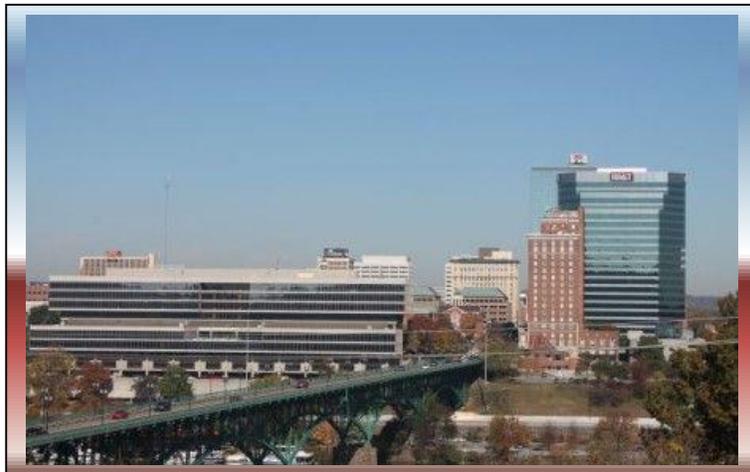


KNOX COUNTY TENNESSEE

FOR THE YEAR ENDED
JUNE 30, 2014



Tim Burchett
Knox County Mayor

COMPREHENSIVE ANNUAL FINANCIAL REPORT

KNOX COUNTY, TENNESSEE
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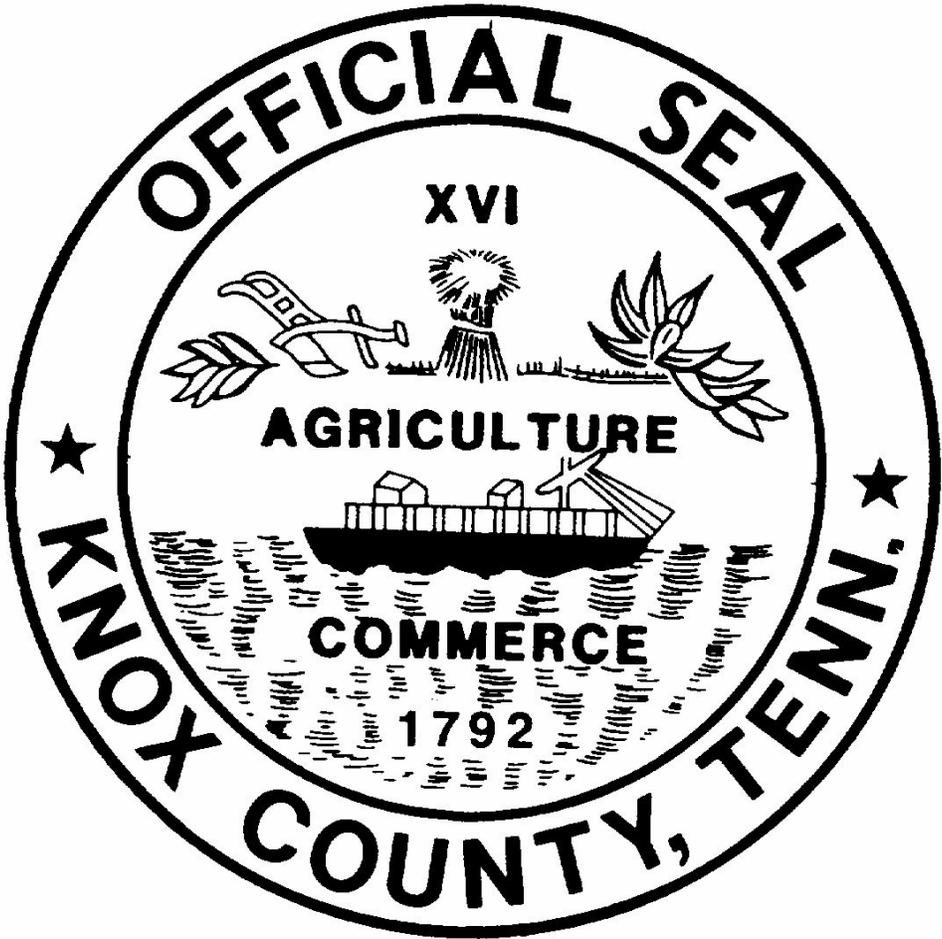
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Introductory Section





OFFICE OF COUNTY MAYOR TIM BURCHETT

400 Main Street, Suite 615, Knoxville, TN 37902

December 30, 2014

To the Board of Knox County Commissioners and the Citizens of Knox County, Tennessee:

The Comprehensive Annual Financial Report (CAFR) of Knox County, Tennessee (the County) for the fiscal year ended June 30, 2014, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentations, including all disclosures, rests with the County. County management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that has been established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position of the various funds of the County and its component units. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

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

State law requires that the County obtain an annual audit of its books and records. The independent audit performed by Pugh & Company, P. C., Certified Public Accountants, has been obtained to fulfill that requirement. The auditors have issued an unqualified ("clean") opinion on the County's financial statements for the year ended June 30, 2014. The independent auditors' report is located at the front of the financial section of this report. The County is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended, and U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including schedules of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

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

GOVERNMENTAL STRUCTURE

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

OFFICE OF THE COUNTY MAYOR

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

- General Fund balance has increased by \$14.2 million from the beginning of FY 2011 to the FY 2014 end of year.
- Restored 177 hours of operation per week within our public library system with no additional impact on the budget.
- Increased purchasing transparency by implementing first-in-the-state online, searchable databases for E-commerce card and purchase order transactions.
- Ensured more than \$2 million in savings over four years by utilizing public-private partnerships to provide pediatric care, as well as translation services for Knox County Health Department clients.

- Implemented mileage reimbursement at the standard federal rate in lieu of monthly travel allowances, which saved approximately \$78,000 annually.
- Sold unnecessary county vehicles, resulting in thousands of dollars in cost-avoidance savings through reduced maintenance, fuel and liability costs.
- Reduced Knox County's debt obligations by over \$58 million since taking office.
- Identified a funding mechanism to use one-time dollars to pay for the construction of a new Carter Elementary School, therefore eliminating a potential \$8 million in traditional bond interest payments. The school opened on time for the 2013-2014 school year.
- Sold the Solway greenwaste facility property for \$2 million; prior to the sale, the upkeep on the property cost taxpayers an average of \$245,000 annually.
- Engaged a committee of private sector experts to help advise Mayor Burchett on how to address the growing cost of employee health benefits in an attempt to bring those benefits more in-line with the private market; many of the committee's suggestions were implemented and the changes resulted in projected savings of \$1.7 million.
- Provided, from a combination of revenue increases and sustainable savings, 3 percent employee pay increase, beginning January 1, 2012.
- Supported the Halls and Northeast Knox greenway projects, as well as the Knox-Blount greenway project.
- Moved forward with Clayton Park and Plumb Creek Park projects.
- Constructed and opened the Concord "Pet Safe" Dog Park.
- Restored the stream bank along Beaver Creek at Halls Community Park.
- Made parking improvements at the Knox County Sports Park.
- Saved the building that formerly was used for the Oakwood Elementary School. The condition of the building had deteriorated, and its future was uncertain. The County worked with developers and others in the private sector to make needed upgrades and repairs to the facility, which will be used for senior housing. This will provide for additional services to the community and place the property back on the County tax roll.
- Saved Historic Knoxville High School, which is now being redeveloped for private use.
- Sold State Street properties, which are now under development as a mixed-use residential project known as Marble Alley.

Legislative Initiatives

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

Capital Improvement Initiatives

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

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

General Construction/Renovation:

- General Project Management
- Various Library Upgrades
- Juvenile Justice Center Expansion
- City County Improvements/Developments
- Many Parks and Greenways Improvements

Road Construction/Improvements:

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

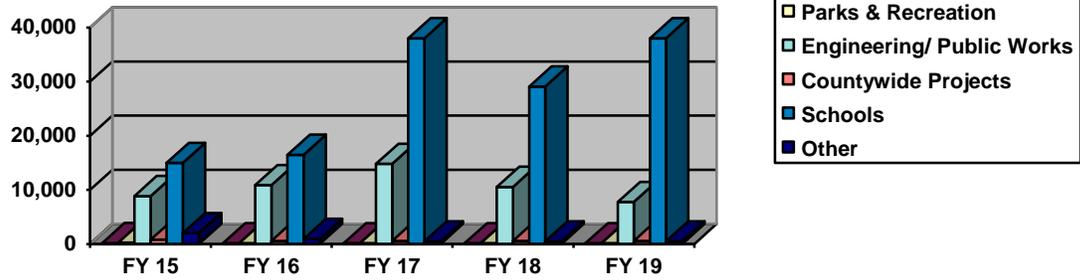
School Construction/Renovation:

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

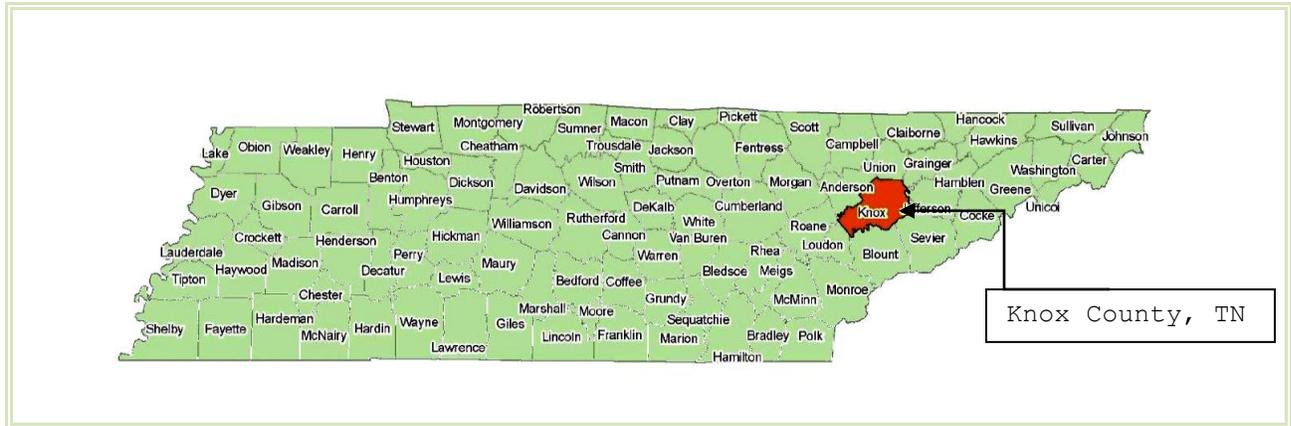
The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

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

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



ABOUT KNOX COUNTY



The County is the third most populous county in the State of Tennessee. Located in Middle Eastern Tennessee at the headwaters of the Tennessee River, it is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. The U.S. Census Bureau's 2012 census demographic population data reported that 441,311 citizens reside within the total land area of approximately 526 square miles that make up Knox County. (See [Knoxville-Knox County Metropolitan Planning Commission](#) for additional information regarding population information, demographics, and other information about Knox County.) Knoxville, the County seat, is about 50 miles west of the North Carolina state line.

The City of Knoxville's 2012 census data was reported at 182,200. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 20,676. Knoxville has a land area of approximately 104 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee.

Manufacturing and Commerce

Located in the northeastern portion of the State, Knox County, along with Anderson, Blount, Campbell, Grainger, Loudon, Morgan, Roane and Union counties, is part of the Knoxville Metropolitan Statistical Area (MSA). Because of its central location in the eastern United States, the County metropolitan area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 600 miles of approximately 40 percent of the population of the United States. For many years the County has been known as one of the South's leading wholesale markets. Based on 2012 estimates, there were approximately 885 wholesale distribution houses, 1,630 retail establishments, and more than 5,400 service industries located in the County.

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

The MSA includes more than 790 manufacturing firms, which produce a large variety of items including medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts.

Business Climate

The County has a history of being a regional leader in economic activity. The County offers premier location opportunities for high-technology and precision manufacturing firms. The University of Tennessee, Tennessee Valley Authority and the Oak Ridge National Laboratory help to provide a stable, secure employment base. The Knoxville area is home to many medium-sized manufacturing and distribution operations as well as customer service centers. The Knoxville area boasts a strong and reliable workforce, and low union membership rates. These assets, combined with an excellent location at the intersections of Interstates 40, 75 and 81, make Knox County a great location for any business. The County is also well served by 125 truck lines, two railroads, six airlines, and three local river terminals that provide direct links to the Great Lakes and to the Gulf of Mexico. The Knoxville area continually receives recognition for high quality of life, combining an attractive natural setting with a moderate four-season climate. In addition, the Knoxville area ranks among the nation's top markets for low cost of living. Knoxville ranks as one of the top southeastern urban areas with an index of 89.3 compared to the average of all participating cities of 100. The County has over 6,000 acres of park and recreation space, with approximately 100 miles of greenways and walking trails. The arts and culture are well served, with the Knoxville Symphony, Knoxville Opera Company, Knoxville Museum of Art, and several performing arts organizations, including the Clarence Brown Theater, providing numerous cultural opportunities. Live entertainment includes touring Broadway productions and many concerts at numerous venues throughout the area, including the historic, beautifully renovated Tennessee and Bijou theaters.

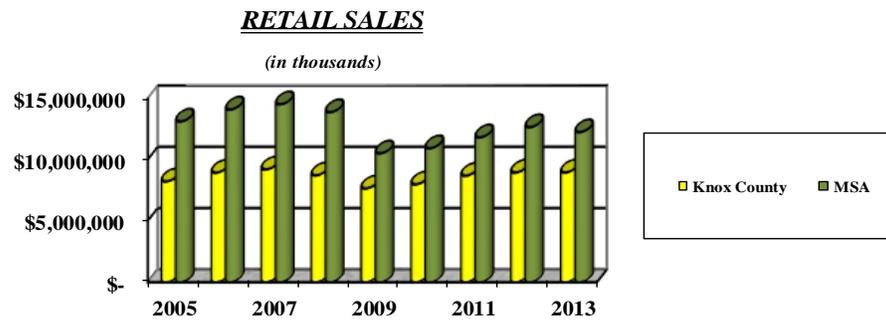
Industrial Investment

The Knoxville MSA has been recognized nationally as a leading location to live and do business. Commerce and industry vary from the media success of Scripps Television Networks (HGTV, DIY, Food Network, GAC, and Travel), to Sysco Corporation's (largest food service marketer and distributor in North America) regional warehouse and distribution center. In addition, many other local companies are recognized as national and global leaders, including Clayton Homes, Brunswick Corporation, Green Mountain Coffee, Bush Brothers, Pilot/Flying J Travel Centers, and Ruby Tuesday.

The area is also gaining a reputation as a prime location for corporate headquarters. High profile companies headquartered here in the MSA include the Tennessee Valley Authority, Jewelry Television, AC Entertainment, DeRoyal Industries, PetSafe/Radio Systems Corporation, and Regal Entertainment. Knox County has 7 business parks and a Technology Corridor to meet a wide range of corporate facility needs. In 2014, approximately 3,003 new jobs were created in Knox County among the more than 4,704 jobs created across the metro area.

Commercial Development

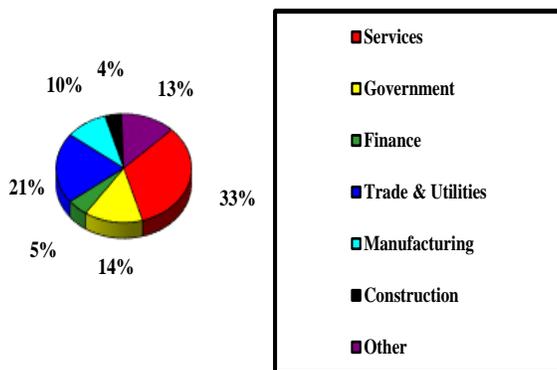
Four regional shopping malls and nearly 200 shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Knox County has traditionally been the regional hub of the MSA. The 2013 retail sales in the MSA grossed over \$13.2 billion, with approximately 67% of that total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



Tourism

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

Non-Agricultural Employment



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

Unemployment

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

Per Capita Income

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

FINANCIAL INFORMATION

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

For the annual budget process, the FY 2014 adopted budget provided for a modest increase (3.6%) in General Fund expenditures. Most of the budgeted increase was for needed additional expenditures for public safety, combined with additional transfers and payments to other funds, primarily for schools. Education funding, provided for in the General Purpose School Fund (the general fund for the Board of Education component unit) has also increased by more than \$18 million. The increases in budgeted funds for public safety and education reflect the Mayor's commitment to ensure that adequate funding is provided for these essential functions. By careful budgeting of expenditures in the overall budget, other essential services to Knox County citizens (road maintenance, parks and recreation, library services, etc.) have been maintained at appropriate levels. Revenues have been estimated conservatively, and actual results exceeded the budget. Much of this was due to local taxes, primarily property taxes, that exceeded originally budgeted estimates.

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

June 30, 2014 of \$632,397,204 is \$58,789,264 less than fiscal year 2011. This change resulted from the payments of bonded debt in the current year, combined with the deferral of the issuance of new debt approved based on the FY 2014 Capital Improvement Plan until subsequent to year end. Additional reductions are planned in future years to accomplish the Mayor's stated goal of reducing County bonded debt.

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Knox County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the eighteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The County has also received, for the nineteenth consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2015 Annual Operating Budget. In qualifying for the award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgments

The preparation of the CAFR was made possible by the dedicated service of the Department of Finance. Those involved have our sincere appreciation for the individual and collective contributions made in the preparation of the report. Jack Blackburn, Jennifer Bodie, Steve Campbell, Jeff Clark, Dora Compton, Susan Corlew, Patti Galvan-Balzer, Jason Lay, Peter Lin, and Melanie Wilck all went above and beyond the call of duty to design and generate this report. Thank you very much for your professional dedication in this effort. Thank you to the entire Department of Finance for your efforts to "get the job done well," every day. You serve the citizens of Knox County very well.

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

Sincerely,



Tim Burchett
Knox County Mayor



Chris Caldwell
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Knox County
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



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

Elected Officials:

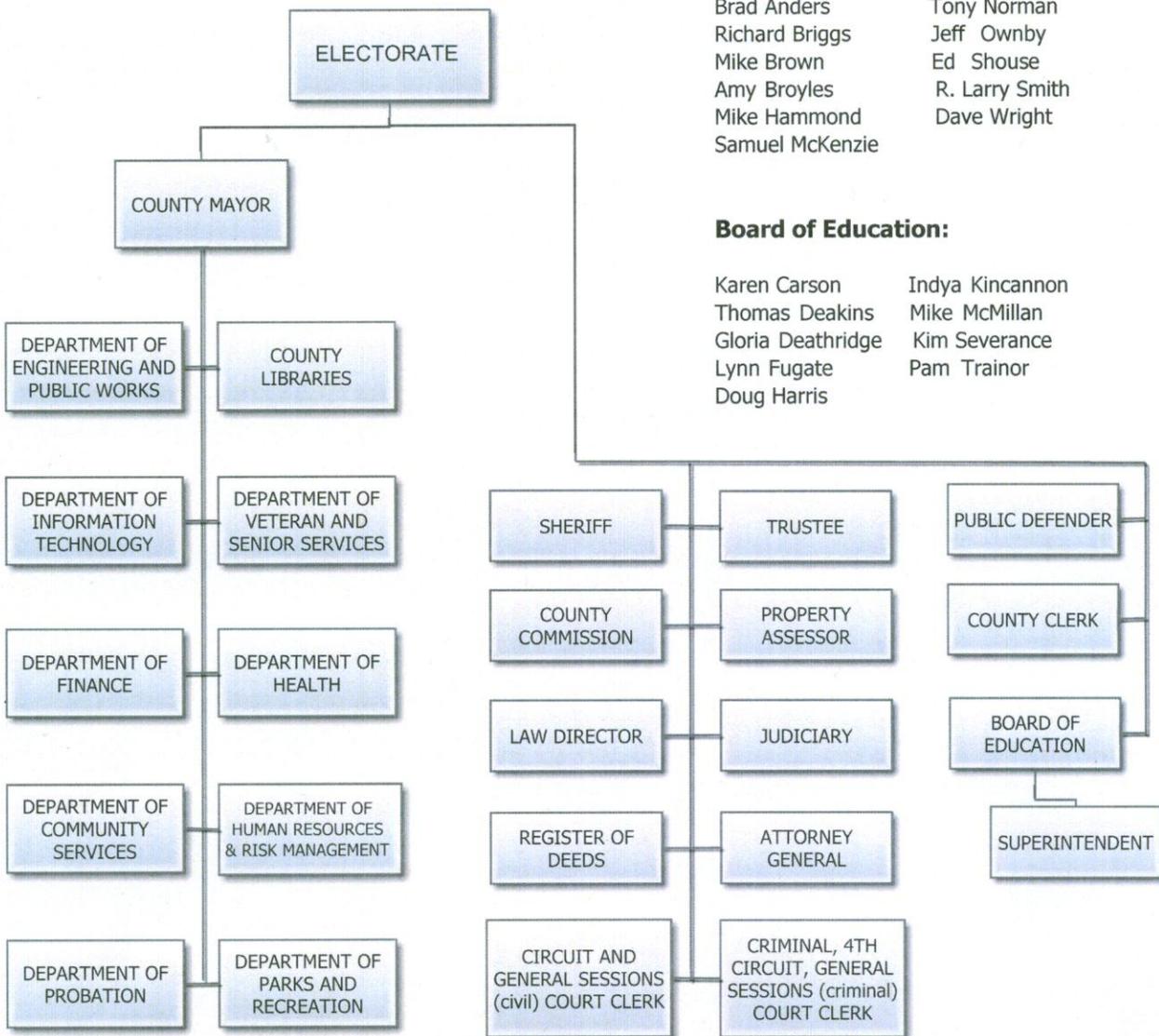
Assessor of Property - Phil Ballard
 Attorney General - Randall Nichols
 Circuit/General Sessions (civil) Clerk - Cathy Shanks
 County Clerk - Foster D. Arnett, Jr.
 County Mayor - Tim Burchett
 Criminal/Fourth Circuit/Sessions (criminal) Clerk - Joy McCroskey
 Law Director - Richard Armstrong
 Public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

Board of Commissioners:

