of Resources	40,180,016	22,993,020
Long-term Liabilities Outstanding	659,065,404	658,196,962
Other Liabilities	147,314,233	91,331,483
Total Liabilities	806,379,637	749,528,445
Deferred Inflows of Resources	169,817,510	167,493,540
Net Position:		
Invested in Capital Assets	267,497,791	284,908,028
Restricted	8,583,223	15,250,562
Unrestricted (Deficit)	(262,043,799)	(247,035,437)
Total Net Position	\$ 14,037,215	\$ 53,123,153

**Governmental Net Position.** The 2014 amounts shown above are as previously reported in the 2014 Comprehensive Annual Financial Report. In 2015, the County adopted GASB Statements 68 and 71, and the net position as of June 30, 2014 of \$53,123,153 was restated to \$7,743,684 in the current year's report (see Note IV (H)).

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

An additional portion of the Knox County Primary Government's governmental activities net position represents resources that are subject to external restriction on how they may be used. These include restricted for Debt Service \$83,728 (last year \$69,953) Capital Projects \$0 (last year \$7,068,211). Other restrictions include Public Health and Welfare \$2,711,625, Public Safety

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2015**

\$2,770,595, Social and Cultural Purposes \$1,737,372 and Other Purposes \$1,279,903 (last year the latter three combined totaled \$5,126,852). The remaining balance of unrestricted net position deficit of \$262,043,799 reflects a negative change of \$15,008,362 compared to the prior year unrestricted net position deficit of \$247,035,437 (as previously reported). 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 \$262,043,799 as of June 30, 2015 results from the County's recognition of long-term debt issued on behalf of the Knox County Board of Education. Because the Board cannot by law issue its own debt, the County issues debt on behalf of the Board, and pays the proceeds to the Board. The Board then uses these proceeds for its capital purposes, and records the capital assets on its own Statement of Net Position. Therefore, the assets are shown on the Board's Component Unit financial statements, whereas the related debt is shown on the County's Primary Government financial statements. At June 30, 2015, the amount of bonds, capital leases and loans issued by the County on behalf of the Board still outstanding was \$288,581,780, compared to the prior year amount of \$291,464,178. 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 \$31,441,470 in 2015 and \$44,428,741 in 2014.

At the end of the current fiscal year, positive balances in total net position are reported for the total reporting unit, for the primary government and for each of the separate component units. The same situation held true for the prior fiscal year. The total reporting unit's net position increased by \$21,178,135 during the current fiscal year, compared to a decrease of \$20,403,135 for the prior year. For the total reporting unit, the amount of the increase in net position is attributable to the underlying positive combined change in net position of the primary government and of the Board of Education component unit, totaling \$13,508,269, combined with the positive change in net position of the nonmajor component units of \$7,669,866 in the aggregate. The results for the Board, an overall positive change in net position of \$7,166,616, resulted from decreases in expenses for education purposes of \$17,581,111, which were largely but not entirely the result of recording transactions related to adopting GASB Statements 68 and 71 for the Board's pension liability of \$8,931,177. See Notes IV-G & H for further information. See the next section for discussion of factors driving the results of the primary government's change in net position.

**Governmental activities.** Governmental activities increased the Knox County Primary Government's net position by \$6,293,531 in 2015. This amount results from the overall realization of certain revenues, primarily property taxes and state shared revenues, in amounts greater than in the prior year, combined with fewer 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, 2015 and 2014.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2015**

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

	<b>2015</b>	<b>2014</b>
Program Revenues:		
Charges for Services	\$ 41,655,326	\$ 41,199,716
Operating Grants and Contributions	22,712,505	15,068,332
General Revenues		
Local Taxes	210,754,601	186,395,268
Payments from Component Units	12,521,580	32,444,501
Other General Revenues/Transfers	21,662,219	18,998,511
Total Revenues	309,306,231	294,106,328
Expenses:		
Finance and Administration	36,112,276	30,943,555
Administration of Justice	24,414,379	23,299,693
Public Safety	82,717,157	77,888,346
Public Health and Welfare	33,739,935	33,693,888
Social and Cultural Services	20,992,006	20,440,481
Other General Government	23,802,139	24,549,479
Engineering & Public Works	26,515,062	25,155,488
Debt Service	22,801,729	25,205,819
Payments to Component Units	31,918,017	46,655,636
Total Expenses	303,012,700	307,832,385
Change in Net Position	6,293,531	(13,726,057)
Net Position, July 1, 2013	-	66,849,210
Net Position, as Previously Reported	-	53,123,153
Restatement (see Note IV, H)	-	(45,379,469)
Net Position, as Restated	7,743,684	7,743,684
Net Position, June 30 (Restated 2014)	\$ 14,037,215	\$ 7,743,684

**Program revenues** include charges for services, which consist of various items such as fees for services, licenses, and fines. Charges for services relate to numerous and various government functions. These amounts increased by \$455,610 compared to the prior year. These items represent an aggregation of numerous transactions, and there is not a concentration of revenues in any area. These tend, therefore, to be relatively stable from year to year. Program revenues also include operating grants, which consist largely of grants received from the federal and state governments. These amounts increased by \$7,644,173 compared to the prior year. The current year increase in revenues is due to various amounts received for government functions. The increase also includes amounts contributed from developers related to capital projects.

**Knox County, Tennessee**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2015**

**General Revenues** include local taxes, payments from component units, and other general revenues. Local taxes increased by \$24,359,333 compared to the prior year, a majority of this coming from property taxes and a relatively stable overall tax base. Payments from component units primarily consist of the amounts received for the Board's portion of debt service related to the debt obligations that the Primary Government incurred on behalf of the Board. Beginning in FY 2015, the allocation of property taxes and sales taxes was changed. Sales tax revenues that in prior years had been budgeted in the School Construction Fund for the purpose of repayment to the Debt Service Fund for school related debt are now accounted for in the General Purpose School Fund. A corresponding amount of property taxes that in prior years had been budgeted in the General Purpose School Fund are being accounted for in the Debt Service Fund. This change in allocation accounts for most of the variance in tax revenues. This variance in tax revenues was largely offset by the decrease in payments from component unit discussed above totaling \$19,922,921. Remaining general revenues consist primarily of state shared revenues, investment revenue, and other miscellaneous. The increase of \$2,663,708 from 2014 to 2015 in this category compared to the prior year total of \$18,998,511 was primarily attributable to increased shared revenues. In 2015, investment earnings were \$2,201,014. The 2014 corresponding total was \$2,248,955, for a net decrease of \$47,941. 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 2015, the change in fair value was a negative \$395,203, whereas the corresponding amount in 2014 was a negative \$187,744, resulting in a difference between the years of \$207,459. 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 decreased by \$4,819,685 compared to the prior year. This change was largely attributable to the decrease in the amounts paid to component units of \$14,737,619. The amounts paid to the Board are primarily the result of debt issued by the County on behalf of the Board. As previously noted, the County issues debt on behalf of the Board for capital purposes because the Board may not incur its own debt obligations. Therefore, the net proceeds of such debt issues are paid to the Board, thus resulting in an expense to the Primary Government. Expenses in other categories were in line with expectations. Increases totaling \$11,357,106 were experienced in the areas of finance and administration, public safety and engineering and public works (mostly for roads), which reflected necessary increases in the cost of providing essential government services.

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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 increased the net position of the primary government by \$48,122 in 2015, comprising 0.7% of the total change in net position of the primary government and 0.2% of the change in net position of the total reporting unit. The golf course is supported by user fees: greens fees, cart fees, pro shop and snack bar. In addition, in 2015 the County's general fund transferred \$250,000 for equipment purchases and other support. The results of operations for the golf course include the effects of depreciation, a noncash expense, totaling \$59,320. If the effects of depreciation were removed from the results of operations, the golf course would have had an increase in net position of \$107,442. Of the ending net position, \$568,919 was invested in capital assets, with the remaining amount of \$18,491 unrestricted. These amounts reflect the results of ordinary business operations.

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

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
Current and Other Assets	\$ 106,794	\$ 178,940
Capital Assets	568,919	453,946
Total Assets	675,713	632,886
Current Liabilities	52,073	90,556
Noncurrent Liabilities	36,230	3,042
Total Liabilities	88,303	93,598
Net Position:		
Invested in Capital Assets	568,919	453,946
Unrestricted	18,491	85,342
Total Net Position	\$ 587,410	\$ 539,288

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	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Program Revenues:</b>		
Charges for Services	\$ 798,212	\$ 861,989
<b>Expenses:</b>		
Operating Expenses	1,000,090	934,260
Nonoperating Expenses	-	3,344
Total Expenses	1,000,090	937,604
<b>Transfers:</b>		
Transfer from Other Funds	250,000	-
<b>Change in Net Position</b>	48,122	(75,615)
<b>Net Position, July 1</b>	539,288	614,903
<b>Net Position, June 30</b>	\$ 587,410	\$ 539,288

**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.

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

	<b>June 30,</b>	
	<u><b>2015</b></u>	<u><b>2014</b></u>
Nonspendable	\$ 9,892,080	\$ 10,713,849
Restricted	21,234,543	15,250,562
Committed	31,832,805	31,405,405
Assigned	5,059,693	5,388,302
Unassigned	<u>55,853,075</u>	<u>53,026,996</u>
<b>Total Fund Balances</b>	<u><u>\$ 123,872,196</u></u>	<u><u>\$ 115,785,114</u></u>

As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$123,872,196, an increase of \$8,087,082 in comparison with the prior year total of \$115,785,114. The majority of the overall increase, \$7,228,365, 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 \$55,853,075 compared to \$53,026,996 last year, an increase of \$2,826,079. Total fund balance increased by \$3,660,414 resulting in total ending fund balance in 2015 of \$69,748,937 compared to \$66,088,523 in 2014. Unassigned fund balance represents 34.0% of actual expenditures compared to 33.3% 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 \$23,711,404, which compares to \$25,668,971 in 2014. The majority of the fund balance consists of amounts committed for debt service purposes by County Commission of \$19,707,676, compared to the prior year amount of \$21,679,018. The net decrease in fund balance during the current year was \$1,957,567, compared to an increase of \$1,067,075 last year. The County had planned for a decrease in the Debt Service Fund, and had budgeted for \$6,274,511 to be applied to the current year budget. As the current year result of operations was an actual decrease in fund balance of \$1,957,567, the fund experienced a positive variance of \$4,316,944 of actual results compared to the original adopted budget. This resulted from the significant savings from conservatively budgeting for its expenses that the County experienced from its variable rate debt, combined with the County's practice of issuing debt as

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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 \$5,583,109 in 2015, compared to an increase in fund balance of \$5,596,239 in 2014. Fund balance at June 30, 2015 totaled \$12,651,320, compared to the June 30, 2014 balance of \$7,068,211. 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 2015, 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 a decrease in the fund balance in the current year of \$57,591, resulting in fund balance at June 30, 2015 totaling \$3,929,333 compared to the June 30, 2014 total of \$3,986,924. 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 2015 totaled \$8,241,136, a decrease of \$1,419,894 from the prior year total of \$9,661,030. These results were in line with expectations.

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

Net position of all the internal service funds at year-end 2015 was \$11,638,928 as compared to \$8,454,187 at year-end 2014 resulting in an increase of \$3,184,741 for FY 2015 which was due primarily to the self-insurance fund net position increase of \$2,826,108. During FY 2015 the self-insurance fund experienced a decrease in claims expense by \$3,617,263 which was due to 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 Vehicle Service Center 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 \$3,184,741, represents 4.3% of total charges for services of \$74,546,952. 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 \$11,638,928 reflects a modest accumulated net position for these funds over time, in line with expectations.

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The total fund balance of the County's General Fund increased by \$3,660,414 during 2015, compared to last year's \$176,735 decrease. The General Fund's original budget planned for a net use of fund balance for the year of \$487,650. Therefore, the actual unassigned fund balance of \$55,853,075 was \$4,148,064 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 \$163,215,522 totaled 103.7% of the total budget of \$157,454,619. Local tax revenues, which include property and sales taxes (among others), exceeded the budget by \$310,679. 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 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 economic conditions. Expenditures of \$164,225,904 totaled 98.4% of the budget of \$166,862,962, 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 \$5,016,688 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, 2015, of \$1,017,530,727, which compares to the prior year total of \$1,022,819,970. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net decrease in the investment in capital assets for the current fiscal year was \$5,289,243 (0.5 percent), which reflects the depreciation expense for the year in amounts more than capital additions.

Spending for major capital asset additions during the current fiscal year included the following: energy management projects, the STEM Academy, Gresham Middle, Shannondale & Career Magnet Academy renovations (Board), Karns and Dutchtown Convenience Centers, Beaver Ridge Sidewalk, 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, 2015 amounts to \$994,033,145, less accumulated depreciation of \$388,336,769, leaving a net book value of \$605,696,376. The prior year net book value totaled \$610,249,972. 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 \$4,553,596. 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 210-212.

**Long-term debt.** At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$622,812,923, compared to \$632,397,204 at the end of 2014. All of the bonded debt was backed by the full faith and credit of the County government. \$245,996,962 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remaining \$376,815,961 of the Knox County Government’s debt represents bonds issued for general government purposes.

**KNOX COUNTY GOVERNMENT’S Bonded Debt Changes during FY 2015:**

<b><u>Rollforward of Debt:</u></b>	<b><u>Primary Government</u></b>	<b><u>Board</u></b>	<b><u>Total</u></b>
Beginning Balance	\$ 376,887,364	\$ 255,509,840	\$ 632,397,204
Principal Paid	(74,547,695)	(37,936,586)	(112,484,281)
Proceeds from Debt Issuances	74,476,292	28,423,708	102,900,000
Ending Amount – Bonds	<u>\$376,815,961</u>	<u>\$245,996,962</u>	<u>\$622,812,923</u>

Knox County’s total bonded debt decreased by \$9,584,281 (1.5 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, 2015.

**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 \$622,812,923. This translates to approximately \$1,344 per capita. This compares to the FY 2014 per capita amount of \$1,363.

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 205-208.

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

- The unemployment rate for Knox County for June 2015 was 5.3%, which is a decrease from the final unemployment rate figure of 6.3% percent for June 2014. This compares favorably to the state's average rate of 6.3% percent for June 2015, and 6.6% for June 2014. The national unemployment averages were 5.5% for June 2015 and 6.1% for June 2014.
- The General Fund budget adopted for 2016 reflects a balanced budget totaling \$174,249,100. The budget anticipates using \$5 million from fund balance and a minor anticipated use of restricted resources.
- Additional information regarding the County's budget may be found at [http://www.knoxcounty.org/finance/pdfs/2015\\_2016\\_budget/2015-2016adopted\\_budget.pdf](http://www.knoxcounty.org/finance/pdfs/2015_2016_budget/2015-2016adopted_budget.pdf)

**REQUESTS FOR INFORMATION**

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

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

# Basic Financial Statements



**KNOX COUNTY, TENNESSEE**

**Statement of Net Position**

June 30, 2015

	Primary Government			Component Units		Total Reporting Unit
	Governmental Activities	Business-type Activities	Total	Knox County Board of Education	Nonmajor Component Units	
<b>Assets</b>						
Cash and Cash Equivalents	\$ 69,503,518	\$ 21,802	\$ 69,525,320	\$ 37,625,648	\$ 37,580,007	\$ 144,730,975
Investments	54,168,528	-	54,168,528	10,629,013	-	64,797,541
Accounts Receivable	20,539,843	8,150	20,547,993	45,615,698	125,497	66,289,188
Local Taxes Receivable, net	169,102,465	-	169,102,465	103,807,637	-	272,910,102
Notes Receivable	10,735,632	-	10,735,632	-	-	10,735,632
Due from Component Units	10,575,475	-	10,575,475	-	-	10,575,475
Due from Primary Government	-	-	-	112,997	-	112,997
Advances to Other Governments	2,465,000	-	2,465,000	-	-	2,465,000
Inventories	346,411	76,842	423,253	1,924,776	-	2,348,029
Land Held for Resale	-	-	-	-	18,464,473	18,464,473
Prepaid Items	511,996	-	511,996	1,635,760	95,208	2,242,964
Net Pension Asset	-	-	-	1,016,013	-	1,016,013
Other Post-Employment Benefits Asset	918,716	-	918,716	-	-	918,716
Equity Interest in Joint Venture	5,490,386	-	5,490,386	-	-	5,490,386
Capital Assets:						
Land and Construction in Process	126,623,111	880	126,623,991	25,098,078	4,770,959	156,493,028
Other Capital Assets, Net of Accumulated Depreciation	479,073,265	568,039	479,641,304	377,546,827	3,849,568	861,037,699
<b>Total Assets</b>	<b>950,054,346</b>	<b>675,713</b>	<b>950,730,059</b>	<b>605,012,447</b>	<b>64,885,712</b>	<b>1,620,628,218</b>
<b>Deferred Outflows of Resources</b>						
Deferred Outflows Related to Pensions	11,612,974	-	11,612,974	29,852,303	-	41,465,277
Deferred Outflows of Unamortized Amount on Refundings	6,519,910	-	6,519,910	-	-	6,519,910
Deferred Outflows of Hedging Derivatives	22,047,132	-	22,047,132	-	-	22,047,132
<b>Total Deferred Outflows of Resources</b>	<b>40,180,016</b>	<b>-</b>	<b>40,180,016</b>	<b>29,852,303</b>	<b>-</b>	<b>70,032,319</b>
<b>Liabilities</b>						
Accounts Payable	15,573,852	43,016	15,616,868	54,590,843	419,320	70,627,031
Due to Component Units	112,997	-	112,997	-	-	112,997
Due to Primary Government	-	-	-	10,573,849	1,626	10,575,475
Unearned Revenue	2,878,937	-	2,878,937	3,661,079	-	6,540,016
Accrued Interest	3,937,848	-	3,937,848	-	-	3,937,848
Self-insurance Liability	14,823,560	-	14,823,560	3,670,584	-	18,494,144
Net Pension Liability	53,446,080	-	53,446,080	8,931,177	-	62,377,257
Long-term Obligations:						
Other Post-Employment Benefits Obligation	1,086,893	-	1,086,893	-	-	1,086,893
Fair Value of Interest Rate Swap Derivatives	29,642,591	-	29,642,591	-	-	29,642,591
Other Long-term Obligations:						
Due in Less than One Year	56,540,959	9,057	56,550,016	2,838,575	303,046	59,691,637
Due in More than One Year	628,335,920	36,230	628,372,150	15,614,878	-	643,987,028
<b>Total Liabilities</b>	<b>806,379,637</b>	<b>88,303</b>	<b>806,467,940</b>	<b>99,880,985</b>	<b>723,992</b>	<b>907,072,917</b>
<b>Deferred Inflows of Resources</b>						
Deferred Inflows Related to Pensions	112,266	-	112,266	83,713,010	-	83,825,276
Deferred Inflows of Property Taxes and Other Receivables	169,705,244	-	169,705,244	99,772,417	978	269,478,639
<b>Total Deferred Inflows of Resources</b>	<b>169,817,510</b>	<b>-</b>	<b>169,817,510</b>	<b>183,485,427</b>	<b>978</b>	<b>353,303,915</b>
<b>Net Position</b>						
Investment in Capital Assets	-	568,919	568,919	402,644,905	8,620,527	411,834,351
Net Investment in Capital Assets (see note below)	267,497,791	-	267,497,791	-	-	(21,083,989)
Restricted for:						
Debt Service	83,728	-	83,728	-	-	83,728
Public Health and Welfare Purposes	2,711,625	-	2,711,625	-	-	2,711,625
Public Safety Purposes	2,770,595	-	2,770,595	-	-	2,770,595
Education Purposes	-	-	-	7,823,711	-	7,823,711
Social and Cultural Purposes	1,737,372	-	1,737,372	-	-	1,737,372
Other Purposes	1,279,903	-	1,279,903	-	22,094	1,301,997
Unrestricted (see note below)	(262,043,799)	18,491	(262,025,308)	(58,970,278)	55,518,121	23,104,315
<b>Total Net Position</b>	<b>\$ 14,037,215</b>	<b>\$ 587,410</b>	<b>\$ 14,624,625</b>	<b>\$ 351,498,338</b>	<b>\$ 64,160,742</b>	<b>\$ 430,283,705</b>

The sum of the rows that report the net position categories for Net Investment in Capital Assets and Net Position-Unrestricted applicable to the primary government and the component units do not equal the related amounts shown in the Total Reporting Entity column. The difference of \$288,581,780 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 \$288,581,780 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, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		Total Reporting Unit	
					Governmental Activities	Business-type Activities	The Board	Nonmajor Component Units		
<b>Primary government:</b>										
Governmental activities:										
Finance and Administration	\$ 36,112,276	\$ 20,505,947	\$ -	\$ -	\$ (15,606,329)	\$ (15,606,329)			\$ (15,606,329)	
Finance and Administration-Payment to Component Unit	6,553,874	-	-	-	(6,553,874)	(6,553,874)			(6,553,874)	
Administration of Justice	24,414,379	9,774,864	281,295	-	(14,358,220)	(14,358,220)			(14,358,220)	
Public Safety	82,717,157	4,012,396	2,911,945	-	(75,792,816)	(75,792,816)			(75,792,816)	
Public Safety-Payment to Component Unit	326,200	-	-	-	(326,200)	(326,200)			(326,200)	
Public Health and Welfare	33,739,935	6,163,000	8,914,100	-	(18,662,835)	(18,662,835)			(18,662,835)	
Public Health and Welfare-Payment to Component Unit	166,628	-	-	-	(166,628)	(166,628)			(166,628)	
Social and Cultural Services	20,521,029	778,733	357,789	-	(19,384,507)	(19,384,507)			(19,384,507)	
Agricultural and Natural Resources	470,977	-	-	-	(470,977)	(470,977)			(470,977)	
Other General Government	23,802,139	298,127	2,018,114	-	(21,485,898)	(21,485,898)			(21,485,898)	
Other General Government-Payment to Component Unit	600,000	-	-	-	(600,000)	(600,000)			(600,000)	
Engineering and Public Works	26,515,062	122,259	8,229,262	-	(18,163,541)	(18,163,541)			(18,163,541)	
Education - Payment to Component Unit	24,271,315	-	-	-	(24,271,315)	(24,271,315)			(24,271,315)	
Debt Service - Interest and Fees	22,801,729	-	-	-	(22,801,729)	(22,801,729)			(22,801,729)	
<b>Total governmental activities</b>	<b>303,012,700</b>	<b>41,655,326</b>	<b>22,712,505</b>	<b>-</b>	<b>(238,644,869)</b>	<b>(238,644,869)</b>			<b>(238,644,869)</b>	
Business-type activities:										
Three Ridges Golf Course	1,000,090	798,212	-	-	-	\$ (201,878)			(201,878)	
<b>Total primary government</b>	<b>\$ 304,012,790</b>	<b>\$ 42,453,538</b>	<b>\$ 22,712,505</b>	<b>\$ -</b>	<b>(238,644,869)</b>	<b>(201,878)</b>			<b>(238,846,747)</b>	
<b>Component units:</b>										
Board of Education	\$ 523,247,614	\$ 14,073,126	\$ 71,909,556	\$ -			\$ (437,264,932)		(437,264,932)	
Nonmajor Component Units	7,538,326	6,035,939	15,202	-			-	\$ (1,487,185)	(1,487,185)	
<b>Total component units</b>	<b>\$ 530,785,940</b>	<b>\$ 20,109,065</b>	<b>\$ 71,924,758</b>	<b>\$ -</b>			<b>(437,264,932)</b>	<b>(1,487,185)</b>	<b>(438,752,117)</b>	
<b>General Revenues:</b>										
Property Taxes					166,869,259	-	166,869,259	97,227,919	-	264,097,178
Sales Taxes					12,650,210	-	12,650,210	136,469,187	-	149,119,397
Lodging Taxes					6,602,861	-	6,602,861	-	-	6,602,861
Business Taxes					8,210,298	-	8,210,298	-	-	8,210,298
Wheel Taxes					11,421,728	-	11,421,728	1,607,094	-	13,028,822
Other Local Taxes					5,000,245	-	5,000,245	1,033,373	-	6,033,618
Investment Revenue					2,201,014	-	2,201,014	210,147	75,853	2,487,014
Payments from Component Units					12,521,580	-	12,521,580	-	-	12,521,580
Payments from Primary Government					-	-	-	30,825,189	1,092,828	31,918,017
Shared Revenues					17,502,295	-	17,502,295	2,210,862	-	19,713,157
Other Revenues					998,745	-	998,745	-	611,356	1,610,101
Other Governments and Citizens Groups					381,842	-	381,842	300	5,657,874	6,040,016
Miscellaneous					828,323	-	828,323	122,317	-	950,640
Grants and Contributions Not Restricted for Specific Programs					-	-	-	174,725,160	1,719,140	176,444,300
<b>Transfers</b>					<b>(250,000)</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>244,938,400</b>	<b>250,000</b>	<b>245,188,400</b>	<b>444,431,548</b>	<b>9,157,051</b>	<b>698,776,999</b>
Change in Net Position					6,293,531	48,122	6,341,653	7,166,616	7,669,866	21,178,135
Net Position, July 1, as restated					7,743,684	539,288	8,282,972	344,331,722	56,490,876	409,105,570
Net Position, June 30					\$ 14,037,215	\$ 587,410	\$ 14,624,625	\$ 351,498,338	\$ 64,160,742	\$ 430,283,705

**KNOX COUNTY, TENNESSEE**

**Balance Sheet  
Governmental Funds  
June 30, 2015**

	<b>General</b>	<b>Special Revenue Constitutional Officers</b>	<b>Capital Projects Public Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 18,080,248	\$ 4,333,805	\$ 4,065,823	\$ 8,625,335	\$ 10,084,213	\$ 45,189,424
Investments	44,217,769	-	9,950,759	-	-	54,168,528
Receivables:						
Accounts, Net	10,768,755	-	842,678	-	7,718,360	19,329,793
Local Taxes	114,020,843	-	-	55,081,622	-	169,102,465
Notes	1,024,000	-	-	7,475,000	2,214,159	10,713,159
Due from Other Funds	1,201,602	-	3,210	700,000	1,840,131	3,744,943
Due from Component Units	-	-	-	10,000,000	-	10,000,000
Advances to Other Entity	-	-	-	2,465,000	-	2,465,000
Inventories	115,159	-	-	-	4,994	120,153
Prepaid Items	328,020	-	-	-	33,522	361,542
Investment in Joint Venture	5,490,386	-	-	-	-	5,490,386
<b>TOTAL ASSETS</b>	<b>\$ 195,246,782</b>	<b>\$ 4,333,805</b>	<b>\$ 14,862,470</b>	<b>\$ 84,346,957</b>	<b>\$ 21,895,379</b>	<b>\$ 320,685,393</b>
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	\$ 7,827,733	\$ -	\$ 2,211,119	\$ 9,512	\$ 4,264,572	\$ 14,312,936
Due to Other Funds	3,483,010	404,472	31	-	982,906	4,870,419
Due to Component Units	112,997	-	-	-	-	112,997
Unearned Revenue	54,344	-	-	-	2,816,699	2,871,043
<b>TOTAL LIABILITIES</b>	<b>11,478,084</b>	<b>404,472</b>	<b>2,211,150</b>	<b>9,512</b>	<b>8,064,177</b>	<b>22,167,395</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Property Taxes and Notes Receivable	114,019,761	-	-	60,626,041	-	174,645,802
<b>FUND BALANCES</b>						
Nonspendable	5,933,564	-	-	3,920,000	38,516	9,892,080
Restricted	2,426,638	-	12,651,320	83,728	6,072,857	21,234,543
Committed	4,405,300	-	-	19,707,676	7,719,829	31,832,805
Assigned	1,130,360	3,929,333	-	-	-	5,059,693
Unassigned	55,853,075	-	-	-	-	55,853,075
<b>TOTAL FUND BALANCES</b>	<b>69,748,937</b>	<b>3,929,333</b>	<b>12,651,320</b>	<b>23,711,404</b>	<b>13,831,202</b>	<b>123,872,196</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 195,246,782</b>	<b>\$ 4,333,805</b>	<b>\$ 14,862,470</b>	<b>\$ 84,346,957</b>	<b>\$ 21,895,379</b>	<b>\$ 320,685,393</b>

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

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## KNOX COUNTY, TENNESSEE

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

June 30, 2015

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

Ending Fund Balance - Governmental Funds	\$	123,872,196	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		605,397,315	
The other post-employment benefits asset is not available to pay for current-period expenditures and, therefore, is not reported as an asset in the fund financial statements.		918,716	
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		11,638,928	
Long-term liabilities, including bonds payable and related unamortized premium, loans payable, other post-employment benefit obligation, compensated absences, net pension liability, the fair value of interest rate swaps, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.			
Bonds Payable	\$	622,812,923	
Unamortized Bond Premium		7,698,939	
Fair Value of Interest Rate Swaps, net		7,595,459	
Loans Payable		6,812,540	
Accrued Interest		3,937,848	
Capital Lease Obligations		38,930,963	
Net Pension Liability		53,446,080	
Other Post-employment Benefit Obligation		1,086,893	
Compensated Absences		8,429,471	(750,751,116)
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts are recorded as deferred inflows of resources in the fund financial statements but have been recognized as revenues under the accrual basis in the statement of net position.			4,940,558
Deferred outflows of unamortized amounts on refundings (\$6,519,910) and deferred outflows related to pensions (\$11,612,974) increase the amount of net position reported in the statement of net position, but are not reported as assets in the funds. Similarly, deferred inflows related to pensions (\$112,266) decrease the amount of net position reported in the statement of net position, but are not reported as liabilities in the funds.			18,020,618
Net Position of Governmental Activities	\$	14,037,215	

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

**KNOX COUNTY, TENNESSEE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the year ended June 30, 2015

	General	Special Revenue Constitutional Officers	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
County Property Taxes	\$ 114,595,419	\$ -	\$ -	\$ 52,224,314	\$ -	\$ 166,819,733
Local Option Sales Taxes	4,923,911	-	-	-	7,726,299	12,650,210
Lodging Taxes	-	-	-	-	6,602,861	6,602,861
Business Taxes	8,210,298	-	-	-	-	8,210,298
Wheel Taxes	534,818	-	-	-	10,886,910	11,421,728
Other Local Taxes	2,926,117	-	-	-	2,074,128	5,000,245
Licenses and Permits	4,214,130	-	-	-	-	4,214,130
Fines, Forfeitures and Penalties	2,307,617	-	-	-	902,271	3,209,888
Charges for Current Services	6,851,745	23,457,118	-	-	903,962	31,212,825
Other Local Revenues	4,744,620	-	55,964	2,208,630	887,930	7,897,144
State of Tennessee	12,381,044	-	4,153,588	-	7,218,840	23,753,472
Federal Government	1,169,552	-	-	-	10,627,650	11,797,202
Other Governments and Citizen Groups	356,251	-	-	-	289,968	646,219
Payments from Component Units	-	-	-	10,000,000	-	10,000,000
Investment Revenue (Loss)	-	16,118	(432)	-	-	15,686
<b>Total Revenues</b>	<b>163,215,522</b>	<b>23,473,236</b>	<b>4,209,120</b>	<b>64,432,944</b>	<b>48,120,819</b>	<b>303,451,641</b>
<b>Expenditures</b>						
Current:						
Finance and Administration	23,474,338	8,349,932	-	-	450,000	32,274,270
Finance and Administration - Payments to Component Unit	6,553,874	-	-	-	-	6,553,874
Administration of Justice	16,639,890	6,939,759	-	-	321,878	23,901,527
Public Safety	75,095,224	-	-	-	2,574,422	77,669,646
Public Safety - Payments to Component Unit	326,200	-	-	-	-	326,200
Public Health and Welfare	19,871,158	-	-	-	13,065,718	32,936,876
Public Health and Welfare - Payments to Component Unit	166,628	-	-	-	-	166,628
Social and Cultural Services	4,769,053	-	-	-	12,994,197	17,763,250
Agricultural and Natural Resources	470,977	-	-	-	-	470,977
Other General Government	15,326,762	-	-	-	7,552,403	22,879,165
Other General Government - Payments to Component Unit	600,000	-	-	-	-	600,000
Engineering and Public Works	-	-	-	-	12,203,508	12,203,508
Decrease in Equity Interest in Joint Venture	931,800	-	-	-	-	931,800
Debt Proceeds Paid to Component Unit	-	-	24,271,315	-	-	24,271,315
Debt Issuance Costs	-	-	209,442	-	-	209,442
Capital Projects	-	-	18,245,016	-	6,839	18,251,855
Debt Service:						
Other Debt Service	-	-	-	1,533,801	-	1,533,801
Trustee's Commission	-	-	-	1,058,983	-	1,058,983
Principal	-	-	-	43,975,347	-	43,975,347
Interest	-	-	-	20,716,774	-	20,716,774
Refunding Bonds Issuance Costs	-	-	-	395,053	-	395,053
<b>Total Expenditures</b>	<b>164,225,904</b>	<b>15,289,691</b>	<b>42,725,773</b>	<b>67,679,958</b>	<b>49,168,965</b>	<b>339,090,291</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,010,382)</b>	<b>8,183,545</b>	<b>(38,516,653)</b>	<b>(3,247,014)</b>	<b>(1,048,146)</b>	<b>(35,638,650)</b>
<b>Other financing sources (uses)</b>						
Transfers from Other Funds	8,241,136	-	125,320	894,394	2,905,626	12,166,476
Transfers to Other Funds	(3,570,340)	(8,241,136)	-	-	(998,763)	(12,810,239)
Capital Lease Proceeds	-	-	12,450,000	-	-	12,450,000
Long-term Bonds Issued	-	-	30,040,000	-	-	30,040,000
Long-term Loan Issued	-	-	-	-	-	-
Premium on Long-term Debt Issued	-	-	1,484,442	-	-	1,484,442
Refunding Bonds Issued	-	-	-	72,860,000	-	72,860,000
Premium on Refunding Bonds	-	-	-	1,716,531	-	1,716,531
Payment to Holders of Refunded Debt	-	-	-	(74,181,478)	-	(74,181,478)
<b>Total Other Financing Sources (Uses)</b>	<b>4,670,796</b>	<b>(8,241,136)</b>	<b>44,099,762</b>	<b>1,289,447</b>	<b>1,906,863</b>	<b>43,725,732</b>
<b>Net Change in Fund Balances</b>	<b>3,660,414</b>	<b>(57,591)</b>	<b>5,583,109</b>	<b>(1,957,567)</b>	<b>858,717</b>	<b>8,087,082</b>
<b>Fund Balances, July 1</b>	<b>66,088,523</b>	<b>3,986,924</b>	<b>7,068,211</b>	<b>25,668,971</b>	<b>12,972,485</b>	<b>115,785,114</b>
<b>Fund Balances, June 30</b>	<b>\$ 69,748,937</b>	<b>\$ 3,929,333</b>	<b>\$ 12,651,320</b>	<b>\$ 23,711,404</b>	<b>\$ 13,831,202</b>	<b>\$ 123,872,196</b>

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

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## 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, 2015

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

Net Change in Fund Balances - Total Governmental Funds	\$ 8,087,082
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 (\$26,646,483) exceeded capital outlays (\$18,199,929) in the current period.	(8,446,554)
Capital assets contributed by developers are not recognized as revenues in the fund financial statements, but are recognized as revenues in the statement of activities.	3,928,687
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.	4,940,558
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.	(4,891,032)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is reflected as an expenditure in the governmental funds, whereas the repayment reduces long-term liabilities in the statement of net position. Debt proceeds (\$115,350,000) exceeded principal payments (\$115,145,116) by this amount.	(204,884)
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$1,288,566). In addition, the amortization of bond premium results in reduction of expenses of \$1,999,825. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	711,259
Debt issued at a premium (\$3,200,973) provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. The payments to bondholders in the advance refunding transaction include \$5,266,478 that used current financial resources in the governmental funds, but increases deferred outflows of unamortized amount on refundings in the statement of net position.	2,065,505
The increase in the balance of the net other post-employment asset of \$564,698, plus the decrease in the liability for accrued interest of \$63,381, decreased expenses reported in the statement of activities. In addition, the change in the liability for other post-employment benefits of \$149,237 and the increase in the compensated absences liability balance of \$741,650 increased expenses. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(262,808)
The increase in the net pension liability of \$13,924,528 and the increase in the deferred inflows related to pensions of \$112,266 increased expenses reported in the statement of activities. The increase in deferred outflows related to pensions of \$11,612,974 reduced expenses reported in the statement of activities.	(2,423,820)
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.	(395,203)
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>3,184,741</u>
Change in Net Position of Governmental Activities	<u>\$ 6,293,531</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, 2015**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
County Property Taxes	\$ 114,816,000	\$ 114,816,000	\$ 114,595,419	\$ (220,581)
Local Option Sales Taxes	4,210,500	4,298,350	4,923,911	625,561
Business Taxes	8,400,000	8,400,000	8,210,298	(189,702)
Wheel Taxes	525,000	525,000	534,818	9,818
Other Local Taxes	2,722,650	2,840,534	2,926,117	85,583
Licenses and Permits	3,842,000	3,842,000	4,214,130	372,130
Fines, Forfeitures and Penalties	1,745,850	1,888,148	2,307,617	419,469
Charges for Current Services	5,411,850	5,597,792	6,851,745	1,253,953
Other Local Revenues	3,709,256	3,735,364	4,744,620	1,009,256
State of Tennessee	9,168,757	10,291,420	12,381,044	2,089,624
Federal Government	1,200,000	1,200,000	1,169,552	(30,448)
Other Governments and Citizen Groups	1,000	20,011	356,251	336,240
<b>Total Revenues</b>	<b>155,752,863</b>	<b>157,454,619</b>	<b>163,215,522</b>	<b>5,760,903</b>
<b>Expenditures</b>				
Current:				
Finance and Administration	24,310,051	23,657,417	23,474,338	183,079
Finance and Administration - Payments to Component Unit	6,553,874	6,553,874	6,553,874	-
Administration of Justice	16,617,660	16,967,472	16,639,890	327,582
Public Safety	74,606,259	75,653,975	75,095,224	558,751
Public Safety - Payments to Component Unit	326,200	326,200	326,200	-
Public Health and Welfare	20,881,309	20,163,516	19,871,158	292,358
Public Health and Welfare - Payments to Component Unit	256,628	256,628	166,628	90,000
Social and Cultural Services	4,812,984	4,957,099	4,769,053	188,046
Agricultural and Natural Resources	511,961	474,667	470,977	3,690
Other General Government	12,369,348	16,320,314	15,326,762	993,552
Other General Government - Payments to Component Unit	600,000	600,000	600,000	-
Decrease in Equity Interest in Joint Venture	-	931,800	931,800	-
<b>Total Expenditures</b>	<b>161,846,274</b>	<b>166,862,962</b>	<b>164,225,904</b>	<b>2,637,058</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(6,093,411)</b>	<b>(9,408,343)</b>	<b>(1,010,382)</b>	<b>8,397,961</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	8,035,000	8,035,000	8,241,136	206,136
Transfers to Other Funds	(2,429,239)	(3,570,378)	(3,570,340)	38
<b>Total Other Financing Sources</b>	<b>5,605,761</b>	<b>4,464,622</b>	<b>4,670,796</b>	<b>206,174</b>
<b>Net Change in Fund Balances</b>	<b>\$ (487,650)</b>	<b>\$ (4,943,721)</b>	<b>3,660,414</b>	<b>\$ 8,604,135</b>
Fund Balances, July 1			<u>66,088,523</u>	
Fund Balances, June 30			<u>\$ 69,748,937</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, 2015**

	<b>(Nonmajor) Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 21,802	\$ 24,314,094
Receivables:		
Accounts	8,150	1,210,050
Due from Other Funds	-	2,222,152
Due from Component Units	-	575,475
Notes	-	22,473
Inventories	76,842	226,258
Prepaid Items	-	150,454
<b>TOTAL CURRENT ASSETS</b>	<b>106,794</b>	<b>28,720,956</b>
<b>Capital Assets:</b>		
Land	880	-
Buildings	754,504	-
Machinery and Equipment	429,234	5,602,220
Computer Software	25,448	-
Land Improvements	66,463	-
Accumulated Depreciation	(707,610)	(5,303,159)
Capital Assets (Net of Accumulated Depreciation)	568,919	299,061
<b>TOTAL ASSETS</b>	<b>675,713</b>	<b>29,020,017</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	43,016	1,260,916
Due to Other Funds	-	1,096,676
Unearned Revenue	-	7,894
Claims Liability	-	14,823,560
Compensated Absences Payable	9,057	172,839
<b>TOTAL CURRENT LIABILITIES</b>	<b>52,073</b>	<b>17,361,885</b>
<b>Noncurrent Liabilities:</b>		
Compensated Absences Payable	36,230	19,204
<b>TOTAL LIABILITIES</b>	<b>88,303</b>	<b>17,381,089</b>
<b>NET POSITION</b>		
Investment in Capital Assets	568,919	299,061
Unrestricted	18,491	11,339,867
<b>TOTAL NET POSITION</b>	<b>\$ 587,410</b>	<b>\$ 11,638,928</b>

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

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KNOX COUNTY, TENNESSEE

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2015

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	<b>(Nonmajor) Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>		
Charges for Services	\$ 798,212	\$ 74,546,952
<b>Operating Expenses</b>		
Cost of Sales and Services	420,857	1,972,637
General and Administration	440,988	15,869,597
Depreciation and Amortization	59,320	93,651
Medical Claims	-	26,513,869
Retirement Contributions	-	26,929,292
Other Employee Benefits	-	831,854
Worker's Compensation & Other Claims	-	123,888
Other Expenses	78,925	385,410
Total Operating Expenses	<u>1,000,090</u>	<u>72,720,198</u>
<b>Operating Income (Loss)</b>	<u>(201,878)</u>	<u>1,826,754</u>
<b>Nonoperating Revenue</b>		
Miscellaneous Revenue	-	964,224
<b>Income (Loss) before Transfers</b>	<u>(201,878)</u>	<u>2,790,978</u>
<b>Transfers</b>		
Transfers to Other Funds	-	(700,000)
Transfers from Other Funds	250,000	1,093,763
Total Transfers	<u>250,000</u>	<u>393,763</u>
<b>Change in Net Position</b>	48,122	3,184,741
<b>Total Net Position, July 1</b>	<u>539,288</u>	<u>8,454,187</u>
<b>Total Net Position, June 30</b>	<u>\$ 587,410</u>	<u>\$ 11,638,928</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, 2015

	<b>(Nonmajor) Enterprise Fund</b>	<b>Internal Service Funds</b>
	<u>          </u>	<u>          </u>
<b>Operating Activities</b>		
Cash Received from Customers	\$ 797,408	\$ -
Cash Received from Interfund Services Provided	-	73,243,481
Cash Paid to Employees	(422,477)	(1,669,669)
Cash Paid for Goods and Services	(524,922)	(17,164,991)
Cash Paid on Behalf of Employees	-	(54,932,502)
<b>Net Cash Used in Operating Activities</b>	<u>(149,991)</u>	<u>(523,681)</u>
<b>Noncapital Financing Activities</b>		
Miscellaneous Revenue	-	964,224
Transfers from Other Funds	-	1,093,763
Transfers to Other Funds	-	(700,000)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>-</u>	<u>1,357,987</u>
<b>Capital and Related Financing Activities</b>		
Transfers from Other Funds for Capital Purposes	250,000	-
Acquisition and Construction of Capital Assets	(174,293)	(57,922)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>75,707</u>	<u>(57,922)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(74,284)</u>	<u>776,384</u>
<b>Cash and Cash Equivalents</b>		
<b>Beginning of Year</b>	<u>96,086</u>	<u>23,537,710</u>
<b>End of Year</b>	<u>\$ 21,802</u>	<u>\$ 24,314,094</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
Operating Income (Loss)	\$ (201,878)	\$ 1,826,754
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	59,320	93,651
Change in Assets and Liabilities:		
Increase in Accounts Receivable	(804)	(308,278)
Increase in Due from Other Funds	-	(857,732)
Increase in Due from Component Units	-	(93,506)
(Increase) Decrease in Inventories	(1,544)	11,502
(Increase) Decrease in Prepaid Items	210	(98,080)
Decrease in Accounts Payable and Accrued Liabilities	(5,722)	(67,819)
Increase (Decrease) in Due to Other Funds	(14,436)	503,298
Decrease in Due to Component Units	-	(125,247)
Increase in Compensated Absences	14,863	30,191
Decrease in Claims Liabilities	-	(1,394,460)
Decrease in Unearned Revenue	-	(43,955)
Total Adjustments	<u>51,887</u>	<u>(2,350,435)</u>
<b>Net Cash Used in Operating Activities</b>	<u>\$ (149,991)</u>	<u>\$ (523,681)</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, 2015

	Pension and Other Employee Benefit Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,840,208	\$ 27,950,452
Investments, at Fair Value:		
Mutual Funds	414,026,533	-
Common Collective Trusts	29,927,384	-
Guaranteed Investment Contracts	22,374,462	-
Corporate Bonds	2,164,204	-
U.S. Treasuries	12,492,264	-
Federal Agency Debt Securities	785,841	-
Federal Agency Mortgage Backed Securities	8,251,523	-
Total Investments	<u>490,022,211</u>	<u>-</u>
Receivables:		
Accounts	-	8,179,725
Employee Contributions	219,131	-
Employer Contributions	207,488	-
Receivable from Other Plans	134,085	-
Accrued Interest and Dividends	103,962	-
Total Receivables	<u>664,666</u>	<u>8,179,725</u>
Total Assets	<u>494,527,085</u>	<u>\$ 36,130,177</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	266,663	\$ 9,242,607
Accounts Payable - To Other Plans	134,085	-
Due to Other Governments	-	7,904,827
Due to Litigants, Heirs and Others	-	18,982,743
Total Liabilities	<u>400,748</u>	<u>\$ 36,130,177</u>
<b>NET POSTION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<u>\$ 494,126,337</u>	

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

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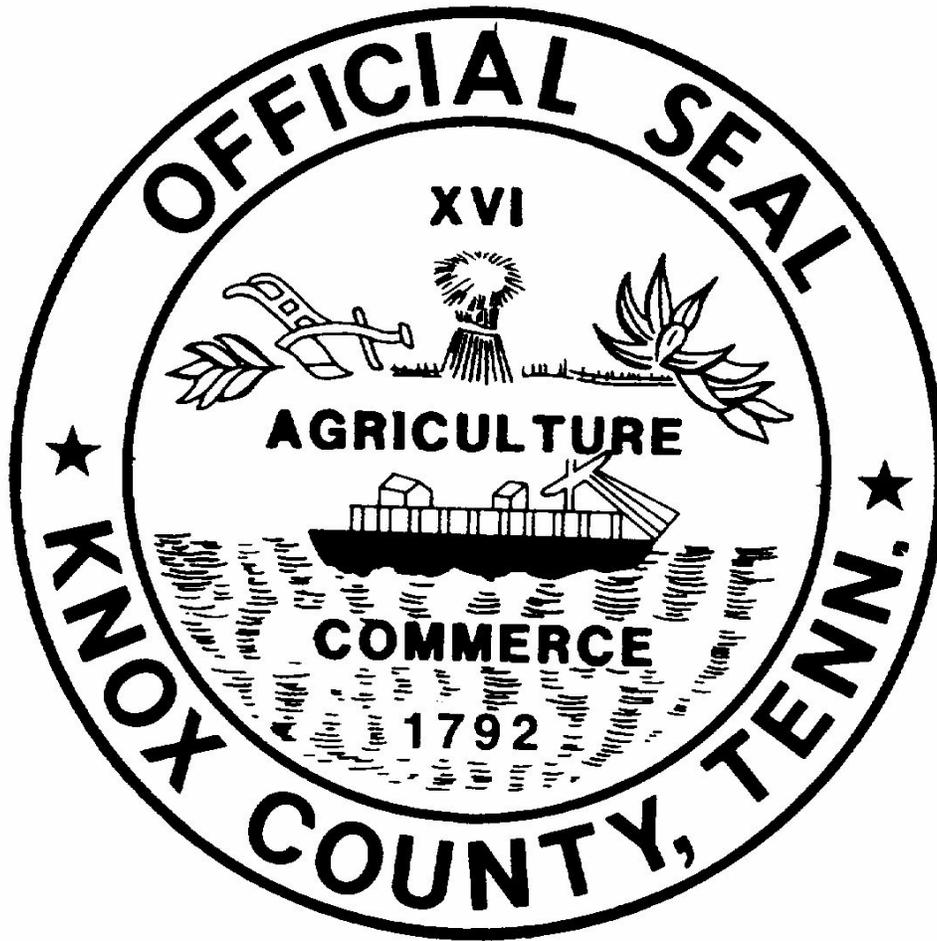
**KNOX COUNTY, TENNESSEE****Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
For the year ended June 30, 2015

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	<u>Pension and Other Employee Benefit Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 16,761,915
Employees	12,080,378
Rollovers	<u>148,831</u>
Total Contributions	<u>28,991,124</u>
Investment Earnings (Losses):	
Interest and Dividend Income	4,214,033
Net Appreciation (Depreciation) in Fair Value of Investments	<u>10,924,347</u>
Total Investment Earnings (Losses)	15,138,380
Less Investment Expenses	<u>(725,872)</u>
Net Investment Earnings (Losses)	<u>14,412,508</u>
Other:	
Transfers from Other Plans	617,360
Other Additions	<u>5,200</u>
Total Other	<u>622,560</u>
Total Additions	<u>44,026,192</u>
<b>DEDUCTIONS</b>	
Benefits and Refunds	39,040,060
Administrative Expenses	1,329,982
Transfers to Other Plans	<u>617,360</u>
Total Deductions	<u>40,987,402</u>
Change in Net Position	3,038,790
Net Position, July 1	<u>491,087,547</u>
Net Position, June 30	<u>\$ 494,126,337</u>

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

# Notes to Financial Statements



KNOX COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2015

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KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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 2014 - 2015 school year was 57,581 with a full time equivalent average daily attendance of 55,082. During the previous year, the full time equivalent average daily membership was 57,038 with a full time equivalent average daily attendance of 53,739.

