CITY OF KNOXVILLE

MADELINE ROGERO, MAYOR

Comprehensive Annual Financial Report For Fiscal Year Ending June 30, 2016

KNOXVILLE, TENNESSEE

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF KNOXVILLE, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

PREPARED BY:

CITY OF KNOXVILLE FINANCE DEPARTMENT

JAMES YORK, CMFO
SENIOR DIRECTOR OF FINANCE

CLYDE 'BOE' COLE, CMFO, CGFO
COMPTROLLER

CITY OF KNOXVILLE, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2016

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INTRODUCTORY SECTION

CITY OF KNOXVILLE
MADELINE ROGERO, MAYOR

James York
Senior Director of Finance

December 20, 2016

In compliance with the City of Knoxville Charter requirements, I am submitting the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This report discusses the financial results for the year, provides information on budgetary performance, and includes information on the financial condition of the City. I am pleased to report that the financial condition of the City remains strong.

The report has been prepared in accordance with the principles and standards for financial reporting as set forth by the Governmental Accounting Standards Board (GASB) and the requirements of the Single Audit Act of 1984 and related Uniform Guidance. GASB Statement 68 was adopted in FY2015, which expanded the standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and for pension disclosure, identifies the methods and assumption that need to be used for projecting benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to the periods of employee service. These changes are discussed further in the footnotes and the Management's Discussion and Analysis.

The City's financial statements have been prepared by the Finance Department and audited by Crosslin, PLLC. The City accepts the responsibility to ensure that all information included in the Comprehensive Annual Financial Report is complete and accurate. We believe the enclosed data completely and accurately presents the financial condition of the City.

This report consists of four sections: Introductory, Financial, Statistical, and Compliance section. The Introductory Section includes the City's Letter of Transmittal, a listing of officials, an organization chart, and a facsimile of the Certificate of Achievement for Excellence in Financial Reporting. The Financial Section is comprised of the independent auditor's opinion, Management's Discussion and Analysis, basic financial statements, informational notes, required supplemental information, and various combining and individual fund statements. The Statistical Section provides selected unaudited financial and demographic information on a multi-year basis. Finally, the Compliance Section incorporates information associated with federal and state grants and our compliance therewith.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Knoxville's MD&A can be found immediately following the report of the independent auditors.

This report covers all financial operations of the City of Knoxville, as well as its component units. The City provides a full range of services, including, but not limited to, police and fire protection; solid waste collection and disposal; construction and maintenance of highways, streets, and infrastructure; recreational activities; and cultural events. The City also has financial accountability over three component units, Knoxville Utilities Board (KUB), the Metropolitan Knoxville Airport Authority (MKAA), and Knoxville Area Transit (KAT). The financial statements of KUB, MKAA and KAT are included in the body of this report, noted as Component Units on the Government Wide Statements. The financial statements of the City Employees' Pension Trust Fund are included in the Fiduciary funds section along with two minor health-related benefit agency funds.

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Governmental Structure

The City of Knoxville operates under the Mayor-Council form of government. Policy-making and legislative authority are vested in the nine member City Council, six of whom represent specific districts and three members elected at large. The mayor and Council members are elected on a non-partisan basis for four-year terms and can serve no more than two consecutive terms. The City Council is responsible, among other things, for passing ordinances, determining policies, and adopting the budget. The mayor is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments.

Local Economic Condition

The City of Knoxville is the third largest City in the State of Tennessee, having an estimated population of 185,291 (2015 Census Bureau estimate). Located in East Tennessee at the headwaters of the Tennessee River, the City serves as the economic center of the East Tennessee area, including portions of Kentucky, North Carolina and Virginia. Its trade sector is one of the strongest in the state.

Knoxville has a diversified economy, with a strong public sector led by the University of Tennessee and the Tennessee Valley Authority, which provide employment stability. The Brookings Institution has named Knoxville one of the first three cities in the United States to fully recover from the Recession of 2008-09.

With a business-friendly environment, the City opened the Knoxville Entrepreneur Center (KEC) in 2013 as a business accelerator that will help budding entrepreneurs turn ideas into reality. The KEC is a significant component of Knoxville's future economic success, which depends on the city's ability to attract, develop and retain talented people. The center helps business owners collaborate on ideas that will be transformed into jobs and a stronger tax base.

Tourism is an economic generator for Knoxville. According to the Tennessee Department of Tourist Development, tourists spent a total of $1.014 billion in Knox County in 2015, an increase of 3.4 percent. Tourism generated a total of $53.21 million in state and $24.50 million in local tax revenues, increases of 6.5 percent and 4.3 percent, respectively. A total of 9,197 Knox Countians are employed in tourism-related fields.

The City, located in Knox County, has one of the lower sales tax rates in the state. Authorized by state law to levy up to 2.75%, the combined city/county rate is 2.25%. Approximately seventy-four percent of the taxable sales within the County occur inside the corporate limits of Knoxville. Approximately seventy-two percent of the taxes collected within the City are distributed to the Knox County School System with the remainder flowing to the City's general fund. The following table displays the City's portion of local sales tax collections (in thousands) over the past ten years.

Local Option Sales Tax Revenues
For the Fiscal Years Ended June 30
(In $1,000's)

Year	Collections	% Change
2007	$36,659	6.21%
2008	$37,274	1.68%
2009	$34,186	(8.28%)
2010	$32,654	(4.48%)
2011	$33,849	3.66%
2012	$36,379	7.47%
2013	$35,028	(3.71%)
2014	$35,783	2.16%
2015	$37,187	3.92%
2016	$40,743	9.56%

As shown above, the City, in FY16 experienced a 9.56% increase in local sales tax. While this is artificially high due to a redistribution of tax revenue between Knox County and the City of Knoxville, the real increase is in the 4% to 4.5% range. This is a favorable sign of continued local economic recovery and strength.

The presence of the University of Tennessee along with Tennessee Valley Authority, Oak Ridge National Laboratory and other large governmental installations lend stability to the area, making the local economy less cyclical than either the national or state economy. In June 2016, the Knoxville metro area's civilian labor force (full and part-time, non-farm, wage and salary employees and self-employed persons) totaled 421,800 workers. Average unemployment rate was 4.7 percent, a decline from 5.9 percent in June 2015. Knox County reported a total 239,340 workers and 4.3 percent unemployment in June 2016, unchanged from the rate in June 2015.

An extensive transportation network connects Knoxville to the U.S. marketplace. Nearly half of the nation's population is within an eight to ten hour drive of Knoxville via I-40, I-75, and I-81 which meet in the metro area. The city is directly linked to the Great Lakes by the Interconnected Inland Water System and to the Gulf of Mexico by the Tennessee-Tombigbee Waterway. Barge shipping is facilitated by three local river terminals. Also serving the area are 125 truck lines, two railroads, and six airlines.

The Knoxville Utility Board (KUB) provides electricity, water and wastewater, and gas to more than 444,000 customers in Knox, Union, Grainger, Jefferson and Sevier Counties. It is comprised of 5 major plants, 297 remote facilities, and employs about 930 people. Operating with an $889 million budget and $1.651 billion in net capital assets, it is the fourth largest customer of the Tennessee Valley Authority.

The McGhee Tyson Airport (MKAA) is served by six major airlines serving 21 non-stop destinations including Atlanta, Dallas/Ft. Worth, Orlando, Fort Lauderdale, New York, Chicago, Denver and Washington D.C. Departures and arrivals total nearly 2 million passengers annually. The direct and indirect economic impact of the airport is estimated by the Metropolitan Knoxville Airport Authority to be approximately $1 billion annually. This figure includes payroll, local spending, transportation cost savings, capital spending and other benefits.

Knoxville Area Transit (KAT) is the City of Knoxville's transit system, operating buses, trolleys and paratransit service across the city. KAT's funding comes from the City of Knoxville, the state and federal governments and fare revenues. KAT makes over 3 million passenger trips each year. KAT's 24-route bus system and 3-route trolley system is based at the Knoxville Station Transit Center, which serves as the major public transportation hub for metropolitan Knoxville. The facility, which opened in 2010, is the city's first Silver LEED-certified government building.

Knoxville boasts an active tourism and convention trade. The 500,545 square foot convention center on the World's Fair Park site, which opened in June 2002, features spacious meeting rooms and a 400-seat lecture hall. Other facilities include a civic coliseum/auditorium, an exhibition hall/convention center, a 25,000-seat arena, and a conference center at the University of Tennessee. Among Knoxville's many annual events are the Dogwood Arts Festival, Tennessee Valley Fair, the Rossini Festival, Christmas in the City and many other cultural activities. The City is increasingly becoming an outdoor destination with the development of an urban wilderness area in south Knoxville and the enhancement of its park system.

Knox County is the principal gateway to the Great Smoky Mountains National Park, located 40 miles to the southeast. There are over 500,000 acres that make up the nation's most-visited National Park, extending over the States of Tennessee and North Carolina. Between 8 and 10 million people visit the park annually, making it the most visited park in the country. Two tourist towns are located at the foothills of the Smoky Mountains, Gatlinburg and Pigeon Forge. Gatlinburg has accommodations for over 60,000 people, features numerous restaurants, craft shops, and gift stores, along with a ski lodge, ski-lifts, convention center and tramway, making it a year-round resort town. Pigeon Forge is also a shopper's mecca and has accommodations for approximately 40,000 people. Its attractions include Dollywood - a country-style theme park, a waterslide park, a rodeo dinner theater, and numerous miniature golf courses, bumper boat rides, and theme museums. Knoxville seeks to capitalize even more from its location through such projects as the Women's Basketball Hall of Fame, the Knoxville Visitors Center, Outdoor Knoxville, Volunteer Landing, Neyland Stadium, home of the University of Tennessee Volunteer football team, the Knoxville Botanical Gardens, and Zoo Knoxville.

The Knoxville Symphony, the Knoxville Opera Company, and the Tennessee Children's Dance Ensemble are among the many exceptional arts organizations in the city. Choral groups, dance companies, and eleven performance theatres, including the renovated Tennessee and Bijou theaters, also promote the arts. Live entertainment includes touring Broadway productions, ice shows, concerts, and circuses. The Knoxville Museum of Art and the Emporium Center for Arts and Culture feature changing exhibits throughout the year, while the area's libraries, historic sites, and museums, such as the Museum of Appalachia and the Beck Cultural Center, celebrate Knoxville's heritage.

Knoxville consistently receives high honors for quality of life. In 2015, Forbes magazine listed Knoxville as the second most affordable city in America, based on housing prices, living costs, and the consumer price index. The American Chamber of Commerce Researchers Association (ACCRA) also ranked Knoxville as one of the more affordable Southeast urban areas, with a cost-of-living index of 87.4 in 2014, the average of participating cities equaling 100.0. Not only does Knoxville offer a high quality of life, but it has been recognized as a great place to work. CareerBliss.com recently ranked Knoxville as the second happiest city for workers, based on factors such as compensation, growth opportunities and company culture.

The quality of life, a low cost of living, convenient interstate access as well as other factors make the area an attractive location for many types of operations. Knoxville serves as home to numerous customer service centers, including Jewelry Television by ACN, Cendant Corporation, ClientLogic Corporation, G.C Services, Kimberly-Clark Corporation, Nova Information Systems, U.S. Cellular and Whirlpool Corporation. The City has worked with these firms, and others, to help foster relocation to Knoxville, or expansion of existing facilities. Other national and global leaders in the area include Home and Garden Television (HGTV), Clayton Homes, DeRoyal Industries, Pilot Flying J Travel Centers, Regal Entertainment Group, Brunswick Corporation, and Green Mountain Coffee. Sysco Corporation, one of the largest food service marketers and distributors in North America, also calls the Knoxville area home.

Knoxville serves as the health, educational, and governmental center of East Tennessee. Knoxville is the home to the University of Tennessee's (UTK) main campus which experienced an enrollment of 28,052 students for Fall 2016, including its teaching hospital and veterinary school. U.S. News and World Report ranks UTK in the top half, 46th of 119 national public universities. Six other colleges operate in Knoxville, with 30 trade/vocational schools completing Knoxville's higher education system. Also operating within the area are five hospitals including the only two trauma centers for a 27-county area. The presence of the Tennessee Valley Authority, UT-Battelle, and BWXT-Bechtel serve as a magnet for technology-based corporations in the East Tennessee area. The growing trend toward allowing technology transfer to private industry is also benefiting the region.

Relevant Financial Policies/Controls

Management of the City of Knoxville is responsible for establishing and maintaining an internal control structure. This structure is designed to protect the assets of the government from loss, theft or misuse. The system also attempts to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The objective of the City of Knoxville's budgetary controls system is to ensure compliance with the City Code and Charter, as well as with state and federal guidelines regarding use of funds. No authority is granted to any department to exceed their annual appropriation without council approval. Appropriations for all funds, excluding grants and capital projects, included in the annual budget process lapse at year-end and must be re-appropriated annually. Additional budgetary controls include the City's encumbrance accounting system, which is designed to ensure that departments do not exceed or commit to exceed any appropriation for the fiscal year. Furthermore, the Mayor and the Finance Director can reserve or impound appropriations if there appears to be insufficient revenues to cover expenditures, or for any other valid reason.

Other information

Independent Audit

The State of Tennessee requires an independent audit performed by independent certified public accountants. The City's audit committee selected Crosslin, PLLC to perform the fiscal year 2016 audit.

MAJOR INITIATIVES

I. Redevelopment

Knoxville is the hub of the East Tennessee region. The city was founded in 1791 and served as the first capital of the state of Tennessee, from 1796 to 1812. It retains the best of its Appalachian heritage today – a strong work ethic, a family-centered community, and an intense respect for the natural beauty of the city and its surroundings.

Downtown Knoxville has enjoyed a sustained resurgence since the start of this century, with a vibrant arts scene and cultural attractions (from the Women's Basketball Hall of Fame to the Knoxville Museum of Art), along with entertainment, shopping and dining opportunities.

The City's Office of Redevelopment has been an important partner in this resurgence, and in 2016 continued its efforts to encourage reinvestment in the urban core and in neighborhoods radiating out in all directions from downtown. The City continued construction this year on a $17 million redesign and reconstruction of a nine-block stretch of Cumberland Avenue, the dense commercial area close to the University of Tennessee, that will modernize aging utility infrastructure, improve traffic flow and improve the aesthetics of the corridor.

On the south bank of the Tennessee River, work continues on the former site of Baptist Hospital, which is being developed into a mixed-use complex of apartments, office space, restaurants and retail. That project is also benefiting from City and Knox County tax-increment financing, as well as a public-private partnership to relocate the headquarters of Regal Entertainment Group there.

Also on the South Waterfront, work progressed on the planned Suttree Landing Park. The five-acre park will provide public recreation space and river access for boaters. The plan also includes a new street, Waterfront Drive, which will facilitate an extension of the existing neighborhood.

Work moved forward on a more attractive and accessible entrance to Fort Dickerson Park from Chapman Highway, which will bring more attention to the historic Civil War battle site and the park's beautiful quarry.

To the east of downtown, the Office of Redevelopment began design on improved streetscapes for Magnolia Avenue, starting with a "model block" that will serve as a template for improvements all along the historic commercial corridor.

The City of Knoxville encourages reinvestment in other parts of the City through the Community Development Department. Initiatives such as owner-occupied rehabilitations, blighted property acquisitions, and a commercial façade program enhance targeted redevelopment areas.

The façade program improves the appearance of buildings and serves to improve the economic viability of these areas. Better aesthetics are known to increase property values, improve the marketability of buildings and attract commercial tenants and residents.

II. Sustainability

Knoxville has a commitment to energy efficiency and sustainability. The Office of Sustainability continued its work this year with the Knoxville Smarter Cities Partnership. The group was formed to follow through on recommendations made by an IBM Smarter Cities team in 2013, to help low-income residents weatherize their homes and learn more about energy efficiency. The goal is to reduce the need for emergency utility bill assistance. The City is working with partners including the Knoxville Utilities Board, TVA and the Community Action Committee.

The partnership has led to the creation of two separate programs to fund ongoing weatherization for low to moderate income households. The Knoxville Utilities Board created the "Round It Up" program, which automatically rounds up utility bills to the next dollar and directs the extra amount to a weatherization fund. (Customers can opt out of the program.) The partnership also received $15 million in funding from the Tennessee Valley Authority for the Knoxville Extreme Energy Makeover (KEEM) program, which is also funding residential weatherization.

The Office of Sustainability has also taken the lead in promoting urban agriculture and community gardens, through a set of proposed ordinances adopted by City Council to allow more freedom for community gardens to operate within the City and for small growers to directly sell their produce to consumers.

III. Livability

Knoxville consistently receives high honors for quality of life. In 2015, Forbes magazine listed Knoxville as the second most affordable city in America, based on housing prices, living costs, and the consumer price index. It was recently ranked one of the Best Places to Retire by Livability.com, and the City's investment in outdoor recreation and its Urban Wilderness Corridor have attracted favorable coverage from outlets including USA Today and Backpacker magazine.

The City continues to invest in neighborhood infrastructure, recreational facilities, major community events and great public spaces. It is important that neighborhoods also have quality infrastructure and are free from blight. This year's budget provided $800,000 to Knoxville's Community Development Corporation for the redevelopment of the Walter P. Taylor homes project in the Five Points/Park City area, part of an ongoing 10-year commitment to that area.

Great neighborhoods also have access to parks, greenways, natural areas, and recreational opportunities. They safely accommodate pedestrians, bicycles, public transit, and vehicles. The City has continued to invest in Knoxville's greenway network, with $1 million designated for greenway construction in the 2016 budget. It also continued to fund necessary demolition and utility improvements at Lakeshore Park, to lay the groundwork for the implementation of an ambitious new master plan adopted for that park by the nonprofit Lakeshore Park board.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Knoxville for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the 30th consecutive year that the City 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 current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Knoxville received GFOA's Distinguished Budget Presentation Award for the annual operating budget dated July 1, 2016. This marks the twenty-eighth consecutive year that the City has won this Award. The Distinguished Budget Presentation Award recognizes that the City's budget document is a proficient policy document, financial plan, operation guide and communications medium.

Acknowledgments

The preparation of this report results from the combined efforts of many people. Special recognition and appreciation goes to the City's Finance Department, Savannah Maupin, the City's Internal Auditor, the City's independent auditors, Crosslin, PLLC, and the City Council audit committee comprised of Nick Della Volpe (Chair), Daniel Brown, Brenda Palmer, Finbarr Saunders and Marshall Stair. The national recognition afforded the City of Knoxville could not have been achieved without the increasing participation and enthusiasm of the citizens of this community. Their exceptional response has served as the foundation for many programs and projects developed during the budgetary process which strengthen and benefit the lives of all Knoxvillians.

Sincerely,

James York
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Knoxville
Tennessee

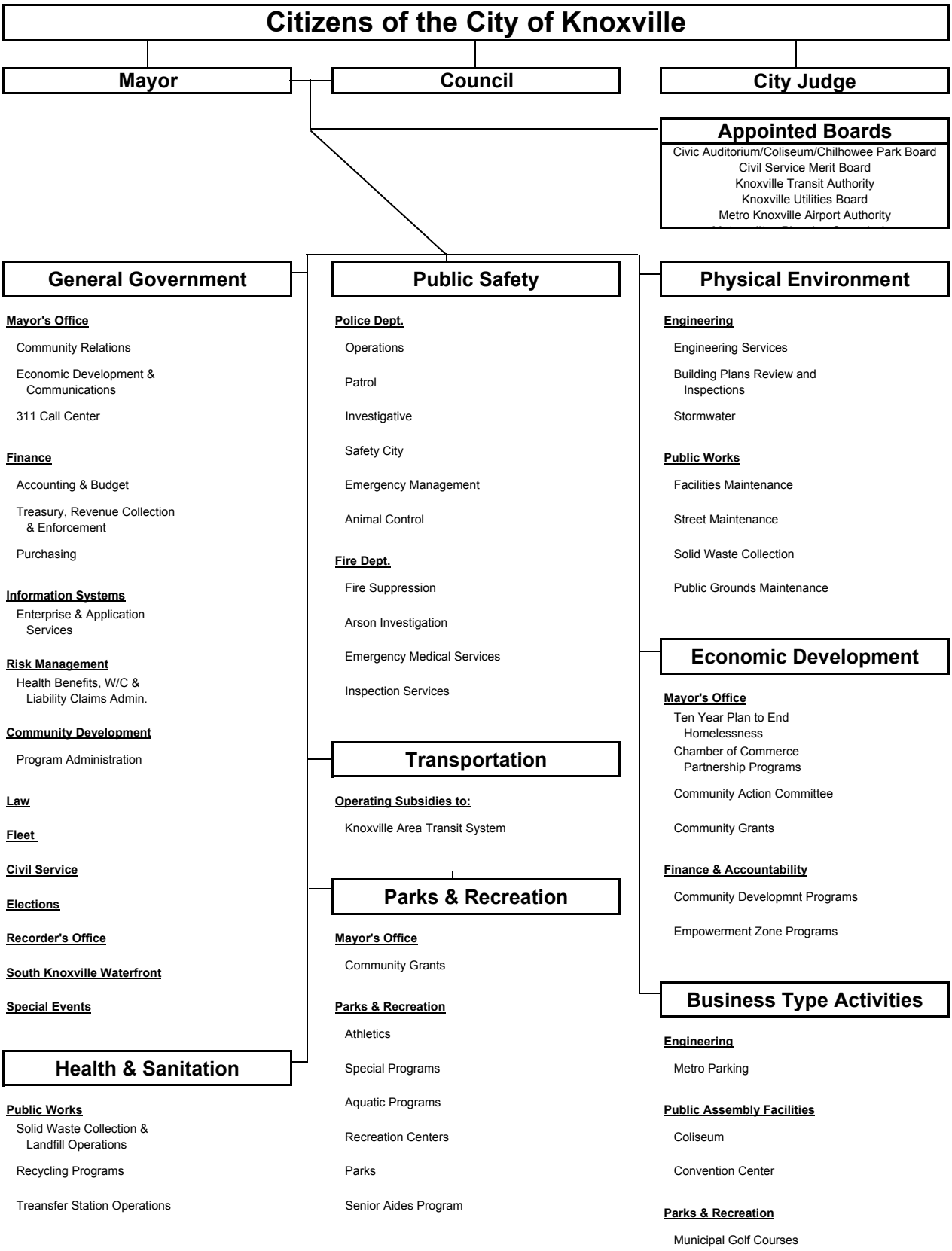
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

City of Knoxville, Tennessee

Organizational Structure by Function



CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF PRINCIPAL OFFICIALS OF THE CITY OF KNOXVILLE, TENNESSEE

MAYOR
Madeline Rogero

CITY COUNCIL

George Wallace
Brenda Palmer
Marshall Stair

Nick Pavlis, Vice Mayor
Nick Della Volpe
Mark Campen

Duane Grieve
Daniel Brown
Finbarr Saunders

CITY JUDGE

John Rosson

PRINCIPAL DIRECTORS AND ADMINISTRATORS

Deputy to the Mayor – Christi Branscom, Chief Operating Officer
Deputy to the Mayor – Dr. William Lyons, Chief Policy Officer
Airport – Bill Marrison, President
City Recorder – Will Johnson
Civil Service – Vicki Hatfield, Director
Community Development – Becky Wade, Director
Finance & Accountability – Jim York, Sr. Director
Fire – Stan Sharp, Chief
Information Systems – Janet Wright, Director
Knoxville Area Transit – Dawn Distler, General Manager
Knoxville Utilities Board – Mintha Roach, President
Law – Charles W. Swanson, Sr. Director
Police – David B. Rausch, Chief
Public Assembly Facilities – Greg MacKay, Director
Engineering – James Hagerman, Director
Public Works – David Brace, Director
Parks & Recreation – William Walsh, Director
Special Events – Judith Foltz, Director

FINANCIAL SECTION

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

City Mayor and City Council Members of the
City of Knoxville, Tennessee

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Knoxville, Tennessee (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 following discretely presented component units: the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority, which represents 98% of the total assets, 96% of total net position and 96% of the total revenues of the aggregate discretely presented component units of the City. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for those entities, 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.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Knoxville, Tennessee, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund and miscellaneous community development funds 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 4 through 20 and the schedule of changes in net pension liability and related ratios and schedule of employer contributions of the pension plan on pages 95 and 96, and the schedule of funding progress and schedule of employer contributions of the other postemployment benefit plan on page 97 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 City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules on pages 98 to 128, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the City'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 City's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
December 20, 2016

Management's Discussion and Analysis

This Management Discussion and Analysis (MD & A) seeks to aid the reader in understanding the City of Knoxville Tennessee's basic financial statements and financial position. This section is intended to be an easily readable analysis of the City's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the Transmittal Letter that begins on page "i" and with the financial statements that follow. All amounts are expressed in dollars, unless otherwise specified, for the results of operations for the Fiscal Year ending June 30, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the City of Knoxville primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $544,547,014 (*net position*). Of this amount, $235,347,386 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.

- Net position increased by $61,806,228, a change of 12.80% when compared to fiscal year 2014/15. This gain stems from effective budgetary controls and involvement of all employees in controlling expenses

- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of $261,566,439, a decrease of $3,094,698 over the prior year. Of this total, $223,108,513 or 85.3% is either non-spendable, restricted, committed, or assigned. The remaining balance of $38,457,926 is available for spending at the city's discretion.

- The ending Fund Balance in the City's General Fund increased by $9,736,837 or 12.85%. Tax collections, particularly the state shared Halls Income Tax, were much higher than anticipated, and augmented by efficient use of resources contributed significantly to the budgetary surplus and allowed for increased appropriations for other uses during the year. Consistent with fund balance standards, a total of $364,309 is considered non-spendable and $46,687,535 is assigned or committed. This leaves a balance of $38,457,926 available for spending at the City's discretion.

- The City's total debt for the primary government decreased by $9,850,000 from $180,795,00 to $170,945,000 during the current fiscal year as a result of normal debt service activity and the issuance of $825,000 of HUD Section 108 Promissory Notes.

Overview of the Financial Statements

There are four sections to the City's financial report – *Introductory, Financial, Statistical and the Compliance* sections. The Introductory Section contains the City's Letter of Transmittal, a facsimile of the Certificate of Achievement for Excellence in Financial Reporting, an organization chart, and a list of officials. The Financial Section is comprised of the independent auditor's opinion, Management's Discussion and Analysis, basic financial statements, informational notes, required supplemental information, and various combining and individual fund statements. The Statistical Section discloses data designed to further enhance the readers understanding of the City's financial health. The Compliance Section contains the Single Audit Report and any findings and recommendations.

The heart of this financial document lies within *The Financial Section.* Here the City presents government-wide statements, funds statements, notes of explanation, required supplementary information, combining statements, information regarding capital assets used in the operation of governmental funds and other various schedules. The government-wide statements provide a thumbnail sketch of the City's entire operations, and the funds statements provide relevant information on the various funds. Further detail and explanation of pertinent information and operations is provided in the financial statements and in the notes that follow in this section.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Knoxville's finances, in a manner similar to a private-sector business. Government-wide statements are provided on a full accrual basis. Activities are considered either as those of Primary Government (the government as legally defined) or those of Component Units (legally separate entities for which the primary government is financially accountable). Public utility and transportation services are performed by the Component Units. Activities are delineated as noted:

Primary Government	**Component Units**
Governmental Activities	Knoxville Utilities Board
Business-Type Activities	Metropolitan Knoxville Airport Authority
	Knoxville Area Transit

STATEMENT OF NET ASSETS

The *statement of net assets* presents information on all the City of Knoxville's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Knoxville is improving or deteriorating.

The statement of net assets presents the consolidated financial condition of the City at a moment of time. This statement presents assets, liabilities and total net assets categorized as either primary government or component units. Primary government activities are further delineated as either governmental or business-type. Component units are organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

STATEMENT OF ACTIVITIES

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, 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).

The focus of the statement of activities is to present the City's combined operational activities over the past fiscal year. Governmental and business-type items are shown using all revenues and expenses. Governmental activities are financed primarily by local taxes, user fees, charges for services, or subsidized by direct appropriations from the City's General Fund. Business-type operations, by their very nature, recover costs through user fees and/or operational transfers.

Funds 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 City of Knoxville, 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 City of Knoxville 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of 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 a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental funds statements are provided on a modified accrual basis. The City's major funds are presented in their own columns and the remaining funds are combined with a column titled "Other Governmental Funds." (Other Governmental Funds are also noted as Non-major Governmental Funds, Special Revenue Funds and Permanent Funds) Governmental funds are as follows:

Major Governmental Funds	**Non-Major Governmental Funds/Special Revenue Funds**
General	State Street Aid
Debt Service	Community Development Block Grants
Capital Projects	Abandoned Vehicles
	City Inspections
	City Court
	Miscellaneous Grants
	Animal Control
	Miscellaneous Special Revenue Funds
	Storm Water
	Solid Waste
	Knoxville Civic Revitalization
	Permanent Fund
	Krutch Park Trust

A budgetary comparison statement for the General Fund (Statement of Revenues, Expenditures, and Changes in Fund Balances) is presented in the Fund Financial Statements section of the Basic Financial Statements.

Budgetary comparison schedules for the debt service and capital projects funds (Schedule of Revenues, Expenditures, and Changes in Fund Balances) are found in the Combining and Individual Fund Statements and Schedules section. Readers who wish to obtain information on non-major funds may do so in the Combining Statements section of this report.

The Balance Sheet provides a picture of the financial (but not capital) assets associated with governmental activities, liabilities payable from current financial resources and the net fund balance.

The Statement of Revenues, Expenditures and Changes in Fund Balances is used for reporting all transactions, events and inter-fund activity that increase or decrease fund balances.

Because Government-Wide Statements are provided on a full accrual basis and governmental funds statements are provided on a modified accrual basis, reconciliation is necessary. Reconciliation statements are provided following the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances.

Proprietary Funds

The City of Knoxville maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City of Knoxville uses enterprise funds to account for its Convention Center and Public Assembly Facilities consisting of the Civic Auditorium/Coliseum and Chilhowee Park, public parking garages operating under the Metro Parking Fund and the Municipal Golf Courses. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Knoxville's various functions. The City uses internal service funds to account for fleet operations, insurance functions, both risk and employee health care, replacement of non-rolling stock equipment, and maintenance operations relating to the various city buildings. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds statements are presented on a full accrual basis. Proprietary funds are noted as follows:

Business-Type Activities	**Governmental Activities/Internal Service Funds**
Knoxville Convention Center	Fleet Maintenance
Other Business-Type Activities -	Risk Management
Metro Parking	Health Insurance
Public Assembly Facilities	Equipment Replacement
Municipal Golf Courses	City Buildings

Like the government-wide statement, the Proprietary Fund Statement of Net Assets reports all assets and liabilities, including capital assets and long-term liabilities. Proprietary funds reflect their net assets according to their availability for use in operations.

The Statement of Revenues, Expenditures, and Changes in Fund Net Assets isolate operating revenues and expenses from other changes in net assets to allow for the measurement of how sufficiently a given activity is self-supporting. Non-operating items are also included immediately following operating income/loss.

The Statement of Cash Flows is provided to allow for the assessment of the adequacy of a proprietary fund's cash flows.

Fiduciary and Component Unit Statements

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 City of Knoxville programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Combined Agency Funds (City Choice Plus Fund and the Employee Health Savings Fund) account for monies designated by employees to offset the cost of their personal health care. The City Employees' Pension Trust Fund accounts for assets set aside for employee retirements.

Unlike proprietary funds, fiduciary funds are not required to list their net assets based on their availability for use in operations.

The Statement of Changes in Fiduciary Net Assets notes all changes in net assets without distinguishing earnings related changes from other types of changes. These changes to net assets are simply noted as additions and deletions.

Notes to the Financial Statements

Completing the document are notes to the financial statements. The notes disclose additional information in order to provide a more informed understanding of the government-wide and fund financial statements.

Other Information

Following the notes, this document provides required supplementary information regarding Knoxville's progress in funding its obligation to provide pension benefits to its employees. The combining statements for non-major governmental funds, non-major enterprise funds and internal service funds, schedules for the Debt Service and Capital Projects Funds, and other supplementary information are also provided for further clarification.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following analysis focuses on the total primary government, which includes both governmental and business-type activities.

Statement of Net Position at June 30, 2016

A condensed version of the Statement of Net Position follows:

Condensed Financial Information
Statement of Net Position
Primary Government
For Fiscal Year Ending June 30
(In $1,000's)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets						
Cash and investments	$ 357,221	$ 368,429	$ 42,610	$ 39,307	$ 399,831	$ 407,736
Other assets	195,103	175,469	10,626	8,173	205,729	183,642
Capital assets	326,715	296,226	143,400	146,598	470,115	442,824
Total assets	879,039	840,124	196,636	194,078	1,075,675	1,034,202
Deferred Outlfow s	51,577	23,094	1,721	1,768	53,298	24,862
Liabilities						
Other liabilities	23,213	25,174	3,282	3,464	26,495	28,638
Noncurrent liabilities	262,423	244,923	114,873	119,825	377,296	364,748
Total liabilities	285,636	270,097	118,155	123,289	403,791	393,386
Deferred Inflow s	180,280	182,403	355	534	180,635	182,937
Net position						
Net investment in capital assets	261,956	247,582	31,485	30,011	293,441	277,593
Restricted	15,759	15,532	-	-	15,759	15,532
Unrestricted	186,985	147,604	48,362	42,012	235,347	189,616
Total net position	$ 464,700	$ 410,718	$ 79,847	$ 72,023	$ 544,547	$ 482,741

Governmental Activities

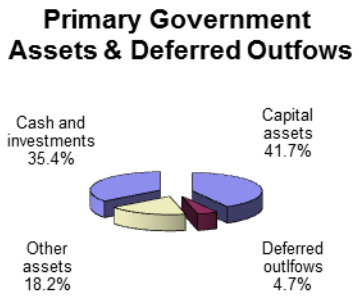
Assets have increased by 4.63% and liabilities have increased by 5.75% when compared to 2015 levels. The increase in assets is due primarily to favorable financial operations increasing available cash and investments. The change in noncurrent liabilities is the result of annual debt service payments offset by the addition of $825,000 in a Section 108 loan issued in FY15/16. The net result of these changes is an increase in total net position of 13.4%. The net position for FY14/15 reflected a one-time decrease in net position because of the implementation of GASB 68 which requires the inclusion of the City's pension liability.

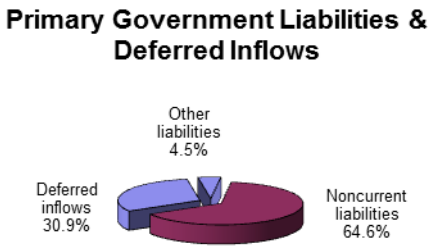
Business-Type Activities

Assets and liabilities have changed by 1.32% and -4.16% respectively from FY15 levels. Changes in deferred outflows and inflows related to pension liability and the pay down of long term debit for the Convention Center facility coupled with favorable results from operations accounted for the overall 13.14% increase in net position.

Total Primary Government

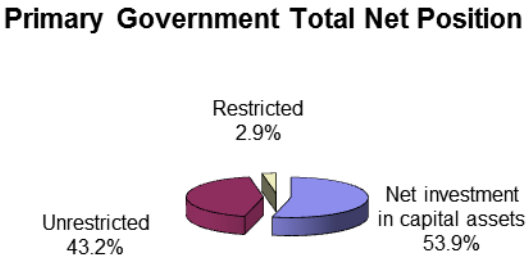
The City's capital assets, including land and buildings, equipment, furniture and fixtures, infrastructure and construction in progress account for 41.7% of $1,128,972,709 in total assets and deferred outflows. Taxes and governmental receivables constitute 16.8%. Current liquidity comprised of cash and investments represents 35.4% and deferred outflows representing interest rate swaps and pension liabilities account for 4.7%.