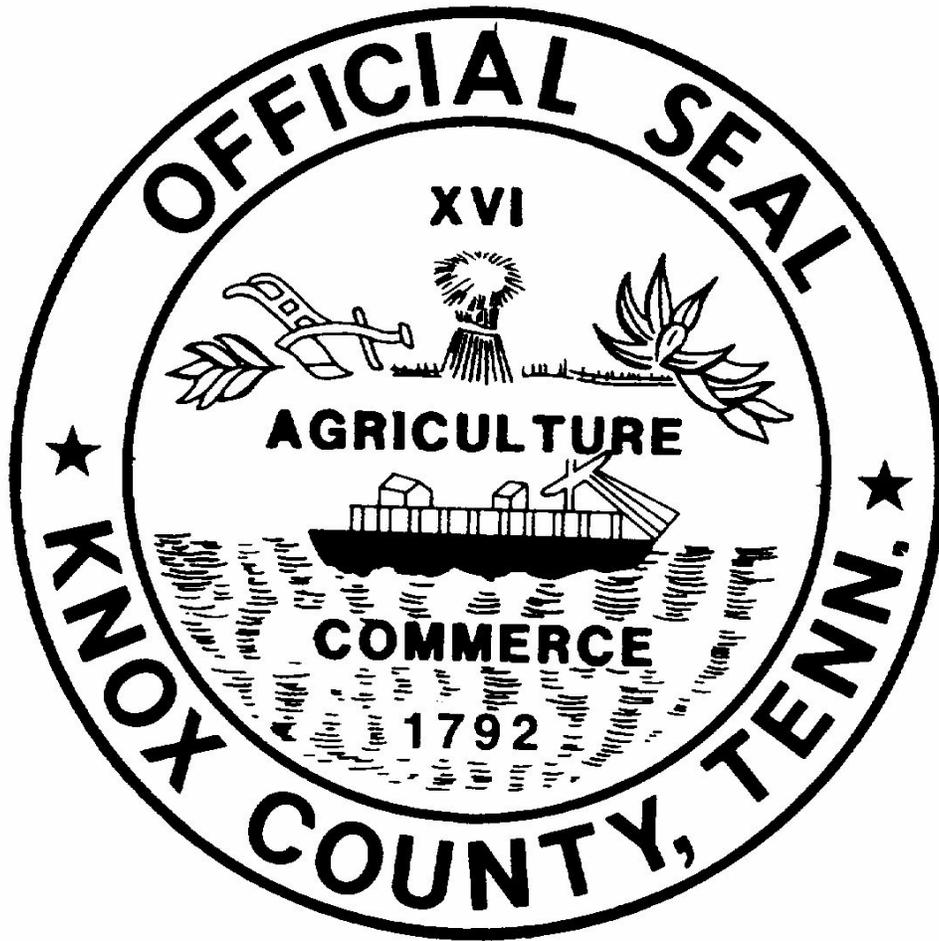
| | |
|-----------------|----------------|
| Brad Anders | Tony Norman |
| Richard Briggs | Jeff Ownby |
| Mike Brown | Ed Shouse |
| Amy Broyles | R. Larry Smith |
| Mike Hammond | Dave Wright |
| Samuel McKenzie | |

Board of Education:

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



Financial Section



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



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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, budgetary comparison statement of the general fund, fiduciary fund types and the aggregate remaining fund information of Knox County, Tennessee (the "County") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Development Corporation of Knox County ("TDC"), a discretely presented component unit reported in the financial statements of the County. The TDC comprises 2.10% of assets, 6.26% of net position and .10% of revenues. We did not audit the financial statements of the Great Schools Partnership Charitable Trust (the "Partnership"), a discretely presented component unit reported in the financial statements of the Knox County Board of Education (the "BOE"). The Partnership comprises 2.25% of assets, .32% of net position and 1.15% of the revenues of the BOE. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the TDC and the Partnership is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

xiii



Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, fiduciary fund types and the aggregate remaining fund information of the County and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison statement for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

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

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 29, 2014

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

As management of the Knox County Government, we offer readers of the Knox County Government's financial statements this narrative overview and analysis of the financial activities of the Knox County Government for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-x of this report. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
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The basic proprietary fund financial statements can be found on pages 8-10 of this report.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Knox County Government's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 94-96 of this report.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

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

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

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

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

The unrestricted net position balance represents funds that would normally be available to be used to meet the government's ongoing obligations to citizens and creditors. The primary reason for the deficit balance of \$247,035,437 as of June 30, 2014 results from the County's recognition of long-term debt issued on behalf of the Knox County Board of Education. Because the Board cannot by law issue its own debt, the County issues debt on behalf of the Board, and pays the proceeds (net of the effects of bond premiums and issuance costs) to the Board. The Board then uses these proceeds for its capital purposes, and records the capital assets on its own Statement of Net Position. Therefore, the assets are shown on the Board's Component Unit financial statements, whereas the related debt is shown on the County's Primary Government financial statements. At June 30, 2014, the amount of bonds, capital leases and loans issued by the County on behalf of the Board still outstanding was \$291,464,178, compared to the prior year amount of \$274,974,399. If these liabilities were shown with the Board's amounts to match the capital assets, the County would have had positive unrestricted net position of its governmental activities of \$44,428,741 in 2014 and \$42,098,572 in 2013 (which includes the effects of the restatement).

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

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

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

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

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

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

Program revenues include charges for services, which consist of various items such as fees for services, licenses, and fines. Charges for services relate to numerous and various government functions. These amounts decreased by \$355,830 compared to the prior year. These items represent

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

an aggregation of numerous transactions, and there is not a concentration of revenues in any area. These tend, therefore, to be relatively stable from year to year. Program revenues also include operating grants, which consist largely of grants received from the federal and state governments. These amounts increased by \$603,258 compared to the prior year. These revenues relate to numerous amounts received for various government functions. Both the 2014 and 2013 levels are similar, and in line with expectations based on activities in these functions.

General Revenues include local taxes, payments from component units, and other general revenues. Local taxes increased by \$436,429 compared to the prior year, a minor change reflecting unchanged tax rates (except for the effects of reappraisal) and relatively stable overall tax bases. Payments from component units primarily consist of the amounts received for the Board for the portion of debt service related to the debt obligations that the Primary Government incurred on behalf of the Board. Remaining general revenue consists primarily of state shared revenues, investment revenue, and miscellaneous. The decrease from 2014 to 2013 in this category from the prior year of \$7,466,912 was primarily attributable to decreased investment earnings. In 2014, investment earnings were \$2,248,955. The 2013 corresponding total was \$7,779,556, for a net change of \$5,530,601. The largest component of investment revenue in each year related to the change in fair value of an interest rate swap accounted for as an investment derivative instrument. In 2014, the change in fair value was a negative \$187,744, whereas the corresponding amount in 2013 was a positive \$5,053,927, resulting in a difference between the years of \$5,241,671. Although generally accepted accounting principles require recognition of this amount in the statement of activities, it should be noted that the County intends to hold the interest rate swap until maturity, and therefore the County has not realized any gain or loss in financial assets related to this amount.

Expenses for the Primary Government are categorized into functional areas. Total expenses increased by \$18,722,097 compared to the prior year. This change was largely attributable to the increase in the amounts paid to component units of \$10,651,543. The amounts paid to the Board are primarily the result of debt issued by the County on behalf of the Board. As previously noted, the County issues debt on behalf of the Board for capital purposes because the Board may not incur its own debt obligations. Therefore, the net proceeds of such debt issues are paid to the Board, thus resulting in an expense to the Primary Government. Expenses in other categories were generally comparable to 2013 amounts and in line with expectations. Increases totaling \$5,633,054 were experienced in the areas of public safety and engineering and public works (mostly for roads), which reflected necessary increases in the cost of providing essential government services.

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

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

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

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

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

FINANCIAL ANALYSIS OF THE FUNDS

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

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

The categories of fund balance are:

Nonspendable fund balance relates to amounts that cannot be spent because they are in a form that is not expected to be converted to cash (e.g., inventories and prepaid items), as well as the long-term portion of certain receivables and the County's investment in joint venture.

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

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

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

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

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

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

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

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

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

Knox County, Tennessee
Management's Discussion and Analysis (Unaudited)
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experienced from its variable rate debt, combined with the County's practice of issuing debt as close to the time of the anticipated cash needs as practicable in order to minimize total interest costs. The County plans to continue its conservative financial planning.

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

The Constitutional Officers Special Revenue Fund experienced an increase in the fund balance in the current year of \$329,546, resulting in fund balance at June 30, 2014 totaling \$3,986,924 compared to the June 30, 2013 total of \$3,657,378. This fund is used to account for the operations of various County offices that receive fees for providing various services to the public. A portion of these fees are used to pay for certain operating expenses, and the remaining fees are transferred to the County General Fund. Amounts transferred to the General Fund in 2014 totaled \$9,661,030, an increase of \$953,181 from the prior year total of \$8,707,849. These results were in line with expectations.

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

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

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GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Knox County Government Total Reporting Unit reported a total balance of capital assets (net of accumulated depreciation) as of June 30, 2014, of \$1,022,819,970, which compares to the prior year total of \$1,015,388,348. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net increase in the investment in capital assets for the current fiscal year was \$7,431,622 (0.7 percent), which reflects the capital additions for the year in amounts more than, although approximating, depreciation expense.

Spending for major capital asset additions during the current fiscal year included the following: energy management projects (Board), Juvenile Justice Center, County additions/renovations, City/County Building Improvements, various school upgrades, numerous road projects, and various other projects.

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The County Primary Government’s investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$973,345,120, less accumulated depreciation of \$363,095,148, leaving a net book value of \$610,249,972. The prior year net book value totaled \$617,025,295. Investment in capital assets includes land and land improvements, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the County, such as roads and streets, bridges, sidewalks, lighting systems, and similar items. The net decrease for the year was \$6,775,323. The decrease resulted primarily from depreciation expense in excess of additions. This was a planned result, reflecting the County’s commitment to reduce borrowing for capital purposes which results in lower amounts of capital asset additions. Although a certain level of long-term borrowing for capital purposes is both necessary and desirable to service the needs of County citizens, the County is committed to reducing its debt level in order to minimize the burden on County taxpayers resulting from additional debt issuances.

Additional information on the Knox County Government’s capital assets can be found in Note III.C of this report and on pages 184-186.

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

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

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

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

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

Knox County, Tennessee
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State statutes set no limit for the amount of general obligation debt a county may issue. Current bonded debt outstanding for the County Government is \$632,397,204. This translates to approximately \$1,363 per capita. This compares to the FY 2013 per capita amount of \$1,378.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

REQUESTS FOR INFORMATION

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

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

Basic Financial Statements



KNOX COUNTY, TENNESSEE

Statement of Net Position

June 30, 2014

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

The sum of the rows that report the net position categories for Net Investment in Capital Assets and Net Position-Unrestricted applicable to the primary government and the component units do not equal the related amounts shown in the Total Reporting Entity column. The difference of \$291,464,178 results because the debt incurred by the Primary Government on behalf of the Board of Education Component Unit reduces the unrestricted net position of the Primary Government, whereas the related assets are reported in the Board Component Unit totals. For the Total Reporting Unit, the \$291,464,178 is deducted from the amount shown for Net Investment in Capital Assets to show the matching of the total assets with the total debt.

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

KNOX COUNTY, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2014

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

June 30, 2014

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

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

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

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

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

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2014

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

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 7,880,393 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$22,184,917) exceeded capital outlays (\$18,454,998) in the current period. | (3,729,919) |
| Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements. | 4,891,032 |
| Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities. | (5,902,350) |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is reflected as an expenditure in the governmental funds, whereas the repayment reduces long-term liabilities in the statement of net assets. Debt proceeds (\$59,909,904) exceeded principal payments (\$40,997,261) by this amount. | (18,912,643) |
| Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$674,498). In addition, the amortization of bond premium results in reduction of expenses of \$1,405,693. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | 731,195 |
| Debt issued at a premium provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net assets. | (350,920) |
| The decrease in the liability for accrued interest of \$97,980, plus the increase in the balance of the net pension asset of \$182,450 and the increase in the balance of the net other post-employment asset of \$354,018, decreased expenses reported in the statement of activities. In addition, the increase in the balance of the liability for other post-employment benefits increased expenses by \$155,294, and the increase in the compensated absences liability balance of \$983,736 increased expenses by that amount. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | (504,582) |
| The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the assets sold is removed from the capital assets reported in the statement of net position and offset against the sale proceeds resulting in a gain on sale of capital assets in the statement of activities. | (3,052,019) |
| The increase in the fair value of an interest rate swap accounted for as an investment derivative instrument in the statement of activities did not provide current resources in governmental funds. | (187,744) |
| Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The net revenue (expense) amounts of the internal service funds are reported with governmental activities. | <u>5,411,500</u> |
| Change in Net Position of Governmental Activities | <u>\$ (13,726,057)</u> |

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

KNOX COUNTY, TENNESSEE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (GAAP Basis) - General Fund
For the year ended June 30, 2014**

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

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

KNOX COUNTY, TENNESSEE

**Statement of Net Position
Proprietary Funds
June 30, 2014**

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

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

KNOX COUNTY, TENNESSEE

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2014

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

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

KNOX COUNTY, TENNESSEE

**Statement of Cash Flows
Proprietary Funds**

For the Year Ended June 30, 2014

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

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

KNOX COUNTY, TENNESSEE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

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

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

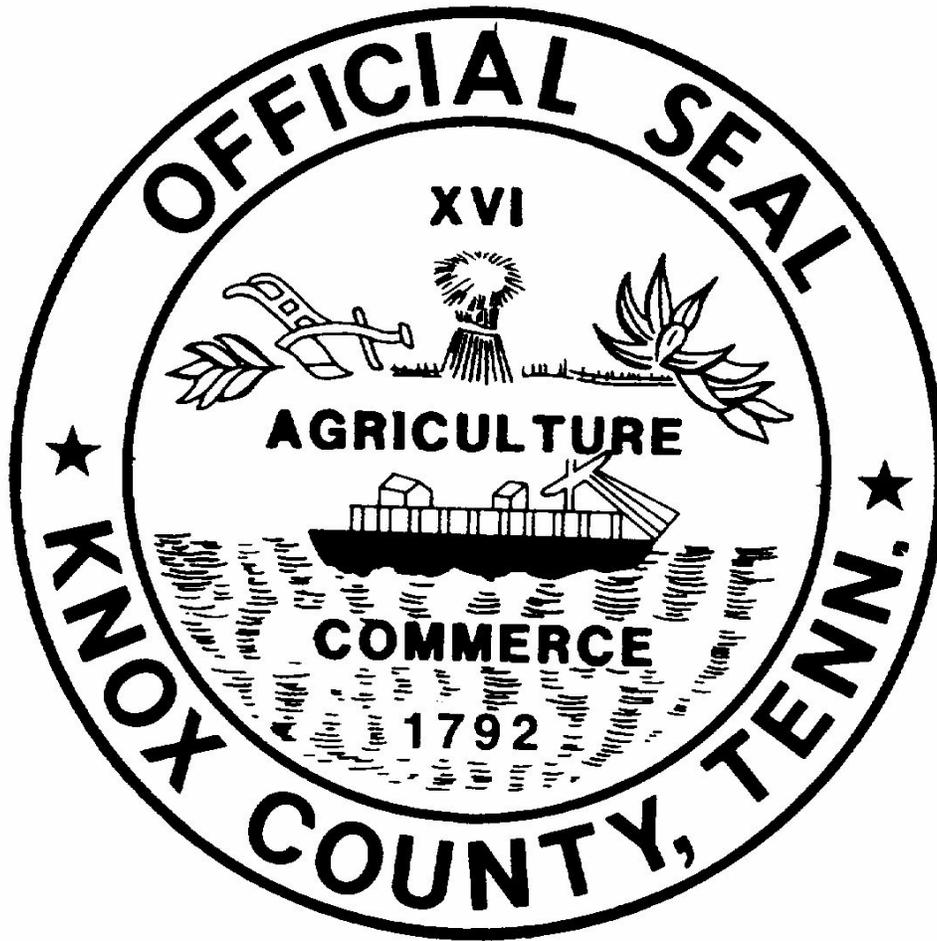
KNOX COUNTY, TENNESSEE

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2014

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

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

Notes to Financial Statements



KNOX COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2014

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Discretely Presented Major Component Units - the County

The Knox County Board of Education (the Board) consists of nine members elected by voters of the County and one superintendent appointed by members of the Board. The Board is fiscally dependent on the County because the County levies taxes for the Board, issues debt on behalf of the Board and approves the Board's Budget. The Board is responsible for elementary and secondary education within the County's jurisdiction. The Board operates a total of 89 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2013 - 2014 school year was 57,038 with a full time equivalent average daily attendance of 53,739. During the previous year, the full time equivalent average daily membership was 56,811 with a full time equivalent average daily attendance of 53,344.

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

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

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Complete financial statements for the District may be obtained at the entity's administrative offices:

Knox County Emergency Communications District
605 Bernard Avenue
Knoxville, TN 37921

The **Development Corporation of Knox County** (the Corporation) is a not-for-profit organization organized for the primary purpose of promoting and encouraging community and economic development within the boundaries of Knox County. The Corporation is governed by an eleven-member board: four members appointed by the County, two members appointed by the City of Knoxville, and five members who are citizens of Knox County. For those five citizen members, terms are staggered so that one member's term ends each year. Appointments are made by nomination from the entire Corporation board, and presented to County Commission for approval. Commission may reject a board nomination; however, the Corporation board's nomination becomes effective upon the third nomination event. The County has agreed to provide a portion of the Corporation's funding, and therefore the Corporation has imposed a financial burden on the County.

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

The Development Corporation of Knox County
17 Market Square, # 201
Knoxville, TN 37902-1405

The Board and KCRA do not issue separate financial statements from those of the County. Fund financial statements for the Board are, therefore, included in these financial statements. The activities of KCRA are accounted for in a single fund, and the information presented in the government-wide financial statements also constitutes the fund financial statements.

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Major Component Unit - the Board

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are considered susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the County are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Fund Accounting: The accounts of the County are organized, operated and presented on the basis of funds. Funds are independent fiscal and accounting entities with self-balancing sets of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Governmental Funds are used to account for the County's general government activities. The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund. The major revenue sources are property taxes and local option sales tax.

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

The *Public Improvement Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds, exclusive of construction activity related to the Americans with Disabilities Act. The major revenue source is proceeds from debt issuances.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds. The major revenue source is property tax collections.

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Component Units

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Deposits and Investments

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

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

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

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

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables, Payables, and Unearned Revenue

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

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

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

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

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Inventories and Prepaid Assets

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

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

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

Derivative Instruments

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

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The County analyzes its derivative instruments into hedging derivative instruments and investment derivative instruments, as defined by Statement No. 53. If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the Statement of Net Position as either deferred inflows or deferred outflows. If the derivative is classified as an investment derivative instrument, changes in its fair value are reported on the Statement of Activities in the period in which they occur. Such changes are included in the County's investment income (loss). See Note III. (H) for more detailed analysis. The County formally assesses the effectiveness of its hedging derivative instruments at each year-end.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Compensated Absences

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

Long-Term Obligations

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

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

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

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity

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

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

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

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the County is the County Commission. For financial matters such as adopting the budget, establishing tax rates, approving the issuance of debt, and constraining amounts for specific purposes, the Commission utilizes resolutions to effect such actions. Amounts are reported as committed pursuant to resolutions passed by Commission (legislative branch), which have also been approved by the County Mayor (executive branch.)

Assigned fund balance consists of amounts constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The County Mayor is the head of the County executive branch, and the Mayor is the County's chief fiscal officer as set forth in the Knox County Charter. Therefore, assignments may be made upon the authority of the County Mayor or designee.

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

E. Additional Information

Comparative Data/Reclassifications

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

Estimates

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

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

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

Budget Basis/Authority

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

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

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

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

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

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

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

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

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Budgetary Process

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

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

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

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

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

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

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

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

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

Supplemental Appropriations

The following schedule shows the annual budget originally adopted for the County and the Board, and the revisions to that budget as authorized by the County Commission, for the year ended June 30, 2014:

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

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

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

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

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2014, and grant awards appropriated at the time the award is received.

A local ordinance requires a two-thirds approval of the County Commission before reducing any County fund balance below an amount equal to five percent of the total amount budgeted in the fund. State law stipulates that the Board's General Purpose School Fund balance in excess of three percent of the budgeted annual operating expenses for the current fiscal year may be budgeted and expended for nonrecurring purposes but shall not be used for recurring annual operating expenses.

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

NOTE III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

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

Interest Rate Risk

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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

Custodial credit risk

The County's policies limit deposits and investments to those instruments allowed by applicable state laws. Tennessee State Law requires financial institutions to secure a local government's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal at least 105% of the average daily balance of deposits. Alternatively, financial institutions that hold public deposits may participate in the State's collateral pool.

A portion of the County's, the Board's and the District's deposits at June 30, 2014 were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee (the State). Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must equal between 90 – 115 percent of the average daily balance of public deposits held and must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. The members of the pool may be required to pay an assessment to cover any deficiency.

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Credit risk

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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

B. Receivables

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

Primary Government

| | Major Governmental Funds | | | | | | | Trust and Agency |
|-------------------------------------|--------------------------|----------------------|-------------------------------------|-----------------------------|-------------------|-----------------|--------------------------|---------------------|
| | General | Debt Service | Capital Projects Public Improvement | Nonmajor Governmental Funds | Internal Service | Enterprise Fund | Total Primary Government | |
| Receivables: | | | | | | | | |
| Taxes | \$ 113,383,573 | \$ 55,577,040 | \$ - | \$ - | \$ - | \$ - | \$ 168,960,613 | \$ - |
| Accounts | 7,588,363 | 35,000 | 63,896 | 7,640,117 | 707,867 | 7,346 | 16,042,589 | 8,075,869 |
| Contributions | - | - | - | - | - | - | - | 410,243 |
| Gross Receivables | 120,971,936 | 55,612,040 | 63,896 | 7,640,117 | 707,867 | 7,346 | 185,003,202 | 8,486,112 |
| Less: Allowances for Uncollectibles | (2,050,937) | (729,935) | - | - | - | - | (2,780,872) | - |
| Net Total Receivables | \$ 118,920,999 | \$ 54,882,105 | \$ 63,896 | \$ 7,640,117 | \$ 707,867 | \$ 7,346 | \$ 182,222,330 | \$ 8,486,112 |

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

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

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

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

- (1) A note receivable from the Knoxville-Knox County Community Action Committee (CAC) with an initial balance of \$2,300,000 was originated during the fiscal year ended June 30, 2004. The note resulted from an arrangement between the County and CAC whereby certain proceeds from debt issued by the County were used to construct a facility on CAC's behalf. CAC agreed to reimburse the County by repaying the annual amounts of the County's related debt service requirements. The resulting note receivable is due in varying principal installments, plus interest, through 2022. As of June 30, 2014, \$1,151,000 remained outstanding.