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

The **Knox County Emergency Communications District** (the District) is an emergency response agency operating a consolidated public safety answering point service and emergency radio dispatch service for the residents of the County. The District is governed by an eleven-member Board of Directors, of whom the majority are appointed by the County. Debt issuances or lease agreements exceeding five years require County approval. All fees are collected and remitted to the District through the State of Tennessee Emergency Communications Board (TECB). Revenues are recognized by the District in the period allocated by the TECB. Effective January 1, 2015, the State legislature passed a new law that changed the funding formula for emergency communications districts.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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, 2015*

**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, 2015*

**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, 2015

**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, 2015*

**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, 2015*

**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, 2015*

**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, 2015*

**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 1<sup>st</sup>, and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1<sup>st</sup> of the ensuing fiscal year. Property tax payments are due by February 28 of the following year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred inflows in the fund financial statements and in the government-wide financial statements as of June 30<sup>th</sup>.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

***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, 2015*

**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. (I) for more detailed analysis. The County formally assesses the effectiveness of its hedging derivative instruments at each year-end.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County 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, 2015*

**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.

***Risk Financing Activities***

Knox County and its component units are exposed to various risks of loss associated with general liability claims. The County is self-insured for such risks. The majority of general liability claims are accounted for in the Self Insurance Fund, an internal service fund. The County's policy is to utilize the Self Insurance Fund to account for claims that meet certain criteria. Claims that meet these criteria include those that are reasonably expected to occur from time to time as the result of normal recurring activities, claims that do not appear to result from gross negligence or intent, that are expected to be settled within a reasonable period of time and that are not expected to be in unusual amounts, and claims that have not resulted in death or catastrophic injury. On occasion, events occur giving rise to claims that do not meet the County's criteria for recording in the Self Insurance Fund. Such claims are accounted for in the appropriate governmental fund. As of June 30, 2015, the Board of Education's Statement of Net Position included liabilities of \$3,670,584 applicable to such claims.

***Long-Term Obligations***

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

***Fund Equity***

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

Nonspendable fund balance includes amounts that cannot be spent because they are (a) not in spendable form, or (b) legally or contractually required to be maintained intact (e.g., endowments.) Fund balance not in spendable form includes items not expected to be converted to cash (e.g., inventories and prepaid items), as well as 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. 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, 2015*

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

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

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

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

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

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

**E. Additional Information**

***Comparative Data/Reclassifications***

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

***Estimates***

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Data**

***Budget Basis/Authority***

Annual budgets, as required by the County Charter and applicable County ordinances, are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Constitutional Officers Fund and the Capital Projects Funds.

The Constitutional Officers Special Revenue Fund is used to account for the transactions of the fee and commission accounts of the County Trustee, Register of Deeds, County Clerk, Criminal and Fourth Circuit Court Clerk, Circuit and General Sessions Court Clerk, and Clerk and Master. These separately elected officials pay salaries and related expenditures from fees and commissions earned by their offices.

Excess fees and commissions are transferred to other funds. In some instances, all fees and commissions earned are transferred to other funds. Transactions related to the Constitutional Officers Special Revenue Fund are not subject to the budgetary control of the County Commission. Therefore, this fund is presented as an unbudgeted special revenue fund.

The Drug Control Special Revenue Fund was established in the 1998 fiscal year pursuant to an amendment of Tennessee Code Annotated Section 39-17-420, stipulating drug control activities to be reported in a special revenue fund. The budget for this fund is a separately adopted budget proposed by the Sheriff and approved by the County Commission.

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

**A. Budgetary Data (Continued)**

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

***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, 2015*

**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, 2015:

Fund	Original Budget	Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 164,275,513	\$ 6,157,827	\$ 170,433,340
Special Revenue Funds:			
State, Federal and Other Grants	160,000	1,588,084	1,748,084
Governmental Library	131,200	-	131,200
Public Library	12,675,900	112,143	12,788,043
Solid Waste	4,046,000	324	4,046,324
Hotel/Motel Tax	5,770,000	454,470	6,224,470
Drug Control	788,000	276,591	1,064,591
Engineering & Public Works	12,062,400	1,263,020	13,325,420
Total Special Revenue Funds	35,633,500	3,694,632	39,328,132
Debt Service Fund	75,500,000	-	75,500,000
Total - Governmental Funds	\$ 275,409,013	\$ 9,852,459	\$ 285,261,472

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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	\$ 424,885,000	\$ 1,494,534	\$ 426,379,534
Special Revenue Fund:			
Central Cafeteria	27,508,265	137,416	27,645,681
Total - the Board	\$ 452,393,265	\$ 1,631,950	\$ 454,025,215

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

**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***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's governmental activities investments follow their adopted investment policy and are monitored and managed by an Investment Committee, whose objectives are to maximize earnings while reducing the exposure to interest rate risks to a low level by utilizing a mixture of short and long-term maturity investments so that the changing interest rates will cause only minimal deviations in the net asset value. Investment maturities shall not exceed three years without the approval of the Investment Committee or greater than five years without the approval from the Director of State and Local Finance or as otherwise provided by State Statute. Investments of bond proceeds shall not exceed two years without the approval of the Investment Committee. The County's investments are primarily in U.S. Government Securities and securities issued by agencies of the U.S. Government. The County's and Board's Pension Trust fund activities are managed by the Knox County Retirement Board (see separately issued Pension Trust Fund Statements), whose objectives are to maximize earnings while reducing the exposure to interest rate risks to an appropriate level by using a mixture of long-term and short-term investments in various debt and equity securities. The investments of the County's defined benefit plan and the Board's defined benefit plan are included in a single trust account. The following represents the County's and the Board's governmental activities investments and the activities of the County's and the Board's Pension Trust funds:

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

	Primary 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	\$ 248,119		\$ 5,826,641	
Certificate of Deposits held greater than 90 days	\$ 4,511,669		\$ -	
Common Collective Trusts	\$ -		\$ 29,927,384	
Guaranteed Investment Contracts	\$ -		\$ 22,374,462	
Mutual Funds	\$ -		\$ 468,745,678	
Fixed Income Securities:				
U.S. Treasuries	\$ 3,749,500	0.838	\$ 16,459,988	6.170
Federal Agency Mortgage Backed Securities	2,469,201	0.398	11,002,725	3.360
Federal Agency Debt Securities	7,255,373	1.224	1,043,578	25.190
Corporate Bonds	-		2,956,923	8.510
Municipal Bonds	35,934,666	0.770	-	
Total Fixed Income Securities	\$ 49,408,740	3.230	\$ 31,463,214	13.950

***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, 2015 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, 2015*

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

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

*Credit risk*

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

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

	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	\$ 3,749,500	Aaa	\$ 16,459,988	AA+
Federal Agency Mortgage Backed Securities	2,469,201	AA+	11,002,725	AA+
Federal Agency Debt Securities	6,010,995	AA+	1,043,578	AA+
Federal Agency Debt Securities	1,244,378	NR	-	
Corporate Bonds:				
Corporate Bonds	-		215,255	AAA
Corporate Bonds	-		203,145	AA+
Corporate Bonds	-		143,619	AA
Corporate Bonds	-		143,409	AA-
Corporate Bonds	-		474,398	A+
Corporate Bonds	-		643,775	A
Corporate Bonds	-		711,451	A-
Corporate Bonds	-		421,871	BBB+
Municipal Bonds	5,940,251	AAA	-	
Municipal Bonds	641,467	Aaa	-	
Municipal Bonds	618,282	Aa3	-	
Municipal Bonds	3,784,937	Aa2	-	
Municipal Bonds	830,958	Aa1	-	
Municipal Bonds	3,421,102	AA+	-	
Municipal Bonds	3,687,793	AA-	-	
Municipal Bonds	11,147,323	AA	-	
Municipal Bonds	232,144	A1	-	
Municipal Bonds	5,630,409	A+	-	
<b>Total Fixed Income Securities</b>	<b>\$ 49,408,740</b>		<b>\$ 31,463,214</b>	

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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 total investments.

***Concentration of Credit Risk***

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

**B. Receivables**

Receivables for the County's individual major funds and nonmajor governmental, internal service, and fiduciary funds in the aggregate, as of year-end, including allowances for uncollectible accounts are:

Primary Government

	Major Governmental Funds							
	General	Debt Service	Capital Projects Public Improvement	Nonmajor Governmental Funds	Internal Service	Enterprise Fund	Total Primary Government	Trust and Agency
Receivables:								
Taxes	\$ 116,108,451	\$ 55,894,633	\$ -	\$ -	\$ -	\$ -	\$ 172,003,084	\$ -
Accounts	10,768,755	-	842,678	7,718,360	1,210,050	8,150	20,547,993	8,417,772
Contributions	-	-	-	-	-	-	-	426,619
Gross Receivables	126,877,206	55,894,633	842,678	7,718,360	1,210,050	8,150	192,551,077	8,844,391
Less: Allowances for Uncollectibles	(2,087,608)	(813,011)	-	-	-	-	(2,900,619)	-
Net Total Receivables	\$ 124,789,598	\$ 55,081,622	\$ 842,678	\$ 7,718,360	\$ 1,210,050	\$ 8,150	\$ 189,650,458	\$ 8,844,391

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

<u>Component Units:</u>	Government-wide Totals			
	The Board	The Partnership	The District	The Corporation
Receivables:				
Taxes	\$ 105,954,323	\$ -	\$ -	\$ -
Accounts	42,744,945	1,009,862	81,964	43,533
Gross Receivables	148,699,268	1,009,862	81,964	43,533
Less: Allowances for Uncollectibles	(2,146,686)	(27,247)	-	-
Net Total Receivables	\$ 146,552,582	\$ 982,615	\$ 81,964	\$ 43,533

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

**B. Receivables (Continued)**

The General Fund has the following note receivable at June 30, 2015:

- (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, 2015, \$1,024,000 remained outstanding.

The County's Debt Service Fund has the following note and loan receivable at June 30, 2015:

- (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.
- (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, 2015, the loan balance was \$6,020,000.

The State, Federal and Other Grants Special Revenue Fund had \$2,214,159 of notes receivable at June 30, 2015. These note agreements are from eligible County citizens participating in various state and federal low-income housing projects. These notes are executed with a range of below market interest rates and varying repayment terms.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

**B. Receivables (Continued)**

*Advances to Other Entity*

During the fiscal year ended June 30, 2006, the County advanced \$2,500,000 to the Knoxville-Knox County Community Action Committee (CAC). An additional advance during the fiscal year ended June 30, 2009 for \$3,500,000 was made to CAC from Knox County. These advances were made to provide funding for operations and are to be repaid from grant monies and other funding received by CAC. During the fiscal year ended June 30, 2011, CAC paid the County \$3,500,000 and \$35,000 in fiscal year 2014 towards the advances leaving a balance due to the County of \$2,465,000. CAC made no payments to the County during the fiscal year ended 2015.

**C. Capital Assets**

Activity in the County's and the Component Unit's capital assets for the fiscal year ended June 30, 2015, was the following:

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 99,110,074	\$ 1,798,388	\$ -	\$ 100,908,462
Construction in Progress	35,668,402	13,581,666	23,535,419	25,714,649
Total Capital Assets, not being depreciated	134,778,476	15,380,054	23,535,419	126,623,111
Capital Assets being depreciated:				
Buildings	211,506,270	2,424,594	-	213,930,864
Land Improvements	24,177,699	-	52,394	24,125,305
Machinery and Equipment	43,813,826	3,903,747	1,447,141	46,270,432
Intangible Assets	15,695,732	544,319	-	16,240,051
Infrastructure	543,373,117	23,470,265	-	566,843,382
Total Capital Assets being depreciated	838,566,644	30,342,925	1,499,535	867,410,034
Less Accumulated Depreciation for:				
Buildings	83,255,698	7,968,707	-	91,224,405
Land Improvements	14,476,236	1,020,594	58,041	15,438,789
Machinery and Equipment	33,989,800	3,488,597	1,440,472	36,037,925
Intangible Assets	11,979,320	523,473	-	12,502,793
Infrastructure	219,394,094	13,738,763	-	233,132,857
Total Accumulated Depreciation	363,095,148	26,740,134	1,498,513	388,336,769
Total Capital Assets being depreciated, net	475,471,496	3,602,791	1,022	479,073,265
Governmental Activities Capital Assets, net	\$ 610,249,972	\$ 18,982,845	\$ 23,536,441	\$ 605,696,376

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

**C. Capital Assets (Continued)**

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
<b>Three Ridges Golf Course:</b>				
Land and Construction in Progress	\$ 880	\$ -	\$ -	\$ 880
Buildings	747,515	6,989	-	754,504
Machinery and Equipment	506,923	176,327	(254,016)	429,234
Computer Software	25,448	-	-	25,448
Land Improvements	66,463	-	-	66,463
Less: Accumulated Depreciation	(893,283)	(59,320)	244,993	(707,610)
<b>Total</b>	<b>\$ 453,946</b>	<b>\$ 123,996</b>	<b>\$ (9,023)</b>	<b>\$ 568,919</b>

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

Finance and Administration	\$ 3,838,006
Administration of Justice	512,852
Public Safety	3,062,178
Public Health and Welfare	803,059
Social and Cultural Services	2,757,779
Other General Government	1,506,632
Engineering & Public Works	14,259,628
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 26,740,134</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

**C. Capital Assets (Continued)**

**Component Unit – the Board**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 22,837,977	\$ -	\$ -	\$ 22,837,977
Construction in Progress	23,373,876	7,329,701	28,443,476	2,260,101
Total Capital Assets, not being depreciated	46,211,853	7,329,701	28,443,476	25,098,078
Capital Assets being depreciated:				
Buildings	513,924,222	22,578,524	627,127	535,875,619
Land Improvements	2,513,595	828,470	-	3,342,065
Machinery and Equipment	81,627,115	14,597,641	458,820	95,765,936
Intangible Assets	2,002,779	-	-	2,002,779
Total Capital Assets being depreciated	600,067,711	38,004,635	1,085,947	636,986,399
Less Accumulated Depreciation for:				
Buildings	199,080,252	12,115,158	627,127	210,568,283
Land Improvements	1,290,660	174,577	-	1,465,237
Machinery and Equipment	36,741,221	10,388,747	458,820	46,671,148
Intangible Assets	533,581	298,820	-	832,401
Total Accumulated Depreciation	237,645,714	22,977,302	1,085,947	259,537,069
Total Capital Assets being depreciated, net	362,421,997	15,027,333	-	377,449,330
Governmental Activities Capital Assets, net	\$ 408,633,850	\$ 22,357,034	\$ 28,443,476	\$ 402,547,408

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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, 2015, 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	\$ 404,472
	State, Federal and Other Grants	200,999
	Public Library	200,000
	Vehicle Service Center	343,076
	Employee Benefits	62
	Technical Support	52,993
		<u>1,201,602</u>
Debt Service	Building Operations	<u>700,000</u>
Public Improvement	General	<u>3,210</u>
Total Major Governmental Funds		<u>1,904,812</u>
<u>Nonmajor Special Revenue Funds:</u>		
State, Federal and Other Grants	General	950,828
	Drug Control	695
		<u>951,523</u>
Governmental Library	General	<u>10,000</u>
Solid Waste	General	350,627
	State, Federal and Other Grants	327,981
	Engineering & Public Works	200,000
		<u>878,608</u>
Total Nonmajor Governmental Funds		<u>1,840,131</u>
Total Governmental Funds		<u>\$ 3,744,943</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

Receivable Fund	Payable Fund	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 157,589
	State, Federal and Other Grants	467
	Public Library	1,212
	Solid Waste	7,573
	Engineering & Public Works	43,410
	Self Insurance	41
		<u>210,292</u>
Mailroom Services	General	19,280
	Public Improvement	31
	State, Federal and Other Grants	3
	Public Library	15
	Engineering & Public Works	343
	Employee Benefits	462
	Self Insurance	42
		<u>20,176</u>
Employee Benefits	General	5,652
	State, Federal and Other Grants	205
	Public Library	3
		<u>5,860</u>
Self Insurance	General	<u>250,000</u>
Self Insurance Healthcare	General	<u>1,735,824</u>
Total Internal Service Funds		<u>\$ 2,222,152</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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>		
Debt Service	Component Unit - the Board, General Purpose School	\$ 10,000,000
Total Primary Government - Major Funds		<u>10,000,000</u>
<u>Primary Government - Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the Board, General Purpose School	267
	Component Unit - the District	<u>526</u>
		<u>793</u>
Employee Benefits	Component Unit - the Board, General Purpose School	220,133
	Component Unit - the Board, School Federal Projects	38,525
	Component Unit - the Board, School General Projects	8,377
	Component Unit - the District	<u>1,100</u>
		<u>268,135</u>
Self Insurance	Component Unit - the Board, General Purpose School	<u>306,547</u>
Total Primary Government - Internal Service Funds		<u>575,475</u>
Total Primary Government		<u>\$ 10,575,475</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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	\$ 112,997
Total Component Unit - the Board		<u>\$ 112,997</u>

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

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose School	School Federal Projects	\$ 12,392,886
	School General Projects	5,909,624
	School Construction	5,340,951
		<u>23,643,461</u>
<u>Nonmajor Special Revenue Funds:</u>		
School Federal Projects	General Purpose School	57,980
	School General Projects	10
		<u>57,990</u>
School General Projects	General Purpose School	3,678,895
	School Federal Projects	738,601
		<u>4,417,496</u>
Total Board of Education		<u>\$ 28,118,947</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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, 2015, is as follows:

***Primary Government:***

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue	\$ 8,241,136
Debt Service	General	194,394
	Building Operations	700,000
		<u>894,394</u>
Public Improvement	General	<u>125,320</u>
Total Major Governmental Funds		<u>9,260,850</u>
<u>Nonmajor Governmental Funds:</u>		
<u>Special Revenue Funds:</u>		
State, Federal and Other Grants	General	<u>802,631</u>
Governmental Library	General	<u>10,000</u>
Public Library	General	930,000
	Hotel/Motel	540,000
		<u>1,470,000</u>
Solid Waste	General	350,000
	Engineering & Public Works	200,000
		<u>550,000</u>
Drug Control	General	<u>72,995</u>
Total Nonmajor Governmental Funds		<u>2,905,626</u>
Total Governmental Funds		<u>\$ 12,166,476</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

Transfers - In	Transfers - Out	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 85,000
	Engineering & Public Works	258,763
		<u>343,763</u>
Self Insurance Healthcare	General	<u>500,000</u>
Self Insurance	General	<u>250,000</u>
Total Internal Service Funds		<u>\$ 1,093,763</u>
<u>Enterprise Fund:</u>		
Three Ridges Golf Course	General	<u>\$ 250,000</u>

In addition, payments of \$1,329,982 were made from the Pension Trust – Defined Benefit Plans to the General Fund for the County Retirement Board administrative expenses.

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

Transfers - In	Transfers - Out	Amount
<u>Special Revenue Funds (Nonmajor):</u>		
General Purpose School	Central Cafeteria	<u>\$ 745,008</u>
School General Projects	General Purpose School	4,649,514
	School Federal Projects	563,278
		<u>5,212,792</u>
School Federal Projects	General Purpose School	<u>62,089</u>
Total Board of Education		<u>\$ 6,019,889</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

*Transactions between Primary Government and Component Units:*

<u>Revenues and Other Sources</u>	<u>Expenses/Expenditures and Other Uses</u>	<u>Amount</u>
Primary Government - Debt Service (Major Fund)	Component Unit - the Board, General Purpose School	\$ 10,000,000
Total Primary Government		<u>\$ 10,000,000</u>
Component Unit - General Purpose School	Primary Government - General	\$ 4,052,000
Component Unit - School Construction	Primary Government - Public Improvement	24,271,315
Component Unit - Great Schools Partnership	Primary Government - General	<u>2,501,874</u>
		<u>30,825,189</u>
Component Unit - The District	Primary Government - General	<u>492,828</u>
Component Unit - The Corporation	Primary Government - General	<u>600,000</u>
Total Component Units		<u>\$ 31,918,017</u>

*Transactions between the Board and its Component Unit:*

<u>Revenues and Other Sources</u>	<u>Expenses/Expenditures and Other Uses</u>	<u>Amount</u>
The Board, School General Projects	Component Unit, Great Schools Partnership	<u>\$ 2,162,546</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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	\$ 54,344
Primary Government - Nonmajor Funds:	
<u>General Grants Fund:</u>	
Unexpended grant funds	2,815,659
<u>Governmental Library Fund:</u>	
Unearned revenue	1,040
Internal Service - Building Operations Fund:	
Unearned revenue	7,894
Total - Primary Government	\$ 2,878,937
Component Unit - the Board - Nonmajor Funds:	
<u>School General Projects:</u>	
Unexpended grant funds	\$ 3,274,176
School Federal Projects:	
Unexpended grant funds	\$ 93,639
<u>Central Cafeteria:</u>	
Unearned revenue	293,264
Total Component Unit - the Board	\$ 3,661,079

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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	\$ 3,425,008	\$ -
Taxes receivable, applicable to subsequent fiscal year	109,569,738	109,569,738
Notes receivable, applicable to subsequent fiscal year	1,025,015	1,025,015
	114,019,761	110,594,753
 <u>Debt Service Fund:</u>		
Taxes receivable, delinquent	1,515,550	-
Taxes receivable, applicable to subsequent fiscal year	53,090,491	53,090,491
Notes receivable, applicable to subsequent fiscal year	6,020,000	6,020,000
	60,626,041	59,110,491
 Total - Primary Government	\$ 174,645,802	\$ 169,705,244
 Component Unit - the Board - Major Fund		
<u>General Purpose School:</u>		
Taxes receivable, delinquent	\$ 3,341,999	\$ -
Taxes receivable, applicable to subsequent fiscal year	99,403,474	99,403,474
Accounts receivable, applicable to subsequent fiscal year	368,943	368,943
 Total Component Unit - the Board	\$ 103,114,416	\$ 99,772,417

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

**H. Leases**

*Capital Leases*

All capital leases pertain to governmental activities.

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

The future minimum lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Primary Government</u>	<u>Component Unit - The Board</u>
2016	\$ 2,896,336	\$ 425,004
2017	2,882,200	425,004
2018	2,925,023	425,004
2019	2,968,886	425,004
2020	3,013,820	425,004
2021 - 2025	15,782,550	2,125,020
2026 - 2030	15,021,808	2,125,020
2031 - 2035	5,954,181	212,502
2036 - 2037	<u>1,620,667</u>	<u>-</u>
Total Minimum Lease Payments	\$ 53,065,471	\$ 6,587,562
Less: Amounts Representing Interest	<u>(14,134,508)</u>	<u>(1,684,073)</u>
Present Value of Minimum Lease Payments	<u>\$ 38,930,963</u>	<u>\$ 4,903,489</u>

As of June 30, 2015, assets recorded under capital leases totaled \$77,083,077 (\$71,219,016 equipment, \$879,609 land, and \$4,984,452 buildings). Related accumulated amortization totaled \$28,086,110. Amortization of assets recorded under capital leases is included with depreciation expense.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	421,576	14,876	436,452
2021 - 2025	<u>1,754,661</u>	<u>27,554</u>	<u>1,782,215</u>
Total	<u>\$ 3,831,290</u>	<u>\$ 133,185</u>	<u>\$ 3,964,475</u>

In addition, in August 2013, the County entered into a loan agreement whereby the County borrowed funds for the Board of Education, which acquired computer equipment for instructional purposes in various schools. The total borrowed of \$5,962,500 is to be repaid in four equal annual installments of \$1,490,625 ending in 2016. As of June 30, 2015, the remaining balance was \$2,981,250.

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, 2015*

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

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

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

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

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

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

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

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

**KNOX COUNTY, TENNESSEE**  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

	Interest Rate	Last Maturity Date	Principal Balance
<b>Governmental Activities:</b>			
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	28,625,999
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	41,071,428
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	19,798,125
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	42,110,391
General Obligation - Series 2007	Variable Rate (.643% at 6/30/15)	6/1/2034	50,450,000
General Obligation - Series 2007 (Taxable Pension Bonds)	4.75-5.75%	6/1/2027	2,000,000
General Obligation - Series 2008	Variable Rate (.06% at 6/30/15)	6/1/2029	20,650,500
General Obligation - Series 2009	3.00-4.00%	6/1/2018	1,850,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	992,185
General Obligation - Refunding Bonds, Series 2010B	2.00-5.00%	4/1/2035	29,765,000
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	8,035,000
General Obligation - Series 2010D (Federally Taxable Build America Bonds)	1.125-6.00% (1)	6/1/2035	16,875,000
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	5,575,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	20,525,676
General Obligation - Series 2014A	2.125 - 5.00%	6/1/2036	15,505,000
General Obligation - Refunding Series 2014B	0.25 - 3.23%	6/1/2027	51,445,000
General Obligation - Refunding Series 2015	5.00%	4/1/2019	6,161,292
<b>Total Bonded Debt to be repaid by Governmental Activities</b>			<b>376,815,961</b>
<b>The Board:</b>			
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	27,074,001
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	21,428,572
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	11,776,875
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	22,739,609
General Obligation - Series 2007	Variable Rate (.643% at 6/30/15)	6/1/2034	18,550,000
General Obligation - Series 2008	Variable Rate (.06% at 6/30/15)	6/1/2029	11,119,500
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	14,882,815
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	15,695,000
General Obligation - Qualified School Construction Bonds	.0% (2)	7/1/2027	22,242,923
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	8,425,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	17,734,324
General Obligation - Series 2014A	2.125 - 5.00%	6/1/2036	14,535,000
General Obligation - Refunding Series 2014B	0.25 - 3.23%	6/1/2027	3,930,000
General Obligation - Refunding Series 2015	5.00%	4/1/2019	9,858,708
<b>Total Bonded Debt to be repaid by the Board</b>			<b>245,996,962</b>
<b>Total Bonded Debt</b>			<b>\$ 622,812,923</b>

(1) Stated interest rates on the Build America Bonds do not include the effects of the interest subsidy expected to be received from the federal government pursuant to the federal Build America Bonds program. The interest rate subsidy, 35% at issuance of the bonds, is being reduced due to sequestration by the federal government. At June 30, 2015, the sequestration rate was 7.3%.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

Fiscal Year Ending June 30,	Primary Government Debt			To be Repaid By:		Total
	Principal	Interest	Total	County	Board	
2016	\$ 43,724,281	\$ 26,856,602	\$ 70,580,883	\$ 37,181,217	\$ 33,399,666	\$ 70,580,883
2017	41,574,281	24,960,624	66,534,905	35,954,092	30,580,813	66,534,905
2018	38,209,281	23,271,960	61,481,241	34,481,803	26,999,438	61,481,241
2019	38,764,281	21,773,545	60,537,826	34,442,701	26,095,125	60,537,826
2020	36,079,281	20,212,454	56,291,735	33,074,006	23,217,729	56,291,735
2021 - 2025	149,606,405	83,043,054	232,649,459	144,362,244	88,287,215	232,649,459
2026 - 2030	149,225,113	51,479,694	200,704,807	127,803,004	72,901,803	200,704,807
2031 - 2035	123,770,000	16,534,139	140,304,139	92,339,841	47,964,298	140,304,139
2036	1,860,000	65,100	1,925,100	864,225	1,060,875	1,925,100
<b>Total</b>	<b>\$ 622,812,923</b>	<b>\$ 268,197,172</b>	<b>\$ 891,010,095</b>	<b>\$ 540,503,133</b>	<b>\$ 350,506,962</b>	<b>\$ 891,010,095</b>

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$163,687,171 and \$104,510,001, respectively, for a total of \$268,197,172.

***Advance Refunding Issue***

During the year, the County issued general obligation \$56,840,000 Series 2014B refunding bonds with a par value of \$56,840,000 to advance refund general obligation issues. The issuance proceeds were placed in an irrevocable trust, which will provide resources for all future debt service payments on the refunded debt. The refunded debts are considered defeased and \$51,300,000 of liabilities has been removed from the statement of position. The advance refunding reduced cash flows required for future debt service to be repaid by the County and the Board by \$7,195,068 and \$251,205 respectively, over the next 12 years. The refunding resulted in a combined economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$6,413,925.

***Current Refunding Issue***

The County issued \$16,020,000 fixed-rate general obligation bonds, Series 2015, with a par value of \$16,020,000 to provide funds for the current refunding of the County's 2002A refunding bonds. The refunding reduced cash flows required for future debt service to be repaid by the County and the Board by \$678,489 and \$1,096,211 respectively, over the next 4 years. The refunding resulted in a combined economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$1,740,219.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

***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, 2015:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<u>Primary Government</u>					
Bonded Debt	\$ 632,397,204	\$ 102,900,000	\$ (112,484,281)	\$ 622,812,923	\$ 43,724,281
Unamortized Bond Premium	6,497,791	3,200,973	(1,999,825)	7,698,939	1,777,761
Loans Payable	8,709,231	-	(1,896,691)	6,812,540	1,899,746
Capital Leases	27,245,107	12,450,000	(764,144)	38,930,963	1,359,809
Compensated Absences	7,880,097	6,759,313	(5,972,609)	8,666,801	7,788,419
Total - Primary Government	<u>\$ 682,729,430</u>	<u>\$ 125,310,286</u>	<u>\$ (123,117,550)</u>	<u>\$ 684,922,166</u>	<u>\$ 56,550,016</u>
<u>Component Unit - the Board</u>					
Compensated Absences	\$ 3,132,179	\$ 2,666,044	\$ (2,903,259)	\$ 2,894,964	\$ 2,605,468
Capital Lease	5,127,472	-	(223,983)	4,903,489	233,107
Total Component Unit - the Board	<u>\$ 8,259,651</u>	<u>\$ 2,666,044</u>	<u>\$ (3,127,242)</u>	<u>\$ 7,798,453</u>	<u>\$ 2,838,575</u>
<u>Component Unit - the District</u>					
Compensated Absences	\$ 265,302	\$ 365,602	\$ (327,858)	\$ 303,046	\$ 303,046
Total - the District	<u>\$ 265,302</u>	<u>\$ 365,602</u>	<u>\$ (327,858)</u>	<u>\$ 303,046</u>	<u>\$ 303,046</u>

For the primary government, compensated absences totaling \$45,287 pertains to the non-major enterprise fund, with the remaining long-term liabilities related to governmental activities.

***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, 2015*

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

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

*Terms.* Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). At inception, the swap had a notional amount of \$72 million and the associated variable-rate bond had a \$72 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series C-1-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2015, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-1.13%
Net interest rate swap payments		2.82%
Variable-rate bond coupon payments		0.06%
Synthetic interest rate on bonds		2.88%

*Fair value.* As of June 30, 2015, the swap had a negative fair value of (\$8,621,167), a change of \$235,560 compared to the June 30, 2014 balance of (\$8,385,607). 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, 2015, 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, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

*Basis risk.* As noted above, the swap exposes the County to basis risk should the rate on the bonds increase to above 63.2% 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, 2015*

**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, 2015, 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		
2016	\$ 2,625,000	\$ 33,420	\$ 1,571,319	\$ 4,229,739	
2017	2,775,000	31,845	1,497,267	4,304,112	
2018	2,950,000	30,180	1,418,983	4,399,163	
2019	3,125,000	28,410	1,335,762	4,489,172	
2020	3,300,000	26,535	1,247,605	4,574,140	
2021-2025	19,975,000	100,260	4,713,958	24,789,218	
2026-2030	20,950,000	32,370	1,521,951	22,504,321	
	<u>\$ 55,700,000</u>	<u>\$ 283,020</u>	<u>\$ 13,306,845</u>	<u>\$ 69,289,865</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, 2015*

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

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

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

*Terms.* Under the swap, the Authority pays a fixed payment of 3.40 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR). At inception, the swap had a notional amount of \$70 million and the associated variable-rate bond had a \$70 million original principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-A-1 Bonds. The bonds’ variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the “SIFMA”). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2015, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.40%
Variable payment to Authority	% of LIBOR	-1.05%
Net interest rate swap payments		2.35%
Variable-rate bond coupon payments		0.06%
Synthetic interest rate on bonds		2.41%

*Fair value.* As of June 30, 2015, the swap had a negative fair value of (\$7,595,459), a change of \$395,203 compared to the June 30, 2014 balance of (\$7,200,256). 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, 2015*

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

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

*Credit risk.* As of June 30, 2015, 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, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody’s, Standard & Poor’s and Fitch, respectively.

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

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

*Swap payments and associated debt.* As of June 30, 2015, 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
2016	\$ 3,000,000	\$ 37,500	\$ 1,465,500	\$ 4,503,000
2017	3,200,000	35,700	1,395,156	4,630,856
2018	3,400,000	33,780	1,320,122	4,753,902
2019	3,600,000	31,740	1,240,399	4,872,139
2020	3,810,000	29,580	1,155,986	4,995,566
2021-2025	22,570,000	110,874	4,332,956	27,013,830
2026-2030	22,920,000	35,250	1,377,570	24,332,820
	<u>\$ 62,500,000</u>	<u>\$ 314,424</u>	<u>\$ 12,287,689</u>	<u>\$ 75,102,113</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

*Series D-3-A*

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

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

*Terms.* Under the swap, the Authority pays the counterparty a fixed payment of 3.89 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). At inception, the swap had a notional amount of \$77 million and the associated variable-rate bond had a \$77 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series D-3-A Bonds. The bonds’ variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the “SIFMA”). The bonds and the related swap agreement mature on June 1, 2034. As of June 30, 2015, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.89%
Variable payment to Authority	% of LIBOR	-1.12%
Net interest rate swap payments		2.77%
Variable-rate bond coupon payments		0.69%
Synthetic interest rate on bonds		3.46%

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2015

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

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

*Fair value.* As of June 30, 2015, the swap had a negative fair value of (\$13,425,965), a change of \$1,360,550 compared to the June 30, 2014 balance of (\$12,065,415). 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, 2015, 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, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

*Swap payments and associated debt.* As of June 30, 2015, 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		
2016	\$ 2,000,000	\$ 447,384	\$ 1,793,128	\$	4,240,512
2017	2,100,000	433,586	1,737,828		4,271,414
2018	2,250,000	419,099	1,679,762		4,348,861
2019	2,375,000	403,577	1,617,548		4,396,125
2020	2,500,000	387,192	1,551,879		4,439,071
2021-2025	6,850,000	1,734,001	6,949,928		15,533,929
2026-2030	12,575,000	1,531,695	6,139,080		20,245,775
2031-2035	34,200,000	601,571	2,411,115		37,212,686
	<u>\$ 64,850,000</u>	<u>\$ 5,958,105</u>	<u>\$ 23,880,268</u>	<u>\$</u>	<u>94,688,373</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

**J. Fund Equity**

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

	<u>Major Funds</u>				
	<u>General</u>	<u>Constitutional Officers</u>	<u>Capital Projects Public Improvement</u>	<u>Debt Service</u>	<u>Total</u>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Inventories	\$ 115,158	\$ -	\$ -	\$ -	\$ 115,158
Prepays	328,020	-	-	-	328,020
Long-term Receivables and Advances	-	-	-	3,920,000	3,920,000
Investment in Joint Venture	5,490,386	-	-	-	5,490,386
	<u>5,933,564</u>	<u>-</u>	<u>-</u>	<u>3,920,000</u>	<u>9,853,564</u>
<b>Restricted for:</b>					
Finance and Administration	265,084	-	-	-	265,084
Administration of Justice	631,123	-	-	-	631,123
Public Safety	234,632	-	-	-	234,632
Public Health & Welfare	1,026,509	-	-	-	1,026,509
Social and Cultural	269,290	-	-	-	269,290
Debt Service	-	-	-	83,728	83,728
Capital Projects	-	-	12,651,320	-	12,651,320
	<u>2,426,638</u>	<u>-</u>	<u>12,651,320</u>	<u>83,728</u>	<u>15,161,686</u>
<b>Committed to:</b>					
Finance and Administration	488,892	-	-	-	488,892
Administration of Justice	278,492	-	-	-	278,492
Public Safety	96,000	-	-	-	96,000
Public Health & Welfare	190,000	-	-	-	190,000
Social and Cultural	21,916	-	-	-	21,916
Other General Government	3,330,000	-	-	-	3,330,000
Debt Service	-	-	-	19,707,676	19,707,676
	<u>4,405,300</u>	<u>-</u>	<u>-</u>	<u>19,707,676</u>	<u>24,112,976</u>
<b>Assigned to:</b>					
Finance and Administration	88,965	1,897,231	-	-	1,986,196
Administration of Justice	54,544	2,032,102	-	-	2,086,646
Public Safety	193,657	-	-	-	193,657
Public Health & Welfare	7,470	-	-	-	7,470
Social and Cultural	10,418	-	-	-	10,418
Other General Government	775,306	-	-	-	775,306
	<u>1,130,360</u>	<u>3,929,333</u>	<u>-</u>	<u>-</u>	<u>5,059,693</u>
<b>Unassigned:</b>	<u>55,853,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,853,075</u>
Total fund balances	<u>\$ 69,748,937</u>	<u>\$ 3,929,333</u>	<u>\$ 12,651,320</u>	<u>\$ 23,711,404</u>	<u>\$ 110,040,994</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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
<b>Fund balances:</b>									
<b>Nonspendable:</b>									
Inventories	\$ 4,994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,994
Prepays	19,009	-	14,513	-	-	-	-	-	33,522
	<u>24,003</u>	<u>-</u>	<u>14,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,516</u>
<b>Restricted for:</b>									
Finance and Administration	94,167	-	-	-	-	-	-	-	94,167
Administration of Justice	67,356	-	-	-	-	-	-	-	67,356
Public Safety	358,325	-	-	-	-	2,177,638	-	-	2,535,963
Public Health & Welfare	1,685,116	-	-	-	-	-	-	-	1,685,116
Social and Cultural	67,970	-	-	-	1,165,480	-	-	-	1,233,450
Other General Government	426,046	-	-	-	-	-	-	-	426,046
Highway Grants	30,759	-	-	-	-	-	-	-	30,759
	<u>2,729,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,165,480</u>	<u>2,177,638</u>	<u>-</u>	<u>-</u>	<u>6,072,857</u>
<b>Committed to:</b>									
Public Health & Welfare	-	-	-	1,342,971	-	-	-	-	1,342,971
Social and Cultural	-	47,770	1,332,482	-	-	-	-	-	1,380,252
Engineering & Public Works	-	-	-	-	-	-	4,275,906	-	4,275,906
Capital Projects	-	-	-	-	-	-	-	720,700	720,700
	<u>-</u>	<u>47,770</u>	<u>1,332,482</u>	<u>1,342,971</u>	<u>-</u>	<u>-</u>	<u>4,275,906</u>	<u>720,700</u>	<u>7,719,829</u>
<b>Total fund balances</b>	<u>\$ 2,753,742</u>	<u>\$ 47,770</u>	<u>\$ 1,346,995</u>	<u>\$ 1,342,971</u>	<u>\$ 1,165,480</u>	<u>\$ 2,177,638</u>	<u>\$ 4,275,906</u>	<u>\$ 720,700</u>	<u>\$ 13,831,202</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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:

	General Purpose Schools	School Construction Capital Projects	School Federal Projects	School General Projects	Central Cafeteria	Total
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Inventories	\$ 821,366	\$ -	\$ -	\$ 761,404	\$ 342,006	\$ 1,924,776
Prepays	1,597,267	-	25,577	999	-	1,623,843
	<u>2,418,633</u>	<u>-</u>	<u>25,577</u>	<u>762,403</u>	<u>342,006</u>	<u>3,548,619</u>
<b>Restricted for:</b>						
Education	-	-	-	-	7,765,014	7,765,014
<b>Committed to:</b>						
Education	-	-	-	129,238	-	129,238
<b>Assigned to:</b>						
Education	240,628	-	-	-	-	240,628
<b>Unassigned:</b>	<u>13,364,746</u>	<u>(7,585,630)</u>	<u>(13,199)</u>	<u>-</u>	<u>-</u>	<u>5,765,917</u>
Total fund balances	<u>\$ 16,024,007</u>	<u>\$ (7,585,630)</u>	<u>\$ 12,378</u>	<u>\$ 891,641</u>	<u>\$ 8,107,020</u>	<u>\$ 17,449,416</u>

The School Construction Capital Projects Fund had a deficit balance of \$7,585,630 at June 30, 2015. 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. The adopted Capital Improvement Plan includes planned debt issuance for the Board of \$19,150,000. The funds to be received upon issuance will eliminate the deficit.