Of the total government liabilities, 64.6% are in long-term debt outstanding. Of the total long-term debt, approximately $110.7 million, or 62.7% is related to debt issued to finance the convention center complex.

A portion of the City's total net position is restricted for specific purposes. These restrictions represent legal or contractual limitations on how the assets may be expended. Within the governmental activities category are system development charges, bond proceeds, taxes and other collections limited to repayment of debt. The unrestricted net position of the City's primary governmental activities represent 43.2% of total primary government net position.



STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

A summary version of the Statement of Activities follows:

Condensed Financial Information
Primary Government
Statement of Activities
For Fiscal Year Ending June 30
(In $1,000's)

	Governmental Activities		Business-Type Activities		Total Primary Government	
Revenues:	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	$ 10,724	$ 10,925	$ 9,125	$ 8,844	$ 19,849	$ 19,769
Operating grants & contributions	7,892	7,710	1,500	1,500	9,392	9,210
Capital grants & contributions	11,573	6,658	-	-	11,573	6,658
General revenues:						
Taxes	242,977	229,205	13,945	9,373	256,922	238,578
Interest	1,459	1,444	219	133	1,678	1,577
Other	6,980	2,497	610	1,219	7,590	3,716
Total revenues	281,605	258,439	25,399	21,069	307,004	279,508
Expenses:						
General government	20,697	16,347	-	-	20,697	16,347
Public safety	95,864	91,659	-	-	95,864	91,659
Physical Environment	51,100	49,559	-	-	51,100	49,559
Transportation	10,589	10,866	-	-	10,589	10,866
Economic development	19,843	10,550	-	-	19,843	10,550
Parks and recreation	9,586	10,723	-	-	9,586	10,723
Health & Sanitation	10,414	10,274	-	-	10,414	10,274
Interest on long-term debt	2,339	2,196	-	-	2,339	2,196
Other	-	-	24,766	26,271	24,766	26,271
Total expenses	220,432	202,174	24,766	26,271	245,198	228,445
Increase (decrease) in net position before transfers	61,173	56,265	633	(5,202)	61,806	51,063
Transfers	(7,191)	(9,653)	7,191	9,653	-	-
Changes in net position	53,982	46,612	7,824	4,451	61,806	51,063
Beginning net position	410,718	364,106	72,023	67,572	482,741	431,678
Ending net position	$ 464,700	$ 410,718	$ 79,847	$ 72,023	$ 544,547	$ 482,741

Governmental Activities

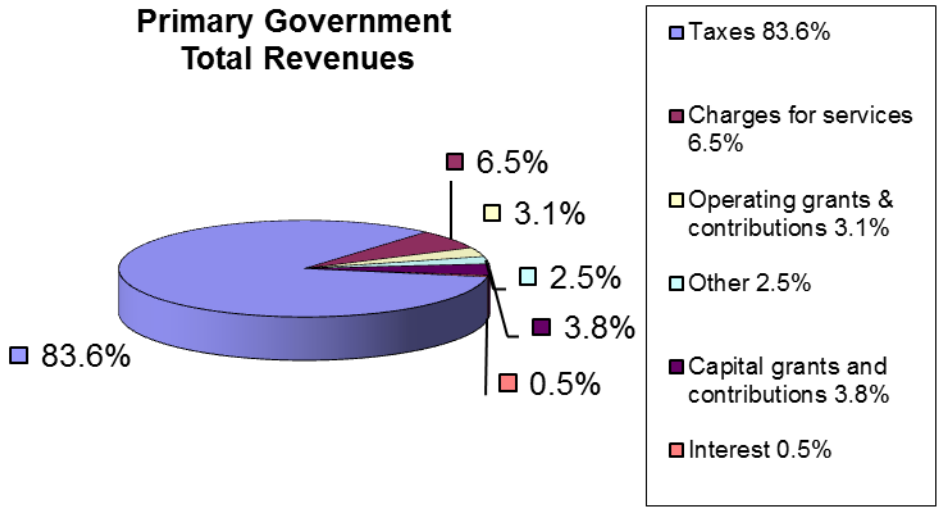
Reflected in the Government-Wide Statement of Activities for the year ending June 30, 2016, only the General, Debt Service, and City Court Funds generated material revenues in excess of current operating expenses. Excess revenue generated by the General Fund is used to support funds that are not self-sufficient on their own and to maintain reserves necessary for the proper operation of the city. Tax revenue increased due to a 2015 property tax increase and an $4.5 million jump in the historically volatile state income tax on investment earnings. Surplus Debt Service fund revenues are generally utilized for one time expenditures and capital projects or used to retire debt in the future. Excess City Court revenues are transferred to the General Fund to finance general operations. Overall general government expenses increased by $18.2 million primarily due salary increases and expenses associated with capital projects. Public safety operations accounted for approximately 43.5% of the City's total governmental operations of $220.4 million. All other City of Knoxville sections and operations are financed by either local or state taxes, grants, or various shared revenues.

Business-type Activities

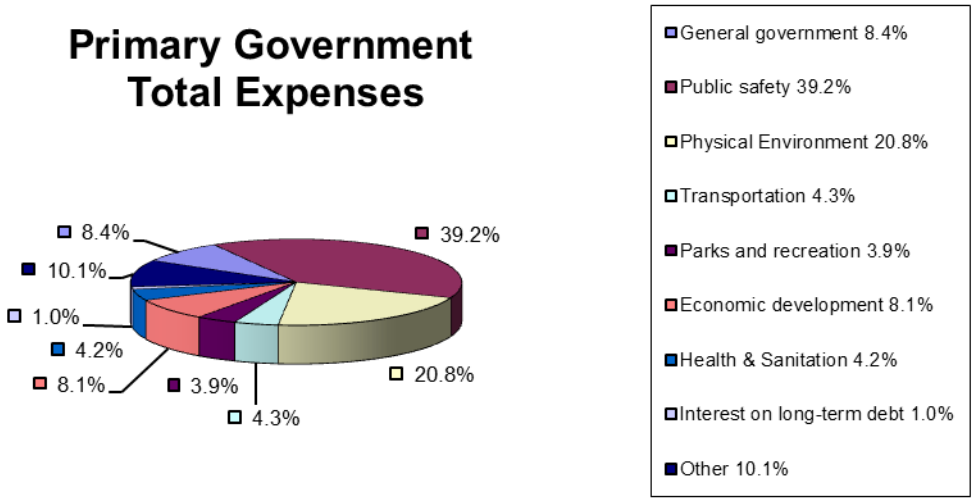
The City's business-type activities include metro parking, public assembly facilities and the municipal golf courses. The City also operates the Knoxville Convention Center and the Knoxville Civic Coliseum/ Auditorium complexes. Home of the University of Tennessee's main campus, Knoxville attracts thousands of visitors yearly for various sporting events. Neyland Stadium, the nation's fourth largest on-campus college football stadium, attracts over one hundred thousand loyal fans per home game. Proximity to outdoor recreational facilities such as the lake region and The Great Smoky Mountains National Park makes the Knoxville area an ideal tourist destination. With this in mind, local government leaders deemed it necessary to build a new convention center to take advantage of Knoxville's unique geographic location. Although current expenses exceed revenues for these activities, the local economy benefits greatly by the impact of lodging, restaurant, and various recreational consumer spending. To assist with repayment of the debt associated with the Convention Center, a dedicated Hotel/Motel tax is pledged and used. Additional redevelopment efforts in the City's downtown area are expected to increase the cost effectiveness of the City's infrastructure investments.

Total Government

Primary Government Revenues were $307 million. The largest portion of these revenues ($256.9M – 83.6%) was from taxes.



Total primary government expenses totaled $245.2 million, 39.2% of which was directed toward public safety.



Component Units

Certain organizations affiliated with the city are reported as component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The nature and significance of component units are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units for the City of Knoxville include the Knoxville Utilities Board, the Metropolitan Knoxville Airport Authority, and Knoxville Area Transit. A summary of the City's component unit operations follows:

Condensed Financial Information
Component Units
For Fiscal Year Ending June 30,
(In $1,000's)

	Knoxville Utilities Board		Metropolitan Knoxville Airport Authority		Knoxville Area Transit		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Program Revenues	$ 734,532	$ 764,310	$ 45,940	$ 40,267	$ 21,076	$ 17,309	$ 801,548	$ 821,886
Program Expenses	(701,838)	(730,820)	(32,216)	(32,540)	(30,878)	(28,460)	(764,932)	(791,820)
Total General Revenues	1,277	2,482	1,299	790	9,142	9,481	11,718	12,753
Change in Net Position	33,971	35,972	15,023	8,517	(660)	(1,670)	48,334	42,819
Net Position at Year End	$ 962,593	$ 928,622	$ 151,556	$ 136,533	$ 46,307	$ 46,968	$1,160,456	$1,112,123

Financial Analysis of the Governmental Funds

Balance Sheet at June 30, 2016

The total Governmental Funds balance as of June 30, 2016 is $261.6 million of which the general fund's balance is approximately $85.5 million, the debt service fund is $51.2 million, capital projects funds comprise $100.1 million, miscellaneous community development funds total $1.6 million and the remaining $23.2 million is distributed among the various special revenue and permanent funds. In the aggregate, the governmental funds fund balances decreased by $3.1 million when compared to the prior year. The change was spread among the various funds with the capital projects fund (down by 11.69%) and the special revenue fund decreased by 14.2%. Significant causes of the various increases are explained further in the following section.

Statement of Revenues, Expenditures & Changes in Fund Balances for the Year Ended June 30, 2016

The following schedule presents a summary of total governmental funds, which includes general fund, debt service fund, capital projects fund and other governmental funds for the fiscal year ended June 30, 2016, and the amount and percentage of increases and decreases in relation to prior year revenues.

Condensed Financial Information
Total Governmental Funds - Revenues
For Fiscal Year Ending June 30
(In $1,000's)

Revenues	2016	2015	Percent of Total 2016	Change from Prior Year Increase (Decrease)	Change from Prior Year Percent Change
Taxes, assessments, interest & penalties	$ 212,108	$ 204,089	75.63%	$ 8,019	3.93%
Licenses, permits and inspection charges	2,656	2,266	0.95%	390	17.21%
Intergovernmental revenue	48,074	36,125	17.14%	11,949	33.08%
Charges for services	6,118	7,089	2.18%	(971)	(13.70%)
Fines and forfeitures	3,147	3,247	1.12%	(100)	(3.08%)
Other	8,354	5,073	2.98%	3,281	64.68%
Totals	$ 280,457	$ 257,889	100.00%	$ 22,568	8.75%

A comparison of revenues between FY15 and FY16 shows total general government revenues increased by approximately $22.6 million or 8.75%. Intergovernmental revenues showed the largest growth, increasing 33.08%. While the increases are spread between the various funds, the largest increase is in the Capital Projects Fund, where intergovernmental revenues increased by $6.6 million. The change is due to the progression of capital projects from the design to the construction phase. The financial impact of construction expenditures is also apparent on the revenue side, as most of the City's grants are on a reimbursement basis. State revenue for the Cumberland Avenue Construction project accounts for the majority of the increase. An increase of $4.5 million is reflected in the Hall Income Tax, a state shared revenue that has been historically unpredictable. The Hall income tax is being phased out beginning in FY17, with the tax being reduced by 20% each year and eliminated in FY21. Property Tax revenue growth has leveled off from FY15 when a General Fund tax rate increased was enacted. State shared sales tax increased by $3.5 million, and will be discussed further in the Economic Factors section.

The following schedule presents a more detailed summary of the general fund, special revenue fund, capital projects fund and debt service fund expenditures for the fiscal year ended June 30, 2016, and the percentage of increases and decreases in relation to prior year amounts.

Condensed Financial Information
Total Governmental Funds - Expenditures
For Fiscal Year Ending June 30
(In $1,000's)

Expenditures	2016	2015	Percent of Total 2016	Change from Prior Year Increase (Decrease)	Change from Prior Year Percent Change
Administration	$ 3,969	$ 3,817	1.45%	$ 152	3.98%
Finance	4,125	3,897	1.51%	228	5.85%
Information Systems	4,158	4,475	1.52%	(317)	(7.08%)
Community Development	8,008	6,488	2.92%	1,520	23.43%
South Knoxville Waterfront	434	460	0.16%	(26)	(5.65%)
Parks & Recreation	7,442	7,343	2.72%	99	1.35%
Mass Transit	11,957	12,151	4.36%	(194)	(1.60%)
Engineering	14,265	13,701	5.21%	564	4.12%
Public Services	36,956	35,626	13.49%	1,330	3.73%
Law	2,792	2,795	1.02%	(3)	(0.11%)
Police	58,876	58,891	21.49%	(15)	(0.03%)
Fire	43,279	40,980	15.79%	2,299	5.61%
Legislative	1,004	985	0.37%	19	1.93%
City Elections	235	4	0.09%	231	5786.58%
Civil Service	1,025	1,026	0.37%	(1)	(0.10%)
Knoxville Partnership	8,438	630	3.08%	7,808	1239.37%
Metropolitan Planning Commission	1,205	990	0.44%	215	21.72%
Knoxville Zoological Park	1,210	1,159	0.44%	51	4.40%
Community Agency Grants	1,269	1,005	0.46%	264	26.27%
Community Action Committee	742	691	0.27%	51	7.38%
Tax Increment Payments	2,453	1,730	0.90%	723	41.79%
Capital and Grant Projects	51,710	36,163	18.85%	15,547	42.99%
Debt service:					
Principal retirement	6,141	5,383	2.24%	758	14.08%
Interest on bonds and notes	2,328	2,136	0.85%	192	8.99%
Bonds issuance costs	-	170	0.00%	(170)	-
Total Expenditures	$ 274,021	$ 242,696	100.00%	$ 31,325	12.91%

Overall, general government expenditures in FY 15/16 increased by $31.3 million. A combination of salary and benefit costs, workers compensation insurance and fire hydrant charges caused expenditures for the Fire Department to increase by $2.3 million. Community Development expenditures increased by $1.5 million due to expenditures for the Lead Hazard Control and Healthy Homes Grant. City Elections are bi-annually with FY16 being an election year, expenditures increased by $231,000. Expenditures for the Knoxville Partnership increased by $7.8 million due to the economic incentive provided to Regal Cinema Corporation for relocating their corporate headquarters to the South Waterfront location. Expenditures for the Metropolitan Planning Commission (MPC) included one-time funding of $300,000 for a comprehensive re-write of the City's zoning ordinances. Community Agency Grants, administered by the Mayor's Office, were funded an additional $264,000 in FY15/16. Tax increment funding increased by $723,000 as part of the ongoing effort to bring businesses to the downtown area. Expenditures for Capital and Grant Projects rose by $15.5 million because a number of projects were in the construction phase in FY15/16, such as the Cumberland Avenue improvements, the Public Works Complex, and the purchase of the Supreme Court Building site.

Proprietary Funds Statements

Statement of Net Position at June 30, 2016

The Knoxville Convention Center, shown below and noted under Business-type Activities, and equipment replacement and fleet maintenance, noted under governmental activities, represents the largest portion of the assets associated with Proprietary Funds.

Statement of Revenues, Expenditures and Changes in Fund Net Position for the Year Ended June 30, 2016

A summary of the revenues, expenses, and interfund transfers indicates that there is an increase in total proprietary fund net position, including internal service funds, of $17.6 million after transfers.

Statement of Cash Flows for the Year Ended June 30, 2016

The four main business type activities of the City are the Convention Center, Metro Parking, Public Assembly Facilities and the Municipal Golf Courses. As expected, overall operations experienced a net operating loss. Although the Convention Center operated at a loss, the amount of the loss has continued to decline over the years. The Metro Parking Fund (parking garages) finished the fiscal year with a positive cash flow, but operated at a loss after depreciation. At the end of FY16, operating control of Public Assembly Facilities (Chilhowee Park and the Civic Auditorium and Coliseum) has been turned over to a private management company in an effort to streamline and improve operations. The City's two golf courses continued to have a small operating loss which was partially covered with subsidies from the General Fund. When the city reacquired the courses from the private operators six years ago, the condition of the courses and their reputations had diminished. The city continues to work to rebuild the public's confidence in the courses and has achieved a certain degree of success but general economic factors have taken their toll by leveling off customer revenues.

The following table shows revenues, expenses, net interfund transfers, net income and net position at fiscal year-end for the various proprietary funds.

Condensed Financial Information
Proprietary Funds
For Fiscal Year Ending June 30
(In $1,000's)

Proprietary Funds	Revenues		Expenses		Net Interfund Transfers	
	2016	2015	2016	2015	2016	2015
I. Business-type Activities						
A. Knoxville Convention Center	$ 20,464	$ 15,460	$ 16,879	$ 17,578	$ 3,963	$ 5,331
B. Other (Non-major enterprise funds)						
1. Metro Parking	2,001	1,808	2,372	2,143	-	500
2. Public Assembly Facilities	1,738	2,189	3,888	4,563	2,912	2,486
3. Municipal Golf Courses	1,052	1,082	1,601	1,456	316	1,335
II. Governmental Activities						
A. Internal Service Funds						
1. Fleet Maintenance	15,758	16,319	12,080	12,123	529	340
2. Risk Management	7,041	8,105	6,345	5,918	(3)	(1,040)
3. Health Insurance	19,286	17,676	16,898	17,006	1,282	1,317
4. Equipment Replacement	1,989	1,798	1,767	1,459	531	89
5. City Buildings	1,406	941	1,390	1,391	-	-
Totals	$ 70,735	$ 65,378	$ 63,220	$ 63,637	$ 9,530	$ 10,358

Condensed Financial Information
Proprietary Funds
For Fiscl Year Ending June 30
(In $1,000's)

Proprietary Funds	Capital Contributions		Change in Net Position		Net Position at Year End	
	2016	2015	2016	2015	2016	2015
I. Business-type Activities						
A. Knoxville Convention Center	$ -	$ -	$ 7,548	$ 3,213	41,783	34,235
B. Other (Non-major enterprise funds)						
1. Metro Parking	118	-	(253)	165	20,980	21,233
2. Public Assembly Facilities	-	-	762	112	15,486	14,724
3. Municipal Golf Courses	-	-	(233)	961	1,598	1,831
II. Governmental Activities						
A. Internal Service Funds						
1. Fleet Maintenance	308	376	4,515	4,912	64,367	59,852
2. Risk Management	-	-	693	1,148	14,559	13,866
3. Health Insurance	-	-	3,670	1,987	16,506	12,836
4. Equipment Replacement	160	119	913	547	21,859	20,946
5. City Buildings	-	-	16	(450)	3,063	3,047
Totals	$ 586	$ 495	$ 17,631	$ 12,595	$ 200,201	$ 182,570

Fiduciary Funds Statements

The City Employees' Pension Trust Fund is reported with the Combined Agency Funds (City Choice Plus and the Employee Health Savings Fund) in the fiduciary funds statements. The City's defined benefit plan consists of contributions for general government, uniformed, and former school employees that had vested rights in the City's pension plan at the time the school system was consolidated with the Knox County school system. The following table notes the contribution rates:

Condensed Financial Information
Pension Trust Fund Contribution Rates

	FY 15/16 Contribution Rates	FY 14/15 Contribution Rates	Estimated FY 16/17 Contribution Rates
General Government Employees	20.34%	19.30%	20.34%
Police and Fire Employees	44.85%	42.43%	44.85%

The City's Pension Fund is being funded as required by the actuary and is currently funded at 75.58%. The City is currently amortizing the unfunded portion according to an actuarial determined schedule. The plan is to be fully funded in 22 years. In 2012, the City shifted all newly hired employees to a hybrid based pension plan. Lower employer contribution rates for these individuals will offset a portion of the increased costs in funding the older plans. This will result in fairly level nominal contributions in future years. The City Choice Plus Fund and the Employee Health Savings Fund account for employee contributions to IRS Section 125 health benefit plans.

General Fund Budgetary Highlights

During the year there was approximately $9.5 million in increases in appropriations between the original and final General Fund's budget. The following chart provides a snapshot of the changes in the budget.

General Fund
Budget Appropriation Changes
For Fiscal Year Ending June 30, 2016

Department	Carry Forward of Prior Year Encumbrances	Other	Total Changes
Administration	$ 25,675	$ (392,030)	$ (366,355)
Finance	361	(21,580)	(21,219)
Information Systems	39,524	-	39,524
Community Development	3,200	1,000,000	1,003,200
Public Service	13,156	(127,150)	(113,994)
Engineering	27,908	58,940	86,848
Parks and Recreation	33,840	54,110	87,950
Knoxville Area Transit (KAT)	-	-	-
Law	45,475	-	45,475
Police	14,319	(476,610)	(462,291)
Fire	13,337	158,500	171,837
Legislative	29	-	29
Nondepartmental:			
Knoxville Partnership	-	7,900,000	7,900,000
Metropolitan Planning Commission	-	300,000	300,000
Agency Grants	250,000	-	250,000
Waterfront	-	43,500	43,500
Tax Increment Payments	-	556,360	556,360
Total General Fund	$ 466,824	$ 9,054,040	$ 9,520,864

The largest change occurred in Nondepartmental – Knoxville Partnership ($7.9 million). This was an economic incentive provided to Regal Cinema Corporation for relocating their corporate headquarters to the South Waterfront location. Unspent Community Development's prior year appropriation was re-appropriated to the current year to allow for project expenditures. Tax increment funding was increased as part of the ongoing effort to bring businesses to the downtown area. Other appropriations changed due to other factors.

Capital Asset and Debt Administration

As of June 30, 2016, as reflected in the following table, the primary government of the City had net investments of $470.1 million in capital assets. Construction in progress increased by $16.4 million. Upon completion, the bulk of this amount will result in an increase in the investment in Infrastructure. A comprehensive reclassification of asset types accounts for most of the changes on other asset types. City has ongoing paving programs as well as other maintenance programs designed to preserve and increase the life of existing assets in the other categories, primarily equipment, which includes vehicles. For additional information on the capital assets of the City, please refer to Note 8 of the Notes to Financial Statements.

Additional debt was incurred for a Section 108 loan under a conduit financing agreement. The developer will be repaying the principal ($825,000) and the City will pass the funds to HUD.

Capital Assets at Year-End
(Net of Depreciation)
(In $1,000's)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land and site improvements	$ 83,759	$ 48,789	$ 7,336	$ 7,336	$ 91,095	$ 56,125
Buildings and improvements	54,340	56,693	231,402	230,706	285,742	287,399
Equipment, furniture & fixtures	93,559	90,117	7,765	7,765	101,324	97,882
Infrastructure	343,698	350,213	1,004	1,004	344,702	351,217
Construction in progress	45,781	29,407	2,142	578	47,923	29,985
Less accumulated depreciation	(294,422)	(278,994)	(106,248)	(100,792)	(400,670)	(379,786)
Totals	$ 326,715	$ 296,225	$ 143,401	$ 146,597	$ 470,116	$ 442,822

The following table reconciles the change in capital assets. Included in this table are the total activities for both the government and business-type activities of the total primary government.

Change in Capital Assets
(In $1,000's)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Beginning balance	$ 575,219	$ 540,157	$ 247,389	$ 245,403	$ 822,608	$ 785,560
Additions	112,787	42,735	2,956	2,116	115,743	44,851
Deletions	(66,869)	(7,673)	(696)	(130)	(67,565)	(7,803)
Balance before depreciation	621,137	575,219	249,649	247,389	870,786	822,608
Accumulated depreciation	(294,422)	(278,994)	(106,248)	(100,792)	(400,670)	(379,786)
Balance after depreciation	$ 326,715	$ 296,225	$ 143,401	$ 146,597	$ 470,116	$ 442,822

As of the year-end, the City's Total Primary Government had $170.9 million in general obligation debt outstanding.

Outstanding Debt at Year - End
(In $1,000's)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current - Due in 1 year						
General Obligation Bonds	$ 4,998	$ 6,141	$ 5,157	$ 4,534	$ 10,155	$ 10,675
Non Current - Due in more than 1 year						
General Obligation Bonds	54,416	59,415	105,549	110,705	159,965	170,120
Section 108 Loan	825	-	-	-	825	-
Total Non Current	55,241	59,415	105,549	110,705	160,790	170,120
Subtotal	55,241	59,415	105,549	110,705	160,790	170,120
Unamortized Premiums and Discounts and Deferred Outflows	4,520	5,089	1,211	1,347	5,731	6,436
Total Long Term Debt	$ 59,761	$ 64,504	$ 106,760	$ 112,052	$ 166,521	$ 176,556

Ratings on the City's General Obligation Bonded debt are as follows:

For additional information on the long-term debt of the City, please refer to Note 10 of the Notes to Financial Statements.

	2016	2015
Moody's Investors Service	Aa1	Aa1
Standard & Poor's	AA+	AA+
Fitch Ratings	AAA	AAA

Economic Factors

As with most local governments, the largest source of revenue for the City of Knoxville is taxes. This revenue category represents $182.2 million or 89.03% of the total operating revenue to the General Fund. Within this category of revenue, the largest amount comes from property taxes. In turn, property taxes are divided among realty, personal, and public utility. The growth rate for assessed value on real estate has generally been relatively moderate, a trend that is expected to continue. In FY16 the taxable value of real property increased by 1% and the overall tax roll increased by 1.03%. This change is due normal growth from new construction. Historically, the city has collected an average of 95.5% of property taxes in the year they are due. The trend has, in recent years, been upward due to better economic conditions and enhanced collection efforts. This upward movement has slowed somewhat with the recent recession but not significantly. The trend in personal property has been more volatile but has trended upward in the recent past. Going forward we forecast slight growth in this source. We expect limited to no growth in the valuation of Public Utility property.

Local option sales tax revenues comprise approximately $40.7 million or 18.6% of total General Fund revenues. This source tends to be somewhat more elastic than other taxes and is more cyclical in nature. In FY 15/16 receipts from this source grew by 9.5%. Real growth for FY15/16 was in the 4.5% range. The balance of the increase is due to an incremental one-time adjustment due to the reclass of situs revenue between Knox County and the City of Knoxville. Going forward we expect to see moderate annual growth in the 3% to 4% range.

The second largest revenue category of the General Fund is intergovernmental revenue, and accounts for $32.4 million or 14.8% of total revenue. When compared to FY14/15 this represents an increase of approximately $5.6 million or 21.3%. The majority of the change in this category was due to growth of $4.5 million in receipts from the Hall Income Tax (an intangible tax on investments). This source has been extremely volatile revenue in recent years. To offset this volatility the revenue is budgeted very conservatively. The revenue from this source was extraordinarily high in FY 12/13 in which it grew by $8.6 million (220%) to a total of $12.56 million for the year. The amount in FY 13/14 represented a reversion toward the mean ($9.1 million) and for FY15 it again decreased to 8.4 million. Due to a recent change in the state law, the Hall Income tax will be phased out over the next five years, with incremental 20% reductions beginning in FY17 until it is eliminated completely in FY21.

Other revenue sources include fines and forfeitures and miscellaneous revenue items. Overall these categories show an increase of $3.2 million when compared to FY 15/16. This increase is primarily due to tax increment funding payments and the sale of property. Increases in Charges for Service are down 13.70% with no one particular item being responsible for the decrease. Revenues will be monitored in the upcoming fiscal year to determine the reason for the decline. Revenues from the City Municipal Court system are also down due to some state government issues in responding to delinquent payers, and as part of a continued downward trend for this revenue. Improvements in the court management system and system processes are expected to reverse this trend going forward.

In short, the revenue picture is relatively good in most areas but bear watching in other areas. Revenues are expected to increase in the future, albeit at modest levels. On the expenditure side, costs are increasing. The largest concerns on this side of the ledger are salary, benefit, and pension costs.

The largest increase in costs is expected in the area of pensions. The City currently has a defined benefit system. The plan is currently underfunded though the funding status has improved in recent years. The City is amortizing the unfunded portion over the next twenty two years, and costs are expected to rise for another three years before leveling off. This increase is primarily due to a lowering of the discount rate in order to be more conservative. The Pension System is reevaluating its portfolio to try and lower risk. Also, in 2012 the citizens approved a new pension plan for all employees hired after January 1, 2013. It is expected that will reduce future costs

Salary costs are expected to increase in the future. The City has a longstanding ordinance which mandates a two and one half percent (2 1/2 %) annual increase. This requirement typically results in increased costs. The City has maintained staffing levels at a constant number over the past years. The primary benefit cost is health care. The City has experienced double digit premium increases in recent years, the increases dropping slightly within the past two years. The City makes a concerted effort, through plan design changes and a focus on wellness, to contain health care costs. This focus has enabled the City to hold increases below national averages. The City operates a self-insurance plan and believes that it has adequate reserves to deal with any extraordinary costs.

On the plus side, the performance of the new Convention Center has improved in the past several years, which will lower the expected operating loss on the facility. The downtown area is also experiencing a rebirth, and should continue to grow in the future. Many family oriented programs are offered in the area known as Market Square and its adjoining Gay Street which bring people into the downtown area from the surrounding areas. The area is now a bustling area with many entertainment offerings.

As part of its efforts to deal with potential problems, the City does long-term budget forecasting. This allows us to recognize problems and respond to them before they get out of hand. The City is also actively engaged in performance measurement and productivity improvement efforts. We believe that these efforts will allow us to slow down or avoid future expenditure increases.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Senior Director of Finance at 400 Main Avenue, Knoxville, Tennessee 37901.

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CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Combined Discretely Presented Component Units	Total Reporting Unit
	Governmental Activities	Business-type Activities	Total Primary Government		
Assets					
Cash and cash equivalents	$ 3,400,897	$ 1,522,374	$ 4,923,271	$ 93,373,362	$ 98,296,633
Investments	353,819,978	41,087,164	394,907,142	135,466,701	530,373,843
Receivables (net of allowance for uncollectibles):					
Accounts	14,059,946	2,761,259	16,821,205	94,983,078	111,804,283
Taxes	155,225,604	-	155,225,604	-	155,225,604
Notes and leases	17,125,644	-	17,125,644	-	17,125,644
TVA conservation program	-	-	-	8,153,192	8,153,192
Other	491,958	-	491,958	96,624	588,582
Internal balances	(3,893,577)	3,893,577	-	-	-
Due from governmental agencies	89,621	-	89,621	-	89,621
Due from fiduciary fund	-	30,000	30,000	-	30,000
Due from component units	8,129,000	1,825,265	9,954,265	-	9,954,265
Inventories	1,895,044	146,556	2,041,600	11,827,374	13,868,974
Prepaid items	10,193	42,133	52,326	9,358,437	9,410,763
Equity interest in joint venture	1,969,078	1,926,755	3,895,833	-	3,895,833
Deferred charges	-	-	-	695,421	695,421
Restricted assets:					
Temporarily restricted:					
Bond funds	-	-	-	30,494,541	30,494,541
Unused bond proceeds	-	-	-	-	-
Receivables	-	-	-	470,000	470,000
Other	-	-	-	21,418	21,418
Other assets	-	-	-	15,300,516	15,300,516
Capital assets:					
Land and site improvements	83,759,454	7,336,303	91,095,757	158,344,752	249,440,509
Buildings and improvements	54,340,207	231,402,425	285,742,632	200,623,010	486,365,642
Utility plant in service	-	-	-	2,397,423,083	2,397,423,083
Equipment, furniture and fixtures	93,558,328	7,765,379	101,323,707	45,572,597	146,896,304
Infrastructure	343,698,260	1,003,574	344,701,834	-	344,701,834
Construction in progress	45,781,398	2,141,783	47,923,181	162,974,611	210,897,792
Less accumulated depreciation	(294,422,211)	(106,248,272)	(400,670,483)	(1,016,102,752)	(1,416,773,235)
Total assets	879,038,822	196,636,275	1,075,675,097	2,349,075,965	3,424,751,062
Deferred outflows of resources					
Pensions	51,576,883	534,976	52,111,859	10,357,291	62,469,150
Interest rate swap	-	1,185,753	1,185,753	2,388,073	3,573,826
Unamortized bond refunding costs	-	-	-	23,877,411	23,877,411
Total deferred outflows of resources	51,576,883	1,720,729	53,297,612	36,622,775	89,920,387
Liabilities					
Accounts payable	13,282,129	2,725,276	16,007,405	55,803,844	71,811,249
Matured principal & interest on bonds	-	-	-	12,755,853	12,755,853
Accrued liabilities	7,718,605	92,487	7,811,092	23,056,762	30,867,854
Due to primary government	-	-	-	9,954,265	9,954,265
Due to fiduciary funds	900,000	-	900,000	-	900,000
Due to other governmental agencies	542,228	-	542,228	-	542,228
Customer deposits, plus accrued interest	435,861	128,609	564,470	17,135,891	17,700,361
Accrued interest	334,088	309,877	643,965	74,000	717,965
Unearned revenue	-	25,359	25,359	-	25,359
Other current liabilities	-	-	-	25,065,511	25,065,511
Noncurrent liabilities:					
Long-term debt due within one year	5,566,706	5,293,157	10,859,863	35,640,000	46,499,863
Long-term debt due in more than one year	59,192,587	106,623,425	165,816,012	1,011,425,000	1,177,241,012
Other noncurrent liabilities due within one year	13,065,291	4,405	13,069,696	26,985,541	40,055,237
Other noncurrent liabilities due in more than one year	14,276,699	-	14,276,699	-	14,276,699
Net pension liability	170,321,787	1,766,645	172,088,432	-	172,088,432
Derivative instruments - interest rate swaps	-	1,185,753	1,185,753	4,502,609	5,688,362
Total liabilities	285,635,981	118,154,993	403,790,974	1,222,399,276	1,626,190,250
Deferred inflows of resources					
Assessed and unlevied property taxes	127,483,306	-	127,483,306	-	127,483,306
Pensions	34,190,605	354,638	34,545,243	1,512,267	36,057,510
Deferred revenue	18,606,172	-	18,606,172	1,329,220	19,935,392
Total deferred inflows of resources	180,280,083	354,638	180,634,721	2,841,487	183,476,208
Net position					
Net investment in capital assets	261,956,143	31,484,610	293,440,753	904,513,099	1,197,953,852
Restricted for:					
Debt service	-	-	-	16,179,592	16,179,592
Park maintenance:					
Nonexpendable	624,065	-	624,065	-	624,065
Expendable	260,459	-	260,459	-	260,459
Other	14,874,451	-	14,874,451	2,050,514	16,924,965
Unrestricted	186,984,523	48,362,763	235,347,286	237,714,772	473,062,058
Total net position	$ 464,699,641	$ 79,847,373	$ 544,547,014	$ 1,160,457,977	$ 1,705,004,991

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities:				
General Government	$ 20,696,939	$ 1,726,344	$ 1,242,406	$ -
Public Safety	95,864,266	6,259,289	903,242	701,462
Physical Environment	51,100,094	1,260,986	43,122	1,030,345
Transportation	10,588,700	629,550	11,977	-
Economic Development	19,843,368	172,329	5,691,795	9,768,537
Parks & Recreation	9,585,780	642,441	-	-
Health & Sanitation	10,414,507	33,494	-	72,224
Interest on long-term debt	2,338,718	-	-	-
Total governmental activities	220,432,372	10,724,433	7,892,542	11,572,568
Business-type activities:				
Metro Parking	2,372,153	1,796,042	-	-
Public Assembly Facilities	3,888,149	1,629,917	-	-
Knoxville Convention Center	16,909,106	4,650,689	1,500,000	-
Municipal Golf Courses	1,596,635	1,048,141	-	-
Total business-type activities	24,766,043	9,124,789	1,500,000	-
Total primary government	$ 245,198,415	$ 19,849,222	$ 9,392,542	$ 11,572,568
Combined discretely presented component units	$ 764,930,775	$ 766,693,609	$ 7,801,736	$ 27,052,367