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

- (2) A loan receivable from the Industrial Development Board of Blount County was made for the purpose of providing financial assistance to the Board for the acquisition and development of property as a business and industrial park. The loan bears interest at 5% annually and is to be repaid from amounts to be received by the Board from land sales and other revenues related to the park. At June 30, 2014, the loan balance was \$6,020,000.

The State, Federal and Other Grants Special Revenue Fund had \$2,850,946 of notes receivable at June 30, 2014. These note agreements are from eligible County citizens participating in various state and federal low-income housing projects. These notes are executed with a range of below market interest rates and varying repayment terms.

Advances to Other Government

During the fiscal year ended June 30, 2006, the County advanced \$2,500,000 to the Knoxville-Knox County Community Action Committee (CAC). An additional advance during the fiscal year ended June 30, 2009 for \$3,500,000 was made to CAC from Knox County. These advances were made to provide funding for operations and are to be repaid from grant monies and other funding received by CAC. During the fiscal year ended June 30, 2011, CAC paid the County \$3,500,000 towards the advances leaving a balance due to the County of \$2,500,000. CAC made no payments during the fiscal years ended 2013 and 2014. Subsequent to the fiscal year 2014 year end, CAC made a payment to the County of \$35,000, which has been reclassified as a current receivable.

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Activity in the County's and the Component Unit's capital assets for the fiscal year ended June 30, 2014, was the following:

Primary Government

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Primary Government

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

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Component Unit – the Board

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The composition of the County and component unit interfund receivables and payables as of June 30, 2014, is as follows:

Due to/from Other Funds - Primary Government:

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Due to/from Primary Government and Component Units:

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

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

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

Due to/from Other Funds - The Board:

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The composition of primary government transfers for the year ended June 30, 2014, is as follows:

Primary Government:

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions (Continued)

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

In addition, payments of \$1,873,917 were made from the Pension Trust – Defined Benefit Funds for the County Retirement Board administrative expenses.

Transfers Within Component Unit – the Board:

| Transfers - In | Transfers - Out | Amount |
|------------------------------------------|-------------------------|----------------------|
| <u>Special Revenue Funds (Nonmajor):</u> | | |
| General Purpose School | Central Cafeteria | \$ 745,008 |
| | School Construction | 3,215,000 |
| | | <u>3,960,008</u> |
| School General Projects | General Purpose School | 10,530,907 |
| | School Federal Projects | 567,038 |
| | | <u>11,097,945</u> |
| School Federal Projects | General Purpose School | 62,271 |
| | School General Projects | 41,309 |
| | | <u>103,580</u> |
| Total Board of Education | | <u>\$ 15,161,533</u> |

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions (Continued)

Transactions between Primary Government and Component Units:

| Revenues and Other Sources | Expenses/Expenditures and Other Uses | Amount |
|------------------------------------------------|-----------------------------------------------------|----------------------|
| Primary Government - Debt Service (Major Fund) | Component Unit - the Board, General Purpose School | \$ 10,938,398 |
| | Component Unit - the Board, School Construction | 19,500,000 |
| | Component Unit - the Board, School General Projects | <u>1,490,625</u> |
| Total Primary Government | | <u>\$ 31,929,023</u> |
| Component Unit - General Purpose School | Primary Government - General | \$ 4,052,000 |
| Component Unit - School Construction | Primary Government - Public Improvement | 32,801,434 |
| Component Unit - School General Projects | Primary Government - Public Improvement | 5,962,500 |
| Component Unit - Great Schools Partnership | Primary Government - General | <u>2,701,874</u> |
| | | <u>45,517,808</u> |
| Component Unit - The District | Primary Government - General | <u>537,828</u> |
| Component Unit - The Corporation | Primary Government - General | <u>600,000</u> |
| Total Component Units | | <u>\$ 46,655,636</u> |

Transactions between the Board and its Component Unit:

| Revenues and Other Sources | Expenses/Expenditures and Other Uses | Amount |
|------------------------------------|-------------------------------------------|---------------------|
| The Board, School General Projects | Component Unit, Great Schools Partnership | <u>\$ 3,147,995</u> |

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Unearned Revenues

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Deferred Inflows

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Leases

Capital Lease

All capital leases pertain to governmental activities.

The Primary Government leases various equipment through capital leasing arrangements. The Primary Government's capital lease obligations are reflected as a liability in the Statement of Net Position.

The future minimum lease obligations are as follows:

| <u>Year Ending June 30.</u> | <u>Primary Government</u> |
|-----------------------------------------|---------------------------|
| 2015 | \$ 1,030,955 |
| 2016 | 2,306,705 |
| 2017 | 2,053,020 |
| 2018 | 2,083,682 |
| 2019 | 2,115,263 |
| 2020 - 2024 | 11,084,219 |
| 2025 - 2029 | 10,997,668 |
| 2030 - 2031 | <u>2,262,496</u> |
| Total Minimum Lease Payments | \$ 33,934,008 |
| Less: Amounts Representing Interest | <u>(6,688,901)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 27,245,107</u> |

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

| <u>Lessor</u> | <u>Purpose</u> | <u>Interest Rate</u> | <u>Last Maturity Date</u> | <u>Principal Balance</u> |
|-----------------------------------------|-----------------------------|----------------------|---------------------------|--------------------------|
| SunTrust Bank | Energy Management Equipment | 2.19% | 2/1/2028 | <u>\$ 12,372,703</u> |
| Bank of America Public Capital Corp. | Energy Management Equipment | 3.09% | 8/1/2030 | <u>\$ 14,872,404</u> |

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities

Loans Payable

All loans payable pertain to governmental activities.

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

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2015 | \$ 406,066 | \$ 30,386 | \$ 436,452 |
| 2016 | 409,121 | 27,331 | 436,452 |
| 2017 | 412,201 | 24,251 | 436,452 |
| 2018 | 415,303 | 21,149 | 436,452 |
| 2019 | 418,428 | 18,024 | 436,452 |
| 2020 - 2024 | 2,139,853 | 42,407 | 2,182,260 |
| 2025 | 36,384 | 23 | 36,407 |
| Total | <u>\$ 4,237,356</u> | <u>\$ 163,571</u> | <u>\$ 4,400,927</u> |

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

General Obligation and Public Improvement Bonds

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

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

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

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

| | Interest Rate | Last Maturity Date | Principal Balance |
|------------------------------------------------------------------------------|----------------------------------|--------------------------|-----------------------|
| Governmental Activities: | | | |
| General Obligation - Refunding Series 2002A | 4.00-5.50% | 4/1/2019 | \$ 14,055,818 |
| General Obligation - Refunding Bonds, Series 2003A | 5.00% | 2/1/2017 | 4,978,776 |
| General Obligation - Series 2003 | Variable Rate Swap to 3.95% | 6/1/2029 | 30,046,749 |
| General Obligation - Refunding Series 2004 | 4.00-5.25% | 4/1/2020 | 10,401,589 |
| General Obligation - Series 2004 | Variable Rate Swap to 3.40% | 6/1/2029 | 42,385,714 |
| General Obligation - Refunding Series 2005A | 3.569-5.00% | 5/1/2021 | 22,635,624 |
| General Obligation - Series 2005 | Variable Rate Swap to 3.89% | 6/1/2034 | 43,311,690 |
| General Obligation - Series 2007 | Variable Rate (.618% at 6/30/14) | 6/1/2034 | 50,450,000 |
| General Obligation - Series 2007 (Taxable Pension Bonds) | 4.75-5.75% | 6/1/2027 | 50,975,000 |
| General Obligation - Series 2008 | Variable Rate (.06% at 6/30/14) | 6/1/2029 | 21,654,750 |
| General Obligation - Series 2009 | 3.00-4.00% | 6/1/2018 | 2,425,000 |
| General Obligation - Series 2010A (Federally Taxable Build America Bonds) | 1.10-5.75% (1) | 6/1/2035 | 993,748 |
| General Obligation - Refunding Bonds, Series 2010B | 2.00-5.00% | 4/1/2035 | 30,065,000 |
| General Obligation - Refunding Bonds, Series 2010C | 2.00-4.00% | 4/1/2024 | 8,770,000 |
| General Obligation - Series 2010D (Federally Taxable Build America Bonds) | 1.125-6.00% (1) | 6/1/2035 | 16,925,000 |
| General Obligation - Series 2012 | 2.0 - 4.0% | 4/1/2032 | 5,850,000 |
| General Obligation - Series 2013 | 2.0 - 4.35% | 6/1/2035 | 20,962,906 |
| Total Bonded Debt to be repaid by Governmental Activities | | | 376,887,364 |
| The Board: | | | |
| General Obligation - Refunding Series 2002A | 4.00-5.50% | 4/1/2019 | 24,559,182 |
| General Obligation - Refunding Series 2003A | 5.00% | 2/1/2017 | 11,341,224 |
| General Obligation - Series 2003 | Variable Rate Swap to 3.95% | 6/1/2029 | 28,128,251 |
| General Obligation - Refunding Series 2004 | 4.00-5.25% | 4/1/2020 | 14,663,411 |
| General Obligation - Series 2004 | Variable Rate Swap to 3.40% | 6/1/2029 | 22,114,286 |
| General Obligation - Refunding Series 2005A | 3.569-5.00% | 5/1/2021 | 13,494,376 |
| General Obligation - Refunding Series 2005B | 3.65-5.00% | 5/1/2018 | 4,975,000 |
| General Obligation - Series 2005 | Variable Rate Swap to 3.89% | 6/1/2034 | 23,388,310 |
| General Obligation - Series 2007 | Variable Rate (.618% at 6/30/14) | 6/1/2034 | 18,550,000 |
| General Obligation - Series 2008 | Variable Rate (.06% at 6/30/14) | 6/1/2029 | 11,660,250 |
| General Obligation - Series 2010A (Federally Taxable Build America Bonds) | 1.10-5.75% (1) | 6/1/2035 | 14,906,252 |
| General Obligation - Refunding Bonds, Series 2010C | 2.00-4.00% | 4/1/2024 | 17,100,000 |
| General Obligation - Qualified School Construction Bonds | .0% (2) | 7/1/2027 | 24,067,204 |
| General Obligation - Series 2012 | 2.0 - 4.0% | 4/1/2032 | 8,450,000 |
| General Obligation - Series 2013 | 2.0 - 4.35% | 6/1/2035 | 18,112,094 |
| Total Bonded Debt to be repaid by the Board | | | 255,509,840 |
| Total Bonded Debt | | | \$ 632,397,204 |

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

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

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

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

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

Changes in General Long-Term Liabilities

The following represents the changes in long-term liabilities for the County, the Board, and the District for the year ended June 30, 2014:

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Subsequent Event – Debt Issuance

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

Interest Rate Swaps

Series C-1-A

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$72 million and the associated variable-rate bond has a \$72 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series C-1-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2014, rates were as follows:

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

Fair value. As of June 30, 2014, the swap had a negative fair value of (\$8,385,607), a change of \$6,462 compared to the June 30, 2013 balance of (\$8,392,069). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2014, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2014, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody's, Standard & Poor's and Fitch, respectively.

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

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

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

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

Series VI-A-1

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

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

Terms. Under the swap, the Authority pays a fixed payment of 3.40 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$70 million and the associated variable-rate bond has a \$70 million original principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-A-1 Bonds. The bonds’ variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the “SIFMA”). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2014, rates were as follows:

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

Fair value. As of June 30, 2014, the swap had a negative fair value of (\$7,200,256), a change of \$187,744 compared to the June 30, 2013 balance of (\$7,012,512). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Credit risk. As of June 30, 2014, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap’s fair value. The swap counterparty, Morgan Keegan Financial Products (“MKFP”) was rated “A+” by Standard and Poor’s as of June 30, 2014, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody’s, Standard & Poor’s and Fitch, respectively.

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

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

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Series D-3-A

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

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

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.89 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$77 million and the associated variable-rate bond has a \$77 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series D-3-A Bonds. The bonds’ variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the “SIFMA”). The bonds and the related swap agreement mature on June 1, 2034. As of June 30, 2014, rates were as follows:

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Fair value. As of June 30, 2014, the swap had a negative fair value of (\$12,065,415), a change of \$516,236 compared to the June 30, 2013 balance of (\$11,549,179). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2014, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2014, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody's, Standard & Poor's and Fitch, respectively.

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity (Continued)

Nonmajor Governmental Funds

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity (Continued)

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

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

The School Construction Capital Projects Fund had a deficit balance of \$6,147,485 at June 30, 2014. This deficit balance was caused by the timing of the recognition of various expenditures prior to the end of the year. Expenditures for this fund are funded primarily by debt proceeds. Subsequent to year end, in October 2014, the County issued \$30,040,000 in general obligation bonds, of which \$14,535,000 was allocated to the School Construction Fund. This source of funds eliminated the 6/30/2014 fund deficit.

K. Property Taxes

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

K. Property Taxes (Continued)

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

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

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

The 2015 fiscal year property tax rate of \$2.32 is divided as follows:

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

KNOX COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2014

NOTE IV. OTHER INFORMATION

A. Joint Ventures

The County is a participant in a joint venture with the City of Knoxville and the Knoxville Utilities Board in the operation of the Geographic Information Systems. The Geographic Information Systems was established to create and maintain a digitized mapping system of Knox County. Each of the participants appoints one of the three board members who oversee the operations. In March 1987, the County issued public improvement bonds, which included \$5,500,000 used to install the geographic information system. In accordance with the terms of the joint venture agreement, payments are shared between the County, the City of Knoxville and the Knoxville Utilities Board. In the 2014 fiscal year, the joint venture received 92 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$346,742 for the year ended June 30, 2014. The County does not retain an equity interest in the joint venture. Complete separate financial statements for the Geographic Information Systems may be obtained at 606 Main Street, Suite 150, Main Place, Knoxville, TN 37902.

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

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

NOTE IV. OTHER INFORMATION (Continued)

B. Related Organizations

The County is responsible for all of the board appointments of the Knox County Industrial Development Board. However, the County has no further accountability for the organization.

The County is responsible for a minority of the board appointments for the Knoxville-Knox County Community Action Committee. During the year ended June 30, 2014, the County appropriated operating subsidies of \$1,389,919 to the Community Action Committee.

In FY 2014, the County and the Hall of Fame Management, Inc., dba the Women's Basketball Hall of Fame (the Hall) were parties to a contract for the operations management of the Women's Basketball Hall of Fame. The County paid the Hall a management fee. Pursuant to that contract, the Hall managed the day-to-day operations and events at the facility, collected revenues for the County, and paid the operating expenses from these revenues. All revenues collected by the Hall were the property of the County and held by the Hall in trust as public funds and applied to pay operating expenses in accordance with the budget. To the extent revenues were insufficient, the Hall was to pay operating expenses out of its management fee.

In 2014, the County and the Knoxville Convention & Visitors Bureau, Inc., dba "Visit Knoxville" were parties to a contract whereby Visit Knoxville performed tourism marketing services for Knox County. Visit Knoxville received a percentage of hotel-motel tax collections as compensation for these services. The County appoints certain board members of Visit Knoxville.

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

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Financing

The County has established risk-financing funds (the Self Insurance Healthcare Fund, and the Self Insurance Fund) associated with the employee's health insurance plan and payments to cover worker's compensation and general liability claims and settlements, respectively. The Board and the District (component units), the Geographic Information Systems (joint venture between the County and the City of Knoxville), and the Knox County-City of Knoxville Metropolitan Planning Commission (a separate governmental organization) also participate in the plan.

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

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

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

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

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

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Financing (Continued)

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

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

D. Other Post Employment Benefits

Retiree Healthcare

Plan Description

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

Funding Policies

The contribution requirements of the County healthcare plan members and the County are established in the annual budget approved by County Commission. The required contribution is based on the annual premiums for the healthcare plan. The active employees pay a portion of the premium cost and the County pays the remaining premiums. For health insurance, the retiree contributes 100% of all premium payments. For the fiscal year ended June 30, 2014, the retirees contributed \$305,632 to the active Humana medical plans. Retirees contributed 100% of the cost of the Medicare Advantage premium totaling \$365,633.

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

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Retiree Healthcare (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

The plan contains both active employees and retirees. Although the County's annual contribution is 51.62% of premium payments for the combined participants, the share of claims related to retirees represents a higher percentage of the total claims. Accordingly, contributions reflected in the OPEB calculations have been adjusted to reflect that a portion of contributions for active employees are subsidizing the retiree claims.

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

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

| | | |
|--------------------------------------------|----|-----------------------|
| Annual Required Contribution | \$ | 303,599 |
| Interest on net OPEB Obligation | | 31,294 |
| Adjustment to annual required contribution | | (40,231) |
| Annual OPEB Cost | | <u>294,662</u> |
| Contribution made | | <u>(139,368)</u> |
| Increase (decrease) in net OPEB obligation | | 155,294 |
| Net OPEB obligation July 1, 2013 | | 782,362 |
| Net OPEB obligation June 30, 2014 | \$ | <u><u>937,656</u></u> |

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

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--------------------------------------------------|------------------------|
| June 30, 2011 | \$ 263,802 | 46.49% | \$ 508,294 |
| June 30, 2012 | 267,974 | 48.06% | 647,490 |
| June 30, 2013 | 278,805 | 51.62% | 782,362 |
| June 30, 2014 | 294,662 | 47.30% | 937,656 |

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

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Retiree Healthcare (Continued)

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the County healthcare plan was 0% funded. The actuarial accrued liability for benefits for June 30, 2014 was \$2,809,911, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,809,911. The schedule of funding progress immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuations

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

Actuarial Methods and Assumptions

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

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

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Retiree Healthcare (Continued)

Actuarial Methods and Assumptions (Continued)

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

Disability Plan

Plan Description

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

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

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Disability Plan (Continued)

Funding Policies

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

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

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

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

Annual OPEB Cost and Net OPEB Obligation

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

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

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

NOTE IV. OTHER INFORMATION (Continued)

D. Other Post Employment Benefits (Continued)

Disability Plan (Continued)

Funded Status and Funding Progress

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

Actuarial Valuations

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

Actuarial Methods and Assumptions

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

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

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies

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

The County receives significant financial assistance from the Federal and State governments in the form of grants and entitlements. These programs are subject to various terms and conditions, compliance with which is the responsibility of the County. These programs are subject to financial and compliance audits by the grantor agencies. Any costs disallowed as a result of such audits could become a liability of the County. As of June 30, 2014, the amount of any liabilities that could result from such audits cannot be determined. However, the County believes that any such amounts would not have a material adverse effect on the County's financial position.

The County and the Board utilize encumbrance accounting in their governmental funds. Encumbrances outstanding at June 30, 2014 that have been reappropriated in the subsequent year are as follows:

Primary Government:

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

Componet Unit - the Board:

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

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

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

The County and the Board have several outstanding construction projects as of June 30, 2014. The County also has a five-year Capital Improvement Plan which addresses major capital needs for the County and the Board. Although the Capital Improvement Plan does not represent legal appropriations or contractual commitments, it does represent priorities as determined by the County and the Board. Funding for the first year of the adopted Capital Improvement Plan has been appropriated by action of the County Commission.

The following represents capital projects funds spent to date, current contractual obligations, and appropriations for future projects as adopted in the Capital Improvement Plan for the fiscal year beginning July 1, 2014:

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

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

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

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

F. Constitutional Officers

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

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

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

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

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

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

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

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

NOTE IV. OTHER INFORMATION (Continued)

F. Constitutional Officers (Continued)

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

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

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

G. Accounting Pronouncements

The County adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, required for fiscal periods beginning after December 15, 2012, in fiscal 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of the adoption of this Statement, certain property taxes and notes receivable recognized as assets before the related resources are available have been reported as deferred inflows of resources. See Note III (G.) for amounts reported as deferred inflows at June 30, 2014.

The County adopted GASB Statement No. 66, *Technical Corrections-2012-an Amendment of GASB Statements No. 10 and No. 62*, required for fiscal periods beginning after December 15, 2012, in fiscal 2014. This Statement resolves conflicting guidance that resulted from the issuance of two subsequent pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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

NOTE IV. OTHER INFORMATION (Continued)

G. Accounting Pronouncements (Continued)

The County adopted GASB Statement No. 67, *Financial Reporting for Pension Plans-an Amendment of GASB Statement No. 25*, required for fiscal periods beginning after June 15, 2013, in fiscal 2014. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The adoption of this statement resulted in certain changes in the accounting and financial reporting standards used in the separate financial statements issued by the County's pension plans.

The County plans to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*, required for fiscal periods beginning after June 15, 2014, in fiscal 2015. This Statement replaces the requirements of Statements No. 27, *Accounting for Pensions by State and Local Government Employers*, and No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered through trusts or equivalent arrangements that meet certain criteria. With the adoption of GASB Statement No. 68 in FY 2015, the County and Board will be required to record their net pension liability (NPL) on their respective financial statements by reducing net position, based upon actuarially computed valuations. The NPL, which is the difference between the total computed pension liability and the market value of assets held in trust for the participants, will then be adjusted annually through pension expense. In addition, expanded disclosures regarding the pension plans and additional required supplementary information are required by this Statement. Management is in the process of determining the effects that the adoption of this Statement will have on the County's and Board's financial statements.

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

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

NOTE IV. OTHER INFORMATION (Continued)

G. Accounting Pronouncements (Continued)

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

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

H. Accounting Changes and Restatements

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

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

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

NOTE IV. OTHER INFORMATION (Continued)

H. Accounting Changes and Restatements (Continued)

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

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

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

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

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

NOTE V: EMPLOYEE RETIREMENT PLANS

A. General Information

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

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

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

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

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Contribution Plans

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

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

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

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

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

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

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

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Contribution Plans (Continued)

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

As of June 30, 2014, there were 883 Plan members in the Knox County Voluntary 457(b) Plan. During the year, member contributions amounted to \$2,494,026 and the employer contributed \$1,470,978.