**K. Property Taxes**

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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 \$248,448,100 for fiscal year 2015 were approximately 97 percent of the total tax levy.

The 2015 fiscal year property tax rate of \$2.32 was divided between the County and the Board as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 0.96	41.38%
Debt Service Fund	0.48	20.69%
Total - Primary Government	1.44	62.07%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	0.88	37.93%
Total Tax Levy	\$ 2.32	100.00%

The 2016 fiscal year property tax rate of \$2.32 is divided as follows:

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

**NOTE IV. OTHER INFORMATION**

**A. Joint Ventures**

The County is a participant in a joint venture with the City of Knoxville and the Knoxville Utilities Board in the operation of the Geographic Information Systems (GIS). The Geographic Information Systems was established to create and maintain a digitized mapping system of Knox County. Each of the participants appoints one of the three board members who oversee the operations. In March 1987, the County issued public improvement bonds, which included \$5,500,000 used to install the geographic information system. In accordance with the terms of the joint venture agreement, payments are shared between the County, the City of Knoxville and the Knoxville Utilities Board. In the 2015 fiscal year, the joint venture received 91 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$352,064 for the year ended June 30, 2015. The County does not retain an equity interest in the joint venture. The financial results of Geographic Information Systems have maintained adequate levels. Since the support for Geographic Information Systems is shared with two other entities, the County considers its involvement to be low risk. Complete separate financial statements for the Geographic Information Systems may be obtained at 606 Main Street, Suite 150, Main Place, Knoxville, TN 37902.

The County is a participant in a joint venture with the City of Knoxville in the operation of the Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA). The Authority was created to purchase, construct, refurbish, maintain and operate certain public building complexes to house the governments of the County and the City of Knoxville. The County appoints six of an eleven-member board of directors, which oversee the operations of PBA. The fact that the County appoints a majority of the board is negated by the participants' agreements calling for joint control of PBA. The County retains an equity interest in the joint venture. The County contributed \$6,396,901 to the PBA for development, management, and maintenance of County projects during 2015. The PBA's financial condition remained strong at year-end with adequate liquid assets and a reasonable level of unrestricted net position. 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, 2015*

**NOTE IV. OTHER INFORMATION**

**A. Joint Ventures (Continued)**

Condensed financial information for GIS and PBA as of June 30, 2015 and for the year then ended, is as follows:

ASSETS	<u>GIS</u>	<u>PBA</u>
Cash and Cash Equivalents	\$ 395,620	\$ 4,872,263
Receivables	220	2,855,246
Inventory	-	11,530
Prepays	6,854	89,860
Capital Assets	<u>34,474</u>	<u>7,975,147</u>
Total Assets	<u>437,168</u>	<u>15,804,046</u>
LIABILITIES AND NET POSITION		
Liabilities		
Accounts Payable and Accrued Liabilities	31,790	2,806,780
Due To Others	-	1,204,395
Customer Deposits	-	22,970
Compensated Absences	<u>46,476</u>	<u>525,251</u>
Total Liabilities	<u>78,266</u>	<u>4,559,396</u>
Net Position		
Investment in Capital Assets	34,474	7,975,147
Unrestricted	<u>324,428</u>	<u>3,269,503</u>
Total Net Position	<u>\$ 358,902</u>	<u>\$ 11,244,650</u>
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Total Operating Revenues	\$ 1,241,035	\$ 14,281,017
Total Operating Expenses	<u>(1,387,808)</u>	<u>(14,775,867)</u>
Operating Loss	(146,773)	(494,850)
Non-Operating Revenues	27,042	27,528
Non-Operating Expenses	-	(1,783,838)
Capital Contributions	<u>-</u>	<u>1,632,738</u>
Decrease in Net Position	(119,731)	(618,422)
Net Position, Beginning of Year	<u>478,633</u>	<u>11,863,072</u>
Net Position, End of Year	<u>\$ 358,902</u>	<u>\$ 11,244,650</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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, 2015, the County appropriated operating subsidies of \$1,449,919 to the Community Action Committee.

In FY 2015, 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 2015, 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, 2015*

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

**C. Risk Management**

The County has established the Self Insurance Healthcare Fund for risks associated with employees' health plan and the Self Insurance Fund for the majority of risks associated with the general liability and workers' compensation claim settlements. The Board and the District (component units), the Geographic Information Systems (joint venture between the County and the City of Knoxville), and the Knox County-City of Knoxville Metropolitan Planning Commission (a separate governmental organization) also participate in one or both of the plans. The Self Insurance Healthcare and the Self Insurance Fund are accounted for as internal service funds where assets are set aside for claim settlements. The County retains the risk of loss to a limit of \$425,000 for each employee in any plan year for health coverage and \$750,000 for each employee in any plan year (except the Sheriff's Department which is \$1,250,000) per employee in any plan year for worker's compensation coverage by obtaining stop/loss commercial insurance policies that covers claims beyond these limits.

As of June 30, 2015, Humana and CVS Caremark are the third-party administrators of the County's self-insured healthcare plans. Beginning January 1, 2016, Catamaran through OptumRX will replace CVS Caremark as the County's pharmacy plans third-party administrator. In the Self Insurance Healthcare Fund, a premium is charged to the participating fund, component unit, joint venture, or outside entity that accounts for eligible employees. The total charges for the funds are calculated using trends in actual claims experience. In instances where medical claims materially exceed premiums received, each participating entity is charged a pro-rata basis for any fund deficits incurred.

In the Self Insurance Fund, each participating fund with eligible employees is charged a premium calculated using trends in actual claims experience. Provisions are made for unexpected and unusual claims. Other participating entities are charged for claims incurred during the fiscal year.

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

	Self Insurance Healthcare Fund - Medical Claims		Self Insurance Fund - General Liability, and Workers' Compensation	
	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2014
Unpaid Claims - Beginning Balance	\$ 1,190,451	\$ 1,506,882	\$ 15,027,569	\$ 13,502,277
Incurred Claims (Including IBNR's)	26,004,027	21,478,479	123,888	3,741,151
Claim Payments	(25,413,955)	(21,794,910)	(2,108,420)	(2,215,859)
Unpaid Claims - Ending Balance	<u>\$ 1,780,523</u>	<u>\$ 1,190,451</u>	<u>\$ 13,043,037</u>	<u>\$ 15,027,569</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

The Self Insurance Fund had a deficit net position balance of \$2,007,895 at June 30, 2015. 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 retirees and their dependents. Retirees may participate only until they reach age 65 (except for a few "grandfathered" retirees who still have active medical insurance). The retiree is responsible for paying 100 percent of the related premium. The retirees who have chosen to participate in the County's medical insurance plan have not been evaluated on a separate experience rating from those of existing County and Board employees. Therefore, participating retirees contribute the same premium as existing employees, plus the amount the employer contributes for existing employees. Under this arrangement the retiree contributions are expected to be less than their expected health care cost, and a portion of the premiums the County pays on behalf of its active employees is deemed to subsidize the retirees' costs. This implicit subsidy is an Other Post-employment Benefit (OPEB) as defined by GASB Statement No. 45. The County's medical insurance plan, a single-employer defined benefit plan, does not issue a separate financial report.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

*Retiree Healthcare (Continued)*

*Funding Policies*

The contribution requirements of the County healthcare plan members and the County are established in the annual budget approved by County Commission. The required contribution is based on the annual premiums for the healthcare plan. The active employees pay a portion of the premium cost and the County pays the remaining premiums. For health insurance, the retiree contributes 100% of all premium payments. For the fiscal year ended June 30, 2015, the retirees contributed \$312,862 to the active Humana medical plans. Retirees contributed 100% of the cost of the Medicare Advantage premium totaling \$367,474.

*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 51.22% 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	\$	317,884
Interest on net OPEB obligation		37,506
Adjustment to annual required contribution		(49,425)
Annual OPEB Cost		305,965
Contribution made		(156,728)
Increase (decrease) in net OPEB obligation		149,237
Net OPEB obligation July 1, 2014		937,656
Net OPEB obligation June 30, 2015	\$	1,086,893

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

*Retiree Healthcare (Continued)*

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

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

***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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

*Retiree Healthcare (Continued)*

*Actuarial Methods and Assumptions*

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

In the July 1, 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, 2015*

**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, 2015
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.

***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	\$ 527,447
Interest on net OPEB Obligation	(24,781)
Adjustment to annual required contribution	32,012
Annual OPEB Cost	<u>534,678</u>
Contribution made	<u>(1,099,376)</u>
Increase (decrease) in net OPEB obligation	(564,698)
Net OPEB obligation July 1, 2014	<u>(354,018)</u>
Net OPEB (asset) obligation June 30, 2015	<u><u>\$ (918,716)</u></u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

*Disability Plan (Continued)*

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2014	\$ -	N/A	\$ (354,018)
June 30, 2015	527,447	208.43%	(918,716)

***Funded Status and Funding Progress***

As of July 1, 2015, the most recent actuarial valuation date, the County plan was 54.02% funded. The actuarial accrued liability for benefits for June 30, 2015 was \$2,309,559, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,061,965. The market value of plan assets was \$1,247,594. Covered payroll totaled \$160,261,808, and the UAAL as a percentage of covered payroll was .66%.

***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, 2015*

**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, 2015, the amount of any liabilities that could result from such audits cannot be determined. However, the County believes that any such amounts would not have a material adverse effect on the County's financial position.

The County and the Board have several outstanding construction projects as of June 30, 2015. 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, 2015:

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

	Spent to Date	Contractual Commitment Remaining at June 30, 2015	Capital Improvement Plan July 1, 2015 - June 30, 2016
<u>Primary Government:</u>			
Ballcamp Road Improvements	\$ 17,217,670	\$ -	\$ -
Schaad Road Phase II	452,186	-	4,000,000
Bob Gray Roundabouts	1,301,919	254,574	-
Stormwater Management Plan	9,673,325	1,028,454	925,000
Dutchtown Road Functional Planning	13,309,232	19,770	-
Other Projects	190,505,858	1,556,096	11,620,097
Total - Primary Government	<u>\$ 232,460,190</u>	<u>\$ 2,858,894</u>	<u>\$ 16,545,097</u>
<u>Component Unit - the Board:</u>			
Physical Plant Upgrades	\$ 7,782,404	\$ 1,128,816	\$ 2,500,000
Mooreland Heights Addition/Renovation	510,368	755,277	-
Pond Gap Elementary	32,614	-	6,750,000
Security Upgrades	2,456,366	310,759	2,000,000
Other Projects	217,978,054	1,774,202	7,900,000
Total - the Board	<u>\$ 228,759,806</u>	<u>\$ 3,969,054</u>	<u>\$ 19,150,000</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**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, 2015*

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

**F. Constitutional Officers (Continued)**

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

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

Included in the Supplementary Schedules of the County's Comprehensive Annual Financial Report is the schedule of Combined Analysis of Fee and Commission Accounts (reported on the cash basis of accounting) for the year ended June 30, 2015.

**G. Accounting Pronouncements**

The County adopted 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 recorded their net pension liabilities (assets) on their respective financial statements by reducing (increasing) net position, based upon actuarially computed valuations.

The County adopted 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 established 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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

**G. Accounting Pronouncements (Continued)**

The County adopted 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 established 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 also enhances the information disclosed about a government's obligations and risk exposure from extending nonfinancial financial guarantees.

The County adopted 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 amended 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.

**H. Accounting Changes and Restatements**

During the fiscal year ended June 30, 2015, the County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result of the adoption of these Statements, the County primary government and the Board component unit have recorded net pension liabilities (assets) for the portion of the present value of projected benefit payments to be provided through their defined pension plans to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plans' fiduciary net position. In addition, the Statement requires that deferred outflows of resources and deferred inflows of resources be reported for differences between expected and actual experience with regard to economic and demographic factors in the measurement of total pension liability, changes of assumptions about future economic or demographic factors or of other inputs, and the net difference between projected and actual earnings on pension plan investments.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

**H. Accounting Changes and Restatements (Continued)**

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

	Beginning Net Position, as Previously Reported	Adjustment for Net Pension Liability and Deferred Outflows	Beginning Net Position, as Restated
Primary Government:			
Governmental Activities	\$ 53,123,153	\$ (45,379,469)	\$ 7,743,684
Component Unit - the Board:			
Governmental Activities	\$ 425,233,049	\$ (82,259,421)	\$ 342,973,628

Also, during the fiscal year ended June 30, 2015, management received information indicating that a lease arrangement that existed at the beginning of the fiscal year for land and building used by the Board met the criteria to be recorded as a capital lease. As a result, the beginning capital assets and capital lease obligation included in the Board's Statement of Net Position have been restated by \$5,127,472. This change had no effect on net position as previously reported.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

**NOTE V: EMPLOYEE RETIREMENT PLANS**

**A. General Information**

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

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

The Board participates in the TCRS through two different plans, the Teacher Legacy Pension Plan and the Teacher Retirement Plan. These two plans are cost sharing multiple-employer pension plans administered by TCRS. The Knox County Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP).

The four defined contribution plans, the three single-employer defined benefit plans and the one OPEB (employee disability) plan are part of the County's financial reporting entity and are included in the accompanying financial statements. The operations of the Knox County Closed Defined Benefit Plan (County DB Plan), the County's 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, 2015*

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

**A. General Information (Continued)**

Since the County's and Board's Plans are sponsored by a governmental entity, these Plans are not subject to the statutory provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

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

**Summary of Significant Accounting Policies**

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

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

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

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2015

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

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

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

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

The UOPP DB Plan provides pensions to officers employed by the Sheriff's Office on or after June 1, 2007, and most recently employed or reemployed before January 1, 2014. Normal monthly retirement benefits are equal to the greater of 5% of average monthly compensation multiplied by service up to a maximum of 30 years or \$10 multiplied by service up to a maximum of 25 years. The normal retirement date is the first day of the month coinciding with or next following attainment of age 50 or, if later, the date the participant completes (or would have completed if the participant remained continuously employed until then) 25 years of service. A participant with 5 or more years of service

KNOX COUNTY, TENNESSEE  
Notes to Financial Statements  
June 30, 2015

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

*Employees Covered by Benefit Terms* - At January 1, 2015, the valuation date, the following participants were covered by the benefit terms:

	<u>County DB Plan</u>	<u>UOPP DB Plan</u>	<u>Teacher's DB Plan</u>
Inactive employees or beneficiaries currently receiving benefits	872	100	440
Inactive employees entitled to, but not yet receiving benefits	258	20	4
Active employees	<u>65</u>	<u>692</u>	<u>3</u>
	<u>1,195</u>	<u>812</u>	<u>447</u>

*Contributions* - Provisions and contribution requirements in the County and the Teacher's DB Plans are established and may be amended by the Knox County Retirement and Pension Board in compliance with state law. For the UOPP DB Plan, some provisions and employee changes are limited based on wording in the Knox County Charter (Article VII, Section 7.05) while other provisions and employer contributions can be determined by the Knox County Retirement and Pension Board in compliance with state law. The Knox County Retirement and Pension Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by participants during the year, with an additional amount to finance net pension liabilities. Prior to July 1, 1991, County DB Plan participants contributed 5% of annual earnings. Effective July 1, 1991, all participant contributions were assumed by the County under Section 414(h) of the Internal Revenue Code. In the UOPP DB Plan, each participant shall contribute to the fund an amount equal to 6% of annual earnings. The employee accumulation will receive 4% simple interest. No participant contributions shall be required after a participant has completed 30 years of service. Each participant in the Teacher's DB Plan shall contribute an amount equal to 3% of base earnings (that part of earnings in any calendar year which does not exceed \$4,800 per annum) plus 5% of excess earnings (that part of earnings in any calendar year which are in excess of base earnings). For FY 2015, the employer contributions for the County, UOPP, and the Teacher's DB Plans were approximately 132.22%, 11.82%, and N/A, respectively, of annual covered-employee payroll.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

**Net Pension Liability**

The County, UOPP, and Teacher's DB Plans' net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of January 1, 2015.

*Actuarial Assumptions* - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for the County, UOPP, and Teacher's DB Plans.

	County DB Plan	UOPP DB Plan	Teacher's DB Plan
Actuarial Cost Method:	Individual Entry Age Normal Cost	Individual Entry Age Normal Cost	Individual Entry Age Normal Cost
Amortization Method:	Level Dollar Closed Period	Level Dollar Closed Period	Level Dollar Closed Period
Remaining Amortization Period:	18 Years	28 Years	18 Years
Asset Valuation Method for Actuarial Determined Contributions:	Greater of the (a) five year moving market average, or (b) 90% of fair value of investments at year-end	Greater of the (a) five year moving market average, or (b) 80% of fair value of investments at year-end	Greater of the (a) five year moving market average, or (b) 90% of fair value of investments at year-end
Discount and Investment Rate of Return:	7.00%	7.00%	7.00%
Salary Increases:	3.00%	3.00%	3.00%
Assumed Benefit Increases:			
Active Participants	3.00%	3.25%	3.00%
Inactive Participants	2.20%	N/A	N/A
Inflation:	3.00%	3.25%	3.00%
Age at Retirement:	65 and five years of service	Participants hired before age 40, age 57 and 30 years of credited service. Participants hired after age 40, age 50 and 25 years credited service.	60 or immediately if older (25 years of service or greater), 62 or immediately if older (less than 25 years of service)
Mortality Table:	UP84 Mortality Table set forward 1 year for males and set back four years for females. Three year phase-in to 83GAM Mortality Table.	1984 Unisex	1983 Group Annuity (Male and Female)
Disability Table:	RR 96-7 Post 94	RR 96-7 Post 94	N/A
Experience Study:	January 1, 2002 to December 31, 2011	January 1, 2008 to December 31, 2011	January 1, 2002 to December 31, 2011

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

**Net Pension Liability (Continued)**

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

County and Teacher's DB Plans	Target Allocation
Investment Type:	
U.S. Equities	24%
Non - U.S. Equities	34%
Core Fixed Income	12%
High Yield Fixed Income	10%
U.S. Treasury Inflation Protected Securities	5%
Private Real Estate	5%
U.S. Real Estate (REITS)	10%
Total	100%
UOPP DB Plan	
Investment Type:	
U.S. Equities	24%
Non - U.S. Equities	33%
Core Fixed Income	13%
High Yield Fixed Income	10%
U.S. Treasury Inflation Protected Securities	5%
Private Real Estate	7%
U.S. Real Estate (REITS)	8%
Total	100%

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

**Net Pension Liability (Continued)**

Best estimates of arithmetic real rates of return, net of assumed inflation rate, for each major investment classification included in the pension plan's target asset allocation as of June 30, 2015 are as follows:

Defined Benefit Plans	June 30, 2015
Investment Type	Long-Term Expected Real Rate of Return
U.S. Equities	6.50%
Non - U.S. Equities	6.50%
Core Fixed Income	3.60%
High Yield Fixed Income	5.35%
U.S. Treasury Inflation Protected Securities	3.15%
Private Real Estate	6.15%
U.S. Real Estate (REITS)	5.35%

The assumed inflation rate is 1.95% per annum.

*Rates of Return* - The annual money-weighted rates of returns on defined benefit pension plan investments, net of pension plan expenses for the 12 months ended June 30, 2015 were as follows:

Defined Benefit Plans:	12 Months Ended June 30, 2015
County DB Plan	2.59%
UOPP DB Plan	2.34%
Teacher's DB Plan	2.62%

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

**Net Pension Liability (Continued)**

*Tennessee State Law for Local Government Sponsored Defined Benefit Plans* - In May 2014, the Tennessee General Assembly passed “The Public Employee Defined Benefit Financial Security Act of 2014”, Tennessee Code Section 9-3-501, which will require Knox County and the Knox County Board of Education to make annual employer contributions equal to 100% of its actuarially determined contributions (ADC), use the entry age normal cost method, limit future pension benefit improvements if the net pension plan funded ratio is less than 60% and other requirements beginning in fiscal year 2016 with various provisions phased in through FY 2020.

**Changes in the Net Pension Liability**

The changes in the net pension liability for the plans for the fiscal year ended June 30, 2015 are as follows (dollar amounts in thousands):

	<u>County DB Plan</u>			<u>UOPP DB Plan</u>			<u>Teachers' DB Plan</u>		
	Increase (Decrease)			Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balance at June 30, 2014	\$ 76,901	\$ 51,297	\$ 25,604	\$ 162,997	\$ 149,344	\$ 13,653	\$ 75,721	\$ 68,440	\$ 7,281
Changes for the Year:									
Service Cost	164	-	164	3,605	-	3,605	-	-	-
Interest	5,126	-	5,126	11,498	-	11,498	5,073	-	5,073
Difference between Expected and Actual Expense	447	-	447	2,569	-	2,569	(821)	-	(821)
Change of Assumptions	2,214	-	2,214	-	-	-	-	-	-
Contribution - Employer	-	2,695	(2,695)	-	3,449	(3,449)	-	1,134	(1,134)
Contribution - Employee	-	109	(109)	-	1,654	(1,654)	-	9	(9)
Net Investment Income	-	1,288	(1,288)	-	3,493	(3,493)	-	1,733	(1,733)
Other	-	6	(6)	-	-	-	-	-	-
Benefit Payments including Refunds of Employee									
Contributions	(7,817)	(7,817)	-	(4,757)	(4,757)	-	(6,617)	(6,617)	-
Administrative Expense	-	(355)	355	-	(788)	788	-	(274)	274
Other Changes	-	(45)	45	-	-	-	-	-	-
Net Changes	134	(4,119)	4,253	12,915	3,051	9,864	(2,365)	(4,015)	1,650
Balance at June 30, 2015	<u>\$ 77,035</u>	<u>\$ 47,178</u>	<u>\$ 29,857</u>	<u>\$ 175,912</u>	<u>\$ 152,395</u>	<u>\$ 23,517</u>	<u>\$ 73,356</u>	<u>\$ 64,425</u>	<u>\$ 8,931</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the County, UOPP, and Teacher's DB Plans, calculated using the discount rate of 7%, as well as what the net pension liability (asset) would be for each plan if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate as of June 30, 2015:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County DB Plan Net Pension Liability	\$ 36,516,877	\$ 29,857,138	\$ 24,118,797
UOPP DB Plan Net Pension Liability	\$ 50,357,901	\$ 23,517,322	\$ 1,491,815
Teachers' DB Plan Net Pension Liability	\$ 15,034,464	\$ 8,931,177	\$ 3,617,952

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

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

For the year ended June 30, 2015, the County and the Board recognized pension expense of \$3,322,796, \$5,434,652, and \$483,842, for the County, UOPP, and Teacher's Plans, respectively. At June 30, 2015, the County, UOPP, and Teacher's Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>County DB Plan</u>		<u>UOPP DB Plan</u>		<u>Teachers' DB Plan</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 326,322	\$ -	\$ 2,321,849	\$ -	\$ -	\$ -
Changes of assumptions	1,615,642	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,683,412	-	5,556,562	-	2,301,106	-
Total	<u>\$ 3,625,376</u>	<u>\$ -</u>	<u>\$ 7,878,411</u>	<u>\$ -</u>	<u>\$ 2,301,106</u>	<u>\$ -</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

<u>Years ended June 30,</u>	<u>County DB Plan</u>	<u>UOPP DB Plan</u>	<u>Teachers' DB Plan</u>
2016	\$ 1,140,099	\$ 1,636,145	\$ 575,277
2017	1,140,099	1,636,145	575,277
2018	924,325	1,636,145	575,277
2019	420,853	1,636,147	575,275
2020	-	247,005	-
2021 and thereafter	-	1,086,824	-
Total	<u>\$ 3,625,376</u>	<u>\$ 7,878,411</u>	<u>\$ 2,301,106</u>

**Payable to Pension Plans**

At June 30, 2015, the County and the Board did not report a payable for any outstanding amount of employer contributions to the Plans required for the year ended June 30, 2015.

**Trend Information**

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

*Employees Covered by Benefit Terms* - At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

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

*Contributions* - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary and Knox County makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions made by Knox County were \$102,178 based on a rate of 10.87% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Knox County state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

**Net Pension Liability (Asset)**

Knox County Executive And Officials' net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions* - The total pension liability as of the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Reporting Date	June 30, 2015
Measurement Date	June 30, 2014
Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	3.00%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%.
Investment Rate of Return	7.5%, net of investment expense, including inflation
Discount Rate	7.5% per annum, compounded annually
Cost of Living Adjustments	2.50%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.

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

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2013	\$ 1,782,756	\$ 1,518,756	\$ 264,000
Changes for the Year:			
Service Cost	52,980	-	52,980
Interest	134,723	-	134,723
Differences between expected and actual experience	9,345	-	9,345
Contributions - Employer	-	90,961	(90,961)
Contributions - Employees	-	42,505	(42,505)
Net Investment Income	-	256,275	(256,275)
Benefit Payments, including refunds of employee contributions	(78,871)	(78,871)	-
Administrative Expense	-	(313)	313
Net Change	118,177	310,557	(192,380)
Balance at June 30, 2014	\$ 1,900,933	\$ 1,829,313	\$ 71,620

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Knox County Executive And Official's Net Pension Liability (Asset)	<u>\$ 301,987</u>	<u>\$ 71,620</u>	<u>\$ (122,975)</u>

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

*Pension Expense* - For the year ended June 30, 2015, Knox County recognized a pension income of \$87,123.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - For the year ended June 30, 2015, Knox County Executive And Officials reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 7,009	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	112,266
Contributions Subsequent to the Measurement date of June 30, 2014	<u>102,178</u>	<u>-</u>
Total	<u>\$ 109,187</u>	<u>\$ 112,266</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized in the calculations of the net pension asset, or liability, and pension expense, or income for the year ended June 30, 2016.

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

Years Ended June 30:	Amounts
2016	\$ 76,447
2017	(25,731)
2018	(25,731)
2019	(28,064)
Total	\$ (3,079)

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

**Payable to the Pension Plan**

At June 30, 2015, Knox County did not report a payable outstanding. Contributions were paid to the pension plan as required for the year ended June 30, 2015.

**Trend Information**

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

**Teacher's Legacy Plan**

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

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

*Contributions* - Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary and the LEAs make employer contributions at the rate set by the Board of Trustees of TCRS as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Knox County Schools for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$21,028,500 which is 9.04% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

*Pension Assets* - At June 30, 2015, Knox County Schools reported an asset of \$1,016,013 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Knox County Schools' proportion of the net pension asset was based on a projection of Knox County Schools' long-term share of contributions to the pension plan relative to the actuarially determined projected contributions of all participating LEAs. At June 30, 2014 measurement date, Knox County Schools' proportion was 6.25%, representing the first time presentation of this proportion.

*Pension Income* - For the year ended June 30, 2015, Knox County Schools recognized a pension income of \$436,048.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - For the year ended June 30, 2015, Knox County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 2,466,627	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	83,713,010
Changes in Proportion of Net Pension Liability (Asset)	2,611,880	-
Board's Contributions Subsequent to the Measurement date of June 30, 2014	21,028,500	-
Total	\$ 26,107,007	\$ 83,713,010

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

**Teacher’s Legacy Plan (Continued)**

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

Knox County Schools’ employer contributions of \$21,028,500 that were made subsequent to the measurement date and reported as pension related deferred outflows of resources will be recognized in the calculations of the net pension asset, or liability, and pension expense, or income for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30:</u>	<u>Amounts</u>
2016	\$ 946,665
2017	(20,081,835)
2018	(20,081,835)
2019	(20,081,835)
2020	846,418
2021 & Thereafter	<u>846,419</u>
Total	<u><u>\$ (57,606,003)</u></u>

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

*Actuarial Assumptions* - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following assumptions applied to all periods included the measurement:

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

Reporting Date	June 30, 2015
Measurement Date	June 30, 2014
Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	3.00%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%.
Investment Rate of Return	7.5%, net of investment expense, including inflation
Discount Rate	7.5% per annum, compounded annually
Cost of Living Adjustments	2.50%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.

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

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Knox County Schools' Proportionate Share of the Net Pension Liability (Asset)	\$ 171,362,083	\$ (1,016,013)	\$ (143,726,389)

*Pension Plan Fiduciary Net Position* - Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2015, Knox County Schools did not report a payable since all required employer contributions were made to the pension plan before the year ended June 30, 2015.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

**Trend Information**

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

**Teacher Retirement Plan**

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

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

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

**Teacher Retirement Plan (Continued)**

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

*Benefits Provided* - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service-related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 1/2%. A 1% COLA is granted if the CPI change is between 1/2% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions* - Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary and the LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, unless the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$1,444,190, which is 4% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

**Teacher Retirement Plan (Continued)**

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

*Pension Liabilities* - Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

*Pension Expense* – For the year ended June 30, 2015, Knox County Schools recognized no pension income or expense, as the inception date of the Plan was July 1, 2014.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - For the year ended June 30, 2015, Knox County Schools reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Knox County Schools' Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 1,444,190	\$ -
Total	\$ 1,444,190	\$ -

Knox County School’s employer contributions of \$1,444,190 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized in the calculations of the net pension asset, or liability, and pension expense, or income for the year ended June 30, 2016.

**Payable to the Pension Plan**

At June 30, 2015, Knox County Schools did not report a payable since all required employer contributions were made to the pension plan before the year ended June 30, 2015.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

**Teacher Retirement Plan (Continued)**

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

**Trend Information**

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

**E. Defined Contribution Plans**

**Asset Accumulation Plan**

The *Asset Accumulation Plan* is a defined contribution plan established by Knox County under Section 401(a)(9) of the Internal Revenue Code. The plan covers a majority of the full time employees of the County and classified employees of the School Board. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Participation begins on the first day of employment and all eligible employees not participating in another County, Board or state retirement plan are required to participate. The plan requires all participants to contribute a minimum of 6% of compensation and the employer matching contribution is 6%. Participants are 100% vested in the employer contributions after completing five years of credited service.

At June 30, 2015, there were 5,805 active plan members. During the year, the County's and Board's employer and member contributions amounted to \$8,376,012 and \$8,190,952 respectively.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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

The employer matching contributions for the 457 Plan are deposited into the participants 401(a) account.

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

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

As of June 30, 2015, there were 917 Plan members in the Knox County Voluntary 457(b) Plan. During the year, member contributions amounted to \$1,783,689 and the employer contributed \$1,340,767.

**Medical Expense Retirement Plan**

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.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

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

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 was funded through additional contributions to the DB Plan from Knox County. This bonus was paid to all retirees as of January 1 of each year and payment occurred during the first quarter of the same year.

Effective January 1, 2015, the Pension Board stopped the retiree bonus of \$120 and increased the employer match for active employees from 25% to 50% up to a calendar year employer maximum of \$208. The Pension Board committed to this funding for five years.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2015*

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

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

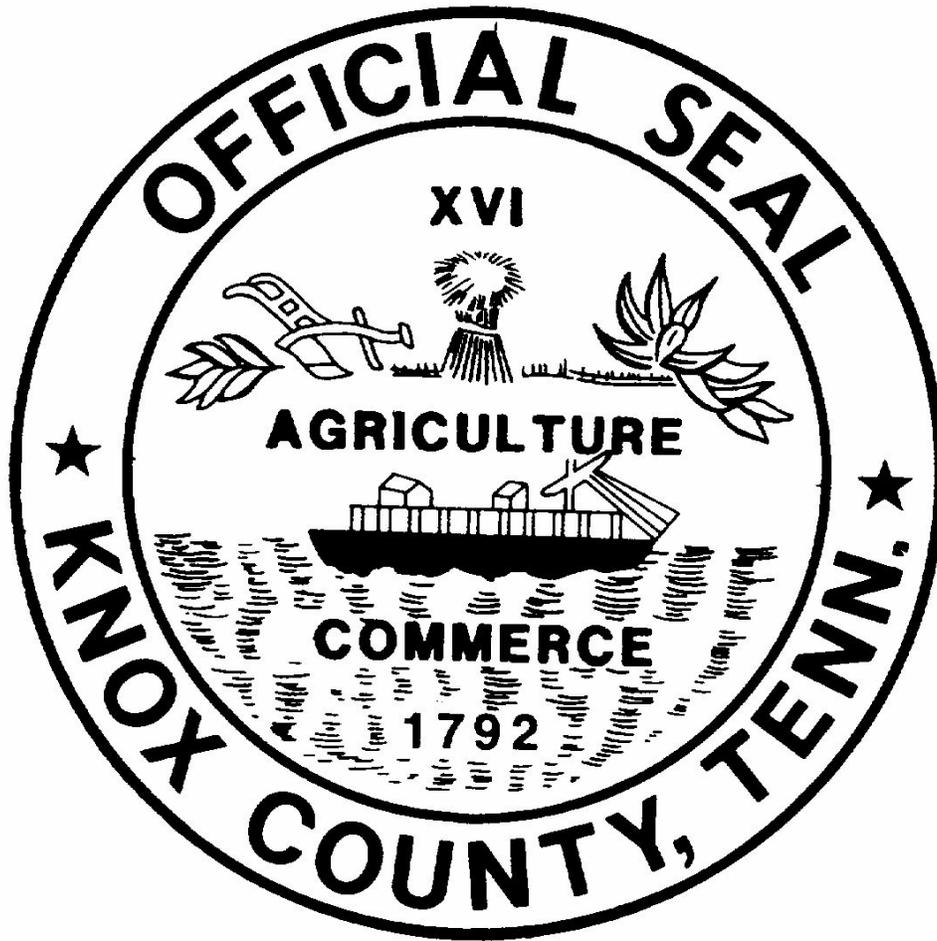
At June 30, 2015, the Medical Expense Retirement Plan had 1,482 members and 537 of them contributed funds to the plan. During the year employer and member contributions amounted to \$70,036 and \$190,437, respectively.

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, 2015, the STAR Plan had 131 members. During the year employees contributed \$151,660 and the employer contributed \$252,772 for the basic 10% contribution and \$50,552 for the 2% supplemental contribution.

# Required Supplemental Information Section



**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2015*

**KNOX COUNTY RETIREMENT AND PENSION BOARD AND SYSTEM**  
**PENSION TRUST FUNDS OF KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF CHANGES IN COUNTY'S NET PENSION**  
**LIABILITY AND RELATED RATIOS**

**For the Fiscal Year Ended June 30, 2015**

(Dollar Amounts in Thousands)

<b>Single-Employer Defined Benefit Plans</b>	2015		
	Closed Defined Benefit Plan	UOPP	Teacher's Plan
Total Pension Liability			
Service Cost	\$ 164	\$ 3,605	\$ -
Interest	5,126	11,498	5,073
Differences between Expected and Actual Experience	447	2,569	(821)
Changes of Assumptions	2,214	-	-
Benefits Payment, including Refunds of Employee Contributions	(7,817)	(4,757)	(6,617)
Net Change in Total Pension Liability	134	12,915	(2,365)
Total Pension Liability - Beginning of Year *	76,901	162,997	75,721
Total Pension Liability - End of Year (a)	<u>\$ 77,035</u>	<u>\$ 175,912</u>	<u>\$ 73,356</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 2,695	\$ 3,449	\$ 1,134
Contributions - Employees	109	1,654	9
Net Investment Income	1,288	3,493	1,733
Other	6	-	-
Benefits Paid, including Refunds of Employee Contributions	(7,817)	(4,757)	(6,617)
Administrative Expenses	(355)	(788)	(274)
Transfers to Other DC Plans for Disability Benefits	(45)	-	-
Net Change in Plan Fiduciary Net Position	(4,119)	3,051	(4,015)
Plan Fiduciary Net Position, Beginning of Year	51,297	149,344	68,440
Plan Fiduciary Net Position, End of Year (b)	<u>\$ 47,178</u>	<u>\$ 152,395</u>	<u>\$ 64,425</u>
County's Net Pension Liability - Ending (a)-(b)	<u>\$ 29,857</u>	<u>\$ 23,517</u>	<u>\$ 8,931</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.24%	86.63%	87.82%
Covered-Employee Payroll **	\$ 2,038	\$ 29,171	\$ -
County's Net Pension Liability as a Percentage of Covered-Employee Payroll	1465.01%	80.62%	N/A

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

\* The liability values the January 1, 2015 data is rolled forward to June 30, 2015 using a 7.0% discounted rate.

\*\* The covered -employee payroll is for the twelve month period ended January 1, 2015 and covered employee payroll for the Teacher's Plan is \$0 since all active employees are over Normal Retirement Age.

**Notes:**

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

Changes of Assumptions: For the Closed DB plan, there is a three year phase-in to the 1983 Group Annuity Mortality Table. This is scheduled to be completed in 2015.

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2015*

**KNOX COUNTY RETIREMENT AND PENSION BOARD AND SYSTEM**  
**PENSION TRUST FUNDS OF KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF COUNTY'S AND BOARD'S EMPLOYER PENSION CONTRIBUTIONS**

For the Fiscal Year Ended June 30, 2015

(Dollar Amounts in Thousands)

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

Notes:

\* Covered-employee payroll is for the 12 month period ended January 1, 2015. The covered-employee payroll for the Teacher's Plan is \$0 since all active employees are over Normal Retirement Age.

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

B. Valuation Date: January 1, 2015

Measurement Date: July 1, 2014 to June 30, 2015

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

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry Age, Normal Cost (All Plans)
Amortization Method	Level Dollar, Closed Period (All Plans)
Remaining Amortization Period	18 Years (Closed DB, Teacher's Plan) and 28 Years (UOPP)
Asset Valuation Method	Closed DB and Teacher's Plan: Greater of the (a) five year moving market average, or (b) 90% of fair value of investment at year-end. UOPP: Greater of the (a) five year moving market average, or (b) 80% of fair value of investment at year-end.
Inflation	3% (All Plans)
Investment Rate of Return	7%, Net of Pension Plan Investment Expense, including inflation (All Plans)
Retirement Age	Closed DB: 65 Years and 5 Years of Service Teacher's: 60 Years UOPP: Participants hired before age 40, age 57 and 30 years of credited service. Participants hired after 40, age 50 and 25 years of credited service.
Mortality	UP84 Mortality Table set forward 1 year for males and set back 4 years for females - 3 year phase-in to 83GAM Mortality Table (Closed DB Plan), 1983 Group annuity male and female (Teacher's Plans) and 1984 Unisex (UOPP)
Distribution	100% Annuity

KNOX COUNTY, TENNESSEE  
**Required Supplementary Information**  
*June 30, 2015*

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

For the Fiscal Year Ended June 30, 2015

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

NOTES:

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

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2015*

**SCHEDULE OF CHANGES IN KNOX COUNTY EXECUTIVE AND OFFICIAL'S NET PENSION  
LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE  
KNOX COUNTY EXECUTIVES AND OFFICIAL'S PUBLIC PENSION PLAN OF TCRS**

**For the Fiscal Year Ending June 30\***

<u>Agent Multiple-Employer Defined Benefit Plan - TCRS</u>	<u>2015*</u>
Total Pension Liability	
Service Cost	\$ 52,980
Interest	134,723
Differences between Expected and Actual Experience	9,345
Benefits Payment, including Refunds of Employee Contributions	<u>(78,871)</u>
Net Change in Total Pension Liability	118,177
Total Pension Liability - Beginning of Year	<u>1,782,756</u>
Total Pension Liability - End of Year (a)	<u>\$ 1,900,933</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 90,961
Contributions - Employees	42,505
Net Investment Income	256,275
Benefits Paid, including Refunds of Employee Contributions	<u>(78,871)</u>
Administrative Expenses	<u>(313)</u>
Net Change in Plan Fiduciary Net Position	310,557
Plan Fiduciary Net Position, Beginning of Year	<u>1,518,756</u>
Plan Fiduciary Net Position, End of Year (b)	<u>\$ 1,829,313</u>
Net Pension Liability (asset) - Ending (a)-(b)	<u>\$ 71,620</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.23%
Covered-Employee Payroll	\$ 850,101
Net Pension Liability (asset) as a Percentage of Covered-Employee Payroll	8.42%

Note:

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

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

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2015*

**SCHEDULE OF KNOX COUNTY EXECUTIVE AND OFFICIAL'S EMPLOYER CONTRIBUTIONS  
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS  
KNOX COUNTY EXECUTIVE AND OFFICIAL'S**

**Last Two Fiscal Years Ending June 30**

<u>Agent Multiple-Employer Defined Benefit Plan - TCRS</u>	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution (ADC)	\$ 90,961	\$ 102,178
Contributions in Relation to the Actuarially Determined Contribution	<u>90,961</u>	<u>102,178</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 850,101	\$ 940,000
Contributions as a Percentage of Covered-Employee Payroll	10.70%	10.87%

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

**NOTES:**

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

**Methods and Assumptions used to Determine Contribution Rates:**

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

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2015*

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

**For the Fiscal Year Ended June 30\***

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

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

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

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2015*

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

**For the Fiscal Year Ended June 30**

<u>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</u>	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution (ADC)	\$ 21,792,648	\$ 21,028,500
Contributions in Relation to the Actuarially Determined Contribution	<u>21,792,648</u>	<u>21,028,500</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Knox County School's Covered-Employee Payroll	\$ 245,412,756	\$ 232,626,653
Contributions as a Percentage of Knox County School's Covered-Employee Payroll	8.88%	9.04%

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

**NOTES:**

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

**Methods and Assumptions used to Determine Contribution Rates:**

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

**KNOX COUNTY, TENNESSEE**  
**Required Supplementary Information**  
*June 30, 2015*

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

**For the Fiscal Year Ending June 30**

<b>Cost Sharing Multiple-Employer Defined Benefit Plan - TCRS</b>	<b>2015*</b>
Actuarially Determined Contribution (ADC)	\$ 902,619
Contributions in Relation to the Actuarially Determined Contribution	1,444,190
Contribution Deficiency (Excess)	\$ (541,571)
Knox County School's Covered-Employee Payroll	\$ 36,104,750
Contributions as a Percentage of Knox County School's Covered-Employee Payroll	4.00%

Note:

\* This plan started July 1, 2014.