General revenues:
- Property taxes
- Intergovernmental revenue, unrestricted
- Admissions tax
- Hotel/motel tax
- Excise tax
- Alcoholic beverage tax
- Business tax
- Cable television franchise tax
- Other unrestricted revenue
- Unrestricted investment earnings
- Gain on disposal of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Combined Discretely Presented Component Units	Total Reporting Unit
Governmental Activities	Business-type Activities	Total		
$ (17,728,189)	$ -	$ (17,728,189)	$ -	$ (17,728,189)
(88,000,273)	-	(88,000,273)	-	(88,000,273)
(48,765,641)	-	(48,765,641)	-	(48,765,641)
(9,947,173)	-	(9,947,173)	-	(9,947,173)
(4,210,707)	-	(4,210,707)	-	(4,210,707)
(8,943,339)	-	(8,943,339)	-	(8,943,339)
(10,308,789)	-	(10,308,789)	-	(10,308,789)
(2,338,718)	-	(2,338,718)	-	(2,338,718)
(190,242,829)	-	(190,242,829)	-	(190,242,829)
-	(576,111)	(576,111)	-	(576,111)
-	(2,258,232)	(2,258,232)	-	(2,258,232)
-	(10,758,417)	(10,758,417)	-	(10,758,417)
-	(548,494)	(548,494)	-	(548,494)
-	(14,141,254)	(14,141,254)	-	(14,141,254)
(190,242,829)	(14,141,254)	(204,384,083)	-	(204,384,083)
-	-	-	36,616,937	36,616,937
144,262,603	-	144,262,603	-	144,262,603
76,726,898	7,042,101	83,768,999	9,147,720	92,916,719
-	2,332,647	2,332,647	-	2,332,647
-	4,570,118	4,570,118	-	4,570,118
598,604	-	598,604	-	598,604
12,272,575	-	12,272,575	-	12,272,575
7,179,404	-	7,179,404	-	7,179,404
1,936,470	-	1,936,470	-	1,936,470
6,895,854	610,608	7,506,462	(116,308)	7,390,154
1,459,824	218,715	1,678,539	2,687,665	4,366,204
83,890	-	83,890	-	83,890
(7,191,216)	7,191,216	-	-	-
244,224,906	21,965,405	266,190,311	11,719,077	277,909,388
53,982,077	7,824,151	61,806,228	48,336,014	110,142,242
410,717,564	72,023,222	482,740,786	1,112,121,963	1,594,862,749
$ 464,699,641	$ 79,847,373	$ 544,547,014	$ 1,160,457,977	$ 1,705,004,991

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Debt Service	Capital Projects	Special Revenue Fund Miscellaneous Community Development Funds	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 151,778	$ 429,584	$ 84,114	$ 269,770	$ 1,039,657	$ 1,974,903
Investments	71,593,218	49,029,512	92,679,189	1,319,545	23,698,317	238,319,781
Accounts receivable	1,917,546	130,987	9,894,137	64,575	2,396,083	14,403,328
Taxes receivable	129,525,824	25,699,780	-	-	-	155,225,604
Notes receivable	847,684	433,700		12,765,652	3,078,608	17,125,644
Due from other funds	-	1,050,000	-	215,000	353,545	1,618,545
Due from component unit	-	-	7,455,000	-	-	7,455,000
Due from governmental agencies	-	-	-	-	89,621	89,621
Inventories	354,116	-	447,326	18,699	31,586	851,727
Prepaid items	10,193	-	-	-	-	10,193
Total assets	$ 204,400,359	$ 76,773,563	$ 110,559,766	$ 14,653,241	$ 30,687,417	$ 437,074,346
Liabilities						
Accounts payable	$ 3,536,476	$ -	$ 6,659,390	$ 142,331	$ 1,565,168	$ 11,903,365
Accrued liabilities	3,347,255	-	1,444,409	4,938	312,356	5,108,958
Customer deposits	-	-	-	8,309	427,552	435,861
Due to other funds	4,037,700	-	-	17,791	1,849,608	5,905,099
Due to fiduciary funds	900,000	-	-	-	-	900,000
Due to other governmental agencies	494,471	-	35,756	-	12,001	542,228
Total liabilities	12,315,902	-	8,139,555	173,369	4,166,685	24,795,511
Deferred Inflows of Resources						
Unavailable revenue - property taxes	106,574,687	25,531,537	-	-	-	132,106,224
Unavailable revenue - other	-	-	2,369,280	12,923,538	3,313,354	18,606,172
Total deferred inflows of resources	106,574,687	25,531,537	2,369,280	12,923,538	3,313,354	150,712,396
Fund Balances						
Non-spendable	364,309	-	447,326	18,699	655,651	1,485,985
Restricted	-	-	-	1,537,635	13,597,275	15,134,910
Committed	42,649,684	51,242,026	99,603,605	-	8,954,452	202,449,767
Assigned	4,037,851	-	-	-	-	4,037,851
Unassigned	38,457,926	-	-	-	-	38,457,926
Total fund balances	85,509,770	51,242,026	100,050,931	1,556,334	23,207,378	261,566,439
Total liabilities, deferred inflows of resources and fund balances	$ 204,400,359	$ 76,773,563	$ 110,559,766	$ 14,653,241	$ 30,687,417	$ 437,074,346

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts reported for the governmental activities in the Statement of Net Position are different because:		
Fund balance - governmental funds		$261,566,439
Capital assets used in governmental activities are not financial resources and therefore are not reported in the balance sheets of the governmental funds.		302,845,998
Revenues that have been deferred in the balance sheet of the governmental funds because they were not available to pay current liabilities of the period are recognized as revenue in the statement of activities and therefore are not included in the statement of net position.		4,622,917
Internal service funds are used by management to charge the costs of office service, fleet management, risk management, health insurance and equipment replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		120,355,854
Accrued interest payable is not due and payable in the current period and therefore is not reported as a liability in the balance sheets of the governmental funds.		(334,088)
Pension amounts not reported in the funds:		
Net pension liability (asset)		(167,076,488)
Deferred outflows of resources related to pensions		50,594,141
Deferred inflows of resources related to pensions		(33,539,140)
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation debt	(60,239,400)	
Discounts and premiums (net)	(4,519,893)	
Compensated absences	(9,576,699)	(74,335,992)
Net position - governmental activities		$ 464,699,641

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Debt Service	Capital Projects	Special Revenue Fund Miscellaneous Community Development Funds	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes, assessments, interest & penalties	$ 182,248,871	$ 24,514,302	$ -	$ -	$ 5,344,734	$ 212,107,907
Licenses, permits & inspection charges	330,320	-	-	-	2,325,391	2,655,711
Intergovernmental	32,389,051	-	9,768,537	1,520,591	4,396,285	48,074,464
Charge for services	1,755,901	-	-	669,142	3,692,930	6,117,973
Fines & forfeitures	633,077	-	-	-	2,513,820	3,146,897
Other	768,874	1,636,924	4,967,816	37,167	943,486	8,354,267
Total revenues	218,126,094	26,151,226	14,736,353	2,226,900	19,216,646	280,457,219
Expenditures:						
Current:						
Administration	3,908,463	-	-	-	60,312	3,968,775
Finance	3,925,218	-	-	-	199,998	4,125,216
Information Systems	4,158,500	-	-	-	-	4,158,500
Community Development	2,424,112	-	-	2,484,315	3,099,745	8,008,172
South Knoxville Waterfront	433,658	-	-	-	-	433,658
Parks & Recreation	7,368,314	-	-	-	73,682	7,441,996
Mass Transit	11,957,103	-	-	-	-	11,957,103
Engineering	6,161,303	-	-	-	8,103,347	14,264,650
Public Services	24,075,141	-	-	-	12,880,830	36,955,971
Law	1,822,246	-	-	-	969,860	2,792,106
Police	55,826,993	-	-	-	2,696,313	58,523,306
Emergency Management	351,639	-	-	-	995	352,634
Fire	43,262,927	-	-	-	16,072	43,278,999
Legislative	995,265	-	-	-	8,245	1,003,510
Civil Service	1,024,689	-	-	-	-	1,024,689
City Elections	235,463	-	-	-	-	235,463
Knoxville Partnership	8,438,296	-	-	-	-	8,438,296
Metropolitan Planning Commission	1,205,000	-	-	-	-	1,205,000
Knoxville Zoological Park	1,210,150	-	-	-	-	1,210,150
Community Agency Grants	1,269,074	-	-	-	-	1,269,074
Community Action Committee	741,640	-	-	-	-	741,640
Tax Increment Payments	2,452,980	-	-	-	-	2,452,980
Capital & grant projects	-	-	51,709,565	-	-	51,709,565
Debt service:						
Principal retirement	-	6,141,140	-	-	-	6,141,140
Interest payments on bonds & notes	-	2,328,160	-	-	-	2,328,160
Total expenditures	183,248,174	8,469,300	51,709,565	2,484,315	28,109,399	274,020,753
Excess (deficiency) of revenues over (under) expenditures	34,877,920	17,681,926	(36,973,212)	(257,415)	(8,892,753)	6,436,466
Other financing sources (uses)						
Transfers in	2,184,019	-	24,379,300	-	12,732,190	39,295,509
Transfers out	(27,325,102)	(16,692,150)	(653,221)	(259)	(4,155,940)	(48,826,672)
Total other financing sources (uses)	(25,141,083)	(16,692,150)	23,726,079	(259)	8,576,250	(9,531,163)
Net change in fund balances	9,736,837	989,776	(13,247,133)	(257,674)	(316,503)	(3,094,697)
Fund balances - beginning	75,772,933	50,252,250	113,298,064	1,814,008	23,523,881	264,661,136
Fund balances - ending	$ 85,509,770	$ 51,242,026	$ 100,050,931	$ 1,556,334	$ 23,207,378	$ 261,566,439

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	$ (3,094,697)
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 net capital outlay that meet criteria for capitalization ($44,616,181) exceeds depreciation expenses ($13,249,278).	31,366,903
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	455,627
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	5,770,892
Change in accrued interest associated with long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds.	(10,558)
Pension income not reported in the funds	9,685,644
The internal service fund is used by management to charge the costs of fleet maintenance.	4,514,624
The internal service fund is used by management to charge the costs of risk management.	693,169
The internal service fund is used by management to charge the costs of employee health insurance.	3,670,600
The internal service fund is used by management to charge the costs of equipment replacement.	912,992
The internal service fund is used by management to charge the costs of City buildings.	16,881
Change in net position - governmental activities	$ 53,982,077

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budgetary Basis Variance With Final Budget
Revenues						
Property taxes -						
Current	$ 96,364,300	$ 96,364,300	$ 97,141,397	$ -	$ 97,141,397	$ 777,097
Prior years	5,459,570	5,459,570	5,210,985	-	5,210,985	(248,585)
Business taxes	6,433,420	6,433,420	7,179,328	-	7,179,328	745,908
Local shared sales tax	37,859,220	37,859,220	40,743,825	-	40,743,825	2,884,605
Alcoholic beverage taxes	11,677,540	11,677,540	12,271,575	-	12,271,575	594,035
Payments in lieu of taxes	16,821,970	16,821,970	17,765,291	-	17,765,291	943,321
Franchise fees	1,863,350	1,863,350	1,936,470	-	1,936,470	73,120
Intergovernmental -						
Federal	1,080,910	1,080,910	1,098,108	-	1,098,108	17,198
State -						
Sales tax	13,179,550	13,179,550	14,467,985	-	14,467,985	1,288,435
Income tax	4,900,000	4,900,000	12,934,378	-	12,934,378	8,034,378
Other	3,616,220	3,616,220	3,835,580	-	3,835,580	219,360
Local	53,000	53,000	53,000	-	53,000	-
Licenses and permits	347,640	347,640	330,320	-	330,320	(17,320)
Fines & forfeits	504,520	504,520	633,077	-	633,077	128,557
Charges for services	1,519,650	1,519,650	1,755,901	-	1,755,901	236,251
Other -						
Interest	251,560	251,560	18,803	-	18,803	(232,757)
Rents & concessions	84,370	84,370	101,209	-	101,209	16,839
Miscellaneous	583,230	1,175,054	648,862	-	648,862	(526,192)
Appropriated fund balance	2,110,000	11,695,000	-	-	-	(11,695,000)
Total revenues	204,710,020	214,886,844	218,126,094	-	218,126,094	3,239,250
Expenditures						
Current -						
Administration	4,775,750	4,409,395	3,908,463	42,778	3,951,241	458,154
Finance	4,294,760	4,273,541	3,925,218	68	3,925,286	348,255
Information systems	4,512,440	4,551,964	4,158,500	22,174	4,180,674	371,290
Community development	2,346,540	3,349,740	2,424,112	33,417	2,457,529	892,211
South Knoxville Waterfront	496,780	540,280	433,658	-	433,658	106,622
Parks & recreation	7,512,120	7,600,070	7,368,314	4	7,368,318	231,752
Mass transit	14,422,110	14,422,110	11,957,103	-	11,957,103	2,465,007
Public services	24,680,990	24,566,995	24,075,141	19,981	24,095,122	471,873
Engineering	6,200,700	6,287,548	6,161,303	120,787	6,282,090	5,458
Law	1,956,850	2,002,324	1,822,246	25,606	1,847,852	154,472
Police	56,723,800	56,261,510	55,826,993	11,090	55,838,083	423,427
Emergeny management	357,700	357,700	351,639	-	351,639	6,061
Fire	43,130,920	43,302,758	43,262,927	10,727	43,273,654	29,104
Legislative	1,065,630	1,065,659	995,265	-	995,265	70,394
Civil service	1,102,340	1,102,340	1,024,689	5,933	1,030,622	71,718
Nondepartmental -						
City elections	255,000	255,000	235,463	-	235,463	19,537
Knoxville partnership	663,500	8,563,500	8,438,296	-	8,438,296	125,204
Metropolitan planning commission	905,000	1,205,000	1,205,000	-	1,205,000	-
Knoxville zoological gardens	1,210,150	1,210,150	1,210,150	-	1,210,150	-
Community agency grants	1,250,000	1,500,000	1,269,074	230,926	1,500,000	-
Community action committee	741,640	741,640	741,640	-	741,640	-
Tax increment payments	1,896,760	2,453,120	2,452,980	-	2,452,980	140
Total expenditures	180,501,480	190,022,344	183,248,174	523,491	183,771,665	6,250,679
Excess (deficiency) of revenues over (under) expenditures	24,208,540	24,864,500	34,877,920	(523,491)	34,354,429	9,489,929
Other Financing Sources (Uses)						
Transfers in	2,183,760	2,183,760	2,184,019	-	2,184,019	(259)
Transfers out	(26,392,300)	(27,048,260)	(27,325,102)	-	(27,325,102)	(276,842)
Total other financing sources (uses)	(24,208,540)	(24,864,500)	(25,141,083)	-	(25,141,083)	276,583
Net changes in fund balances	$ -	$ -	9,736,837	(523,491)	9,213,346	$ 9,213,346
Fund balance - beginning			75,772,933	(702,039)	75,070,894	
Fund balance - ending			$ 85,509,770	$ (1,225,530)	$ 84,284,240	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
MISCELLANEOUS COMMUNITY DEVELOPMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance
	Original	Final	Actual	With Final Budget
Revenues				
Intergovernmental	$ 1,415,580	$ 1,415,580	$ 1,520,591	$ 105,011
Charges for services	600,000	685,000	669,142	(15,858)
Other	-	40,000	37,167	(2,833)
Total revenues	2,015,580	2,140,580	2,226,900	86,320
Expenditures				
Current:				
Community Development	2,015,580	2,140,580	2,484,315	343,735
Total expenditures	2,015,580	2,140,580	2,484,315	343,735
Excess (deficiency) of revenues over (under) expenditures	-	-	(257,415)	(257,415)
Other financing sources (uses)				
Transfers out	-	-	(259)	(259)
Net change in fund balances	$ -	$ -	(257,674)	$ (257,674)
Fund balances - beginning			1,814,008	
Fund balances - ending			$ 1,556,334	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Funds			
	Knoxville Convention Center	Other Nonmajor Activities	Total	Internal Service Funds
Assets				
Current assets:				
Cash & temporary investments	$ 1,105,898	$ 416,476	$ 1,522,374	$ 1,425,994
Investments	28,406,931	12,680,233	41,087,164	115,500,197
Accounts receivable	2,624,480	136,779	2,761,259	148,576
Due from other funds	2,517,930	2,161,000	4,678,930	430,000
Due from component unit	1,825,265	-	1,825,265	674,000
Due from fiduciary fund	30,000	-	30,000	-
Inventories	116,971	29,585	146,556	1,043,317
Prepaid items	31,239	10,894	42,133	-
Total current assets	36,658,714	15,434,967	52,093,681	119,222,084
Noncurrent assets:				
Land & site improvements	2,952,020	4,384,283	7,336,303	61,627
Building, building improvements and infrastructure	180,566,774	51,839,225	232,405,999	195,764
Equipment	4,738,192	3,027,187	7,765,379	82,610,228
Construction in progress	2,053,018	88,765	2,141,783	-
Less: accumulated depreciation	(71,989,619)	(34,258,653)	(106,248,272)	(58,998,181)
Total capital assets (net of accumulated depreciation):	118,320,385	25,080,807	143,401,192	23,869,438
Equity interest in joint venture	1,411,807	514,948	1,926,755	1,969,078
Total noncurrent assets	119,732,192	25,595,755	145,327,947	25,838,516
Total assets	156,390,906	41,030,722	197,421,628	145,060,600
Deferred outflows of resources				
Pensions	-	534,976	534,976	982,742
Interest rate swap	1,185,753	-	1,185,753	-
Total deferred outflows of resources	1,185,753	534,976	1,720,729	982,742
Liabilities				
Current liabilities:				
Accounts payable	1,707,887	1,017,389	2,725,276	1,378,764
Accrued liabilities	309,877	92,487	402,364	2,609,646
Customer deposits	128,609	-	128,609	-
Unearned revenue	-	25,359	25,359	-
Due to other funds	545,353	240,000	785,353	37,023
Compensated absences	-	4,405	4,405	165,291
Net pension liability	-	1,766,645	1,766,645	3,245,299
Long-term debt due within one year	5,293,157	-	5,293,157	-
Estimated claims liability	-	-	-	5,100,000
Total current liabilities	7,984,883	3,146,285	11,131,168	12,536,023
Noncurrent liabilities:				
Long-term debt due in more than one year	106,623,425	-	106,623,425	-
Estimated claims liability	-	-	-	12,500,000
Derivative instrument - interest rate swap	1,185,753	-	1,185,753	-
Total noncurrent liabilities	107,809,178	-	107,809,178	12,500,000
Total liabilities	115,794,061	3,146,285	118,940,346	25,036,023
Deferred inflows of resources				
Pensions	-	354,638	354,638	651,465
Total deferred inflows of resources	-	354,638	354,638	651,465
NET POSITION				
Net investment in capital assets	6,403,803	25,080,807	31,484,610	23,869,438
Unrestricted	35,378,795	12,983,968	48,362,763	96,486,416
Total net position	$ 41,782,598	$ 38,064,775	$ 79,847,373	$ 120,355,854

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			
	Knoxville Convention Center	Other Nonmajor Activities	Total	Internal Service Funds
Operating revenues				
Charges for services	$ 4,611,398	$ 4,654,462	$ 9,265,860	$ 44,730,613
Total operating revenues	4,611,398	4,654,462	9,265,860	44,730,613
Operating expenses				
Personal services	-	2,033,814	2,033,814	3,849,500
Materials & supplies	-	161,815	161,815	2,309,973
Maintenance	263,211	910,594	1,173,805	592,886
Depreciation & amortization	4,009,539	1,447,143	5,456,682	6,379,111
Other services and charges	10,110,679	3,307,571	13,418,250	25,305,041
Total operating expenses	14,383,429	7,860,937	22,244,366	38,436,511
Operating income (loss)	(9,772,031)	(3,206,475)	(12,978,506)	6,294,102
Nonoperating revenues (expense)				
Interest income	188,431	30,283	218,714	246,480
Intergovernmental revenue	15,356,101	88,765	15,444,866	144,298
Other revenues (expenses)	308,208	17,753	325,961	118,117
Gain (loss) on disposal of capital assets	-	-	-	197,539
Interest expense	(2,496,285)	-	(2,496,285)	-
Total nonoperating revenues (expenses)	13,356,455	136,801	13,493,256	706,434
Income (loss) before transfers and capital contributions	3,584,424	(3,069,674)	514,750	7,000,536
Transfers in	3,962,976	3,246,658	7,209,634	2,595,778
Transfers out	-	(18,418)	(18,418)	(255,831)
Capital contributions	-	118,185	118,185	467,783
Change in net position	7,547,400	276,751	7,824,151	9,808,266
Net position, beginning of year	34,235,198	37,788,024	72,023,222	110,547,588
Net position, end of year	$ 41,782,598	$ 38,064,775	$ 79,847,373	$ 120,355,854

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			
	Knoxville Convention Center	Other Nonmajor Activities	Total	Internal Service Funds
Operating activities				
Cash received from customers and users	$ 4,513,576	$ 4,599,363	$ 9,112,939	$ -
Receipts from interfund services provided	-	-	-	44,750,877
Cash paid to suppliers	(10,537,407)	(4,172,045)	(14,709,452)	(4,535,099)
Cash paid to employees	-	(2,271,389)	(2,271,389)	(3,984,011)
Cash paid for interfund services used	(263,211)	-	(263,211)	(7,181,631)
Payments of claims and insurance	-	-	-	(16,449,750)
Net cash provided by (used in) operating activities	(6,287,042)	(1,844,071)	(8,131,113)	12,600,386
Noncapital financing activities				
Transfers from other funds	4,960,402	2,322,240	7,282,642	3,639,429
Transfers to component units	(1,825,265)	-	(1,825,265)	(674,000)
Transfers to other funds	-	(150,000)	(150,000)	(1,692,458)
Tax and intergovernmental revenues	15,664,309	106,518	15,770,827	262,414
Net cash provided by (used in) noncapital financing activities	18,799,446	2,278,758	21,078,204	1,535,385
Capital and related financing activities				
Principal paid on general obligation bond maturities	(4,669,779)	-	(4,669,779)	-
Interest paid	(2,496,285)	-	(2,496,285)	-
Acquisition and construction of capital assets	(2,053,019)	(206,952)	(2,259,971)	(7,452,548)
Proceeds from sale of capital assets	-	-	-	240,744
Capital contributions	-	118,185	118,185	467,783
Net cash provided by (used in) capital and related financing activities	(9,219,083)	(88,767)	(9,307,850)	(6,744,021)
Investing activities				
Sales/(purchases) of investments, net	(4,795,168)	(1,099,787)	(5,894,955)	(8,361,889)
Investment earnings	188,431	30,283	218,714	246,480
Net change in equity investment in joint venture	(631,543)	76,170	(555,373)	172,116
Net cash provided by (used in) investing activities	(5,238,280)	(993,334)	(6,231,614)	(7,943,293)
Net increase (decrease) in cash and cash equivalents	(1,944,959)	(647,414)	(2,592,373)	(551,543)
Cash and cash equivalents				
Beginning of year	3,050,857	1,063,890	4,114,747	1,977,537
End of year	$ 1,105,898	$ 416,476	$ 1,522,374	$ 1,425,994

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			
	Knoxville Convention Center	Other Nonmajor Activities	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ (9,772,031)	$ (3,206,475)	$ (12,978,506)	$ 6,294,102
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,009,539	1,447,143	5,456,682	6,379,111
Pension expense (income)	-	(102,415)	(102,415)	(188,135)
Change in assets and liabilities				
(Increase) decrease in receivables	(104,508)	96,113	(8,395)	20,264
(Increase) decrease in prepayments	(3,501)	4,966	1,465	-
(Increase) decrease in inventories	(9,660)	3,130	(6,530)	(94,908)
Increase (decrease) in accounts payable	(399,923)	199,839	(200,084)	133,572
Increase (decrease) in accrued expenses	(13,644)	44,385	30,741	56,380
Increase (decrease) in compensated absences	-	(179,545)	(179,545)	-
Increase (decrease) in deferred revenue	(121,923)	15,689	(106,234)	-
Increase (decrease) in customer deposits	128,609	(166,901)	(38,292)	-
Total adjustments	3,484,989	1,362,404	4,847,393	6,306,284
Net cash provided by (used in) operating activities	$ (6,287,042)	$ (1,844,071)	$ (8,131,113)	$ 12,600,386

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	City Employees' Pension Trust Fund	Combined Agency Funds
Assets		
Cash	$ 1,904	$ 91,894
Cash equivalents	11,488,606	-
United States government securities	34,213,464	-
State & municipal government securities	1,936,655	53,785
International securities	187,285,296	-
Corporate bond & indentures	76,970,730	-
Real estate investment trusts	69,209,829	-
Domestic equity securities	144,914,131	-
Pending sales proceeds	1,107,307	-
Other receivables	22	900,000
Accrued interest & dividends	1,523,174	-
Equipment, furniture & fixtures	32,673	-
Accumulated depreciation	(24,394)	-
Total assets	$ 528,659,397	$ 1,045,679
Liabilities		
Accounts payable	483,054	-
Investment purchases pending	1,554,911	-
Health care claims liability	-	1,015,679
Due to other funds	-	30,000
Total liabilities	$ 2,037,965	$ 1,045,679
Net Position Restricted for Pensions	$ 526,621,432	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	City Employees' Pension Trust Fund
Additions	
Employee contributions	$ 4,414,955
Employer contributions	23,900,725
Total contributions	28,315,680
Investment earnings:	
Interest and dividends	8,179,624
Net appreciation/(depreciation) in the fair value of investments	(5,662,644)
Other income	40,844
Total investment earnings (loss)	2,557,824
Less investment expense	(3,606,775)
Net investment earnings (loss)	(1,048,951)
Total additions (net)	27,266,729
Deductions	
Benefits paid	43,946,206
Refunds	771,126
Administration expenses	679,971
Total deductions	45,397,303
Change in net position	(18,130,574)
Total net position - beginning	544,752,006
Total net position - ending	$ 526,621,432

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF NET POSITION - DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2016

	Component Units			
	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	Total Component Units
Assets				
Cash and cash equivalents	$ 78,946,397	$ 12,937,438	$ 1,489,527	$ 93,373,362
Investments	94,883,431	39,998,469	584,801	135,466,701
Receivables (net of allowance for uncollectibles):				
Accounts	72,945,320	8,091,890	13,945,868	94,983,078
TVA conservation program	8,153,192	-	-	8,153,192
Other	43,237	53,387	-	96,624
Inventories	10,524,829	-	1,302,545	11,827,374
Due from primary government	-	-	-	-
Prepaid items	8,896,816	461,621	-	9,358,437
Deferred charges	-	695,421	-	695,421
Restricted assets:				
Temporarily restricted:				
Bond funds	28,935,445	1,559,096	-	30,494,541
Unused bond proceeds	-	-	-	-
Receivables	-	470,000	-	470,000
Other	21,418	-	-	21,418
Net pension asset	-	-	-	-
Other assets	15,300,516	-	-	15,300,516
Capital assets:				
Land and site improvements	-	156,029,916	2,314,836	158,344,752
Buildings and improvements	-	167,985,132	32,637,878	200,623,010
Utility plant in service	2,397,423,083	-	-	2,397,423,083
Equipment, furniture and fixtures	-	13,884,247	31,688,350	45,572,597
Construction in progress	143,206,489	19,608,181	159,941	162,974,611
Less accumulated depreciation	(797,524,421)	(192,649,600)	(25,928,731)	(1,016,102,752)
Total assets	2,061,755,752	229,125,198	58,195,015	2,349,075,965
Deferred outflows of resources				
Pensions	10,357,291	-	-	10,357,291
Interest rate swap	-	2,388,073	-	2,388,073
Unamortized bond refunding costs	23,877,411	-	-	23,877,411
Total deferred outflows of resources	34,234,702	2,388,073	-	36,622,775
Liabilities				
Accounts payable	51,901,521	3,471,650	430,673	55,803,844
Matured principal & interest on bonds	12,755,853	-	-	12,755,853
Accrued liabilities	21,610,050	1,273,130	173,582	23,056,762
Due to primary government	-	-	9,954,265	9,954,265
Customer deposits, plus accrued interest	17,135,891	-	-	17,135,891
Accrued interest	-	74,000	-	74,000
Other liabilities	25,065,511	-	-	25,065,511
Noncurrent liabilities:				
Long-term debt due within one year	31,050,000	4,590,000	-	35,640,000
Long-term debt due in more than one year	945,380,000	66,045,000	-	1,011,425,000
Unamortized premiums/discounts	26,985,541	-	-	26,985,541
Derivative instruments - interest rate swaps	-	4,502,609	-	4,502,609
Total liabilities	1,131,884,367	79,956,389	10,558,520	1,222,399,276
Deferred inflows of resources				
Pensions	1,512,267	-	-	1,512,267
Deferred revenue	-	-	1,329,220	1,329,220
Total deferred inflows of resources	1,512,267	-	1,329,220	2,841,487
Net position				
Net investment in capital assets	772,012,085	91,628,740	40,872,274	904,513,099
Restricted for:				
Debt service	16,179,592	-	-	16,179,592
Other	21,418	2,029,096	-	2,050,514
Unrestricted	174,380,725	57,899,046	5,435,001	237,714,772
Total net position	$ 962,593,820	$ 151,556,882	$ 46,307,275	$ 1,160,457,977

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF ACTIVITIES - DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Component Units			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	Total Component Units
Component units:								
Knoxville Utilities Board	$ 701,837,523	$ 733,362,086	$ -	$ 1,170,274	$ 32,694,837	$ -	$ -	$ 32,694,837
Metropolitan Knoxville Airport Authority	32,215,667	31,104,719	-	14,834,999	-	13,724,051	-	13,724,051
Knoxville Area Transit	30,877,585	2,226,804	7,801,736	11,047,094	-	-	(9,801,951)	(9,801,951)
Total component units	$ 764,930,775	$ 766,693,609	$ 7,801,736	$ 27,052,367	$ 32,694,837	$ 13,724,051	$ (9,801,951)	$ 36,616,937
		General revenues:						
		Intergovernmental revenue, unrestricted			-	-	9,147,720	9,147,720
		Other unrestricted revenue (expense)			(110,775)	-	(5,533)	(116,308)
		Unrestricted investment earnings			1,388,168	1,299,417	80	2,687,665
		Gain on disposal of capital assets			-	-	-	-
		Total general revenues			1,277,393	1,299,417	9,142,267	11,719,077
		Change in net position			33,972,230	15,023,468	(659,684)	48,336,014
		Net position - beginning			928,621,590	136,533,414	46,966,959	1,112,121,963
		Net position - ending			$ 962,593,820	$ 151,556,882	$ 46,307,275	$ 1,160,457,977

The accompanying notes are an integral part of the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Knoxville, Tennessee is a municipal corporation governed by elected executive and legislative bodies, which consist of a Mayor and a nine-member City Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Knoxville, Tennessee (the primary government) and its component units, entities for which the government is considered to be financially accountable. A component unit is a legally separate entity that satisfies at least one of the following criteria: (1) elected officials of a primary government are financially accountable for the entity, (2) the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete. Component units are generally presented discretely unless one of the following two circumstances are present, in which case they would be blended: (1) similar governing bodies and (2) scope of services provided are either directly or indirectly, exclusively or almost exclusively for the primary government.

All component units are discretely presented and are reported in a single separate column in the combined financial statements to emphasize that they are legally separate from the City. The governing bodies of each of these component units are appointed and can be removed by the City Council. All component units have a June 30 year-end.

1. Knoxville Utilities Board (KUB) provides electric, gas and water and wastewater services to residents of the City and surrounding areas. KUB may not issue debt without the City's approval, although the City does not have any obligation for KUB debt.

2. Metropolitan Knoxville Airport Authority (MKAA) operates two airport facilities that serve Knoxville and the surrounding area. MKAA must obtain City approval to issue debt.

3. Knoxville Area Transit (KAT) operates the public transportation system in Knoxville. The City approves the KAT budget. The City also provides significant operating subsidies to KAT. Additional information may be obtained from the General Manager, 1135 Magnolia Avenue, Knoxville, Tennessee 37917.

Complete financial statements for each of the component units, except KAT for which separate financial statements are not issued, may be obtained from their respective administrative offices as follows:

Knoxville Utilities Board 626 South Gay Street Knoxville, Tennessee 37929 www.kub.org	Metropolitan Knoxville Airport Authority P. O. Box 15600 Knoxville, Tennessee 37901 www.tys.org

Joint Ventures

The City is a participant in the following joint ventures with Knox County which are not considered part of the reporting entity as the City does not exercise financial accountability for their operations:

Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA) Knoxville, Knox County, KUB Geographic Information Systems
Knoxville-Knox County Animal Center

Complete financial statements of the joint ventures can be obtained from the City Finance Department, P.O. Box 1631, Knoxville, Tennessee 37901.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Related and Jointly Governed Organizations

The following related agencies provide services within the City:

Knoxville's Community Development Corporation - the Mayor appoints members to the governing board; however, the City exercises no budgetary control and provides no direct financial assistance.

Knoxville Zoological Park and *IJAMS Nature Center* - the City has management agreements with each of these entities (Note 15) but has no involvement in directing the respective entities' budgets, rates, debt obligations and board membership.

Government-wide and Fund Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from the government-wide statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are funded to a significant extent by user fees and charges. The legally separate component units, for which the primary government is financially accountable, are reported in the government-wide financial statements in a separate column as combined discretely presented component units.

The **statement of net position** presents the City's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

Direct expenses are those that are clearly identifiable with a specific function or segment. The **statement of activities** demonstrates the extent to which the direct expenses of each function or segment are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided or given by the function or segment. Program revenues also include grants and contributions that are restricted for meeting the operational or capital requirements of a particular function or segment. Taxes and other non-program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and discretely presented component units. Although they are excluded from the government-wide financial statements, separate financial statements are also provided for the fiduciary funds. Each major governmental and enterprise fund is reported in a separate column in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements and the proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and other restricted revenues are recognized as revenue when all eligibility requirements imposed by the provider have been met.

The financial statements of the discretely presented component units (Knoxville Utilities Board, Metropolitan Knoxville Airport Authority, and Knoxville Area Transit) that are included in the government-wide financial statements are accounted for on the same basis as the City's proprietary funds. Further, the accounts of Knoxville Utilities Board are maintained in conformity with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year or up to one year for grant revenues. Similar to the accrual basis of accounting, expenditures generally are recorded when a liability is incurred. However, debt service expenditures, expenditures relating to long-term liabilities such as compensated absences and claims and judgments are recorded when payment is due.

Property taxes, shared revenues, licenses, interest and charges for services associated with the current fiscal year are considered to be susceptible to accrual and have been recognized as revenues of the current year. Other revenue items are considered to be measurable and available when the government receives cash.

The City reports the following major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. It is the City's primary operating fund.

Debt Service Fund - The debt service fund accounts for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Special Revenue Fund - Miscellaneous Community Development Funds - The miscellaneous community development funds account for various grants restricted for housing and humanity by state and federal granting agencies.

The City reports the following major proprietary fund:

Knoxville Convention Center - This fund accounts for the operations of the Knoxville Convention Center.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Additionally, the City reports the following fund types:

Internal Service Funds - Internal service funds account for replacement of capital assets, office services, fleet management, risk management and employee health insurance services provided to other departments or agencies of the City, on a cost reimbursement basis.

Pension Trust Fund - The City Employees' Pension Trust Fund accounts for the assets and the investment activities of the City of Knoxville Pension System which accumulates resources for pension benefit payments to qualified employees. The fund's fiduciary net position has been determined on the same basis used by the Pension System.

Agency Funds - The City Choice Plus fund accounts for the flexible spending accounts of the participating employees of the City and any funds not expended by March 31st of the following year revert back to the City. In addition, the Employee Health Reimbursement fund accounts for health reimbursement accounts of the participating employees of the City.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Knoxville Utilities Board, the Knoxville Area Transit and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Internally dedicated resources and all taxes are reported as general revenues.