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

Effective July 1, 1999:

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

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

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

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

B. Defined Contribution Plans (Continued)

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

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

At June 30, 2014, the Medical Expense Retirement Plan had 1,542 members and 577 of them contributed funds to the plan. During the year employer and member contributions amounted to \$46,033 and \$193,213, respectively.

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

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

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

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

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans

Plan Descriptions

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

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

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

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

All new employees hired between June 1, 2007 and January 1, 2014, who are sworn officers of the Sheriff's Department, were required to join the UOPP. Each participant contributes 6% of pay until the participant has reached 30 years of credited service with the UOPP. All remaining funding needed for the Plan is the responsibility of Knox County. The UOPP plan was closed to new members January 1, 2014 (see Note V (B)).

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

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

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

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

In the *Defined Benefit Plan* and the *Teacher Plan*, provisions and contribution requirements are established and may be amended by the Knox County Retirement and Pension Board in compliance with state law. For the *Uniformed Officers Plan*, some provisions and employee contribution changes are limited based on wording in the Knox County Charter (Article VII, Section 7.05) while other provisions and employer contributions can be determined by the Knox County Retirement and Pension Board in compliance with state law. The Knox County Retirement Board administers the Plans and the Board's administrative costs are paid from the assets of these three DB plans. Separate financial reports are prepared for all three plans.

Participant data at January 1, 2014 was as follows:

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

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

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

As a result of the November 2012, Knox County Election, the UOPP is closed to new participants as of January 1, 2014. All law enforcement and correction officers (including the Sheriff and Chief Deputy) hired after January 1, 2014, are enrolled in a new Defined Contribution Plan called STAR (see Note V (B) for more details.)

Along with the closing of the UOPP Plan effective January 1, 2014, an OPEB - Employee Disability Plan created under IRC Section 501c(9) was implemented for all eligible participants in all the Knox County Retirement Systems (except City A Teachers) who become disabled on or after January 1, 2014. This has closed the disability benefits section of both the Closed DB Plan and the UOPP Plan for any new claims. See Note IV (D) for additional information regarding the Employee Disability Plan.

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

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

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

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

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

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

Funding Policy

In the *County DB Plan*, plan members are required to make contributions at the rate of 5% of earnable compensation. The County, however, is required to make contributions only to the extent necessary to maintain the funded status of the plan as actuarially determined.

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

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

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

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

Under the *TCRS plan*, most teachers are required by state statute to contribute 5% of salary to the plan. The employer contribution rate for Knox County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2014 was 8.88% of annual covered payroll.

The employer contribution requirement for Knox County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2014, 2013 and 2012 were \$21,792,648, \$20,904,288, \$20,246,139, respectively, equal to the required contributions for each year.

The TCRS plan for Knox County Mayor and Officials requires employees to contribute 5% of earnable compensation.

Knox County Mayor and Officials are required to contribute at an actuarially determined rate; the rate for the County for the fiscal year ending June 30, 2014 was 10.70% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Knox County Mayor and Officials is established and may be amended by the TCRS Board of Trustees.

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

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

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

The annual required contributions for the current year were determined as part of actuarial valuations using the following significant assumptions:

| | Primary Government | | | Component Unit - The Board |
|-----------------------------------------------------------|---------------------------------------|---------------------------------------|----------------------------------------|---------------------------------------|
| | County DB Plan | UOPP DB Plan | TCRS | Teachers' DB Plan |
| Actuarial Measurement Date | June 30, 2014 | June 30, 2014 | July 1, 2013 | June 30, 2014 |
| Actuarial Cost Method | Individual Entry Age Normal | Individual Entry Age Normal | Frozen Entry Age | Individual Entry Age Normal |
| Actuarial Valuation of Assets | Smoothed Market Value Over 5 Years | Smoothed Market Value Over 5 Years | Smoothed Market Value Over 10 Years | Smoothed Market Value Over 5 Years |
| Inflation Rate | 2.35% | 2.35% | 3.00% | 2.35% |
| Investment Return | 7.00% | 7.00% | 7.50% | 7.00% |
| Projected Salary Increases | 3.00% | 3.00% | 4.75% | 3.00% |
| Post Retirement Increases (Cost of Living Adjustments) | 3.00% | 3.25% | 2.50% | 3.00% |
| Vesting | 100% after 5 years of Service | 100% after 5 years of Service | 100% after 10 years of service | 100% after 5 years of Service |

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

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

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

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

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

| Description | Primary Government County DB Plan | | | Primary Government Uniformed Officers Pension Plan | | | Component Unit - The Board Teachers' DB Plan | | |
|-----------------------------------------------------------------|--------------------------------------|----------------|----------------|----------------------------------------------------------|----------------|----------------|-------------------------------------------------|--------------|--------------|
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| NPO: Net Pension | | | | | | | | | |
| Obligation (Asset), Beginning of Year* | \$ (4,191,619) | \$ (3,737,810) | \$ (3,933,101) | \$ (1,483,848) | \$ (1,083,243) | \$ (801,195) | \$ 3,107,272 | \$ 3,139,282 | \$ 3,166,041 |
| Annual Pension Cost: | | | | | | | | | |
| Annual Required Contribution (ARC) | 2,467,803 | 2,378,622 | 1,497,424 | 4,483,986 | 4,609,314 | 4,108,886 | 1,726,537 | 1,183,029 | 1,046,949 |
| Interest on NPO (Asset) | (293,413) | (261,647) | (294,983) | (103,869) | (75,827) | (60,743) | 217,509 | 219,750 | 237,453 |
| Adjustments to ARC** | 336,154 | 299,760 | 328,224 | 119,000 | 86,873 | 67,588 | (249,193) | (251,760) | (264,212) |
| Total Annual Pension Cost | 2,510,544 | 2,416,735 | 1,530,665 | 4,499,117 | 4,620,360 | 4,115,731 | 1,694,853 | 1,151,019 | 1,020,190 |
| Contributions Made | 2,678,157 | 2,870,544 | 1,335,374 | 4,513,954 | 5,020,965 | 4,397,779 | 1,726,537 | 1,183,029 | 1,046,949 |
| Increase (Decrease) in NPO (Asset) | (167,613) | (453,809) | 195,291 | (14,837) | (400,605) | (282,048) | (31,684) | (32,010) | (26,759) |
| NPO (Asset), End of Year | \$ (4,359,232) | \$ (4,191,619) | \$ (3,737,810) | \$ (1,498,685) | \$ (1,483,848) | \$ (1,083,243) | \$ 3,075,588 | \$ 3,107,272 | \$ 3,139,282 |
| Amortization Period (in years) | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Remaining Amortization Period (in years) | 19 | 19.5 | | 29 | 29.5 | | 19 | 19.5 | |
| Interest Rate (per annum) Percentage of Contributions/APC | 7.00% | 7.00% | 7.50% | 7.00% | 7.00% | 7.50% | 7.00% | 7.00% | 7.50% |

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

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

Trend Information (TCRS)

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

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

NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)

C. Defined Benefit Plans (Continued)

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) - EAN (prior to 1/1/09 Aggregate) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------------------|-----------------------------|--------------------|---------------------|-----------------------------------------------------|
| County DB Plan: | | | | | | |
| 1/1/2014 | \$ 50,001,876 | \$ 78,116,710 | \$ 28,114,834 | 65.69% | \$ 2,407,110 | 1167.99% |
| 1/1/2013 | 48,072,000 | 76,734,548 | 28,662,548 | 62.65% | 2,806,090 | 1021.44% |
| 1/1/2012 | 53,269,896 | 75,233,596 | 21,963,700 | 70.81% | 3,181,621 | 690.33% |
| Teachers' DB Plan: | | | | | | |
| 1/1/2014 | \$ 62,406,385 | \$ 76,462,290 | \$ 14,055,905 | 81.62% | \$0** | N/A |
| 1/1/2013 | 60,384,664 | 79,037,520 | 18,652,856 | 76.40% | 117,974 | N/A |
| 1/1/2012 | 65,150,937 | 77,615,350 | 12,464,413 | 83.94% | 328,419 | N/A |
| ** All active participants have now reached expected retirement age and are expected to immediately retire. Therefore, the expected compensation to be paid is \$0. | | | | | | |
| Uniformed Officers Pension Plan: | | | | | | |
| 1/1/2014 | \$ 133,651,853 | \$ 157,978,371 | \$ 24,326,518 | 84.60% | \$ 30,343,030 | 80.17% |
| 1/1/2013 | 117,526,735 | 146,609,127 | 29,082,392 | 80.16% | 29,784,860 | 97.64% |
| 1/1/2012 | 112,378,618 | 146,067,491 | 33,688,873 | 76.94% | 27,091,364 | 124.35% |
| Knox Co Executive and Officials | | | | | | |
| TCRS (Amounts Expressed in Thousands): | | | | | | |
| 7/1/2013 | \$ 1,234 | \$ 1,766 | \$ 531 | 69.91% | \$ 808 | 65.75% |
| 7/1/2011 | 1,012 | 1,522 | 510 | 66.50% | 746 | 68.33% |
| 7/1/2009 | 722 | 935 | 107 | 64.15% | 357 | 113.11% |

Required Supplemental Information Section



KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2014

Schedules of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - EAN (prior to 1/1/09 Aggregate) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------|-------------------------------|-------------------------------------------------------------------------|-----------------------------|--------------------|---------------------|-----------------------------------------------------|
| County DB Plan: | | | | | | |
| 1/1/2005 | \$ 79,398,895 | \$ 79,398,895 | \$ - | 100.00% | \$ 6,799,378 | 0.00% |
| 1/1/2006 | 78,756,498 | 78,756,498 | - | 100.00% | 6,141,456 | 0.00% |
| 1/1/2007 | 82,094,299 | 82,094,299 | - | 100.00% | 5,510,340 | 0.00% |
| 1/1/2008 | 79,179,398 | 79,179,398 | - | 100.00% | 5,112,493 | 0.00% |
| 1/1/2009 | 56,512,743 | 75,435,555 | 18,922,812 | 74.92% | 5,310,881 | 356.30% |
| 1/1/2010 | 61,231,126 | 75,999,563 | 14,768,437 | 80.57% | 4,637,314 | 318.47% |
| 1/1/2011 | 60,419,535 | 75,562,269 | 15,142,734 | 79.96% | 3,835,987 | 394.75% |
| 1/1/2012 | 53,269,896 | 75,233,596 | 21,963,700 | 70.81% | 3,181,621 | 690.33% |
| 1/1/2013 | 48,072,000 | 76,734,548 | 28,662,548 | 62.65% | 2,806,090 | 1021.44% |
| 1/1/2014 | 50,001,876 | 78,116,710 | 28,114,834 | 65.69% | 2,407,110 | 1167.99% |

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - EAN (prior to 1/1/05 Aggregate) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------|-------------------------------|-------------------------------------------------------------------------|-----------------------------|--------------------|---------------------|-----------------------------------------------------|
| Teachers' DB Plan: | | | | | | |
| 1/1/2005 | \$ 74,889,828 | \$ 82,120,286 | \$ 7,230,458 | 91.20% | \$ 7,595,733 | 95.19% |
| 1/1/2006 | 75,174,360 | 83,066,476 | 7,892,116 | 90.50% | 6,274,664 | 125.78% |
| 1/1/2007 | 84,154,462 | 84,362,290 | 207,828 | 99.75% | 5,236,764 | 3.97% |
| 1/1/2008 | 83,327,598 | 84,657,462 | 1,329,864 | 98.43% | 4,102,017 | 32.42% |
| 1/1/2009 | 61,496,011 | 83,991,358 | 22,495,347 | 73.22% | 2,018,191 | 1114.63% |
| 1/1/2010 | 69,493,440 | 79,131,091 | 9,637,651 | 87.82% | 1,050,650 | 917.30% |
| 1/1/2011 | 70,428,532 | 78,267,707 | 7,839,175 | 89.98% | 823,283 | 952.18% |
| 1/1/2012 | 65,150,937 | 77,615,350 | 12,464,413 | 83.94% | 328,419 | N/A |
| 1/1/2013 | 60,384,664 | 79,037,520 | 18,652,856 | 76.40% | 117,974 | N/A |
| 1/1/2014 | 62,406,385 | 76,462,290 | 14,055,905 | 81.62% | 0** | N/A |

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age Normal (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|----------------------------------|-------------------------------|----------------------------------------------------------|-----------------------------|--------------------|---------------------|-----------------------------------------------------|
| Uniformed Officers Pension Plan: | | | | | | |
| 1/1/2008 | \$ 97,974,663 | \$ 104,812,621 | \$ 6,837,958 | 93.48% | \$ 24,238,059 | 28.21% |
| 1/1/2009 | 85,035,207 | 115,217,224 | 30,182,017 | 73.80% | 25,671,228 | 117.57% |
| 1/1/2010 | 103,280,780 | 128,135,474 | 24,854,694 | 80.60% | 27,198,799 | 91.38% |
| 1/1/2011 | 108,614,901 | 136,916,313 | 28,301,412 | 79.33% | 27,274,742 | 103.76% |
| 1/1/2012 | 112,378,618 | 146,067,491 | 33,688,873 | 76.94% | 27,091,364 | 124.35% |
| 1/1/2013 | 117,526,735 | 146,609,127 | 29,082,392 | 80.16% | 29,784,860 | 97.64% |
| 1/1/2014 | 133,651,853 | 157,978,371 | 24,326,518 | 84.60% | 30,343,030 | 80.17% |

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2014

Schedules of Funding Progress (Continued)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Frozen Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|----------------------------------------|-------------------------------|----------------------------------------------------------|-----------------------------|--------------------|---------------------|-----------------------------------------------------|
| Knox Co Executive and Officials | | | | | | |
| TCRS (Amounts Expressed in Thousands): | | | | | | |
| 6/30/1995 | \$ 441 | \$ 441 | \$ - | 100.00% | \$ 74 | 0.00% |
| 6/30/1997 | 600 | 600 | - | 100.00% | 77 | 0.00% |
| 6/30/1999 | 704 | 704 | - | 100.00% | 81 | 0.00% |
| 6/30/2001 | 792 | 792 | - | 100.00% | 81 | 0.00% |
| 7/1/2003 | 842 | 842 | - | 100.00% | 83 | 0.00% |
| 7/1/2005 | 901 | 901 | - | 100.00% | 86 | 0.00% |
| 7/1/2007 | 828 | 935 | 107 | 88.56% | 130 | 82.31% |
| 7/1/2009 | 722 | 1,126 | 404 | 64.15% | 357 | 113.11% |
| 7/1/2011 | 1,012 | 1,522 | 510 | 66.50% | 746 | 68.33% |
| 7/1/2013 | 1,234 | 1,766 | 531 | 69.91% | 808 | 65.75% |

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

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Projected Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|----------------------------------------------------------|-------------------------------|---------------------------------------------------------------|-----------------------------|--------------------|---------------------|-----------------------------------------------------|
| Other Post-employment Benefits - Healthcare Plan: | | | | | | |
| 7/1/2007 | \$ - | \$ 2,644,971 | \$ 2,644,971 | 0% | N/A | N/A |
| 7/1/2009 | - | 2,434,379 | 2,434,379 | 0% | N/A | N/A |
| 7/1/2011 | - | 2,623,061 | 2,623,061 | 0% | N/A | N/A |
| 7/1/2013 | - | 2,809,911 | 2,809,911 | 0% | N/A | N/A |

KNOX COUNTY, TENNESSEE
Required Supplementary Information
June 30, 2014

Schedules of Employer Contributions
(Last Ten Fiscal Years)

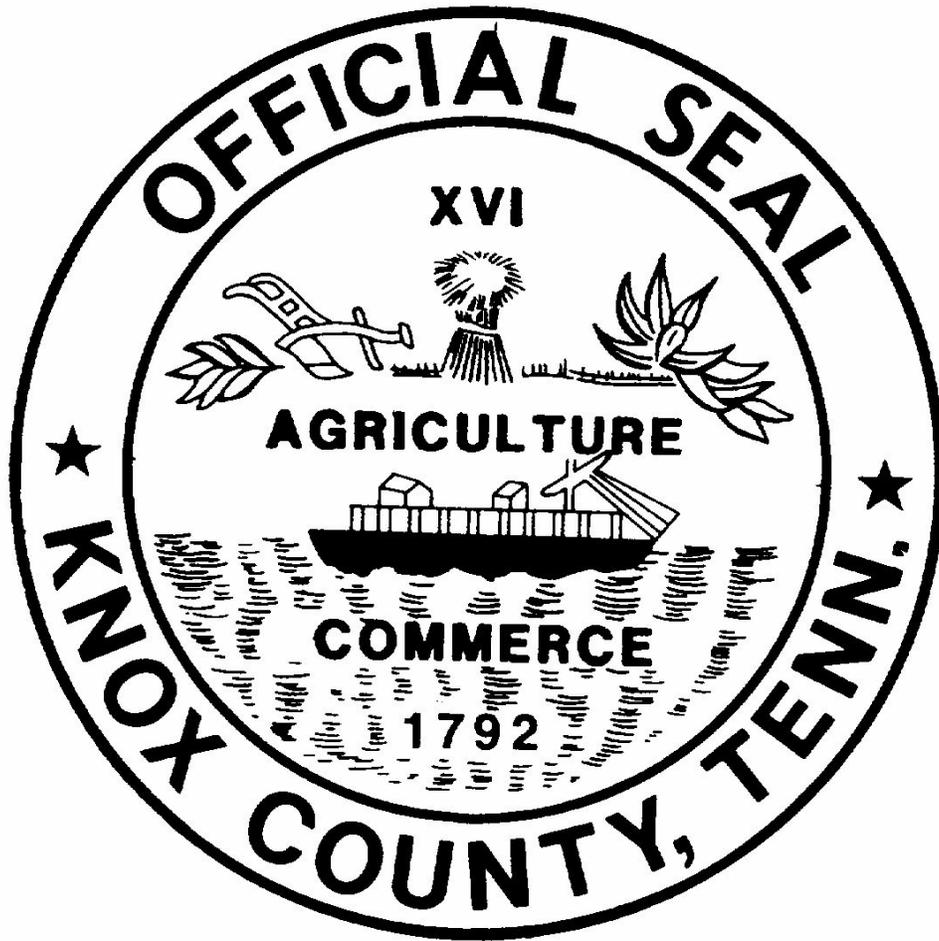
| Year Ended June 30, | County DB Plan | | | Uniformed Officers' DB Plan | | | Teachers' DB Plan | | |
|---------------------|------------------------------|---------------------|------------------------|------------------------------|---------------------|------------------------|------------------------------|---------------------|------------------------|
| | Annual Required Contribution | Actual Contribution | Percentage Contributed | Annual Required Contribution | Actual Contribution | Percentage Contributed | Annual Required Contribution | Actual Contribution | Percentage Contributed |
| 2005 | \$ - | \$ - | N/A | \$ - | \$ - | N/A | \$ 881,447 | \$ 881,447 | 100.00% |
| 2006 | - | - | N/A | - | - | N/A | 739,370 | 739,370 | 100.00% |
| 2007 | - | - | N/A | - | - | N/A | 771,772 | 771,772 | 100.00% |
| 2008 | - | 100,000 | N/A | 1,823,530 | 1,823,530 | 100.00% | 135,786 | 135,786 | 100.00% |
| 2009 | 98,387 | - | 0.00% | 2,525,395 | 2,825,187 | 111.87% | 198,608 | 250,000 | 125.88% |
| 2010 | 1,877,420 | 2,127,420 | 113.32% | 4,263,867 | 4,569,658 | 107.17% | 1,898,484 | 1,898,864 | 100.02% |
| 2011 | 1,218,164 | 1,218,164 | 100.00% | 4,094,421 | 4,297,664 | 104.96% | 1,217,506 | 1,217,506 | 100.00% |
| 2012 | 1,497,424 | 1,335,374 | 89.18% | 4,108,886 | 4,397,779 | 107.03% | 1,046,949 | 1,046,949 | 100.00% |
| 2013 | 2,378,622 | 2,870,544 | 120.68% | 4,609,314 | 5,020,965 | 108.93% | 1,183,029 | 1,183,029 | 100.00% |
| 2014 | 2,467,803 | 2,678,157 | 108.52% | 4,483,986 | 4,513,954 | 100.67% | 1,726,537 | 1,726,537 | 100.00% |

Schedule of Employer OPEB Contributions
(Current Fiscal Years)

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

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

Supplemental Section



GENERAL FUND

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

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

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

KNOX COUNTY, TENNESSEE

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

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

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

(With Comparative Totals for June 30, 2013)

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

KNOX COUNTY, TENNESSEE

**Constitutional Officers' Special Revenue Fund
Combining Schedule of Revenues, Expenditures
And Changes in Fund Balances
For the year ended June 30, 2014
(With comparative totals for the year ended June 30, 2013)**

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

KNOX COUNTY, TENNESSEE

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

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

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

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

CAPITAL PROJECTS FUNDS - MAJOR

Capital Projects Funds are used to account for the acquisition and construction of major facilities other than those financed by proprietary or trust funds.

Public Improvement Fund: This fund is used to account for the County construction projects in process. These public improvement construction projects include, but are not limited to, highway projects, sewer lines, recreation facilities, public library facilities, City-County Building renovations, Knox Central facilities, and golf course improvements.