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

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

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

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

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

KNOX COUNTY, TENNESSEE  
**Required Supplementary Information**  
*June 30, 2015*

**Schedule of Employer OPEB Contributions  
(Last Two Fiscal Years)**

OPEB - Employee Disability Plan

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2015	\$ 527,447	\$ 1,099,376	208%
2014	N/A	\$ 354,018	N/A

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

# Supplemental Section



## **GENERAL FUND**

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

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**KNOX COUNTY, TENNESSEE****General Fund  
Comparative Balance Sheets  
June 30, 2015 and June 30, 2014**

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 18,080,248	\$ 27,661,523
Investments, at Fair Value	44,217,769	31,021,172
Receivables (Net of Allowances for Uncollectibles):		
Accounts	10,768,755	7,588,363
Local Taxes	114,020,843	111,332,636
Notes	1,024,000	1,151,000
Due from Other Funds	1,201,602	1,340,091
Due from Component Units	-	849,644
Inventories	115,159	125,767
Prepaid Items	328,020	212,181
Investment in Joint Venture	5,490,386	6,422,186
	<u>195,246,782</u>	<u>187,704,563</u>
<b>TOTAL ASSETS</b>	<b>\$ 195,246,782</b>	<b>\$ 187,704,563</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 7,827,733	\$ 6,507,480
Due to Other Funds	3,483,010	3,228,062
Due to Component Units	112,997	98,069
Unearned Revenue	54,344	29,258
	<u>11,478,084</u>	<u>9,862,869</u>
<b>TOTAL LIABILITIES</b>	<b>11,478,084</b>	<b>9,862,869</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Taxes and Notes Receivable	<u>114,019,761</u>	<u>111,753,171</u>
<b>FUND BALANCES</b>		
Nonspendable	5,933,564	6,760,134
Restricted	2,426,638	2,557,432
Committed	4,405,300	2,342,583
Assigned	1,130,360	1,401,378
Unassigned	55,853,075	53,026,996
	<u>69,748,937</u>	<u>66,088,523</u>
<b>TOTAL FUND BALANCES</b>	<b>69,748,937</b>	<b>66,088,523</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 195,246,782</b>	<b>\$ 187,704,563</b>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
County Property Taxes	\$ 114,595,419	\$ 113,050,682
Local Option Sales Taxes	4,923,911	4,043,904
Business Taxes	8,210,298	7,566,636
Wheel Taxes	534,818	519,752
Other Local Taxes	2,926,117	2,898,638
Licenses and Permits	4,214,130	3,827,598
Fines, Forfeitures and Penalties	2,307,617	2,246,055
Charges for Current Services	6,851,745	6,007,089
Other Local Revenues	4,744,620	7,088,972
State of Tennessee	12,381,044	9,757,201
Federal Government	1,169,552	1,297,509
Other Governments and Citizen Groups	356,251	560,118
Total Revenues	<u>163,215,522</u>	<u>158,864,154</u>
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	23,474,338	22,564,866
Finance and Administration - Payments to Component Unit	6,553,874	6,753,874
Administration of Justice	16,639,890	16,229,625
Public Safety	75,095,224	73,162,483
Public Safety - Payments to Component Unit	326,200	326,200
Public Health and Welfare	19,871,158	20,487,227
Public Health and Welfare - Payments to Component Unit	166,628	211,628
Social and Cultural Services	4,769,053	4,812,355
Agricultural and Natural Resources	470,977	519,433
Other General Government	15,326,762	14,626,471
Other General Government - Payments to Component Unit	600,000	600,000
Decrease in Equity Interest in Joint Venture	931,800	493,210
Total Expenditures	<u>164,225,904</u>	<u>160,787,372</u>
Excess (Deficiency) of Revenues Over Over (Under) Expenditures	<u>(1,010,382)</u>	<u>(1,923,218)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	8,241,136	9,661,030
Transfers to Other Funds	<u>(3,570,340)</u>	<u>(7,914,547)</u>
Total Other Financing Sources (Uses)	<u>4,670,796</u>	<u>1,746,483</u>
Net Change in Fund Balances	3,660,414	(176,735)
Fund Balances, July 1	<u>66,088,523</u>	<u>66,265,258</u>
Fund Balances, June 30	<u>\$ 69,748,937</u>	<u>\$ 66,088,523</u>

## **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, 2015

(With Comparative Totals for June 30, 2014)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2015	2014
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 458,055	\$ 1,364,799	\$ 243,398	\$ 1,291,699	\$ 497,005	\$ 478,849	\$ 4,333,805	\$ 4,443,700
<b>TOTAL ASSETS</b>	<b>\$ 458,055</b>	<b>\$ 1,364,799</b>	<b>\$ 243,398</b>	<b>\$ 1,291,699</b>	<b>\$ 497,005</b>	<b>\$ 478,849</b>	<b>\$ 4,333,805</b>	<b>\$ 4,443,700</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Due to Other Funds	\$ 42,401	\$ 178,071	\$ -	\$ -	\$ -	\$ 184,000	\$ 404,472	\$ 456,776
<b>Fund Balances:</b>								
Assigned	415,654	1,186,728	243,398	1,291,699	497,005	294,849	3,929,333	3,986,924
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 458,055</b>	<b>\$ 1,364,799</b>	<b>\$ 243,398</b>	<b>\$ 1,291,699</b>	<b>\$ 497,005</b>	<b>\$ 478,849</b>	<b>\$ 4,333,805</b>	<b>\$ 4,443,700</b>

**KNOX COUNTY, TENNESSEE**

**Constitutional Officers' Special Revenue Fund  
Combining Schedule of Revenues, Expenditures  
And Changes in Fund Balances  
For the year ended June 30, 2015  
(With comparative totals 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	Totals	
							2015	2014
<b>Revenues</b>								
Charges for Services	\$ 8,431,232	\$ 5,462,141	\$ 1,494,133	\$ 4,265,412	\$ 1,367,929	\$ 2,436,271	\$ 23,457,118	\$ 24,342,164
Investment Revenue	2,240	7,734	-	-	-	6,144	16,118	13,249
<b>Total Revenues</b>	<b>8,433,472</b>	<b>5,469,875</b>	<b>1,494,133</b>	<b>4,265,412</b>	<b>1,367,929</b>	<b>2,442,415</b>	<b>23,473,236</b>	<b>24,355,413</b>
<b>Expenditures</b>								
Current:								
General Government:								
Salaries - County Officials	146,534	117,306	83,389	137,252	134,705	117,306	736,492	689,003
Salaries - Staff	1,653,028	2,768,995	1,098,865	3,018,923	694,954	1,169,411	10,404,176	9,805,423
Employee Benefits and Payroll Taxes	613,356	1,078,841	417,253	1,059,693	271,663	442,151	3,882,957	3,604,375
Travel	-	-	5,220	8,400	-	8,400	22,020	22,020
Other	-	90,016	-	254	9,188	144,588	244,046	244,016
<b>Total Expenditures</b>	<b>2,412,918</b>	<b>4,055,158</b>	<b>1,604,727</b>	<b>4,224,522</b>	<b>1,110,510</b>	<b>1,881,856</b>	<b>15,289,691</b>	<b>14,364,837</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,020,554	1,414,717	(110,594)	40,890	257,419	560,559	8,183,545	9,990,576
<b>Other Financing Uses</b>								
Transfers to Other Funds	(6,083,555)	(1,343,768)	-	-	(253,982)	(559,831)	(8,241,136)	(9,661,030)
<b>Net Change in Fund Balances</b>	<b>(63,001)</b>	<b>70,949</b>	<b>(110,594)</b>	<b>40,890</b>	<b>3,437</b>	<b>728</b>	<b>(57,591)</b>	<b>329,546</b>
Fund Balances, July 1	478,655	1,115,779	353,992	1,250,809	493,568	294,121	3,986,924	3,657,378
<b>Fund Balances, June 30</b>	<b>\$ 415,654</b>	<b>\$ 1,186,728</b>	<b>\$ 243,398</b>	<b>\$ 1,291,699</b>	<b>\$ 497,005</b>	<b>\$ 294,849</b>	<b>\$ 3,929,333</b>	<b>\$ 3,986,924</b>

## **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.

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**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)**  
**Comparative Balance Sheets**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,065,823	\$ 271,659
Investments, at Fair Value	9,950,759	9,237,064
Accounts Receivable (Net of Allowances for Uncollectibles)	842,678	63,896
Due from Other Funds	3,210	50,000
Due from Component Units	-	193,905
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 14,862,470</u>	<u>\$ 9,816,524</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 2,211,119	\$ 2,554,408
Due to Other Funds	31	193,905
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>2,211,150</u>	<u>2,748,313</u>
 <b>Fund Balances:</b>		
Restricted	<u>12,651,320</u>	<u>7,068,211</u>
TOTAL FUND BALANCES	<u>12,651,320</u>	<u>7,068,211</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,862,470</u>	<u>\$ 9,816,524</u>

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**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, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Investment Loss	\$ (432)	\$ (3,365)
Other Local Revenues	55,964	81,185
State of Tennessee	<u>4,153,588</u>	<u>1,611,771</u>
Total Revenues	<u>4,209,120</u>	<u>1,689,591</u>
<b>Expenditures</b>		
Capital Projects	18,245,016	18,403,407
Payments to Component Unit	24,271,315	38,763,934
Debt Issuance Costs	209,442	745,863
Other	<u>-</u>	<u>15,971</u>
Total Expenditures	<u>42,725,773</u>	<u>57,929,175</u>
Deficiency of Revenues Under Expenditures	<u>(38,516,653)</u>	<u>(56,239,584)</u>
<b>Other Financing Sources</b>		
Long-term Bonds Issued	30,040,000	39,075,000
Premium on Long-term Debt Issued	1,484,442	350,920
Capital Lease Proceeds	12,450,000	14,872,404
Loan Proceeds	-	5,962,500
Transfers from Other Funds	<u>125,320</u>	<u>1,574,999</u>
Total Other Financing Sources	<u>44,099,762</u>	<u>61,835,823</u>
Net Change in Fund Balances	5,583,109	5,596,239
Fund Balances, July 1	<u>7,068,211</u>	<u>1,471,972</u>
Fund Balances, June 30	<u><u>\$ 12,651,320</u></u>	<u><u>\$ 7,068,211</u></u>

**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)  
Schedule of Construction Project Expenditures-  
Budget And Actual  
For the year ended June 30, 2015**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Knob Creek Bridge	\$ 578,925	\$ 313,968	\$ -	\$ 313,968	\$ 264,957
Bob Gray Roundabouts	1,417,067	760,561	541,358	1,301,919	115,148
Bridge Replacement	6,931,783	5,552,574	530,733	6,083,307	848,476
Ball Camp Improvements	17,324,705	17,149,881	67,789	17,217,670	107,035
Lovell Road	2,997,627	2,609,258	-	2,609,258	388,369
Dry Gap Pike	6,283,367	6,199,192	-	6,199,192	84,175
Maynardville/Norris/Emory	1,959,376	1,469,385	348,725	1,818,110	141,266
Parkside Drive Extension	16,783,770	10,677,897	(330,780)	10,347,117	6,436,653
Dutchtown Road Functional Plan	14,115,504	12,829,422	479,810	13,309,232	806,272
Karns Connector	4,237,303	225,592	471,485	697,077	3,540,226
National Drive-John Sevier Highway	784,938	384,938	4,554	389,492	395,446
General Road Improvements	1,200,000	-	25,874	25,874	1,174,126
State Aid	4,116,800	3,812,199	286,530	4,098,729	18,071
Gray Hendrix and Garrison	422,650	64,410	183,941	248,351	174,299
Lakefront Drive	89,991	6,590	70,644	77,234	12,757
General Culvert Maintenance	141,160	-	9,980	9,980	131,180
Ebenezer/Gleason Intersection	1,100,000	-	14,555	14,555	1,085,445
Hardin Valley /Greenland	200,000	-	6,430	6,430	193,570
Schaad Road Phase II	5,000,000	-	452,186	452,186	4,547,814
<b>Total Road Construction</b>	<b>85,684,966</b>	<b>62,055,867</b>	<b>3,163,814</b>	<b>65,219,681</b>	<b>20,465,285</b>
<i>Building Renovations:</i>					
Juvenile Court/ Detention	14,390,588	14,270,829	-	14,270,829	119,759
County Wide Renovations	200,000	-	-	-	200,000
Knox Central	1,800,037	2,422,039	221,370	2,643,409	(843,372)
Knox Central CIP '11	78,632	225	-	225	78,407
Fairview Technical Center	48,500	(8,528)	46,189	37,661	10,839
John Tarleton	159,134	138,085	-	138,085	21,049
John Tarleton Admin. Building	750,000	-	113,342	113,342	636,658
AJ/ Dwight Kessel Garage	2,827,573	1,635,388	289,814	1,925,202	902,371
City/County Improvement	15,296,019	13,210,430	488,324	13,698,754	1,597,265
Knox County Health Renovations	11,468,467	11,147,358	184,634	11,331,992	136,475
Old Courthouse Renovation	3,818,040	2,810,383	267,462	3,077,845	740,195
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	896,550	680,312	114,169	794,481	102,069
Juvenile Justice Center Phases II	3,102,190	3,544,920	287,783	3,832,703	(730,513)
ADA Improvements	365,000	-	840	840	364,160
Family Justice Center	108,700	14,497	56,127	70,624	38,076
E-911 Center	299,855	53,027	47,665	100,692	199,163
Health Department CDC/Lab Renovation	134,500	79,048	-	79,048	55,452
Northshore Drive & Choto Road	753,321	22,384	576,058	598,442	154,879
Courtroom Improvement	6,500	-	-	-	6,500
<b>Total Building Renovations</b>	<b>72,039,101</b>	<b>65,568,738</b>	<b>2,693,777</b>	<b>68,262,515</b>	<b>3,776,586</b>

**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)  
Schedule of Construction Project Expenditures-  
Budget And Actual (Continued)  
For the year ended June 30, 2015**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures (Continued)</b>					
<i>Capital Projects (Continued):</i>					
<i>Building Construction:</i>					
South Sportsplex	500,000	-	-	-	500,000
Lawson McGhee Library	1,248,784	873,293	99,504	972,797	275,987
Various Library Branches	656,261	654,731	-	654,731	1,530
Senior Centers	59,800	39,984	-	39,984	19,816
Carter Senior Center	1,289,632	1,289,632	6,728	1,296,360	(6,728)
Frank Strang Senior Center	-	10,256	-	10,256	(10,256)
Medical Examiner	4,250,000	1,615,731	3,874,499	5,490,230	(1,240,230)
Karns Senior Center	1,500,000	69,843	1,186,368	1,256,211	243,789
Safety Center	1,000,000	-	-	-	1,000,000
<b>Total Building Construction:</b>	<b>10,504,477</b>	<b>4,553,470</b>	<b>5,167,099</b>	<b>9,720,569</b>	<b>783,908</b>
<i>Other:</i>					
Halls Greenway	154,903	154,903	164	155,067	(164)
Knox-Blount Greenway-Phase I	360,198	13,195	-	13,195	347,003
Halls Park - School Link Phase II	202,660	39,096	80,690	119,786	82,874
Knox-Blount Greenway-Phase II	145,198	46,622	2,625	49,247	95,951
Park Facility Improvement	726,266	642,779	24,963	667,742	58,524
Rifle Range Road Park	3,813,027	3,796,751	16,276	3,813,027	-
Greenways	33,253	17,856	-	17,856	15,397
Technology Upgrade - Libraries	1,250,000	345,346	114,022	459,368	790,632
Finance Software Upgrade	1,569,308	1,383,851	5,495	1,389,346	179,962
PBA Project Management	5,621,094	4,046,184	406,716	4,452,900	1,168,194
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	12,256,620	8,159,780	1,513,545	9,673,325	2,583,295
Karns Convenience Center	1,459,513	3,354	1,315,134	1,318,488	141,025
Geometric Improvements	3,677,223	2,042,572	298,263	2,340,835	1,336,388
County Sidewalk	857,831	621,210	2,778	623,988	233,843
Major Equipment - Engineering & Public Works	2,856,195	1,287,239	1,165,320	2,452,559	403,636
Major Equipment - Sheriff Denton	5,731,890	2,616,248	1,488,198	4,104,446	1,627,444
Powell Middle School	15,358,025	15,388,363	-	15,388,363	(30,338)
New Carter Elementary	15,390,368	15,366,733	24,848	15,391,581	(1,213)
Family Investment - Renovation	130,000	112,447	-	112,447	17,553
Election Commission	184,298	-	-	-	184,298
East Bridge	50,000	-	-	-	50,000
Meads Quarry	100,000	7,800	17,581	25,381	74,619
Info Tech Equipment	1,244,305	654,005	361,641	1,015,646	228,659
Plumb Creek	300,000	-	-	-	300,000
Carter Conv. Center Expansion	750,000	-	-	-	750,000
Major Equipment - Parks & Rec.	131,500	-	77,390	77,390	54,110
Major Equipment - Fire Prevention	26,000	-	25,274	25,274	726
Major Equipment - Public Library	92,500	-	92,493	92,493	7
Major Equipment - Election Comm.	81,300	-	78,970	78,970	2,330
Major Equipment - Juvenile Service Ctr.	23,000	-	8,923	8,923	14,077
Major Equipment - Fleet Service	24,200	-	-	-	24,200
Major Equipment - Record Mgmt.	25,000	-	24,874	24,874	126
Major Equipment - Health Dept.	35,000	-	37,500	37,500	(2,500)
Major Equipment - Animal Center	350,000	-	36,639	36,639	313,361
<b>Total Other</b>	<b>92,573,646</b>	<b>72,114,317</b>	<b>7,220,322</b>	<b>79,334,639</b>	<b>13,239,007</b>
<b>Total Capital Projects</b>	<b>\$ 260,802,190</b>	<b>\$ 204,292,392</b>	<b>\$ 18,245,012</b>	<b>\$ 222,537,404</b>	<b>\$ 38,264,786</b>

## **DEBT SERVICE FUND - MAJOR**

The Debt Service Fund is used to account for the accumulation of resources for, and related payments of, principal and interest on general long-term debt for the County and for the Knox County Board of Education, a discretely presented component unit.

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## KNOX COUNTY, TENNESSEE

### Debt Service Fund (Major) Comparative Balance Sheets June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 8,625,335	\$ 20,835,956
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	55,081,622	54,847,105
Notes	7,475,000	7,475,000
Accounts	-	35,000
Due from Other Funds	700,000	647,025
Due from Component Units	10,000,000	-
Advance to Other Entity	2,465,000	2,465,000
	<u>2,465,000</u>	<u>2,465,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 84,346,957</u></u>	<u><u>\$ 86,305,086</u></u>
 <b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	<u>\$ 9,512</u>	<u>\$ 4,714</u>
<b>TOTAL LIABILITIES</b>	<u>9,512</u>	<u>4,714</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Taxes and Notes Receivable	<u>60,626,041</u>	<u>60,631,401</u>
 <b>FUND BALANCES</b>		
Nonspendable	3,920,000	3,920,000
Restricted	83,728	69,953
Committed	<u>19,707,676</u>	<u>21,679,018</u>
<b>TOTAL FUND BALANCES</b>	<u>23,711,404</u>	<u>25,668,971</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u><u>\$ 84,346,957</u></u>	<u><u>\$ 86,305,086</u></u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Property Taxes	\$ 52,224,314	\$ 33,375,647
Other Local Revenues	2,208,630	2,083,916
Payments from Component Units	<u>10,000,000</u>	<u>31,929,023</u>
Total Revenues	<u>64,432,944</u>	<u>67,388,586</u>
<b>Expenditures</b>		
Debt Service:		
Trustee's Commission	1,058,983	680,090
Principal	43,975,347	40,630,308
Interest	20,716,774	23,577,780
Other Debt Service	1,533,801	1,628,599
Refunding Bonds Issuance Costs	<u>395,053</u>	<u>-</u>
Total Expenditures	<u>67,679,958</u>	<u>66,516,777</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,247,014)</u>	<u>871,809</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	894,394	195,266
Refunding Bonds Issued	72,860,000	-
Premium on Refunding Bonds	1,716,531	-
Payment to Holders of Refunded Debt	<u>(74,181,478)</u>	<u>-</u>
Total Other Financing Sources	<u>1,289,447</u>	<u>195,266</u>
Net Change in Fund Balances	(1,957,567)	1,067,075
Fund Balances, July 1	<u>25,668,971</u>	<u>24,601,896</u>
Fund Balances, June 30	<u>\$ 23,711,404</u>	<u>\$ 25,668,971</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, 2015 and June 30, 2014**

	2015				2014			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Property Taxes	\$ 52,480,000	\$ 52,480,000	52,224,314	\$ (255,686)	\$ 32,517,000	\$ 33,375,647	\$ 858,647	
Other Local Revenues	1,892,668	1,892,668	2,208,630	315,962	1,862,450	2,083,916	221,466	
Payments from Component Units	14,658,427	14,658,427	10,000,000	(4,658,427)	30,438,398	31,929,023	1,490,625	
<b>Total Revenues</b>	<b>69,031,095</b>	<b>69,031,095</b>	<b>64,432,944</b>	<b>(4,598,151)</b>	<b>64,817,848</b>	<b>67,388,586</b>	<b>2,570,738</b>	
<b>Expenditures</b>								
Debt Service:								
Trustee's Commission	1,100,000	1,100,000	1,058,983	41,017	710,563	680,090	30,473	
Principal	42,804,868	42,804,868	43,975,347	(1,170,479)	41,254,435	40,630,308	624,127	
Interest	29,595,132	29,595,132	20,716,774	8,878,358	29,035,002	23,577,780	5,457,222	
Other Debt Service	2,000,000	2,000,000	1,533,801	466,199	2,000,000	1,628,599	371,401	
Refunding Bonds Issuance Costs	-	-	395,053	(395,053)	-	-	-	
<b>Total Expenditures</b>	<b>75,500,000</b>	<b>75,500,000</b>	<b>67,679,958</b>	<b>7,820,042</b>	<b>73,000,000</b>	<b>66,516,777</b>	<b>6,483,223</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,468,905)	(6,468,905)	(3,247,014)	3,221,891	(8,182,152)	871,809	9,053,961	
<b>Other Financing Sources (Uses)</b>								
Transfers from Other Funds	194,394	194,394	894,394	700,000	1,220,916	195,266	(1,025,650)	
Refunding Bonds Issued	-	-	72,860,000	72,860,000	-	-	-	
Premium on Refunding Bonds	-	-	1,716,531	1,716,531	-	-	-	
Payment to Holders of Refunded Debt	-	-	(74,181,478)	(74,181,478)	-	-	-	
<b>Total Other Financing Sources (Uses)</b>	<b>194,394</b>	<b>194,394</b>	<b>1,289,447</b>	<b>1,095,053</b>	<b>1,220,916</b>	<b>195,266</b>	<b>(1,025,650)</b>	
<b>Net Change in Fund Balances</b>	<b>(6,274,511)</b>	<b>(6,274,511)</b>	<b>(1,957,567)</b>	<b>4,316,944</b>	<b>(6,961,236)</b>	<b>1,067,075</b>	<b>8,028,311</b>	
Fund Balances, July 1	25,668,971	25,668,971	25,668,971	-	24,601,896	24,601,896	-	
<b>Fund Balances, June 30</b>	<b>\$ 19,394,460</b>	<b>\$ 19,394,460</b>	<b>\$ 23,711,404</b>	<b>\$ 4,316,944</b>	<b>\$ 17,640,660</b>	<b>\$ 25,668,971</b>	<b>\$ 8,028,311</b>	

## **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.

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**KNOX COUNTY, TENNESSEE**

**Combining Balance Sheet  
Nonmajor Governmental Funds**

June 30, 2015

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	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,363,513	\$ 720,700	\$ 10,084,213
Receivables (Net of Allowance for Uncollectibles):			
Accounts	7,718,360	-	7,718,360
Notes	2,214,159	-	2,214,159
Due from Other Funds	1,840,131	-	1,840,131
Inventories	4,994	-	4,994
Prepaid Items	33,522	-	33,522
<b>TOTAL ASSETS</b>	<b>\$ 21,174,679</b>	<b>\$ 720,700</b>	<b>\$ 21,895,379</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ 4,264,572	\$ -	\$ 4,264,572
Due to Other Funds	982,906	-	982,906
Unearned Revenue	2,816,699	-	2,816,699
<b>TOTAL LIABILITIES</b>	<b>8,064,177</b>	<b>-</b>	<b>8,064,177</b>
<b>Fund Balances:</b>			
Nonspendable	38,516	-	38,516
Restricted	6,072,857	-	6,072,857
Committed	6,999,129	720,700	7,719,829
<b>TOTAL FUND BALANCES</b>	<b>13,110,502</b>	<b>720,700</b>	<b>13,831,202</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 21,174,679</b>	<b>\$ 720,700</b>	<b>\$ 21,895,379</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the year ended June 30, 2015**

	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Local Option Sales Taxes	\$ 7,726,299	\$ -	\$ 7,726,299
Lodging Taxes	6,602,861	-	6,602,861
Wheel Taxes	10,886,910	-	10,886,910
Other Local Taxes	2,074,128	-	2,074,128
Fines, Forfeitures and Penalties	902,271	-	902,271
Charges for Current Services	903,962	-	903,962
Other Local Revenues	887,930	-	887,930
State of Tennessee	7,218,840	-	7,218,840
Federal Government	10,627,650	-	10,627,650
Other Governments and Citizen Groups	289,968	-	289,968
<b>Total Revenues</b>	<b>48,120,819</b>	<b>-</b>	<b>48,120,819</b>
<b>Expenditures</b>			
Current:			
Finance and Administration	450,000	-	450,000
Administration of Justice	321,878	-	321,878
Public Safety	2,574,422	-	2,574,422
Public Health and Welfare	13,065,718	-	13,065,718
Social and Cultural Services	12,994,197	-	12,994,197
Other General Government	7,552,403	-	7,552,403
Engineering and Public Works	12,203,508	-	12,203,508
Capital Projects	-	6,839	6,839
<b>Total Expenditures</b>	<b>49,162,126</b>	<b>6,839</b>	<b>49,168,965</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,041,307)</b>	<b>(6,839)</b>	<b>(1,048,146)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	2,905,626	-	2,905,626
Transfers to Other Funds	(998,763)	-	(998,763)
<b>Total Other Financing Sources (Uses)</b>	<b>1,906,863</b>	<b>-</b>	<b>1,906,863</b>
<b>Net Change in Fund Balances</b>	<b>865,556</b>	<b>(6,839)</b>	<b>858,717</b>
<b>Fund Balances, July 1</b>	<b>12,244,946</b>	<b>727,539</b>	<b>12,972,485</b>
<b>Fund Balances, June 30</b>	<b>\$ 13,110,502</b>	<b>\$ 720,700</b>	<b>\$ 13,831,202</b>

**KNOX COUNTY, TENNESSEE**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds**

June 30, 2015

	<b>Federal, State And Other Grants</b>	<b>Governmental Library</b>	<b>Public Library</b>	<b>Solid Waste</b>	<b>Hotel/Motel Tax</b>	<b>Drug Control</b>	<b>Engineering &amp; Public Works</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 550,046	\$ 13,361	\$ 872,070	\$ 450,682	\$ 2,535,343	\$ 2,205,056	\$ 2,736,955	\$ 9,363,513
Receivables (Net of Allowance for Uncollectibles):								
Accounts	2,909,721	33,127	1,121,134	155,855	1,209,324	29,876	2,259,323	7,718,360
Notes	2,214,159	-	-	-	-	-	-	2,214,159
Due from Other Funds	951,523	10,000	-	878,608	-	-	-	1,840,131
Inventories	4,994	-	-	-	-	-	-	4,994
Prepaid Items	19,009	-	14,513	-	-	-	-	33,522
<b>TOTAL ASSETS</b>	<b>\$ 6,649,452</b>	<b>\$ 56,488</b>	<b>\$ 2,007,717</b>	<b>\$ 1,485,145</b>	<b>\$ 3,744,667</b>	<b>\$ 2,234,932</b>	<b>\$ 4,996,278</b>	<b>\$ 21,174,679</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable and Accrued Liabilities	\$ 550,396	\$ 7,678	\$ 459,492	\$ 134,601	\$ 2,579,187	\$ 56,599	\$ 476,619	\$ 4,264,572
Due to Other Funds	529,655	-	201,230	7,573	-	695	243,753	982,906
Unearned Revenue	2,815,659	1,040	-	-	-	-	-	2,816,699
<b>TOTAL LIABILITIES</b>	<b>3,895,710</b>	<b>8,718</b>	<b>660,722</b>	<b>142,174</b>	<b>2,579,187</b>	<b>57,294</b>	<b>720,372</b>	<b>8,064,177</b>
Fund Balances:								
Nonspendable	24,003	-	14,513	-	-	-	-	38,516
Restricted	2,729,739	-	-	-	1,165,480	2,177,638	-	6,072,857
Committed	-	47,770	1,332,482	1,342,971	-	-	4,275,906	6,999,129
<b>TOTAL FUND BALANCES</b>	<b>2,753,742</b>	<b>47,770</b>	<b>1,346,995</b>	<b>1,342,971</b>	<b>1,165,480</b>	<b>2,177,638</b>	<b>4,275,906</b>	<b>13,110,502</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,649,452</b>	<b>\$ 56,488</b>	<b>\$ 2,007,717</b>	<b>\$ 1,485,145</b>	<b>\$ 3,744,667</b>	<b>\$ 2,234,932</b>	<b>\$ 4,996,278</b>	<b>\$ 21,174,679</b>

**KNOX COUNTY, TENNESSEE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
For the year ended June 30, 2015

	Federal, State And Other Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total Nonmajor Special Revenue Funds
<b>Revenues</b>								
Local Option Sales Taxes	\$ -	\$ -	\$ -	\$ 2,400,000	\$ -	\$ -	\$ 5,326,299	\$ 7,726,299
Lodging Taxes	-	-	-	-	6,602,861	-	-	6,602,861
Wheel Taxes	-	-	10,886,910	-	-	-	-	10,886,910
Other Local Taxes	-	58,518	-	-	-	-	2,015,610	2,074,128
Fines, Forfeitures and Penalties	48,967	-	-	45,948	-	800,806	6,550	902,271
Charges for Current Services	571,641	4,460	327,752	-	-	-	109	903,962
Other Local Revenues	200,527	1,163	7,267	447,923	-	115,450	115,600	887,930
State of Tennessee	1,512,892	-	51,900	532,798	-	-	5,121,250	7,218,840
Federal Government	10,604,350	-	-	-	-	23,300	-	10,627,650
Other Governments and Citizen Groups	238,084	30,000	21,884	-	-	-	-	289,968
<b>Total Revenues</b>	<b>13,176,461</b>	<b>94,141</b>	<b>11,295,713</b>	<b>3,426,669</b>	<b>6,602,861</b>	<b>939,556</b>	<b>12,585,418</b>	<b>48,120,819</b>
<b>Expenditures</b>								
Current:								
Finance and Administration	450,000	-	-	-	-	-	-	450,000
Administration of Justice	321,878	-	-	-	-	-	-	321,878
Public Safety	1,712,340	-	-	-	-	862,082	-	2,574,422
Public Health and Welfare	9,174,098	-	-	3,891,620	-	-	-	13,065,718
Social and Cultural Services	324,812	103,077	12,566,308	-	-	-	-	12,994,197
Other General Government	2,035,956	-	-	-	5,516,447	-	-	7,552,403
Engineering and Public Works	146,987	-	-	-	-	-	12,056,521	12,203,508
<b>Total Expenditures</b>	<b>14,166,071</b>	<b>103,077</b>	<b>12,566,308</b>	<b>3,891,620</b>	<b>5,516,447</b>	<b>862,082</b>	<b>12,056,521</b>	<b>49,162,126</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(989,610)</b>	<b>(8,936)</b>	<b>(1,270,595)</b>	<b>(464,951)</b>	<b>1,086,414</b>	<b>77,474</b>	<b>528,897</b>	<b>(1,041,307)</b>
<b>Other Financing Sources (Uses)</b>								
Transfers from Other Funds	802,631	10,000	1,470,000	550,000	-	72,995	-	2,905,626
Transfers to Other Funds	-	-	-	-	(540,000)	-	(458,763)	(998,763)
<b>Total Other Financing Sources (Uses)</b>	<b>802,631</b>	<b>10,000</b>	<b>1,470,000</b>	<b>550,000</b>	<b>(540,000)</b>	<b>72,995</b>	<b>(458,763)</b>	<b>1,906,863</b>
<b>Net Change in Fund Balances</b>	<b>(186,979)</b>	<b>1,064</b>	<b>199,405</b>	<b>85,049</b>	<b>546,414</b>	<b>150,469</b>	<b>70,134</b>	<b>865,556</b>
<b>Fund Balances, July 1</b>	<b>2,940,721</b>	<b>46,706</b>	<b>1,147,590</b>	<b>1,257,922</b>	<b>619,066</b>	<b>2,027,169</b>	<b>4,205,772</b>	<b>12,244,946</b>
<b>Fund Balances, June 30</b>	<b>\$ 2,753,742</b>	<b>\$ 47,770</b>	<b>\$ 1,346,995</b>	<b>\$ 1,342,971</b>	<b>\$ 1,165,480</b>	<b>\$ 2,177,638</b>	<b>\$ 4,275,906</b>	<b>\$ 13,110,502</b>

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**KNOX COUNTY, TENNESSEE**

**Federal, State and Other Grants Fund  
Comparative Balance Sheets  
June 30, 2015 and June 30, 2014**

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 550,046	\$ 305,198
Receivables (Net of Allowances for Uncollectibles):		
Accounts	2,909,721	3,080,621
Notes	2,214,159	2,850,946
Due from Other Funds	951,523	722,501
Inventories	4,994	10,530
Prepaid Items	19,009	21,460
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 6,649,452</u>	<u>\$ 6,991,256</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 550,396	\$ 529,335
Due to Other Funds	529,655	176,205
Unearned Revenue	2,815,659	3,344,995
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>3,895,710</u>	<u>4,050,535</u>
 <b>Fund Balances:</b>		
Nonspendable	24,003	31,990
Restricted	2,729,739	2,908,731
	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>2,753,742</u>	<u>2,940,721</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,649,452</u>	<u>\$ 6,991,256</u>

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**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, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 48,967	\$ 47,022
Charges for Current Services	571,641	375,352
Other Local Revenues	200,527	300,582
State of Tennessee	1,512,892	1,384,740
Federal Government	10,604,350	9,831,125
Other Governmental and Citizen Groups	<u>238,084</u>	<u>111,321</u>
Total Revenues	<u>13,176,461</u>	<u>12,050,142</u>
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	450,000	101,250
Administration of Justice	321,878	90,003
Public Safety	1,712,340	2,111,670
Public Health and Welfare	9,174,098	8,410,226
Social and Cultural Services	324,812	541,913
Other General Government	2,035,956	1,388,482
Engineering and Public Works	<u>146,987</u>	<u>-</u>
Total Expenditures	<u>14,166,071</u>	<u>12,643,544</u>
Deficiency of Revenues Under Expenditures	<u>(989,610)</u>	<u>(593,402)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>802,631</u>	<u>1,555,567</u>
Net Change in Fund Balances	(186,979)	962,165
Fund Balances, July 1	<u>2,940,721</u>	<u>1,978,556</u>
Fund Balances, June 30	<u>\$ 2,753,742</u>	<u>\$ 2,940,721</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, 2015 and June 30, 2014**

	2015				2014			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Charges for Current Services	\$ 160,000	\$ 308,427	\$ 298,971	\$ (9,456)	\$ 342,878	\$ 342,878	\$ -	
Other Local Revenues	-	78,786	63,228	(15,558)	-	71,134	71,134	
Federal Government	-	577,181	495,039	(82,142)	278,004	397,104	119,100	
<b>Total Revenues</b>	<b>160,000</b>	<b>964,394</b>	<b>857,238</b>	<b>(107,156)</b>	<b>620,882</b>	<b>811,116</b>	<b>190,234</b>	
<b>Expenditures</b>								
Current:								
General Government:								
Personal Services	-	829,441	590,729	238,712	677,786	565,617	112,169	
Employee Benefits	-	324,472	226,379	98,093	248,681	203,661	45,020	
Contracted Services	146,324	303,644	146,096	157,548	175,823	141,156	34,667	
Supplies and Materials	-	141,065	64,458	76,607	106,337	86,593	19,744	
Other Charges	13,676	92,462	76,904	15,558	82,929	82,929	-	
Capital Outlay	-	57,000	16,817	40,183	-	-	-	
<b>Total Expenditures</b>	<b>160,000</b>	<b>1,748,084</b>	<b>1,121,383</b>	<b>626,701</b>	<b>1,291,556</b>	<b>1,079,956</b>	<b>211,600</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(783,690)	(264,145)	519,545	(670,674)	(268,840)	401,834	
<b>Other Financing Sources</b>								
Transfers from Other Funds	-	200,000	200,000	-	16,148	200,000	183,852	
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(583,690)</b>	<b>(64,145)</b>	<b>519,545</b>	<b>(654,526)</b>	<b>(68,840)</b>	<b>585,686</b>	
Fund Balances, July 1	247,534	247,534	247,534	-	316,374	316,374	-	
Fund Balances, June 30	<u>\$ 247,534</u>	<u>\$ (336,156)</u>	<u>\$ 183,389</u>	<u>\$ 519,545</u>	<u>\$ (338,152)</u>	<u>\$ 247,534</u>	<u>\$ 585,686</u>	
<b>Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):</b>								
Fund Balances (Budget Basis)			\$ 183,389			\$ 247,534		
Entity Difference:								
Unbudgeted Funds			<u>2,570,353</u>			<u>2,693,187</u>		
Fund Balances (GAAP Basis)			<u>\$ 2,753,742</u>			<u>\$ 2,940,721</u>		

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**KNOX COUNTY, TENNESSEE**

**Governmental Library Fund  
Comparative Balance Sheets  
June 30, 2015 and June 30, 2014**

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 13,361	\$ 4,345
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	33,127	30,713
Due from Other Funds	<u>10,000</u>	<u>50,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 56,488</u></u>	<u><u>\$ 85,058</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 7,678	\$ 8,713
Due to Other Funds	-	29,279
Unearned Revenue	<u>1,040</u>	<u>360</u>
<b>TOTAL LIABILITIES</b>	<u>8,718</u>	<u>38,352</u>
 <b>Fund Balances:</b>		
Committed	<u>47,770</u>	<u>46,706</u>
<b>TOTAL FUND BALANCES</b>	<u>47,770</u>	<u>46,706</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 56,488</u></u>	<u><u>\$ 85,058</u></u>

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**KNOX COUNTY, TENNESSEE**

**Governmental Library Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Litigation Tax	\$ 58,518	\$ 58,888
Charges for Current Services	4,460	5,310
Other Local Revenues	1,163	1,972
Other Governments and Citizens Groups	<u>30,000</u>	<u>31,000</u>
Total Revenues	<u>94,141</u>	<u>97,170</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>103,077</u>	<u>144,894</u>
Deficiency of Revenues Under Expenditures	<u>(8,936)</u>	<u>(47,724)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>10,000</u>	<u>50,000</u>
Net Change in Fund Balances	1,064	2,276
Fund Balances, July 1	<u>46,706</u>	<u>44,430</u>
Fund Balances, June 30	<u>\$ 47,770</u>	<u>\$ 46,706</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, 2015 and June 30, 2014**

	2015				2014		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Litigation Tax	\$ 61,400	\$ 61,400	\$ 58,518	\$ (2,882)	\$ 65,500	\$ 58,888	\$ (6,612)
Charges for Current Services	7,000	7,000	4,460	(2,540)	8,000	5,310	(2,690)
Other Local Revenues	1,800	1,800	1,163	(637)	1,200	1,972	772
Other Governments and Citizens Groups	31,000	31,000	30,000	(1,000)	30,300	31,000	700
<b>Total Revenues</b>	<b>101,200</b>	<b>101,200</b>	<b>94,141</b>	<b>(7,059)</b>	<b>105,000</b>	<b>97,170</b>	<b>(7,830)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	52,173	49,104	31,616	17,488	52,371	52,371	-
Employee Benefits	16,163	16,163	7,616	8,547	16,162	16,161	1
Contracted Services	9,450	9,450	7,833	1,617	9,515	7,806	1,709
Supplies and Materials	51,662	54,098	54,098	-	67,452	67,123	329
Other Charges	1,752	2,385	1,914	471	1,500	1,433	67
<b>Total Expenditures</b>	<b>131,200</b>	<b>131,200</b>	<b>103,077</b>	<b>28,123</b>	<b>147,000</b>	<b>144,894</b>	<b>2,106</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,000)	(30,000)	(8,936)	21,064	(42,000)	(47,724)	(5,724)
<b>Other Financing Sources</b>							
Transfers from Other Funds	30,000	30,000	10,000	(20,000)	42,000	50,000	8,000
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>1,064</b>	<b>1,064</b>	<b>-</b>	<b>2,276</b>	<b>2,276</b>
Fund Balances, July 1	46,706	46,706	46,706	-	44,430	44,430	-
<b>Fund Balances, June 30</b>	<b>\$ 46,706</b>	<b>\$ 46,706</b>	<b>\$ 47,770</b>	<b>\$ 1,064</b>	<b>\$ 44,430</b>	<b>\$ 46,706</b>	<b>\$ 2,276</b>