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. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The Knoxville Utilities Board also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses of the enterprise funds and 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, the City's policy is to use restricted resources first and unrestricted sources as they are needed.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Deposits and investments - The City pools idle cash from all funds (except the Pension Trust Fund, the Knoxville Utilities Board, and the Metropolitan Knoxville Airport Authority component units) for the purpose of increasing income through investment activities. Deficits in pooled cash are classified as due to other funds or due from other funds on the financial statements of the borrowing and advancing fund, respectively.

Except for certain money market investments that have a remaining maturity at the time of purchase of one year or less which are carried at amortized cost, investments are carried at fair value. Interest income on investments is allocated to all funds on the basis of average daily cash and investment balances.

Cash and cash equivalents 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables - The City bills and collects its own property taxes. Property taxes are levied (based on the assessed valuation as of January 1) and become payable on October 1. Property taxes attach as a lien on the property as of January 1. Such taxes become delinquent on February 28. A lawsuit is filed against property owners for taxes that remain uncollected on March 1 of the year following the date such taxes become delinquent. Property tax revenues are recognized when levied to the extent that they result in current receivables; that is, are received within 60 days of the end of the fiscal year. An allowance for uncollectibles or unavailable revenue (deferred inflows) is provided for remaining property tax receivables.

All trade receivables, including those of discretely presented component units are presented net of an allowance for uncollectibles. Because loans receivable are subject to grant restrictions, an amount equal to the loan has been provided as unavailable revenue (deferred inflows).

Inventories and Prepaid Items - Inventories in proprietary fund types are stated at the lower of average cost or replacement value. Inventories in the governmental fund types are stated at cost. Proprietary fund inventories consist of expendable supplies held for consumption. Inventories of governmental funds consist of land for development and supplies held for consumption.

Prepaid items in both the government-wide and fund financial statements represent payments to vendors that reflect costs applicable to future periods.

Restricted Assets - Certain unexpended debt proceeds, as well as resources set aside for debt repayment, are classified on the balance sheet as restricted. These funds are maintained in separate bank accounts and their use is limited by applicable debt covenants.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as those assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of two years. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Total interest expense incurred by the Knoxville Convention Center was $2,737,011 and no interest was capitalized because there were no major construction projects associated with the Convention Center in the current year.

Depreciation on property, plant and equipment is provided using the straight-line method of accounting over the following useful lives:

Buildings	25 to 40 years
Improvements	5 to 20 years
Infrastructure	25 years
Equipment	3 to 10 years
Sewer lines	50 years

The original cost of KUB utility plant retired or otherwise disposed of and the cost of removal less salvage are charged to accumulated depreciation. When other property is retired, the related asset and accumulated depreciation are removed from the accounts, and the gain or loss is included in results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred outflows of resources - In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resource (expense) until then. The City has three items that qualify for reporting in this category. The *deferred charge on refunding* results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The *effective portions of interest rate swaps* relate to interest rate swap agreements which are considered to be hedging derivative financial instruments. Changes in the fair market value of hedging derivatives are reported as deferred outflows of resources. The amounts for *pensions* relates to certain differences between projected and actual actuarial results, certain differences between projected and actual investment earnings, as well as contributions between the measurement and reporting dates, which are accounted for as deferred outflows of resources.

Compensated Absences - City employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee can be reimbursed twice the annual accrual of accumulated vacation, up to a maximum of 48 days. Employees are reimbursed up to 45 days of accumulated sick leave upon retirement or death only if the individual has accumulated 120 or more days. The cost of accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. Vacation and sick leave that is payable as a result of employee resignation or retirement and which is expected to be liquidated with expendable available resources is reported as an expenditure and a fund liability of the governmental fund that will pay it (i.e. the fund that pays the employee's salary or wages).

Long-term Obligations - The City reports long-term debt and other long-term obligations in the applicable activities in the government-wide financial statements and the proprietary fund type fund financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Derivative financial instruments - Derivative financial instruments consist of interest rate swap agreements and are accounted for at fair value in accordance with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. The City analyzes its derivative financial instruments into hedging derivative instruments and investment derivative instruments. 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 a 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.

Arbitrage rebates - For the governmental funds arbitrage rebates due to the federal government under the internal Revenue Code of 1986, as amended, for excess earnings on invested proceeds of tax-exempt securities are reported as a liability in the Statements of Net Position and Activities and as a commitment of fund balance in the Balance Sheet - Governmental Funds. For proprietary funds (including component unites) any such rebates are reflected as liabilities in the appropriate individual proprietary funds.

Deferred inflows of resources - In addition to liabilities, the balance sheets and statements of net position will sometimes report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. The City has three items that qualify for reporting in this category. The *unavailable revenue* reported in the balance sheet, which arises under a modified accrual basis of accounting, represents amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available. The *assessed and unlevied property taxes* reported in the statement of net position arises from imposed nonexchange revenues (property taxes) which are assessed prior to the end of the fiscal year but levied in the subsequent year, and *deferred revenue* arises from amounts equal to loans receivable and other awards that are subject to grant time restrictions. The amounts for *pensions* relate to certain differences between projected and actual actuarial results and certain differences between project and actual investment earnings, which are accounted for as deferred inflows of resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Master Plans - Master plans represent costs incurred in developing a long-term expansion plan for the Metropolitan Knoxville Airport Authority. Master plans are stated at cost. Amortization is computed using the straight-line method over the plans' estimated useful life of five years.

Passenger Facility Charges - The collection of Passenger Facility Charges ("PFCs") has been approved to be used for qualifying capital improvement projects. PFCs, along with related interest earnings, are recorded as unearned revenue until used or authorized for use under FAA approved application to use. Once authorized to use, the PFC receipts are recognized and recorded as non-operating revenue in the year collected by the air carriers.

Fund Equity - The City's fund balance is classified into the following categories:

Non-spendable Fund Balance - Fund balances reported as non-spendable in the accompanying financial statements represent amounts for permanent fund principal restrictions, inventory, prepaid expenditures, advances to other funds and noncurrent notes receivables.

Restricted Fund Balance - Fund balances reported as restricted are the result of externally imposed restrictions placed upon current resources by state statutes, creditors, bond covenants, donors or grantors.

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

Committed Fund Balance - Fund balances reported as committed are self-imposed restrictions placed upon certain resources by the City Council through the adoption of an ordinance and cannot be used for any other purpose unless formal action is approved by the City Council.

Assigned Fund Balance - Fund balances reported as assigned are intended for certain purposes as approved by City Council, or management. City Council has a fund balance policy that allows assigned amounts to be re-assigned by City Council, or management.

Unassigned Fund Balance - In accordance with GAAP, the general fund is the only governmental fund that reports an unassigned fund balance. The unassigned fund balance has not been restricted, committed, or assigned to a specific purpose within the general fund.

When committed, assigned or unassigned fund balance amounts are available for use, it is the City's policy to use the committed fund balance first; the assigned fund balance second; and then the unassigned fund balance, as they are needed.

Stabilization Arrangement - The City has a fund balance policy established by the City Council that requires the general fund to maintain a minimum unrestricted fund balance of 20% of ensuing year's appropriated general fund expenditures. The fund has been established for the purposes of setting aside amounts for use in specific and non-routine situations, which include certain emergency and urgent situations, as have been established by Charter and the City's Administrative Rules. For the current fiscal year ending June 30, 2016, the City met the minimum general fund balance policy. See Note 12.

Environmental Cleanup Matters - The Knoxville Utilities Board accrues environmental cleanup costs when those costs are believed to be both probable and reasonably estimated. For certain, matters KUB expects to share costs with other parties. KUB does not include anticipated recoveries from insurance carriers in the estimated liability.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Postemployment Benefits - Postemployment pension benefits are accounted for under GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, which establishes standards for the measurement, recognition and display of pension expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information. See additional information regarding the City's pension benefits in Note 19. The City's Retirement Plan (City of Knoxville Pension System) issues a separate, publically available financial report under the requirements of GASB Statement No. 67, as further described in Note 19.

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

Postemployment healthcare benefits other than pension benefits are accounted for under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, which establishes standards for the measurement, recognition, and display of postemployment healthcare benefits expense and related liabilities, assets, and note disclosures, as further described in Note 20 and, if applicable, required supplementary information.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements

The City adopted GASB Statement No. 72, Fair Value Measurement and Application, required for fiscal periods beginning after June 15, 2015, in fiscal 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. See Note 5.

The City adopted or plans to adopt GASB Statement No. 73, Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, required for fiscal periods beginning after June 15, 2015 and 2016, in fiscal 2016 and 2017, respectively. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

The City plans to adopt GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, required for fiscal periods beginning after June 15, 2016, in fiscal 2017. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The City plans to adopt GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, required for fiscal periods beginning after June 15, 2017, in fiscal 2018. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City adopted GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, required for fiscal periods beginning after June 15, 2015, in fiscal 2016. This Statement identified - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles.

The City plans to adopt GASB Statement No. 77, Tax Abatement Disclosures, required for fiscal periods beginning after December 15, 2015, in fiscal 2017. This Statement improves financial reporting by giving users of financial statements essential information regarding tax abatements that is not currently reported consistently or comprehensively.

The City plans to adopt GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, required for fiscal periods beginning after December 15, 2015, in fiscal 2017. This Statement amends the scope and applicability of Statement No. 68 regarding pensions provided to employees of state and local government employers through certain cost-sharing multiple-employees of state and local government employers through certain cost-sharing multiple-employer defined benefit pension plans.

The City adopted or plans to adopt GASB Statement No. 79, Certain Eternal Investment Pools and Pool Participants, required for fiscal periods beginning after June 15, 2015, except for certain provisions effective for fiscal periods beginning after December 15, 2015, in fiscal 2016 and 2017, respectively. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants.

The City plans to adopt GASB Statement No. 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14, required for fiscal periods beginning after June 15, 2016, in fiscal 2017. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

The City plans to adopt GASB Statement No. 81, Irrevocable Split-Interest Agreements, required for fiscal periods beginning after December 15, 2016, in fiscal 2018. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The City plans to adopt GASB Statement No. 82, Pension Issues, required for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal periods beginning after June 15, 2017, in fiscal 2017 and 2018. This Statement improves financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

Unless otherwise noted, management is in the process of determining the effects that the adoption of these Statements will have on the City's financial statements.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Certain differences exist between the governmental fund financial statements and the government-wide financial statements. These differences relate to differences between the modified accrual basis of accounting used in the fund financial statements and the accrual basis of accounting used in the government-wide financial statements and to the consolidation of the internal service funds into the governmental activities in the government-wide financial statements.

Reconciliations between the governmental fund balance sheet and the government-wide statement of net position and between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are shown on pages 25 and 27, respectively.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City is required by its charter to adopt annual budgets for those operating funds that are under the direct control of City Council. This includes all governmental funds except the Miscellaneous Grants Fund, Knoxville Civic Revitalization Fund, Krutch Park Fund and some of the Miscellaneous Community Development Funds. City Council adopts project-length budgets for the capital projects fund. In addition, City Council adopts annual operating budgets for all enterprise and internal service funds. The City prepares its budget on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP).

The Mayor is required by the City Charter to propose a balanced budget to the City Council on or before May 1 for the fiscal year commencing the following July 1. The proposed budget includes anticipated expenditures by department and sources of financing the expenditures.

Public hearings are conducted to allow constituents an opportunity to comment on the proposed operating budgets before they become law.

The Mayor is authorized to transfer budgeted amounts within departments within any fund. All other transfers or supplemental appropriations must be enacted by City Council. Other management is not authorized to make such changes. Appropriations lapse at each fiscal year-end.

The following supplemental budgetary appropriations were enacted by City Council during the fiscal year 2016.

General Fund	$9,520,864
Special Revenue Funds	1,420,132
Debt Service Fund	556,360
Capital Project Funds	2,500,000
Enterprise Funds	1,930,792
Internal Service Funds	329,195

Encumbrance accounting is employed in governmental funds. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are classified as restricted, committed or assigned fund balances depending on the governmental fund purpose and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbered appropriations are appropriated in the ensuing year's budget.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A comparison of revenues and expenses - final budget and actual for proprietary funds for which City Council has legally adopted budgets is as follows:

	Revenues, Transfers In and Capital Contributions			Expenses and Transfers Out		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Enterprise Funds						
Knoxville Convention Center	$ 20,344,879	$ 24,427,114	$ 4,082,235	$ 20,344,879	$ 16,879,714	$ 3,465,165
Metro Parking	3,322,900	2,119,627	(1,203,273)	3,322,900	2,372,153	950,747
Public Assembly Facilities	5,045,050	4,668,388	(376,662)	5,045,050	3,096,567	1,948,483
City Golf Courses	1,439,590	1,395,067	(44,523)	1,439,590	1,627,611	(188,021)
Knoxville Area Transit						
(Component Unit)	23,437,993	30,223,434	6,785,441	23,437,993	30,883,118	(7,445,125)
Internal Service Funds						
Fleet Maintenance	15,834,675	16,921,821	1,087,146	15,834,675	12,407,197	3,427,478
Risk Management	7,006,539	7,040,908	34,369	7,006,539	6,347,739	658,800
Employee Health Insurance	21,664,432	20,568,148	(1,096,284)	21,664,432	16,897,548	4,766,884
Equipment Replacement	2,252,130	2,679,873	427,743	2,252,130	1,766,881	485,249
City Buildings	1,488,120	1,406,452	(81,668)	1,488,120	1,389,571	98,549

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds except the City Employees' Pension Trust Fund (Pension Trust Fund) and the Knoxville Utilities Board and Metropolitan Knoxville Airport Authority component unit enterprise funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash". Deficits in pooled cash are reported as interfund liabilities. See Note 9 for a schedule of interfund receivables and payables. In addition, investments are separately held by several of the City's funds.

Deposits - Deposits are included in the City's financial statements as "Cash and cash equivalents", "Cash and temporary investments", "Restricted cash and investments", "Cash float on pooled cash", and "Unused bond proceeds". Certain certificates of deposit are included in "Investments". Cash equivalents are defined as short- term, highly liquid investments.

Investments - Statutes authorize the City to invest in direct obligations of the United States Treasury, its agencies and instrumentalities; money market funds; and, the state treasurer's investment pool (Tennessee Local Government Investment Pool), prime commercial paper, bankers' acceptance notes and certificates of deposit. The state treasurer's investment pool (LGIP) is not registered with the Securities and Exchange Commission (SEC) but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Accordingly, the City's investments in the pool have been based on the pool's share price. The City's amounts included in the pool are reported at the fair value of its position in the pool, which approximates the value of the shares of amortized cost.

The Pension Trust Fund's investment policies allow its agents to invest in government securities, certificates of deposit, bankers' acceptances, repurchase agreements, bonds and notes (with "A" or better ratings) and common stocks and other equities.

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

Investment Policies

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates the City's investment policies limit investments to terms of no more than two years. As of June 30, 2016, the average weighted maturity of the City's portfolio was 134 days.

Credit Risk: Statutes authorize the City to invest in obligations of the United States Treasury, its agencies and instrumentalities; money market funds; and, the state treasurer's investment pool. The state treasurer's investment pool is a non-rated, SEC 2a-7-like fund and the amount stated is based on the pool price per share. The pool is reported at its amortized book value.

The City's Investment Policy allows only investments in the highest-grade securities. Investments in commercial paper require that the issuer be rated A1, P1, or F1 by at least two rating agencies. The City's investments meet this requirement.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of failure of the custodian, the City will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The City's investments are typically uninsured and unregistered investments for which the securities are held by the custodian's trust department or agent in the City's name. Certificates of deposit are secured by collateral held by the State's Collateral Pool. These would again include uninsured and unregistered investments for which the securities are held by the custodian's trust department or agent in the State's name.

Concentration of Credit Risk: The City's Investment Policy imposes several limits on the amount and type of investments in order to avoid having a large percentage of the portfolio in a single issuer. First, the policy states that, with the exception of U.S. treasuries, agency securities, and the state investment pool, no more than 35% of the portfolio shall be invested in a single security type. The policy further limits, with respect to banker's acceptances and commercial paper, that no more than 10% of the portfolio, or $10 million, whichever is less, shall be from a single issuer. As of June 30, 2016, the City held securities in various municipal bonds of $51 million or approximately 13% of the total portfolio. All U.S. Government Agency investments have an Aaa credit rating. The corporate equities investments have credit ratings ranging from Baa2 to Baa3 and are part of the permanent fund for Krutch Park.

As of June 30, 2016, the City had the following investments and maturities.

Investments:	Fair Value	Less Than 1 Year	1 - 2 Years	2 - 4 Years
Primary Government:				
U.S. Government Agencies:				
Federal Home Loan Bank (FHLB)	$ 8,082,215	$ 1,001,350	$ 5,558,055	$ 1,522,810
Private Equity Funding Corporation (PEFCO)	3,667,496	1,004,420	1,642,686	1,020,390
Federal Farm Credit Bureau (FFCB)	5,829,165	1,001,300	1,253,785	3,574,080
Federal Home Loan Mortgage Corporation (FHLMC)	500,055	-	-	500,055
Financing Corporation (FICO) STRIPS	1,021,441	-	1,021,441	-
Tennessee Valley Authority	1,081,995	598,170	-	483,825
Other Governmental Bonds	73,037,957	45,358,849	15,086,587	12,592,521
Certificates of Deposit	14,398,136	5,004,691	5,485,007	3,908,438
Corporate Equities	216,344	216,344	-	-
Tennessee Local Government Investment Pool	287,072,338	287,072,338	-	-
	$ 394,907,142	$ 341,257,462	$ 30,047,561	$ 23,602,119
Fiduciary Activities:				
Tennessee Local Government Investment Pool	$ 53,785	$ 53,785	$ -	$ -

Investments are included in the City's financial statements as "Cash and temporary investments", "Investments", "Restricted cash and investments", "Unused bond proceeds", and "Restricted assets".

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

Deposits and investments of component units and the City Employees' Pension Trust Fund are classified in the statement of net position and the statement of fiduciary net position, respectively, as follows:

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund
Deposits:				
Bank balances	$ 92,339,643	$ 14,496,534	$ 1,489,527	$ 1,904
Carrying amounts:				
Deposits (net of outstanding checks) in financial institutions	$ 78,946,397	$ 14,496,534	$ 1,489,527	$ 1,904
Certificates of deposit	13,393,246	-	-	-
Total deposits - carrying value	$ 92,339,643	$ 14,496,534	$ 1,489,527	$ 1,904

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund	Total Amount	Fair Value
Investments:						
Cash equivalents	$ -	$ -	$ -	$ 11,488,606	$ 11,488,606	$ 11,488,606
United States government securities	94,738,107	39,998,469	-	34,213,464	168,950,040	168,950,040
Domestic equity securities	-	-	-	144,914,131	144,914,131	144,914,131
Corporate bonds	-	-	-	76,970,730	76,970,730	76,970,730
State and municipal government securities	-	-	-	1,936,655	1,936,655	1,936,655
Real estate investment trusts	-	-	-	69,209,829	69,209,829	69,209,829
International securities	-	-	-	187,285,296	187,285,296	187,285,296
Total classified investments	94,738,107	39,998,469	-	526,018,711	660,755,287	660,755,287
Investments not categorized:						
Investments in state treasurer's investment pool	15,439,274	-	584,801	-	16,024,075	16,024,075
Total investments	$ 110,177,381	$ 39,998,469	$ 584,801	$ 526,018,711	$ 676,779,362	$ 676,779,362
Total deposits and investments	$ 202,517,024	$ 54,495,003	$ 2,074,328	$ 526,020,615		

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund
Cash and cash equivalents	$ 78,946,397	$ 12,937,438	$ 1,489,527	$ 1,904
Investments	94,883,431	39,998,469	584,801	526,018,711
Unused bond proceeds	-	1,559,096	-	-
Bond funds	28,935,445	-	-	-
Other temporarily restricted assets	21,418	-	-	-
	202,786,691	54,495,003	2,074,328	526,020,615
Less accrued interest	(269,667)	-	-	-
Total deposits and investments	$ 202,517,024	$ 54,495,003	$ 2,074,328	$ 526,020,615

NOTE 5 - FAIR VALUE MEASUREMENT

GASB Statement No. 72, Fair Value Measurement and Application, categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs are inputs - other than quoted prices included in Level 1 - that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability.

The input levels are not applicable to the City's investment in the Tennessee Local Government Investment Pool (LGIP) as investments are reported at amortized cost.

The remaining investments of the primary government which are comprised of investments in U.S. Government Agencies, other government bonds, certificates of deposit and corporate equities, are valued by the City as Level 1 inputs. Similarly, these investments can be valued from quoted prices (unadjusted) to identical assets or liabilities in active markets that a government can access at the measurement date. The City's investment in certain municipal bonds are valued as Level 2 inputs. Investments are made on behalf of the respective departments of the City.

As discussed in Note 1, the City of Knoxville Pension System (System) is included in the City's CAFR as a pension trust fund, which is a fiduciary fund of the City. The System holds a significant amount of investments that are measured at fair value on a recurring basis.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Descriptions of the valuation methodologies used for each category of investment measured at fair value are listed below as they appear in the fair value table.

The City has the following recurring fair value measurements as of June 30, 2016:

		Fair Value Measurements Using		
	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government:				
Investments by Fair Value Level				
Debt Securities:				
U.S. Government Agencies	$ 20,182,367	$ 20,182,367	$ -	$ -
State and Municipal Bonds	73,037,957	21,862,890	51,175,067	-
Equity Securities	216,344	216,344	-	-
Certificates of Deposit	14,398,136	14,398,136	-	-
	$ 107,834,804	$ 56,659,737	$ 51,175,067	$ -

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

		Fair Value Measurements Using		
	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fiduciary Activities:				
Investments by Fair Value Level				
Debt Securities:				
U.S. Treasury Securities	$ 13,652,586	$ 13,652,586	$ -	$ -
U.S. Government Backed Securities	2,511,816	2,511,816	-	-
Commercial Mortgage-Backed Securities	5,263,871	-	5,263,871	-
Asset Backed Securities	2,326,489	-	2,326,489	-
Residential Mortgage-Backed Securities	7,920,606	-	7,920,606	-
Corporate Bonds	76,874,179	45,454,037	31,420,142	-
Municipal Bonds	2,169,338	2,169,338	-	-
TIPS	12,634,369	12,634,369	-	-
Mutual Funds:				
Global Fixed Income	15,497,447	-	15,497,447	-
Total Debt Securities	138,850,701	76,422,146	62,428,555	-
Equity Securities:				
Consumer Discretionary	13,421,476	13,421,476	-	-
Consumer Staples	3,604,824	3,604,824	-	-
Energy	3,053,599	3,053,599	-	-
Financials	15,829,323	15,829,323	-	-
Healthcare	4,713,150	4,713,150	-	-
Industrials	2,307,363	2,307,363	-	-
Information Technology	13,225,724	13,225,724	-	-
Materials	2,841,691	2,841,691	-	-
Reit Financials	1,337,770	1,337,770	-	-
Telecommunications Services	782,904	782,904	-	-
Utilities	847,453	847,453	-	-
Mutual Funds:				
Large Cap Growth	37,942,127	37,942,127	-	-
Total Equity Securities	99,907,404	99,907,404	-	-

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

		Fair Value Measurements Using (Continued)		
	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Private Equity:				
Debt	4,208,476	-	-	4,208,476
Diversified	3,170,261	-	-	3,170,261
Energy	11,722,640	-	-	11,722,640
International	683,069	-	-	683,069
Secondary Markets	2,713,013	-	-	2,713,013
Venture Capital	3,508,198	-	-	3,508,198
Total Private Equity	26,005,657	-	-	26,005,657
Total Investments by fair value level	264,763,762	$ 176,329,550	$ 62,428,555	$ 26,005,657
Investments measured at the net asset value (NAV)				
Multi-strategy Hedge Fund	12,602,398			
Real Estate Funds	57,778,408			
International Equities	105,645,886			
Master Limited Partnerships	20,935,160			
Risk Parity	30,807,474			
International - Emerging Market Debt	23,716,370			
Total investment measured at the NAV	251,485,696			
Total investments measured at fair value	516,249,458			
Cash held by money managers	10,843,859			
Total Investment Assets	$ 527,093,317			

Debt Securities **-** Actively traded debt instruments such as those securities issued by the U.S. Treasury, Federal Agencies and most corporate issuers are reported at fair value as of the close of the trading date. Fair values in irregular traded debt securities are obtained from pricing vendors who employ modeling techniques in determining security values. Inputs typically employed by pricing vendors include cash flows, maturity and credit rating. Corporate bonds, mortgage-backed securities and asset-backed securities classified as Level 2 are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual Funds - Equities mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the System are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at the price. These mutual funds are deemed to be actively traded.

Equities - Equities held by the System consist of domestic, international and global securities, including those traded in emerging markets and are actively traded on major security exchanges or over-the-counter. Fair value for exchange traded securities is determined as of the close of the trading date in the primary market or agreed upon exchange. The last known price is used for listed securities that did not trade on a particular date. Fair value is obtained from third party pricing sources for securities trade over-the-counter.

Private Equities **-** The fair value of the System's various private equities depends upon the nature of the investment and the underlying business. Typically, the alternative investments are less liquid and subject to redemption restrictions which will further below. Fair value is determined either quarterly with valuations conducted by general partners, management and valuation specialists. Valuation techniques vary by investment type and involve expert judgment.

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multi-strategy Hedge Fund	$ 12,602,398	$ -	Semi-annual	95 days
Real Estate Funds	57,778,408	-	Quarterly, Daily	45 days, 1 day
International Equities	105,645,886	-	Monthly, Daily	10 - 30 days
Master Limited Partnerships	20,935,160	-	Daily	3 days
Risk Parity	30,807,474	-	Daily	3 days
International - Emerging Market Debt	23,716,370	-	Monthly	3 days
Total investment measured at the NAV	$ 251,485,696	$ -		
Private Equity:				
Debt	$ 4,208,476	$ 6,000,000		
Diversified	3,170,261	730,200		
Energy	11,722,640	2,537,801		
International	683,069	3,884,653		
Secondary Markets	2,713,013	2,975,000		
Venture Capital	3,508,198	1,483,635		
Total Private Equity	$ 26,005,657	$ 17,611,289		

Multi-Strategy Hedge Fund **-** The System has one manager which is a fund of funds that invests in several dozen hedge fund strategies where each underlying hedge fund strategy can have varying focus or investment style. Fair values of the portfolios determined using the NAV per share and are adjusted monthly, but fully reevaluated semi-annually. Proceeds from the fund can only be drawn at the semi-annual valuation. The goal of this investment is to provide growth to the portfolio that is uncorrelated to traditional stock and bond investing.

Real Estate **-** This type includes two managers that investment in commercial real estate properties all across the United States. The System's investment managers will look to buy entire properties in hopes of improving their overall offering, increasing both its rental income and ultimate selling price. Depending on the particular investment fund, fair values of the portfolios are determined either daily or quarterly and proceeds are only able to be added or withdrawn at this time. The fair value of real estate investments, principally rental property subject to long-term leases has been estimated on the basis of future rental receipts and estimated residual values discounted at interest rates commensurate with the risks involved. The goal of these investments is to provide a high degree of yield from rental incomes and some growth from capital appreciation.

International equities - This type of investment consists of three managers that invest in non-U.S. publicly-traded companies. Each investment manager will have its own individual restrictions on countries and industry sectors they are allowed to invest in as well as permissible size of each investment. Fair values of the portfolios are determined each month using the NAV per share of the investment, and proceeds are only able to be added or withdrawn at this time. The goal of these investments is to provide growth for the portfolio as well as diversification away from the United States.

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

Master Limited Partnerships - This investment type consists of one manager that invests in publicly-traded companies that own infrastructure that is used to transport various energy products across the U.S. These companies set long-term contracts with energy producers/extractors and charge based on volume of energy that passes through their infrastructure. Fair value of this portfolio is determined daily using the NAV per share of the investment subject to long-term contract values as estimated on the basis of future expected production and estimated residual values discounted at interest rates commensurate with the risks involved. Proceeds are only able to be added or withdrawn on a monthly basis. The goal of these investments is to provide growth and a diversification away from many aspects of the traditional economic cycle.

Risk Parity - This investment type consists of one manager and is broken down into three components- stocks, bonds, and inflation. It invests in different securities for each segment and sizes each security in a way that the manager believes will give the overall portfolio approximately equal exposure to each segment. The key is not an equal allocation weight to each segment but an allocation where each segment's performance should have an equal effect on overall portfolio performance. Fair values of the portfolios are determined each month using the NAV per share (or its equivalent) of the investment, and proceeds are only able to be added or withdrawn at this time. The goal of this investment is to provide growth to the portfolio by diversification from the traditional stock and bond investing.

Fair value levels for the City's component units can be found in their respective individual financial statements.

Emerging Market Debt – This type of investment consists of one manager who invests in both government and corporate bonds issued in emerging market countries. These issues tend to have lower credit quality than their counterparts in the U.S. and developed world, so these securities typically offer a higher premium and interest rate. The System also has exposure to the emerging market country currencies through these investments. Fair values of the portfolios are determined each month using the NAV per share (or its equivalent) of the investment, and proceeds are only able to be added or withdrawn at this time. The goal of these investments is to provide growth from higher yields for the portfolio as well as diversification away from the United States.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2016, including the applicable allowance for uncollectible accounts, consisted of the following:

	Intergovern-mental	Interest and Dividends	Grants	Customers	Other	Allowance for Doubtful Accounts	Total
General fund	$ 917,101	$ 80,697	$ 808,129	$ 107,815	$ 3,804	$ -	$ 1,917,546
Debt service fund	-	130,987	-	-	-	-	130,987
Capital projects fund	-	428,719	9,465,418	-	-	-	9,894,137
Special revenue funds:							
Miscellaneous community development funds	-	-	64,575	-	-	-	64,575
Other governmental funds	894,836	1,268	1,486,174	11,298	2,507	-	2,396,083
Knoxville Convention Center	1,698,461	12,940	-	-	913,079	-	2,624,480
Other enterprise funds	-	-	105,668	31,111	-	-	136,779
Internal service funds	-	20,296	-	128,280	-	-	148,576
Total primary government	3,510,398	674,907	11,929,964	278,504	919,390	-	17,313,163
Component units:							
Knoxville Utilities Board	8,153,192	43,237	-	69,317,560	4,433,444	(805,684)	81,141,749
Metropolitan Knoxville Airport Authority	-	53,387	7,084,511	1,007,379	-	-	8,145,277
Knoxville Area Transit	-	-	13,945,868	-	-	-	13,945,868
Total reporting entity	$ 11,663,590	$ 771,531	$ 32,960,343	$ 70,603,443	$ 5,352,834	$ (805,684)	$ 120,546,057
Fiduciary Activities:							
City Employees' Pension Trust Fund	$ -	$ 1,523,174	$ -	$ -	$ 22	$ -	$ 1,523,196

NOTE 7 - NOTES AND LEASES RECEIVABLE

Notes and leases receivable consisted of the following:

Governmental Funds:	
Notes Receivable	
General Fund	$ 847,684
Debt Service Fund	433,700
Special Revenue Fund - Miscellaneous Community Development Funds	12,765,652
Other Governmental Funds -	
Community Development Block Grant Funds	2,485,725
Miscellaneous Special Revenue Funds	592,883
Total Notes Receivable	$ 17,125,644

The $433,700 due to the Debt Service Fund is related to the Knoxville Community Development Corporation's ("KCDC") participation in the City's 2000A bond issue in the original amount of $15,860,000. This bond issue was refunded and is now listed as the 2005A General Obligation Bond issue. $2,540,000 of the bond issue was set aside for KCDC to use in a HOPE 6 project that needed additional funding. KCDC makes annual amortizing payments to the City which offset the net amount due by the City on the bonds.

The $12,765,652 due to the Miscellaneous Community Development Funds and the $3,078,608 due to the Community Development Block Grant Funds are notes due the City that were funded by Federal Community Development grant programs. The combined amount of $15,844,260 is included in other deferred inflows of resources.