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)
Comparative Balance Sheets
June 30, 2014 and June 30, 2013

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

| | Project Budget | Expenditures | | | Available |
|---------------------------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | | Prior Years | Current | Total | |
| Expenditures | | | | | |
| <i>Capital Projects:</i> | | | | | |
| <i>Road Construction:</i> | | | | | |
| Knob Creek Bridge | \$ 578,925 | \$ 313,968 | \$ - | \$ 313,968 | \$ 264,957 |
| Bob Gray Roundabouts | 1,417,067 | 139,075 | 621,486 | 760,561 | 656,506 |
| Bridge Replacement | 6,931,783 | 4,985,040 | 567,534 | 5,552,574 | 1,379,209 |
| Hardin Valley Road | 28,940 | 28,940 | - | 28,940 | - |
| Ballcamp Improvements | 17,324,705 | 17,149,240 | 641 | 17,149,881 | 174,824 |
| Lovell Road | 2,997,627 | 2,609,258 | - | 2,609,258 | 388,369 |
| Dry Gap Pike | 6,283,367 | 6,128,392 | 70,800 | 6,199,192 | 84,175 |
| Maynardville/Norris/Emory | 1,715,409 | 1,323,024 | 146,361 | 1,469,385 | 246,024 |
| Parkside Drive Extension | 16,783,770 | 9,360,422 | 1,317,475 | 10,677,897 | 6,105,873 |
| Dutchtown Road Functional Plan | 14,820,931 | 12,340,518 | 488,904 | 12,829,422 | 1,991,509 |
| Karns Connector | 4,222,000 | 37,327 | 188,265 | 225,592 | 3,996,408 |
| Gallaher View Road | 3,088,879 | 3,088,879 | - | 3,088,879 | - |
| Farlow Drive | 601,044 | 601,044 | - | 601,044 | - |
| Tazewell Pike / Emory Road | 401,629 | 369,974 | 31,655 | 401,629 | - |
| Dutchtown Innovation | 622,889 | 622,889 | - | 622,889 | - |
| Outlet Mall Drive/Snyder Road Connect | 3,710,608 | 3,338,476 | 277,787 | 3,616,263 | 94,345 |
| National Drive-John Sevier Highway | 384,938 | 64,355 | 320,583 | 384,938 | - |
| General Road Improvements | 400,000 | - | - | - | 400,000 |
| State Aid | 4,116,800 | 1,796,872 | 2,015,327 | 3,812,199 | 304,601 |
| W. Beaver Creek and Clinton Hwy | 359,200 | - | 313,407 | 313,407 | 45,793 |
| Walker Springs Sinkhole | 100,000 | - | 70,877 | 70,877 | 29,123 |
| Gray Hendrix and Garrison | 422,650 | - | 64,410 | 64,410 | 358,240 |
| Lakefront Drive | 59,500 | - | 6,590 | 6,590 | 52,910 |
| General Culvert Maintenance | 141,160 | - | - | - | 141,160 |
| Total Road Construction | 87,513,821 | 64,297,693 | 6,502,102 | 70,799,795 | 16,714,026 |
| <i>Building Renovations:</i> | | | | | |
| Juvenile Court/ Detention | 14,390,588 | 14,141,127 | 129,702 | 14,270,829 | 119,759 |
| County Wide Renovations | 200,000 | - | - | - | 200,000 |
| Knox Central | 1,640,037 | 1,970,304 | 451,735 | 2,422,039 | (782,002) |
| Knox Central CIP '11 | 78,632 | 225 | - | 225 | 78,407 |
| Fairview Technical Center | 23,500 | - | (8,528) | (8,528) | 32,028 |
| John Tarleton | 159,134 | 138,085 | - | 138,085 | 21,049 |
| AJ/ Dwight Kessel Garage | 2,367,573 | 1,598,200 | 37,188 | 1,635,388 | 732,185 |
| City/County Improvement | 15,296,019 | 12,847,608 | 362,822 | 13,210,430 | 2,085,589 |
| Knox County Health Renovations | 11,413,466 | 10,982,316 | 165,042 | 11,147,358 | 266,108 |
| Old Courthouse Renovation | 3,619,040 | 1,915,160 | 895,223 | 2,810,383 | 808,657 |
| Detention Facility | 1,535,668 | 1,552,017 | - | 1,552,017 | (16,349) |
| Detention Facility Expansion 2006 | 13,999,827 | 13,996,324 | - | 13,996,324 | 3,503 |
| Jail Improvements | 746,550 | 350,522 | 329,790 | 680,312 | 66,238 |
| Juvenile Justice Center Phases II | 3,074,045 | 246,969 | 3,297,951 | 3,544,920 | (470,875) |
| ADA Improvements | 1,094,751 | - | - | - | 1,094,751 |
| Family Justice Center | 66,700 | - | 14,497 | 14,497 | 52,203 |
| B-911 Center | 63,000 | 13,170 | 39,857 | 53,027 | 9,973 |
| Health Department CDC/Lab Renovation | 134,500 | 79,048 | - | 79,048 | 55,452 |
| EPW Administration Building | 80,139 | 80,139 | - | 80,139 | - |
| Northshore Drive & Choto Road | 753,321 | 65,950 | (43,566) | 22,384 | 730,937 |
| Courtroom Improvement | 6,500 | - | - | - | 6,500 |
| Total Building Renovations | 70,742,990 | 59,977,164 | 5,671,713 | 65,648,877 | 5,094,113 |

KNOX COUNTY, TENNESSEE

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

| | Project Budget | Expenditures | | | Available |
|----------------------------------------------|-----------------------|-----------------------|----------------------|-----------------------|----------------------|
| | | Prior Years | Current | Total | |
| Expenditures (Continued) | | | | | |
| <i>Capital Projects (Continued):</i> | | | | | |
| <i>Building Construction:</i> | | | | | |
| South Sportsplex | 500,000 | - | - | - | 500,000 |
| Lawson McGhee Library | 1,048,784 | 605,735 | 267,558 | 873,293 | 175,491 |
| Various Library Branches | 656,261 | 603,012 | 51,719 | 654,731 | 1,530 |
| Senior Centers | 59,800 | 9,686 | 30,298 | 39,984 | 19,816 |
| Carter Senior Center | 1,289,632 | 1,289,632 | - | 1,289,632 | - |
| Frank Strang Senior Center | - | 10,256 | - | 10,256 | (10,256) |
| Medical Examiner | - | - | 1,615,731 | 1,615,731 | (1,615,731) |
| Karns Senior Center | 1,500,000 | - | 69,843 | 69,843 | 1,430,157 |
| Safety Center | 1,000,000 | - | - | - | 1,000,000 |
| <i>Total Building Construction:</i> | <i>6,054,477</i> | <i>2,518,321</i> | <i>2,035,149</i> | <i>4,553,470</i> | <i>1,501,007</i> |
| <i>Other:</i> | | | | | |
| Seven Island Foot Bridge | 1,747,701 | 283,528 | - | 283,528 | 1,464,173 |
| Halls Greenway | 154,903 | 154,903 | - | 154,903 | - |
| Knox-Blount Greenway-Phase I | 360,198 | 13,195 | - | 13,195 | 347,003 |
| Halls Park - School Link Phase II | 703,942 | 31,262 | 7,834 | 39,096 | 664,846 |
| Knox-Blount Greenway-Phase II | 145,198 | 46,622 | - | 46,622 | 98,576 |
| Park Facility Improvement | 726,792 | 600,731 | 42,048 | 642,779 | 84,013 |
| Rifle Range Road Park | 3,812,500 | 3,785,563 | 11,188 | 3,796,751 | 15,749 |
| Ten Mile Creek Greenway | 267,886 | 267,886 | - | 267,886 | - |
| Greenways | 33,253 | 8,280 | 9,576 | 17,856 | 15,397 |
| Technology Upgrade - Libraries | 1,250,000 | 241,100 | 104,246 | 345,346 | 904,654 |
| Finance Software Upgrade | 1,569,308 | 1,371,655 | 12,196 | 1,383,851 | 185,457 |
| PBA Project Management | 4,747,150 | 3,729,041 | 317,143 | 4,046,184 | 700,966 |
| Energy Management Project - County | 16,176,571 | 14,004,728 | - | 14,004,728 | 2,171,843 |
| Solway Yard Waste Facility | 1,386,400 | 1,363,255 | - | 1,363,255 | 23,145 |
| Stormwater Management | 11,811,620 | 7,426,284 | 733,496 | 8,159,780 | 3,651,840 |
| Karns Convenience Center | 850,000 | - | 3,354 | 3,354 | 846,646 |
| Dutchtown Convenience Center | 571,890 | 510,555 | 36,750 | 547,305 | 24,585 |
| Geometric Improvements | 3,725,188 | 1,797,238 | 245,334 | 2,042,572 | 1,682,616 |
| County Sidewalk | 757,831 | 585,221 | 35,989 | 621,210 | 136,621 |
| Major Equipment - Engineering & Public Works | 1,896,195 | 814,452 | 472,787 | 1,287,239 | 608,956 |
| Major Equipment - Sheriff Dention | 3,706,620 | 1,568,845 | 1,047,403 | 2,616,248 | 1,090,372 |
| Powell Middle School | 15,358,025 | 15,388,363 | - | 15,388,363 | (30,338) |
| New Carter Elementary | 15,390,368 | 14,921,776 | 444,957 | 15,366,733 | 23,635 |
| Family Investment - Renovation | 130,000 | 104,110 | 8,337 | 112,447 | 17,553 |
| Election Commission | 184,298 | - | - | - | 184,298 |
| East Bridge | 50,000 | - | - | - | 50,000 |
| Meads Quarry | 100,000 | - | 7,800 | 7,800 | 92,200 |
| Info Tech Equipment | 1,000,000 | - | 654,005 | 654,005 | 345,995 |
| <i>Total Other</i> | <i>88,613,837</i> | <i>69,018,593</i> | <i>4,194,443</i> | <i>73,213,036</i> | <i>15,400,801</i> |
| <i>Total Capital Projects</i> | <i>\$ 252,925,125</i> | <i>\$ 195,811,771</i> | <i>\$ 18,403,407</i> | <i>\$ 214,215,178</i> | <i>\$ 38,709,947</i> |

DEBT SERVICE FUND - MAJOR

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

KNOX COUNTY, TENNESSEE

**Debt Service Fund (Major)
Comparative Balance Sheets
June 30, 2014 and June 30, 2013**

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

Debt Service Fund (Major)
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
 For the years ended June 30, 2014 and June 30, 2013

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

CAPITAL PROJECTS FUND

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2014

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

**Hotel/Motel Tax Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget and Actual (GAAP Basis)
For the years ended June 30, 2014 and June 30, 2013**

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

**Engineering & Public Works Fund
Comparative Schedules of Revenues, Expenditures
And Changes in Fund Balances - Budget And Actual (GAAP Basis)
For the years ended June 30, 2014 and June 30, 2013**

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

KNOX COUNTY, TENNESSEE

ADA Construction Capital Projects Fund (Nonmajor)

Comparative Balance Sheets

June 30, 2014 and June 30, 2013

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

KNOX COUNTY, TENNESSEE

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

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

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

ENTERPRISE FUND

Enterprise Funds account for operations that provide services primarily to the general public on a user charge basis.

Three Ridges Golf Course Fund: This fund accounts for the operations of the Three Ridges Golf Course.

KNOX COUNTY, TENNESSEE

**Three Ridges Golf Course Fund
Comparative Statements of Net Position**

June 30, 2014 and June 30, 2013

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE

Combining Statement of Net Position

Internal Service Funds

June 30, 2014

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

FIDUCIARY FUNDS

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

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

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

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

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

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

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

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

AGENCY FUNDS

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

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2014

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

June 30, 2014 and June 30, 2013

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

June 30, 2014 and June 30, 2013

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2014

(With comparative totals for June 30, 2013)

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

KNOX COUNTY, TENNESSEE

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

For the year ended June 30, 2014

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

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

KNOX COUNTY, TENNESSEE

**Trustee, Clerks, and Register
Combined Analysis of Fee and Commission Accounts
For the Year Ended June 30, 2014**

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

KNOX COUNTY, TENNESSEE

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2014

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

KNOX COUNTY, TENNESSEE

Combining Statement of Activities

Nonmajor Component Units

For the Year Ended June 30, 2014

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

KNOX COUNTY, TENNESSEE

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

| Fiscal Year Ending June 30, | \$31,200,221 General Obligation Refunding Series 2002A | | \$5,321,983 General Obligation Refunding Bonds Series 2003A | | \$40,000,000 General Obligation Series 2003 | | \$14,337,717 General Obligation Refunding Series 2004 | | \$46,000,000 General Obligation Series 2004 | | \$29,083,377 General Obligation Refunding Series 2005A | | \$50,000,000 General Obligation Series 2005 | | \$50,450,000 General Obligation Series 2007 | | \$57,000,000 General Obligation (Taxable) Series 2007 | |
|-----------------------------------|--------------------------------------------------------------|---------------------|-------------------------------------------------------------------|-------------------|---------------------------------------------------|---------------------|-------------------------------------------------------------|---------------------|---------------------------------------------------|---------------------|--------------------------------------------------------------|---------------------|---------------------------------------------------|---------------------|---------------------------------------------------|---------------------|-------------------------------------------------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 7,280,815 | \$ 700,601 | \$ - | \$ 248,939 | \$ 1,420,750 | \$ 1,451,364 | \$ - | \$ 520,940 | \$ 1,314,286 | \$ 1,695,429 | \$ 2,837,499 | \$ 1,120,226 | \$ 1,201,299 | \$ 1,949,026 | \$ - | \$ 2,522,500 | \$ 1,500,000 | \$ 2,851,488 |
| 2016 | 1,573,077 | 332,976 | 3,163,596 | 248,939 | 1,499,183 | 1,389,617 | 1,888,180 | 520,940 | 1,971,429 | 1,642,857 | 2,931,640 | 978,996 | 1,298,701 | 1,894,968 | - | 2,522,500 | 2,000,000 | 2,772,738 |
| 2017 | 1,648,077 | 258,255 | 1,815,180 | 90,759 | 1,577,600 | 1,324,128 | 2,074,923 | 422,540 | 2,102,857 | 1,564,000 | 3,069,085 | 834,511 | 1,363,636 | 1,836,526 | - | 2,522,500 | 2,250,000 | 2,667,738 |
| 2018 | 1,730,770 | 179,970 | - | - | 1,665,617 | 1,254,896 | 2,122,646 | 319,557 | 2,234,286 | 1,479,886 | 3,209,585 | 683,049 | 1,461,039 | 1,775,162 | - | 2,522,500 | 2,300,000 | 2,550,738 |
| 2019 | 1,823,079 | 93,432 | - | - | 1,752,933 | 1,181,299 | 2,240,917 | 214,205 | 2,365,714 | 1,390,514 | 3,362,301 | 524,457 | 1,542,208 | 1,709,416 | - | 2,522,500 | 2,400,000 | 2,429,988 |
| 2020 | - | - | - | - | 1,843,733 | 1,103,336 | 2,074,923 | 102,983 | 2,503,714 | 1,295,886 | 3,524,181 | 358,113 | 1,623,377 | 1,640,016 | - | 2,522,500 | 2,525,000 | 2,302,788 |
| 2021 | - | - | - | - | 1,953,000 | 1,021,007 | - | - | 2,648,286 | 1,195,737 | 3,701,333 | 183,552 | 1,704,545 | 1,566,964 | - | 2,522,500 | 5,450,000 | 2,162,650 |
| 2022 | - | - | - | - | 2,064,367 | 933,064 | - | - | 2,799,429 | 1,089,806 | - | - | 698,052 | 1,490,260 | - | 2,522,500 | 5,725,000 | 1,860,175 |
| 2023 | - | - | - | - | 1,978,567 | 839,508 | - | - | 2,957,143 | 977,829 | - | - | 649,351 | 1,458,847 | - | 2,522,500 | 6,025,000 | 1,542,437 |
| 2024 | - | - | - | - | 2,097,367 | 740,339 | - | - | 3,128,000 | 859,543 | - | - | 681,818 | 1,429,627 | - | 2,522,500 | 6,300,000 | 1,196,000 |
| 2025 | - | - | - | - | 2,225,050 | 634,933 | - | - | 3,298,857 | 734,423 | - | - | 714,286 | 1,398,945 | - | 2,522,500 | 6,650,000 | 833,750 |
| 2026 | - | - | - | - | 2,353,433 | 522,666 | - | - | 3,482,857 | 602,469 | - | - | 746,753 | 1,366,802 | - | 2,522,500 | 7,000,000 | 451,375 |
| 2027 | - | - | - | - | 2,489,317 | 403,538 | - | - | 3,666,857 | 463,154 | - | - | 762,987 | 1,333,198 | 4,734,257 | 2,522,500 | 850,000 | 48,875 |
| 2028 | - | - | - | - | 2,487,500 | 276,925 | - | - | 3,857,429 | 316,480 | - | - | 795,455 | 1,298,864 | 5,611,649 | 2,285,787 | - | - |
| 2029 | - | - | - | - | 2,638,332 | 142,829 | - | - | 4,054,570 | 162,183 | - | - | 827,922 | 1,263,068 | 5,904,112 | 2,005,205 | - | - |
| 2030 | - | - | - | - | - | - | - | - | - | - | - | - | 5,032,468 | 1,225,812 | 6,178,297 | 1,709,999 | - | - |
| 2031 | - | - | - | - | - | - | - | - | - | - | - | - | 5,227,273 | 999,351 | 6,507,319 | 1,401,084 | - | - |
| 2032 | - | - | - | - | - | - | - | - | - | - | - | - | 5,438,312 | 764,123 | 6,818,062 | 1,075,718 | - | - |
| 2033 | - | - | - | - | - | - | - | - | - | - | - | - | 5,649,351 | 519,399 | 7,165,362 | 734,815 | - | - |
| 2034 | - | - | - | - | - | - | - | - | - | - | - | - | 5,892,857 | 265,179 | 7,530,942 | 376,547 | - | - |
| 2035 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Totals | \$ 14,055,818 | \$ 1,565,234 | \$ 4,978,776 | \$ 588,637 | \$30,046,749 | \$13,219,449 | \$10,401,589 | \$ 2,101,165 | \$42,385,714 | \$15,470,196 | \$22,635,624 | \$ 4,682,904 | \$43,311,690 | \$27,185,553 | \$50,450,000 | \$42,381,655 | \$50,975,000 | \$23,670,740 |

continued

KNOX COUNTY, TENNESSEE

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

| Fiscal Year Ending June 30, | \$26,000,000 General Obligation Series 2008 | | \$4,550,000 Women's Basketball Hall of Fame | | \$1,000,000 Build America Bonds Series 2010A | | \$30,115,000 Refunding Bonds Series 2010B | | \$11,120,000 Refunding Bonds Series 2010C | | \$17,000,000 Build America Bonds Series 2010D | | \$17,090,000 General Obligation Bonds Series 2012 | | \$20,962,906 General Obligation Bonds Series 2013 | | Totals | |
|-----------------------------------|---------------------------------------------------|---------------------|---------------------------------------------------|-------------------|----------------------------------------------------|-------------------|-------------------------------------------------|----------------------|-------------------------------------------------|---------------------|-----------------------------------------------------|----------------------|---------------------------------------------------------|---------------------|---------------------------------------------------------|----------------------|-----------------------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 1,004,250 | \$ 1,082,737 | \$ 575,000 | \$ 90,125 | \$ 1,563 | \$ 52,989 | \$ 300,000 | \$ 1,121,750 | \$ 735,000 | \$ 294,350 | \$ 50,000 | \$ 929,738 | \$ 275,000 | \$ 159,350 | \$ 437,230 | \$ 757,753 | \$ 18,932,692 | \$ 17,549,305 |
| 2016 | 1,053,000 | 1,032,525 | 590,000 | 70,000 | 1,563 | 52,942 | 400,000 | 1,115,750 | 765,000 | 264,950 | 50,000 | 928,588 | 275,000 | 153,850 | 456,007 | 749,008 | 19,916,376 | 16,672,144 |
| 2017 | 1,105,000 | 979,875 | 620,000 | 46,400 | 1,563 | 52,888 | 400,000 | 1,105,750 | 795,000 | 234,350 | 50,000 | 927,275 | 270,000 | 148,350 | 469,419 | 735,328 | 19,612,340 | 15,751,173 |
| 2018 | 1,163,500 | 924,625 | 640,000 | 21,600 | 17,188 | 52,828 | 515,000 | 1,095,750 | 830,000 | 202,550 | 50,000 | 925,713 | 270,000 | 137,550 | 810,083 | 722,419 | 19,019,714 | 14,848,793 |
| 2019 | 1,218,750 | 866,450 | - | - | 17,188 | 52,141 | 700,000 | 1,082,875 | 865,000 | 169,350 | 50,000 | 923,963 | 280,000 | 132,150 | 844,954 | 700,141 | 19,463,044 | 13,992,881 |
| 2020 | 1,280,500 | 805,512 | - | - | 32,813 | 51,368 | 1,100,000 | 1,063,625 | 895,000 | 143,400 | 250,000 | 922,063 | 285,000 | 126,550 | 871,778 | 674,793 | 18,810,019 | 13,112,933 |
| 2021 | 1,345,500 | 741,487 | - | - | 39,062 | 49,876 | 450,000 | 1,008,625 | 925,000 | 116,550 | 250,000 | 911,750 | 295,000 | 115,150 | 912,014 | 648,640 | 19,673,740 | 12,244,488 |
| 2022 | 1,413,750 | 674,212 | - | - | 45,312 | 48,098 | 1,400,000 | 995,125 | 955,000 | 88,800 | 500,000 | 900,500 | 300,000 | 109,250 | 938,838 | 621,279 | 16,839,748 | 11,333,069 |
| 2023 | 1,482,000 | 603,525 | - | - | 45,312 | 46,036 | 1,450,000 | 953,125 | 985,000 | 60,150 | 500,000 | 878,000 | 310,000 | 103,250 | 979,074 | 593,114 | 17,361,447 | 10,578,321 |
| 2024 | 1,556,750 | 529,425 | - | - | 43,750 | 43,974 | 1,500,000 | 909,625 | 1,020,000 | 30,600 | 500,000 | 855,500 | 320,000 | 96,275 | 1,005,898 | 563,741 | 18,153,583 | 9,777,149 |
| 2025 | 1,634,750 | 451,587 | - | - | 40,625 | 41,984 | 1,500,000 | 862,750 | - | - | 500,000 | 833,000 | 330,000 | 88,275 | 1,032,722 | 532,307 | 17,926,290 | 8,934,454 |
| 2026 | 1,716,000 | 369,850 | - | - | 76,562 | 40,135 | 1,500,000 | 814,000 | - | - | 500,000 | 810,500 | 340,000 | 79,200 | 1,059,545 | 498,744 | 18,775,150 | 8,078,241 |
| 2027 | 1,803,750 | 284,050 | - | - | 6,250 | 35,963 | 1,700,000 | 754,000 | - | - | 1,300,000 | 785,500 | 345,000 | 69,000 | 1,099,780 | 461,661 | 18,758,198 | 7,161,439 |
| 2028 | 1,891,500 | 193,862 | - | - | 6,250 | 35,616 | 1,800,000 | 686,000 | - | - | 1,350,000 | 714,000 | 365,000 | 58,650 | 1,126,605 | 417,669 | 19,291,388 | 6,283,853 |
| 2029 | 1,985,750 | 99,287 | - | - | 6,250 | 35,269 | 1,750,000 | 614,000 | - | - | 1,400,000 | 639,750 | 390,000 | 47,700 | 1,153,429 | 372,605 | 20,110,365 | 5,381,896 |
| 2030 | - | - | - | - | 67,187 | 34,922 | 2,000,000 | 544,000 | - | - | 1,450,000 | 562,750 | 390,000 | 36,000 | 1,193,665 | 326,468 | 16,311,617 | 4,439,951 |
| 2031 | - | - | - | - | 67,187 | 31,194 | 2,100,000 | 464,000 | - | - | 1,500,000 | 483,000 | 400,000 | 24,300 | 1,233,901 | 278,721 | 17,035,680 | 3,681,650 |
| 2032 | - | - | - | - | 73,437 | 27,330 | 2,200,000 | 380,000 | - | - | 1,575,000 | 400,500 | 410,000 | 12,300 | 1,260,725 | 229,365 | 17,775,536 | 2,889,336 |
| 2033 | - | - | - | - | 79,687 | 23,108 | 2,300,000 | 292,000 | - | - | 1,625,000 | 306,000 | - | - | 1,314,373 | 177,360 | 18,133,773 | 2,052,682 |
| 2034 | - | - | - | - | 85,937 | 18,525 | 2,400,000 | 200,000 | - | - | 1,700,000 | 208,500 | - | - | 1,354,609 | 120,184 | 18,964,345 | 1,188,935 |
| 2035 | - | - | - | - | 239,062 | 13,626 | 2,600,000 | 104,000 | - | - | 1,775,000 | 106,500 | - | - | 1,408,257 | 61,259 | 6,022,319 | 285,385 |
| Totals | \$ 21,654,750 | \$ 9,639,009 | \$ 2,425,000 | \$ 228,125 | \$ 993,748 | \$ 840,812 | \$ 30,065,000 | \$ 16,166,750 | \$ 8,770,000 | \$ 1,605,050 | \$ 16,925,000 | \$ 14,953,090 | \$ 5,850,000 | \$ 1,697,150 | \$ 20,962,906 | \$ 10,242,559 | \$ 376,887,364 | \$ 186,238,078 |