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**KNOX COUNTY, TENNESSEE**

**Public Library Fund**  
**Comparative Balance Sheets**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 872,070	\$ 637,277
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	1,121,134	1,084,649
Prepaid Items	<u>14,513</u>	<u>1,725</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,007,717</u></u>	<u><u>\$ 1,723,651</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 459,492	\$ 408,735
Due to Other Funds	<u>201,230</u>	<u>167,326</u>
<b>TOTAL LIABILITIES</b>	<u>660,722</u>	<u>576,061</u>
 <b>Fund Balances:</b>		
Nonspendable	14,513	1,725
Committed	<u>1,332,482</u>	<u>1,145,865</u>
<b>TOTAL FUND BALANCES</b>	<u>1,346,995</u>	<u>1,147,590</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,007,717</u></u>	<u><u>\$ 1,723,651</u></u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Wheel Taxes	\$ 10,886,910	\$ 10,928,350
Charges for Current Services	327,752	340,378
Other Local Revenues	7,267	6,974
State of Tennessee	51,900	51,900
Other Governments and Citizens Groups	<u>21,884</u>	<u>19,580</u>
Total Revenues	<u>11,295,713</u>	<u>11,347,182</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>12,566,308</u>	<u>12,805,714</u>
Deficiency of Revenues Under Expenditures	<u>(1,270,595)</u>	<u>(1,458,532)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	<u>1,470,000</u>	<u>1,670,000</u>
Total Other Financing Sources	<u>1,470,000</u>	<u>1,670,000</u>
Net Change in Fund Balances	199,405	211,468
Fund Balances, July 1	<u>1,147,590</u>	<u>936,122</u>
Fund Balances, June 30	<u><u>\$ 1,346,995</u></u>	<u><u>\$ 1,147,590</u></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, 2015 and June 30, 2014**

	2015				2014		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Wheel Taxes	\$ 10,600,000	\$ 10,635,000	\$ 10,886,910	\$ 251,910	\$ 10,550,000	\$ 10,928,350	\$ 378,350
Charges for Current Services	345,000	345,000	327,752	(17,248)	340,000	340,378	378
Other Local Revenues	9,000	9,000	7,267	(1,733)	9,000	6,974	(2,026)
State of Tennessee	51,900	51,900	51,900	-	51,900	51,900	-
Other Governments and Citizens Groups	-	-	21,884	21,884	-	19,580	19,580
<b>Total Revenues</b>	<b>11,005,900</b>	<b>11,040,900</b>	<b>11,295,713</b>	<b>254,813</b>	<b>10,950,900</b>	<b>11,347,182</b>	<b>396,282</b>
<b>Expenditures</b>							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	6,605,480	6,606,022	6,588,852	17,170	6,545,039	6,545,039	-
Employee Benefits	2,104,272	2,106,163	2,089,384	16,779	2,037,873	2,037,872	1
Contracted Services	1,142,975	1,210,945	1,149,273	61,672	1,177,128	1,170,288	6,840
Supplies and Materials	1,905,140	1,935,913	1,815,795	120,118	2,028,929	1,978,203	50,726
Other Charges	193,033	929,000	923,004	5,996	904,748	904,665	83
Capital Outlay	-	-	-	-	169,647	169,647	-
<b>Total Expenditures</b>	<b>11,950,900</b>	<b>12,788,043</b>	<b>12,566,308</b>	<b>221,735</b>	<b>12,863,364</b>	<b>12,805,714</b>	<b>57,650</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(945,000)	(1,747,143)	(1,270,595)	476,548	(1,912,464)	(1,458,532)	453,932
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	1,670,000	1,670,000	1,470,000	(200,000)	1,670,000	1,670,000	-
Transfers to Other Funds	(725,000)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>945,000</b>	<b>1,670,000</b>	<b>1,470,000</b>	<b>(200,000)</b>	<b>1,670,000</b>	<b>1,670,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(77,143)</b>	<b>199,405</b>	<b>276,548</b>	<b>(242,464)</b>	<b>211,468</b>	<b>453,932</b>
Fund Balances, July 1	1,147,590	1,147,590	1,147,590	-	936,122	936,122	-
<b>Fund Balances, June 30</b>	<b>\$ 1,147,590</b>	<b>\$ 1,070,447</b>	<b>\$ 1,346,995</b>	<b>\$ 276,548</b>	<b>\$ 693,658</b>	<b>\$ 1,147,590</b>	

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**KNOX COUNTY, TENNESSEE**

**Solid Waste Fund**  
**Comparative Balance Sheets**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 450,682	\$ 858,536
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	155,855	76,915
Due from Other Funds	<u>878,608</u>	<u>607,028</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,485,145</u></u>	<u><u>\$ 1,542,479</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 134,601	\$ 121,902
Due to Other Funds	<u>7,573</u>	<u>162,655</u>
<b>TOTAL LIABILITIES</b>	<u>142,174</u>	<u>284,557</u>
 <b>Fund Balances:</b>		
Committed	<u>1,342,971</u>	<u>1,257,922</u>
<b>TOTAL FUND BALANCES</b>	<u>1,342,971</u>	<u>1,257,922</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,485,145</u></u>	<u><u>\$ 1,542,479</u></u>

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**KNOX COUNTY, TENNESSEE**

**Solid Waste Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Local Option Sales Taxes	\$ 2,400,000	\$ 2,400,000
Fines, Forfeitures, and Penalties	45,948	50,567
Other Local Revenues	447,923	599,611
State of Tennessee	532,798	322,621
Other Governments and Citizens Groups	-	1,000
	<hr/>	<hr/>
Total Revenues	3,426,669	3,373,799
	<hr/>	<hr/>
<b>Expenditures</b>		
Current:		
General Government:		
Public Health and Welfare	3,891,620	3,973,243
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(464,951)	(599,444)
	<hr/>	<hr/>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	550,000	600,000
	<hr/>	<hr/>
Total Other Financing Sources	550,000	600,000
	<hr/>	<hr/>
Net Change in Fund Balances	85,049	556
Fund Balances, July 1	1,257,922	1,257,366
	<hr/>	<hr/>
Fund Balances, June 30	\$ 1,342,971	\$ 1,257,922
	<hr/> <hr/>	<hr/> <hr/>

**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, 2015 and June 30, 2014**

	2015				2014			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Local Option Sales Taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ -	\$ 2,400,000	\$ 2,400,000	\$ -	
Fines, Forfeitures, and Penalties	55,000	55,000	45,948	(9,052)	50,000	50,567	567	
Other Local Revenues	645,000	645,000	447,923	(197,077)	650,000	599,611	(50,389)	
State of Tennessee	425,000	425,000	532,798	107,798	378,500	322,621	(55,879)	
Other Governments and Citizens Groups	-	-	-	-	-	1,000	1,000	
<b>Total Revenues</b>	<b>3,525,000</b>	<b>3,525,000</b>	<b>3,426,669</b>	<b>(98,331)</b>	<b>3,478,500</b>	<b>3,373,799</b>	<b>(104,701)</b>	
<b>Expenditures</b>								
Current:								
General Government:								
Public Health and Welfare:								
Personal Services	813,738	817,701	817,701	-	791,438	791,438	-	
Employee Benefits	322,603	320,400	320,400	-	303,045	303,045	-	
Contracted Services	2,473,374	2,353,414	2,284,301	69,113	2,440,442	2,425,709	14,733	
Supplies and Materials	99,707	101,964	99,963	2,001	128,312	127,988	324	
Other Charges	203,430	278,930	278,697	233	233,227	226,630	6,597	
Litter and Trash Collection:								
Personal Services	43,979	42,954	42,954	-	45,736	45,736	-	
Employee Benefits	19,055	19,122	19,122	-	19,467	19,467	-	
Contracted Services	6,614	8,733	8,733	-	14,967	14,967	-	
Supplies and Materials	12,500	19,749	19,749	-	18,263	18,263	-	
Capital Outlay	-	83,357	-	83,357	-	-	-	
<b>Total Expenditures</b>	<b>3,995,000</b>	<b>4,046,324</b>	<b>3,891,620</b>	<b>154,704</b>	<b>3,994,897</b>	<b>3,973,243</b>	<b>21,654</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(470,000)	(521,324)	(464,951)	56,373	(516,397)	(599,444)	(83,047)	
<b>Other Financing Sources (Uses)</b>								
Transfers from Other Funds	475,000	475,000	550,000	75,000	475,000	600,000	125,000	
Transfers to Other Funds	(51,000)	-	-	-	-	-	-	
<b>Total Other Financing Sources (Uses)</b>	<b>424,000</b>	<b>475,000</b>	<b>550,000</b>	<b>75,000</b>	<b>475,000</b>	<b>600,000</b>	<b>125,000</b>	
<b>Net Change in Fund Balances</b>	<b>(46,000)</b>	<b>(46,324)</b>	<b>85,049</b>	<b>131,373</b>	<b>(41,397)</b>	<b>556</b>	<b>41,953</b>	
Fund Balances, July 1	1,257,922	1,257,922	1,257,922	-	1,257,366	1,257,366	-	
Fund Balances, June 30	\$ 1,211,922	\$ 1,211,598	\$ 1,342,971	\$ 131,373	\$ 1,215,969	\$ 1,257,922	\$ 41,953	

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**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Fund**  
**Comparative Balance Sheets**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,535,343	\$ 1,706,885
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	<u>1,209,324</u>	<u>1,197,908</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,744,667</u>	<u>\$ 2,904,793</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>\$ 2,579,187</u>	<u>\$ 2,285,727</u>
<b>TOTAL LIABILITIES</b>	<u>2,579,187</u>	<u>2,285,727</u>
 <b>Fund Balances:</b>		
Restricted	<u>1,165,480</u>	<u>619,066</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,744,667</u>	<u>\$ 2,904,793</u>

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**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Lodging Taxes	<u>\$ 6,602,861</u>	<u>\$ 5,860,554</u>
<b>Expenditures</b>		
Current:		
General Government:		
Other General Government	<u>5,516,447</u>	<u>5,335,074</u>
Excess of Revenues Over Expenditures	1,086,414	525,480
<b>Other Financing Uses</b>		
Transfers to Other Funds	<u>(540,000)</u>	<u>(540,000)</u>
Net Change in Fund Balances	546,414	(14,520)
Fund Balances, July 1	<u>619,066</u>	<u>633,586</u>
Fund Balances, June 30	<u><u>\$ 1,165,480</u></u>	<u><u>\$ 619,066</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, 2015 and June 30, 2014**

	2015				2014		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Lodging Taxes	\$ 5,650,000	\$ 6,104,470	\$ 6,602,861	\$ 498,391	\$ 5,761,089	\$ 5,860,554	\$ 99,465
<b>Expenditures</b>							
Current:							
General Government:							
Other General Government:	5,230,000	5,684,470	5,516,447	168,023	5,336,089	5,335,074	1,015
Excess of Revenues Over Expenditures	420,000	420,000	1,086,414	666,414	425,000	525,480	100,480
<b>Other Financing Uses</b>							
Transfers to Other Funds	(540,000)	(540,000)	(540,000)	-	(540,000)	(540,000)	-
Net Change in Fund Balances	(120,000)	(120,000)	546,414	666,414	(115,000)	(14,520)	100,480
Fund Balances, July 1	619,066	619,066	619,066	-	633,586	633,586	-
Fund Balances, June 30	\$ 499,066	\$ 499,066	\$ 1,165,480	\$ 666,414	\$ 518,586	\$ 619,066	\$ 100,480

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**KNOX COUNTY, TENNESSEE**

**Drug Control Fund**  
**Comparative Balance Sheets**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,205,056	\$ 2,191,012
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	29,876	20,833
Due from Other Funds	<u>-</u>	<u>150</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,234,932</u>	<u>\$ 2,211,995</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 56,599	\$ 165,438
Due to Other Funds	<u>695</u>	<u>19,388</u>
<b>TOTAL LIABILITIES</b>	<u>57,294</u>	<u>184,826</u>
 <b>Fund Balances:</b>		
Restricted	<u>2,177,638</u>	<u>2,027,169</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,234,932</u>	<u>\$ 2,211,995</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 800,806	\$ 593,190
Other Local Revenues	115,450	131,786
Federal Government	23,300	109,518
	<hr/>	<hr/>
Total Revenues	939,556	834,494
	<hr/>	<hr/>
<b>Expenditures</b>		
Current:		
General Government:		
Public Safety	862,082	1,021,651
	<hr/>	<hr/>
Total Expenditures	862,082	1,021,651
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	77,474	(187,157)
	<hr/>	<hr/>
<b>Other Financing Sources:</b>		
Transfers from Other Funds	72,995	93,965
	<hr/>	<hr/>
Net Change in Fund Balance	150,469	(93,192)
	<hr/>	<hr/>
Fund Balances, July 1	2,027,169	2,120,361
	<hr/>	<hr/>
Fund Balances, June 30	<u>\$ 2,177,638</u>	<u>\$ 2,027,169</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, 2015 and June 30, 2014**

	2015				2014		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Fines, Forfeitures, and Penalties	\$ 663,000	\$ 807,636	\$ 800,806	\$ (6,830)	\$ 660,495	\$ 593,190	\$ (67,305)
Other Local Revenues	125,000	125,000	115,450	(9,550)	-	131,786	131,786
Federal Government	-	-	23,300	23,300	-	109,518	109,518
<b>Total Revenues</b>	<b>788,000</b>	<b>932,636</b>	<b>939,556</b>	<b>6,920</b>	<b>660,495</b>	<b>834,494</b>	<b>173,999</b>
<b>Expenditures</b>							
Current:							
General Government:							
Public Safety:							
Contracted Services	289,500	421,286	295,349	125,937	412,973	289,218	123,755
Supplies and Materials	172,500	172,669	140,983	31,686	221,465	174,617	46,848
Other Charges	62,020	61,520	16,895	44,625	62,995	62,547	448
Capital Outlay	263,980	409,116	408,855	261	498,000	495,269	2,731
<b>Total Expenditures</b>	<b>788,000</b>	<b>1,064,591</b>	<b>862,082</b>	<b>202,509</b>	<b>1,195,433</b>	<b>1,021,651</b>	<b>173,782</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(131,955)	77,474	209,429	(534,938)	(187,157)	347,781
<b>Other Financing Sources</b>							
Transfers from Other Funds	-	-	72,995	72,995	93,965	93,965	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>72,995</b>	<b>72,995</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	-	(131,955)	150,469	282,424	(440,973)	(93,192)	347,781
Fund Balances, July 1	2,027,169	2,027,169	2,027,169	-	2,120,361	2,120,361	-
Fund Balances, June 30	\$ 2,027,169	\$ 1,895,214	\$ 2,177,638	\$ 282,424	\$ 1,679,388	\$ 2,027,169	\$ 347,781

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**KNOX COUNTY, TENNESSEE**

**Engineering & Public Works Fund**  
**Comparative Balance Sheets**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,736,955	\$ 2,574,667
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	2,259,323	2,148,478
Due from Other Funds	<u>-</u>	<u>110,045</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,996,278</u></u>	<u><u>\$ 4,833,190</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 476,619	\$ 456,291
Due to Other Funds	<u>243,753</u>	<u>171,127</u>
<b>TOTAL LIABILITIES</b>	<u>720,372</u>	<u>627,418</u>
 <b>Fund Balances:</b>		
Committed	<u>4,275,906</u>	<u>4,205,772</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 4,996,278</u></u>	<u><u>\$ 4,833,190</u></u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Local Option Sales Taxes	\$ 5,326,299	\$ 4,690,075
Other Local Taxes	2,015,610	2,013,460
Fines, Forfeitures, and Penalties	6,550	12,200
Charges for Current Services	109	25
Other Local Revenues	115,600	254,900
State of Tennessee	<u>5,121,250</u>	<u>5,009,662</u>
Total Revenues	<u>12,585,418</u>	<u>11,980,322</u>
<b>Expenditures</b>		
Current:		
Engineering & Public Works	<u>12,056,521</u>	<u>11,937,056</u>
Excess of Revenues Over Expenditures	528,897	43,266
<b>Other Financing Uses:</b>		
Transfers from Other Funds	-	510,000
Transfers to Other Funds	<u>(458,763)</u>	<u>(545,430)</u>
Total Other Financing Sources (Uses)	<u>(458,763)</u>	<u>(35,430)</u>
Net Change in Fund Balances	70,134	7,836
Fund Balances, July 1	<u>4,205,772</u>	<u>4,197,936</u>
Fund Balances, June 30	<u><u>\$ 4,275,906</u></u>	<u><u>\$ 4,205,772</u></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, 2015 and June 30, 2014**

	2015				2014		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Option Sales Taxes	\$ 4,729,900	\$ 4,828,619	\$ 5,326,299	\$ 497,680	\$ 4,921,900	\$ 4,690,075	\$ (231,825)
Other Local Taxes	2,100,000	2,100,000	2,015,610	(84,390)	2,100,000	2,013,460	(86,540)
Fines, Forfeitures and Penalties	7,500	7,500	6,550	(950)	5,000	12,200	7,200
Charges for Current Services	-	-	109	109	1,000	25	(975)
Other Local Revenues	14,000	14,000	115,600	101,600	-	254,900	254,900
State of Tennessee	4,961,000	4,961,000	5,121,250	160,250	4,610,000	5,009,662	399,662
<b>Total Revenues</b>	<b>11,812,400</b>	<b>11,911,119</b>	<b>12,585,418</b>	<b>674,299</b>	<b>11,637,900</b>	<b>11,980,322</b>	<b>342,422</b>
<b>Expenditures</b>							
Current:							
Engineering & Public Works:							
Administration:							
Personal Services	1,326,209	1,336,411	1,336,411	-	1,285,515	1,285,515	-
Employee Benefits	446,000	453,374	453,374	-	428,657	428,657	-
Contracted Services	87,060	96,051	96,051	-	76,348	76,348	-
Supplies and Materials	62,600	63,939	45,028	18,911	65,268	65,268	-
Other Charges	218,875	275,197	274,795	402	133,490	133,490	-
Capital Outlay	26,000	17,639	17,639	-	25,259	25,259	-
Highways and Bridge Maintenance:							
Personal Services	2,856,248	3,031,205	3,031,205	-	2,939,627	2,939,627	-
Employee Benefits	1,177,915	1,194,359	1,194,359	-	1,149,252	1,149,251	1
Contracted Services	1,095,750	1,054,564	1,031,577	22,987	1,052,446	1,052,446	-
Supplies and Materials	2,601,111	2,552,883	2,552,883	-	2,648,696	2,648,696	-
Other Charges	435,200	485,522	485,522	-	425,330	425,330	-
Various Highway:							
Personal Services	576,080	577,317	577,317	-	578,917	578,917	-
Employee Benefits	203,938	205,067	205,067	-	202,624	202,624	-
Contracted Services	160,614	182,033	168,853	13,180	206,354	201,409	4,945
Supplies and Materials	149,975	863,121	362,363	500,758	1,041,494	534,211	507,283
Other Charges	8,825	78,825	78,825	-	190,010	190,008	2
Capital Outlay	-	399,150	145,252	253,898	-	-	-
<b>Total Expenditures</b>	<b>11,432,400</b>	<b>12,866,657</b>	<b>12,056,521</b>	<b>810,136</b>	<b>12,449,287</b>	<b>11,937,056</b>	<b>512,231</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	380,000	(955,538)	528,897	1,484,435	(811,387)	43,266	854,653
Other Financing Sources (Uses)							
Transfer From Other Funds	-	-	-	-	297,541	510,000	212,459
Transfer To Other Funds	(630,000)	(458,763)	(458,763)	-	(545,431)	(545,430)	1
<b>Total Other Financing Sources (Uses)</b>	<b>(630,000)</b>	<b>(458,763)</b>	<b>(458,763)</b>	<b>-</b>	<b>(247,890)</b>	<b>(35,430)</b>	<b>212,460</b>
<b>Net Change in Fund Balances</b>	<b>(250,000)</b>	<b>(1,414,301)</b>	<b>70,134</b>	<b>1,484,435</b>	<b>(1,059,277)</b>	<b>7,836</b>	<b>1,067,113</b>
Fund Balances, July 1	4,205,772	4,205,772	4,205,772	-	4,197,936	4,197,936	-
<b>Fund Balances, June 30</b>	<b>\$ 3,955,772</b>	<b>\$ 2,791,471</b>	<b>\$ 4,275,906</b>	<b>\$ 1,484,435</b>	<b>\$ 3,138,659</b>	<b>\$ 4,205,772</b>	<b>\$ 1,067,113</b>

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**KNOX COUNTY, TENNESSEE**

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

**Comparative Balance Sheets**

June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 720,700	\$ 600,167
Due from Other Funds	-	127,372
	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 720,700</u></u>	<u><u>\$ 727,539</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>	<u>\$ -</u>	<u>\$ -</u>
 <b>Fund Balances:</b>		
Committed	<u>720,700</u>	<u>727,539</u>
	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 720,700</u></u>	<u><u>\$ 727,539</u></u>

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**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, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Local Taxes	\$ -	\$ -
<b>Expenditures</b>		
Capital Projects	<u>6,839</u>	<u>12,321</u>
Net Change in Fund Balances	(6,839)	(12,321)
Fund Balances, July 1	<u>727,539</u>	<u>739,860</u>
Fund Balances, June 30	<u><u>\$ 720,700</u></u>	<u><u>\$ 727,539</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, 2015 and June 30, 2014

	2015	2014
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 21,802	\$ 96,086
Accounts Receivable	8,150	7,346
Inventories	76,842	75,298
Prepaid Items	-	210
<b>TOTAL CURRENT ASSETS</b>	<b>106,794</b>	<b>178,940</b>
<b>Capital Assets:</b>		
Land	880	880
Buildings	754,504	747,515
Machinery and Equipment	429,234	506,923
Computer Software	25,448	25,448
Land Improvements	66,463	66,463
Accumulated Depreciation	(707,610)	(893,283)
Capital Assets (Net of Accumulated Depreciation)	568,919	453,946
<b>TOTAL ASSETS</b>	<b>675,713</b>	<b>632,886</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	43,016	48,738
Due to Other Funds	-	14,436
Compensated Absences	9,057	27,382
<b>TOTAL CURRENT LIABILITIES</b>	<b>52,073</b>	<b>90,556</b>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	36,230	3,042
<b>TOTAL LIABILITIES</b>	<b>88,303</b>	<b>93,598</b>
<b>NET POSITION</b>		
Investment in Capital Assets	568,919	453,946
Unrestricted	18,491	85,342
<b>TOTAL NET POSITION</b>	<b>\$ 587,410</b>	<b>\$ 539,288</b>

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**KNOX COUNTY, TENNESSEE**

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

For the Years Ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Golf Fees	\$ 405,308	\$ 428,843
Cart and Range Fees	213,574	242,248
Pro Shop	97,516	97,669
Snack Bar	81,814	93,229
	<u>798,212</u>	<u>861,989</u>
Total Operating Revenues		
<b>Operating Expenses</b>		
Personal Services	359,268	344,232
Employee Benefits	81,720	76,325
Contracted Services	111,757	76,699
Supplies and Materials	309,100	291,136
Other Charges	78,925	87,778
Depreciation	59,320	58,090
	<u>1,000,090</u>	<u>934,260</u>
Total Operating Expenses		
Operating Loss	<u>(201,878)</u>	<u>(72,271)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Loss on Disposal of Capital Asset	<u>-</u>	<u>(3,344)</u>
<b>Transfers</b>		
Transfers from Other Funds	<u>250,000</u>	<u>-</u>
Change in Net Position	48,122	(75,615)
Net Position, July 1	<u>539,288</u>	<u>614,903</u>
Net Position, June 30	<u>\$ 587,410</u>	<u>\$ 539,288</u>

**KNOX COUNTY, TENNESSEE**

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

For the Years Ended June 30, 2015 and June 30, 2014

	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers and Users	\$ 797,408	\$ 876,945
Payments to Vendors	(524,922)	(492,431)
Payments to Employees	(422,477)	(404,487)
	(149,991)	(19,973)
<b>Cash Flows Used by Capital and Related Financing Activities</b>		
Transfers from Other Funds	250,000	-
Acquisition and Construction of Capital Assets	(174,293)	(11,500)
	75,707	(11,500)
Net Increase (Decrease) in Cash and Cash Equivalents	(74,284)	(31,473)
Cash and Cash Equivalents - Beginning of Year	96,086	127,559
Cash and Cash Equivalents - End of Year	\$ 21,802	\$ 96,086
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	\$ (201,878)	\$ (72,271)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	59,320	58,090
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(804)	14,310
(Increase) decrease in Due from Other Funds	-	646
(Increase) in Inventory	(1,544)	(1,703)
Decrease in Prepaid Items	210	1,466
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(5,722)	21,441
Increase (Decrease) in Due to Other Funds	(14,436)	(24,948)
Increase in Compensated Absences Payable	14,863	(17,004)
	14,863	(17,004)
Net Cash Provided (Used) by Operating Activities	\$ (149,991)	\$ (19,973)

## 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, 2015

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>ASSETS</b>									
<b>Current Assets:</b>									
Cash and Cash Equivalents	\$ -	\$ 291,675	\$ 2,197,818	\$ 10,560,987	\$ 5,644,659	\$ 632,395	\$ 141,420	\$ 4,845,140	\$ 24,314,094
Receivables:									
Accounts	96,634	1,756	386,813	-	189,666	-	-	535,181	1,210,050
Due from Other Funds	210,292	20,176	5,860	250,000	-	-	-	1,735,824	2,222,152
Due from Component Units	793	-	268,135	306,547	-	-	-	-	575,475
Notes Receivable	-	-	-	22,473	-	-	-	-	22,473
Inventories	193,408	32,850	-	-	-	-	-	-	226,258
Prepaid Items	-	-	13,544	-	-	-	-	136,910	150,454
<b>TOTAL CURRENT ASSETS</b>	<b>501,127</b>	<b>346,457</b>	<b>2,872,170</b>	<b>11,140,007</b>	<b>5,834,325</b>	<b>632,395</b>	<b>141,420</b>	<b>7,253,055</b>	<b>28,720,956</b>
<b>Capital Assets:</b>									
Machinery and Equipment	220,301	-	-	33,352	72,217	564,412	4,711,938	-	5,602,220
Accumulated Depreciation	(148,207)	-	-	(33,352)	(72,217)	(342,010)	(4,707,373)	-	(5,303,159)
Capital Assets (Net of Accumulated Depreciation)	72,094	-	-	-	-	222,402	4,565	-	299,061
<b>TOTAL ASSETS</b>	<b>573,221</b>	<b>346,457</b>	<b>2,872,170</b>	<b>11,140,007</b>	<b>5,834,325</b>	<b>854,797</b>	<b>145,985</b>	<b>7,253,055</b>	<b>29,020,017</b>
<b>LIABILITIES</b>									
<b>Current liabilities:</b>									
Accounts Payable and Accrued Liabilities	122,251	2,321	783,069	56,769	282,361	68	-	14,077	1,260,916
Due to Other Funds	343,076	-	524	83	700,000	52,993	-	-	1,096,676
Unearned Revenue	-	-	-	-	7,894	-	-	-	7,894
Claims Liabilities	-	-	-	13,043,037	-	-	-	1,780,523	14,823,560
Compensated Absences Payable	96,423	-	33,204	43,212	-	-	-	-	172,839
<b>TOTAL CURRENT LIABILITIES</b>	<b>561,750</b>	<b>2,321</b>	<b>816,797</b>	<b>13,143,101</b>	<b>990,255</b>	<b>53,061</b>	<b>-</b>	<b>1,794,600</b>	<b>17,361,885</b>
<b>Noncurrent Liabilities:</b>									
Compensated Absences Payable	10,714	-	3,689	4,801	-	-	-	-	19,204
<b>TOTAL LIABILITIES</b>	<b>572,464</b>	<b>2,321</b>	<b>820,486</b>	<b>13,147,902</b>	<b>990,255</b>	<b>53,061</b>	<b>-</b>	<b>1,794,600</b>	<b>17,381,089</b>
<b>NET POSITION</b>									
Invested in Capital Assets	72,094	-	-	-	-	222,402	4,565	-	299,061
Unrestricted	(71,337)	344,136	2,051,684	(2,007,895)	4,844,070	579,334	141,420	5,458,455	11,339,867
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ 757</b>	<b>\$ 344,136</b>	<b>\$ 2,051,684</b>	<b>\$ (2,007,895)</b>	<b>\$ 4,844,070</b>	<b>\$ 801,736</b>	<b>\$ 145,985</b>	<b>\$ 5,458,455</b>	<b>\$ 11,638,928</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenses and Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2015**

	<b>Vehicle Service Center</b>	<b>Mailroom</b>	<b>Employee Benefits</b>	<b>Self Insurance</b>	<b>Building Operations</b>	<b>Technical Support Service</b>	<b>Capital Leasing</b>	<b>Self Insurance Healthcare</b>	<b>Total</b>
<b>Operating Revenues</b>									
Charges for Services	\$ 2,720,519	\$ 226,225	\$ 29,519,266	\$ 3,797,543	\$ 10,702,724	\$ 373,970	\$ -	\$ 27,206,705	\$ 74,546,952
<b>Operating Expenses</b>									
Cost of Sales and Services	1,760,787	211,850	-	-	-	-	-	-	1,972,637
General and Administration	1,288,900	-	1,260,546	867,132	9,721,560	242,445	-	2,489,014	15,869,597
Depreciation and Amortization	10,862	-	-	-	-	74,900	7,889	-	93,651
Medical Claims	-	-	509,842	-	-	-	-	26,004,027	26,513,869
Retirement Contributions	-	-	26,929,292	-	-	-	-	-	26,929,292
Other Employee Benefits	-	-	831,854	-	-	-	-	-	831,854
Worker's Compensation & Other Claims	-	-	-	123,888	-	-	-	-	123,888
Other Expenses	154,665	-	-	230,415	-	330	-	-	385,410
<b>Total Operating Expenses</b>	<b>3,215,214</b>	<b>211,850</b>	<b>29,531,534</b>	<b>1,221,435</b>	<b>9,721,560</b>	<b>317,675</b>	<b>7,889</b>	<b>28,493,041</b>	<b>72,720,198</b>
<b>Operating Income (Loss)</b>	<b>(494,695)</b>	<b>14,375</b>	<b>(12,268)</b>	<b>2,576,108</b>	<b>981,164</b>	<b>56,295</b>	<b>(7,889)</b>	<b>(1,286,336)</b>	<b>1,826,754</b>
<b>Nonoperating Revenues</b>									
Miscellaneous Revenue	-	-	-	-	-	-	-	964,224	964,224
<b>Income (Loss) before Transfers</b>	<b>(494,695)</b>	<b>14,375</b>	<b>(12,268)</b>	<b>2,576,108</b>	<b>981,164</b>	<b>56,295</b>	<b>(7,889)</b>	<b>(322,112)</b>	<b>2,790,978</b>
<b>Transfers</b>									
Transfers to Other Funds	-	-	-	-	(700,000)	-	-	-	(700,000)
Transfers from Other Funds	343,763	-	-	250,000	-	-	-	500,000	1,093,763
<b>Total transfers</b>	<b>343,763</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>(700,000)</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>393,763</b>
<b>Change in Net Position</b>	<b>(150,932)</b>	<b>14,375</b>	<b>(12,268)</b>	<b>2,826,108</b>	<b>281,164</b>	<b>56,295</b>	<b>(7,889)</b>	<b>177,888</b>	<b>3,184,741</b>
<b>Total Net Position (Deficit), July 1</b>	<b>151,689</b>	<b>329,761</b>	<b>2,063,952</b>	<b>(4,834,003)</b>	<b>4,562,906</b>	<b>745,441</b>	<b>153,874</b>	<b>5,280,567</b>	<b>8,454,187</b>
<b>Total Net Position (Deficit), June 30</b>	<b>\$ 757</b>	<b>\$ 344,136</b>	<b>\$ 2,051,684</b>	<b>\$ (2,007,895)</b>	<b>\$ 4,844,070</b>	<b>\$ 801,736</b>	<b>\$ 145,985</b>	<b>\$ 5,458,455</b>	<b>\$ 11,638,928</b>

KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows  
Internal Service Funds

For the Year Ended June 30, 2015

	Vehicle Service Center	Mailroom	Employee Benefits	Self Insurance	Building Operations	Technical Support Service	Capital Leasing	Self Insurance Healthcare	Total
<b>Operating Activities</b>									
Cash Received from Interfund Services Provided	\$ 2,706,229	\$ 225,450	\$ 29,401,508	\$ 3,661,393	\$ 10,674,806	\$ 567,875	\$ -	\$ 26,006,220	\$ 73,243,481
Cash Paid to Employees	(854,299)	-	(438,794)	(376,576)	-	-	-	-	(1,669,669)
Cash Paid for Goods and Services	(1,864,720)	(206,722)	(670,943)	(2,718,760)	(9,088,165)	(412,269)	-	(2,203,412)	(17,164,991)
Cash Paid on Behalf of Employees	(330,973)	-	(28,688,045)	(126,987)	-	-	-	(25,786,497)	(54,932,502)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(343,763)</b>	<b>18,728</b>	<b>(396,274)</b>	<b>439,070</b>	<b>1,586,641</b>	<b>155,606</b>	<b>-</b>	<b>(1,983,689)</b>	<b>(523,681)</b>
<b>Noncapital Financing Activities</b>									
Miscellaneous Revenue	-	-	-	-	-	-	-	964,224	964,224
Transfers from Other Funds	343,763	-	-	250,000	-	-	-	500,000	1,093,763
Transfers to Other Funds	-	-	-	-	(700,000)	-	-	-	(700,000)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>343,763</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>(700,000)</b>	<b>-</b>	<b>-</b>	<b>1,464,224</b>	<b>1,357,987</b>
<b>Capital and Related Financing Activities</b>									
Acquisition and Construction of Capital Assets	-	-	-	-	-	(57,922)	-	-	(57,922)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(57,922)</b>	<b>-</b>	<b>-</b>	<b>(57,922)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>-</b>	<b>18,728</b>	<b>(396,274)</b>	<b>689,070</b>	<b>886,641</b>	<b>97,684</b>	<b>-</b>	<b>(519,465)</b>	<b>776,384</b>
<b>Cash and Cash Equivalents</b>									
<b>Beginning of Year</b>	<b>-</b>	<b>272,947</b>	<b>2,594,092</b>	<b>9,871,917</b>	<b>4,758,018</b>	<b>534,711</b>	<b>141,420</b>	<b>5,364,605</b>	<b>23,537,710</b>
<b>End of Year</b>	<b>\$ -</b>	<b>\$ 291,675</b>	<b>\$ 2,197,818</b>	<b>\$ 10,560,987</b>	<b>\$ 5,644,659</b>	<b>\$ 632,395</b>	<b>\$ 141,420</b>	<b>\$ 4,845,140</b>	<b>\$ 24,314,094</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>									
Operating Income (Loss)	\$ (494,695)	\$ 14,375	\$ (12,268)	\$ 2,576,108	\$ 981,164	\$ 56,295	\$ (7,889)	\$ (1,286,336)	\$ 1,826,754
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:									
Depreciation and Amortization	10,862	-	-	-	-	74,900	7,889	-	93,651
Change in Assets and Liabilities:									
(Increase) Decrease in Accounts Receivable	38,120	(1,226)	(94,674)	-	(27,918)	193,905	-	(416,485)	(308,278)
(Increase) Decrease in Due from Other Funds	(52,317)	451	13,940	(50,000)	-	-	-	(769,806)	(857,732)
Increase in Due from Component Units	(93)	-	(7,263)	(86,150)	-	-	-	-	(93,506)
Decrease in Inventories	4,630	6,872	-	-	-	-	-	-	11,502
(Increase) Decrease in Prepaid Items	2,095	-	(789)	-	-	-	-	(99,386)	(98,080)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	11,592	(1,744)	67,065	(24,841)	76,456	(208,793)	-	12,446	(67,819)
Increase (Decrease) in Due to Other Funds	125,046	-	(216,941)	(1,045)	556,939	39,299	-	-	503,298
Decrease in Due to Component Units	-	-	(125,247)	-	-	-	-	-	(125,247)
Increase in Compensated Absences	10,997	-	9,664	9,530	-	-	-	-	30,191
Increase (Decrease) in Claims Liabilities	-	-	-	(1,984,532)	-	-	-	590,072	(1,394,460)
Decrease in Unearned Revenues	-	-	(29,761)	-	-	-	-	(14,194)	(43,955)
Total Adjustments	150,932	4,353	(384,006)	(2,137,038)	605,477	99,311	7,889	(697,353)	(2,350,435)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (343,763)</b>	<b>\$ 18,728</b>	<b>\$ (396,274)</b>	<b>\$ 439,070</b>	<b>\$ 1,586,641</b>	<b>\$ 155,606</b>	<b>\$ -</b>	<b>\$ (1,983,689)</b>	<b>\$ (523,681)</b>

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KNOX COUNTY, TENNESSEE

**Vehicle Service Center Fund**  
**Comparative Statements of Net Position**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Accounts Receivable	\$ 96,634	\$ 134,754
Due from Other Funds	210,292	157,975
Due from Component Units	793	700
Inventories	193,408	198,038
Prepaid Items	<u>-</u>	<u>2,095</u>
TOTAL CURRENT ASSETS	<u>501,127</u>	<u>493,562</u>
<b>Capital Assets:</b>		
Machinery and Equipment	220,301	220,301
Accumulated Depreciation	<u>(148,207)</u>	<u>(137,345)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>72,094</u>	<u>82,956</u>
TOTAL ASSETS	<u>573,221</u>	<u>576,518</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	122,251	110,659
Due to Other Funds	343,076	218,030
Compensated Absences	<u>96,423</u>	<u>86,526</u>
TOTAL CURRENT LIABILITIES	<u>561,750</u>	<u>415,215</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>10,714</u>	<u>9,614</u>
TOTAL LIABILITIES	<u>572,464</u>	<u>424,829</u>
<b>NET POSITION</b>		
Invested in Capital Assets	72,094	82,956
Unrestricted	<u>(71,337)</u>	<u>68,733</u>
TOTAL NET POSITION	<u>\$ 757</u>	<u>\$ 151,689</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	<u>\$ 2,720,519</u>	<u>\$ 3,417,057</u>
<b>Operating Expenses</b>		
Costs of Sales and Services	1,760,787	2,327,249
General and Administrative	1,288,900	1,247,989
Depreciation and Amortization	10,862	9,497
Other Expenses	<u>154,665</u>	<u>136,346</u>
Total Operating Expenses	<u>3,215,214</u>	<u>3,721,081</u>
Loss before Transfers	<u>(494,695)</u>	<u>(304,024)</u>
<b>Transfers</b>		
Transfers from Other Funds	<u>343,763</u>	<u>250,180</u>
Change in Net Position	(150,932)	(53,844)
Net Position, July 1	<u>151,689</u>	<u>205,533</u>
Net Position, June 30	<u><u>\$ 757</u></u>	<u><u>\$ 151,689</u></u>

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**KNOX COUNTY, TENNESSEE**

**Mailroom Fund**  
**Comparative Statements of Net Position**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 291,675	\$ 272,947
Accounts Receivable	1,756	530
Due from Other Funds	20,176	20,627
Inventories	<u>32,850</u>	<u>39,722</u>
<b>TOTAL ASSETS</b>	<u>346,457</u>	<u>333,826</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>2,321</u>	<u>4,065</u>
<b>TOTAL LIABILITIES</b>	<u>2,321</u>	<u>4,065</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 344,136</u>	<u>\$ 329,761</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	<u>\$ 226,225</u>	<u>\$ 235,564</u>
<b>Operating Expenses</b>		
Costs of Sales and Services	<u>211,850</u>	<u>223,883</u>
Change in Net Position	14,375	11,681
Net Position, July 1	<u>329,761</u>	<u>318,080</u>
Net Position, June 30	<u><u>\$ 344,136</u></u>	<u><u>\$ 329,761</u></u>

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**KNOX COUNTY, TENNESSEE**

**Employee Benefits Fund**  
**Comparative Statements of Net Position**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 2,197,818	\$ 2,594,092
Accounts Receivable	386,813	292,139
Due from Other Funds	5,860	19,800
Due from Component Units	268,135	260,872
Prepaid Items	<u>13,544</u>	<u>12,755</u>
<b>TOTAL ASSETS</b>	<u>2,872,170</u>	<u>3,179,658</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	783,069	716,004
Due to Other Funds	524	217,465
Due to Component Units	-	125,247
Compensated Absences	33,204	24,506
Unearned Revenue	<u>-</u>	<u>29,761</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>816,797</u>	<u>1,112,983</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>3,689</u>	<u>2,723</u>
<b>TOTAL LIABILITIES</b>	<u>820,486</u>	<u>1,115,706</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 2,051,684</u>	<u>\$ 2,063,952</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	\$ 29,519,266	\$ 28,653,861
<b>Operating Expenses</b>		
Finance and Administration:		
General and Administrative	1,260,546	650,463
Medical Claims	509,842	491,664
Retirement Contributions	26,929,292	26,691,927
Other Employee Benefits	831,854	799,117
Total Operating Expenses	<u>29,531,534</u>	<u>28,633,171</u>
Income (Loss) before Transfers	<u>(12,268)</u>	<u>20,690</u>
<b>Transfers</b>		
Transfers from Other Funds	-	2,000,000
Transfers to Other Funds	-	(200,000)
Total Transfers	<u>-</u>	<u>1,800,000</u>
Change in Net Position	(12,268)	1,820,690
Net Position, July 1	<u>2,063,952</u>	<u>243,262</u>
Net Position, June 30	<u>\$ 2,051,684</u>	<u>\$ 2,063,952</u>

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**KNOX COUNTY, TENNESSEE**

**Self Insurance Fund**  
**Comparative Statements of Net Position**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 10,560,987	\$ 9,871,917
Notes Receivable	22,473	22,473
Due from Other Funds	250,000	200,000
Due from Component Units	306,547	220,397
	<u>11,140,007</u>	<u>10,314,787</u>
<b>Capital Assets:</b>		
Machinery and Equipment	33,352	33,352
Accumulated Depreciation	(33,352)	(33,352)
	<u>-</u>	<u>-</u>
Capital Assets (Net of Accumulated Depreciation)		
	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>11,140,007</u>	<u>10,314,787</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	56,769	81,610
Due to Other Funds	83	1,128
Claims Liability	13,043,037	15,027,569
Compensated Absences	43,212	34,635
	<u>13,143,101</u>	<u>15,144,942</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>13,143,101</u>	<u>15,144,942</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	4,801	3,848
	<u>4,801</u>	<u>3,848</u>
<b>TOTAL LIABILITIES</b>	<u>13,147,902</u>	<u>15,148,790</u>
<b>NET POSITION (DEFICIT)</b>		
Unrestricted	<u>\$ (2,007,895)</u>	<u>\$ (4,834,003)</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	\$ 3,797,543	\$ 3,288,127
<b>Operating Expenses</b>		
General and Administrative	867,132	807,238
Workers' Compensation & Other Claims	123,888	3,741,151
Other Claims Expense	230,415	589,721
Total Operating Expenses	<u>1,221,435</u>	<u>5,138,110</u>
Income (Loss) before Transfers	<u>2,576,108</u>	<u>(1,849,983)</u>
<b>Transfers</b>		
Transfers From Other Funds	<u>250,000</u>	<u>700,000</u>
Change in Net Position	2,826,108	(1,149,983)
Net Position (Deficit), July 1	<u>(4,834,003)</u>	<u>(3,684,020)</u>
Net Position (Deficit), June 30	<u>\$ (2,007,895)</u>	<u>\$ (4,834,003)</u>