Metropolitan Knoxville Airport Authority

The Metropolitan Airport Authority, as lessor, leases certain capital assets under operating leases expiring in various years through 2042. As of June 30, 2016, minimum future base rentals to be received on noncancellable leases are as follows:

Year Ended June 30,	
2017	$ 9,135,001
2018	8,992,428
2019	4,927,205
2020	1,697,736
2021	1,216,788
Thereafter	12,463,486
Total	$38,432,644

Under the terms of one of the Metropolitan Knoxville Airport Authority leases, payments in future years increase significantly. The Authority recognizes income from this lease on a straight-line basis, considering total payments over the lease term. Accordingly, advance rents of approximately $627,000 are included in other noncurrent assets in the accompanying statement of net position as of June 30, 2016. Airport Authority contingent rentals, which consist primarily of rental car concessions and other similar revenues, amounted to $1,879,689 for the year ended June 30, 2016.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Primary Government				
Governmental activities:				
Nondepreciable:				
Land & site improvements	$ 48,789,176	$ 46,832,353	$ (11,862,075)	$ 83,759,454
Construction in progress	29,406,676	34,430,879	(18,056,157)	45,781,398
Total nondepreciable capital assets	78,195,852	81,263,232	(29,918,232)	129,540,852
Depreciable:				
Buildings and building improvements	56,692,847	10,469,188	(12,821,828)	54,340,207
Equipment, furniture and fixtures	90,117,055	7,716,663	(4,275,390)	93,558,328
Infrastructure	350,213,435	13,339,011	(19,854,186)	343,698,260
Total depreciable capital assets	497,023,337	31,524,862	(36,951,404)	491,596,795
Accumulated depreciation:				
Buildings and building improvements	(34,212,006)	(1,397,859)	-	(35,609,865)
Equipment, furniture and fixtures	(63,858,864)	(7,116,948)	4,181,293	(66,794,519)
Infrastructure	(180,922,840)	(11,094,987)	-	(192,017,827)
Total accumulated depreciation	(278,993,710)	(19,609,794)	4,181,293	(294,422,211)
Total depreciable capital assets, net	218,029,627	11,915,068	(32,770,111)	197,174,584
Governmental activities capital assets, net	$ 296,225,479	$ 93,178,300	$ (62,688,343)	$ 326,715,436
Business-type activities:				
Nondepreciable:				
Land & site improvements	$ 7,336,303	$ -	$ -	$ 7,336,303
Artwork	764,875	-	-	764,875
Construction in progress	577,907	2,259,968	(696,092)	2,141,783
Total nondepreciable capital assets	8,679,085	2,259,968	(696,092)	10,242,961
Depreciable:				
Buildings and building improvements	230,706,333	696,092	-	231,402,425
Equipment, furniture and fixtures	7,000,504	-	-	7,000,504
Infrastructure and site improvements	1,003,574	-	-	1,003,574
Total depreciable capital assets	238,710,411	696,092	-	239,406,503
Accumulated depreciation:				
Buildings and building improvements	(95,781,939)	(5,187,896)	-	(100,969,835)
Equipment, furniture and fixtures	(5,009,654)	(268,783)	-	(5,278,437)
Infrastructure and site improvements	-	-	-	-
Total accumulated depreciation	(100,791,593)	(5,456,679)	-	(106,248,272)
Total depreciable capital assets, net	137,918,818	(4,760,587)	-	133,158,231
Business-type activities capital assets, net	$ 146,597,903	$ (2,500,619)	$ (696,092)	$ 143,401,192
Fiduciary activities:				
Knoxville Employees' Pension Plan				
Depreciable: Equipment, furniture and fixtures	$ 31,496	$ 8,437	$ (7,260)	$ 32,673
Accumulated Depreciation	(29,334)	(2,320)	7,260	(24,394)
Total Knoxville Employees' Pension Plan	$ 2,162	$ 6,117	$ -	$ 8,279

NOTE 8 - CAPITAL ASSETS - Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General	$ 2,221,336
Public Safety	6,141,124
Physical Environment	10,840,681
Economic Development	39,123
Parks and Recreation	177,300
Health and Sanitation	190,230
	$19,609,794
Business-type Activities	
Knoxville Convention Center	$4,009,541
Metro Parking	812,810
Public Assembly Facilities	56,679
Municipal Golf Courses	577,652
	$5,456,682

NOTE 8 - CAPITAL ASSETS - Continued

Capital asset activity for component units for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Component Units				
Knoxville Utilities Board				
Nondepreciable: Construction in Progress	$ 193,812,149	$ 164,049,004	$ (214,654,664)	$ 143,206,489
Depreciable:				
Pumping and treatment plant	272,898,514	27,948,957	(2,131,084)	298,716,387
Distribution & collection plant	1,782,830,166	169,565,402	(22,301,020)	1,930,094,548
General plant	154,807,001	16,109,904	(2,304,757)	168,612,148
Total depreciable assets	2,210,535,681	213,624,263	(26,736,861)	2,397,423,083
Accumulated depreciation	(753,200,620)	(70,652,307)	26,328,506	(797,524,421)
Total depreciable capital assets, net	1,457,335,061	142,971,956	(408,355)	1,599,898,662
Total Knoxville Utilities Board	$ 1,651,147,210	$ 307,020,960	$ (215,063,019)	$ 1,743,105,151
Metropolitan Knoxville Airport Authority				
Nondepreciable:				
Land	$ 38,495,206	$ 20,619	$ -	$ 38,515,825
Construction in progress	12,608,958	17,873,157	(10,873,934)	19,608,181
Total nondepreciable capital assets	51,104,164	17,893,776	(10,873,934)	58,124,006
Depreciable:				
Land improvements	143,505,112	5,033,938	(31,024,959)	117,514,091
Buildings and building improvements	165,100,821	2,884,311	-	167,985,132
Equipment, furniture and fixtures	11,223,026	3,081,021	(419,800)	13,884,247
Total depreciable capital assets	319,828,959	10,999,270	(31,444,759)	299,383,470
Accumulated depreciation:				
Land improvements	(114,140,020)	(2,836,019)	31,016,121	(85,959,918)
Buildings and building improvements	(90,762,496)	(6,478,768)	-	(97,241,264)
Equipment, furniture and fixtures	(9,252,678)	(585,984)	390,244	(9,448,418)
Total accumulated depreciation	(214,155,194)	(9,900,771)	31,406,365	(192,649,600)
Total depreciable capital assets, net	105,673,765	1,098,499	(38,394)	106,733,870
Total Metropolitan Knoxville Airport Authority	$ 156,777,929	$ 18,992,275	$ (10,912,328)	$ 164,857,876
Knoxville Area Transit				
Nondepreciable:				
Land	$ 2,162,812	$ 152,024	$ -	$ 2,314,836
Artwork	49,000	-	-	49,000
Construction in progress	-	159,941	-	159,941
Total nondepreciable capital assets	2,211,812	311,965	-	2,523,777
Depreciable:				
Buildings and building improvements	32,637,878	-	-	32,637,878
Equipment, vehicles, furniture and fixtures	30,331,598	1,367,468	(59,716)	31,639,350
Total depreciable capital assets	62,969,476	1,367,468	(59,716)	64,277,228
Accumulated depreciation:				
Buildings and building improvements	(7,774,616)	(1,030,578)	-	(8,805,194)
Equipment, vehicles, furniture and fixtures	(14,866,863)	(2,316,390)	59,716	(17,123,537)
Total accumulated depreciation	(22,641,479)	(3,346,968)	59,716	(25,928,731)
Total depreciable capital assets, net	40,327,997	(1,979,500)	-	38,348,497
Total Knoxville Area Transit	$ 42,539,809	$ (1,667,535)	$ -	$ 40,872,274

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables consist primarily of pooled cash balances. A detailed listing of interfund receivables and payables at June 30, 2016 is as follows:

	Due From Other Funds	Due To Other Funds	Internal Balances	Due From Component Units	Due To Primary Government
Governmental Activities					
General Fund	$ -	$ 4,937,700	$ (4,937,700)	$ -	$ -
Debt Service Fund	1,050,000	-	1,050,000	-	-
Special Revenue Fund:					
Community Development Block Grant	-	51,000	(51,000)	-	-
Abandoned Vehicles	-	10,000	(10,000)	-	-
City Inspections	-	16,000	(16,000)	-	-
City Court	-	5,000	(5,000)	-	-
Miscellaneous Grants	-	1,114,672	(1,114,672)	-	-
Miscellaneous Special Revenue	200,000	302,936	(102,936)		
Storm Water	153,545	340,000	(186,455)	-	-
Solid Waste	-	10,000	(10,000)	-	-
Miscellaneous Community Development Funds	215,000	17,791	197,209		
Capital Projects Fund	-	-	-	7,455,000	-
Internal Service Funds:					
Fleet Maintenance	-	-	-	674,000	-
Risk Management	-	12,023	(12,023)	-	-
Health Insurance	350,000	-	350,000	-	-
Equipment Replacement	80,000	-	80,000		
City Buildings	-	25,000	(25,000)	-	-
Total governmental activities	$ 2,048,545	$ 6,842,122	$ (4,793,577)	$ 8,129,000	$ -
Business-Type Activities					
Knoxville Convention Center	2,547,930	545,353	2,002,577	1,825,265	-
Public Assembly Facilities	2,011,000	100,000	1,911,000	-	-
Metro Parking	-	140,000	(140,000)	-	-
Municipal Golf Courses	150,000	-	150,000	-	-
Total business-type activities	4,708,930	785,353	3,923,577	1,825,265	-
Fiduciary Funds					
City Choice Plus Fund	-	30,000	(30,000)	-	-
Health Savings	900,000	-	900,000	-	-
	900,000	30,000	870,000	-	-
Component Units:					
Knoxville Area Transit	-	-	-	-	9,954,265
	$ 7,657,475	$ 7,657,475	$ -	$ 9,954,265	$ 9,954,265

NOTE 10 - LONG-TERM DEBT

Bonds and note payable at June 30, 2016, are comprised of the following issues:

	General Obligation Bonds and Note Payable		
	Governmental Activities	Business-type Activities	Total
Primary Government			
General Obligation Bonds Series 2009 - VI-L-1 through the Public Building Authority of Sevier County, Tennessee maturing through 2020 with a floating interest rate	$ -	$ 13,385,000	$ 13,385,000
General Obligation Public Improvement Bond Series A-4-A maturing through 2032 with a floating interest rate	-	59,970,000	59,970,000
General Obligation Public Improvement Bond Series 2005A maturing through 2020 at varying rates of interest ranging from 3.0% to 5.0%	5,315,000	-	5,315,000
General Obligation Refunding Bonds Series 2012 maturing through 2025 at varying rates of interest ranging form 1.0% to 5.0%	23,599,400	37,350,600	60,950,000
General Obligation Bonds Series 2014 maturing through 2034 at varying rates of interest ranging from 2.8% to 3.2%	30,500,000	-	30,500,000
Total General Obligation Bonds	59,414,400	110,705,600	170,120,000
HUD Section 108 Promissory Note maturing through 2036 bearing interest at LIBOR plus 20 basis points.	825,000	-	825,000
Total Primary Government	$ 60,239,400	$ 110,705,600	$ 170,945,000

NOTE 10 - LONG-TERM DEBT - Continued

	Revenue Bonds
Component Units:	
Knoxville Utilities Board:	
Electric Revenue Bonds Series W to FF, maturing through 2032 at varying rates of interest ranging from 1.45% to 6.35%	$ 237,985,000
Water Revenue Bonds Series S to CC maturing through 2050 at varying rates of interest ranging from 2.0% to 5.5%	143,990,000
Gas Revenue Bonds Series L to U, maturing through 2050 at varying rates of interest ranging from 2.0% to 6.2%	102,125,000
Waste Water Revenue Bonds Series 2005 B, 2008, 2010 2010C, 2012A, 2012B, 2013A, 2014A, 2015A, 2015B maturing through 2047 at varying rates of interest ranging from 1.18% to 6.5%	492,330,000
	$ 976,430,000
Metropolitan Knoxville Airport Authority:	
Local Government Public Improvement Bonds, 2000 Series II-D-1 maturing through 2026. The remaining principal bears interest at a synthetic rate of 5.29%	$ 10,360,000
Local Government Public Improvement Bonds, 2008 Series V-A-1 maturing through 2028. $20,705,000 bears interest at a synthetic rate of 3.53%. The remaining principal bears interest at a variable rate (0.48% at June 30, 2016).	60,275,000
	$ 70,635,000

Each of the Divisions of the Knoxville Utilities Board have pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments of revenue bonds when due. Such bond requirements are being met through monthly deposits to the bond funds as required by the bond covenants. As of June 30, 2016, these requirements had been satisfied.

NOTE 10 - LONG-TERM DEBT - Continued

Debt service requirements to maturity for bonds and notes are as follows:

Primary Government	General Obligation Bonds and Note Payable			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	$ 4,997,760	$ 2,038,503	$ 5,157,240	$ 3,642,039
2018	4,742,180	1,788,615	5,357,820	3,399,802
2019	4,946,980	1,617,422	5,558,020	3,210,896
2020	5,411,380	1,383,073	5,838,620	2,950,070
2021	4,658,420	1,192,867	5,631,580	2,929,984
2022-2026	17,782,680	3,703,583	31,707,320	16,157,689
2027-2031	9,150,000	1,905,688	42,020,000	7,943,400
2032-2034	8,550,000	419,375	9,435,000	424,575
	60,239,400	$ 14,049,125	110,705,600	$ 40,658,455
Unamortized premium	4,519,893		1,210,982	
Total	$ 64,759,293		$ 111,916,582	

Component Units	Revenue Bonds and Local Gov't Public Improvement Bonds	
	Principal	Interest
2017	$ 35,640,000	$ 38,976,615
2018	37,020,000	37,739,023
2019	38,490,000	36,413,070
2020	40,145,000	35,007,381
2021	41,810,000	33,528,105
2022-2026	229,930,000	143,064,017
2027-2031	204,820,000	104,585,791
2032-2036	149,440,000	72,309,054
2037-2041	150,245,000	43,627,770
2042-2046	105,150,000	14,594,919
2047-2050	14,375,000	1,076,675
	$ 1,047,065,000	$ 560,922,420

NOTE 10 - LONG-TERM DEBT - Continued

Interest Swap Agreements

Primary Government

On May 15, 2002, the City entered into a $45,000,000 interest rate swap agreement with Wachovia First Union Bank. The intention of the agreement was to effectively change the City's variable interest rates on its General Obligation Bonds Series III-F bonds to a synthetic fixed rate. Principal payments on this agreement run through June 1, 2020. On December 16, 2009, the City refinanced the Series III-F loan as Series VI L-1 while maintaining the original III-F amortization schedule. The refinancing was done to achieve lower rates on the bonds by reissuing them without an insurance provision. The principal outstanding on these notes, subject to the swap agreement, as of June 30, 2016, is $13,385,000.

Objective of the Interest Rate Swaps - The objective of the swap agreement was to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt. The result of the swap was to effectively change the City's variable interest rates on its General Obligation Bonds Series III-F (now VI L-1) bonds to synthetic fixed rates.

Terms - The interest rate swap agreements are based on the same amortization schedules as the outstanding principal of the associated debt. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series VI L-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the "SIFMA"). The City pays Wells Fargo interest at a fixed rate of 3.955%. Wells Fargo pays the City of Knoxville interest at a variable rate based upon 70% of the one month USD-LIBOR-BBA (United States Dollar -London Inter-Bank Offer Rate -British Bankers' Association). Payments reflect net and are made only to the recipient party: the City, in the event of the floating rate exceeding the 3.955% fixed rate; and the counterparty, if the floating rate is less than the fixed rate.

The terms, rates, fair values, and credit ratings of the outstanding swaps as of June 30, 2016, were as follows:

Associated Debt Issue	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Estimated Fair Value	Swap Term Date	Counter-party Credit Rating
Business-Type Activities							
General Obligation Bonds Series VI-L-1 through Public Building Authority of Sevier County	$13,385,000	12/16/2009	3.955%	70% of 1 Month LIBOR	$(1,185,753)	6/1/2020	A+

Fair Value - As of June 30, 2016, the swap had a negative fair value of $1,189,078. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic rates. Because the coupons 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 to their present value.

NOTE 10 - LONG-TERM DEBT - Continued

The current notional and fair value amounts of the outstanding swap as of June 30, 2016, were as follows:

Associated Debt Issue	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at June 30, 2016 Classification	Fair Value at June 30, 2016 Amount	June 30, 2015 Notional Amount
Business-Type Activities					
Hedging Derivative					
Loan Payable to the Public Building Authority of Sevier County - Series VI-L1	Deferred Outflow of Resources	$339,801	Debt	$(1,185,753)	$13,385,000

Credit Risk - As of June 30, 2016, the City 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 become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. During fiscal year 2009, Wells Fargo acquired Wachovia/First Union, thus assuming the swap agreement. This acquisition resulted in an improvement of the overall credit quality of the counterparty. As of June 30, 2016, the senior debt of Wells Fargo was rated A2 by Moody's Investor Services.

Basis Risk - The City is subject to basis risk as the variable interest payment the City receives from the counterparty is based upon LIBOR whereas the variable rate interest paid on the outstanding bonds is based upon BMA. This mismatch exposes the City to basis risk when the SIFMA increases to above 70% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the SIFMA to be below 70% of LIBOR, then the synthetic rate on the bonds will decrease. If a change occurs that results in the SIFMA to be below 70% of LIBOR, then the synthetic rate on the bonds will decrease. Normally the two indices track on a close basis. The City refinanced the Series III-F bonds on December 16, 2009, thereby removing the credit enhancement from the bonds and eliminating much of the basis risk.

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," which states that the City of Knoxville or the counterparty may terminate the swap if the other party fails to perform under the terms of the contracts. If the swap is terminated, the variable-rate bond will no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the City of Knoxville is 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 is liable to the City for a payment equal to the swap's fair value.

Swap Payments and Associated Debt - As of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments for their terms are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

For the year ending June 30,	Principal	Interest	Net Interest Rate Swap Payment	Total
2017	3,125,000	602,325	(38,800)	3,688,525
2018	3,270,000	461,700	(29,800)	3,701,900
2019	3,415,000	314,550	(20,300)	3,709,250
2020	3,575,000	160,875	(10,400)	3,725,475
	$ 13,385,000	$ 1,539,450	$ (99,300)	$ 14,825,150

NOTE 10 - LONG-TERM DEBT - Continued

Component units

Metropolitan Knoxville Airport Authority

Objective of the Interest Rate Swaps - In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the Authority entered into two separate interest rate swaps. The intention of the swaps was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate.

The terms and fair values of the outstanding swaps as of June 30, 2016, are as follows:

Associated Bond Issues	Outstanding Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date
Series II-D-1	$10,360,000	9/8/2000	5.29%	SIFMA Municipal Swap Index	6/1/2026
Series V-A-1	20,705,000	6/28/2001	4.36%	62.5% of 5 Year LIBOR	6/1/2021
	$31,065,000				

Terms - The notional amounts of the swaps match principal amounts of the associated debt. Except as discussed under rollover risk, the Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled reductions of the associated bond principal.

Fair Value - The fair value of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Hedging Derivative Instruments Risks

The Authority has a cash flow hedge associated with the Series II-D-1 bond - Using the regression analysis method this pay-fixed interest rate swap has been determined to be effective. Accordingly, the $126,131 decrease in the fair value in 2016 is included in accumulated deferred outflow of resources in the statements of net position. The estimated fair value of $2,388,073 has been reported as a long-term liability.

Credit Risk - As of June 30, 2016, the Authority's cash flow hedge is not exposed to credit risk because the swap has a negative fair value and as such has no collateral requirements. However, should interest rates change and the fair value of the swap becomes positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value.

At the time of the swap the counterparty was unrated. In order to mitigate the potential for credit risk, the Authority received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service at the time the interest rate swap agreement was entered. As of June 30, 2016, Ambac's credit rating has been severely downgraded and has been withdrawn by the rating agencies.

Interest Rate Risk - The Authority is exposed to interest rate risk on this instrument. As the Securities Industry and Financial Markets Association™ Index swap index decreases, the Authority's net payment on the swap increases.

NOTE 10 - LONG-TERM DEBT - 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 either of the swaps 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.

Investment Derivative Instrument Risks

The Authority has an investment derivative associated with the Series V-A-1 bond. Accordingly, the $233,127 decrease in its fair value in fiscal year 2016 is reported as a change in fair value of investment interest rate swap in the nonoperating income portion of the Statements of Revenues, Expenses and Changes in Net Position. The estimated fair value of $2,114,536 has been reported as a long-term liability at June 30, 2016.

Credit risk: As of June 30, 2016, the Authority's investment derivative is not exposed to credit risk because the swap has a negative fair value and as such has no collateral requirements. However, should interest rates change and the fair value of the swap becomes positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value.

For the swap associated with Series V-A-1 bonds, the swap counterparty, Morgan Keegan Financial Products was rated "A+" by Standard and Poor's as of June 30, 2016, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody's, Standard & Poor's and Fitch, respectively.

Interest rate risk: The Authority is exposed to interest rate risk on this instrument. As the LIBOR decreases, the Authority's net payment on the swap increases.

Rollover risk: The Authority is exposed to rollover risk on the swap associated with the Series V-A-1 bonds, as the termination date (June 1, 2021) does not extend to the maturity date (May 25, 2028) of the associated bonds. Once the swap is terminated, the Authority will not realize the synthetic rate offered by the swaps on the underlying bond issues.

Scheduled Debt Service Requirements

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

Year Ending	Variable Rate Bonds		Interest Rate	
June 30,	Principal	Interest	Swaps, net	Total
2017	$ 4,590,000	$ 365,650	$ 930,393	$ 5,886,043
2018	4,825,000	337,227	784,324	5,946,551
2019	5,075,000	307,135	630,833	6,012,968
2020	5,335,000	275,128	469,509	6,079,637
2021	5,610,000	386,211	316,408	6,312,619
2022-2026	32,520,000	1,107,156	405,195	34,032,351
2027-2028	12,680,000	86,013	-	12,766,013
Total	$70,635,000	$2,864,520	$3,536,662	$77,036,182

NOTE 10 - LONG-TERM DEBT - Continued

Advance and Current Refundings

Component units

Knoxville Utilities Board

During fiscal year 2006, KUB's Electric Division issued Series W 2005 bonds in part to retire certain existing debt and fund electric system capital improvements. Concurrent with the issuance of these bonds, KUB transferred funds to an irrevocable trust to pay a portion of the Series U 2001 bonds, as such amounts mature. KUB's Electric Division also issued Series X 2006 bonds in part to retire certain existing debt and to fund electric system capital improvements. Concurrent with the issuance of these bonds, KUB transferred funds to an irrevocable trust to pay the remaining maturities of principal and interest on the Series S 1998 revenue bonds. During fiscal year 2009, KUB's Electric Division issued Series Y 2009 bonds to fund electric system capital improvements. During fiscal year 2011, KUB's Electric Division issued series Z 2010 bonds to fund electric system capital improvements. The bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. Effective October 1, 2015 these bonds became subject to a 6.8% reduction in rebate payment amounts due to the United States Government sequestration. The sequestration is effective until intervening Congressional action, at which time the sequestration rate is subject to change. During fiscal year 2012, KUB's Electric Division issued Series AA 2012 bonds to retire a portion of outstanding Series V 2004 bonds. During fiscal year 2013, KUB's Electric Division issued Series BB 2012 bonds to fund electric system capital improvements. KUB's Electric Division also issued Series CC 2013 bonds to retire a portion of outstanding Series X 2006 bonds. During fiscal year 2015, KUB's Electric Division issued Series EE 2015 bonds to retire a portion of outstanding Series Y 2009 bonds as follows. On May 1, 2015 $28.6 million in revenue refunding bonds with an average interest rate of 3.4 percent were issued to advance refund $27.5 million of outstanding bonds with an average interest rate of 4.6 percent. The net proceeds of $31 million (after payment of $0.3 million in issuance costs plus premium of $2.4 million and an additional issuer equity contribution of $0.3 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. KUB's Electric Division also issued Series DD 2014 and Series FF 2015 to fund electric system capital improvements. In prior years, certain revenue bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds, $27.5 million at June 30, 2016, and the trust account assets are not included in the financial statements.

During fiscal year 2006, KUB's Gas Division issued Series L 2005 bonds in part to retire certain existing debt and fund gas system capital improvements. Concurrent with the issuance of these bonds, KUB transferred funds to an irrevocable trust to pay a portion of the Series J 2001 bonds, as such amounts mature. During fiscal year 2008, KUB's Gas Division issued Series N 2007 to fund gas system capital improvements. During fiscal year 2010, KUB's Gas Division issued Series O 2010 bonds to retire Series I 2001 bonds. During fiscal year 2011, KUB's Gas Division issued Series P 2010 bonds to fund gas system capital improvements. The bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. Effective October 1, 2015, these bonds became subject to a 6.8% reduction in rebate payment amounts due to the United States Government sequestration. The sequestration is effective until intervening Congressional action, at which time the sequestration rate is subject to change. During fiscal year 2012, KUB's Gas Division issued Series Q 2012 bonds to retire Series K 2004 bonds. During fiscal year 2013, KUB's Gas Division issued Series R 2012 bonds to fund gas system capital improvements. KUB's Gas Division also issued Series S 2013 bonds to retire Series M 2006 outstanding bonds. During fiscal year 2014, KUB's Gas Division issued Series T 2013 to fund gas system capital improvements. During fiscal year 2015, KUB's Gas Division issued Series U 2015

NOTE 10 - LONG-TERM DEBT - Continued

bonds to retire Series N 2007 outstanding bonds. In prior years, certain revenue bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds, $11.5 million at June 30, 2016, and the trust account assets are not included in the financial statements.

During fiscal year 2006, KUB's Water Division issued Series R 2005 bonds for the purpose of funding water system capital improvements. KUB's Water Division also issued Series S 2005 bonds to retire certain existing debt and fund water system capital improvements. Concurrent with the issuance of these bonds, KUB transferred funds to an irrevocable trust to pay a portion of the Series P 2001 bonds, as such amounts mature. During fiscal year 2008, KUB's Water Division issued Series T 2007 bonds to fund water system capital improvements. During fiscal year 2010, KUB's Water Division issued Series U 2009 bonds to fund water system capital improvements. During fiscal year 2012, KUB's Water Division issued Series W 2011 bonds to fund water system capital improvements. KUB's Water Division also issued Series X 2012 bonds to retire Series Q 2004 bonds. During fiscal year 2013, KUB's Water Division issued Series Y 2013 bonds to retire a portion of outstanding Series R 2005 bonds. During fiscal year 2014, KUB's Water Division issued Series Z 2013 bonds to fund water system capital improvements. During fiscal year 2015, KUB's Water Division issued Series BB 2015 bonds to retire a portion of outstanding Series T 2007 bonds. KUB's Water Division also issued Series AA 2014 and Series CC 2015 bonds to fund water system capital improvements. In the prior years, certain revenue bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds, $22.2 million at June 30, 2016, and the trust account assets are not included in the financial statements.

During fiscal year 2006, KUB's Wastewater Division issued Series 2005B bonds in part to retire certain existing debt and fund wastewater system capital improvements. Concurrent with the issuance of these bonds, KUB transferred funds to an irrevocable trust to pay a portion of the Series 1998 bonds and Series 2001A bonds, as such amounts mature. During fiscal year 2009, KUB's Wastewater Division issued Series 2008 bonds to fund wastewater system capital improvements. During fiscal year 2010, KUB's Wastewater Division issued Series 2010 bonds to fund capital improvements. These bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. Effective October 1, 2015, these bonds became subject to a 6.8% reduction in rebate payment amounts due to the United States Government sequestration. The sequestration is effective until intervening Congressional action, at which time the sequestration rate is subject to change. KUB's Wastewater Division also issued Series 2010B bonds to retire Series 2001 bonds. During fiscal year 2011, KUB's Wastewater Division issued Series 2010C bonds to fund capital improvements. These bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. Effective October 1, 2015, these bonds became subject to a 6.8% reduction in rebate payment amounts due to the United States Government sequestration. The sequestration is effective until intervening Congressional action, at which time the sequestration rate is subject to change. During fiscal year 2012, KUB's Wastewater Division issued Series 2012A bonds to retire Series 2004A bonds. During fiscal year 2013, KUB's Wastewater Division issued Series 2012B bonds to fund wastewater system capital improvements. KUB's Wastewater Division also issued Series 2013A bonds to retire a portion of outstanding Series 2005A bonds. During fiscal year 2015, KUB's Wastewater Division issued Series 2015A bonds to retire a portion of outstanding Series 2005A, Series 2007, and Series 2008 bonds. KUB's Wastewater Division also issued Series 2014A and Series 2015B bonds to fund wastewater system capital improvements. In prior years, certain revenue bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds, $90.7 million at June 30, 2016, and the trust account assets are not included in the financial statements.

NOTE 10 - LONG-TERM DEBT - Continued

Metropolitan Knoxville Airport Authority

During 2000, the Authority's Board of Commissioners adopted a Master Resolution allowing the Authority to issue Airport Revenue Obligations. Under this resolution, the Authority is required to establish certain funds, accounts and subaccounts to deposit funds to be held in trust by the Authority in order to meet the requirements of the resolution. These funds include:

Revenue Fund, including accounts for General Revenue and PFC Revenue, into which the Authority is to deposit all such revenues.

Sinking Fund, including a payments account and a debt service reserve account, into which the Authority will deposit funds from the Revenue Fund as needed to pay revenue obligations as they come due.

Revenue and Extension Fund, into which the Authority may deposit any moneys or securities held in the Revenue Fund (excluding PFC funds) in excess of 45 days' estimated expenses.

Project Fund, into which proceeds from issuance of revenue obligations will be deposited to fund project costs.

Changes in Long-Term Liabilities

The following schedule is a summary of the changes in long-term liabilities (including current amounts) for the year ended June 30, 2016:

	Balance June 30, 2015	Additions and Transfers	Reductions and Transfers	Balance June 30, 2016	Due Within One Year
Primary Government					
Government Activities:					
General obligation bonds	$ 65,555,540	$ -	$ 6,141,140	$ 59,414,400	$ 4,997,760
Add unamortized amounts for issuance premiums	5,088,839	-	568,946	4,519,893	568,946
	70,644,379	-	6,710,086	63,934,293	5,566,706
HUD section 108 promissory note	-	825,000	-	825,000	170,000
Estimated claims liability	17,600,000	3,255,682	3,255,682	17,600,000	5,100,000
Compensated absences payable	9,603,754	8,033,903	7,895,667	9,741,990	7,800,000
Net pension liability	147,074,582	63,561,906	40,314,701	170,321,787	-
Total governmental activities long-term liabilities	$ 244,922,715	$ 75,676,491	$ 58,176,136	$ 262,423,070	$ 18,636,706
Business-type Activities:					
General obligation bonds	$ 115,239,460	$ -	$ 4,533,860	$ 110,705,600	$ 5,157,240
Add unamortized amounts for issuance premiums	1,346,899	-	135,917	1,210,982	135,917
	116,586,359	-	4,669,777	111,916,582	5,293,157
Compensated absences payable	183,950	7,291	186,836	4,405	4,405
Net pension liability	1,525,516	659,289	418,160	1,766,645	-
Derivative instrument - interest rate swaps	1,528,879	-	343,126	1,185,753	-
Total business-type activities long-term liabilities	$ 119,824,704	$ 666,580	$ 5,617,899	$ 114,873,385	$ 5,297,562

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end $165,291 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

NOTE 10 - LONG-TERM DEBT - Continued

All bonds and loans are backed by the full faith and credit of the City. In addition to the primary pledge of property taxes, the City has pledged convention center revenues net of operating expenses (if any) as a secondary pledge to repay the $59.97 million TN Series A-4-A long-term debt issue used to construct the center. For the year ended June 30, 2016, principal and interest payments on all debt issues were approximately 11% of the pledged revenue. Principal and interest remaining to be paid on all debt issues is approximately $232 million, based on market interest rates effective on June 30, 2016.

	Balance June 30, 2015	Additions and Transfers	Reductions and Transfers	Defeased	Balance June 30, 2016	Due Within One Year
Component Units						
Knoxville Utilities Board:						
Revenue bonds	$ 1,006,260,000	$ -	$ 29,830,000	$ -	$ 976,430,000	$ 31,050,000
Other long-term liabilities:						
TVA conservation program	10,336,682	1,174,926	3,098,755	-	8,412,853	1,500,000
Compensated absences	8,616,844	16,943,202	16,498,820	-	9,061,226	3,000,000
Customer advances for construction	2,305,058	1,499,982	1,557,441	-	2,247,599	17,000
Other	478,797	411,126	586,250	-	303,673	35,000
Total Knoxville Utilities Board	1,027,997,381	20,029,236	51,571,266	-	996,455,351	35,602,000
Metropolitan Knoxville Airport Authority:						
Revenue/general obligation bonds	75,000,000	-	4,365,000	-	70,635,000	4,590,000
Total Metropolitan Knoxville Airport Authority	75,000,000	-	4,365,000	-	70,635,000	4,590,000
Total component units	$ 1,102,997,381	$ 20,029,236	$ 55,936,266	$ -	$ 1,067,090,351	$ 40,192,000

Conduit Debt

The Authority issued $8,500,000 Metropolitan Knoxville Airport Authority Special Purpose Revenue Bonds on June 18, 2002. The bonds bear interest at 8% and are due in an aggregate principal amount of $8,500,000 on April 1, 2032. Interest is payable semiannually on each April 1 and October 1.

The bonds were issued pursuant to a lease agreement between the Authority and Northwest Airlines, Inc. (“Northwest”) dated July 12, 2001, and subsequently amended. The proceeds of the bonds were used for the construction by Northwest of an aircraft maintenance hangar and related facilities to be leased by Northwest from the Authority under the lease agreement. Under the terms of the lease agreement, Delta Air Lines, formerly Northwest, is obligated to pay base rental to a trustee assigned by the Authority in the amount necessary to meet debt service requirements on the bonds as they are due.

The Authority has no liability for repayment of these bonds and, accordingly, the bonds are not reported in the Authority’s financial statements. Revenues and receipts derived from the lease agreement and a guaranty by Delta Air Lines, are the only security for the bondholders. The entire amount of the bonds was outstanding at June 30, 2016.

NOTE 11 - LEASES

Primary Government

The City was committed to semiannual payments to the Public Building Authority for rental of the City-County Building. The lease expired during 2001 and the City is renting the space on a month-to month basis until a new lease is established. Total rental payments for the year ending June 30, 2016 were $1,242,067.

Component Units

The Knoxville Utilities Board has non-cancellable operating lease commitments for office equipment, property and vehicles that expire in various years through June 30, 2020. Future minimum lease payments under leases having initial or remaining non-cancellable terms in excess of one year as follows:

	Amount
2017	$256,776
2018	241,790
2019	141,959
2020	8,189
Total	$648,714

NOTE 12 - FUND BALANCES

Detail fund balances are as follows:

				Special Revenue Funds		
	General Fund	Debt Service Fund	Capital Projects Fund	Miscellaneous Community Development Fund	Other Funds	Total
Fund Balances:						
Nonspendable:						
Inventory	$ 354,116	$ -	$ 447,326	$ 18,699	$ 31,586	$ 851,727
Prepaids	10,193	-	-	-	-	10,193
Permanent Fund Principal	-	-	-	-	624,065	624,065
Restricted for:						
Street Improvements	-	-	-	-	3,255,978	3,255,978
Community Development	-	-	-	1,537,635	-	1,537,635
Law Enforcement	-	-	-	-	4,720,705	4,720,705
Parks & Recreation	-	-	-	-	233,900	233,900
Solid Waste Operations	-	-	-	-	5,126,232	5,126,232
Krutch Park	-	-	-	-	260,460	260,460
Committed to:						
Debt Service	-	51,242,026	-	-	-	51,242,026
Economic Stabilization	42,506,918	-	-	-	-	42,506,918
Other Capital Projects	-	-	99,603,605	-	-	99,603,605
Abandoned Vehicle Operations	-	-	-	-	1,064,156	1,064,156
City Inspections Operations	-	-	-	-	429,761	429,761
City Court Operations	-	-	-	-	1,006,784	1,006,784
Animal Control Operations	-	-	-	-	582,975	582,975
Beer Board	-	-	-	-	131,609	131,609
Finance & Accountability	142,766	-	-	-	-	142,766
Law Enforcement	-	-	-	-	1,775,339	1,775,339
Safety City	-	-	-	-	422,748	422,748
Solid Waste Operations	-	-	-	-	(68,623)	(68,623)
Storm Water Operations	-	-	-	-	1,009,500	1,009,500
Community Development	-	-	-	-	2,600,203	2,600,203
Assigned to:						
Administration	382,277	-	-	-	-	382,277
Appropriated Fund Balance	2,135,000	-	-	-	-	2,135,000
Community Development	1,458,160	-	-	-	-	1,458,160
Parks & Recreation	62,414	-	-	-	-	62,414
Unassigned	38,457,926	-	-	-	-	38,457,926
Total Fund Balances	$85,509,770	$51,242,026	$ 100,050,931	$ 1,556,334	$ 23,207,378	$ 261,566,439

NOTE 13 - RISK MANAGEMENT

Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Risk Management Fund, an internal service fund, was established to consolidate all of the City's insurance under a comprehensive risk management program.

Revenues come from either the City's General Fund or from inter-fund charges. Revenues are forecasted to match expenses, which include estimated incurred losses from claims, premiums for excess insurance coverage, various taxes and assessments, and administrative operating expenses.

The City insures itself against potential losses by purchasing various types of insurance coverage including fiduciary liability, professional liability, crime coverage, long-term disability, boiler and machinery, and group life coverage. The City insures itself for potential losses as the result of auto liability, general liability, and workers compensation through participation in a risk management pool. The pool requires each participant in the pool to share the liability for claims if the pool becomes insolvent. At present, the City has no indication that it will incur a liability as a result of its participation in the pool. Settled claims have not exceeded the above coverage in any of the past three fiscal years.

Health Insurance Fund

On January 1, 2008, the City elected to self-insure its health insurance coverage. Utilizing a third party administrator, the City has found that it is better able to control its expenses through exercising greater control over certain health costs. In addition, the City has utilized some of the funding to promote wellness programs aimed at improving the overall health of those covered by the health plan. End of year reserves of $2.5 million were considered adequate to cover any costs incurred but not reported as of year-end.

	2016	2015
Claims liability, beginning of year	$ 2,500,000	$ 2,500,000
Provision for incurred claims	12,203,278	12,046,596
Payments made on claims	(12,203,278)	(12,046,596)
Claims liability, end of year	$ 2,500,000	$ 2,500,000

Risk Management Fund

The City maintains, as an internal service fund, the Risk Management Fund to account for legal claims and judgments incurred by the City. The City is currently the defendant in numerous lawsuits. Of these claims, the City has recorded a liability in the Risk Management Fund of $17,600,000 for those lawsuits and claims that the City's attorney has advised will result in probable liabilities as of June 30, 2016.

An analysis of claims activity for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Claims liability, beginning of year	$ 17,600,000	$ 17,600,000
Provision for incurred claims	3,440,420	3,255,682
Payments made on claims	(3,440,420)	(3,255,682)
Claims liability, end of year	$ 17,600,000	$ 17,600,000

NOTE 13 - RISK MANAGEMENT - Continued

Estimated payments on insurance claims pending and claims incurred but not reported at June 30, 2016, were accrued in the financial statements of the fund based on pending claims filed and past experience, calculated in accordance with Governmental Accounting Standards Board Statement No. 10. The current portion of the claims liability is estimated to be $5.1 million.