KNOX COUNTY, TENNESSEE

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

| Fiscal Year Ending June 30, | \$51,799,779 General Obligation Refunding Series 2002A | | \$12,123,017 General Obligation Refunding Bonds Series 2003A | | \$32,000,000 General Obligation Series 2003 | | \$20,212,283 General Obligation Refunding Series 2004 | | \$24,000,000 General Obligation Series 2004 | | \$18,526,623 General Obligation Refunding Series 2005A | | \$11,150,000 Refunding Bonds Series 2005B | | \$27,000,000 General Obligation Series 2005 | |
|-----------------------------------|--------------------------------------------------------------|---------------------|--------------------------------------------------------------------|---------------------|---------------------------------------------------|----------------------|-------------------------------------------------------------|---------------------|---------------------------------------------------|---------------------|--------------------------------------------------------------|---------------------|-------------------------------------------------|-------------------|---------------------------------------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 13,719,185 | \$ 1,320,137 | \$ - | \$ 567,061 | \$ 1,054,250 | \$ 1,166,511 | \$ - | \$ 743,685 | \$ 685,714 | \$ 884,571 | \$ 1,717,501 | \$ 686,274 | \$ 1,150,000 | \$ 243,998 | \$ 648,701 | \$ 1,052,474 |
| 2016 | 2,516,923 | 532,760 | 7,206,404 | 567,061 | 1,125,817 | 1,116,883 | 2,661,820 | 743,685 | 1,028,571 | 857,143 | 1,728,360 | 599,754 | 1,210,000 | 188,798 | 701,299 | 1,023,282 |
| 2017 | 2,636,923 | 413,208 | 4,134,820 | 206,741 | 1,197,400 | 1,064,247 | 2,925,077 | 603,210 | 1,097,143 | 816,000 | 1,815,915 | 511,239 | 1,275,000 | 130,113 | 736,364 | 991,724 |
| 2018 | 2,769,230 | 287,954 | - | - | 1,284,383 | 1,008,604 | 2,992,354 | 456,193 | 1,165,714 | 772,114 | 1,905,415 | 418,451 | 1,340,000 | 67,000 | 788,961 | 958,588 |
| 2019 | 2,916,921 | 149,492 | - | - | 1,372,067 | 949,451 | 3,159,083 | 305,795 | 1,234,286 | 725,486 | 2,002,699 | 321,293 | - | - | 832,792 | 923,084 |
| 2020 | - | - | - | - | 1,456,267 | 886,789 | 2,925,077 | 147,017 | 1,306,286 | 676,114 | 2,105,819 | 219,387 | - | - | 876,623 | 885,609 |
| 2021 | - | - | - | - | 1,572,000 | 820,618 | - | - | 1,381,714 | 623,863 | 2,218,667 | 112,448 | - | - | 920,455 | 846,161 |
| 2022 | - | - | - | - | 1,685,633 | 749,936 | - | - | 1,460,571 | 568,594 | - | - | - | - | 376,948 | 804,740 |
| 2023 | - | - | - | - | 1,996,433 | 674,742 | - | - | 1,542,857 | 510,171 | - | - | - | - | 350,649 | 787,778 |
| 2024 | - | - | - | - | 2,127,633 | 595,036 | - | - | 1,632,000 | 448,457 | - | - | - | - | 368,182 | 771,998 |
| 2025 | - | - | - | - | 2,274,950 | 510,317 | - | - | 1,721,143 | 383,177 | - | - | - | - | 385,714 | 755,430 |
| 2026 | - | - | - | - | 2,421,567 | 420,084 | - | - | 1,817,143 | 314,331 | - | - | - | - | 403,247 | 738,073 |
| 2027 | - | - | - | - | 2,585,683 | 324,337 | - | - | 1,913,143 | 241,646 | - | - | - | - | 412,013 | 719,927 |
| 2028 | - | - | - | - | 2,887,500 | 222,575 | - | - | 2,012,571 | 165,120 | - | - | - | - | 429,545 | 701,386 |
| 2029 | - | - | - | - | 3,086,668 | 114,796 | - | - | 2,115,430 | 84,617 | - | - | - | - | 447,078 | 682,057 |
| 2030 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,717,532 | 661,938 |
| 2031 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,822,727 | 539,649 |
| 2032 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,936,688 | 412,627 |
| 2033 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,050,649 | 280,476 |
| 2034 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,182,143 | 143,196 |
| 2035 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Totals | \$ 24,559,182 | \$ 2,703,551 | \$ 11,341,224 | \$ 1,340,863 | \$ 28,128,251 | \$ 10,624,926 | \$ 14,663,411 | \$ 2,999,585 | \$ 22,114,286 | \$ 8,071,404 | \$ 13,494,376 | \$ 2,868,846 | \$ 4,975,000 | \$ 629,909 | \$ 23,388,310 | \$ 14,680,197 |

continued

KNOX COUNTY, TENNESSEE

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

| Fiscal Year Ending June 30, | \$18,550,000 General Obligation Series 2007 | | \$14,000,000 General Obligation Series 2008 | | \$15,000,000 Build America Bonds Series 2010A | | \$21,440,000 Refunding Bonds Series 2010C | | \$29,236,000 Qualified School Construction Bonds Series 2010 | | \$18,815,000 General Obligation Bonds Series 2012 | | \$18,112,094 General Obligation Bonds Series 2013 | | Totals | |
|--------------------------------------|---------------------------------------------------|----------------------|---------------------------------------------------|---------------------|-----------------------------------------------------|----------------------|-------------------------------------------------|---------------------|--------------------------------------------------------------------|----------------------|---------------------------------------------------------|---------------------|---------------------------------------------------------|---------------------|-----------------------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ - | \$ 927,500 | \$ 540,750 | \$ 583,013 | \$ 23,437 | \$ 794,848 | \$ 1,405,000 | \$ 574,350 | \$ 1,824,281 | \$ 1,417,361 | \$ 25,000 | \$ 236,250 | \$ 377,770 | \$ 654,703 | \$ 23,171,589 | \$ 11,852,736 |
| 2016 | - | 927,500 | 567,000 | 555,975 | 23,437 | 794,145 | 1,485,000 | 518,150 | 1,824,281 | 1,417,361 | 25,000 | 235,750 | 393,993 | 647,148 | 22,497,905 | 10,725,395 |
| 2017 | - | 927,500 | 595,000 | 527,625 | 23,437 | 793,324 | 1,575,000 | 458,750 | 1,824,281 | 1,417,361 | 430,000 | 235,250 | 405,581 | 635,328 | 20,671,941 | 9,731,620 |
| 2018 | - | 927,500 | 626,500 | 497,875 | 257,812 | 792,434 | 1,670,000 | 395,750 | 1,824,281 | 1,417,361 | 430,000 | 218,050 | 699,917 | 624,175 | 17,754,567 | 8,842,049 |
| 2019 | - | 927,500 | 656,250 | 466,550 | 257,812 | 782,121 | 1,770,000 | 328,950 | 1,824,281 | 1,417,361 | 440,000 | 209,450 | 730,046 | 604,927 | 17,196,237 | 8,111,460 |
| 2020 | - | 927,500 | 689,500 | 433,738 | 492,187 | 770,520 | 1,855,000 | 275,850 | 1,824,281 | 1,417,361 | 450,000 | 200,650 | 753,222 | 583,026 | 14,734,262 | 7,423,561 |
| 2021 | - | 927,500 | 724,500 | 399,263 | 585,938 | 748,124 | 1,945,000 | 220,200 | 1,824,281 | 1,417,361 | 455,000 | 182,650 | 787,986 | 560,429 | 12,415,541 | 6,858,617 |
| 2022 | - | 927,500 | 761,250 | 363,038 | 679,688 | 721,465 | 2,040,000 | 161,850 | 1,824,281 | 1,417,361 | 480,000 | 173,550 | 811,162 | 536,790 | 10,119,533 | 6,424,824 |
| 2023 | - | 927,500 | 798,000 | 324,975 | 679,688 | 690,539 | 2,135,000 | 100,650 | 1,824,281 | 1,417,361 | 490,000 | 163,950 | 845,926 | 512,455 | 10,662,834 | 6,110,121 |
| 2024 | - | 927,500 | 838,250 | 285,075 | 656,250 | 659,614 | 1,220,000 | 36,600 | 1,824,281 | 1,417,361 | 505,000 | 152,925 | 869,102 | 487,077 | 10,040,698 | 5,781,643 |
| 2025 | - | 927,500 | 880,250 | 243,163 | 609,375 | 629,754 | - | - | 1,824,281 | 1,417,361 | 520,000 | 140,300 | 892,278 | 459,917 | 9,107,991 | 5,466,919 |
| 2026 | - | 927,500 | 924,000 | 199,150 | 1,148,438 | 602,028 | - | - | 1,824,281 | 1,417,361 | 535,000 | 126,000 | 915,455 | 430,918 | 9,989,131 | 5,175,445 |
| 2027 | 1,740,743 | 927,500 | 971,250 | 152,950 | 93,750 | 539,437 | - | - | 2,003,856 | 1,417,361 | 555,000 | 109,950 | 950,220 | 398,877 | 11,225,658 | 4,831,985 |
| 2028 | 2,063,351 | 840,463 | 1,018,500 | 104,388 | 93,750 | 534,234 | - | - | 171,976 | 139,589 | 585,000 | 93,300 | 973,395 | 360,869 | 10,235,588 | 3,161,924 |
| 2029 | 2,170,888 | 737,295 | 1,069,250 | 53,463 | 93,750 | 529,031 | - | - | - | - | 610,000 | 75,750 | 996,571 | 321,933 | 10,589,635 | 2,598,942 |
| 2030 | 2,271,703 | 628,751 | - | - | 1,007,813 | 523,828 | - | - | - | - | 610,000 | 57,450 | 1,031,335 | 282,070 | 7,638,383 | 2,154,037 |
| 2031 | 2,392,681 | 515,166 | - | - | 1,007,813 | 467,894 | - | - | - | - | 640,000 | 39,150 | 1,066,099 | 240,817 | 7,929,320 | 1,802,676 |
| 2032 | 2,506,938 | 395,532 | - | - | 1,101,563 | 409,945 | - | - | - | - | 665,000 | 19,950 | 1,089,275 | 198,173 | 8,299,464 | 1,436,227 |
| 2033 | 2,634,638 | 270,185 | - | - | 1,195,313 | 346,605 | - | - | - | - | - | - | 1,135,627 | 153,240 | 8,016,227 | 1,050,506 |
| 2034 | 2,769,058 | 138,453 | - | - | 1,289,063 | 277,875 | - | - | - | - | - | - | 1,170,391 | 103,840 | 8,410,655 | 663,364 |
| 2035 | - | - | - | - | 3,585,938 | 204,399 | - | - | - | - | - | - | 1,216,743 | 52,929 | 4,802,681 | 257,328 |
| Totals | \$ 18,550,000 | \$ 15,583,345 | \$ 11,660,250 | \$ 5,190,241 | \$ 14,906,252 | \$ 12,612,164 | \$ 17,100,000 | \$ 3,071,100 | \$ 24,067,204 | \$ 18,565,282 | \$ 8,450,000 | \$ 2,670,325 | \$ 18,112,094 | \$ 8,849,641 | \$ 255,509,840 | \$ 110,461,379 |

KNOX COUNTY, TENNESSEE

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

| OFFICIAL | AUTHORIZATION FOR SALARY | SALARY PAID DURING YEAR | BOND AMOUNT | SURETY |
|-----------------------------------------|-------------------------------------|------------------------------------|------------------------|-------------------------|
| Assessor of Property | Section 8-24-102 (k), T.C.A. | \$ 134,268 | \$ 50,000 | Hartford Fire Insurance |
| Attorney General | Section 8-6-104, T.C.A. | \$ 5,500 | \$ - | |
| Circuit and Civil Sessions Court Clerk | Section 8-24-102 (k), T.C.A. | \$ 130,206 | \$ 400,000 | Hartford Fire Insurance |
| County Clerk | Section 8-24-102 (k), T.C.A. | \$ 113,624 | \$ 110,000 | Hartford Fire Insurance |
| County Mayor | Section 8-24-102, T.C.A. | \$ 165,207 | \$ 100,000 | Hartford Fire Insurance |
| Criminal and Fourth Circuit Court Clerk | Section 8-24-102 (k), T.C.A. | \$ 138,086 | \$ 250,000 | Hartford Fire Insurance |
| Law Director | Section 3.08, Knox County Charter | \$ 165,203 | \$ - | |
| Register of Deeds | Section 8-24-102 (k), T.C.A. | \$ 122,724 | \$ 100,000 | Hartford Fire Insurance |
| Sheriff | Section 8-24-102 (j), T.C.A. | \$ 144,335 | \$ 100,000 | Hartford Fire Insurance |
| Trustee | Section 8-24-102 (k), T.C.A. | \$ 107,032 | \$ 17,431,456 | Hartford Fire Insurance |

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity¹

June 30, 2014

(In Thousands of Dollars)

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

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

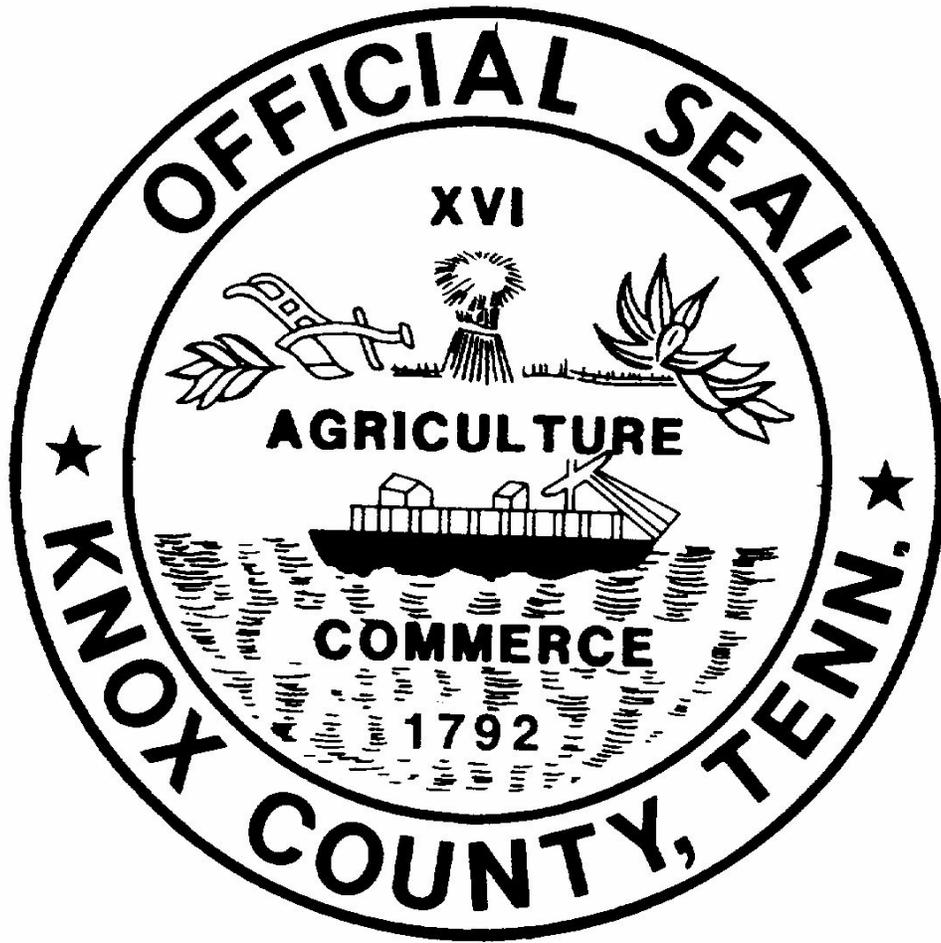
KNOX COUNTY, TENNESSEE

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

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

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

Component Unit – Board of Education



DISCRETELY PRESENTED COMPONENT UNIT KNOX COUNTY BOARD OF EDUCATION

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

MAJOR FUNDS

GENERAL FUND

General Purpose School Fund: This fund is used to account for general operations of the Board. Major funding is provided through local tax levies and state education funds.

CAPITAL PROJECTS FUND

School Construction Fund: This fund is used to account for building construction and renovations of the Board.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

School Federal Projects Fund: This fund is used to account for restricted federal revenues that must be expended on specific education programs.

School General Projects Fund: This fund is used to account for state, local and federal pass-through revenues which must be expended on specific education programs.

Central Cafeteria Fund: This fund is used to account for the cafeteria operations in each of the individual schools. The primary sources of funding are federal and state revenues for the school lunch program and sales to students and adults.

FIDUCIARY FUND

Pension Trust Fund: This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the Board's defined benefit plan for certificated teachers.

AGENCY FUND

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

Knox County Board of Education

Statement of Net Position

June 30, 2014

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

Knox County Board of Education

Statement of Activities

For the Year Ended June 30, 2014

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

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Balance Sheet

Governmental Funds

June 30, 2014

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

KNOX COUNTY, TENNESSEE
Discretely Presented Component Unit
Knox County Board of Education
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2014

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

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Ending Fund Balance - Governmental Funds | \$ 23,816,111 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 403,506,378 |
| Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were deferred in the fund financial statements but have been recognized under the accrual basis. | 4,118,327 |
| Long-term liabilities, consisting of compensated absences (\$3,132,179) and pension obligation (\$3,075,588), are not due and payable in the current period and therefore are not reported in the funds. | <u>(6,207,767)</u> |
| Net Position of Governmental Activities | <u><u>\$ 425,233,049</u></u> |

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2014

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

KNOX COUNTY, TENNESSEE

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

For the Year Ended June 30, 2014

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

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$29,364,868) exceeded depreciation (\$17,171,524) in the current period. 12,193,344

Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements. 4,118,327

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

The increase in the liability for compensated absences of \$665,498 resulted in additional expenses, and the reduction of the net pension obligation of \$31,684 resulted in the reduction of expenses. These amounts do not require the use of current financial resources and, therefore, are not reflected in the expenditures of governmental funds. (633,814)

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances**

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

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

KNOX COUNTY, TENNESSEE

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

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

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

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

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
School Construction Capital Projects Fund
Schedule of Construction Project Expenditures -
Budget and Actual
For the year ended June 30, 2014**

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

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2014

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

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

| | <u>2014</u> | <u>2013</u> |
|-----------------------------------------|-------------------------|-------------------------|
| Revenues | | |
| State of Tennessee | \$ 88,984 | \$ 65,671 |
| Federal Government | 35,218,470 | 39,134,089 |
| Other Governments and Citizen Groups | <u>5,102,111</u> | <u>4,567,872</u> |
| Total Revenues | <u>40,409,565</u> | <u>43,767,632</u> |
| Expenditures | | |
| Current: | | |
| Education | <u>39,946,107</u> | <u>42,399,204</u> |
| Excess of Revenues Over Expenditures | <u>463,458</u> | <u>1,368,428</u> |
| Other Financing Sources (Uses) | | |
| Transfers from Other Funds | 103,580 | 61,883 |
| Transfers to Other Funds | <u>(567,038)</u> | <u>(1,430,311)</u> |
| Total Other Financing Uses | <u>(463,458)</u> | <u>(1,368,428)</u> |
| Net Change in Fund Balances | - | - |
| Fund Balances, July 1 | <u>12,378</u> | <u>12,378</u> |
| Fund Balances, June 30 | <u><u>\$ 12,378</u></u> | <u><u>\$ 12,378</u></u> |

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

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

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

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

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

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

KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -
Knox County Board of Education
Agency Fund - Student Activity Fund
Comparative Statements of Changes in Fiduciary Assets and Liabilities
For the years ended June 30, 2014 and June 30, 2013**

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

Statistical Section



STATISTICAL SECTION (Unaudited)

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

| Contents | Page |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Financial Trends | 215-223 |
| <i>These schedules contain trend information to help the reader understand how Knox County Government’s financial performance and well-being have changed over time.</i> | |
| Revenue Capacity | 224-227 |
| <i>These schedules contain information to help the reader assess Knox County Government’s most significant local revenue source, the property tax.</i> | |
| Debt Capacity | 228-230 |
| <i>These schedules present information to help the reader assess the affordability of Knox County Government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i> | |
| Demographic and Economic Information | 231-232 |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which Knox County Government’s financial activities take place.</i> | |
| Operating Information | 233-235 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in Knox County Government’s financial report relates to the services the government provides and the activities it performs.</i> | |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