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**KNOX COUNTY, TENNESSEE**

**Building Operations Fund**  
**Comparative Statements of Net Position**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 5,644,659	\$ 4,758,018
Accounts Receivable	189,666	161,748
<b>TOTAL CURRENT ASSETS</b>	<u>5,834,325</u>	<u>4,919,766</u>
<b>Capital Assets:</b>		
Machinery and Equipment	72,217	72,217
Accumulated Depreciation	<u>(72,217)</u>	<u>(72,217)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>5,834,325</u>	<u>4,919,766</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	282,361	205,905
Due to Other Funds	700,000	143,061
Unearned Revenue	<u>7,894</u>	<u>7,894</u>
<b>TOTAL LIABILITIES</b>	<u>990,255</u>	<u>356,860</u>
<b>NET POSITION</b>		
Unrestricted	<u>4,844,070</u>	<u>4,562,906</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 4,844,070</u></u>	<u><u>\$ 4,562,906</u></u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	<u>\$ 10,702,724</u>	<u>\$ 10,326,861</u>
<b>Operating Expenses</b>		
General and Administrative	9,721,560	9,082,404
Depreciation and Amortization	<u>-</u>	<u>339</u>
Total Operating Expenses	<u>9,721,560</u>	<u>9,082,743</u>
Income before Transfers	<u>981,164</u>	<u>1,244,118</u>
<b>Transfers</b>		
Transfers to Other Funds	<u>(700,000)</u>	<u>-</u>
Total Transfers	<u>(700,000)</u>	<u>-</u>
Change in Net Position	281,164	1,244,118
Net Position, July 1	<u>4,562,906</u>	<u>3,318,788</u>
Net Position, June 30	<u><u>\$ 4,844,070</u></u>	<u><u>\$ 4,562,906</u></u>

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**KNOX COUNTY, TENNESSEE**

**Technical Support Service Fund**  
**Comparative Statements of Net Position**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 632,395	\$ 534,711
Due from Other Funds	-	193,905
	<u>632,395</u>	<u>728,616</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>Capital Assets:</b>		
Machinery and Equipment	564,412	506,490
Accumulated Depreciation	<u>(342,010)</u>	<u>(267,110)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>222,402</u>	<u>239,380</u>
<b>TOTAL ASSETS</b>	<u>854,797</u>	<u>967,996</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	68	208,861
Due to Other Funds	<u>52,993</u>	<u>13,694</u>
<b>TOTAL LIABILITIES</b>	<u>53,061</u>	<u>222,555</u>
<b>NET POSITION</b>		
Invested in Capital Assets	222,402	239,380
Unrestricted	<u>579,334</u>	<u>506,061</u>
<b>TOTAL NET POSITION</b>	<u>\$ 801,736</u>	<u>\$ 745,441</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	\$ 373,970	\$ 370,443
<b>Operating Expenses</b>		
General and Administrative	242,445	231,833
Depreciation and Amortization	74,900	66,442
Other Expense	330	300
Total Operating Expenses	<u>317,675</u>	<u>298,575</u>
Change in Net Position	56,295	71,868
Net Position, July 1	<u>745,441</u>	<u>673,573</u>
Net Position, June 30	<u><u>\$ 801,736</u></u>	<u><u>\$ 745,441</u></u>

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**KNOX COUNTY, TENNESSEE**

**Capital Leasing Fund**  
**Comparative Statements of Net Position**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 141,420	\$ 141,420
<b>Capital Assets:</b>		
Machinery and Equipment	4,711,938	5,420,226
Accumulated Depreciation	<u>(4,707,373)</u>	<u>(5,407,772)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>4,565</u>	<u>12,454</u>
<b>TOTAL ASSETS</b>	<u>145,985</u>	<u>153,874</u>
<b>NET POSITION</b>		
Invested in Capital Assets	4,565	12,454
Unrestricted	<u>141,420</u>	<u>141,420</u>
<b>TOTAL NET POSITION</b>	<u>\$ 145,985</u>	<u>\$ 153,874</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	\$ -	\$ -
<b>Operating Expenses</b>		
Depreciation and Amortization	<u>7,889</u>	<u>11,751</u>
Change in Net Position	(7,889)	(11,751)
Net Position, July 1	<u>153,874</u>	<u>165,625</u>
Net Position, June 30	<u><u>\$ 145,985</u></u>	<u><u>\$ 153,874</u></u>

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**KNOX COUNTY, TENNESSEE**

**Self Insurance Healthcare Fund**  
**Comparative Statements of Net Position**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 4,845,140	\$ 5,364,605
Accounts Receivable	535,181	118,696
Due from Other Funds	1,735,824	966,018
Prepaid Items	<u>136,910</u>	<u>37,524</u>
<b>TOTAL ASSETS</b>	<u>7,253,055</u>	<u>6,486,843</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	14,077	1,631
Claims Liability	1,780,523	1,190,451
Unearned Revenue	<u>-</u>	<u>14,194</u>
<b>TOTAL LIABILITIES</b>	<u>1,794,600</u>	<u>1,206,276</u>
<b>NET POSITION</b>		
Unrestricted	<u>5,458,455</u>	<u>5,280,567</u>
<b>TOTAL NET POSITION</b>	<u>\$ 5,458,455</u>	<u>\$ 5,280,567</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Charges for Sales and Services	\$ 27,206,705	\$ 26,398,019
<b>Operating Expenses</b>		
General and Administrative	2,489,014	1,440,819
Medical Claims	26,004,027	21,478,479
Total Operating Expenses	28,493,041	22,919,298
Operating Income (Loss)	(1,286,336)	3,478,721
<b>Nonoperating Revenues</b>		
Miscellaneous Revenue	964,224	-
Income (Loss) before Transfers	(322,112)	3,478,721
<b>Transfers</b>		
Transfers from Other Funds	500,000	-
Change in Net Position	177,888	3,478,721
Net Position, July 1	5,280,567	1,801,846
Net Position, June 30	\$ 5,458,455	\$ 5,280,567

## FIDUCIARY FUNDS

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

### **PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS**

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

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

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

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

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

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

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

### **AGENCY FUNDS**

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

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

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

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

**KNOX COUNTY, TENNESSEE**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Employee Benefit Trust Funds**  
**June 30, 2015**

	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
<b>ASSETS</b>								
Cash and Cash equivalents	\$ 1,455,087	\$ -	\$ -	\$ -	\$ 2,385,121	\$ -	\$ -	\$ 3,840,208
Investments, at Fair Value:								
Mutual Funds	40,075,565	224,445,807	12,317,856	3,823,446	132,101,834	457,330	804,695	414,026,533
Common Collective Trusts	-	26,958,857	1,475,063	1,203,857	-	37,342	252,265	29,927,384
Guaranteed Investment Contracts	-	21,206,654	704,831	372,462	-	11,867	78,648	22,374,462
Corporate Bonds	580,577	-	-	-	1,583,627	-	-	2,164,204
U.S. Treasuries	2,905,907	-	-	-	9,586,357	-	-	12,492,264
Federal Agency Debt Securities	188,763	-	-	-	597,078	-	-	785,841
Federal Agency Mortgage Backed Securities	2,014,943	-	-	-	6,236,580	-	-	8,251,523
<b>Total Investments</b>	<b>45,765,755</b>	<b>272,611,318</b>	<b>14,497,750</b>	<b>5,399,765</b>	<b>150,105,476</b>	<b>506,539</b>	<b>1,135,608</b>	<b>490,022,211</b>
Receivables:								
Employee Contributions	2,970	188,414	25,509	2,238	-	-	-	219,131
Employer Contributions	-	206,419	-	1,069	-	-	-	207,488
Receivable from Other Plans	-	-	-	-	-	-	134,085	134,085
Accrued Interest and Dividends	27,855	-	-	-	76,107	-	-	103,962
<b>Total Receivables</b>	<b>30,825</b>	<b>394,833</b>	<b>25,509</b>	<b>3,307</b>	<b>76,107</b>	<b>-</b>	<b>134,085</b>	<b>664,666</b>
<b>Total Assets</b>	<b>47,251,667</b>	<b>273,006,151</b>	<b>14,523,259</b>	<b>5,403,072</b>	<b>152,566,704</b>	<b>506,539</b>	<b>1,269,693</b>	<b>494,527,085</b>
<b>LIABILITIES</b>								
Accounts Payable - Administrative Expenses	72,859	-	-	-	171,705	-	22,099	266,663
Accounts Payable - To Other Plans	-	134,085	-	-	-	-	-	134,085
<b>Total Liabilities</b>	<b>72,859</b>	<b>134,085</b>	<b>-</b>	<b>-</b>	<b>171,705</b>	<b>-</b>	<b>22,099</b>	<b>400,748</b>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<b>\$ 47,178,808</b>	<b>\$ 272,872,066</b>	<b>\$ 14,523,259</b>	<b>\$ 5,403,072</b>	<b>\$ 152,394,999</b>	<b>\$ 506,539</b>	<b>\$ 1,247,594</b>	<b>\$ 494,126,337</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Changes in Fiduciary Net Position  
Pension and Other Employee Benefit Trust Funds  
For the year ended June 30, 2015**

	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
<b>ADDITIONS</b>								
Contributions:								
Employer	\$ 2,694,979	\$ 9,716,779	\$ -	\$ 70,036	\$ 3,449,320	\$ 303,324	\$ 527,477	\$ 16,761,915
Employees	109,274	8,190,952	1,783,689	190,437	1,654,366	151,660	-	12,080,378
Rollovers	-	147,179	129	-	-	1,523	-	148,831
<b>Total Contributions</b>	<b>2,804,253</b>	<b>18,054,910</b>	<b>1,783,818</b>	<b>260,473</b>	<b>5,103,686</b>	<b>456,507</b>	<b>527,477</b>	<b>28,991,124</b>
Investment Earnings:								
Interest and Dividend Income	305,081	2,732,230	141,245	41,828	934,074	3,067	56,508	4,214,033
Net Appreciation in Fair Value of Investments	1,215,437	6,207,850	352,450	124,490	3,052,983	3,253	(32,116)	10,924,347
<b>Total Investment Earnings</b>	<b>1,520,518</b>	<b>8,940,080</b>	<b>493,695</b>	<b>166,318</b>	<b>3,987,057</b>	<b>6,320</b>	<b>24,392</b>	<b>15,138,380</b>
Less Investment Expenses	(231,969)	-	-	-	(493,903)	-	-	(725,872)
<b>Net Investment Earnings</b>	<b>1,288,549</b>	<b>8,940,080</b>	<b>493,695</b>	<b>166,318</b>	<b>3,493,154</b>	<b>6,320</b>	<b>24,392</b>	<b>14,412,508</b>
Other:								
Transfers from Other Plans	-	45,461	-	-	-	-	571,899	617,360
Other Addition	5,200	-	-	-	-	-	-	5,200
<b>Total Other</b>	<b>5,200</b>	<b>45,461</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>571,899</b>	<b>622,560</b>
<b>Total Additions</b>	<b>4,098,002</b>	<b>27,040,451</b>	<b>2,277,513</b>	<b>426,791</b>	<b>8,596,840</b>	<b>462,827</b>	<b>1,123,768</b>	<b>44,026,192</b>
<b>DEDUCTIONS</b>								
Benefits and Refunds	7,816,544	24,521,646	1,303,448	571,553	4,757,150	12,586	57,133	39,040,060
Administrative Expenses	354,648	-	-	-	788,374	-	186,960	1,329,982
Transfers to Other Plans	45,461	571,899	-	-	-	-	-	617,360
<b>Total Deductions</b>	<b>8,216,653</b>	<b>25,093,545</b>	<b>1,303,448</b>	<b>571,553</b>	<b>5,545,524</b>	<b>12,586</b>	<b>244,093</b>	<b>40,987,402</b>
Change in Net Position	(4,118,651)	1,946,906	974,065	(144,762)	3,051,316	450,241	879,675	3,038,790
Net Position, July 1	51,297,459	270,925,160	13,549,194	5,547,834	149,343,683	56,298	367,919	491,087,547
Net Position, June 30	\$ 47,178,808	\$ 272,872,066	\$ 14,523,259	\$ 5,403,072	\$ 152,394,999	\$ 506,539	\$ 1,247,594	\$ 494,126,337

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**KNOX COUNTY, TENNESSEE**

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

June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents - Money Market Funds	\$ 1,455,087	\$ 1,143,307
Investments, at Fair Value		
Mutual Funds	40,075,565	44,095,187
Corporate Bonds	580,577	620,367
U.S. Treasuries	2,905,907	2,695,875
Federal Agency Debt Securities	188,763	861,459
Federal Agency Mortgage Backed Securities	<u>2,014,943</u>	<u>1,653,575</u>
Total Investments	<u>45,765,755</u>	<u>49,926,463</u>
Receivables:		
Interest and Dividends	27,855	35,312
Employee Contributions	2,970	3,585
Receivables for Investments Sold	<u>-</u>	<u>299,869</u>
Total Receivable	<u>30,825</u>	<u>338,766</u>
Total Assets	<u>47,251,667</u>	<u>51,408,536</u>
<b>LIABILITIES</b>		
Accounts Payable - Administrative Expenses	<u>72,859</u>	<u>111,077</u>
Total Liabilities	<u>72,859</u>	<u>111,077</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<u><u>\$ 47,178,808</u></u>	<u><u>\$ 51,297,459</u></u>

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## KNOX COUNTY, TENNESSEE

### Comparative Statements of Changes in Fiduciary Net Position

#### Pension Trust Fund - Closed Defined Benefit Plan

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 2,694,979	\$ 829,824
Employees	<u>109,274</u>	<u>146,065</u>
Total Contributions	<u>2,804,253</u>	<u>975,889</u>
Investment Earnings:		
Interest and Dividend Income	305,081	262,978
Net Appreciation (Depreciation) in Fair Value of Investments	<u>1,215,437</u>	<u>7,749,697</u>
Total Investment Earnings (Losses)	1,520,518	8,012,675
Less Investment Expenses	<u>(231,969)</u>	<u>(202,645)</u>
Net Investment Earnings (Losses)	<u>1,288,549</u>	<u>7,810,030</u>
Other:		
Other Additions	<u>5,200</u>	<u>-</u>
Total Additions	<u>4,098,002</u>	<u>8,785,919</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	7,816,544	7,733,618
Administrative Expenses	354,648	529,130
Transfers to Other Plans	<u>45,461</u>	<u>312,389</u>
Total Deductions	<u>8,216,653</u>	<u>8,575,137</u>
Change in Net Position	(4,118,651)	210,782
Net Position, July 1	<u>51,297,459</u>	<u>51,086,677</u>
Net Position, June 30	<u>\$ 47,178,808</u>	<u>\$ 51,297,459</u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Position**  
**Pension Trust Fund - Asset Accumulation Plan**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents - Money Market Funds	\$ -	\$ 83,715
Investments, at Fair Value:		
Mutual Funds	224,445,807	215,910,099
Common Collective Trusts	26,958,857	27,502,284
Guaranteed Investment Contracts	<u>21,206,654</u>	<u>27,048,184</u>
Total Investments	<u>272,611,318</u>	<u>270,460,567</u>
Receivables:		
Employee Contributions	188,414	182,301
Employer Contributions	<u>206,419</u>	<u>198,577</u>
Total Receivables	<u>394,833</u>	<u>380,878</u>
Total Assets	<u>273,006,151</u>	<u>270,925,160</u>
<b>LIABILITIES</b>		
Accounts Payable - To Other Plans	<u>134,085</u>	<u>-</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<u><u>\$ 272,872,066</u></u>	<u><u>\$ 270,925,160</u></u>

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**KNOX COUNTY, TENNESSEE****Comparative Statements of Changes in Fiduciary Net Position****Pension Trust Fund - Asset Accumulation Plan**For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 9,716,779	\$ 9,207,975
Employees	8,190,952	7,981,063
Rollovers	147,179	42,776
	<u>18,054,910</u>	<u>17,231,814</u>
Total Contributions		
Investment Earnings:		
Interest and Dividend Income	2,732,230	3,360,759
Net Appreciation (Depreciation) in Fair Value of Investments	6,207,850	30,372,385
	<u>8,940,080</u>	<u>33,733,144</u>
Total Investment Earnings		
Other Additions:		
Transfers from Other Plans	45,461	68,729
Legal Settlement	-	12,584
	<u>45,461</u>	<u>81,313</u>
Total Other Additions		
Total Additions	<u>27,040,451</u>	<u>51,046,271</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	24,521,646	19,524,488
Transfer to Other Plans	571,899	354,018
	<u>25,093,545</u>	<u>19,878,506</u>
Total Deductions		
Change in Net Position	1,946,906	31,167,765
Net Position, July 1	<u>270,925,160</u>	<u>239,757,395</u>
Net Position, June 30	<u>\$ 272,872,066</u>	<u>\$ 270,925,160</u>

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**KNOX COUNTY, TENNESSEE**

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

June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	\$ 12,317,856	\$ 11,116,596
Common Collective Trusts	1,475,063	1,560,048
Guaranteed Investment Contracts	<u>704,831</u>	<u>849,643</u>
 Total Investments	 <u>14,497,750</u>	 <u>13,526,287</u>
 Receivables:		
Employee Contributions	 <u>25,509</u>	 <u>22,907</u>
 Total Assets	 <u>14,523,259</u>	 <u>13,549,194</u>
 <b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	 <u><u>\$ 14,523,259</u></u>	 <u><u>\$ 13,549,194</u></u>

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## KNOX COUNTY, TENNESSEE

### Comparative Statements of Changes in Fiduciary Net Position

#### Pension Trust Fund - Voluntary 457 Plan

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ADDITIONS</b>		
Contributions:		
Employee	\$ 1,783,689	\$ 1,632,458
Rollovers	129	349,856
	<u>1,783,818</u>	<u>1,982,314</u>
Investment Earnings (Losses):		
Interest and Dividend Income	141,245	162,482
Net Appreciation (Depreciation) in Fair Value of Investments	352,450	1,585,082
	<u>493,695</u>	<u>1,747,564</u>
Total Additions	<u>2,277,513</u>	<u>3,729,878</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	<u>1,303,448</u>	<u>797,913</u>
Change in Net Position	974,065	2,931,965
Net Position, July 1	<u>13,549,194</u>	<u>10,617,229</u>
Net Position, June 30	<u>\$ 14,523,259</u>	<u>\$ 13,549,194</u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Position**  
**Pension Trust Fund - Medical Expense Retirement Plan**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	\$ 3,823,446	\$ 3,949,169
Common Collective Trusts	1,203,857	1,217,926
Guaranteed Investment Contract	<u>372,462</u>	<u>377,866</u>
 Total Investments	 <u>5,399,765</u>	 <u>5,544,961</u>
 Receivables:		
Employee Contributions	2,238	2,318
Employer Contributions	<u>1,069</u>	<u>555</u>
 Total Receivables	 <u>3,307</u>	 <u>2,873</u>
 Total Assets	 <u>5,403,072</u>	 <u>5,547,834</u>
 <b>NET POSITION - RESTRICTED FOR</b>		
<b>PENSION AND RETIREMENT BENEFITS</b>	 <u>\$ 5,403,072</u>	 <u>\$ 5,547,834</u>

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**KNOX COUNTY, TENNESSEE**

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

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 70,036	\$ 46,033
Employees	<u>190,437</u>	<u>193,213</u>
Total Contributions	<u>260,473</u>	<u>239,246</u>
Investment Earnings:		
Interest and Dividend Income	41,828	46,272
Net Appreciation (Depreciation) in Fair Value of Investments	<u>124,490</u>	<u>414,183</u>
Total Investment Earnings	<u>166,318</u>	<u>460,455</u>
Other Additions:		
Transfers from Other Plans	<u>-</u>	<u>243,660</u>
Total Additions	<u>426,791</u>	<u>943,361</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	<u>571,553</u>	<u>787,600</u>
Change in Net Position	(144,762)	155,761
Net Position, July 1	<u>5,547,834</u>	<u>5,392,073</u>
Net Position, June 30	<u><u>\$ 5,403,072</u></u>	<u><u>\$ 5,547,834</u></u>

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## KNOX COUNTY, TENNESSEE

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

June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents - Money Market Funds	\$ 2,385,121	\$ 1,945,756
Investments, at Fair Value:		
Mutual Funds	132,101,834	130,063,141
Corporate Bonds	1,583,627	1,655,693
U.S. Treasuries	9,586,357	8,049,343
Federal Agency Debt Securities	597,078	2,878,677
Federal Agency Mortgage Backed Securities	<u>6,236,580</u>	<u>4,943,795</u>
Total Investments	<u>150,105,476</u>	<u>147,590,649</u>
Receivables:		
Accrued Interest and Dividends	<u>76,107</u>	<u>91,573</u>
Total Assets	<u>152,566,704</u>	<u>149,627,978</u>
<b>LIABILITIES</b>		
Accounts Payable - Administrative Expenses	<u>171,705</u>	<u>284,295</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<u><u>\$ 152,394,999</u></u>	<u><u>\$ 149,343,683</u></u>

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## KNOX COUNTY, TENNESSEE

### Comparative Statements of Changes in Fiduciary Net Position Pension Trust Fund - Uniformed Officers Pension Plan For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 3,449,320	\$ 4,513,954
Employees	<u>1,654,366</u>	<u>1,731,696</u>
Total Contributions	<u>5,103,686</u>	<u>6,245,650</u>
Investment Earnings (Losses):		
Interest and Dividend Income	934,074	749,765
Net Appreciation (Depreciation) in Fair Value of Investments	<u>3,052,983</u>	<u>20,925,446</u>
Total Investment Earnings (Losses)	3,987,057	21,675,211
Less Investment Expenses	<u>(493,903)</u>	<u>(300,489)</u>
Net Investment Earnings (Losses)	<u>3,493,154</u>	<u>21,374,722</u>
Total Additions	<u>8,596,840</u>	<u>27,620,372</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	4,757,150	4,294,865
Administrative Expenses	<u>788,374</u>	<u>1,344,787</u>
Total Deductions	<u>5,545,524</u>	<u>5,639,652</u>
Change in Net Position	3,051,316	21,980,720
Net Position, July 1	<u>149,343,683</u>	<u>127,362,963</u>
Net Position, June 30	<u><u>\$ 152,394,999</u></u>	<u><u>\$ 149,343,683</u></u>

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**KNOX COUNTY, TENNESSEE**

**Statement of Fiduciary Net Position**  
**Pension Trust Fund - Sheriff's Total Accumulation Retirement Plan**  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	\$ 457,330	\$ 47,176
Common Collective Trusts	37,342	1,373
Guaranteed Investment Contract	11,867	7,749
	<u>506,539</u>	<u>56,298</u>
Total Investments		
	<u>506,539</u>	<u>56,298</u>
Total Assets		
	<u>506,539</u>	<u>56,298</u>
<b>NET POSITION - RESTRICTED FOR</b>		
<b>PENSION AND RETIREMENT BENEFITS</b>	<u>\$ 506,539</u>	<u>\$ 56,298</u>

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**KNOX COUNTY, TENNESSEE**

**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund - Sheriff's Total Accumulation Retirement Plan**  
For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 303,324	\$ 36,557
Employees	151,660	18,278
Rollovers	<u>1,523</u>	<u>-</u>
Total Contributions	<u>456,507</u>	<u>54,835</u>
Investment Earnings (Losses):		
Interest and Dividend Income	3,067	94
Net Appreciation (Depreciation) in Fair Value of Investments	<u>3,253</u>	<u>1,369</u>
Net Investment Earnings (Losses)	<u>6,320</u>	<u>1,463</u>
Total Additions	<u>462,827</u>	<u>56,298</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	<u>12,586</u>	<u>-</u>
Change in Net Position	450,241	56,298
Net Position, July 1	<u>56,298</u>	<u>-</u>
Net Position, June 30	<u><u>\$ 506,539</u></u>	<u><u>\$ 56,298</u></u>

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**KNOX COUNTY, TENNESSEE**

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

June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	\$ 804,695	\$ 343,014
Common Collective Trusts	252,265	24,905
Guaranteed Investment Contract	78,648	-
	<u>1,135,608</u>	<u>367,919</u>
Receivables:		
Receivable from Other Plans	134,085	-
	<u>134,085</u>	<u>-</u>
Total Assets	<u>1,269,693</u>	<u>367,919</u>
<b>LIABILITIES</b>		
Accounts Payable - Administrative Expenses	22,099	-
	<u>22,099</u>	<u>-</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<u>\$ 1,247,594</u>	<u>\$ 367,919</u>

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**KNOX COUNTY, TENNESSEE**

**Statement of Changes in Fiduciary Net Position**  
**Other Employee Benefit Trust Fund - Employee Disability Plan**  
For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 527,477	\$ -
Investment Earnings:		
Interest and Dividend Income	56,508	922
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(32,116)</u>	<u>12,979</u>
Total Investment Earnings	<u>24,392</u>	<u>13,901</u>
Net Investment Earnings (Losses)	<u>24,392</u>	<u>13,901</u>
Other Additions:		
Transfers From Other Plans	<u>571,899</u>	<u>354,018</u>
Total Additions	<u>1,123,768</u>	<u>367,919</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	57,133	-
Administrative Expenses	<u>186,960</u>	<u>-</u>
Total Deductions	<u>244,093</u>	<u>-</u>
Change in Net Position	879,675	367,919
Net Position, July 1	<u>367,919</u>	<u>-</u>
Net Position, June 30	<u>\$ 1,247,594</u>	<u>\$ 367,919</u>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Fiduciary Assets and Liabilities**

**Agency Funds**

June 30, 2015

(With comparative totals for June 30, 2014)

	Municipal Sales Tax	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
					2015	2014
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ -	\$ 531,446	\$ 1,247,049	\$ 26,171,957	\$ 27,950,452	\$ 24,468,419
Receivables:						
Accounts	7,464,112	-	-	715,613	8,179,725	7,649,115
<b>TOTAL ASSETS</b>	<u>\$ 7,464,112</u>	<u>\$ 531,446</u>	<u>\$ 1,247,049</u>	<u>\$ 26,887,570</u>	<u>\$ 36,130,177</u>	<u>\$ 32,117,534</u>
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	\$ 7,464,112	\$ 531,446	\$ 1,247,049	\$ -	\$ 9,242,607	\$ 8,654,322
Due to Other Governments	-	-	-	7,904,827	7,904,827	6,171,040
Due to Litigants, Heirs and Others	-	-	-	18,982,743	18,982,743	17,292,172
<b>TOTAL LIABILITIES</b>	<u>\$ 7,464,112</u>	<u>\$ 531,446</u>	<u>\$ 1,247,049</u>	<u>\$ 26,887,570</u>	<u>\$ 36,130,177</u>	<u>\$ 32,117,534</u>

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

For the year ended June 30, 2015

(With comparative totals for the year ended June 30, 2014)

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	June 30, 2014	Additions	Deductions	June 30, 2015
<b><u>Municipal Sales Tax Fund</u></b>				
Assets:				
Accounts Receivable	\$ 7,055,336	\$ 43,571,220	\$ 43,162,444	\$ 7,464,112
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 7,055,336	\$ 43,571,220	\$ 43,162,444	\$ 7,464,112
<b><u>Subdivision Bonds</u></b>				
Assets:				
Cash and Cash Equivalents	\$ 405,446	\$ 176,000	\$ 50,000	\$ 531,446
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 405,446	\$ 176,000	\$ 50,000	\$ 531,446
<b><u>External Agencies Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$ 1,193,540	\$ 5,582,463	\$ 5,528,954	\$ 1,247,049
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,193,540	\$ 5,582,463	\$ 5,528,954	\$ 1,247,049
<b><u>Constitutional Officers Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$ 22,869,433	\$ 95,808,801	\$ 92,506,277	\$ 26,171,957
Accounts Receivable	593,779	715,613	593,779	715,613
Total Assets	\$ 23,463,212	\$ 96,524,414	\$ 93,100,056	\$ 26,887,570
Liabilities:				
Due to Others	\$ 23,463,212	\$ 96,524,414	\$ 93,100,056	\$ 26,887,570
<b><u>Totals - All Agency Funds</u></b>				
Assets:				
Cash and Cash Equivalents	\$ 24,468,419	\$ 101,567,264	\$ 98,085,231	\$ 27,950,452
Accounts Receivable	7,649,115	44,286,833	43,756,223	8,179,725
Total Assets	\$ 32,117,534	\$ 145,854,097	\$ 141,841,454	\$ 36,130,177
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 8,654,322	\$ 49,329,683	\$ 48,741,398	\$ 9,242,607
Due to Others	23,463,212	96,524,414	93,100,056	26,887,570
Total Liabilities	\$ 32,117,534	\$ 145,854,097	\$ 141,841,454	\$ 36,130,177

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, and Register  
Combined Analysis of Fee and Commission Accounts  
For the Year Ended June 30, 2015**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total
<b>Revenues</b>							
Fees and Commissions	\$ 8,431,232	\$ 5,462,141	\$ 1,494,133	\$ 4,265,412	\$ 1,367,929	\$ 2,436,271	\$ 23,457,118
Interest Earned	2,240	7,734	-	-	-	6,144	16,118
<b>Total Revenues</b>	<b>8,433,472</b>	<b>5,469,875</b>	<b>1,494,133</b>	<b>4,265,412</b>	<b>1,367,929</b>	<b>2,442,415</b>	<b>23,473,236</b>
<b>Expenditures</b>							
Salaries-Staff	1,653,028	2,768,995	1,098,865	3,018,923	694,954	1,169,411	10,404,176
Payroll Taxes/Benefits	613,356	1,078,841	417,253	1,059,693	271,663	442,151	3,882,957
County Official/Administrative Officer	146,534	117,306	83,389	137,252	134,705	117,306	736,492
Travel	-	-	5,220	8,400	-	8,400	22,020
Other Expenditures	-	90,016	-	254	9,188	144,588	244,046
<b>Total Expenditures</b>	<b>2,412,918</b>	<b>4,055,158</b>	<b>1,604,727</b>	<b>4,224,522</b>	<b>1,110,510</b>	<b>1,881,856</b>	<b>15,289,691</b>
<b>Other (Sources) Uses</b>							
Fees and Commissions to County (General Fund)	6,111,707	1,465,746	-	-	253,982	462,005	8,293,440
<b>Total Expenditures and Other Uses</b>	<b>8,524,625</b>	<b>5,520,904</b>	<b>1,604,727</b>	<b>4,224,522</b>	<b>1,364,492</b>	<b>2,343,861</b>	<b>23,583,131</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(91,153)</b>	<b>(51,029)</b>	<b>(110,594)</b>	<b>40,890</b>	<b>3,437</b>	<b>98,554</b>	<b>(109,895)</b>
Balances, July 1, 2014	549,208	1,415,828	353,992	1,250,809	493,568	380,295	4,443,700
<b>Balances, June 30, 2015</b>	<b>\$ 458,055</b>	<b>\$ 1,364,799</b>	<b>\$ 243,398</b>	<b>\$ 1,291,699</b>	<b>\$ 497,005</b>	<b>\$ 478,849</b>	<b>\$ 4,333,805</b>

**KNOX COUNTY, TENNESSEE**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
June 30, 2015

	Nonmajor Component Units			Total Nonmajor Component Units
	Knox County Emergency Communications District	Knox County Development Corporation	Knox County Railroad Authority	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 16,135,629	\$ 21,431,098	\$ 13,280	\$ 37,580,007
Accounts Receivable	81,964	43,533	-	125,497
Land Held for Resale	-	18,464,473	-	18,464,473
Prepaid Items	76,196	19,012	-	95,208
Capital Assets:				
Land and Construction in Process	4,770,959	-	-	4,770,959
Other Capital Assets, Net of Accumulated Depreciation	3,843,131	6,437	-	3,849,568
<b>Total Assets</b>	<u>24,907,879</u>	<u>39,964,553</u>	<u>13,280</u>	<u>64,885,712</u>
<b>Liabilities</b>				
Accounts Payable	205,622	213,698	-	419,320
Due to Primary Government	1,626	-	-	1,626
Other Long-term Obligations:				
Due in Less than One Year	303,046	-	-	303,046
<b>Total Liabilities</b>	<u>510,294</u>	<u>213,698</u>	<u>-</u>	<u>723,992</u>
<b>Deferred Inflows of Resources</b>	<u>-</u>	<u>978</u>	<u>-</u>	<u>978</u>
<b>Net Position</b>				
Investment in Capital Assets	8,614,090	6,437	-	8,620,527
Restricted for:				
Other Purposes	-	22,094	-	22,094
Unrestricted	15,783,495	39,721,346	13,280	55,518,121
<b>Total Net Position</b>	<u>\$ 24,397,585</u>	<u>\$ 39,749,877</u>	<u>\$ 13,280</u>	<u>\$ 64,160,742</u>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Activities**

**Nonmajor Component Units**

For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Component Units			Total Nonmajor Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	The District	The Corporation	KCRA	
Knox County Emergency Communications District	\$ 6,683,523	\$ 5,940,507	\$ 15,202	\$ -	\$ (727,814)	\$ -	\$ -	(727,814)
Knox County Development Corporation	854,803	95,432	-	-	-	(759,371)	-	(759,371)
Knox County Railroad Authority	-	-	-	-	-	-	-	-
<b>Total component units</b>	<u>\$ 7,538,326</u>	<u>\$ 6,035,939</u>	<u>\$ 15,202</u>	<u>\$ -</u>	<u>(727,814)</u>	<u>(759,371)</u>	<u>-</u>	<u>(1,487,185)</u>
<b>General Revenues:</b>								
Investment Revenue					16,496	59,357	-	75,853
Payments from Primary Government					492,828	600,000	-	1,092,828
Other Revenues					-	611,356	-	611,356
Other Governments and Citizens Groups					-	5,657,874	-	5,657,874
Grants and Contributions Not Restricted for Specific Programs					1,719,140	-	-	1,719,140
<b>Total General Revenues</b>					<u>2,228,464</u>	<u>6,928,587</u>	<u>-</u>	<u>9,157,051</u>
Change in Net Position					1,500,650	6,169,216	-	7,669,866
Net Position, July 1					22,896,935	33,580,661	13,280	56,490,876
Net Position, June 30					<u>\$ 24,397,585</u>	<u>\$ 39,749,877</u>	<u>\$ 13,280</u>	<u>\$ 64,160,742</u>

**KNOX COUNTY, TENNESSEE**

**Knox County Primary Government  
Schedule of Debt Service Requirements  
General Bonded Debt  
June 30, 2015**

Fiscal Year	\$5,321,983		\$40,000,000		\$14,337,717		\$46,000,000		\$29,083,377		\$50,000,000		\$50,450,000		\$57,000,000		\$26,000,000		\$4,550,000	
Ending June 30,	General Obligation Refunding Bonds Series 2003A		General Obligation Series 2003		General Obligation Refunding Series 2004		General Obligation Series 2004		General Obligation Refunding Series 2005A		General Obligation Series 2005		General Obligation Series 2007		G.O. (Taxable) Sheriff Pension Series 2007		General Obligation Series 2008		Women's Basketball Hall of Fame	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 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	\$ 105,000	\$ 1,053,000	\$ 1,032,525	\$ 590,000	\$ 70,000
2017	1,815,180	90,759	1,577,600	1,324,128	2,074,923	422,540	2,102,857	1,564,000	3,069,085	834,511	1,363,636	1,836,526	-	2,522,500	-	-	1,105,000	979,875	620,000	46,400
2018	-	-	1,665,617	1,254,896	2,122,646	319,557	2,234,286	1,479,886	3,209,585	683,049	1,461,039	1,775,162	-	2,522,500	-	-	1,163,500	924,625	640,000	21,600
2019	-	-	1,752,933	1,181,299	2,240,917	214,205	2,365,714	1,390,514	3,362,301	524,457	1,542,208	1,709,416	-	2,522,500	-	-	1,218,750	866,450	-	-
2020	-	-	1,843,733	1,103,336	2,074,923	102,983	2,503,714	1,295,886	3,524,181	358,113	1,623,377	1,640,016	-	2,522,500	-	-	1,280,500	805,512	-	-
2021	-	-	1,953,000	1,021,007	-	-	2,648,286	1,195,737	3,701,333	183,552	1,704,545	1,566,964	-	2,522,500	-	-	1,345,500	741,487	-	-
2022	-	-	2,064,367	933,064	-	-	2,799,429	1,089,806	-	-	698,052	1,490,260	-	2,522,500	-	-	1,413,750	674,212	-	-
2023	-	-	1,978,567	839,508	-	-	2,957,143	977,829	-	-	649,351	1,458,847	-	2,522,500	-	-	1,482,000	603,525	-	-
2024	-	-	2,097,367	740,339	-	-	3,128,000	859,543	-	-	681,818	1,429,627	-	2,522,500	-	-	1,556,750	529,425	-	-
2025	-	-	2,225,050	634,933	-	-	3,298,857	734,423	-	-	714,286	1,398,945	-	2,522,500	-	-	1,634,750	451,587	-	-
2026	-	-	2,353,433	522,666	-	-	3,482,857	602,469	-	-	746,753	1,366,802	-	2,522,500	-	-	1,716,000	369,850	-	-
2027	-	-	2,489,317	403,538	-	-	3,666,857	463,154	-	-	762,987	1,333,198	4,734,257	2,522,500	-	-	1,803,750	284,050	-	-
2028	-	-	2,487,500	276,925	-	-	3,857,429	316,480	-	-	795,455	1,298,864	5,611,649	2,285,787	-	-	1,891,500	193,862	-	-
2029	-	-	2,638,332	142,829	-	-	4,054,570	162,183	-	-	827,922	1,263,068	5,904,112	2,005,205	-	-	1,985,750	99,287	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 4,978,776</b>	<b>\$ 339,698</b>	<b>\$ 28,625,999</b>	<b>\$ 11,768,085</b>	<b>\$ 10,401,589</b>	<b>\$ 1,580,225</b>	<b>\$ 41,071,428</b>	<b>\$ 13,774,767</b>	<b>\$ 19,798,125</b>	<b>\$ 3,562,678</b>	<b>\$ 42,110,391</b>	<b>\$ 25,236,527</b>	<b>\$ 50,450,000</b>	<b>\$ 39,859,155</b>	<b>\$ 2,000,000</b>	<b>\$ 105,000</b>	<b>\$ 20,650,500</b>	<b>\$ 8,556,272</b>	<b>\$ 1,850,000</b>	<b>\$ 138,000</b>

continued

**KNOX COUNTY, TENNESSEE**

**Knox County Primary Government  
Schedule of Debt Service Requirements  
General Bonded Debt (Continued)  
June 30, 2015**

Fiscal Year Ending June 30,	\$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		\$15,505,000 General Obligation Bonds Series 2014A		\$52,810,000 Refunding Bonds Series 2014B		\$6,161,292 Refunding Bonds Series 2015		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 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	\$ 750,000	\$ 567,006	\$ 845,000	\$ 1,270,186	\$ 1,421,097	\$ 313,199	\$ 21,359,396	\$ 15,821,821
2017	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	770,000	544,506	3,100,000	1,265,116	1,498,017	237,010	21,082,280	14,871,812
2018	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	830,000	506,006	3,065,000	1,232,876	1,578,783	162,109	20,462,727	14,019,076
2019	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	1,245,000	464,506	3,090,000	1,187,204	1,663,395	83,170	21,238,360	13,204,341
2020	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	1,305,000	402,256	3,140,000	1,131,586	-	-	20,730,019	12,343,987
2021	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	525,000	337,006	5,995,000	1,065,646	-	-	20,743,740	11,484,490
2022	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	550,000	310,756	6,105,000	925,364	-	-	17,769,748	10,709,014
2023	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	565,000	297,006	6,245,000	770,296	-	-	18,146,447	10,103,186
2024	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	575,000	285,000	6,340,000	602,930	-	-	18,768,583	9,469,079
2025	40,625	41,984	1,500,000	862,750	-	-	500,000	833,000	330,000	88,275	1,032,722	532,307	590,000	270,625	6,510,000	420,338	-	-	18,376,290	8,791,667
2026	76,562	40,135	1,500,000	814,000	-	-	500,000	810,500	340,000	79,200	1,059,545	498,744	605,000	257,350	6,675,000	223,086	-	-	19,055,150	8,107,302
2027	6,250	35,963	1,700,000	754,000	-	-	1,300,000	785,500	345,000	69,000	1,099,780	461,661	620,000	242,225	335,000	10,820	-	-	18,863,198	7,365,609
2028	6,250	35,616	1,800,000	686,000	-	-	1,350,000	714,000	365,000	58,650	1,126,605	417,669	640,000	223,625	-	-	-	-	19,931,388	6,507,478
2029	6,250	35,269	1,750,000	614,000	-	-	1,400,000	639,750	390,000	47,700	1,153,429	372,605	660,000	204,425	-	-	-	-	20,770,365	5,586,321
2030	67,187	34,922	2,000,000	544,000	-	-	1,450,000	562,750	390,000	36,000	1,193,665	326,468	680,000	184,625	-	-	-	-	16,991,617	4,624,576
2031	67,187	31,194	2,100,000	464,000	-	-	1,500,000	483,000	400,000	24,300	1,233,901	278,721	700,000	160,825	-	-	-	-	17,735,680	3,842,475
2032	73,437	27,330	2,200,000	380,000	-	-	1,575,000	400,500	410,000	12,300	1,260,725	229,365	725,000	136,325	-	-	-	-	18,500,536	3,025,661
2033	79,687	23,108	2,300,000	292,000	-	-	1,625,000	306,000	-	-	1,314,373	177,360	750,000	110,950	-	-	-	-	18,883,773	2,163,632
2034	85,937	18,525	2,400,000	200,000	-	-	1,700,000	208,500	-	-	1,354,609	120,184	780,000	84,700	-	-	-	-	19,744,345	1,273,635
2035	239,062	13,626	2,600,000	104,000	-	-	1,775,000	106,500	-	-	1,408,257	61,259	805,000	57,400	-	-	-	-	6,827,319	342,785
2036	-	-	-	-	-	-	-	-	-	-	-	-	835,000	29,225	-	-	-	-	835,000	29,225
<b>Totals</b>	<b>\$ 992,185</b>	<b>\$ 787,823</b>	<b>\$ 29,765,000</b>	<b>\$ 15,045,000</b>	<b>\$ 8,035,000</b>	<b>\$ 1,310,700</b>	<b>\$ 16,875,000</b>	<b>\$ 14,023,352</b>	<b>\$ 5,575,000</b>	<b>\$ 1,537,800</b>	<b>\$ 20,525,676</b>	<b>\$ 9,484,806</b>	<b>\$ 15,505,000</b>	<b>\$ 5,676,348</b>	<b>\$ 51,445,000</b>	<b>\$ 10,105,448</b>	<b>\$ 6,161,292</b>	<b>\$ 795,488</b>	<b>\$ 376,815,961</b>	<b>\$ 163,687,172</b>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt  
June 30, 2015**