Component units

Knoxville Utilities Board

In the normal course of business, there are various lawsuits pending against the Knoxville Utilities Board. Management has reviewed these lawsuits with counsel, is vigorously defending the Utilities Board's position, and is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on the Utilities Board's financial position, results of operations or cash flows.

The Knoxville Utilities Board is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; theft of, damage to, and destruction of assets; environmental damages; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

At June 30, 2016, the amount of these liabilities was $1,758,352. This liability is the Utilities Board's best estimate based on available information. An analysis of claims activity for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Claims liability, beginning of year	$ 1,699,525	$ 1,572,570
Provision for incurred claims	14,043,332	14,222,337
Payments made on claims	(13,984,505)	(14,095,382)
Claims liability, end of year	$ 1,758,352	$ 1,699,525

Metropolitan Knoxville Airport Authority

The Authority is subject to risks that include personal injury, property damage, employee bodily injury, employee theft, employee medical, public officials and employee conduct and workers' compensation. The Authority has purchased insurance policies that transfer these risks, subject to policy limits. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 14 - JOINT VENTURES

Public Building Authority

In 1975, the Authority was formed as a not-for-profit corporation incorporated pursuant to provisions of the Public Building Authority Act of the State of Tennessee and an operating agreement between the City and Knox County. The Authority constructed and presently maintains and operates the City/County Building, which houses the governments of the City and County. The City and County pay rent to the Authority sufficient to meet operating costs with the City responsible for 36.49% of the payments. An eleven-member board comprised of six County appointees and five City appointees operates the Authority. As described in the operating agreement, the City and County acting jointly may terminate the lease when all debt service and other obligations of the Authority have been met. In the event of termination, the City and County shall direct the Authority to whom and in what manner title to the assets is to be transferred. The City retains an equity interest in the joint venture which is recorded in the Knoxville Convention Center, Metro Parking and City Buildings as cash and investment in joint venture.

Complete separate financial statements for the Public Building Authority may be obtained at Room M22, 400 Main Street, Knoxville, TN 37902.

Knoxville, Knox County, KUB Geographic Information Systems

The City is a participant in a joint venture with Knox County and its discretely presented component unit, 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 accordance with the terms of the joint venture agreement, payments are shared between the City, Knox County and the Knoxville Utilities Board. The City 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.

Knoxville-Knox County Animal Center

The City is a participant in a joint venture with Knox County in the operation of the Animal Center, which was established to administer the service delivery system for the care of animals. The Animal Center Board consists of eleven members appointed by the Mayor of the City, the Knox County Mayor, the Knox County Commission, and the Knoxville Academy of Veterinary Medicine. The Center's operations are primarily funded by the City and Knox County. The City does not retain an equity interest in the joint venture. Complete separate financial statements for the Animal Center may be obtained at 3201 Division Street, Knoxville, TN 37919.

NOTE 15 - MANAGEMENT AGREEMENTS

The City has entered into the following management agreements:

Knoxville Zoo - The City entered into a new agreement on July 1, 2006, with Knoxville Zoological Gardens, Inc. whereby Knoxville Zoological Gardens, Inc. shall lease the Zoo to provide for its operation and management. Under terms of the agreement the City shall grant to Knoxville Zoological Park $1,000,000 by August 1, 2012 and increase $50,000 each year through 2016.

City Golf Courses - In October 2006, the City entered into an agreement with Billy Casper Golf, LLC to operate and manage the Whittle Springs Golf Course. In December 2007, this agreement was revised to include the Knoxville Municipal Golf Course with an expiration date of December 2012 but allowing for two - 5 year extensions. Under the terms of the amended agreement, Billy Casper Golf receives a base fee of $9,500 per month and incentive fees when net annual income exceeds $50,000. To date, the City has only been liable for the base monthly fees under the agreement.

NOTE 15 - MANAGEMENT AGREEMENTS - Continued

Parking Garages - The City entered into an agreement with the Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA) on August 11, 2005 to manage and operate the State Street, Main Avenue, and Market Square Parking Garages and various parking lots. The terms of the agreement shall continue until terminated by either party. The terms call for the City and PBA to agree upon an annual budget for the management of the above, said budget to cover direct and indirect costs of PBA relating to the management of the facilities.

IJAMS Nature Park - The City has entered into various agreements with the IJAMS Nature Park over the years whereby IJAMS will provide management and operation of a nature park. The current three year agreement commenced August 1, 2012 and calls for an annual management fee of $129,250 to be paid to IJAMS.

Knoxville Convention Center - The City has an agreement beginning July 1, 2006, with SMG to manage the operations of the Convention Center for a period of five years, with an option for an additional five years. The agreement calls for a fixed base fee of $250,000 in fiscal year 2008, and increasing by the CPI each year thereafter. SMG is also to receive an incentive fee each year depending upon the increase in various revenue categories as defined by the contract, but which in no instance exceed the fixed base fee. SMG shall also receive an additional incentive fee based upon various qualitative factors, but which shall not exceed $267,450 in fiscal year 2011, said maximum to be annually adjusted by the CPI.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Primary Government

Federal Financial Assistance - The City participates in a number of federal financial assistance programs. These programs have been audited through June 30, 2016 in accordance with provisions of the Single Audit Act of 1984.

Construction Contracts - The following represents capital projects funds spent to date and current contractual obligations as of June 30, 2016:

	Spent to Date	Contractual Commitment Remaining at June 30, 2016
Bridge Improvements	$ 49,845	$ 262,285
Bridge Maintenance	1,144,995	363,357
Building Facilities	64,878	57,822
Cumberland Avenue Improvements	10,594,359	7,683,640
Downtown Improvements	995	6,705
Drainage Improvements	1,030,516	411,192
Greenway Improvements	153,092	885,421
Information Systems Upgrades	95,211	77,197
Lakeshore Park Improvements	70	604,780
New Facilities & Renovation	432,960	311,815
Parks Improvements	96,398	88,943
Paving Program	4,852,659	10,924,467
Pedestrian & Bicycle Infrastructure	360,572	12,678
Roadway Improvements	3,274,484	2,827,712
Safety City Buildings	133,176	506,824
Sidewalk Improvements	1,488,238	1,351,380
Solid Waste Facilities	10,000	193,053
South Knoxville Waterfront	2,744,572	4,369,742
Street Lighting	3,908	5,952
Streetscapes	1,133,705	1,672,884
Water Quality Improvements	441,077	203,672
Total	$ 28,105,710	$ 32,821,521

NOTE 16 - COMMITMENTS AND CONTINGENCIES - Continued

Encumbrances - Information regarding encumbrances is available to assist in the management of commitments against appropriations. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances, however, are not treated as expenditures in the basic financial statements. Outstanding encumbrances for the governmental funds at June 30, 2016 were as follows:

	Outstanding Encumbrances
General Fund	$ 525,544
Capital Projects	28,730,542
Miscellaneous CD Funds	
Miscellaneous Community Development Funds	360,857
Other Governmental Funds	
Miscellaneous Special Revenue Funds	162,503
Solid Waste	21,086
CDBG	240,346
City Inspections	4,129
Miscellaneous Grants Funds	328,787
Stormwater Fund	4,202
Public Assembly Facilities	28,181
	789,234
	$ 30,406,177

Component units

Knoxville Utilities Board

Purchased Gas Adjustments - In November 1990, KUB implemented a deferred Purchased Gas (Cost) Adjustment (PGA) mechanism, which allows KUB to flow changes in purchased gas costs through to its customers. These changes in gas costs are reflected as adjustments to the base gas rates established by KUB's Board of Commissioners. The rate-setting authority vested in the KUB Board by the City Charter meets the "self-regulated" provisions of GASB Statement No. 62 (Statement No. 62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

The PGA is intended to assure that KUB recovers the total cost of natural gas purchased, transported and/or reserved for delivery to its sales and transportation customers on an equitable basis. The PGA is also intended to assure that no excess or deficient cost recovery from KUB's customers occurs.

Under the PGA mechanism, KUB tracks the actual over/under recovered amount in the (under)/over recovered purchased gas costs accounts. These accounts are rolled into the purchased gas rate adjustment on June 30 of each year thereby assuring that any over/under recovered amounts are passed on to KUB's customers. The amount of under-recovered cost was ($2,178,653) at June 30, 2016.

NOTE 16 - COMMITMENTS AND CONTINGENCIES - Continued

Purchased Power Adjustment - In October 2002, the Board adopted a Purchased Power Adjustment (PPA) to address changes in wholesale power costs. The PPA was established in response to an amendment to KUB's power supply contract under which, among other things, TVA relinquished its regulatory authority over KUB retail electric rates. The PPA allows KUB to promptly adjust retail electric rates in response to wholesale rate changes or adjustments, thus ensuring that KUB will recover the costs incurred for purchased power. These changes in electric costs are reflected as adjustments to the base electric rates established by KUB's Board of Commissioners. The rate-setting authority vested in the KUB Board by the City Charter meets the "self-regulated" provisions of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, and KUB meets the remaining criteria of Statement No. 62.

TVA implemented a fuel cost adjustment in October 2006 that is applied on a quarterly basis to wholesale power rates. TVA's quarterly fuel cost adjustment became a monthly fuel cost adjustment effective October 2009. KUB flowed changes to wholesale power rates, from TVA's fuel cost adjustment mechanism, directly through to its retail electric rates via the PPA.

In April 2011, TVA modified its wholesale rate structure to demand and energy billing for its distributors. In response, KUB revised its PPA to include a deferred accounting component to ensure appropriate matching of revenue and expense and cost recovery. KUB will adjust its retail rates on an annual basis to flow any over or under recovery of wholesale power costs through to its customers via the PPA.

Under the PPA mechanism, KUB tracks the actual (under)/over recovered amount in the (under)/over recovered Purchased Power Costs accounts. These accounts are rolled into the PPA rate adjustments thereby assuring that any (under)/over recovered amounts are promptly passed on to KUB's customers. The amount of under-recovered cost was $(1,379,643) at June 30, 2016.

Natural Gas Supply Contract Commitments - For the year ended June 30, 2016, the Gas Division of the Knoxville Utilities Board hedged 67% of its total gas purchases via gas supply contracts. As of June 30, 2016, the Gas Division had hedged the price on approximately 20% of its anticipated gas purchases for fiscal year 2017.

The Knoxville Utilities Board contracts separately for the purchase, transportation and storage of natural gas. Purchase commitments for the next five years are as follows:

	2017	2018	2019	2020	2021
Demand:					
Transportation	$ 13,336,232	$ 13,336,232	$ 13,336,232	$ 3,838,444	$ -
Storage	4,415,996	4,093,466	3,125,876	1,031,322	-
Demand total	$ 17,752,228	$ 17,429,698	$ 16,462,108	$ 4,869,766	$ -
Commodity:					
Baseload	$ 14,273,786	$ 7,829,411	$ 5,874,650	$ 1,801,950	$ -

The total commodity values presented here are based upon firm supply obligations with each individual natural gas supplier. The firm obligations value for Conoco, Shell Energy and BP are based upon firm supply obligations at locked prices with those suppliers. The firm obligations value for the CNX contract is based upon firm supply obligations and the applicable four month New York Mercantile Exchange ("NYMEX") strip prices at July 31, 2016.

NOTE 16 - COMMITMENTS AND CONTINGENCIES - Continued

Other Commitments and Contingencies

In February 2005, a Consent Decree was entered into federal court regarding the operation of KUB's wastewater system. Under the terms of the Consent Decree, the remediation of identified sanitary sewer overflows ("SSOs") on KUB's wastewater system must be completed by June 30, 2016. KUB completed all the requirements of the Consent Decree for the collection system two years in advance of the deadline.

The Consent Decree also required KUB to perform an evaluation of the wet-weather performance and capacity of its wastewater treatment plants. In July 2007, KUB submitted a Composite Correction Plan (CCP) for its wastewater treatment plants to EPA for review. The development and filing of the CCP was a requirement of the federal order of February 2005. The CCP includes recommended improvements to KUB's Kuwahee and Fourth Creek treatment plants to address wet weather capacity issues noted in prior assessments. The EPA approved the CCP in January 2009 including a recommended schedule of plant improvements that extends beyond the expiration date of the original Consent Decree. An amendment to the Consent Decree incorporating and establishing this schedule was agreed to by all parties and was entered on June 23, 2009. The purpose of the Amendment is to allow KUB to complete a portion of work outlined in the CCP after the Consent Decree deadline of June 30, 2016. The CCP provides for a biologically enhanced high-rate clarification (the "BEHRC") secondary treatment system to be installed at the Fourth Creek treatment plant by June 30, 2018, and at the Kuwahee treatment plant by June 30, 2021. The total cost of such improvements is estimated to be approximately $120 million.

KUB's funding plan for the Consent Decree includes long-term bonds and a series of rate increases phased in over the term of the order. Bond proceeds fund all wastewater capital projects, the majority of which are related to the Consent Decree. As of June 30, 2016, the Wastewater Division had issued $485 million in bonds to fund system capital improvements since the inception of the Consent Decree. The KUB Board of Commissioners approved two 50% rate increases, which went into effect in April 2005 and January 2007, respectively. The Board also approved an 8% rate increase, which was effective in September 2008, and two 12% rate increases, which were effective in April 2011 and October 2012, and three 6% rate increases effective October 2014, October 2015 and October 2016, respectively. KUB anticipates additional bond issues and rate increases over the next decade to help fund wastewater capital improvements.

KUB successfully completed the first cycle of Maintenance Operation Management (MOM) requirements one year before the deadline by inspecting 99.5% of manholes and gravity mains, smoke testing 99.9% of gravity mains, performing required inspections of pump stations and the related force mains, and completing all Corrective Action Plan/Engineering Report (CAP/ER) projects. KUB initiated the second MOM cycle that continues to focus on the prevention of SSOs. As part of the Century II initiative, formally known as the PACE10 program, KUB has installed storage tanks providing 34 million gallons of wastewater storage to control wet weather overflows and rehabilitated or replaced approximately 334.9 miles of collection system pipe. KUB also continues to maintain a proactive operations and maintenance plan for the wastewater collection system including inspection, grease control, and private lateral enforcement. The result of the PACE10/Century II initiative has been an 82 percent reduction in SSOs.

As of June 30, 2016, the Wastewater Division had completed its twelfth full year under the Consent Decree, spending $529.5 million on capital investments to meet Consent Decree requirements. During fiscal year 2016, the Wastewater Division incurred $37.3 million in total expenditures related to Consent Decree requirements, including $3.3 million for operating costs and $34 million in capital improvements which included the rehabilitation or replacement of 28 miles of wastewater main. During the fiscal year, $26.5 million was spent on sewer mini-basin rehabilitation and replacement. Trunk line rehabilitation and replacement accounted for $2 million of capital expenditures, while pump station improvements accounted for $4.6 million.

NOTE 17 - BUSINESS AND CREDIT CONCENTRATIONS

The Metropolitan Knoxville Airport Authority is dependent to a large extent on five major airlines and their subsidiaries in that a significant portion of aviation area revenue is generated by these airlines. These airlines accounted for $4,163,098 in aviation area revenue during 2016. In addition, a significant portion of terminal area revenue is directly and indirectly generated from four of these airline's passengers, which accounted for approximately 84% of total passengers during 2016. As of June 30, 2016, 73% of trade accounts receivable are due from these major airlines.

NOTE 18 - TRANSFERS

The general fund transfers funds, in accordance with its budget, to supplement revenues of the storm water, solid waste, Knoxville Convention Center, and public assembly facilities funds. Transfers are also made by the general fund to partially fund insurance and employee health insurance costs. The general fund and debt service fund transfer funds to the Knoxville Convention Center to partially fund debt service costs. Transfers from the general fund and state street aid fund are used to partially fund capital outlay costs in the capital projects fund.

Fines and court costs collected by city court are transferred to the general fund and certain special revenue funds based on approved schedules of costs.

NOTE 18 – TRANSFERS - Continued

	Transfers From:														
	Governmental Activities											Business-type Activities	Internal Service Funds		
Transfers To:	General Fund	Debt Service	Capital Projects	Miscellaneous Community Development	State Street Aid	Abandoned Vehicles	Animal Control	City Court	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Public Assembly Facilities	Fleet Maintenance	Risk Management	Total
Primary Government:															
Governmental Activities:															
General Fund	$ -	$ -	$ -	$ 259	$ -	$ -	$ -	$ 2,183,760	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,184,019
Capital Projects Fund	6,236,350	16,418,650	-	-	483,000	59,800	-	-	851,500	250,000	80,000	-	-	-	24,379,300
City Inspections	284,110	-	-	-	-	-	-	-	-	-	-	-	-	-	284,110
Storm Water	3,086,720	-	-	-	-	-	-	-	-	-	-	-	-	-	3,086,720
Solid Waste	9,361,360	-	-	-	-	-	-	-	-	-	-	-	-	-	9,361,360
Business-type Activities:															
Convention Center	3,962,976	-	-	-	-	-	-	-	-	-	-	-	-	-	3,962,976
Public Assembly Facilities	2,406,180	-	524,678	-	-	-	-	-	-	-	-	-	-	-	2,930,858
City Golf Courses	315,800	-	-	-	-	-	-	-	-	-	-	-	-	-	315,800
Internal Service Funds:															
Fleet Maintenance	180,392	273,500	28,543	-	-	-	-	-	-	59,833	-	-	240,000	-	782,268
Health Insurance	1,282,410	-	-	-	-	-	-	-	-	-	-	-	-	-	1,282,410
Equipment Replacement	208,804	-	100,000	-	-	-	2,500	-	163,064	22,483	-	18,418	13,350	2,481	531,100
	$ 27,325,102	$ 16,692,150	$ 653,221	$ 259	$ 483,000	$ 59,800	$ 2,500	$ 2,183,760	$ 1,014,564	$ 332,316	$ 80,000	$ 18,418	$ 253,350	$ 2,481	$ 49,100,921

NOTE 19 - RETIREMENT AND DISABILITY PLANS

City of Knoxville Pension System

General Information about the Pension Plan

Plan Description, Benefits Provided and Contribution - The City maintains a single-employer defined benefit pension plan (City of Knoxville Pension System), administered by the City of Knoxville Pension Board, which is comprised of three divisions of current membership, including certain former City School employees. All participants are fully vested in the plan after 5 - 10 years of service. The plan includes employees of the City of Knoxville, and is designed to provide retirement, disability, and death benefits. The following description of the City of Knoxville Pension System is for general information purposes only. For complete details of the plan, refer to the City of Knoxville Charter Article XIII, Section 1301 - 1390.

The City of Knoxville Pension System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the City of Knoxville Pension Board, 917B East Fifth Avenue, Knoxville, Tennessee 37917. The assets of the Plan are also included in the reporting entity as a fiduciary pension trust fund. The City adopted employer financial reporting requirements for the Plan, as required by GASB Statement No. 68, in fiscal year 2015, as further described in Note 1.

Division A - All employees of the City who were hired on or after January 16, 1963, and prior to July 1, 1997 became members of Division A. Participants of Division A are covered by Social Security. Division A is now a closed plan. Participation in Division A requires employee contributions of 3% of the first $4,800 of annual earnings and 5% of annual earnings in excess of $4,800. Division A provides for early retirement benefits with 25 years of service and normal retirement benefits at age 62 or later. The normal retirement benefit will be equal to one-twelfth of credit service and a percentage of base earnings (ranging from 0.75% to 0.88%) plus a percentage of average excess earnings (ranging from 1.5% to 1.76%), determined by age. Base earnings are annual earnings up to $4,800. Excess earnings are annual earnings over $4,800. Average is defined as the highest average earnings over a span of two years (for general government) or three years (for education).

Division B - All employees of the City of Knoxville who were employed on January 16, 1963, and who participated in the City Employees' Pension Fund as created by the City of Knoxville Pension Act of 1935, were deemed to be members of Division B of the System unless they elected to transfer to Division A. (This excludes firefighters and police officers who were participants of the Firemen and Policemen Pension Fund created by the Firemen and Police Pension Act of 1929.) Participants of Division B are not covered by Social Security. Division B is now a closed plan and no participants can be added. Participation in Division B requires employee contributions of 4% of annual earnings. Division B provides for retirement benefits after 25 years of service and the attainment of age 50. The immediately monthly pension is 50% of the member's average monthly salary for the highest two years. To this percentage will be added 1% each year (and a fraction based on completed months) of service after January 1, 1979, and after the member has reached age 50 and completed 25 years of service, subject to a maximum addition of 10%.

Division C - All firefighters and police officers employed after January 2, 1971, and those transferring from the Firemen and Policemen Pension Act of 1929 (now Division F) or Division B by election are participants of the Division C Plan. Participants of Division C are covered by Social Security. Participation in Division C requires employee contributions of 6% of annual earnings subject to a maximum of 30 years. Division C provides for retirement benefits after 25 years of service and attainment of age 50. Retirement is compulsory after reaching age 60. The normal monthly retirement benefit payable for life is as follows: 2% of member's service, subject to a maximum of 30 years of service until January 4, 1997; 2.1% of member's service, subject to a maximum of 30 years of service until January 4, 1999; 2.4% of member's service, subject to a maximum of 30 years of service until January 5, 2001, and 2.5% of member's average salary thereafter. Average salary is determined over three years until January 4, 1997, two years thereafter.

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Division F - All firefighters and police officers employed prior to January 16, 1963 (former members of the Firemen and Policemen Pension Act of 1929 plan, a "pay-as-you-go" funded plan which terminated as of June 30, 2000) are participants of the Division F Plan. Participants of Division F are not covered by Social Security. Participation in Division F requires employee contributions of 5% of monthly earnings. Division F provides for retirement benefits after 25 years of service and attainment of age 50. The normal retirement benefit is 50% of the member's highest monthly salary while employed in an eligible position. To this percentage will be added 2% for each year of service worked after 25 years to a maximum of 30 years (maximum of 60% benefit).

Division G - As a condition of employment, each employee hired on or after January 1, 1997 becomes a member of Division G after six months of service. In addition, members who elected to transfer from Division A prior to May 15, 1997, and former non-participants who elected participation prior to May 15, 1997 became members of Division G. Members of Division G are covered by Social Security. Participation in Division G requires employee contributions of 6% of annual earnings. Division G provides for normal retirement benefits at age 62 or later. Two options exist for benefits under this division. Option 1: the monthly normal retirement for life will be equal to one-twelfth of the product of credited service times a percentage of average annual earnings ranging from 1.07% to 1.35% and average annual earnings. In addition, 3% of the member contributions go into a supplemental retirement account. The City contributes 1.5% of gross regular bi-weekly payroll into the account, which the member is entitled. Option 2: the normal retirement will be equal to credited service times 2% of average annual earnings until January 5, 2001 and 2.1% of average annual earnings thereafter.

Division H - All general government and uniformed safety employees who were employed on or after January 1, 2013. Members of Division H are covered by Social Security. Participation in Division H requires employee contributions of 6% of annual earnings. Division H provides for normal retirement benefits at age 63 and ten years of service for general government employees, and age 56 and twenty-five years of service or age 63 and ten years of service for uniformed safety employees. The normal retirement benefit for life will be equal to one-twelfth of the greater of 2% for each year of service times average compensation, or the annuity value of the member's hypothetical account which includes member's contributions, employer's contribution credit equal to 8% of member's compensation for general government and 10% for uniformed safety, and interest credit based on the change in market value of the fund.

Board of Education Division - The City of Knoxville School System was abolished effective July 1, 1987 and absorbed into the operations of the Knox County School System. A court ruling has held and the Tennessee Court of Appeals has affirmed that the City is liable for the accrued pension liability, through June 30, 1987, for those former City School employees who remain in the City of Knoxville Pension System. Because of the abolition of the City School System, the Board of Education Division of the City of Knoxville Pension System has, in substance, been terminated. The City is responsible for any unfunded pension liability for the benefits that former City School employees would be entitled to if their earned benefits were frozen at July 1, 1987. A contribution was made for this department of $1,715,643 for 2016.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are equal to the change in the Consumer Price Index value on the 1982-1994 based on 1.7 percent, limited to a maximum increase in retirement allowance of 3 percent.

Note that only Division H is open - all others closed.

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Employees covered by the benefit terms. Membership of the Plan consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Active participants	1,495
Vested terminated participants	90
Retired participants	2,111
Total	3,696

Employer Contributions - In accordance to Section 1360.10 of the City Charter, the City's contribution is based on an actuarially determined percentage of the monthly base earnings of the System's participants. The contribution for the former Board of Education department is an actuarially determined amount based on a level dollar amount to fund any actuarial liability.

The recommended contributions are determined using the entry age normal funding method. Unfunded actuarial accrued liabilities are being amortized over a thirty year period, of which 21 years remain at July 1, 2016. Projected covered payroll for the year beginning July 1, 2016 amounted to approximately $71,481,768. The ratio of the net pension liability to the covered payroll was 297.2%.

The contributions for the year ended June 30, 2016 were based on the actuarial valuation as of July 1, 2015. The table below shows the contribution rates as percentages of covered payroll.

Plan	2016	2015
C	44.11%	42.43%
A, B, G	20.62%	19.30%
H, general government	8.91%	8.68%
H, uniformed	10.36%	14.00%

In addition to these actuarially determined contributions, the City of Knoxville contributes 1.5% of the monthly base earnings of participants in Division G, Option 1 to defined contribution accounts held within the System. Contributions to this plan for the fiscal years ended June 30, 2016 and 2015 were $201,891 and $231,053, respectively.

Net Pension Liability

The City's net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation method	Entry age normal
Amortization method	Closed amortization
Remaining amortization period	22 years
Asset valuation method	Market value, adjusted for a 10-year phase-in of each year's difference between actual and expected value; 80% - 120% limitations
Cost of living adjustment	3.5% per annum for all except Division H; 3.0% per annum for Division H
Investment rate of return	5.5% per annum for Division H; 7.375% per annum for all other divisions
Inflation	2.75% per annum

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

The assumed salary scale is based on a review of the experience study of the plan, the assumed salary increases are greater at younger ages and lower at older ages, and is based on the experience study shown below:

	General Government	Uniformed Bodies
Age 20	11.7%	11.7%
Age 35	5.1%	6.1%
Age 50	4.1%	4.3%
Age 60	3.5%	3.5%

Mortality rates for Divisions A, B and G (not including Board of Education) were based on the GA-51 Male Projected to 1980 table with a 5 year setback for females. Board of Education Divisions A and B are based on the RP-2000 Combined Mortality Table for Males or Females. Mortality Rates for Divisions C, F and H (Uniformed Bodies) are weighted 25% on the GA-51 Male Projected to 1980 table and 75% on the 1971 Group Annuity Mortality table. Division H (General Government) mortality rates were based on the 1994 GAM – Male only.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006 - July 1, 2011.

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major class included in the System's target asset allocation as of June 30, 2015 are summarized in the following table:

Assets Class	Target Allocation
Equity	41.5%
Fixed Income	30.0
Hedge Funds	5.0
Risk Parity	5.0
Real Assets	17.5
Cash	1.0

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected* Nominal Rate of Return
Large Cap Stocks	4.50%	6.75%
Small-Mid Cap Stocks	4.25	6.50
Developed International Stocks	5.25	7.50
Emerging Markets Stocks	7.25	9.50
Private Equity	7.75	10.00
Core Bonds	1.75	4.00
Long Bonds	2.50	4.75
High Yield Bonds	4.00	6.25
TIPS	1.50	3.75
Emerging Markets Debt	5.75	8.00
Global Fixed Income	1.75	4.00
Hedge Funds	5.50	7.75
Risk Parity	6.50	8.75
Core Real Estate	5.50	7.75
Non-Core Real Estate	8.75	11.00
MLPs	7.50	9.75
Private Energy	7.75	10.00
Cash	1.00	3.25

*Includes 2.75% Inflation

Discount Rate: The discount rate used to measure the total pension liability on the first basis is equal to the System's expected rate of return of 7.375% (5.5% for Division H). The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current statutory contribution rates and that contributions from the City will be made at the current statutory contributions rates. Based on those assumptions, the System's net position is expected to be available indefinitely. The long-term expected rate of return on pension plan investments was applied to periods of projected benefit payments. The System has historically earned over 8% for the past twenty years on a rolling average rate of return which includes the financial crisis of 2008-2009.

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 703,025,179	$ 554,425,081	$ 148,600,098
Changes for the year:			
Service cost	12,626,319	-	12,626,319
Interest expense	50,854,766	-	50,854,766
Experience losses (gains)	(6,146,321)	-	(6,146,321)
Contributions - City	-	22,590,334	(22,590,334)
Contributions - members	-	4,122,537	(4,122,537)
Net investment income	-	7,873,669	(7,873,669)
Refunds of contributions	(910,626)	(910,626)	-
Benefits paid	(42,608,879)	(42,608,879)	-
Plan administrative expenses	-	(740,110)	740,110
Net changes	13,815,259	(9,673,075)	23,488,334
Balances at June 30, 2016	$ 716,840,438	$ 544,752,006	$ 172,088,432

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, calculated using the discount rate of 7.375 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375 percent) or 1-percentage point higher (8.375 percent) than the current rate:

	1% Decrease (6.375%)*	Current Rate (7.375%)*	1% Increase (8.375%)*
Net Pension Liability	$ 254,861,719	$ 172,088,432	$ 102,736,521

* For Division H, current rate is 5.5%; 1% decrease is 4.5%; 1% increase is 6.5%.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued City of Knoxville Pension System financial report.

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

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

For the year ended June 30, 2016, the City recognized pension expense of $13,924,532. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 619,028	$ 5,121,934
Net difference between projected and actual earnings on investments	27,592,104	29,423,310
Contributions made subsequent to the measurement date	23,900,725	-
Total	$ 52,111,857	$ 34,545,244

The amounts shown above for contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the following measurement period.

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

For the year ending June 30,	
2017	(3,810,325)
2018	(3,810,325)
2019	(3,810,325)
2020	5,997,445
2021	(800,582)

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

Payable to the Pension Plan

At June 30, 2016, the City reported no contributions payable to the pension plan required for the year ended June 30, 2016.

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Component Units

Name	Type	Status
Knoxville Utilities Board	Defined Benefit	Closed
	Defined Contribution	Open
Metropolitan Knoxville Airport Authority	Defined Contribution	Open

Additional information regarding the pension plans of the above component units can be found in their separately issued financial statements.

Knoxville Area Transit ("KAT") provides retirement benefits for all of its full-time employees through a defined contribution plan (Knoxville Transit Retirement Plan) which was established and amended under the authority of the Board of Directors and is administered by ERISA Services, Inc. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon attaining a minimum age of twenty-one years and completing one year of eligible service.

KAT's contributions for each employee (and investment income allocated to the employees' account) are vested after five years of employment. Under the terms of the plan, employer contributions are determined annually by the Board of Directors. There are no minimum required employer contributions under the terms of the plan. Employee contributions are optional. Employer contributions totaled $390,345 in 2016.

Deferred Compensation Plans

Primary Government

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral of a portion of salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Because the assets are held in a trustee capacity by the City, they are not included in the City's financial statements. No contributions are made to this plan by the City.

Component Unit

Metropolitan Knoxville Airport Authority

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and is administered by International City Management Association Retirement Corporation. The Plan, available to all Authority employees, permits deferral of a portion of salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Employee contributions to the Plan were $98,900 in 2016.

NOTE 20 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Governmental Accounting Standards Board (GASB) has established standards for the measurement, recognition, and reporting of other post-employment benefits (OPEB). OPEB includes post-employment benefits other than pension, which is presently limited to post-employment health care. GASB 45 requires the recognition of the accrued OPEB liability for the respective year, plus the disclosure of the total unfunded liability. GASB 45 was effective for the fiscal year beginning July 1, 2007.

Primary government

Plan Description

Retirees of the City may elect to participate in the City of Knoxville Employees Health Insurance Plan, a single- employer defined benefit healthcare plan, until the retiree reaches the age of 65 at which time they become Medicare eligible. The Plan is administered by the Health Insurance Fund and provides medical benefits. Post-employment benefits of the City's employees may be authorized by the City's charter and code. The Plan does not issue a stand-alone financial report.

Funding Policies

The contribution requirements of the Plan members and City are established and may be amended by the Health Insurance Fund. The required contribution is based on projected pay-as-you-go financing requirements whereby contributions are made in amounts sufficient to cover benefits paid, administrative costs and anticipated inflationary increases. The City contributes 40% of the premium payments and the retirees contribute 60%. For the fiscal year ended June 30, 2016, the City and the retirees contributed $394,400 and $751,769, respectively.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the Annual Required Contribution (ARC) of the employer, 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 liabilities over a period not to exceed thirty years.

The Plan contains both active employees and retirees. Although the City contribution is approximately 40% of premium payments for the combined participants, the share of claims related to retirees represent 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.

For June 30, 2016, the City's annual OPEB cost of $1,146,169 was equal to the required contribution. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	$1,146,169	100%	$ -
June 30, 2015	1,071,169	100%	-
June 30, 2014	1,208,802	100%	-

NOTE 20 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the Plan was 0% funded. Since the current contribution amounts equal the ARC, the City will not record any additional liability for OPEB and has chosen not to establish a trust for these benefits. The City will evaluate the funding status each year and will obtain actuarial evaluations of the potential liability on a bi-annual basis.

The actuarial accrued liability for benefits was $9.2 million. Since there are no plan assets, the unfunded actuarial accrued liability is $9.2 million. The covered payroll was $71.6 million and the ratio of the UAAL to covered payroll is 12.9%.

The required schedule of funding progress immediately following the notes to the 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, Methods and Assumptions

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 ARC of the City and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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 City 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 consistent with the long-term perspective of the calculations.

In the January 1, 2015 valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% rate of return (net of administrative expenses). Annual medical costs are assumed to increase 9% in the first year of valuation. Future annual increases are assumed to grade uniformly to 5% over an 8 year period. The estimated actuarial accrued liability (AAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was 29 years.

Component Units

Knoxville Utilities Board

KUB currently provides post-employment health care benefits to 585 former employees and 593 covered dependents. The cost of coverage is shared with retirees and beneficiaries. KUB recognizes its share of the cost of post-employment health care benefits as an expense as claims are paid. The Plan issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017.

KUB amended its Group Health Plan in 1999, eliminating post-employment health care benefits for all employees hired on or after July 1, 1999. As of June 30, 2016, 375 active employees were eligible for individual and dependent coverage at separation if the employee meets the Rule of 80 (age plus years of service) with a minimum of 20 years of service, and is enrolled in medical coverage on their last day.

In May 2006, the state of Tennessee adopted Tennessee Code Annotated, Title 8, Chapter 50, Part 12 authorizing governmental entities to establish Trusts for the purpose of pre-funding their respective OPEB liabilities.

NOTE 20 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

Although GASB 45 does not require pre-funding of the liability, KUB has determined that it is in the long-term economic interest of KUB and its ratepayers to establish a Trust to pre-fund KUB's OPEB liability.

In October 2007, the KUB Board authorized the establishment of an OPEB Trust. The applicable documentation was submitted to the State Funding Board, and in December 2007, the State Funding Board approved the Trust. The Trust was also approved by the Internal Revenue Service in June 2008.

The Trust issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017.

The general administration and responsibility for the proper operation of the Trust is governed by a board of trustees, appointed by the President & CEO. The investment of all deposits to the Trust is governed by an Investment Policy, which was adopted by the KUB Board and approved by the State Funding Board.

Total contributions to the OPEB Trust for the fiscal year ended June 30, 2016 were $953,221. The contribution to the Trust exceeded the annual required contribution (ARC), as determined by the Postretirement Benefit Plan's actuarial valuation as of January 1, 2014 which was $953,221. As of June 30, 2016, the employer OPEB obligation has been exceeded by $171,064.

The ARC for the fiscal year ending June 30, 2017, as determined by the Plan's actuarial valuation as of January 1, 2015 is $620,015.

The actuarial valuation for the Plan as of January 1, 2016 has been completed. The valuation determined that the Plan's actuarial accrued liability was $45.1 million. The actuarial value of the Plan's assets was $48.5 million. As a result, the Plan's unfunded actuarial accrued liability was $3.4 million.