KNOX COUNTY, TENNESSEE

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Restated 2012 | 2013 | 2014 |
|----------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|
| Primary government | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 395,113,478 | \$ 365,746,439 | \$ 333,733,504 | \$ 349,499,226 | \$ 298,546,888 | \$ 292,183,224 | \$ 281,020,672 | \$ 276,642,614 | \$ 290,649,727 | \$ 284,908,028 |
| Restricted | 60,297,870 | 68,750,828 | 68,165,803 | 33,687,672 | 38,289,171 | 27,202,060 | 23,180,877 | 30,030,542 | 9,075,310 | 15,250,562 |
| Unrestricted | (150,361,587) | (204,425,615) | (205,476,472) | (244,843,510) | (216,381,847) | (234,271,029) | (252,750,590) | (243,862,381) | (224,499,180) | (247,035,437) |
| Total primary governmental activities net position | \$ 305,049,761 | \$ 230,071,652 | \$ 196,422,835 | \$ 138,343,388 | \$ 120,454,212 | \$ 85,114,255 | \$ 51,450,959 | \$ 62,810,775 | \$ 75,225,857 | \$ 53,123,153 |
| Business-type activities | | | | | | | | | | |
| Three Ridges Golf Course | | | | | | | | | | |
| Investment in capital assets | \$ - | \$ - | \$ - | \$ - | \$ 893,709 | \$ 832,590 | \$ 718,674 | \$ 634,436 | \$ 503,880 | \$ 453,946 |
| Unrestricted | - | - | - | - | 286,781 | 304,278 | 301,122 | 215,757 | 99,523 | 73,842 |
| Total business-type activities net position | \$ - | \$ - | \$ - | \$ - | \$ 1,180,490 | \$ 1,136,868 | \$ 1,019,796 | \$ 850,193 | \$ 603,403 | \$ 527,788 |
| Component units | | | | | | | | | | |
| Investment in capital assets | \$ 255,600,529 | \$ 269,693,300 | \$ 287,591,285 | \$ 308,057,666 | \$ 317,191,247 | \$ 316,329,152 | \$ 340,624,791 | \$ 356,215,731 | \$ 397,859,173 | \$ 412,116,052 |
| Restricted | 9,118,222 | 16,479,581 | 16,556,546 | 4,118,075 | 16,585,893 | 13,121,345 | 26,094,913 | 16,457,515 | 32,705,925 | 19,608,463 |
| Unrestricted | 30,697,796 | 78,988,946 | 79,856,696 | 58,586,611 | 29,308,255 | 44,027,622 | 62,159,294 | 103,278,242 | 59,856,270 | 51,357,504 |
| Total component units activities net position | \$ 295,416,547 | \$ 365,161,827 | \$ 384,004,527 | \$ 370,762,352 | \$ 363,085,395 | \$ 373,478,119 | \$ 428,878,998 | \$ 475,951,488 | \$ 490,421,368 | \$ 483,082,019 |
| Total reporting unit activities net position | \$ 600,466,308 | \$ 595,233,479 | \$ 580,427,362 | \$ 509,105,740 | \$ 484,720,097 | \$ 459,729,242 | \$ 481,349,753 | \$ 539,612,456 | \$ 566,250,628 | \$ 536,732,960 |

Note: 2012 balances have been restated to reflect prior period adjustments for the primary government and the Board of Education component unit, and to reflect the inclusion beginning in FY2013 of the Development Corporation of Knox County component unit.

KNOX COUNTY, TENNESSEE

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

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses | | | | | | | | | | |
| Primary government: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Finance and Administration | \$ 36,027,013 | \$ 37,137,558 | \$ 41,307,625 | \$ 45,573,546 | \$ 41,738,286 | \$ 42,195,745 | \$ 35,025,924 | \$ 31,753,114 | \$ 30,903,236 | \$ 30,943,555 |
| Finance and Administration - payment to component unit | - | 2,570,000 | 4,148,000 | 6,385,000 | 4,018,649 | 3,823,874 | 3,823,874 | 3,823,874 | 6,653,874 | 6,753,874 |
| Administration of Justice | 13,701,681 | 16,568,869 | 15,277,291 | 16,211,461 | 15,651,510 | 15,691,782 | 24,277,040 | 22,434,728 | 22,734,428 | 23,299,693 |
| Public Safety | 59,055,357 | 61,608,268 | 66,374,696 | 68,125,715 | 71,388,947 | 74,109,826 | 72,135,474 | 72,565,353 | 73,855,455 | 77,888,346 |
| Public Safety - payment to component unit | 603,450 | 326,200 | 326,200 | 326,200 | 326,200 | 326,200 | 326,200 | 326,200 | 326,200 | 326,200 |
| Public Health and Welfare | 38,368,614 | 43,340,309 | 40,902,596 | 40,356,191 | 38,463,931 | 38,366,594 | 33,731,246 | 32,546,227 | 32,492,041 | 33,693,888 |
| Public Health and Welfare - payment to component unit | 562,635 | 646,990 | 256,628 | 166,628 | 166,628 | 256,628 | 256,628 | 256,628 | 256,628 | 211,628 |
| Social and Cultural Services | 16,592,017 | 19,562,356 | 22,529,501 | 21,148,707 | 21,651,989 | 21,594,069 | 21,140,636 | 19,036,194 | 19,130,136 | 19,921,048 |
| Agricultural and Natural Resources | 390,615 | 402,907 | 425,395 | 461,142 | 433,295 | 413,675 | 380,453 | 365,774 | 435,231 | 519,433 |
| Other General Government | 16,622,981 | 24,327,500 | 29,449,900 | 13,151,278 | 21,017,395 | 16,893,864 | 20,252,535 | 24,717,611 | 22,832,602 | 23,803,616 |
| Other General Government - payment to component unit | - | - | - | - | - | - | - | - | 675,000 | 600,000 |
| Engineering & Public Works | 21,570,330 | 24,718,942 | 24,647,845 | 22,815,377 | 23,605,027 | 24,009,373 | 24,045,860 | 21,964,447 | 23,555,325 | 25,155,488 |
| Engineering & Public Works - payment to component unit | - | - | - | - | 25,872 | - | - | - | - | - |
| Education - payment to component unit | 24,844,700 | 71,812,250 | 29,174,787 | 5,000,000 | 14,853,832 | 29,586,094 | 50,924,958 | 13,578,202 | 28,092,391 | 38,763,934 |
| Debt Service - interest and fees | 21,404,699 | 23,403,511 | 25,920,605 | 28,915,724 | 30,093,010 | 25,524,229 | 28,885,417 | 28,193,240 | 26,688,921 | 25,205,819 |
| Debt Service - other | - | - | - | - | - | - | - | - | - | 745,863 |
| Total governmental activities | <u>249,744,092</u> | <u>326,425,660</u> | <u>300,741,069</u> | <u>268,636,969</u> | <u>283,434,571</u> | <u>292,791,953</u> | <u>315,206,245</u> | <u>271,561,592</u> | <u>288,631,468</u> | <u>307,832,385</u> |
| Business-type activities: | | | | | | | | | | |
| Three Ridges Golf Course | - | - | - | - | 464,137 | 961,678 | 1,044,409 | 1,147,603 | 1,124,565 | 937,604 |
| Total primary government expenses | <u>\$ 249,744,092</u> | <u>\$ 326,425,660</u> | <u>\$ 300,741,069</u> | <u>\$ 268,636,969</u> | <u>\$ 283,898,708</u> | <u>\$ 293,753,631</u> | <u>\$ 316,250,654</u> | <u>\$ 272,709,195</u> | <u>\$ 289,756,033</u> | <u>\$ 308,769,989</u> |
| Component units: | | | | | | | | | | |
| Board of Education | \$ 395,291,970 | \$ 405,567,591 | \$ 429,883,031 | \$ 462,569,748 | \$ 470,348,600 | \$ 480,162,339 | \$ 481,991,842 | \$ 503,634,777 | \$ 526,960,365 | \$ 560,610,890 |
| Nonmajor Component Units | 7,212,271 | 6,545,813 | 6,600,806 | 6,777,287 | 6,986,393 | 6,708,481 | 6,656,575 | 6,461,195 | 7,194,181 | 7,397,708 |
| Total component units expenses | <u>\$ 402,504,241</u> | <u>\$ 412,113,404</u> | <u>\$ 436,483,837</u> | <u>\$ 469,347,035</u> | <u>\$ 477,334,993</u> | <u>\$ 486,870,820</u> | <u>\$ 488,648,417</u> | <u>\$ 510,095,972</u> | <u>\$ 534,154,546</u> | <u>\$ 568,008,598</u> |
| Total reporting unit expenses | <u>\$ 652,248,333</u> | <u>\$ 738,539,064</u> | <u>\$ 737,224,906</u> | <u>\$ 737,984,004</u> | <u>\$ 761,233,701</u> | <u>\$ 780,624,451</u> | <u>\$ 804,899,071</u> | <u>\$ 782,805,167</u> | <u>\$ 823,910,579</u> | <u>\$ 876,778,587</u> |

Continued

KNOX COUNTY, TENNESSEE

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

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Program Revenues | | | | | | | | | | |
| Primary government: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Finance and Administration | \$ 28,316,120 | \$ 20,316,983 | \$ 20,508,747 | \$ 23,475,489 | \$ 18,291,849 | \$ 19,541,913 | \$ 19,359,362 | \$ 21,247,575 | \$ 21,290,699 | \$ 20,581,958 |
| Administration of Justice | 3,657,019 | 11,071,804 | 11,190,419 | 12,348,218 | 10,535,989 | 9,990,310 | 10,101,442 | 10,129,539 | 10,382,380 | 10,042,760 |
| Public Safety | 1,032,281 | 533,509 | 499,320 | 983,881 | 1,333,523 | 1,330,976 | 1,439,718 | 4,478,725 | 2,759,919 | 3,305,146 |
| Public Health and Welfare | 4,901,207 | 5,349,029 | 5,182,137 | 4,283,390 | 4,252,529 | 4,050,480 | 4,244,236 | 4,705,246 | 4,997,021 | 5,834,345 |
| Social and Cultural Services | 1,873,889 | 1,122,961 | 1,193,157 | 1,327,729 | 1,324,927 | 1,117,171 | 880,631 | 949,557 | 950,683 | 885,537 |
| Other General Government | 5,697 | 2,412,907 | 1,984,775 | 88,337 | 249,935 | 85,295 | 689,972 | 592,251 | 290,846 | 282,845 |
| Engineering & Public Works | 20,570 | 53,041 | - | 20,105 | 214,851 | 652,250 | 436,570 | 758,766 | 883,998 | 267,125 |
| Operating grants and contributions | 22,760,584 | 23,799,473 | 20,535,731 | 15,232,355 | 13,162,718 | 16,546,478 | 18,111,952 | 13,941,943 | 14,465,074 | 15,068,332 |
| Total governmental activities | 62,567,367 | 64,659,707 | 61,094,286 | 57,759,504 | 49,366,321 | 53,314,873 | 55,263,883 | 56,803,602 | 56,020,620 | 56,268,048 |
| Business-type activities: | | | | | | | | | | |
| Three Ridges Golf Course | - | - | - | - | 462,055 | 918,056 | 927,337 | 978,000 | 877,775 | 861,989 |
| Total primary government program revenues | \$ 62,567,367 | \$ 64,659,707 | \$ 61,094,286 | \$ 57,759,504 | \$ 49,828,376 | \$ 54,232,929 | \$ 56,191,220 | \$ 57,781,602 | \$ 56,898,395 | \$ 57,130,037 |
| Component units: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Board of Education | \$ 12,199,060 | \$ 12,406,982 | \$ 13,452,161 | \$ 13,744,165 | \$ 12,545,538 | \$ 14,558,045 | \$ 16,621,446 | \$ 15,778,275 | \$ 16,681,836 | \$ 15,155,847 |
| Nonmajor Component Units | 3,867,183 | 3,739,653 | 3,562,338 | 5,605,505 | 6,215,901 | 6,209,957 | 6,132,513 | 6,457,347 | 6,499,035 | 6,078,468 |
| Operating grants and contributions | 166,164,250 | 168,419,769 | 174,417,041 | 50,968,461 | 55,064,528 | 75,166,748 | 82,127,060 | 75,304,345 | 70,894,629 | 68,863,832 |
| Capital grants and contributions | - | 131,471 | - | - | - | - | - | - | 747,638 | 883,814 |
| Total component units program revenues | \$ 182,230,493 | \$ 184,697,875 | \$ 191,431,540 | \$ 70,318,131 | \$ 73,825,967 | \$ 95,934,750 | \$ 104,881,019 | \$ 97,539,967 | \$ 94,823,138 | \$ 90,981,961 |
| Total reporting unit program revenues | \$ 244,797,860 | \$ 249,357,582 | \$ 252,525,826 | \$ 128,077,635 | \$ 123,654,343 | \$ 150,167,679 | \$ 161,072,239 | \$ 155,321,569 | \$ 151,721,533 | \$ 148,111,998 |
| Net (expenses)/revenues | | | | | | | | | | |
| Primary government activities | \$ (187,176,725) | \$ (261,765,953) | \$ (239,646,783) | \$ (210,877,465) | \$ (234,070,332) | \$ (239,520,702) | \$ (260,059,434) | \$ (214,927,593) | \$ (232,857,638) | \$ (251,639,952) |
| Component units | (220,273,748) | (227,415,529) | (245,052,297) | (399,028,904) | (403,509,026) | (390,936,070) | (383,767,398) | (412,556,005) | (439,331,408) | (477,026,637) |
| Total net (expenses) revenues for reporting unit | \$ (407,450,473) | \$ (489,181,482) | \$ (484,699,080) | \$ (609,906,369) | \$ (637,579,358) | \$ (630,456,772) | \$ (643,826,832) | \$ (627,483,598) | \$ (672,189,046) | \$ (728,666,589) |

Continued

KNOX COUNTY, TENNESSEE

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

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------------------------------------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|-----------------|----------------|----------------|-----------------|
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Primary government: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 117,697,785 | \$ 124,861,193 | \$ 128,874,750 | \$ 140,608,170 | \$ 134,655,757 | \$ 142,138,781 | \$ 139,862,073 | \$ 144,007,522 | \$ 144,007,522 | \$ 145,415,011 |
| Sales taxes | 9,626,296 | 10,031,562 | 9,952,384 | 8,987,868 | 9,708,315 | 10,433,188 | 11,076,254 | 11,815,046 | 11,815,046 | 11,133,979 |
| Lodging taxes | 4,702,072 | 5,286,419 | 5,382,819 | 4,815,765 | 4,830,079 | 5,152,412 | 5,696,181 | 5,547,738 | 5,547,738 | 5,860,554 |
| Business taxes | 5,864,308 | 6,651,425 | 6,629,276 | 7,440,271 | 6,332,408 | 7,347,327 | 7,782,614 | 8,709,692 | 8,709,692 | 7,566,636 |
| Wheel taxes | 10,118,110 | 10,347,460 | 10,636,138 | 10,570,144 | 10,471,856 | 10,937,485 | 10,835,470 | 10,936,500 | 10,936,500 | 11,448,102 |
| Other local taxes | 3,649,170 | 3,667,617 | 3,793,818 | 4,317,993 | 4,669,629 | 4,620,907 | 2,935,940 | 4,942,341 | 4,942,341 | 4,970,986 |
| Investment revenue | 7,142,137 | 8,179,185 | 5,641,188 | 2,936,051 | (1,678,577) | 3,204,476 | (4,260,317) | 7,779,556 | 7,779,556 | 2,248,955 |
| Other revenues | 27,521,207 | 36,236,016 | 36,856,107 | 36,821,934 | 38,280,459 | 38,088,691 | 54,072,973 | 50,760,348 | 50,760,348 | 47,499,852 |
| Contracts - other governments and citizens | 466,759 | 584,683 | 419,470 | 851,750 | 294,120 | 1,236,916 | 96,628 | 264,452 | 264,452 | 728,102 |
| Miscellaneous | - | 152,406 | 1,122,914 | 11,700 | 517,094 | 3,118,883 | 667,645 | 262,735 | 262,735 | 966,103 |
| Transfers | - | - | - | (1,182,572) | - | - | - | - | - | - |
| Total governmental activities | 186,787,844 | 205,997,966 | 209,308,864 | 216,179,074 | 208,081,140 | 226,279,066 | 228,765,461 | 245,025,930 | 245,025,930 | 237,838,280 |
| Business-type activities: | | | | | | | | | | |
| Transfers | | | | | | | | | | |
| | - | - | - | 1,182,572 | - | - | - | - | - | - |
| Total primary government | \$ 186,787,844 | \$ 205,997,966 | \$ 209,308,864 | \$ 217,361,646 | \$ 208,081,140 | \$ 226,279,066 | \$ 228,765,461 | \$ 245,025,930 | \$ 245,025,930 | \$ 237,838,280 |
| Component units: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 96,753,338 | \$ 97,724,691 | \$ 102,342,297 | \$ 107,324,525 | \$ 106,737,074 | \$ 112,371,639 | \$ 110,866,194 | \$ 113,862,764 | \$ 113,862,764 | \$ 115,339,172 |
| Sales taxes | 118,690,397 | 125,062,455 | 125,522,010 | 116,296,501 | 114,769,928 | 119,973,142 | 128,588,400 | 127,612,963 | 127,612,963 | 128,518,755 |
| Wheel taxes | 1,500,000 | 1,459,461 | 1,500,030 | 1,490,723 | 1,494,272 | 1,525,119 | 1,501,397 | 1,515,396 | 1,515,396 | 1,561,822 |
| Other local taxes | 1,139,144 | 1,276,897 | 1,352,978 | 554,495 | 1,065,154 | 1,006,769 | 1,039,271 | 1,019,405 | 1,019,405 | 1,073,324 |
| Investment revenue | 2,003,350 | 2,746,738 | 1,739,023 | 418,377 | 120,512 | 132,360 | 42,669 | 166,662 | 166,662 | 229,295 |
| Payments from primary government | 75,355,440 | 33,905,615 | 11,877,828 | 19,391,181 | 33,992,796 | 55,331,660 | 17,984,904 | 36,044,093 | 36,044,093 | 46,655,636 |
| Other revenues | - | - | - | 4,525,727 | 1,420,641 | 1,372,773 | 1,475,328 | 1,913,690 | 1,913,690 | 1,369,610 |
| Contracts - other governments and citizens | 1,719,140 | 1,719,140 | 1,719,140 | 1,719,140 | 1,719,140 | 1,719,140 | 1,719,140 | 78,725 | 78,725 | 90,080 |
| Miscellaneous | - | - | - | - | 109,577 | 4 | 503,211 | 377,361 | 377,361 | 219,340 |
| Grants and Contributions Not Restricted for Specific Programs | - | - | 142,038,000 | 144,111,400 | 139,899,700 | 145,735,671 | 161,206,791 | 171,210,229 | 171,210,229 | 175,368,140 |
| Total component units | \$ 297,160,809 | \$ 263,894,997 | \$ 388,091,306 | \$ 395,832,069 | \$ 401,328,794 | \$ 439,168,277 | \$ 424,927,305 | \$ 453,801,288 | \$ 453,801,288 | \$ 470,425,174 |
| Total reporting unit | \$ 483,948,653 | \$ 469,892,963 | \$ 597,400,170 | \$ 613,193,715 | \$ 609,409,934 | \$ 665,447,343 | \$ 653,692,766 | \$ 698,827,218 | \$ 698,827,218 | \$ 708,263,454 |
| Change in Net Position | | | | | | | | | | |
| Primary government activities | \$ (388,881) | \$ (55,767,987) | \$ (30,337,919) | \$ 6,484,181 | \$ (25,989,192) | \$ (13,241,636) | \$ (31,293,973) | \$ 30,098,337 | \$ 12,168,292 | \$ (13,801,672) |
| Component units activities | 76,887,061 | 36,479,468 | 143,039,009 | (3,196,835) | (2,180,232) | 48,232,207 | 41,159,907 | 41,245,283 | 14,469,880 | (6,601,463) |
| Total reporting unit | \$ 76,498,180 | \$ (19,288,519) | \$ 112,701,090 | \$ 3,287,346 | \$ (28,169,424) | \$ 34,990,571 | \$ 9,865,934 | \$ 71,343,620 | \$ 26,638,172 | \$ (20,403,135) |

KNOX COUNTY, TENNESSEE

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

| Fiscal Year | Property Tax | Sales Tax | Lodging Tax | Business Tax | Wheel Tax | Other Local Tax | Total |
|--------------------|---------------------|------------------|--------------------|---------------------|------------------|------------------------|----------------|
| 2005 | \$ 116,504,303 | \$ 9,133,387 | \$ 4,207,643 | \$ 5,605,190 | \$ 9,182,465 | \$ 3,671,045 | \$ 148,304,033 |
| 2006 | 117,697,785 | 9,626,296 | 4,702,072 | 5,864,308 | 10,118,110 | 3,649,170 | 151,657,741 |
| 2007 | 124,861,193 | 10,031,562 | 5,286,419 | 6,651,425 | 10,347,460 | 3,667,617 | 160,845,676 |
| 2008 | 128,874,750 | 9,952,384 | 5,382,819 | 6,629,276 | 10,636,138 | 3,793,818 | 165,269,185 |
| 2009 | 140,608,170 | 8,987,868 | 4,815,765 | 7,440,271 | 10,570,144 | 4,317,993 | 176,740,211 |
| 2010 | 134,655,757 | 9,708,315 | 4,830,079 | 6,332,408 | 10,471,856 | 4,669,629 | 170,668,044 |
| 2011 | 142,138,781 | 10,433,188 | 5,152,412 | 7,347,327 | 10,937,485 | 4,620,907 | 180,630,100 |
| 2012 | 139,862,073 | 11,076,254 | 5,696,181 | 7,782,614 | 10,835,470 | 2,935,940 | 178,188,532 |
| 2013 | 144,007,522 | 11,815,046 | 5,547,738 | 8,709,692 | 10,936,500 | 4,942,341 | 185,958,839 |
| 2014 | 145,415,011 | 11,133,979 | 5,860,554 | 7,566,636 | 11,448,102 | 4,970,986 | 186,395,268 |