Fiscal Year Ending June 30,	\$12,123,017 General Obligation Refunding Bonds Series 2003A		\$32,000,000 General Obligation Series 2003		\$20,212,283 General Obligation Refunding Series 2004		\$24,000,000 General Obligation Series 2004		\$18,526,623 General Obligation Refunding Series 2005A		\$27,000,000 General Obligation Series 2005		\$18,550,000 General Obligation Series 2007		\$14,000,000 General Obligation Series 2008	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 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	\$ 701,299	\$ 1,023,282	\$ -	\$ 927,500	\$ 567,000	\$ 555,975
2017	4,134,820	206,741	1,197,400	1,064,247	2,925,077	603,210	1,097,143	816,000	1,815,915	511,239	736,364	991,724	-	927,500	595,000	527,625
2018	-	-	1,284,383	1,008,604	2,992,354	456,193	1,165,714	772,114	1,905,415	418,451	788,961	958,588	-	927,500	626,500	497,875
2019	-	-	1,372,067	949,451	3,159,083	305,795	1,234,286	725,486	2,002,699	321,293	832,792	923,084	-	927,500	656,250	466,550
2020	-	-	1,456,267	886,789	2,925,077	147,017	1,306,286	676,114	2,105,819	219,387	876,623	885,609	-	927,500	689,500	433,738
2021	-	-	1,572,000	820,618	-	-	1,381,714	623,863	2,218,667	112,448	920,455	846,161	-	927,500	724,500	399,263
2022	-	-	1,685,633	749,936	-	-	1,460,571	568,594	-	-	376,948	804,740	-	927,500	761,250	363,038
2023	-	-	1,996,433	674,742	-	-	1,542,857	510,171	-	-	350,649	787,778	-	927,500	798,000	324,975
2024	-	-	2,127,633	595,036	-	-	1,632,000	448,457	-	-	368,182	771,998	-	927,500	838,250	285,075
2025	-	-	2,274,950	510,317	-	-	1,721,143	383,177	-	-	385,714	755,430	-	927,500	880,250	243,163
2026	-	-	2,421,567	420,084	-	-	1,817,143	314,331	-	-	403,247	738,073	-	927,500	924,000	199,150
2027	-	-	2,585,683	324,337	-	-	1,913,143	241,646	-	-	412,013	719,927	1,740,743	927,500	971,250	152,950
2028	-	-	2,887,500	222,575	-	-	2,012,571	165,120	-	-	429,545	701,386	2,063,351	840,463	1,018,500	104,388
2029	-	-	3,086,668	114,796	-	-	2,115,430	84,617	-	-	447,078	682,057	2,170,888	737,295	1,069,250	53,463
2030	-	-	-	-	-	-	-	-	-	-	2,717,532	661,938	2,271,703	628,751	-	-
2031	-	-	-	-	-	-	-	-	-	-	2,822,727	539,649	2,392,681	515,166	-	-
2032	-	-	-	-	-	-	-	-	-	-	2,936,688	412,627	2,506,938	395,532	-	-
2033	-	-	-	-	-	-	-	-	-	-	3,050,649	280,476	2,634,638	270,185	-	-
2034	-	-	-	-	-	-	-	-	-	-	3,182,143	143,196	2,769,058	138,453	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 11,341,224	\$ 773,802	\$ 27,074,001	\$ 9,458,415	\$ 14,663,411	\$ 2,255,900	\$ 21,428,572	\$ 7,186,833	\$ 11,776,875	\$ 2,182,572	\$ 22,739,609	\$ 13,627,723	\$ 18,550,000	\$ 14,655,845	\$ 11,119,500	\$ 4,607,228

*continued*

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt (Continued)  
June 30, 2015**

Fiscal Year Ending June 30,	\$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		\$14,535,000 General Obligation Bonds Series 2014A		\$4,030,000 Refunding Bonds Series 2014B		\$9,858,708 Refunding Bonds Series 2015		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 23,437	\$ 794,145	\$ 1,485,000	\$ 518,150	\$ 1,824,281	\$ 1,417,361	\$ 25,000	\$ 235,750	\$ 393,993	\$ 647,148	\$ 25,000	\$ 488,656	\$ 1,295,000	\$ 41,137	\$ 2,273,903	\$ 501,151	\$ 22,364,885	\$ 11,034,781
2017	23,437	793,324	1,575,000	458,750	1,824,281	1,417,361	430,000	235,250	405,581	635,328	25,000	487,906	1,310,000	33,367	2,396,983	379,240	20,492,001	10,088,812
2018	257,812	792,434	1,670,000	395,750	1,824,281	1,417,361	430,000	218,050	699,917	624,175	250,000	486,656	1,325,000	19,742	2,526,217	259,391	17,746,554	9,252,884
2019	257,812	782,121	1,770,000	328,950	1,824,281	1,417,361	440,000	209,450	730,046	604,927	585,000	474,156	-	-	2,661,605	133,080	17,525,921	8,569,204
2020	492,187	770,520	1,855,000	275,850	1,824,281	1,417,361	450,000	200,650	753,222	583,026	615,000	444,906	-	-	-	-	15,349,262	7,868,467
2021	585,938	748,124	1,945,000	220,200	1,824,281	1,417,361	455,000	182,650	787,986	560,429	645,000	414,156	-	-	-	-	13,060,541	7,272,773
2022	679,688	721,465	2,040,000	161,850	1,824,281	1,417,361	480,000	173,550	811,162	536,790	680,000	381,906	-	-	-	-	10,799,533	6,806,730
2023	679,688	690,539	2,135,000	100,650	1,824,281	1,417,361	490,000	163,950	845,926	512,455	695,000	364,906	-	-	-	-	11,357,834	6,475,027
2024	656,250	659,614	1,220,000	36,600	1,824,281	1,417,361	505,000	152,925	869,102	487,077	710,000	350,138	-	-	-	-	10,750,698	6,131,781
2025	609,375	629,754	-	-	1,824,281	1,417,361	520,000	140,300	892,278	459,917	725,000	332,388	-	-	-	-	9,832,991	5,799,307
2026	1,148,438	602,028	-	-	1,824,281	1,417,361	535,000	126,000	915,455	430,918	745,000	316,075	-	-	-	-	10,734,131	5,491,520
2027	93,750	539,437	-	-	2,003,856	1,417,361	555,000	109,950	950,220	398,877	760,000	297,450	-	-	-	-	11,985,658	5,129,435
2028	93,750	534,234	-	-	171,976	139,589	585,000	93,300	973,395	360,869	785,000	274,650	-	-	-	-	11,020,588	3,436,574
2029	93,750	529,031	-	-	-	-	610,000	75,750	996,571	321,933	810,000	251,100	-	-	-	-	11,399,635	2,850,042
2030	1,007,813	523,828	-	-	-	-	610,000	57,450	1,031,335	282,070	835,000	226,800	-	-	-	-	8,473,383	2,380,837
2031	1,007,813	467,894	-	-	-	-	640,000	39,150	1,066,099	240,817	860,000	197,575	-	-	-	-	8,789,320	2,000,251
2032	1,101,563	409,945	-	-	-	-	665,000	19,950	1,089,275	198,173	890,000	167,475	-	-	-	-	9,189,464	1,603,702
2033	1,195,313	346,605	-	-	-	-	-	-	1,135,627	153,240	925,000	136,325	-	-	-	-	8,941,227	1,186,831
2034	1,289,063	277,875	-	-	-	-	-	-	1,170,391	103,840	955,000	103,950	-	-	-	-	9,365,655	767,314
2035	3,585,938	204,399	-	-	-	-	-	-	1,216,743	52,929	990,000	70,525	-	-	-	-	5,792,681	327,853
2036	-	-	-	-	-	-	-	-	-	-	1,025,000	35,875	-	-	-	-	1,025,000	35,875
<b>Totals</b>	<b>\$ 14,882,815</b>	<b>\$ 11,817,316</b>	<b>\$ 15,695,000</b>	<b>\$ 2,496,750</b>	<b>\$ 22,242,923</b>	<b>\$ 17,147,921</b>	<b>\$ 8,425,000</b>	<b>\$ 2,434,075</b>	<b>\$ 17,734,324</b>	<b>\$ 8,194,938</b>	<b>\$ 14,535,000</b>	<b>\$ 6,303,574</b>	<b>\$ 3,930,000</b>	<b>\$ 94,246</b>	<b>\$ 9,858,708</b>	<b>\$ 1,272,862</b>	<b>\$ 245,996,962</b>	<b>\$ 104,510,000</b>

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***KNOX COUNTY, TENNESSEE***

***Schedule of Salaries and Bonds of Principal Elected Officials***  
***For the year ended June 30, 2015***

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<b>OFFICIAL</b>	<b>AUTHORIZATION FOR SALARY</b>	<b>SALARY PAID DURING YEAR</b>	<b>BOND AMOUNT</b>	<b>SURETY</b>
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 135,071	\$ 50,000	Hartford Fire Insurance
Attorney General *	Section 8-6-104, T.C.A.	\$ 7,308	\$ -	
Circuit and Civil Sessions Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 129,198	\$ 400,000	Hartford Fire Insurance
County Clerk	Section 8-24-102 (k), T.C.A.	\$ 117,453	\$ 110,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 168,387	\$ 100,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk *	Section 8-24-102 (k), T.C.A.	\$ 129,198	\$ 250,000	Hartford Fire Insurance
Law Director	Section 3.08, Knox County Charter	\$ 168,386	\$ -	
Register of Deeds	Section 8-24-102 (k), T.C.A.	\$ 117,453	\$ 100,000	Hartford Fire Insurance
Sheriff	Section 8-24-102 (j), T.C.A.	\$ 148,578	\$ 100,000	Hartford Fire Insurance
Trustee *	Section 8-24-102 (k), T.C.A.	\$ 117,453	\$ 17,431,456	Hartford Fire Insurance

Note: \* These elected officials did not serve a full year in FY15.

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## KNOX COUNTY, TENNESSEE

### Capital Assets Used in the Operation of Governmental Funds Comparative Schedules by Source<sup>1</sup> June 30, 2015 and 2014 (In Thousands of Dollars)

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	<u>2015</u>	<u>2014</u>
Governmental Funds Capital Assets:		
Land	\$ 100,909	\$ 99,110
Buildings	213,931	211,507
Improvements Other than Buildings	24,125	24,178
Machinery and Equipment	40,668	37,561
Intangibles	16,110	15,566
Infrastructure	566,843	543,373
Construction in Progress	25,715	35,668
Total Governmental Funds Capital Assets	<u>\$ 988,301</u>	<u>\$ 966,963</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 7,738	\$ 4,849
Special Revenue Funds	7,369	6,148
Capital Projects Funds	973,194	955,966
Total Governmental Funds Capital Assets	<u>\$ 988,301</u>	<u>\$ 966,963</u>

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

**KNOX COUNTY, TENNESSEE**

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

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

**June 30, 2015**

(In Thousands of Dollars)

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery And Equipment	Intangibles	Infrastructure	Construction In Progress	Total
<b>General Government:</b>								
Finance and Administration	\$ -	\$ 18,082	\$ 16	\$ 1,997	\$ 9,074	\$ -	\$ 1,442	\$ 30,611
Administration of Justice	685	22,046	129	546	44	-	4,558	28,008
Public Safety	491	54,891	29	21,244	847	-	1,390	78,892
Public Health and Welfare	2,889	24,476	753	3,577	-	-	5,434	37,129
Social and Cultural Services	17,869	63,021	23,107	3,675	4,801	-	1,975	114,448
Other General Government	4,349	28,959	6	4,111	1,192	-	889	39,506
<b>Total General Government</b>	<b>26,283</b>	<b>211,475</b>	<b>24,040</b>	<b>35,150</b>	<b>15,958</b>	<b>-</b>	<b>15,688</b>	<b>328,594</b>
Engineering & Public Works	74,626	2,456	85	5,518	152	566,843	10,027	659,707
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 100,909</b>	<b>\$ 213,931</b>	<b>\$ 24,125</b>	<b>\$ 40,668</b>	<b>\$ 16,110</b>	<b>\$ 566,843</b>	<b>\$ 25,715</b>	<b>\$ 988,301</b>

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

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**KNOX COUNTY, TENNESSEE**

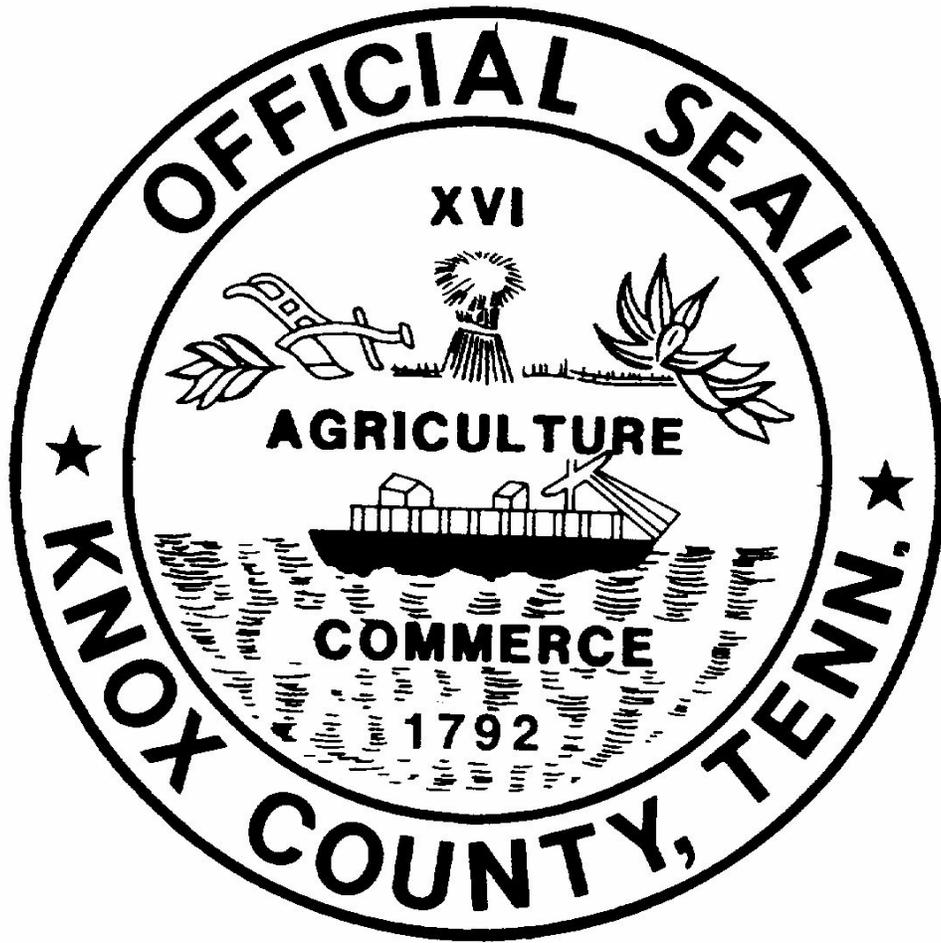
**Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity<sup>1</sup>  
For the Fiscal Year Ended June 30, 2015  
(In Thousands of Dollars)**

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<b>Function and Activity</b>	<b>Governmental Funds Capital Assets July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2015</b>
General Government:				
Finance and Administration	\$ 28,583	\$ 2,066	\$ 38	\$ 30,611
Administration of Justice	27,577	431	-	28,008
Public Safety	77,058	1,969	135	78,892
Public Health and Welfare	31,546	7,564	1,981	37,129
Social and Cultural Services	113,017	1,786	355	114,448
Other General Government	57,287	490	18,271	39,506
Total General Government	<u>335,068</u>	<u>14,306</u>	<u>20,780</u>	<u>328,594</u>
Engineering & Public Works	<u>631,895</u>	<u>31,358</u>	<u>3,546</u>	<u>659,707</u>
Total Governmental Funds Capital Assets	<u>\$ 966,963</u>	<u>\$ 45,664</u>	<u>\$ 24,326</u>	<u>\$ 988,301</u>

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

# Component Unit – Board of Education



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

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

### **MAJOR FUNDS**

#### **GENERAL FUND**

**General Purpose School Fund:** This fund is used to account for general operations of the Board. Major funding is provided through local tax levies and state education funds.

#### **CAPITAL PROJECTS FUND**

**School Construction Fund:** This fund is used to account for building construction and renovations of the Board.

### **NONMAJOR GOVERNMENTAL FUNDS**

#### **SPECIAL REVENUE FUNDS**

**School Federal Projects Fund:** This fund is used to account for restricted federal revenues that must be expended on specific education programs.

**School General Projects Fund:** This fund is used to account for state, local and federal pass-through revenues which must be expended on specific education programs.

**Central Cafeteria Fund:** This fund is used to account for the cafeteria operations in each of the individual schools. The primary sources of funding are federal and state revenues for the school lunch program and sales to students and adults.

#### **FIDUCIARY FUND**

**Pension Trust Fund – Teacher’s Plan:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the Board’s defined benefit plan for certificated teachers.

#### **AGENCY FUND**

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

**Knox County Board of Education**

**Statement of Net Position**

June 30, 2015

	<u>Board of Education</u>	<u>Component Unit</u>	
	<u>Total -- Governmental Activities</u>	<u>Great Schools Partnership</u>	<u>Total Component Unit</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 36,291,071	\$ 1,334,577	\$ 37,625,648
Investments	-	10,629,013	10,629,013
Accounts Receivable	44,633,083	982,615	45,615,698
Local Taxes Receivable, net	103,807,637	-	103,807,637
Due from Primary Government	112,997	-	112,997
Inventories	1,924,776	-	1,924,776
Prepaid Items	1,623,843	11,917	1,635,760
Net Pension Asset	1,016,013	-	1,016,013
Capital Assets:			
Land and Construction in Process	25,098,078	-	25,098,078
Other Capital Assets, Net of Accumulated Depreciation	377,449,330	97,497	377,546,827
<b>Total Assets</b>	<u>591,956,828</u>	<u>13,055,619</u>	<u>605,012,447</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows Related to Pensions	29,852,303	-	29,852,303
<b>Liabilities</b>			
Accounts Payable	53,594,647	996,196	54,590,843
Due to Knox County Primary Government	10,573,849	-	10,573,849
Unearned Revenue	3,661,079	-	3,661,079
Self-insurance Liability	3,670,584	-	3,670,584
Net Pension Liability	8,931,177	-	8,931,177
Other Long-term Obligations:			
Due in Less than One Year	2,838,575	-	2,838,575
Due in More than One Year	4,959,878	10,655,000	15,614,878
<b>Total Liabilities</b>	<u>88,229,789</u>	<u>11,651,196</u>	<u>99,880,985</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows Related to Pensions	83,713,010	-	83,713,010
Deferred Inflows of Property Taxes	99,772,417	-	99,772,417
<b>Total Deferred Outflows of Resources</b>	<u>183,485,427</u>	<u>-</u>	<u>183,485,427</u>
<b>Net Position (Deficit)</b>			
Investment in Capital Assets	402,547,408	97,497	402,644,905
Restricted for:			
Education Purposes	7,765,014	58,697	7,823,711
Unrestricted (Deficit)	(60,218,507)	1,248,229	(58,970,278)
<b>Total Net Position</b>	<u>\$ 350,093,915</u>	<u>\$ 1,404,423</u>	<u>\$ 351,498,338</u>

**Knox County Board of Education**

**Statement of Activities**

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education Governmental Activities	Component Unit The Partnership	Total Component Unit
<b>Knox County Board of Education:</b>							
Governmental activities:							
Education	\$ 506,666,324	\$ 14,073,126	\$ 68,330,957	\$ -	\$ (424,262,241)		\$ (424,262,241)
Education - Payment to Primary Government	12,521,580	-	-	-	(12,521,580)		(12,521,580)
<b>Total primary government</b>	<u>\$ 519,187,904</u>	<u>\$ 14,073,126</u>	<u>\$ 68,330,957</u>	<u>\$ -</u>	<u>(436,783,821)</u>		<u>(436,783,821)</u>
<b>Component unit:</b>							
Great Schools Partnership	\$ 4,059,710	\$ -	\$ 3,578,599	\$ -		\$ (481,111)	(481,111)
Great Schools Partnership - Payment to Knox County Board of Education	2,162,546	-	-	-		(2,162,546)	(2,162,546)
<b>Total component unit</b>	<u>\$ 6,222,256</u>	<u>\$ -</u>	<u>\$ 3,578,599</u>	<u>\$ -</u>		<u>(2,643,657)</u>	<u>(2,643,657)</u>
<b>General Revenues:</b>							
Property Taxes					97,227,919	-	97,227,919
Sales Taxes					136,469,187	-	136,469,187
Wheel Taxes					1,607,094	-	1,607,094
Other Local Taxes					1,033,373	-	1,033,373
Interest Income					39,293	170,854	210,147
Other Governments and Citizens Groups					300	-	300
Miscellaneous					105,059	17,258	122,317
State of Tennessee Basic Education Program					174,725,160	-	174,725,160
Payments from Knox County Primary Government					28,323,315	2,501,874	30,825,189
State Shared Revenues					2,210,862	-	2,210,862
Payments from Component Unit					2,162,546	-	2,162,546
<b>Total General Revenues</b>					<u>443,904,108</u>	<u>2,689,986</u>	<u>446,594,094</u>
Change in Net Position					7,120,287	46,329	7,166,616
Net Position, July 1, as restated					342,973,628	1,358,094	344,331,722
Net Position, June 30					<u>\$ 350,093,915</u>	<u>\$ 1,404,423</u>	<u>\$ 351,498,338</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education  
Balance Sheet**

**Governmental Funds**

June 30, 2015

	<b>General Purpose School</b>	<b>School Construction Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 26,168,987	\$ -	\$ 10,122,084	\$ 36,291,071
Receivables (Net of Allowance for Uncollectibles):				
Accounts	26,972,196	-	17,660,887	44,633,083
Local Taxes	103,807,637	-	-	103,807,637
Due from Other Funds	23,643,461	-	4,475,486	28,118,947
Due from Primary Government	112,997	-	-	112,997
Inventories	821,366	-	1,103,410	1,924,776
Prepaid Items	1,597,267	-	26,576	1,623,843
<b>TOTAL ASSETS</b>	<b>\$ 183,123,911</b>	<b>\$ -</b>	<b>\$ 33,388,443</b>	<b>\$ 216,512,354</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 49,721,666	\$ 2,244,679	\$ 1,628,302	\$ 53,594,647
Due to Other Funds	3,736,875	5,340,951	19,041,121	28,118,947
Due to Primary Government	10,526,947	-	46,902	10,573,849
Unearned Revenue	-	-	3,661,079	3,661,079
<b>TOTAL LIABILITIES</b>	<b>63,985,488</b>	<b>7,585,630</b>	<b>24,377,404</b>	<b>95,948,522</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Taxes and Other Receivable	103,114,416	-	-	103,114,416
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable	2,418,633	-	1,129,986	3,548,619
Restricted	-	-	7,765,014	7,765,014
Committed	-	-	129,238	129,238
Assigned	240,628	-	-	240,628
Unassigned	13,364,746	(7,585,630)	(13,199)	5,765,917
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>16,024,007</b>	<b>(7,585,630)</b>	<b>9,011,039</b>	<b>17,449,416</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 183,123,911</b>	<b>\$ -</b>	<b>\$ 33,388,443</b>	<b>\$ 216,512,354</b>

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**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, 2015

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

Ending Fund Balance - Governmental Funds	\$ 17,449,416
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	402,547,408
The net pension asset is not available to pay for current-period expenditures and, therefore, is not reported as an asset in the fund financial statements.	1,016,013
Deferred outflows related to pensions (\$29,852,303) increase the amount of net position reported in the statement of net position, but are not reported as assets in the funds. Similarly, deferred inflows related to pensions (\$83,713,010) decrease the amount of net position reported in the statements of net position, but are not reported as liabilities in the funds.	(53,860,707)
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were deferred in the fund financial statements but have been recognized under the accrual basis.	3,341,999
Long-term liabilities, consisting of compensated absences (\$2,894,964), capital lease obligation (\$4,903,489), self-insurance liability (\$3,670,584), and net pension liability (\$8,931,177), are not due and payable in the current period and therefore are not reported in the funds.	<u>(20,400,214)</u>
Net Position of Governmental Activities	<u>\$ 350,093,915</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, 2015

	General Purpose School	School Construction Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 98,004,247	\$ -	\$ -	\$ 98,004,247
Local Option Sales Taxes	136,469,187	-	-	136,469,187
Wheel Tax	1,607,094	-	-	1,607,094
Other Local Taxes	1,033,373	-	-	1,033,373
Licenses and Permits	31,435	-	2,333	33,768
Charges for Current Services	549,415	-	6,256,810	6,806,225
Other Local Revenues	1,662,577	-	6,954,702	8,617,279
State of Tennessee	178,609,730	-	4,663,858	183,273,588
Federal Government	546,301	-	54,470,120	55,016,421
Other Governments and Citizen Groups	300	-	5,712,084	5,712,384
Interest Earned	-	25,092	-	25,092
Payments from Primary Government	4,052,000	24,271,315	-	28,323,315
Payment from Component Unit	-	-	2,162,546	2,162,546
<b>Total Revenues</b>	<b>422,565,659</b>	<b>24,296,407</b>	<b>80,222,453</b>	<b>527,084,519</b>
<b>Expenditures</b>				
Current:				
Education	411,153,191	-	86,563,471	497,716,662
Capital Outlay	-	25,734,552	-	25,734,552
Payments to Primary Government	10,000,000	-	-	10,000,000
<b>Total Expenditures</b>	<b>421,153,191</b>	<b>25,734,552</b>	<b>86,563,471</b>	<b>533,451,214</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,412,468</b>	<b>(1,438,145)</b>	<b>(6,341,018)</b>	<b>(6,366,695)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	745,008	-	5,274,881	6,019,889
Transfers to Other Funds	(4,711,603)	-	(1,308,286)	(6,019,889)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,966,595)</b>	<b>-</b>	<b>3,966,595</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(2,554,127)</b>	<b>(1,438,145)</b>	<b>(2,374,423)</b>	<b>(6,366,695)</b>
<b>Fund Balances (Deficit), July 1</b>	<b>18,578,134</b>	<b>(6,147,485)</b>	<b>11,385,462</b>	<b>23,816,111</b>
<b>Fund Balances (Deficit), June 30</b>	<b>\$ 16,024,007</b>	<b>\$ (7,585,630)</b>	<b>\$ 9,011,039</b>	<b>\$ 17,449,416</b>

**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
For the Year Ended June 30, 2015

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

Net Change in Fund Balances - Total Governmental Funds	\$ (6,366,695)
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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 (\$22,977,302) exceeded capital outlays (\$16,890,860) in the current period.	(6,086,442)
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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.	3,341,999
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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.	(4,118,327)
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The increase in increase in the self-insurance liability of \$3,670,584, the increase in the net pension liability of \$1,650,706, and the increase in deferred inflows of resources related to pensions of \$83,713,010 resulted in additional expenses, whereas the increase in the net pension asset of \$79,070,551, the increase in deferred outflows related to pensions of \$29,852,303, the reduction of the compensated absences liability of \$237,215 and the capital lease liability of \$223,983 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.	<u>20,349,752</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 7,120,287</u></u>
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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Balance Sheets  
June 30, 2015 and June 30, 2014**

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 26,168,987	\$ 7,438,431
Receivables (Net of Allowance for Uncollectibles):		
Accounts	26,972,196	22,583,155
Local Taxes	103,807,637	102,907,918
Due from Primary Government	112,997	209,141
Due from Other Funds	23,643,461	38,203,703
Prepaid Items	1,597,267	1,551,997
Inventories	821,366	819,050
<b>TOTAL ASSETS</b>	<u>\$ 183,123,911</u>	<u>\$ 173,713,395</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 49,721,666	\$ 50,148,798
Due to Other Funds	3,736,875	855,847
Due to Primary Government	10,526,947	1,299,516
<b>TOTAL LIABILITIES</b>	<u>63,985,488</u>	<u>52,304,161</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Taxes and Other Receivable	<u>103,114,416</u>	<u>102,831,100</u>
<b>FUND BALANCES</b>		
Nonspendable	2,418,633	2,371,047
Restricted	-	12,270,359
Committed	-	1,000,000
Assigned	240,628	494,534
Unassigned	13,364,746	2,442,194
<b>TOTAL FUND BALANCES</b>	<u>16,024,007</u>	<u>18,578,134</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u>\$ 183,123,911</u>	<u>\$ 173,713,395</u>

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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, 2015 and June 30, 2014

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	2015	2014
	<u>                    </u>	<u>                    </u>
<b>Revenues</b>		
Property Taxes	\$ 98,004,247	\$ 116,200,954
Local Option Sales Taxes	136,469,187	108,988,291
Wheel Tax	1,607,094	1,561,822
Other Local Taxes	1,033,373	1,073,324
Licenses and Permits	31,435	30,162
Charges for Current Services	549,415	676,261
Other Local Revenues	1,662,577	988,064
State of Tennessee	178,609,730	177,041,251
Federal Government	546,301	541,795
Other Governments and Citizen Groups	300	-
Payment from Primary Government	4,052,000	4,052,000
	<u>                    </u>	<u>                    </u>
Total Revenues	422,565,659	411,153,924
	<u>                    </u>	<u>                    </u>
<b>Expenditures</b>		
Current:		
Education	411,153,191	407,172,881
Payments to Primary Government	10,000,000	10,938,398
	<u>                    </u>	<u>                    </u>
Total Expenditures	421,153,191	418,111,279
	<u>                    </u>	<u>                    </u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,412,468	(6,957,355)
	<u>                    </u>	<u>                    </u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	745,008	3,960,008
Transfers to Other Funds	(4,711,603)	(10,593,178)
	<u>                    </u>	<u>                    </u>
Total Other Financing Sources (Uses)	(3,966,595)	(6,633,170)
	<u>                    </u>	<u>                    </u>
Net Change in Fund Balances	(2,554,127)	(13,590,525)
Fund Balances, July 1	18,578,134	32,168,659
	<u>                    </u>	<u>                    </u>
Fund Balances, June 30	\$ 16,024,007	\$ 18,578,134
	<u>                    </u>	<u>                    </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, 2015 and June 30, 2014

	2015				2014		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Property Taxes	\$ 98,968,000	\$ 98,968,000	\$ 98,004,247	\$ (963,753)	\$ 116,048,000	\$ 116,200,954	\$ 152,954
Local Option Sales Taxes	130,788,000	130,788,000	136,469,187	5,681,187	110,047,000	108,988,291	(1,058,709)
Wheel Tax	1,525,000	1,525,000	1,607,094	82,094	1,500,000	1,561,822	61,822
Other Local Taxes	1,090,000	1,090,000	1,033,373	(56,627)	1,089,500	1,073,324	(16,176)
Licenses and Permits	36,000	36,000	31,435	(4,565)	36,000	30,162	(5,838)
Charges for Current Services	695,000	695,000	549,415	(145,585)	765,500	676,261	(89,239)
Other Local Revenues	1,587,000	1,587,000	1,662,577	75,577	1,795,000	988,064	(806,936)
State of Tennessee	177,951,000	180,069,000	178,609,730	(1,459,270)	178,922,000	177,041,251	(1,880,749)
Federal Government	2,593,000	475,000	546,301	71,301	566,282	541,795	(24,487)
Other Governments and Citizen Groups	-	-	300	300	-	-	-
Payments from Primary Government	4,052,000	4,052,000	4,052,000	-	4,052,000	4,052,000	-
<b>Total Revenues</b>	<b>419,285,000</b>	<b>419,285,000</b>	<b>422,565,659</b>	<b>3,280,659</b>	<b>414,821,282</b>	<b>411,153,924</b>	<b>(3,667,358)</b>
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	278,932,053	275,031,753	274,932,297	99,456	273,657,606	270,967,578	2,690,028
Employee Benefits	75,038,145	76,678,145	76,641,206	36,939	73,755,004	71,677,476	2,077,528
Contracted Services	24,618,959	26,285,623	26,055,680	229,943	25,681,430	25,456,924	224,506
Supplies and Materials	22,235,271	23,510,863	23,399,295	111,568	30,408,307	30,204,786	203,521
Other Charges	7,828,105	9,362,690	9,345,750	16,940	8,393,638	8,350,962	42,676
Capital Outlay	536,656	779,234	778,963	271	753,892	515,155	238,737
Payments to Primary Government	14,658,427	10,019,623	10,000,000	19,623	10,938,398	10,938,398	-
<b>Total Expenditures</b>	<b>423,847,616</b>	<b>421,667,931</b>	<b>421,153,191</b>	<b>514,740</b>	<b>423,588,275</b>	<b>418,111,279</b>	<b>5,476,996</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,562,616)	(2,382,931)	1,412,468	3,795,399	(8,766,993)	(6,957,355)	1,809,638
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	1,330,000	1,330,000	745,008	(584,992)	4,020,000	3,960,008	(59,992)
Transfers to Other Funds	(1,037,384)	(4,711,603)	(4,711,603)	-	(11,196,364)	(10,593,178)	603,186
<b>Total Other Financing Sources (Uses)</b>	<b>292,616</b>	<b>(3,381,603)</b>	<b>(3,966,595)</b>	<b>(584,992)</b>	<b>(7,176,364)</b>	<b>(6,633,170)</b>	<b>543,194</b>
<b>Net Change in Fund Balances</b>	<b>(4,270,000)</b>	<b>(5,764,534)</b>	<b>(2,554,127)</b>	<b>3,210,407</b>	<b>(15,943,357)</b>	<b>(13,590,525)</b>	<b>2,352,832</b>
Fund Balances, July 1	18,578,134	18,578,134	18,578,134	-	32,168,659	32,168,659	-
<b>Fund Balances, June 30</b>	<b>\$ 14,308,134</b>	<b>\$ 12,813,600</b>	<b>\$ 16,024,007</b>	<b>\$ 3,210,407</b>	<b>\$ 16,225,302</b>	<b>\$ 18,578,134</b>	<b>\$ 2,352,832</b>

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Balance Sheets  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Receivables (Net of Allowance for Uncollectibles):		
Sales Taxes	\$ -	\$ 3,375,194
Investments, at Fair Value	-	17,883,062
Due from Primary Government	-	10,600
	<u>-</u>	<u>10,600</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 21,268,856</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 2,244,679	\$ 2,110,808
Due to Other Funds	5,340,951	25,216,644
Due to Primary Government	-	88,889
	<u>-</u>	<u>88,889</u>
TOTAL LIABILITIES	<u>7,585,630</u>	<u>27,416,341</u>
<b>Fund Balances (Deficit):</b>		
Unassigned	<u>(7,585,630)</u>	<u>(6,147,485)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 21,268,856</u>

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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, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Local Option Sales Taxes	\$ -	\$ 19,530,464
Interest Earned	25,092	30,575
Debt Proceeds Received from Primary Government	<u>24,271,315</u>	<u>32,801,434</u>
Total Revenues	<u>24,296,407</u>	<u>52,362,473</u>
<b>Expenditures</b>		
Capital Projects	25,734,552	34,913,278
Payments to Primary Government	-	19,500,000
Other Charges	<u>-</u>	<u>161,553</u>
Total Expenditures	<u>25,734,552</u>	<u>54,574,831</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,438,145)</u>	<u>(2,212,358)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers to Other Funds	<u>-</u>	<u>(3,215,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(3,215,000)</u>
Net Change in Fund Balance	(1,438,145)	(5,427,358)
Fund Balances (Deficit), July 1	<u>(6,147,485)</u>	<u>(720,127)</u>
Fund Balances (Deficit), June 30	<u><u>\$ (7,585,630)</u></u>	<u><u>\$ (6,147,485)</u></u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Schedule of Construction Project Expenditures -  
Budget and Actual  
For the year ended June 30, 2015**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Physical Plant Upgrades	\$ 16,501,482	\$ -	\$ 7,782,404	\$ 7,782,404	\$ 8,719,078
Amherst Elementary	16,069,788	16,069,788	-	16,069,788	-
Cedar Bluff K-3	20,036,668	20,036,668	-	20,036,668	-
New Holston Middle	11,943,490	11,943,490	-	11,943,490	-
Gibbs Elementary School	15,404,720	15,404,720	-	15,404,720	-
Powell Middle	1,124,829	1,124,829	-	1,124,829	-
Ball Camp ES Addition/Renovation	5,424,334	5,336,379	30,528	5,366,907	57,427
Carter Renovations	2,500,000	2,500,000	-	2,500,000	-
Southwest Elementary	19,345,000	19,108,057	84,129	19,192,186	152,814
School Energy Savings Project	23,603,423	39,463,399	61,233	39,524,632	(15,921,209)
Hardin Valley High School	50,000,000	49,982,267	-	49,982,267	17,733
Pond Gap Elementary	-	-	32,614	32,614	(32,614)
Shannondale Elementary	4,015,000	1,925,997	1,817,910	3,743,907	271,093
Energy Management Project IIIB	13,182,024	12,831,740	275,424	13,107,164	74,860
CTE Magnet High	3,785,000	2,150,075	1,265,139	3,415,214	369,786
Energy Management Project IIIC	-	5,147,845	9,791,192	14,939,037	(14,939,037)
Mooreland Heights Addition/Renovation	1,300,000	-	510,368	510,368	789,632
Security Upgrades	3,875,000	-	2,456,366	2,456,366	1,418,634
Tech Upgrades Systemwide	985,000	-	-	-	985,000
HVAC Upgrades	2,190,000	-	985,681	985,681	1,204,319
Roofing Upgrades	1,310,000	-	285,623	285,623	1,024,377
Rule Warehouse Construction	132,231	-	123,741	123,741	8,490
Karns High Remedial Upgrades	-	-	232,200	232,200	(232,200)
<i>Total Capital Projects:</i>	<u>\$ 212,727,989</u>	<u>\$ 203,025,254</u>	<u>\$ 25,734,552</u>	<u>\$ 228,759,806</u>	<u>\$ (16,031,817)</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

June 30, 2015

	<b>School Federal Projects</b>	<b>School General Projects</b>	<b>Central Cafeteria</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 3,635,062	\$ 6,487,022	\$ 10,122,084
Receivables (Net of Allowance for Uncollectibles):				
Accounts	14,227,417	1,545,332	1,888,138	17,660,887
Due from Other Funds	57,990	4,417,496	-	4,475,486
Inventories	-	761,404	342,006	1,103,410
Prepaid Items	25,577	999	-	26,576
<b>TOTAL ASSETS</b>	<b>\$ 14,310,984</b>	<b>\$ 10,360,293</b>	<b>\$ 8,717,166</b>	<b>\$ 33,388,443</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 1,034,955	\$ 276,465	\$ 316,882	\$ 1,628,302
Due to Other Funds	13,131,487	5,909,634	-	19,041,121
Due to Primary Government	38,525	8,377	-	46,902
Unearned Revenue	93,639	3,274,176	293,264	3,661,079
<b>TOTAL LIABILITIES</b>	<b>14,298,606</b>	<b>9,468,652</b>	<b>610,146</b>	<b>24,377,404</b>
<b>Fund Balances:</b>				
Nonspendable	25,577	762,403	342,006	1,129,986
Restricted	-	-	7,765,014	7,765,014
Committed	-	129,238	-	129,238
Unassigned	(13,199)	-	-	(13,199)
<b>TOTAL FUND BALANCES</b>	<b>12,378</b>	<b>891,641</b>	<b>8,107,020</b>	<b>9,011,039</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,310,984</b>	<b>\$ 10,360,293</b>	<b>\$ 8,717,166</b>	<b>\$ 33,388,443</b>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

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

**Nonmajor Governmental Funds**

For the Year Ended June 30, 2015

	<b>School Federal Projects</b>	<b>School General Projects</b>	<b>Central Cafeteria</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Licenses and Permits	\$ -	\$ 2,333	\$ -	\$ 2,333
Charges for Current Services	-	707,175	5,549,635	6,256,810
Other Local Revenues	-	6,060,698	894,004	6,954,702
State of Tennessee	115,489	4,311,532	236,837	4,663,858
Federal Government	34,912,984	-	19,557,136	54,470,120
Other Governments and Citizen Groups	4,719,294	992,790	-	5,712,084
Payment from Component Unit	-	2,162,546	-	2,162,546
<b>Total Revenues</b>	<b>39,747,767</b>	<b>14,237,074</b>	<b>26,237,612</b>	<b>80,222,453</b>
<b>Expenditures</b>				
Education	39,246,578	21,997,417	25,319,476	86,563,471
<b>Total Expenditures</b>	<b>39,246,578</b>	<b>21,997,417</b>	<b>25,319,476</b>	<b>86,563,471</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>501,189</b>	<b>(7,760,343)</b>	<b>918,136</b>	<b>(6,341,018)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	62,089	5,212,792	-	5,274,881
Transfers to Other Funds	(563,278)	-	(745,008)	(1,308,286)
<b>Total Other Financing Sources (Uses)</b>	<b>(501,189)</b>	<b>5,212,792</b>	<b>(745,008)</b>	<b>3,966,595</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(2,547,551)</b>	<b>173,128</b>	<b>(2,374,423)</b>
<b>Fund Balances, July 1</b>	<b>12,378</b>	<b>3,439,192</b>	<b>7,933,892</b>	<b>11,385,462</b>
<b>Fund Balances, June 30</b>	<b>\$ 12,378</b>	<b>\$ 891,641</b>	<b>\$ 8,107,020</b>	<b>\$ 9,011,039</b>

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Fund  
Comparative Balance Sheets  
June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 14,227,417	\$ 13,570,013
Due From Other Funds	57,990	234,808
Prepaid Items	<u>25,577</u>	<u>8,949</u>
TOTAL ASSETS	<u>\$ 14,310,984</u>	<u>\$ 13,813,770</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 1,034,955	\$ 980,923
Due to Other Funds	13,131,487	12,774,690
Due to Primary Government	38,525	45,779
Unearned Revenue	<u>93,639</u>	<u>-</u>
TOTAL LIABILITIES	<u>14,298,606</u>	<u>13,801,392</u>
 <b>Fund Balances:</b>		
Nonspendable	25,577	8,949
Restricted	-	3,429
Unassigned	<u>(13,199)</u>	<u>-</u>
TOTAL FUND BALANCES	<u>12,378</u>	<u>12,378</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,310,984</u>	<u>\$ 13,813,770</u>

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**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, 2015 and June 30, 2014**

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
State of Tennessee	\$ 115,489	\$ 88,984
Federal Government	34,912,984	35,218,470
Other Governments and Citizen Groups	<u>4,719,294</u>	<u>5,102,111</u>
Total Revenues	<u>39,747,767</u>	<u>40,409,565</u>
<b>Expenditures</b>		
Current:		
Education	<u>39,246,578</u>	<u>39,946,107</u>
Excess of Revenues Over Expenditures	<u>501,189</u>	<u>463,458</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	62,089	103,580
Transfers to Other Funds	<u>(563,278)</u>	<u>(567,038)</u>
Total Other Financing Uses	<u>(501,189)</u>	<u>(463,458)</u>
Net Change in Fund Balances	-	-
Fund Balances, July 1	<u>12,378</u>	<u>12,378</u>
Fund Balances, June 30	<u>\$ 12,378</u>	<u>\$ 12,378</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School Federal Projects Fund  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
 For the years ended June 30, 2015 and June 30, 2014

	2015				2014		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
State of Tennessee	\$ 144,258	\$ 144,258	\$ 115,489	\$ (28,769)	\$ 133,283	\$ 88,984	\$ (44,299)
Federal Government	42,329,984	42,329,984	34,912,984	(7,417,000)	43,972,869	35,218,470	(8,754,399)
Other Governments and Citizen Groups	7,318,775	7,318,775	4,719,294	(2,599,481)	8,367,870	5,102,111	(3,265,759)
<b>Total Revenues</b>	<b>49,793,017</b>	<b>49,793,017</b>	<b>39,747,767</b>	<b>(10,045,250)</b>	<b>52,474,022</b>	<b>40,409,565</b>	<b>(12,064,457)</b>
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	30,520,839	30,520,839	25,495,508	5,025,331	32,168,338	25,948,190	6,220,148
Employee Benefits	7,317,784	7,317,784	6,050,059	1,267,725	7,945,122	6,105,798	1,839,324
Contracted Services	2,601,311	2,601,311	1,958,351	642,960	2,898,276	2,624,220	274,056
Supplies and Materials	3,105,150	3,105,150	1,646,403	1,458,747	2,982,232	1,671,480	1,310,752
Other Charges	1,987,688	1,987,688	1,193,036	794,652	1,450,976	1,016,448	434,528
Capital Outlay	3,633,881	3,633,881	2,903,221	730,660	4,495,326	2,579,971	1,915,355
<b>Total Expenditures</b>	<b>49,166,653</b>	<b>49,166,653</b>	<b>39,246,578</b>	<b>9,920,075</b>	<b>51,940,270</b>	<b>39,946,107</b>	<b>11,994,163</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	626,364	626,364	501,189	(125,175)	533,752	463,458	(70,294)
<b>Other Financing Sources (Uses)</b>							
Transfer from Other Funds	38,056	38,056	62,089	24,033	33,286	103,580	70,294
Transfer to Other Funds	(664,420)	(664,420)	(563,278)	101,142	(567,038)	(567,038)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(626,364)</b>	<b>(626,364)</b>	<b>(501,189)</b>	<b>125,175</b>	<b>(533,752)</b>	<b>(463,458)</b>	<b>70,294</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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, 2015 and June 30, 2014**