Additional information regarding the KUB Plan, including the OPEB Schedule of Funding Progress, can be found in their separately issued financial statements.

Metropolitan Knoxville Airport Authority and Knoxville Area Transit

The Authority and KAT do not offer any other post-retirement benefits to their retirees.

NOTE 21 - RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

Amounts billed by the Knoxville Utilities Board to the City of Knoxville for electric, gas, water and sewer service	$14,383,228
Payments by the Knoxville Utilities Board to the City of Knoxville in lieu of property tax	17,428,232
Payments by the Knoxville Utilities Board to the City of Knoxville for services provided	2,183,335
Subsidies paid by the City to Knoxville Area Transit	9,147,720

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CITY OF KNOXVILLE, TENNESSEE

Required Supplementary Information
June 30, 2016

Schedule of Changes in Net Pension Liability and Related Ratios - City of Knoxville Pension System
(Dollar Amounts in Millions)

Unaudited - See Accompanying Auditor's Report

	2015	2014
Total Pension Liability		
Service cost	$ 12.6	$ 12.3
Interest	50.9	49.4
Changes of benefit terms	-	-
Differences bewteen expected and actual experience	(6.1)	0.9
Changes in assumptions	-	-
Benefit payments/refunds	(43.5)	(42.3)
Net change in total pension liability	13.9	20.3
Total pension liability, beginning	703.0	682.7
Total pension liability, ending (a)	716.9	703.0
Plan Fiduciary Net Position		
Contributions - employer	$ 22.6	$ 15.2
Contributions - employee	4.1	4.0
Net investment income	7.9	87.1
Benefit payments/refunds	(43.5)	(42.3)
Administrative expenses	(0.7)	(0.8)
Other	-	-
Net change in plan fiduciary net position	$ (9.6)	$ 63.2
Plan fiduciary net position - beginning	554.4	491.2
Plan fiduciary net position - ending (b)	$ 544.8	$ 554.4
Net pension liability - ending (a) - (b)	$ 172.1	$ 148.6
Plan fiduciary net position as a % of the total pension liability	76.0%	78.9%
Covered-employee payroll	$ 71.0	$ 69.9
Net pension liability as a % of covered-employee payroll	242.4%	212.6%

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

CITY OF KNOXVILLE, TENNESSEE

Required Supplementary Information
June 30, 2016

Schedule of Employer Contributions - City of Knoxville Pension System
(Dollar amounts in millions)

Unaudited - See Accompanying Auditor's Report

	June 30, 2016	June 30, 2015	June 30, 2014 *
Actuarially determined contribution	$ 23.9	$ 22.6	$ 20.9
Contributions in relation to the actuarially determined contribution	23.9	22.6	20.9
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 71.5	$ 71.0	$ 69.9
Contributions as a percentage of covered-employee payroll	33.4%	31.8%	29.9%

* Includes $5.6 million credited from the 2012 contribution held in reserve.

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

Schedule of Employer Contributions - Knoxville Utilities Board

Unaudited - See Accompanying Auditor's Report

	January 1, 2015	January 1, 2014
Actuarially determined contribution	$ 5,991,887	$ 5,908,541
Contributions in relation to the actuarially determined contribution	5,991,887	5,908,541
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 50,679,585	$ 50,246,074
Contributions as a percentage of covered-employee payroll	11.8%	11.8%

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

CITY OF KNOXVILLE, TENNESSEE

Required Supplementary Information
June 30, 2016

Schedule of Funding Progress - City of Knoxville Other Postemployment Benefits Plan

Unaudited - See Accompanying Auditor's Report

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	$ -	$ 9,245,472	$ 9,245,472	0.0%	$ 71,611,139	12.9%
July 1, 2014	-	9,284,342	9,284,342	0.0%	68,764,297	13.5%
July 1, 2013	-	14,851,766	14,851,766	0.0%	71,419,342	20.8%
July 1, 2012	-	14,527,571	14,527,571	0.0%	68,580,125	21.2%
July 1, 2011	-	13,192,062	13,192,062	0.0%	66,027,397	20.0%
July 1, 2010	-	12,968,732	12,968,732	0.0%	63,402,532	20.5%
July 1, 2009	-	15,445,521	15,445,521	0.0%	58,946,845	26.2%

Schedule of Employer Contributions - City of Knoxville Other Postemployment Benefits Plan

Unaudited - See Accompanying Auditor's Report

Year Ended	Annual OPEB Cost	Annual Required Contribution	Percentage Contributed
June 30, 2016	$ 1,146,169	$ 1,146,169	100.0%
June 30, 2015	1,071,169	1,071,169	100.0%
June 30, 2014	1,208,802	1,208,802	100.0%
June 30, 2013	1,210,950	1,210,950	100.0%
June 30, 2012	1,341,716	1,341,716	100.0%
June 30, 2011	1,317,879	1,317,879	100.0%
June 30, 2010	1,413,425	1,413,425	100.0%

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Nonmajor Governmental Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Special Revenue Funds

State Street Aid Fund	To account for the State of Tennessee shared motor fuel tax revenues that are legally restricted to the maintenance of streets within the City's boundaries.
Community Development Block Grants Fund	To account for Community Development Block Grant Funds.
Abandoned Vehicles Fund	To account for revenues from impoundment and sale of abandoned and wrecked vehicles.
City Inspections Fund	To account for the City's building, electrical and plumbing inspection activities.
City Court Fund	To account for the activities of the City's local jurisdiction court.
Miscellaneous Grants Fund	To account for various police, safety and humane grants and funds.
Animal Control Fund	To account for the City's animal licensing and control activities.
Miscellaneous Special Revenue Fund	To account for funds arising from transportation and public affairs activities.
Storm Water Fund	To account for activities related to the City's water drainage system.
Solid Waste Fund	To account for the City's recycling and solid waste disposal activities.
Knoxville Civic Revitalization Fund	To account for the receipt and disbursement of Urban Development Action Grant funds.

Permanent Fund

Krutch Park Trust Fund	To account for funds bequeathed to the City for the purpose of constructing and maintaining a downtown city park.

CITY OF KNOXVILLE, TENNESSEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds					
Assets	**State Street Aid**	**Community Development Block Grants**	**Abandoned Vehicles**	**City Inspections**	**City Court**	**Miscellaneous Grants**
Cash & cash equivalents	$ -	$ 959	$ 8,928	$ 423	$ 6,576	$ 181,223
Investments	2,702,700	-	1,127,641	546,032	1,074,323	-
Accounts receivable	894,836	273,557	-	7,612	11,118	1,193,040
Notes receivable	-	2,485,725	-	-	-	-
Inventories	-	31,586	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from governmental agencies	-	-	-	-	-	-
Total assets	$ 3,597,536	$ 2,791,827	$ 1,136,569	$ 554,067	$ 1,092,017	$ 1,374,263
Liabilities						
Accounts payable	$ 341,557	$ 175,360	$ 47,925	$ 3,083	$ 46,516	$ 122,301
Accrued liabilities	-	22,806	14,489	105,224	33,718	12,829
Customer deposits	-	25,300	-	-	-	-
Due to other funds	-	51,000	10,000	16,000	5,000	1,114,672
Due to component unit	-	-	-	-	-	-
Due to other governmental agencies	-	-	-	-	-	-
Total liabilities	341,557	274,466	72,414	124,307	85,234	1,249,802
Deferred inflows of resources						
Unavailable revenue - other	-	2,485,775	-	-	-	2,579
Total deferred inflows of resources	-	2,485,775	-	-	-	2,579
Fund balances						
Non-spendable	-	31,586	-	-	-	-
Restricted	3,255,979	-	-	-	-	121,882
Committed	-	-	1,064,155	429,760	1,006,783	-
Unassigned	-	-	-	-	-	-
Total fund balances	3,255,979	31,586	1,064,155	429,760	1,006,783	121,882
Total liabilities, deferred inflows of resources and fund balances	$ 3,597,536	$ 2,791,827	$ 1,136,569	$ 554,067	$ 1,092,017	$ 1,374,263

Special Revenue Funds (continued)						Permanent Fund	
Animal Control	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Knoxville Civic Revitalization	Total Special Revenue Funds	Krutch Park	Total Nonmajor Governmental Funds
$ -	$ 447,232	$ 100,635	$ 3,486	$ -	$ 749,462	$ 290,195	$ 1,039,657
583,625	7,419,699	1,176,981	5,868,059	2,606,196	23,105,256	593,061	23,698,317
-	11,965	180	2,507	-	2,394,815	1,268	2,396,083
-	592,883	-	-	-	3,078,608	-	3,078,608
-	-	-	-	-	31,586	-	31,586
-	200,000	153,545	-	-	353,545	-	353,545
-	89,621	-	-	-	89,621	-	89,621
$ 583,625	$ 8,761,400	$ 1,431,341	$ 5,874,052	$ 2,606,196	$ 29,802,893	$ 884,524	$ 30,687,417
$ 650	$ 36,634	$ 5,710	$ 785,432	$ -	$ 1,565,168	$ -	$ 1,565,168
-	26,150	76,132	21,008	-	312,356	-	312,356
-	402,252	-	-	-	427,552	-	427,552
-	302,936	340,000	10,000	-	1,849,608	-	1,849,608
-	-	-	-	-	-	-	-
-	12,001	-	-	-	12,001	-	12,001
650	779,973	421,842	816,440	-	4,166,685	-	4,166,685
-	825,000	-	-	-	3,313,354	-	3,313,354
-	825,000	-	-	-	3,313,354	-	3,313,354
-	-	-	-	-	31,586	624,065	655,651
-	4,832,723	-	5,126,232	-	13,336,816	260,459	13,597,275
582,975	2,323,704	1,009,499	(68,620)	2,606,196	8,954,452	-	8,954,452
-	-	-	-	-	-	-	-
582,975	7,156,427	1,009,499	5,057,612	2,606,196	22,322,854	884,524	23,207,378
$ 583,625	$ 8,761,400	$ 1,431,341	$ 5,874,052	$ 2,606,196	$ 29,802,893	$ 884,524	$ 30,687,417

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds					
	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Revenues						
Taxes, assessments, interest & penalties	$ 4,917,941	$ -	$ -	$ -	$ 426,793	$ -
Licenses, permits & inspection charges	-	-	-	2,325,391	-	-
Intergovernmental	-	1,675,922	-	-	-	2,581,437
Charges for services	-	-	409,050	-	1,422,522	-
Fines & forfeitures	-	-	-	-	1,029,190	-
Other	6,249	244,593	265,534	2,492	18,617	55
Total revenues	4,924,190	1,920,515	674,584	2,327,883	2,897,122	2,581,492
Expenditures						
Current:						
Administration	-	-	-	-	-	57,812
Finance	-	-	-	-	-	-
Community Development	-	1,920,515	-	-	-	1,155,763
Parks and Recreation	-	-	-	-	-	3,739
Engineering	4,232,265	-	864,308	-	-	54,477
Public Services	-	-	-	2,607,509	-	623
Law	-	-	-	-	969,860	-
Police	-	-	-	-	-	1,308,195
Emergency Management	-	-	-	-	-	995
Fire	-	-	-	-	-	-
Legislative	-	-	-	-	-	-
Total expenditures	4,232,265	1,920,515	864,308	2,607,509	969,860	2,581,604
Excess (deficiency) of revenues over (under) expenditures	691,925	-	(189,724)	(279,626)	1,927,262	(112)
Other financing sources (uses)						
Transfers in	-	-	-	284,110	-	-
Transfers out	(483,000)	-	(59,800)	-	(2,183,760)	-
Total other financing sources (uses)	(483,000)	-	(59,800)	284,110	(2,183,760)	-
Net changes in fund balances	208,925	-	(249,524)	4,484	(256,498)	(112)
Fund balances - beginning	3,047,054	31,586	1,313,679	425,276	1,263,281	121,994
Fund balances - ending	$ 3,255,979	$ 31,586	$ 1,064,155	$ 429,760	$ 1,006,783	$ 121,882

Special Revenue Funds (Continued)						Permanent Fund	
Animal Control	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Knoxville Civic Revitalization	Total Special Revenue Funds	Krutch Park	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 5,344,734	$ -	$ 5,344,734
-	-	-	-	-	2,325,391	-	2,325,391
-	125,570	-	13,356	-	4,396,285	-	4,396,285
33,494	242,907	223,495	1,161,464	199,998	3,692,930	-	3,692,930
-	1,484,630	-	-	-	2,513,820	-	2,513,820
1,338	240,041	15,792	127,167	6,093	927,971	15,515	943,486
34,832	2,093,148	239,287	1,301,987	206,091	19,201,131	15,515	19,216,646
-	2,500	-	-	-	60,312	-	60,312
-	-	-	-	199,998	199,998	-	199,998
-	23,467	-	-	-	3,099,745	-	3,099,745
-	69,943	-	-	-	73,682	-	73,682
-	-	2,952,297	-	-	8,103,347	-	8,103,347
16,430	608	-	10,255,660	-	12,880,830	-	12,880,830
-	-	-	-	-	969,860	-	969,860
-	1,388,118	-	-	-	2,696,313	-	2,696,313
-	-	-	-	-	995	-	995
-	16,072	-	-	-	16,072	-	16,072
-	8,245	-	-	-	8,245	-	8,245
16,430	1,508,953	2,952,297	10,255,660	199,998	28,109,399	-	28,109,399
18,402	584,195	(2,713,010)	(8,953,673)	6,093	(8,908,268)	15,515	(8,892,753)
-	-	3,086,720	9,361,360	-	12,732,190	-	12,732,190
(2,500)	(1,014,564)	(332,316)	(80,000)	-	(4,155,940)	-	(4,155,940)
(2,500)	(1,014,564)	2,754,404	9,281,360	-	8,576,250	-	8,576,250
15,902	(430,369)	41,394	327,687	6,093	(332,018)	15,515	(316,503)
567,073	7,586,796	968,105	4,729,925	2,600,103	22,654,872	869,009	23,523,881
$ 582,975	$ 7,156,427	$ 1,009,499	$ 5,057,612	$ 2,606,196	$ 22,322,854	$ 884,524	$ 23,207,378

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
STATE STREET AID
FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Taxes, assessments, interest & penalties	$ 4,651,000	$ 4,651,000	$ 4,917,941	$ 266,941
Other	2,900	64,400	6,249	(58,151)
Total revenues	4,653,900	4,715,400	4,924,190	208,790
Expenditures				
Current:				
Engineering	4,170,900	4,232,400	4,232,265	135
Total expenditures	4,170,900	4,232,400	4,232,265	135
Excess (deficiency) of revenues over (under) expenditures	483,000	483,000	691,925	208,925
Other financing sources (uses)				
Transfers out	(483,000)	(483,000)	(483,000)	-
Total other financing sources (uses)	(483,000)	(483,000)	(483,000)	-
Net change in fund balances	$ -	$ -	208,925	$ 208,925
Fund balance - beginning			3,047,054	
Fund balance - ending			$ 3,255,979	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GAAP BASIS
COMMUNITY DEVELOPMENT BLOCK GRANTS
FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	$ 1,355,230	$ 1,355,230	$ 1,675,922	$ 320,692
Other	1,493,770	1,589,697	244,593	(1,345,104)
Total revenues	2,849,000	2,944,927	1,920,515	(1,024,412)
Expenditures:				
Current:				
Community Development	2,849,000	2,944,927	1,920,515	1,024,412
Total expenditures	2,849,000	2,944,927	1,920,515	1,024,412
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net changes in fund balances	$ -	$ -	-	$ -
Fund balances - beginning			31,586	
Fund balances - ending			$ 31,586	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE , TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
ABANDONED VEHICLES
FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Charges for services:	$ 460,000	$ 460,000	$ 409,050	$ (50,950)
Other	442,780	442,780	265,534	(177,246)
Total revenues	902,780	902,780	674,584	(228,196)
Expenditures				
Current:				
Engineering	842,980	842,980	864,308	(21,328)
Total expenditures	842,980	842,980	864,308	(21,328)
Excess (deficiency) of revenues over (under) expenditures	59,800	59,800	(189,724)	(249,524)
Other financing sources (uses)				
Transfers out	(59,800)	(59,800)	(59,800)	-
Net changes in fund balances	$ -	$ -	(249,524)	$ (249,524)
Fund balance - beginning			1,313,679	
Fund balance - ending			$ 1,064,155	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
CITY INSPECTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Licenses, permits & inspection charges	$ 1,722,960	$ 2,274,960	$ 2,325,391	$ 50,431
Other	350	8,835	2,492	(6,343)
Total revenues	1,723,310	2,283,795	2,327,883	44,088
Expenditures				
Current:				
Public Services	2,563,780	2,566,785	2,607,509	(40,724)
Total expenditures	2,563,780	2,566,785	2,607,509	(40,724)
Excess (deficiency) of revenues over (under) expenditures	(840,470)	(282,990)	(279,626)	3,364
Other financing sources (uses)				
Transfers in	840,470	284,110	284,110	-
Transfers out	-	(1,120)	-	1,120
Net change in fund balances	$ -	$ -	4,484	$ 4,484
Fund balance - beginning			425,276	
Fund balance - ending			$ 429,760	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
CITY COURT
FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenue				
Taxes, assessments, interest & penalties	$ 468,250	$ 468,250	$ 426,793	$ (41,457)
Charges for services	1,573,660	1,573,660	1,422,522	(151,138)
Fines & forfeitures	1,180,450	1,180,450	1,029,190	(151,260)
Other	15,170	30,602	18,617	(11,985)
Total revenues	3,237,530	3,252,962	2,897,122	(355,840)
Expenditures				
Current:				
Law	1,053,770	1,069,202	969,860	99,342
Total expenditures	1,053,770	1,069,202	969,860	99,342
Excess (deficiency) of revenues over (under) expenditures	2,183,760	2,183,760	1,927,262	(256,498)
Other financing sources (uses)				
Transfers out	(2,183,760)	(2,183,760)	(2,183,760)	-
Total other financing sources (uses)	(2,183,760)	(2,183,760)	(2,183,760)	-
Net changes in fund balance	$ -	$ -	(256,498)	$ (256,498)
Fund balance - beginning			1,263,281	
Fund balance - ending			$ 1,006,783	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
ANIMAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	$ 35,500	$ 35,500	$ 33,494	$ (2,006)
Other	450	450	1,338	888
Total revenues	35,950	35,950	34,832	(1,118)
Expenditures				
Current:				
Public services	35,950	33,400	16,430	16,970
Total expenditures	35,950	33,400	16,430	16,970
Excess (deficiency) of revenues over (under) expenditures	-	2,550	18,402	15,852
Other financing sources (uses)				
Transfers out	-	(2,550)	(2,500)	50
Total other financing sources (uses)	-	(2,550)	(2,500)	50
Net change in fund balances	$ -	$ -	15,902	$ 15,902
Fund balances - beginning			567,073	
Fund balances - ending			$ 582,975	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
MISCELLANEOUS SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	$ 49,500	$ 49,500	$ 125,570	$ 76,070
Charges for services	273,110	273,110	242,907	(30,203)
Fines & forfeitures	1,320,000	1,760,259	1,484,630	(275,629)
Other	755,810	921,500	240,041	(681,459)
Total revenues	2,398,420	3,004,369	2,093,148	(911,221)
Expenditures				
Current:				
Administration	8,000	8,000	2,500	5,500
Community Development	27,500	70,300	23,467	46,833
Parks and Recreation	86,910	93,956	69,943	24,013
Public services	-	1,000	608	392
Police	1,394,510	1,685,974	1,388,118	297,856
Emergency Management	-	90,259	-	90,259
Fire	20,000	19,000	16,072	2,928
Legislative	10,000	18,500	8,245	10,255
Total expenditures	1,546,920	1,986,989	1,508,953	478,036
Excess (deficiency) of revenues over (under) expenditures	851,500	1,017,380	584,195	(433,185)
Other financing sources (uses)				
Transfers out	(851,500)	(1,017,380)	(1,014,564)	2,816
Total other financing sources (uses)	(851,500)	(1,017,380)	(1,014,564)	2,816
Net change in fund balances	$ -	$ -	(430,369)	$ (430,369)
Fund balances - beginning			7,586,796	
Fund balances - ending			$ 7,156,427	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP
STORM WATER
FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	$ 146,200	$ 146,200	$ 223,495	$ 77,295
Other	600	61,600	15,792	(45,808)
Total revenues	146,800	207,800	239,287	31,487
Expenditures				
Current:				
Engineering	3,294,520	2,962,020	2,952,297	9,723
Total expenditures	3,294,520	2,962,020	2,952,297	9,723
Excess (deficiency) of revenues over (under) expenditures	(3,147,720)	(2,754,220)	(2,713,010)	41,210
Other financing sources (uses)				
Transfers in	3,147,720	3,086,720	3,086,720	-
Transfers out	-	(332,500)	(332,316)	184
Total other financing sources (uses)	3,147,720	2,754,220	2,754,404	184
Net changes in fund balances	$ -	$ -	41,394	$ 41,394
Fund balance - beginning			968,105	
Fund balance - ending			$ 1,009,499	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP
SOLID WASTE
FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	$ 1,092,000	$ 1,092,000	$ 1,161,464	$ 69,464
Intergovernmental	-	-	13,356	13,356
Other	260,000	260,000	127,167	(132,833)
Total revenues	1,352,000	1,352,000	1,301,987	(50,013)
Expenditures				
Current:				
Public Services	10,633,360	10,633,360	10,255,660	377,700
Total expenditures	10,633,360	10,633,360	10,255,660	377,700
Excess (deficiency) of revenues over (under) expenditures	(9,281,360)	(9,281,360)	(8,953,673)	327,687
Other financing sources (uses)				
Transfers in	9,361,360	9,361,360	9,361,360	-
Transfers out	(80,000)	(80,000)	(80,000)	-
Total other financing sources (uses)	9,281,360	9,281,360	9,281,360	-
Net changes in fund balances	$ -	$ -	327,687	$ 327,687
Fund balance - beginning			4,729,925	
Fund balance - ending			$ 5,057,612	

The accompanying notes are an integral part of the financial statements.

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CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2016

Assets		
Cash & cash equivalents	$	429,584
Investments		49,029,512
Accounts receivable		130,987
Taxes receivable		25,699,780
Notes receivable		433,700
Due from other funds		1,050,000
Total assets	$	76,773,563
Deferred inflows of resources		
Unavailable revenue - property taxes		25,531,537
Total deferred inflows of resources		25,531,537
Fund balances		
Committed		51,242,026
Total fund balance		51,242,026
Total liabilities, deferred inflows of resources and fund balance	$	76,773,563

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance With
	Original	**Final**	**Actual**	**Final Budget**
Revenues				
Taxes, assessments, interest & penalties	$ 24,551,040	$ 24,551,040	$ 24,514,302	$ (36,738)
Other	610,420	610,420	1,636,924	1,026,504
Total revenues	25,161,460	25,161,460	26,151,226	989,766
Expenditures				
Current:				
Debt service:				
Principal retirement	6,141,140	6,141,140	6,141,140	-
Interest payments on bonds & notes	2,328,170	2,328,170	2,328,160	10
Total expenditures	8,469,310	8,469,310	8,469,300	10
Excess (deficiency) of revenues over (under) expenditures	16,692,150	16,692,150	17,681,926	989,776
Other financing sources (uses)				
Transfers out	(16,692,150)	(16,692,150)	(16,692,150)	-
Total other financing sources (uses)	(16,692,150)	(16,692,150)	(16,692,150)	-
Net changes in fund balances	$ -	$ -	989,776	$ 989,776
Fund balance - beginning			50,252,250	
Fund balance - ending			$ 51,242,026	

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 2016

Assets		
Cash & cash equivalents	$	84,114
Investments		92,679,189
Accounts receivable		9,894,137
Inventory		447,326
Due from component unit		7,455,000
Total assets	$	110,559,766
Liabilities		
Accounts payable	$	6,659,390
Accrued liabilities		1,444,409
Due to other governmental agencies		35,756
Total liabilities		8,139,555
Deferred inflows of resources		
Unavailable revenue - other		2,369,280
Total deferred inflows of resources		2,369,280
Fund balance		
Nonspendable		447,326
Committed		99,603,605
Total fund balance		100,050,931
Total liabilities, deferred inflows of resources and fund balance	$	110,559,766

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FROM INCEPTION
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Actual		Total	Project	Variance With
	Prior Years	Current Year	to Date	Authorization	Final Budget
Revenues					
Intergovernmental	$ 13,137,091	$ 9,768,537	$ 22,905,628	$ 52,034,806	$ (29,129,178)
Other	17,817,595	4,967,816	22,785,411	14,738,518	8,046,893
Total revenues	30,954,686	14,736,353	45,691,039	66,773,324	(21,082,285)
Expenditures					
Current:					
Capital & grant projects	177,995,081	51,709,565	229,704,646	293,071,366	(63,366,720)
Total expenditures	177,995,081	51,709,565	229,704,646	293,071,366	(63,366,720)
Excess (deficiency) of revenues over (under) expenditures	(147,040,395)	(36,973,212)	(184,013,607)	(226,298,042)	42,284,435
Other financing sources (uses)					
Bonds proceeds	31,080,000	-	31,080,000	44,537,660	(13,457,660)
Debt issue premium	527,039	-	527,039	-	527,039
Transfer in	161,539,546	24,379,300	185,918,846	181,760,382	4,158,464
Transfers out	(3,799,924)	(653,221)	(4,453,145)	-	(4,453,145)
Total other financing sources (uses)	189,346,661	23,726,079	213,072,740	226,298,042	(13,225,302)
Net changes in fund balance	$ 42,306,266	(13,247,133)	$ 29,059,133	$ -	$ 29,059,133
Fund balance - beginning		113,298,064			
Fund balance - ending		$ 100,050,931			

The accompanying notes are an integral part of the financial statements.

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Nonmajor Enterprise Funds

Enterprise funds are used to account for operations where it is the intent that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and space rentals; or the City has decided that periodic determination of net income is appropriate for accountability purposes.

Metro Parking Fund	**To account for the operations of the City's municipal parking facilities.**
Public Assembly Facilities Fund	**To account for the operation of the City's municipal auditorium.**
Municipal Golf Courses	**To account for the operation of the City's municipal golf courses.**

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2016

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash & temporary investments	$ 176,162	$ 17,029	$ 223,285	$ 416,476
Investments	4,367,402	8,291,359	21,472	12,680,233
Accounts receivable	105,668	31,111	-	136,779
Due from other funds	-	2,011,000	150,000	2,161,000
Inventories	-	-	29,585	29,585
Prepaid items	-	-	10,894	10,894
Total current assets	4,649,232	10,350,499	435,236	15,434,967
Noncurrent assets				
Land & site improvements	2,079,796	1,831,368	473,119	4,384,283
Building & building improvements	29,191,430	21,633,211	1,014,584	51,839,225
Equipment	4,450	2,469,025	553,712	3,027,187
Construction in progress	-	88,765	-	88,765
Less: accumulated depreciation	(15,161,377)	(18,545,336)	(551,940)	(34,258,653)
Total capital assets (net of accumulated depreciation)	16,114,299	7,477,033	1,489,475	25,080,807
Equity interest in joint venture	514,948	-	-	514,948
Total noncurrent assets	16,629,247	7,477,033	1,489,475	25,595,755
Total assets	21,278,479	17,827,532	1,924,711	41,030,722
Deferred outflows of resources				
Pensions	-	534,976	-	534,976
Total deferred outflows of resources	-	534,976	-	534,976
Liabilities				
Current liabilities				
Accounts payable	148,638	567,875	300,876	1,017,389
Accrued liabilities	5,029	87,458	-	92,487
Unearned revenue	-	-	25,359	25,359
Due to other funds	140,000	100,000	-	240,000
Compensated absences	4,405	-	-	4,405
Net pension liability	-	1,766,645	-	1,766,645
Total current liabilities	298,072	2,521,978	326,235	3,146,285
Total liabilities	298,072	2,521,978	326,235	3,146,285
Deferred inflows of resources				
Pensions	-	354,638	-	354,638
Total deferred inflows of resources	-	354,638	-	354,638
Net position				
Net investment in capital assets	16,114,299	7,477,033	1,489,475	25,080,807
Unrestricted	4,866,108	8,008,859	109,001	12,983,968
Total net position	$ 20,980,407	$ 15,485,892	$ 1,598,476	$ 38,064,775

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	$ 1,990,257	$ 1,612,164	$1,052,041	$ 4,654,462
Total operating revenues	1,990,257	1,612,164	1,052,041	4,654,462
Operating expenses				
Personal services	155,622	1,878,192	-	2,033,814
Materials & supplies	-	161,815	-	161,815
Maintenance	-	909,094	1,500	910,594
Depreciation & amortization	812,811	577,653	56,679	1,447,143
Other services & charges	1,403,720	361,395	1,542,456	3,307,571
Total operating expenses	2,372,153	3,888,149	1,600,635	7,860,937
Operating income (loss)	(381,896)	(2,275,985)	(548,594)	(3,206,475)
Nonoperating revenue (expense)				
Interest income	11,185	18,848	250	30,283
Intergovernmental revenue	-	88,765	-	88,765
Other revenues	-	17,753	-	17,753
Total nonoperating revenue (expense)	11,185	125,366	250	136,801
Income (loss) before transfers and capital contributions	(370,711)	(2,150,619)	(548,344)	(3,069,674)
Transfers in	-	2,930,858	315,800	3,246,658
Transfers out	-	(18,418)	-	(18,418)
Capital contributions	118,185	-	-	118,185
Change in net position	(252,526)	761,821	(232,544)	276,751
Fund balances - beginning	21,232,933	14,724,071	1,831,020	37,788,024
Fund balances - ending	$ 20,980,407	$ 15,485,892	$ 1,598,476	$ 38,064,775

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Operating activities				
Cash received from customers and users	$ 2,079,004	$ 1,437,678	$ 1,082,681	$ 4,599,363
Cash paid to suppliers	(1,273,309)	(963,209)	(1,935,527)	(4,172,045)
Cash paid to employees	(146,188)	(2,125,201)	-	(2,271,389)
Net cash provided by (used in) operating activities	659,507	(1,650,732)	(852,846)	(1,844,071)
Noncapital financing activities				
Transfers from other funds	5,000	2,001,440	315,800	2,322,240
Transfers to other funds	-	-	(150,000)	(150,000)
Tax and intergovernmental revenues	-	106,518	-	106,518
Net cash provided by (used in) noncapital financing activities	5,000	2,107,958	165,800	2,278,758
Capital and related financing activities				
Acquisition and construction of capital assets	(118,185)	(88,767)	-	(206,952)
Capital contributions	118,185	-	-	118,185
Net cash provided by (used in) capital and related financing activities	-	(88,767)	-	(88,767)
Investing activities				
Sales/(purchases) of investments, net	(682,156)	(567,650)	150,019	(1,099,787)
Investment earnings	11,185	18,848	250	30,283
Net change in equity investment in joint venture	76,170	-	-	76,170
Net cash provided by (used in) investing activities	(594,801)	(548,802)	150,269	(993,334)
Net increase (decrease) in cash and cash equivalents	69,706	(180,343)	(536,777)	(647,414)
Cash and cash equivalents				
Beginning of year	106,456	197,372	760,062	1,063,890
End of year	$ 176,162	$ 17,029	$ 223,285	$ 416,476

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - Continued
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ (381,896)	$ (2,275,985)	$ (548,594)	$ (3,206,475)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	812,811	577,653	56,679	1,447,143
Pension expense (income)	-	(102,415)	-	(102,415)
Change in assets and liabilities				
(Increase) decrease in receivables	88,747	(7,585)	14,951	96,113
(Increase) decrease in prepayments	-	-	4,966	4,966
(Increase) decrease in inventories	-	-	3,130	3,130
Increase (decrease) in accounts payable	130,411	469,095	(399,667)	199,839
Increase (decrease) in accrued expenses	5,029	39,356	-	44,385
Increase (decrease) in compensated absences	4,405	(183,950)	-	(179,545)
Increase (decrease) in deferred revenue	-	-	15,689	15,689
Increase (decrease) in customer deposits	-	(166,901)	-	(166,901)
Total adjustments	1,041,403	625,253	(304,252)	1,362,404
Net cash provided by (used in) operating activities	$ 659,507	$ (1,650,732)	$ (852,846)	$ (1,844,071)

The accompanying notes are an integral part of the financial statements.

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Internal Service Funds

Internal service funds are used for financing of goods and services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

Fleet Maintenance Fund	To supply City departments with quality, cost effective rolling stock that is in continuous state of good repair and capable of efficient performance in the service for which it is assigned.
Risk Management Fund	To account for the cost of insurance and claims against City employees or injury to citizens while on City property.
Health Insurance Fund	To account for the City's comprehensive health and medical coverage plan for its employees and their families.
Equipment Replacement Fund	To account for the planned and systematic replacement of City departments' operating equipment.
City Buildings Fund	To account for the cost of building rentals and maintenance costs.