Continued

KNOX COUNTY, TENNESSEE

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

| Fiscal Year | Property Tax | Sales Tax | Wheel Tax | Other Local Tax | Total |
|--------------------|---------------------|------------------|------------------|------------------------|----------------|
| 2005 | \$ 91,224,003 | \$ 109,296,323 | \$ 1,500,000 | \$ - | \$ 202,020,326 |
| 2006 | 96,753,338 | 118,690,397 | 1,500,000 | 1,139,144 | 218,082,879 |
| 2007 | 97,724,691 | 125,062,455 | 1,459,461 | 1,276,897 | 225,523,504 |
| 2008 | 102,342,297 | 125,522,010 | 1,500,030 | 1,352,978 | 230,717,315 |
| 2009 | 107,324,525 | 116,296,501 | 1,490,723 | 554,495 | 225,666,244 |
| 2010 | 106,737,074 | 114,769,928 | 1,494,272 | 1,065,154 | 224,066,428 |
| 2011 | 112,371,639 | 119,973,142 | 1,525,119 | 1,006,769 | 234,876,669 |
| 2012 | 110,866,194 | 128,588,400 | 1,501,397 | 1,039,271 | 241,995,262 |
| 2013 | 113,862,764 | 127,612,963 | 1,515,396 | 1,019,405 | 244,010,528 |
| 2014 | 115,339,172 | 128,518,755 | 1,561,822 | 1,073,324 | 246,493,073 |

Continued

KNOX COUNTY, TENNESSEE

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

| Fiscal Year | Property Tax | Sales Tax | Lodging Tax | Business Tax | Wheel Tax | Other Local Tax | Total |
|--------------------|---------------------|------------------|--------------------|---------------------|------------------|------------------------|----------------|
| 2005 | \$ 207,728,306 | \$ 118,429,710 | \$ 4,207,643 | \$ 5,605,190 | \$ 10,682,465 | \$ 3,671,045 | \$ 350,324,359 |
| 2006 | 214,451,123 | 128,316,693 | 4,702,072 | 5,864,308 | 11,618,110 | 4,788,314 | 369,740,620 |
| 2007 | 222,585,884 | 135,094,017 | 5,286,419 | 6,651,425 | 11,806,921 | 4,944,514 | 386,369,180 |
| 2008 | 231,217,047 | 135,474,394 | 5,382,819 | 6,629,276 | 12,136,168 | 5,146,796 | 395,986,500 |
| 2009 | 247,932,695 | 125,284,369 | 4,815,765 | 7,440,271 | 12,060,867 | 4,872,488 | 402,406,455 |
| 2010 | 241,392,831 | 124,478,243 | 4,830,079 | 6,332,408 | 11,966,128 | 5,734,783 | 394,734,472 |
| 2011 | 254,510,420 | 130,406,330 | 5,152,412 | 7,347,327 | 12,462,604 | 5,627,676 | 415,506,769 |
| 2012 | 250,728,267 | 139,664,654 | 5,696,181 | 7,782,614 | 12,336,867 | 3,975,211 | 420,183,794 |
| 2013 | 257,870,286 | 139,428,009 | 5,547,738 | 8,709,692 | 12,451,896 | 5,961,746 | 429,969,367 |
| 2014 | 260,754,183 | 139,652,734 | 5,860,554 | 7,566,636 | 13,009,924 | 6,044,310 | 432,888,341 |

KNOX COUNTY, TENNESSEE

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

| | Fiscal Year | | | | | | | | | |
|-----------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Restated 2012 | 2013 | 2014 |
| General fund | | | | | | | | | | |
| Reserved | \$ 7,934,931 | \$ 7,823,979 | \$ 9,306,651 | \$ 11,024,655 | \$ 9,080,512 | \$ 8,382,154 | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 40,799,145 | 49,774,563 | 46,495,324 | 48,348,469 | 44,197,261 | 43,415,759 | - | - | - | - |
| Nonspendable | - | - | - | - | - | - | 5,880,449 | 6,182,114 | 7,249,342 | 6,760,134 |
| Restricted | - | - | - | - | - | - | 2,212,749 | 2,787,302 | 2,798,061 | 2,557,432 |
| Committed | - | - | - | - | - | - | 9,294 | 5,596,444 | 3,675,473 | 2,342,583 |
| Assigned | - | - | - | - | - | - | 957,967 | 465,211 | 1,089,640 | 1,401,378 |
| Unassigned | - | - | - | - | - | - | 43,521,876 | 44,259,130 | 51,452,742 | 53,026,996 |
| Total general fund | <u>\$ 48,734,076</u> | <u>\$ 57,598,542</u> | <u>\$ 55,801,975</u> | <u>\$ 59,373,124</u> | <u>\$ 53,277,773</u> | <u>\$ 51,797,913</u> | <u>\$ 52,582,335</u> | <u>\$ 59,290,201</u> | <u>\$ 66,265,258</u> | <u>\$ 66,088,523</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 24,624,542 | \$ 12,295,421 | \$ 21,463,450 | \$ 10,173,788 | \$ 13,950,926 | \$ 22,514,296 | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue constitutional officers | 4,793,783 | 3,784,117 | 3,826,048 | 5,405,844 | 3,831,682 | 2,387,038 | - | - | - | - |
| Capital projects public improvement | 5,645,300 | (3,214,692) | (9,257,333) | (28,415,905) | 12,367,955 | (4,050,370) | - | - | - | - |
| Debt service | 30,906,228 | 24,120,114 | 26,617,102 | 24,383,887 | 17,757,274 | 15,753,733 | - | - | - | - |
| Other governmental funds | 15,957,883 | 15,157,943 | 12,742,029 | 13,448,644 | 9,879,284 | 6,658,756 | - | - | - | - |
| Nonspendable | - | - | - | - | - | - | 5,910,592 | 5,776,505 | 5,762,434 | 3,953,715 |
| Restricted | - | - | - | - | - | - | 20,968,128 | 27,243,240 | 6,277,249 | 12,693,130 |
| Committed | - | - | - | - | - | - | 22,133,322 | 23,331,278 | 25,942,402 | 29,062,822 |
| Assigned | - | - | - | - | - | - | - | 2,199,988 | 3,657,378 | 3,986,924 |
| Total all other governmental funds | <u>\$ 81,927,736</u> | <u>\$ 52,142,903</u> | <u>\$ 55,391,296</u> | <u>\$ 24,996,258</u> | <u>\$ 57,787,121</u> | <u>\$ 43,263,453</u> | <u>\$ 49,012,042</u> | <u>\$ 58,551,011</u> | <u>\$ 41,639,463</u> | <u>\$ 49,696,591</u> |

Note: 2012 General Fund and Debt Service Fund have been restated to reflect prior period adjustments.

GASB Statement Number 54 implemented in fiscal year 2011.

KNOX COUNTY, TENNESSEE

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

| | Fiscal Year | | | | | | | | | |
|-----------------------------------------------------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|----------------|----------------|----------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 148,071,025 | \$ 156,075,279 | \$ 161,129,442 | \$ 165,894,884 | \$ 169,892,631 | \$ 171,522,503 | \$ 178,306,446 | \$ 182,423,476 | \$ 186,718,795 | \$ 187,406,586 |
| Licenses and permits | 3,472,814 | 3,741,911 | 3,623,663 | 3,696,245 | 3,415,502 | 3,252,786 | 3,342,613 | 3,586,182 | 3,701,844 | 3,827,598 |
| Fines, forfeitures and penalties | 3,231,893 | 4,058,576 | 4,126,768 | 4,366,159 | 4,114,621 | 3,428,205 | 2,247,102 | 2,814,573 | 3,635,407 | 2,949,034 |
| Charges for current services | 27,835,419 | 28,388,616 | 27,931,145 | 30,467,122 | 25,843,423 | 26,838,941 | 26,977,222 | 27,430,317 | 30,445,612 | 31,070,318 |
| Other local revenues | 4,383,663 | 4,470,506 | 2,590,971 | 10,018,778 | 5,049,121 | 4,787,595 | 8,660,028 | 8,570,876 | 10,503,513 | 8,535,982 |
| State of Tennessee | 19,312,368 | 16,370,956 | 21,319,794 | 19,645,086 | 17,799,336 | 18,913,035 | 16,997,956 | 18,284,332 | 19,339,165 | 18,137,895 |
| Federal government | 5,779,123 | 11,534,036 | 8,635,219 | 7,834,280 | 6,534,996 | 9,290,911 | 12,117,880 | 11,120,469 | 10,233,153 | 11,238,152 |
| Other governments and citizen groups | 1,455,388 | 1,040,630 | 3,830,345 | 1,738,118 | 1,347,906 | 640,110 | 1,669,274 | 1,454,345 | 1,103,013 | 723,019 |
| Investment earnings | 2,713,771 | 7,145,359 | 8,180,389 | 173,206 | 794,846 | 174,952 | 1,037,903 | 2,111,750 | 2,214,606 | 2,023,800 |
| Payments from component units | 20,838,840 | 21,649,922 | 23,229,518 | 23,614,046 | 24,914,174 | 26,432,876 | 26,227,344 | 36,728,191 | 32,601,668 | 31,929,023 |
| Fees received from county officials | 426,736 | 207,187 | 173,375 | 199,697 | 173,830 | - | - | - | - | - |
| Increase in equity interest in joint venture | - | 10,385 | 713,764 | 46,412 | - | - | 349,085 | 331,142 | 918,162 | - |
| Total revenues | 237,521,040 | 254,693,363 | 265,484,393 | 267,694,033 | 259,880,386 | 265,281,914 | 277,932,853 | 294,855,653 | 301,414,938 | 297,841,407 |
| Expenditures | | | | | | | | | | |
| Finance and administration | 35,792,902 | 36,919,202 | 41,092,636 | 42,994,827 | 40,263,423 | 40,628,916 | 33,375,623 | 31,446,206 | 30,320,994 | 30,536,305 |
| Finance and administration - payments to component unit | 1,000,000 | 2,570,000 | 4,148,000 | 6,385,000 | 4,018,649 | 3,823,874 | 3,823,874 | 3,823,874 | 6,653,874 | 6,753,874 |
| Administration of justice | 13,069,224 | 13,915,861 | 12,477,574 | 13,635,809 | 13,141,252 | 13,060,783 | 23,761,351 | 21,973,316 | 22,221,820 | 22,787,276 |
| Public safety | 57,235,374 | 59,624,309 | 64,460,665 | 66,148,272 | 69,556,725 | 72,519,183 | 72,338,730 | 71,190,474 | 72,956,418 | 74,958,904 |
| Public safety - payments to component unit | 603,450 | 326,200 | 326,200 | 326,200 | 326,200 | 326,200 | 326,200 | 326,200 | 326,200 | 326,200 |
| Public health and welfare | 37,318,628 | 40,028,212 | 39,407,838 | 39,351,120 | 37,443,749 | 37,113,902 | 32,481,343 | 31,426,565 | 31,366,064 | 32,819,696 |
| Public health and welfare - payments to component unit | 562,635 | 646,990 | 256,628 | 166,628 | 166,628 | 256,628 | 256,628 | 256,628 | 256,628 | 211,628 |
| Social and cultural services | 14,688,232 | 15,719,033 | 17,697,777 | 17,868,031 | 19,224,930 | 18,490,914 | 18,082,432 | 16,594,500 | 16,367,637 | 17,294,876 |
| Agricultural and natural resources | 390,615 | 402,907 | 425,395 | 461,142 | 433,295 | 413,675 | 380,453 | 365,774 | 435,231 | 519,433 |
| Other general government | 13,533,836 | 11,690,674 | 14,173,623 | 13,878,441 | 14,588,454 | 14,871,749 | 19,777,716 | 18,887,075 | 20,439,302 | 21,365,998 |
| Other general government - payments to component unit | - | - | - | - | - | - | - | - | - | 600,000 |
| Engineering & Public Works | 8,607,547 | 12,887,045 | 11,228,081 | 11,096,021 | 12,130,049 | 11,875,623 | 11,736,732 | 10,498,407 | 10,873,216 | 11,782,056 |
| Engineering & Public Works - payments to component unit | - | - | - | - | 25,872 | - | - | - | - | - |
| Decrease in equity interest in joint venture | 457,224 | - | - | - | 20,682 | 528,848 | - | - | - | 493,210 |
| Debt proceeds paid to component unit | 24,000,000 | 27,000,000 | 18,550,000 | - | 14,000,000 | 14,822,428 | 29,004,906 | 13,578,202 | 13,182,024 | 38,763,934 |
| Debt issuance cost | 308,200 | 337,500 | 340,537 | 489,154 | 368,000 | 247,856 | 441,307 | 106,387 | - | 745,863 |
| Payments to component unit | 5,500 | 44,994,500 | 10,750,000 | 5,000,000 | - | - | - | - | - | - |
| Capital Outlay | 24,273,922 | 37,596,153 | 47,004,907 | 26,612,521 | 18,427,009 | 22,814,409 | 8,975,940 | 8,146,618 | 29,757,038 | 18,415,728 |
| Debt Service: | | | | | | | | | | |
| Principal | 20,040,468 | 21,370,468 | 22,980,467 | 24,185,467 | 28,550,620 | 31,080,467 | 34,695,467 | 35,615,702 | 37,766,083 | 40,630,308 |
| Interest | 21,439,049 | 23,704,393 | 25,102,520 | 27,307,441 | 29,218,581 | 22,292,340 | 25,297,513 | 25,888,063 | 24,982,926 | 23,577,780 |
| Other charges | 868,759 | 1,230,283 | 1,309,719 | 2,064,509 | 1,965,036 | 3,691,792 | 3,955,168 | 3,399,500 | 2,517,892 | 2,308,689 |
| Total expenditures | 274,195,565 | 350,963,730 | 331,732,567 | 297,970,583 | 303,869,154 | 308,859,587 | 318,711,383 | 293,523,491 | 320,423,347 | 344,891,758 |
| Excess (deficiency) of revenues over (under) expenditures | (36,674,525) | (96,270,367) | (66,248,174) | (30,276,550) | (43,988,768) | (43,577,673) | (40,778,530) | 1,332,162 | (19,008,409) | (47,050,351) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 23,722,579 | 32,427,313 | 26,009,546 | 23,608,526 | 25,711,520 | 25,795,690 | 9,942,342 | 16,198,023 | 17,216,767 | 15,910,827 |
| Transfers out | (23,933,579) | (34,077,313) | (27,309,546) | (80,419,372) | (28,898,609) | (26,010,479) | (9,882,229) | (18,439,226) | (21,326,873) | (21,240,907) |
| Capital lease proceeds | - | - | - | - | - | 11,651,171 | - | - | 13,182,024 | 14,872,404 |
| Refunding bonds issued | 93,310,000 | - | - | - | - | 4,550,000 | 62,675,000 | 21,505,000 | - | - |
| Bonds issued | 70,000,000 | 77,000,000 | 69,000,000 | 57,000,000 | 40,000,000 | 16,000,000 | 46,236,000 | 14,400,000 | - | 39,075,000 |
| Loan issued | - | - | - | - | - | - | - | - | - | 5,962,500 |
| Premium on debt issued | 8,238,711 | - | - | - | 332,400 | 207,763 | 2,458,913 | 1,367,889 | - | 350,920 |
| Discount on bonds issued | (585,773) | - | - | - | - | - | - | - | - | - |
| Payments to refunded bond escrow agent | (100,962,938) | - | - | - | - | - | - | - | - | - |
| Payments to holders of refunded debt | - | - | - | - | - | (4,620,000) | (64,118,485) | (22,469,358) | - | - |
| Notes issued | - | - | - | 3,263,507 | 33,538,969 | - | - | 5,000,000 | - | - |
| Total other financing sources (uses) | 69,789,000 | 75,350,000 | 67,700,000 | 3,452,661 | 70,684,280 | 27,574,145 | 47,311,541 | 17,562,328 | 9,071,918 | 54,930,744 |
| Net change in fund balances | \$ 33,114,475 | \$ (20,920,367) | \$ 1,451,826 | \$ (26,823,889) | \$ 26,695,512 | \$ (16,003,528) | \$ 6,533,011 | \$ 18,894,490 | \$ (9,936,491) | \$ 7,880,393 |
| Debt service as a percentage of noncapital expenditures | 16.49% | 13.78% | 15.94% | 19.07% | 20.37% | 18.71% | 19.74% | 21.93% | 20.75% | 19.21% |

KNOX COUNTY, TENNESSEE

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

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

Source: Knox County, Tennessee Trustee Department.

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

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

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

KNOX COUNTY, TENNESSEE

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

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

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

KNOX COUNTY, TENNESSEE

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

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

Source: Knox County, Tennessee Trustee Department.

KNOX COUNTY, TENNESSEE

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

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

Source: Knox County, Tennessee Trustee Department.

KNOX COUNTY, TENNESSEE

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

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

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 231 for personal income and population data.

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

KNOX COUNTY, TENNESSEE

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

| Fiscal Year | General Obligation Bonds | Less: Amounts Available in Debt Service Fund | Total | Percentage of Estimated Actual Taxable Value (1) of Property | Per Capita (2) |
|------------------------|-----------------------------------------|-------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------|---------------------------|
| 2005 | \$ 478,868 | \$ 28,906 | \$ 449,962 | 1.67% | \$ 1,099 |
| 2006 | 534,498 | 24,116 | 510,382 | 1.88% | 1,218 |
| 2007 | 580,517 | 26,613 | 553,904 | 1.94% | 1,306 |
| 2008 | 613,332 | 24,384 | 588,948 | 1.98% | 1,368 |
| 2009 | 627,121 | 17,757 | 609,364 | 1.75% | 1,402 |
| 2010 | 613,971 | 15,754 | 598,217 | 1.70% | 1,381 |
| 2011 | 691,186 | 16,296 | 674,890 | 1.89% | 1,545 |
| 2012 | 669,016 | 17,147 | 651,869 | 1.77% | 1,477 |
| 2013 | 631,616 | 18,877 | 612,739 | 1.62% | 1,378 |
| 2014 | 632,397 | 21,749 | 610,648 | 1.62% (3) | 1,363 (3) |

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 224 for property value data.

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

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

KNOX COUNTY, TENNESSEE

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2014
(amounts expressed in thousands)
(Unaudited)**

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|-----------------------------------------|-----------------------------|------------------------------------------------|--------------------------------------------------------|
| Debt repaid with property taxes: County | \$ 674,849 | 100.00% | <u>\$ 674,849</u> |
| Subtotal, direct debt | | | |
| City of Knoxville overlapping debt | 159,435 | 100.00% | 159,435 |
| Town of Farragut overlapping debt | 750 | 100.00% | <u>750</u> |
| Total direct and overlapping debt | | | <u><u>\$ 835,034</u></u> |

Note: Percentage of overlap based on assessed property values.

KNOX COUNTY, TENNESSEE

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

| Fiscal Year | Population (3) | Personal Income (amounts expressed in thousands) | (1) | Per Capita Personal Income | (1) | Median Age | (3) | School Enrollment | (3) | Unemployment Rate | (2) |
|--------------------|-----------------------|------------------------------------------------------------|-----|-----------------------------------|-----|-------------------|-----|--------------------------|-----|--------------------------|-----|
| 2005 | 409,324 | \$ 13,301,853 | | \$ 32,815 | | 37.5 | | 92,507 | | 4.8% | |
| 2006 | 418,888 | 14,142,669 | | 33,996 | | 37.8 | | 92,507 | | 4.5% | |
| 2007 | 424,257 | 15,033,901 | | 35,491 | | 37.3 | | 107,039 | | 3.3% | |
| 2008 | 430,444 | 15,666,206 | | 36,342 | | 37.6 | | 110,198 | | 3.8% | |
| 2009 | 434,617 | 15,371,687 | | 35,278 | | 37.1 | | 112,688 | | 8.5% | |
| 2010 | 433,097 | 16,089,189 | | 37,148 | | 37.2 | | 113,848 | | 7.8% | |
| 2011 | 436,877 | 16,994,073 | | 38,894 | | 37.2 | | 108,109 | | 7.6% | |
| 2012 | 441,311 | 18,149,825 | | 41,127 | | 37.2 | | 111,190 | | 6.7% | |
| 2013 | 444,622 | 18,149,825 (4) | | 40,888 (4) | | 37.3 | | 111,190 (4) | | 7.3% | |
| 2014 | 447,933 (4) | 18,149,825 (4) | | 40,888 (4) | | 37.3 (4) | | 111,190 (4) | | 6.3% | |

Data sources:

(1) Bureau of Economic Analysis, Regional Economic Accounts, Bearfacts.

(2) Tennessee Department of Labor and Workforce Development.

(3) US Census Bureau/American FactFinders.

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

KNOX COUNTY, TENNESSEE

**Principal Employers
Calendar Year 2013 and Nine Years Ago
(Unaudited)**

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

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

(2) Greater Knoxville Chamber of Commerce.

(3) Tennessee Department of Labor and Workforce Development.

KNOX COUNTY, TENNESSEE

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

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

Source: Knox County Budget.

KNOX COUNTY, TENNESSEE

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

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

* Information not yet available.

(1) Information kept by calendar year.

(2) Information kept by fiscal year.

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

KNOX COUNTY, TENNESSEE

**Capital Asset Statistics by Function
Last Ten Fiscal Years
(Unaudited)**

| Function | Fiscal Year | | | | | | | | | |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| Public Safety | | | | | | | | | | |
| Sheriff | | | | | | | | | | |
| Detention Facility | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Penal Farm | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | N/A | 10 | 10 | 10 | 8 | 10 | 10 | 9 | 9 | 9 |
| Engineering & Public Works | | | | | | | | | | |
| Streets (lane miles) | N/A | 2,033 | 2,033 | 2,033 | 2,033 | 2,033 | 2,089 | 2,107 | 2,107 | 2,230 |
| Bridges | 138 | 138 | 138 | 138 | 142 | 142 | 142 | 142 | 142 | 143 |
| Traffic signals | 49 | 51 | 53 | 55 | 58 | 59 | 64 | 65 | 68 | 70 |
| Parks & Recreation | | | | | | | | | | |
| Parks acreage | 2,874 | 3,026 | 3,051 | 3,076 | 3,122 | 3,296 | 3,296 | 3,347 | 3,347 | 2,600 |
| Parks | 43 | 45 | 46 | 47 | 47 | 49 | 49 | 50 | 51 | 49 |
| Spray pools | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Tennis courts | 6 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 13 |

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