	2015	2014
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,635,062	\$ 4,049,988
Receivables (Net of Allowance for Uncollectibles):		
Accounts	1,545,332	2,111,068
Due from Other Funds	4,417,496	1,008,865
Prepaid Items	999	-
Inventories	761,404	952,534
<b>TOTAL ASSETS</b>	<b>\$ 10,360,293</b>	<b>\$ 8,122,455</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 276,465	\$ 567,413
Due to Primary Government	8,377	90,783
Due to Other Funds	5,909,634	600,195
Unearned Revenue	3,274,176	3,424,872
<b>TOTAL LIABILITIES</b>	9,468,652	4,683,263
<b>Fund Balances:</b>		
Nonspendable	762,403	952,534
Committed	129,238	2,486,658
<b>TOTAL FUND BALANCES</b>	891,641	3,439,192
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,360,293</b>	<b>\$ 8,122,455</b>

**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, 2015 and June 30, 2014**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Licenses and Permits	\$ 2,333	\$ 2,458
Charges for Current Services	707,175	743,069
Other Local Revenues	6,060,698	4,945,572
State of Tennessee	4,311,532	2,518,259
Other Governments and Citizens Groups	992,790	1,777,433
Payments from Component Unit	2,162,546	3,147,995
Payments from Primary Government	-	5,962,500
	<u>14,237,074</u>	<u>19,097,286</u>
<b>Expenditures</b>		
Current:		
Education	21,997,417	28,891,249
Payments to Primary Government	-	1,490,625
	<u>21,997,417</u>	<u>30,381,874</u>
Total Expenditures	<u>21,997,417</u>	<u>30,381,874</u>
Deficiency of Revenues Under Expenditures	<u>(7,760,343)</u>	<u>(11,284,588)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	5,212,792	11,097,945
Transfers to Other Funds	-	(41,309)
	<u>5,212,792</u>	<u>11,056,636</u>
Total Other Financing Sources	<u>5,212,792</u>	<u>11,056,636</u>
Net Change in Fund Balances	(2,547,551)	(227,952)
Fund Balances, July 1	<u>3,439,192</u>	<u>3,667,144</u>
Fund Balances, June 30	<u>\$ 891,641</u>	<u>\$ 3,439,192</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School General Projects Fund  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2015 and June 30, 2014**

	2015				2014		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Licenses and Permits	\$ -	\$ -	\$ 2,333	\$ 2,333	\$ -	\$ 2,458	\$ 2,458
Charges for Current Services	945,966	945,966	707,175	(238,791)	978,798	743,069	(235,729)
Other Local Revenues	10,560,067	10,560,067	6,060,698	(4,499,369)	8,400,837	4,945,572	(3,455,265)
State of Tennessee	4,629,116	4,629,116	4,311,532	(317,584)	4,222,172	2,518,259	(1,703,913)
Payments from Component Unit	1,376,368	1,376,368	2,162,546	786,178	3,147,995	3,147,995	-
Payments from Primary Government	2,039,427	2,039,427	-	(2,039,427)	-	5,962,500	5,962,500
Other Governments and Citizens Groups	1,231,823	1,231,823	992,790	(239,033)	1,984,623	1,777,433	(207,190)
<b>Total Revenues</b>	<b>20,782,767</b>	<b>20,782,767</b>	<b>14,237,074</b>	<b>(6,545,693)</b>	<b>18,734,425</b>	<b>19,097,286</b>	<b>362,861</b>
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	8,181,503	8,181,503	6,330,370	1,851,133	8,396,770	7,452,957	943,813
Employee Benefits	1,917,267	1,917,267	1,585,985	331,282	2,020,621	1,810,739	209,882
Contracted Services	2,194,053	2,194,053	1,503,862	690,191	4,429,132	3,072,503	1,356,629
Supplies and Materials	14,121,496	14,121,496	12,129,677	1,991,819	16,303,121	15,826,795	476,326
Other Charges	583,699	583,699	333,594	250,105	585,162	473,545	111,617
Capital Outlay	1,258,330	1,258,330	113,929	1,144,401	921,588	254,710	666,878
Payments to Primary Government	-	-	-	-	-	1,490,625	(1,490,625)
<b>Total Expenditures</b>	<b>28,256,348</b>	<b>28,256,348</b>	<b>21,997,417</b>	<b>6,258,931</b>	<b>32,656,394</b>	<b>30,381,874</b>	<b>2,274,520</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,473,581)	(7,473,581)	(7,760,343)	(286,762)	(13,921,969)	(11,284,588)	2,637,381
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	7,473,581	7,473,581	5,212,792	(2,260,789)	13,963,278	11,097,945	(2,865,333)
Transfers to Other Funds	-	-	-	-	(41,309)	(41,309)	-
<b>Total Other Financing Sources (Uses)</b>	<b>7,473,581</b>	<b>7,473,581</b>	<b>5,212,792</b>	<b>(2,260,789)</b>	<b>13,921,969</b>	<b>11,056,636</b>	<b>(2,865,333)</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(2,547,551)</b>	<b>(2,547,551)</b>	<b>-</b>	<b>(227,952)</b>	<b>(227,952)</b>
Fund Balances, July 1	3,439,192	3,439,192	3,439,192	-	3,667,144	3,667,144	-
Fund Balances, June 30	\$ 3,439,192	\$ 3,439,192	\$ 891,641	\$ (2,547,551)	\$ 3,667,144	\$ 3,439,192	\$ (227,952)

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

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Fund  
Comparative Balance Sheets  
June 30, 2015 and June 30, 2014**

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,487,022	\$ 7,458,544
Receivables (Net of Allowance for Uncollectibles):		
Accounts	1,888,138	539,940
Inventories	342,006	626,908
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 8,717,166</u>	<u>\$ 8,625,392</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 316,882	\$ 320,685
Unearned Revenue	293,264	370,815
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>610,146</u>	<u>691,500</u>
<b>Fund Balances:</b>		
Nonspendable	342,006	626,908
Restricted	7,765,014	7,306,984
	<u>                    </u>	<u>                    </u>
TOTAL FUND BALANCES	<u>8,107,020</u>	<u>7,933,892</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,717,166</u>	<u>\$ 8,625,392</u>

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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, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Charges for Current Services	\$ 5,549,635	\$ 7,471,634
Other Local Revenues	894,004	968,469
State of Tennessee	236,837	547,585
Federal Government	<u>19,557,136</u>	<u>17,012,201</u>
Total Revenues	<u>26,237,612</u>	<u>25,999,889</u>
<b>Expenditures</b>		
Current:		
Education:		
Food Service	<u>25,319,476</u>	<u>25,237,375</u>
Excess of Revenues Over Expenditures	<u>918,136</u>	<u>762,514</u>
<b>Other Financing Uses</b>		
Transfers to Other Funds	<u>(745,008)</u>	<u>(745,008)</u>
Net Change in Fund Balances	173,128	17,506
Fund Balances, July 1	<u>7,933,892</u>	<u>7,916,386</u>
Fund Balances, June 30	<u>\$ 8,107,020</u>	<u>\$ 7,933,892</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, 2015 and June 30, 2014**

	2015				2014		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 7,992,672	\$ 7,992,672	\$ 5,549,635	\$ (2,443,037)	\$ 8,241,755	\$ 7,471,634	\$ (770,121)
Other Local Revenues	652,713	652,713	894,004	241,291	551,539	968,469	416,930
State of Tennessee	545,419	545,419	236,837	(308,582)	519,450	547,585	28,135
Federal Government	18,317,461	18,317,461	19,557,136	1,239,675	16,833,708	17,012,201	178,493
<b>Total Revenues</b>	<b>27,508,265</b>	<b>27,508,265</b>	<b>26,237,612</b>	<b>(1,270,653)</b>	<b>26,146,452</b>	<b>25,999,889</b>	<b>(146,563)</b>
<b>Expenditures</b>							
Current:							
Education:							
Food Service:							
Personal Services	7,958,000	8,411,500	8,411,478	22	8,316,937	8,316,903	34
Employee Benefits	2,778,128	2,778,128	2,378,114	400,014	3,126,050	2,414,004	712,046
Contracted Services	1,576,031	1,246,031	812,541	433,490	1,017,590	1,098,276	(80,686)
Supplies & Materials	12,758,606	13,226,022	12,586,508	639,514	12,317,895	12,080,166	237,729
Other Charges	915,500	915,500	836,235	79,265	382,000	337,061	44,939
Capital Outlay	777,000	323,500	294,600	28,900	990,980	990,965	15
<b>Total Expenditures</b>	<b>26,763,265</b>	<b>26,900,681</b>	<b>25,319,476</b>	<b>1,581,205</b>	<b>26,151,452</b>	<b>25,237,375</b>	<b>914,077</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	745,000	607,584	918,136	310,552	(5,000)	762,514	767,514
<b>Other Financing Uses</b>							
Transfers to Other Funds	(745,000)	(745,000)	(745,008)	(8)	(745,000)	(745,008)	(8)
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(137,416)</b>	<b>173,128</b>	<b>310,544</b>	<b>(750,000)</b>	<b>17,506</b>	<b>767,506</b>
Fund Balances, July 1	7,933,892	7,933,892	7,933,892	-	7,916,386	7,916,386	-
Fund Balances, June 30	<u>\$ 7,933,892</u>	<u>\$ 7,796,476</u>	<u>\$ 8,107,020</u>	<u>\$ 310,544</u>	<u>\$ 7,166,386</u>	<u>\$ 7,933,892</u>	<u>\$ 767,506</u>

**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2015

	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,986,433	\$ 8,940,523
Investments, at Fair Value:		
Mutual Funds	54,719,145	-
Corporate Bonds	792,719	-
U.S. Treasuries	3,967,724	-
Federal Agency Debt Securities	257,737	-
Federal Agency Mortgage Backed Securities	2,751,202	-
Total Investments	<u>62,488,527</u>	<u>-</u>
Receivables:		
Interest and Dividends	38,467	-
Employee Contributions	789	-
Other Assets	-	54,149
Total Receivables	<u>39,256</u>	<u>54,149</u>
Total Assets	<u>64,514,216</u>	<u>8,994,672</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	89,552	108,449
Liability for Student Activities	-	8,886,223
Total Liabilities	<u>89,552</u>	<u>\$ 8,994,672</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<u>\$ 64,424,664</u>	

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**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, 2015 and June 30, 2014**

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents - Money Market Funds	\$ 1,986,433	\$ 1,525,242
Investments, at Fair Value:		
Mutual Funds	54,719,145	58,838,558
Corporate Bonds	792,719	827,789
U.S. Treasuries	3,967,724	3,597,249
Federal Agency Debt Securities	257,737	1,149,491
Federal Agency Mortgage Backed Securities	<u>2,751,202</u>	<u>2,206,454</u>
Total Investments	<u>62,488,527</u>	<u>66,619,541</u>
Receivables:		
Employee Contributions	789	788
Receivable for Investments Sold	-	400,131
Accrued Interest and Dividends	<u>38,467</u>	<u>47,118</u>
Total Receivables	<u>39,256</u>	<u>448,037</u>
Total Assets	<u>64,514,216</u>	<u>68,592,820</u>
<b>LIABILITIES</b>		
Accounts Payable - Administrative Expenses	<u>89,552</u>	<u>151,918</u>
Total Liabilities	<u>89,552</u>	<u>151,918</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS</b>	<u><u>\$ 64,424,664</u></u>	<u><u>\$ 68,440,902</u></u>

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**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, 2015 and June 30, 2014**

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	<u>2015</u>	<u>2014</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 1,134,241	\$ -
Employee	9,276	11,488
Total Contributions	<u>1,143,517</u>	<u>11,488</u>
Investment Income:		
Interest and Dividend Income	411,072	347,722
Net Appreciation (Depreciation) in Fair Value of Investments	<u>1,595,724</u>	<u>10,133,615</u>
Total Investment Earnings (Losses)	2,006,796	10,481,337
Less Investment Expense	<u>(274,597)</u>	<u>(276,643)</u>
Net Investment Earnings (Losses)	<u>1,732,199</u>	<u>10,204,694</u>
Total Additions	<u>2,875,716</u>	<u>10,216,182</u>
<b>DEDUCTIONS</b>		
Benefits and Refunds	6,617,276	6,612,778
Administrative Expenses	<u>274,678</u>	<u>488,481</u>
Total Deductions	<u>6,891,954</u>	<u>7,101,259</u>
<b>CHANGE IN NET POSITION</b>	(4,016,238)	3,114,923
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, BEGINNING OF YEAR</b>	<u>68,440,902</u>	<u>65,325,979</u>
<b>NET POSITION - RESTRICTED FOR PENSION AND RETIREMENT BENEFITS, END OF YEAR</b>	<u>\$ 64,424,664</u>	<u>\$ 68,440,902</u>

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**KNOX COUNTY, TENNESSEE**

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

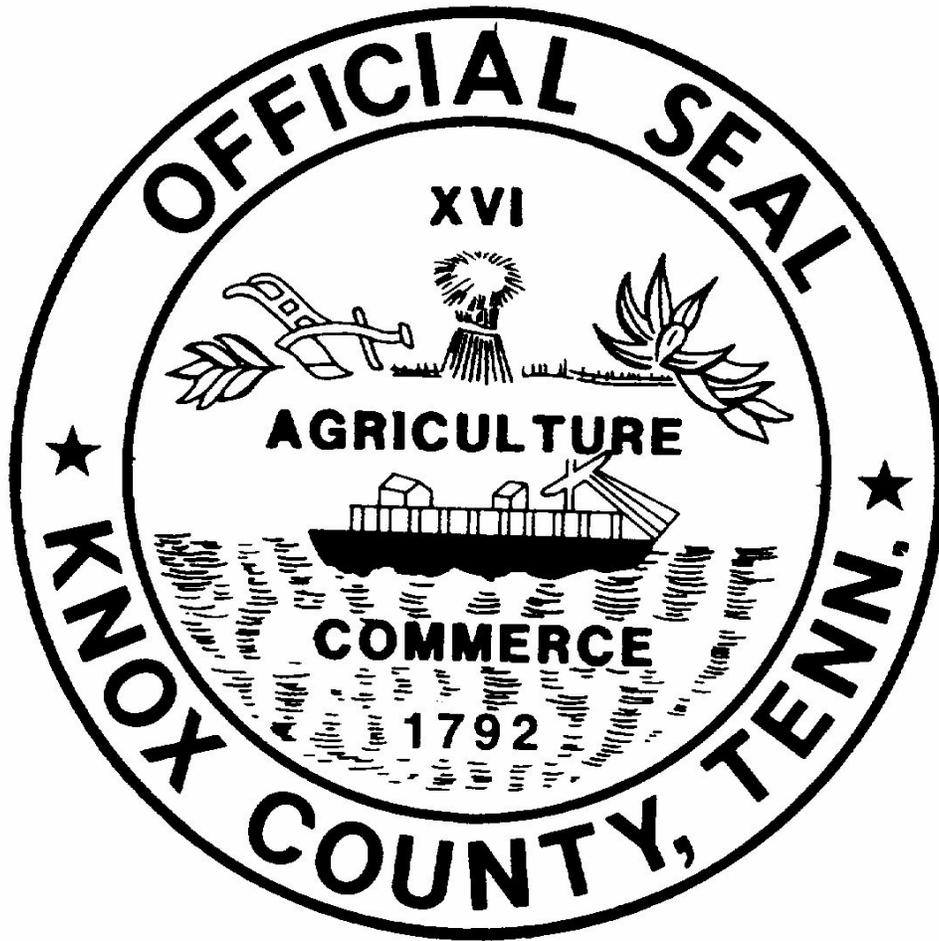
**Comparative Statements of Changes in Fiduciary Assets and Liabilities**

For the years ended June 30, 2015 and June 30, 2014

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	<u>2015</u>	<u>2014</u>
Assets and Liabilities, July 1	\$ 8,627,720	\$ 8,349,893
Additions	19,878,672	20,453,773
Deductions	<u>(19,620,169)</u>	<u>(20,175,946)</u>
Assets and Liabilities, June 30	<u>\$ 8,886,223</u>	<u>\$ 8,627,720</u>

# Statistical Section



## STATISTICAL SECTION (Unaudited)

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

<b>Contents</b>	<b>Page</b>
Financial Trends	240-248
<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	249-252
<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	253-255
<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	256-257
<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	258-260
<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)**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Restated 2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Primary government</b>										
Governmental activities										
Net investment in capital assets	\$ 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	\$ 267,497,791
Restricted	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	8,583,223
Unrestricted	(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)	(262,043,799)
<b>Total primary governmental activities net position</b>	<b>\$ 230,071,652</b>	<b>\$ 196,422,835</b>	<b>\$ 138,343,388</b>	<b>\$ 120,454,212</b>	<b>\$ 85,114,255</b>	<b>\$ 51,450,959</b>	<b>\$ 62,810,775</b>	<b>\$ 75,225,857</b>	<b>\$ 53,123,153</b>	<b>\$ 14,037,215</b>
<b>Business-type activities</b>										
Three Ridges Golf Course										
Investment in capital assets	\$ -	\$ -	\$ -	\$ 893,709	\$ 832,590	\$ 718,674	\$ 634,436	\$ 503,880	\$ 453,946	\$ 568,919
Unrestricted	-	-	-	286,781	304,278	301,122	215,757	99,523	73,842	18,491
<b>Total business-type activities net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,180,490</b>	<b>\$ 1,136,868</b>	<b>\$ 1,019,796</b>	<b>\$ 850,193</b>	<b>\$ 603,403</b>	<b>\$ 527,788</b>	<b>\$ 587,410</b>
<b>Component units</b>										
Investment in capital assets	\$ 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	\$ 411,265,432
Restricted	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	7,845,805
Unrestricted	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	(3,452,157)
<b>Total component units activities net position</b>	<b>\$ 365,161,827</b>	<b>\$ 384,004,527</b>	<b>\$ 370,762,352</b>	<b>\$ 363,085,395</b>	<b>\$ 373,478,119</b>	<b>\$ 428,878,998</b>	<b>\$ 475,951,488</b>	<b>\$ 490,421,368</b>	<b>\$ 483,082,019</b>	<b>\$ 415,659,080</b>
<b>Total reporting unit activities net position</b>	<b>\$ 595,233,479</b>	<b>\$ 580,427,362</b>	<b>\$ 509,105,740</b>	<b>\$ 484,720,097</b>	<b>\$ 459,729,242</b>	<b>\$ 481,349,753</b>	<b>\$ 539,612,456</b>	<b>\$ 566,250,628</b>	<b>\$ 536,732,960</b>	<b>\$ 430,283,705</b>

Note: 2012 balances have been restated to reflect prior period adjustments for the primary government and the Board of Education component unit, and to reflect the inclusion beginning in FY2013 of the Development Corporation of Knox County component unit.

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

KNOX COUNTY, TENNESSEE

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Primary government:										
Governmental activities:										
Finance and Administration	\$ 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	\$ 36,112,276
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	6,553,874
Administration of Justice	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	24,414,379
Public Safety	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	82,717,157
Public Safety - payment to component unit	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200
Public Health and Welfare	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	33,739,935
Public Health and Welfare - payment to component unit	646,990	256,628	166,628	166,628	256,628	256,628	256,628	256,628	211,628	166,628
Social and Cultural Services	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	20,521,029
Agricultural and Natural Resources	402,907	425,395	461,142	433,295	413,675	380,453	365,774	435,231	519,433	470,977
Other General Government	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	23,802,139
Other General Government - payment to component unit	-	-	-	-	-	-	-	675,000	600,000	600,000
Engineering & Public Works	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	26,515,062
Engineering & Public Works - payment to component unit	-	-	-	25,872	-	-	-	-	-	-
Education - payment to component unit	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	24,271,315
Debt Service - interest and fees	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	22,801,729
Debt Service - other	-	-	-	-	-	-	-	-	745,863	-
Total governmental activities	<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>	<u>303,012,700</u>
Business-type activities:										
Three Ridges Golf Course	-	-	-	464,137	961,678	1,044,409	1,147,603	1,124,565	937,604	1,000,090
Total primary government expenses	<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>	<u>\$ 304,012,790</u>
Component units:										
Board of Education	\$ 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	\$ 525,410,160
Nonmajor Component Units	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	7,538,326
Total component units expenses	<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>	<u>\$ 532,948,486</u>
Total reporting unit expenses	<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>	<u>\$ 836,961,276</u>

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

Continued

KNOX COUNTY, TENNESSEE

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Program Revenues</b>										
Primary government:										
Governmental activities:										
Charges for Services:										
Finance and Administration	\$ 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	\$ 20,505,947
Administration of Justice	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	9,774,864
Public Safety	533,509	499,320	533,881	1,333,523	1,330,976	1,439,718	4,478,725	2,759,919	3,305,146	4,012,396
Public Health and Welfare	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	6,163,000
Social and Cultural Services	1,122,961	1,193,157	1,327,729	1,324,927	1,117,171	880,631	949,557	950,683	885,537	778,733
Other General Government	2,412,907	1,984,775	88,337	249,935	85,295	689,972	592,251	290,846	282,845	298,127
Engineering & Public Works	53,041	-	20,105	214,851	652,250	436,570	758,766	883,998	267,125	122,259
Operating grants and contributions	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	22,712,505
Total governmental activities	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	64,367,831
Business-type activities:										
Three Ridges Golf Course	-	-	-	462,055	918,056	927,337	978,000	877,775	861,989	798,212
Total primary government program revenues	\$ 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	\$ 65,166,043
Component units:										
Charges for Services:										
Board of Education	\$ 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	\$ 14,073,126
Nonmajor Component Units	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	6,035,939
Operating grants and contributions	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	71,924,758
Capital grants and contributions	131,471	-	-	-	-	-	-	747,638	883,814	-
Total component units program revenues	\$ 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	\$ 92,033,823
Total reporting unit program revenues	\$ 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	\$ 157,199,866
Net (expenses)/revenues										
Primary government activities	\$ (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)	\$ (238,846,747)
Component units	(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)	(440,914,663)
Total net (expenses) revenues for reporting unit	\$ (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)	\$ (679,761,410)

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

Continued

KNOX COUNTY, TENNESSEE

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Revenues and Other Changes in Net Position</b>										
Primary government:										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 166,869,259
Sales taxes	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	12,650,210
Lodging taxes	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	6,602,861
Business taxes	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	8,210,298
Wheel taxes	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	11,421,728
Other local taxes	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	5,000,245
Investment revenue	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	2,201,014
Other revenues	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	31,022,620
Contracts - other governments and citizens	584,683	419,470	851,750	294,120	1,236,916	96,628	264,452	264,452	728,102	381,842
Miscellaneous	152,406	1,122,914	11,700	517,094	3,118,883	667,645	262,735	262,735	966,103	828,323
Transfers	-	-	(1,182,572)	-	-	-	-	-	-	(250,000)
Total governmental activities	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	244,938,400
Business-type activities:										
Transfers										
	-	-	1,182,572	-	-	-	-	-	-	250,000
Total primary government	\$ 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	\$ 245,188,400
Component units:										
Taxes										
Property taxes	\$ 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	\$ 97,227,919
Sales taxes	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	136,469,187
Wheel taxes	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	1,607,094
Other local taxes	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	1,033,373
Investment revenue	2,746,738	1,739,023	418,377	120,512	132,360	42,669	166,662	166,662	229,295	286,000
Payments from component units	-	-	-	-	-	-	-	-	-	2,162,546
Payments from primary government	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	31,918,017
Other revenues	-	-	4,525,727	1,420,641	1,372,773	1,475,328	1,913,690	1,913,690	1,369,610	2,822,218
Contracts - other governments and citizens	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	1,719,140	78,725	78,725	90,800	5,658,174
Miscellaneous	-	-	-	109,577	4	503,211	377,361	377,361	219,340	122,317
Grants and Contributions Not Restricted for Specific Programs	-	142,038,000	144,111,400	139,899,700	145,735,671	161,206,791	171,210,229	171,210,229	175,368,140	176,444,300
Total component units	\$ 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	\$ 455,751,145
Total reporting unit	\$ 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	\$ 700,939,545
<b>Change in Net Position</b>										
Primary government activities	\$ (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)	\$ 6,341,653
Component units activities	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)	14,836,482
Total reporting unit	\$ (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)	\$ 21,178,135

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

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KNOX COUNTY, TENNESSEE

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

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<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Lodging Tax</b>	<b>Business Tax</b>	<b>Wheel Tax</b>	<b>Other Local Tax</b>	<b>Total</b>
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
2015	166,869,259	12,650,210	6,602,861	8,210,298	11,421,728	5,000,245	210,754,601

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KNOX COUNTY, TENNESSEE

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

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<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Wheel Tax</b>	<b>Other Local Tax</b>	<b>Total</b>
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
2015	97,227,919	136,469,187	1,607,094	1,033,373	236,337,573

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KNOX COUNTY, TENNESSEE

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

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<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Lodging Tax</b>	<b>Business Tax</b>	<b>Wheel Tax</b>	<b>Other Local Tax</b>	<b>Total</b>
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
2015	264,097,178	149,119,397	6,602,861	8,210,298	13,028,822	6,033,618	447,092,174

**KNOX COUNTY, TENNESSEE**

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	Restated 2012	2013	2014	2015
General fund										
Reserved	\$ 7,823,979	\$ 9,306,651	\$ 11,024,655	\$ 9,080,512	\$ 8,382,154	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	5,933,564
Restricted	-	-	-	-	-	2,212,749	2,787,302	2,798,061	2,557,432	2,426,638
Committed	-	-	-	-	-	9,294	5,596,444	3,675,473	2,342,583	4,405,300
Assigned	-	-	-	-	-	957,967	465,211	1,089,640	1,401,378	1,130,360
Unassigned	-	-	-	-	-	43,521,876	44,259,130	51,452,742	53,026,996	55,853,075
Total general fund	<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>	<u>\$ 69,748,937</u>
All other governmental funds										
Reserved	\$ 12,295,421	\$ 21,463,450	\$ 10,173,788	\$ 13,950,926	\$ 22,514,296	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue constitutional officers	3,784,117	3,826,048	5,405,844	3,831,682	2,387,038	-	-	-	-	-
Capital projects public improvement	(3,214,692)	(9,257,333)	(28,415,905)	12,367,955	(4,050,370)	-	-	-	-	-
Debt service	24,120,114	26,617,102	24,383,887	17,757,274	15,753,733	-	-	-	-	-
Other governmental funds	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	3,958,516
Restricted	-	-	-	-	-	20,968,128	27,243,240	6,277,249	12,693,130	18,807,905
Committed	-	-	-	-	-	22,133,322	23,331,278	25,942,402	29,062,822	27,427,505
Assigned	-	-	-	-	-	-	2,199,988	3,657,378	3,986,924	3,929,333
Total all other governmental funds	<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>	<u>\$ 54,123,259</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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$ 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	\$ 210,705,075
Licenses and permits	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	4,214,130
Fines, forfeitures and penalties	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	3,209,888
Charges for current services	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	31,212,825
Other local revenues	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	7,897,144
State of Tennessee	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	23,753,472
Federal government	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	11,797,202
Other governments and citizen groups	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	646,219
Investment earnings	7,145,359	8,180,389	173,206	794,846	174,952	1,037,903	2,111,750	2,214,606	2,023,800	15,686
Payments from component units	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	10,000,000
Increase in equity interest in joint venture	10,385	713,764	46,412	-	-	349,085	331,142	-	918,162	-
Total revenues	<u>254,693,363</u>	<u>265,484,393</u>	<u>267,694,033</u>	<u>259,880,386</u>	<u>265,281,914</u>	<u>277,932,853</u>	<u>294,855,653</u>	<u>301,414,938</u>	<u>297,841,407</u>	<u>303,451,641</u>
<b>Expenditures</b>										
Finance and administration	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	32,274,270
Finance and administration - payments 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	6,553,874
Administration of justice	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	23,901,527
Public safety	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	77,669,646
Public safety - payments to component unit	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200	326,200
Public health and welfare	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	32,936,876
Public health and welfare - payments to component unit	646,990	256,628	166,628	166,628	256,628	256,628	256,628	256,628	211,628	166,628
Social and cultural services	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	17,763,250
Agricultural and natural resources	402,907	425,395	461,142	433,295	413,675	380,453	365,774	435,231	519,433	470,977
Other general government	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	22,879,165
Other general government - payments to component unit	-	-	-	-	-	-	-	-	600,000	600,000
Engineering & Public Works	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	12,203,508
Decrease in equity interest in joint venture	-	-	-	20,682	528,848	-	-	-	493,210	931,800
Debt proceeds paid to component unit	27,000,000	18,550,000	-	14,000,000	14,822,428	29,004,906	13,578,202	13,182,024	38,763,934	24,271,315
Debt issuance cost	337,500	340,537	489,154	368,000	247,856	441,307	106,387	-	745,863	209,442
Capital Outlay	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	18,251,855
Debt Service:										
Principal	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	43,975,347
Interest	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	20,716,774
Other charges	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	2,987,837
Total expenditures	<u>350,963,730</u>	<u>331,732,567</u>	<u>297,970,583</u>	<u>303,869,154</u>	<u>308,859,587</u>	<u>318,711,383</u>	<u>293,523,491</u>	<u>320,423,347</u>	<u>344,891,758</u>	<u>339,090,291</u>
Excess (deficiency) of revenues over (under) expenditures	(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)	(35,638,650)
<b>Other financing sources (uses)</b>										
Transfers in	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	12,166,476
Transfers out	(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)	(12,810,239)
Capital lease proceeds	-	-	-	-	11,651,171	-	-	13,182,024	14,872,404	12,450,000
Refunding bonds issued	-	-	-	-	4,550,000	62,675,000	21,505,000	-	-	72,860,000
Bonds issued	77,000,000	69,000,000	57,000,000	40,000,000	16,000,000	46,236,000	14,400,000	-	39,075,000	30,040,000
Loan issued	-	-	-	-	-	-	-	-	5,962,500	-
Premium on debt issued	-	-	-	332,400	207,763	2,458,913	1,367,889	-	350,920	1,484,442
Premium on refunding bonds	-	-	-	-	-	-	-	-	-	1,716,531
Payments to holders of refunded debt	-	-	-	-	(4,620,000)	(64,118,485)	(22,469,358)	-	-	(74,181,478)
Notes issued	-	-	3,263,507	33,538,969	-	-	5,000,000	-	-	-
Total other financing sources (uses)	<u>75,350,000</u>	<u>67,700,000</u>	<u>3,452,661</u>	<u>70,684,280</u>	<u>27,574,145</u>	<u>47,311,541</u>	<u>17,562,328</u>	<u>9,071,918</u>	<u>54,930,744</u>	<u>43,725,732</u>
Net change in fund balances	<u>\$ (20,920,367)</u>	<u>\$ 1,451,826</u>	<u>\$ (26,823,889)</u>	<u>\$ 26,695,512</u>	<u>\$ (16,003,528)</u>	<u>\$ 6,533,011</u>	<u>\$ 18,894,490</u>	<u>\$ (9,936,491)</u>	<u>\$ 7,880,393</u>	<u>\$ 8,087,082</u>
Debt service as a percentage of noncapital expenditures	13.78%	15.94%	19.07%	20.37%	18.71%	19.74%	21.93%	20.75%	19.67%	20.16%

**KNOX COUNTY, TENNESSEE**

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

<b>Lien Date January 1 (See Note)</b>	<b>Real Property</b>		<b>Personal Property</b>	<b>Public Utilities</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
	<b>Residential Property</b>	<b>Commercial Property</b>						
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	4,795,547,769	2,401,268,570	546,690,987	256,025,735	7,999,533,061	2.69	27,150,758,168	29.46%
2007	5,053,616,147	2,505,298,728	502,485,204	244,990,311	8,306,390,390	2.69	28,594,498,618	29.05%
2008	5,264,657,656	2,612,533,383	516,452,576	254,125,962	8,647,769,577	2.69	29,773,941,112	29.04%
2009	6,358,257,572	2,886,901,400	555,839,420	278,517,456	10,079,515,848	2.36	34,788,027,365	28.97%
2010	6,293,124,269	3,098,030,754	530,130,578	263,158,114	10,184,443,715	2.36	35,165,499,271	28.96%
2011	6,337,206,609	3,191,939,572	536,664,800	272,395,481	10,338,206,462	2.36	35,615,476,829	29.03%
2012	6,399,674,099	3,282,240,042	586,687,017	269,579,260	10,538,180,418	2.36	36,758,186,577	28.67%
2013	6,450,439,371	3,493,787,892	614,468,651	271,557,298	10,830,253,212	2.32	37,588,721,836	28.81%
2014	6,519,589,295	3,576,433,696	628,017,924	277,646,472	11,001,687,387	2.32	38,204,722,351	28.80%

**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									
	<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>	<u>2015</u>
Knox County Direct Rates										
General	\$ 1.24	\$ 1.24	\$ 1.13	\$ 1.10	\$ 0.97	\$ 0.97	\$ 0.97	\$ 0.97	\$ 0.96	\$ 0.96
Public Library	-	-	-	-	-	-	-	-	-	-
Solid Waste	-	-	-	-	-	-	-	-	-	-
Debt Service	0.22	0.22	0.33	0.36	0.31	0.31	0.31	0.31	0.30	0.48
ADA Construction	-	-	-	-	-	-	-	-	-	-
Schools	1.23	1.23	1.23	1.23	1.08	1.08	1.08	1.08	1.06	0.88
Total direct rate	2.69	2.69	2.69	2.69	2.36	2.36	2.36	2.36	2.32	2.32
City of Knoxville Rates	2.81	2.81	2.81	2.81	2.46	2.46	2.46	2.46	2.39	2.73
Total direct & overlapping rates	<u>\$ 5.50</u>	<u>\$ 5.50</u>	<u>\$ 5.50</u>	<u>\$ 5.50</u>	<u>\$ 4.82</u>	<u>\$ 4.82</u>	<u>\$ 4.82</u>	<u>\$ 4.82</u>	<u>\$ 4.71</u>	<u>\$ 5.05</u>

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

**KNOX COUNTY, TENNESSEE**

**Principal Property Taxpayers  
Tax Year 2014 and Nine Years Ago  
(Unaudited)**

<u><b>Taxpayer</b></u>	<b>Tax Year 2014</b>			<b>Tax Year 2005</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Metro Knoxville	\$ 62,023,720	1	0.56%	\$ -	-	-
Bellsouth Telecommunications	57,825,239	2	0.53%	82,818,634	1	1.06%
Verion Wireless	31,352,620	3	0.28%	-	-	-
AT&T Mobility	30,867,352	4	0.28%	-	-	-
West Town Mall	27,749,840	5	0.25%	37,718,880	2	0.48%
Exedy America Corp	17,430,647	6	0.16%	-	-	-
Pilot Travel Centers	17,274,487	7	0.16%	-	-	-
Tennessee Holding	14,800,000	8	0.13%	-	-	-
Hart	14,578,840	9	0.13%	-	-	-
Rohm & Haas Chemicals	12,971,682	10	0.12%	-	-	-
Knoxville Center	-	-	-	22,414,920	3	0.29%
Norfolk Southern	-	-	-	16,463,021	4	0.21%
Parkway Properties	-	-	-	13,274,480	5	0.17%
Fort Sanders Alliance	-	-	-	11,581,560	6	0.15%
Concord Telephone Exchange	-	-	-	10,949,386	7	0.14%
Harvard Behringer	-	-	-	9,735,280	8	0.13%
East Tennessee Baptist Hospital	-	-	-	7,603,480	9	0.10%
U Dean Hall (Walkers Crossing)	-	-	-	7,587,080	10	0.10%
<b>Totals</b>	<b>\$ 286,874,427</b>		<b>2.61%</b>	<b>\$ 220,146,721</b>		<b>2.83%</b>

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2006	\$ 206,862	\$ 198,584	96.0%	\$ 8,134	\$ 206,719	99.9%
2007	214,476	207,118	96.6%	7,185	214,304	99.9%
2008	223,256	215,195	96.4%	7,815	223,010	99.9%
2009	232,373	221,475	95.3%	10,521	231,996	99.8%
2010	237,469	227,064	95.6%	9,852	236,916	99.8%
2011	240,062	230,908	96.2%	8,391	239,299	99.7%
2012	243,793	234,803	96.3%	7,868	242,671	99.5%
2013	248,573	240,734	96.8%	6,178	246,912	99.3%
2014	251,167	244,964	97.5%	3,437	248,401	98.9%
2015	255,177	248,448	97.4%	-	248,448	97.4%

Source: Knox County, Tennessee Trustee Department.

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>Primary Government</b>		<b>Component Units</b>	<b>Total Reporting Unit</b>	<b>Percentage of Personal Income</b>	<b>(1)</b>	<b>Per Capita</b>	<b>(1)</b>
	<b>General Obligation Bonds and Loans</b>	<b>Capital Leases</b>	<b>Capital Leases</b>					
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	3.54%		1,469	
2014	647,604	27,245	-	674,849	3.65%	(2)	1,506	
2015	637,325	38,931	4,903	681,159	3.69%	(2)	1,520	(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 256 for personal income and population data.*

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

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value (1) of Property</b>	<b>Per Capita (2)</b>
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	1.63%	1,378
2014	632,397	21,749	610,648	1.60%	1,361
2015	622,813	19,791	603,022	1.58% (3)	1,344 (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 249 for property value data.*

*(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 256.*

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

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**KNOX COUNTY, TENNESSEE**

**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2015**

**(amounts expressed in thousands)**

**(Unaudited)**

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<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
Debt repaid with property taxes: County Subtotal, direct debt	\$ 681,159	100.00%	<u>\$ 681,159</u>
City of Knoxville overlapping debt	180,795	100.00%	180,795
Town of Farragut overlapping debt	500	100.00%	<u>500</u>
Total direct and overlapping debt			<u><u>\$ 862,454</u></u>

Note: Percentage of overlap based on assessed property values.

**KNOX COUNTY, TENNESSEE**

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

<b>Fiscal Year</b>	<b>Population (3)</b>	<b>Personal Income (amounts expressed in thousands) (1)</b>	<b>Per Capita Personal Income (1)</b>	<b>Median Age (3)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (2)</b>
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	18,466,333	41,533	37.3	111,661	7.3%
2014	448,644	19,297,076 (4)	43,012	37.3	111,661 (4)	6.3%
2015	448,644 (4)	19,297,076 (4)	43,012 (4)	37.3 (4)	111,661 (4)	5.3%

*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 2014 and Nine Years Ago  
(Unaudited)**

<b>Employer (1)</b>	<b>2014</b>			<b>2005</b>		
	<b>Employees (2)</b>	<b>Rank</b>	<b>Percentage of Total Knoxville MSA Employment (3)</b>	<b>Employees (2)</b>	<b>Rank</b>	<b>Percentage of Total Knoxville MSA Employment (3)</b>
U.S. Department of Energy, Oak Ridge Operations	11,637	1	2.96%	11,802	1	3.64%
Covenant Health	10,458	2	2.66%	6,997	4	2.16%
Knox County Public Schools	6,804	3	1.73%	7,900	3	2.44%
The University of Tennessee	6,660	4	1.70%	7,997	2	2.47%
Wal-Mart Stores	6,006	5	1.53%	4,565	5	1.41%
University Health System	4,224	6	1.08%	3,195	7	0.99%
K-VA-T Food Stores	4,078	7	1.04%	2,490	10	0.77%
Tennova Healthcare	4,067	8	1.04%	-		-
DENSO Mfg	3,500	9	0.89%	-		-
State of Tennessee, Regional Office	3,226	10	0.82%	2,681	9	0.83%
St. Mary's Medical Center	-		-	3,411	6	1.05%
Knox County Government	-		-	2,999	8	0.93%
<b>Total</b>	<b>60,660</b>		<b>15.45%</b>	<b>54,037</b>		<b>16.69%</b>

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

(2) Greater Knoxville Chamber of Commerce.

(3) Tennessee Department of Labor and Workforce Development.

**KNOX COUNTY, TENNESSEE**

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

	<b>Full-time Equivalent Employees by Function</b>									
<b>Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
General government	557	566	529	541	534	521	503	504	508	529
Public safety	902	938	979	969	975	1013	1025	1037	1038	1041
Public health and welfare	336	377	340	343	324	320	310	291	283	286
Highways	107	112	117	120	117	114	114	116	113	115
Social, cultural, and recreation	198	201	191	196	190	203	194	197	197	200
<b>Total</b>	<b>2,100</b>	<b>2,194</b>	<b>2,156</b>	<b>2,169</b>	<b>2,140</b>	<b>2,171</b>	<b>2,146</b>	<b>2,145</b>	<b>2,139</b>	<b>2,171</b>

*Source: Knox County Budget.*

**KNOX COUNTY, TENNESSEE**

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

<b>Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Sheriff (1)										
Arrests	32,508	33,233	32,054	33,548	29,833	29,557	25,571	25,533	24,969	*
Accidents	4,889	5,972	4,321	4,500	3,441	3,190	3,080	2,793	2,903	*
Incidents	21,870	30,302	29,873	38,388	32,258	32,319	32,414	30,949	30,707	*
Health services (2)										
Clinical services										
Pediatric cases	10,537	9,947	8,254	7,570	8,542	3,558	-	-	-	-
Preventive health cases	14,571	12,502	12,725	11,812	33,630	24,902	22,958	10,254	9,851	20,417
WIC services	31,156	29,892	32,198	34,085	33,583	33,242	34,625	35,568	36,446	36,050
Communicable diseases treated	18,893	16,497	14,087	16,434	16,207	17,437	17,941	17,615	9,452	16,098
New prescriptions filled	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	10,895
Social Services visits	-	-	-	-	10,923	13,103	11,186	10,385	10,523	9,954
Other health related visits	-	-	-	-	16,203	11,555	6,694	7,853	11,501	4,380
Engineering & public works (2)										
Street resurfacing (miles)	38	34	20	28	44	13	17	22	21	12
Road maintenance service orders processed	1,288	1,306	2,726	1,869	2,687	2,829	1,973	2,876	2,563	2,302
Litter reduction from right of way (miles)	538	817	238	720	830	1,046	637	839	1,035	906
Parks & recreation (2)										
Number of park shelter reservations	900	931	995	1,500	3,000	3,500	3,800	4,500	5,500	6,000
Total all participants on all teams	28,750	30,345	30,402	44,450	30,000	30,000	37,000	37,000	40,000	60,000
Total number of attendees at events	35,000	16,757	16,792	90,000	20,500	21,500	90,000	125,084	160,000	170,000

\* 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Sheriff										
Detention Facility	1	1	1	1	1	1	1	1	1	1
DUI Facility	1	1	1	1	1	1	1	1	1	1
Penal Farm	1	1	1	1	1	1	1	1	1	1
Fleet Services	1	1	1	1	1	1	1	1	1	1
Training Facility	1	1	1	1	1	1	1	1	1	1
Patrol units	10	10	10	8	10	10	9	9	9	9
Engineering & Public Works										
Streets (lane miles)	2,033	2,033	2,033	2,033	2,033	2,089	2,107	2,107	2,230	2,236
Bridges	138	138	138	142	142	142	142	142	143	143
Traffic signals	51	53	55	58	59	64	65	68	70	73
Parks & Recreation										
Parks acreage	3,026	3,051	3,076	3,122	3,296	3,296	3,347	3,347	2,600	2,025
Parks	45	46	47	47	49	49	50	51	49	48
Spray pools	2	3	3	3	3	3	3	3	3	3
Tennis courts	7	7	7	7	7	7	7	7	13	13

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