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

Assets	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Current assets						
Cash & temporary investments	$ 16,370	$ 999	$ 116,075	$ 293,129	$ 999,421	$ 1,425,994
Investments	46,440,091	32,922,239	19,245,619	16,892,248	-	115,500,197
Accounts receivable	22,674	3,544	1,532	-	120,826	148,576
Due from other funds	-	-	350,000	80,000	-	430,000
Due from component unit	674,000	-	-	-	-	674,000
Inventories	1,043,317	-	-	-	-	1,043,317
Total current assets	48,196,452	32,926,782	19,713,226	17,265,377	1,120,247	119,222,084
Noncurrent assets						
Land & site improvements	61,627	-	-	-	-	61,627
Building & building improvements	195,764	-	-	-	-	195,764
Equipment	63,123,451	19,995	-	19,466,782	-	82,610,228
Less: accumulated depreciation	(44,159,834)	(3,999)	-	(14,834,348)	-	(58,998,181)
Total capital assets (net of accumulated depreciation)	19,221,008	15,996	-	4,632,434	-	23,869,438
Equity interest in joint venture	-	-	-	-	1,969,078	1,969,078
Total noncurrent assets	19,221,008	15,996	-	4,632,434	1,969,078	25,838,516
Total assets	67,417,460	32,942,778	19,713,226	21,897,811	3,089,325	145,060,600
Deferred outflows of resources						
Pensions	725,905	165,127	91,710	-	-	982,742
Total deferred outflows of resources	725,905	165,127	91,710	-	-	982,742
Liabilities						
Current liabilities						
Accounts payable	720,224	205,162	414,620	38,608	150	1,378,764
Accrued liabilities	78,449	19,750	2,511,447	-	-	2,609,646
Due to other funds	-	12,023	-	-	25,000	37,023
Compensated absences	99,555	56,710	9,026	-	-	165,291
Net pension liability	2,397,148	545,298	302,853	-	-	3,245,299
Estimated claims liability	-	5,100,000	-	-	-	5,100,000
Total current liabilities	3,295,376	5,938,943	3,237,946	38,608	25,150	12,536,023
Noncurrent liabilities						
Estimated claims liability	-	12,500,000	-	-	-	12,500,000
Total noncurrent liabilities	-	12,500,000	-	-	-	12,500,000
Total liabilities	3,295,376	18,438,943	3,237,946	38,608	25,150	25,036,023
Deferred inflows of resources						
Pensions	481,206	109,464	60,795	-	-	651,465
Total deferred inflows of resources	481,206	109,464	60,795	-	-	651,465
Net position						
Net investment in capital assets	19,221,008	15,996	-	4,632,434	-	23,869,438
Unrestricted	45,145,775	14,543,502	16,506,195	17,226,769	3,064,175	96,486,416
Total net position	$ 64,366,783	$ 14,559,498	$ 16,506,195	$ 21,859,203	$ 3,064,175	$ 120,355,854

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Operating revenues						
Charges for services	$ 15,245,828	$ 6,952,155	$19,181,815	$ 1,944,490	$ 1,406,325	$ 44,730,613
Total operating revenues	15,245,828	6,952,155	19,181,815	1,944,490	1,406,325	44,730,613
Operating expenses						
Personal services	2,512,183	894,720	442,597	-	-	3,849,500
Materials & supplies	2,226,077	72,353	1,870	9,673	-	2,309,973
Maintenance	567,007	25,304	575	-	-	592,886
Depreciation & amortization	4,661,109	3,999	-	1,714,003	-	6,379,111
Other services & charges	2,114,082	5,348,882	16,452,506	-	1,389,571	25,305,041
Total operating expenses	12,080,458	6,345,258	16,897,548	1,723,676	1,389,571	38,436,511
Operating income (loss)	3,165,370	606,897	2,284,267	220,814	16,754	6,294,102
Nonoperating revenue (expense)						
Investment income (loss)	113,804	44,161	45,207	43,181	127	246,480
Intergovernmental revenue	144,298	-	-	-	-	144,298
Other revenues	13,396	44,592	58,716	1,413	-	118,117
Gain (loss) on disposal of capital assets	240,744	-	-	(43,205)	-	197,539
Total nonoperating revenue (expense)	512,242	88,753	103,923	1,389	127	706,434
Income (loss) before transfers and capital contributions	3,677,612	695,650	2,388,190	222,203	16,881	7,000,536
Transfers in	782,268	-	1,282,410	531,100	-	2,595,778
Transfers out	(253,350)	(2,481)	-	-	-	(255,831)
Capital contributions	308,094	-	-	159,689	-	467,783
Change in net position	4,514,624	693,169	3,670,600	912,992	16,881	9,808,266
Total net position, beginning	59,852,159	13,866,329	12,835,595	20,946,211	3,047,294	110,547,588
Total net position, ending	$ 64,366,783	$ 14,559,498	$ 16,506,195	$ 21,859,203	$ 3,064,175	$ 120,355,854

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Operating activities						
Receipts from interfund services provided	$ 15,256,634	$ 6,953,611	$ 19,239,431	$ 1,947,803	$ 1,353,398	$ 44,750,877
Cash paid to suppliers	(4,435,067)	(97,657)	7,298	(9,673)	-	(4,535,099)
Cash paid to employees	(2,617,219)	(909,066)	(457,726)	-	-	(3,984,011)
Cash paid for interfund services used	(413,729)	(5,373,382)	-	-	(1,394,520)	(7,181,631)
Payments of claims and insurance	-	-	(16,449,750)	-	-	(16,449,750)
Net cash provided by (used in) operating activities	7,790,619	573,506	2,339,253	1,938,130	(41,122)	12,600,386
Noncapital financing activities						
Transfers from other funds	2,930,918	-	257,410	451,101	-	3,639,429
Transfers to other funds	-	(1,650,458)	-	-	(42,000)	(1,692,458)
Transfers to component units	(674,000)	-	-	-	-	(674,000)
Tax and intergovernmental revenues	157,694	44,593	58,715	1,412	-	262,414
Net cash provided by (used in) noncapital financing activities	2,414,612	(1,605,865)	316,125	452,513	(42,000)	1,535,385
Capital and related financing activities						
Acquisition and construction of capital assets	(4,295,456)	-	-	(3,157,092)	-	(7,452,548)
Proceeds from sale of capital assets	240,744	-	-	-	-	240,744
Capital contributions	308,094	-	-	159,689	-	467,783
Net cash provided by (used in) capital and related financing activities	(3,746,618)	-	-	(2,997,403)	-	(6,744,021)
Investing activities						
Sales/(purchases) of investments, net	(7,158,648)	983,368	(2,592,597)	405,988	-	(8,361,889)
Investment earnings	113,804	44,161	45,207	43,181	127	246,480
Net change in equity investment in joint venture	-	-	-	-	172,116	172,116
Net cash provided by (used in) investing activities	(7,044,844)	1,027,529	(2,547,390)	449,169	172,243	(7,943,293)
Net increase (decrease) in cash and cash equivalents	(586,231)	(4,830)	107,988	(157,591)	89,121	(551,543)
Cash and cash equivalents						
Beginning of year	602,601	5,829	8,087	450,720	910,300	1,977,537
End of year	$ 16,370	$ 999	$ 116,075	$ 293,129	$ 999,421	$ 1,425,994

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CASH FLOWS - Continued
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ 3,165,370	$ 606,897	$ 2,284,267	$ 220,814	$ 16,754	$ 6,294,102
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	4,661,109	3,999	-	1,714,003	-	6,379,111
Pension expense (income)	(138,966)	(31,612)	(17,557)	-	-	(188,135)
Change in assets and liabilities						
(Increase) decrease in receivables	10,806	1,456	57,616	3,313	(52,927)	20,264
(Increase) decrease in inventories	(94,908)	-	-	-	-	(94,908)
Increase (decrease) in accounts payable	153,278	(24,500)	9,743	-	(4,949)	133,572
Increase (decrease) in accrued expenses	22,823	6,759	2,756	-	-	32,338
Increase (decrease) in compensated absences	11,107	10,507	2,428	-	-	24,042
Increase (decrease) in estimated liability for litigation and claims	-	-	-	-	-	-
Total adjustments	4,625,249	(33,391)	54,986	1,717,316	(57,876)	6,306,284
Net cash provided by (used in) operating activities	$ 7,790,619	$ 573,506	$ 2,339,253	$ 1,938,130	$ (41,122)	$ 12,600,386

The accompanying notes are an integral part of the financial statements.

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Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others.

Agency Funds

City Choice Plus Fund	To account for funds deducted from employee's pay pursuant to IRS Section 125 regulations to be applied to eligible health related expenses incurred by the employees.
Employee Health Savings	To account for City contributions to a wellness incentive type fund that may be utilized by the employees for eligible health related expenses.

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

	City Choice Plus	Employee Health Savings Fund	Total
Assets			
Cash	$ 1,797	$ 90,097	$ 91,894
State & municipal government securities	53,785	-	53,785
Due from other funds	-	900,000	900,000
Total current assets	$ 55,582	$ 990,097	$ 1,045,679
Liabilities			
Health care claims liability	$ 25,582	$ 990,097	$ 1,015,679
Due to other funds	30,000	-	30,000
Total liabilities	$ 55,582	$ 990,097	$ 1,045,679

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	July 1, 2015	Additions	Deductions	June 30, 2016
City Choice Fund				
Assets				
Cash	$ 2,252	$ 588,845	$ 589,300	$ 1,797
State & municipal government securities	480,801	-	427,016	53,785
Accounts receivable	1,947	589,300	591,247	-
Total assets	$ 485,000	$ 1,178,145	$ 1,607,563	$ 55,582
Liabilities				
Health care claims liability	$ -	$ 25,582	$ -	$ 25,582
Due to other funds	485,000	30,000	485,000	30,000
Total liabilities	$ 485,000	$ 55,582	$ 485,000	$ 55,582
Employee Health Savings Fund				
Assets				
Cash	$ 931,096	$ 90,097	$ 931,096	$ 90,097
Due from other funds	-	900,000	-	900,000
Total assets	$ 931,096	$ 990,097	$ 931,096	$ 990,097
Liabilities				
Health care claims liability	$ 931,096	$ 990,097	$ 931,096	$ 990,097
Total liabilities	$ 931,096	$ 990,097	$ 931,096	$ 990,097
Total All Agency Funds				
Assets				
Cash	$ 933,348	$ 678,942	$ 1,520,396	$ 91,894
State & municipal government securities	480,801	-	427,016.00	53,785
Accounts receivable	1,947	589,300	591,247	-
Due from other funds	-	900,000	-	900,000
Total assets	$ 1,416,096	$ 2,168,242	$ 2,538,659	$ 1,045,679
Liabilities				
Health care claims liability	$ 931,096	$ 990,097	$ 931,096	$ 990,097
Due to other funds	485,000	30,000	485,000	30,000
Total liabilities	$ 1,416,096	$ 1,020,097	$ 1,416,096	$ 1,020,097

The accompanying notes are an integral part of the financial statements.

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COMPONENT UNIT

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
JUNE 30, 2016

Assets	
Current assets:	
Cash & temporary investments	$ 1,489,527
Investments	584,801
Accounts receivable	13,945,868
Inventories	1,302,545
Total current assets	17,322,741
Noncurrent assets:	
Land & site improvements	2,314,836
Building & building improvements	32,637,878
Equipment	31,688,350
Construction in progress	159,941
Less: accumulated depreciation	(25,928,731)
Total capital assets (net of accumulated depreciation)	40,872,274
Total assets	58,195,015
Liabilities	
Current liabilities:	
Accounts payable	430,673
Accrued liabilities	173,582
Due to primary government	9,954,265
Total liabilities	10,558,520
Deferred inflows of resources	
Unavailable revenue - other	1,329,220
Total deferred inflows of resources	1,329,220
Net position	
Net investment in capital assets	40,872,274
Unrestricted	5,435,001
Total net position	$ 46,307,275

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2016

Operating revenues	
Charges for services	$ 2,226,804
Total operating revenues	2,226,804
Operating expenses	
Personal services	14,138,692
Materials & supplies	5,228,586
Maintenance	266,003
Depreciation & amortization	3,346,968
Other services and charges	7,897,336
Total expenses	30,877,585
Operating income (loss)	(28,650,781)
Nonoperating revenue (expense)	
Interest income	80
Intergovernmental revenue	27,996,550
Other expenses	(5,533)
Total nonoperating revenue (expense)	27,991,097
Change in net position	(659,684)
Total net position, beginning	46,966,959
Total net position, ending	$ 46,307,275

The accompanying notes are an integral part of the financial statements.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2016

Operating activities	
Cash received from customers and users	$ 2,226,804
Cash paid to suppliers	(13,229,736)
Cash paid to employees	(14,472,909)
Net cash provided by (used in) operating activities	(25,475,841)
Noncapital financing activities	
Transfers from primary government	9,160,319
Tax and intergovernmental revenues	19,943,149
Net cash provided by (used in) noncapital financing activities	29,103,468
Capital and related financing activities	
Acquisition of capital assets	(1,679,433)
Proceeds from sale of capital assets	-
Net cash provided by (used in) capital and related financing activities	(1,679,433)
Investing activities	
Sales/(purchases) of investments, net	(579,445)
Investment earnings	80
Net change in equity interest in joint venture	-
Net cash provided by (used in) investing activities	(579,365)
Net increase (decrease) in cash and cash equivalents	1,368,829
Cash and cash equivalents	
Beginning of year	120,698
End of year	$ 1,489,527

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS - Continued
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2016

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	$	(28,650,781)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation		3,346,968
Change in assets and liabilities		
(Increase) decrease in inventories		117,328
Increase (decrease) in accounts payable		44,861
Increase (decrease) in accrued expenses		(334,217)
Total adjustments		3,174,940
Net cash provided by (used in) operating activities	$	(25,475,841)

The accompanying notes are an integral part of the financial statements.

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STATISTICAL SECTION

This part of the City of Knoxville'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 the government's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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Revenue Capacity

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Debt Capacity

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Capital Asset Statistics by Function	145

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF KNOXVILLE, TENNESSEE
NET POSITION BY COMPONENT
LAST TEN YEARS
(accrual basis of accounting)
(unaudited - amounts expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	$ 162,108	$ 186,466	$ 205,877	$ 213,568	$ 220,028	$ 220,585	$ 223,777	$ 231,666	$ 225,581	$ 261,956
Restricted	35,779	37,487	38,911	39,449	43,399	46,675	61,997	49,782	22,870	15,759
Unrestricted	157,067	179,868	192,241	218,176	233,442	237,088	243,367	260,379	162,267	186,985
Total Governmental Activities Net Position	$ 354,954	$ 403,821	$ 437,029	$ 471,193	$ 496,869	$ 504,348	$ 529,141	$ 541,827	$ 410,718	$ 464,700
Business-type Activities										
Net investment in capital assets	$ 31,546	$ 30,268	$ 28,212	$ 26,344	$ 26,075	$ 24,881	$ 28,494	$ 29,159	$ 30,011	$ 31,484
Unrestricted	12,266	16,682	17,782	24,590	33,712	38,728	39,323	40,223	42,012	48,363
Total Business-type Activities Net Position	$ 43,812	$ 46,950	$ 45,994	$ 50,934	$ 59,787	$ 63,609	$ 67,817	$ 69,382	$ 72,023	$ 79,847
Primary Government										
In Net investment in capital assets	$ 193,654	$ 216,734	$ 234,089	$ 239,912	$ 246,103	$ 245,466	$ 252,271	$ 260,825	$ 255,592	$ 293,440
Restricted	35,779	37,487	38,911	39,449	43,399	46,675	61,997	49,782	22,870	15,759
Unrestricted	169,333	196,550	210,023	242,766	267,154	275,816	282,690	300,602	204,279	235,348
Total Primary Government Net Position	$ 398,766	$ 450,771	$ 483,023	$ 522,127	$ 556,656	$ 567,957	$ 596,958	$ 611,209	$ 482,741	$ 544,547

CITY OF KNOXVILLE, TENNESSEE
CHANGES IN NET POSITION
LAST TEN YEARS
(accrual basis of accounting)
(unaudited - amounts expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General government	$ 11,671	$ 9,630	$ 8,833	$ 13,348	$ 13,495	$ 34,882	$ 23,591	$ 32,702	$ 16,347	$ 20,697
Public safety	60,882	78,172	80,936	81,637	83,059	85,416	88,381	89,816	91,659	95,864
Physical environment	40,686	42,048	44,421	45,244	46,977	48,046	49,230	51,368	49,559	51,100
Transportation	7,783	9,614	12,131	9,647	10,467	11,201	11,970	11,048	10,866	10,589
Economic Development	8,314	8,732	10,686	16,441	11,878	8,460	8,120	8,752	10,550	19,843
Parks & Recreation	10,068	11,634	11,893	12,858	12,308	11,827	10,195	10,345	10,723	9,586
Health & Sanitation	9,498	9,833	10,094	10,430	10,361	11,111	10,388	10,688	10,274	10,414
Interest on long-term debt	3,585	3,138	2,754	2,398	2,152	1,989	1,718	1,827	2,196	2,339
Total governmental activities expenses	152,487	172,801	181,748	192,003	190,697	212,932	203,593	216,546	202,174	220,432
Business-type Activities:										
Metro parking	1,264	1,464	1,565	1,364	1,610	1,625	1,184	5,689	2,721	2,372
Public assembly facilities	3,902	4,174	4,356	4,847	6,539	4,535	5,212	5,751	4,563	3,888
Knoxville Convention Center	20,734	21,246	20,452	19,393	19,395	19,013	17,081	16,716	17,530	16,909
Municipal Golf Courses	306	886	1,390	1,368	1,811	1,440	1,413	1,427	1,457	1,597
Total business-type activities	26,206	27,770	27,763	26,972	29,355	26,613	24,890	29,583	26,271	24,766
Total primary government	$ 178,693	$ 200,571	$ 209,511	$ 218,975	$ 220,052	$ 239,545	$ 228,483	$ 246,129	$ 228,445	$ 245,198
Program Revenues										
Governmental Activities:										
Charges for Services:										
General government	$ 697	$ 629	$ 540	$ 651	$ 757	$ 817	$ 860	$ 2,339	$ 1,923	$ 1,726
Public safety	9,016	9,233	9,191	9,436	8,945	6,971	7,185	6,114	6,263	6,259
Physical environment	924	1,135	717	1,026	985	1,539	1,561	1,583	761	1,261
Transportation	830	857	688	760	955	640	551	635	729	630
Economic Development	78	-	-	955	665	428	260	355	578	172
Parks & recreation	666	801	694	689	537	531	494	583	630	642
Health & sanitation	48	43	47	54	49	40	38	36	41	33
Operating grants and contributions	9,656	9,804	10,387	15,758	14,811	10,088	7,517	8,409	7,710	7,893
Capital grants and contributions	4,558	5,753	5,161	4,724	3,777	3,318	3,556	4,693	6,658	11,573
Total governmental activities program revenues	26,473	28,255	27,425	34,053	31,481	24,372	22,022	24,747	25,293	30,189
Business-type Activities:										
Charges for Services:										
Metro parking	1,308	1,716	2,188	1,690	1,565	1,418	1,685	1,546	1,539	1,796
Public assembly facilities	2,210	2,863	1,812	1,400	1,855	2,090	1,954	1,952	1,786	1,630
Knoxville Convention Center	5,975	6,409	5,396	5,797	5,171	4,962	5,386	4,755	4,438	4,651
Municipal Golf Courses	211	776	1,105	1,121	1,195	1,332	1,193	1,317	1,082	1,048
Operating grants and contributions	-	-	1,430	1,435	1,500	1,750	1,562	1,500	1,500	1,500
Capital grants and contributions	80	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	9,784	11,764	11,931	11,443	11,286	11,552	11,780	11,070	10,345	10,625
Total primary government program revenues	$ 36,257	$ 40,019	$ 39,356	$ 45,496	$ 42,767	$ 35,924	$ 33,802	$ 35,817	$ 35,638	$ 40,814
Net expense:										
Governmental Activities	$ 126,014	$ 144,546	$ 154,323	$ 157,950	$ 159,216	$ 188,560	$ 181,571	$ 191,799	$ 176,881	$ 190,243
Business-type Activities	16,422	16,006	15,832	15,529	18,069	15,061	13,110	18,513	15,926	14,141
Total primary government net expense	$ 142,436	$ 160,552	$ 170,155	$ 173,479	$ 177,285	$ 203,621	$ 194,681	$ 210,312	$ 192,807	$ 204,384
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes, interest and penalties	$ 107,901	$ 109,619	$ 113,846	$ 117,760	$ 118,043	$ 121,124	$ 121,922	$ 123,072	$ 140,772	$ 144,263
Intergovernmental revenues	64,449	65,482	58,776	61,625	61,221	60,798	68,337	65,910	67,588	76,727
Other taxes	17,259	17,883	17,908	17,955	18,525	19,968	20,763	20,053	20,844	21,986
Other revenue	11,454	10,670	6,562	2,733	3,669	2,296	4,465	4,062	3,941	8,440
Transfers	(10,261)	(11,010)	(9,561)	(10,900)	(16,352)	(8,148)	(9,123)	(8,612)	(9,653)	(7,191)
Total governmental activities	190,802	192,644	187,531	189,173	185,106	196,038	206,364	204,485	223,492	244,225
Business-type Activities:										
Intergovernmental revenues	1,296	671	375	4,283	4,539	4,689	3,198	4,888	3,451	7,042
Other taxes	6,517	6,820	6,418	5,047	5,218	5,420	5,211	5,395	5,921	6,903
Other revenue	594	643	676	240	599	627	570	1,182	1,352	829
Transfers	10,261	11,010	9,561	10,900	16,352	8,148	9,123	8,612	9,653	7,191
Total business-type activities	18,668	19,144	17,030	20,470	26,708	18,884	18,102	20,077	20,377	21,965
Total primary government	209,470	211,788	204,561	209,643	211,814	214,922	224,466	224,562	243,869	266,190
Changes in Net Position										
Governmental activities	$ 64,788	$ 48,098	$ 33,208	$ 31,223	$ 25,890	$ 7,478	$ 24,793	$ 12,686	$ 46,611	$ 53,982
Business-type activities	2,246	3,138	1,198	4,941	8,639	3,823	4,992	1,564	4,451	7,824
Total primary government	$ 67,034	$ 51,236	$ 34,406	$ 36,164	$ 34,529	$ 11,301	$ 29,785	$ 14,250	$ 51,062	$ 61,806

Continued from Previous Page

CITY OF KNOXVILLE, TENNESSEE
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)
(unaudited - amounts expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011*	2012	2013	2014	2015	2016
General Fund										
Reserved	$ 1,366	$ 1,333	$ 1,303	$ 960						
Unreserved	45,200	48,223	51,036	59,704						
Nonspendable	-	-	-	-	$ 425	$ 385	$ 300	$ 324	$ 443	$ 364
Restricted	-	-	-	-	1,989	-	-	-		-
Committed	-	-	-	-	34,631	39,136	36,771	40,232	41,469	42,650
Assigned	-	-	-	-	231	311	2,648	2,482	3,353	4,038
Unassigned	-	-	-	-	27,987	19,892	30,436	27,958	30,508	38,458
Total general fund	$ 46,566	$ 49,556	$ 52,339	$ 60,664	$ 65,263	$ 59,724	$ 70,155	$ 70,996	$ 75,773	$ 85,510
All other governmental funds										
Nonspendable/Restricted (Reserved/Designated)	$ 15,017	$ 7,082	$ 5,312	$ 3,428						
Unreserved, reported in:										
Special Revenue funds	11,527	22,903	24,138	26,055						
Debt Service funds	32,941	34,623	36,259	36,907						
Capital Projects funds	44,688	53,084	55,248	72,654						
Nonspendable	-	-	-	-	$ 656	$ 739	$ 737	$ 673	$ 1,076	$ 1,122
Restricted	-	-	-	-	65,277	60,074	61,133	63,370	36,908	24,592
Committed	-	-	-	-	73,913	84,068	89,885	93,181	150,904	150,342
Total all other governmental funds	$ 104,173	$ 117,692	$ 120,957	$ 139,044	$ 139,846	$ 144,881	$ 151,755	$ 157,224	$ 188,888	$ 176,056

* In FY 2011 the City adopted GASB 54 which changed the definition of Reserved/Designated and Unreserved Fund Balances.

CITY OF KNOXVILLE, TENNESSEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)
(unaudited - amounts expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes, assessments, interest & penalties	$ 168,434	$ 169,632	$ 169,521	$ 168,880	$ 173,425	$ 180,543	$ 183,445	$ 184,128	$ 204,089	$ 212,108
Licenses, permits & inspection charges	2,565	2,281	1,973	1,726	1,708	1,975	1,994	2,027	2,266	2,656
Intergovernmental revenue	34,185	34,986	31,540	40,729	37,081	30,040	37,359	34,586	36,125	48,074
Charges for services	6,030	6,323	6,021	6,997	6,859	6,502	6,528	6,263	7,089	6,118
Fines & forfeitures	4,231	4,953	5,397	5,924	5,536	3,637	4,010	3,256	3,247	3,147
Other	9,303	10,711	8,800	7,568	6,207	5,370	5,170	5,524	5,073	8,354
Total revenues	224,748	228,886	223,252	231,824	230,816	228,067	238,506	235,784	257,889	280,457
Expenditures										
Current:										
General government	12,461	16,914	14,310	13,958	14,267	15,983	15,701	16,242	17,000	17,308
Public safety	70,466	75,821	77,449	79,071	81,613	85,311	86,986	89,224	99,871	102,155
Physical environment	25,441	21,696	24,435	21,487	66,819	59,861	58,565	61,475	61,478	63,178
Parks & recreation	908	910	907	906	907	7,722	7,621	7,976	8,422	8,652
Economic development	41,810	48,007	51,701	60,222	13,790	23,043	12,961	11,896	11,994	22,549
Other	-	-	-	-	-	486	91	68	248	-
Capital Outlay	12,504	22,684	24,440	20,864	19,155	17,497	19,253	25,892	36,163	51,710
Debt Service:										
Principal	9,773	8,540	7,408	5,396	5,577	4,853	5,413	5,291	5,384	6,141
Interest	3,585	3,138	2,754	2,439	2,188	2,116	1,730	1,745	2,136	2,328
Total expenditures	$ 176,948	$ 197,710	$ 203,404	$ 204,343	$ 204,316	$ 216,872	$ 208,321	$ 219,809	$ 242,696	$ 274,021
Excess of revenues over expenditures	47,800	31,176	19,848	27,481	26,500	11,195	30,185	15,975	15,193	6,436
Other Financing Sources (Uses)										
Net proceeds from issuance of debt	-	-	-	13,471	-	411	-	-	31,607	-
Transfers in	47,722	45,175	40,845	42,809	39,727	35,497	36,787	41,982	45,703	39,296
Transfers out	(59,826)	(60,611)	(54,645)	(57,350)	(60,612)	(47,607)	(49,667)	(51,648)	(56,061)	(48,827)
Total other financing sources (uses)	(12,104)	(15,436)	(13,800)	(1,070)	(20,885)	(11,699)	(12,880)	(9,666)	21,249	(9,531)
Net changes in fund balances	$ 35,696	$ 15,740	$ 6,048	$ 26,411	$ 5,615	$ (504)	$ 17,305	$ 6,309	$ 36,442	$ (3,095)
Debt service as a percentage of noncapital	8.7%	6.7%	5.6%	4.2%	4.2%	3.4%	3.7%	3.5%	3.6%	3.7%

CITY OF KNOXVILLE, TENNESSEE
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(unaudited - amounts expressed in thousands)

	Real Property (1)						Personal Property (1)		Public Utilities (2)		Total's			
	Estimated Actual Value:													
Fiscal Year	Commercial	Industrial	Residential & Farm	Exempt Properties	Total's	Assessed Taxable Value	Estimated Actual Value	Assessed Taxable Value	Estimated Actual Value	Assessed Taxable Value	Estimated Actual Value	Assessed Taxable Value	Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2007	3,877,677	205,211	5,149,924	189,974	9,422,786	2,920,636	1,098,949	329,685	264,552	145,503	10,786,287	3,395,824	2.81	31%
2008	4,080,438	192,241	5,351,751	219,839	9,844,269	3,047,010	1,024,933	307,481	269,757	148,366	11,138,959	3,502,857	2.81	31%
2009	4,256,046	189,664	5,511,802	261,830	10,219,342	3,156,234	1,016,750	305,026	270,210	148,615	11,506,302	3,609,875	2.81	31%
2010	4,887,267	204,716	6,601,700	358,028	12,051,711	3,687,218	1,115,939	334,782	304,404	167,422	13,472,054	4,189,422	2.46	31%
2011	4,923,683	188,715	6,676,669	359,976	12,149,043	3,714,127	1,055,236	316,571	268,712	147,792	13,472,991	4,178,490	2.46	31%
2012	5,067,449	185,806	6,677,256	365,691	12,296,202	3,770,616	1,071,108	321,529	286,778	157,728	13,654,088	4,249,873	2.46	31%
2013	5,254,329	186,137	6,695,127	370,017	12,505,610	3,841,101	995,924	299,141	300,668	165,368	13,802,202	4,305,610	2.46	31%
2014	5,657,886	215,437	6,679,425	465,822	13,018,570	4,002,458	1,155,830	346,877	283,414	155,878	14,457,814	4,505,213	2.73	31%
2015	5,732,339	225,073	6,714,112	467,659	13,139,183	4,045,652	1,234,486	370,507	306,497	168,573	14,680,166	4,584,732	2.73	31%
2016	5,818,821	229,219	6,752,219	493,767	13,294,026	4,092,562	1,192,171	357,705	317,769	174,773	14,803,966	4,625,040	2.73	31%

Note:
(1) Assessed by the Knox County Property Assessor's Office
(2) Assessed by the Division of State Assessed Properties, State Comptroller's Office
(3) Assessment Ratios:
a) Real property:
Commercial at 40%
Industrial at 40%
Residential and Farm at 25%
b) Personal property at 30%
c) Public utilities at 55%
N/A - Not Available

PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
(PER $100 OF ASSESSED VALUE)
LAST TEN YEARS
(Unaudited)

	City of Knoxville Tax Rate Distribution			Overlapping Knox County Tax Rate Distribution				Total Direct & Overlapping Rates
Fiscal Year	General Operations	Debt Service	Total	General Operations	Debt Service	School Construction	Total	
2007	1.8900	0.8100	2.7000	1.2400	0.2200	1.2300	2.6900	5.3900
2008	1.8900	0.8100	2.7000	1.1300	0.3300	1.2300	2.6900	5.3900
2009	2.2400	0.8100	3.0500	1.1000	0.3600	1.2300	2.6900	5.7400
2010	2.0600	0.7500	2.8100	0.9700	0.3100	1.0800	2.3600	5.1700
2011	2.0600	0.7500	2.8100	0.9700	0.3100	1.0800	2.3600	5.1700
2012	1.8000	0.6600	2.4600	0.9700	0.3100	1.0800	2.3600	4.8200
2013	1.8000	0.6600	2.4600	0.9700	0.3100	1.0800	2.3600	4.8200
2014	1.8600	0.6000	2.4600	0.9700	0.3100	1.0800	2.3600	4.8200
2015	2.1923	0.5334	2.7257	0.9600	0.4800	0.8800	2.3200	5.0457
2016	2.1923	0.5334	2.7257	0.9700	0.4700	0.8800	2.3200	5.0457

CITY OF KNOXVILLE, TENNESSEE
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Ten Years Ago
(unaudited - amounts expressed in thousands)

		2016			2007		
Taxpayer	Type of Business	Taxable Assessed Value[1]	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value[1]	Rank	Percentage of Total Taxable Assessed Value
AT&T/Bellsouth	Communications	$ 73,728	1	1.82%	$ 73,324	1	2.15%
Simon Property Group/West Town Mall	Retail	34,280	2	0.85%	5,194	9	0.15%
Metro Knoxville HMA/Tennova	Medical Services	33,720	3	0.83%			
Scripps Networks, Inc	Multi media broadcasting company	31,402	4	0.78%			
Wal-Mart Corporation	Retail	30,246	5	0.75%			
Hart TC I-II LLC	Property Managemet	29,327	6	0.72%			
Fort Sanders Regional Medical Center	Medical Services	28,105	7	0.69%	17,024	4	0.50%
Pilot Corp.	Oil	21,924	8	0.54%			
Comcast Cablevision	media	17,591	9	0.43%			
U P S, Inc.	Delivery Service	14,387	10	0.36%			
East Towne Mall	retail center				21,524	2	0.63%
Tennessee Holding LLC	property management and leasing				14,786	5	0.43%
East Tennessee Baptist Hospital	medical services				9,503	6	0.28%
Lillie Mae Cain Estate	property management and leasing				7,584	7	0.22%
All Eleven LLC	property management and leasing				7,289	8	0.21%
Furrow Samuel J	property management and leasing				3,778	10	0.11%
Furrow Family Partnership	property management and leasing				3,168	11	0.09%
		$ 314,710		7.77%	$ 163,174		4.77%

[1]Data Source: City property tax office

CITY OF KNOXVILLE, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(unaudited - amounts expressed in thousands)

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	% of Levy		Amount	% of Levy
2007	95,423	91,412	95.80%	3,638	95,050	99.61%
2008	98,233	93,938	95.63%	3,932	97,870	99.63%
2009	101,436	96,548	95.18%	4,366	100,914	99.49%
2010	102,836	96,254	93.60%	6,053	102,307	99.49%
2011	103,350	97,167	94.02%	5,596	102,763	99.43%
2012	104,330	99,086	94.97%	4,538	103,624	99.32%
2013	105,918	102,045	96.34%	2,917	104,962	99.10%
2014	107,481	102,862	95.70%	3,331	106,193	98.80%
2015	124,620	120,215	96.47%	2,134	122,349	98.18%
2016	125,854	121,799	96.78%	-	121,799	96.78%

CITY OF KNOXVILLE, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS
(unaudited - amounts expressed in thousands, except per capita amount)

Governmental Activities

	General Obligation Bonds			Other Governmental Activities Debt		
Fiscal Year	Principal Outstanding	Unamortized Premiums (Discounts)	Total General Obligation Debt	HUD Section 108 Note	Capital Lease	Debt Participation Agreement
2007	$ 72,370	$ 1,495	$ 73,865	$ -	$ -	$ 1,222
2008	63,900	1,389	65,289	-	-	1,156
2009	56,560	1,283	57,843	-	-	1,088
2010	51,235	1,178	52,413	-	13,470	1,017
2011	46,675	1,073	47,748	-	13,470	-
2012	50,562	6,219	56,781	-	-	-
2013	50,823	5,673	56,496	-	-	-
2014	39,858	5,131	44,989	-	-	-
2015	65,555	5,089	70,644	-	-	-
2016	60,239	4,520	64,759	825	-	-

Business Type Activities

	General Obligation Bonds			Other Business Type Activities Debt				
Fiscal Year	Principal Outstanding	Unamortized Premiums (Discounts)	Total General Obligation Debt	Golf Course Equipment Note	Capital Lease	Total Primary Government[1]	% of Personal Income[2]	Per Capita[2]
2007	$ 147,910	$ (1,118)	$ 146,792	$ -	$ -	$ 221,879	6.49%	$ 1,242.32
2008	144,240	(1,057)	143,183	103	-	209,731	6.02%	1,173.65
2009	140,810	(993)	139,817	103	325	199,176	5.87%	1,113.96
2010	137,230	(929)	136,301	90	254	203,545	5.94%	1,137.92
2011	133,495	(865)	132,630	78	179	194,105	5.67%	1,085.15
2012	127,828	971	128,799	65	102	185,747	5.30%	1,027.58
2013	125,378	1,619	126,997	-	-	183,493	5.55%	1,015.11
2014	119,577	1,483	121,060	-	-	166,049	4.27%	906.03
2015	115,239	1,347	116,586	-	-	187,230	4.51%	1,021.61
2016	110,706	1,211	111,917	-	-	177,501	4.13%	957.96

Note:
(1) Total Outstanding Debt is not reduced by available debt service reserves.
(2) Personal Income and Population estimated as reliable data is not available.

CITY OF KNOXVILLE, TENNESSEE
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS
(unaudited - amounts expressed in thousands, except for per capita amounts)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Taxable Value of Property	Per Capita
2007	228,654	32,941	195,713	5.76%	1,095.82
2008	216,759	34,623	182,136	5.20%	1,019.23
2009	212,589	36,259	176,330	4.88%	986.19
2010	211,444	36,397	175,047	4.18%	978.61
2011	202,475	42,532	159,943	3.83%	894.17
2012	194,452	40,732	153,720	3.62%	850.40
2013	176,201	45,811	130,390	3.03%	721.34
2014	166,049	46,833	119,216	2.65%	650.49
2015	180,795	49,746	131,049	2.85%	715.06
2016	170,120	50,252	119,868	2.56%	646.92

CITY OF KNOXVILLE, TENNESSEE
LEGAL DEBT MARGIN INFORMATION

Neither the City Charter nor the State of Tennessee has placed any restrictions on the amount of debt that may be issued by the City of Knoxville.

PLEDGED-REVENUE COVERAGE
PRIMARY GOVERNMENT

The primary government of the City does not have any operating revenues pledged towards the

CITY OF KNOXVILLE, TENNESSEE
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
COMPONENT UNIT - KNOXVILLE UTILITIES BOARD
(unaudited - amounts expressed in thousands

Fiscal Year	Gross Revenue	Expenses (net of depreciation and interest)	Net Revenue Available for Debt Service	Debt Service	Revenue Bond Coverage
2007	$ 650,153	$ 566,716	$ 83,437	$ 33,455	2.49
2008	689,212	592,251	96,961	38,596	2.51
2009	751,042	640,292	110,750	44,117	2.51
2010	672,927	573,375	99,552	45,681	2.18
2011	724,318	620,009	104,309	47,009	2.22
2012	695,034	589,320	105,714	54,859	1.93
2013	744,281	628,079	116,202	55,257	2.10
2014	752,561	629,663	122,898	61,316	2.00
2014	752,561	629,663	122,898	61,316	2.00
2015	764,621	630,919	133,702	62,541	2.14
2016	734,750	594,027	140,723	67,518	2.08

CITY OF KNOXVILLE, TENNESSEE
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
COMPONENT UNIT - METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
(unaudited - amounts expressed in thousands

Fiscal Year	Gross Revenue (net of grant receipts)	Expenses (net of depreciation and interest)	Net Revenue Available for Debt Service	Debt Service	Revenue Bond Coverage
2007	$ 27,768	$ 15,274	$ 12,494	$ 7,770	1.61
2008	29,233	16,100	13,133	8,778	1.50
2009	28,353	16,934	11,419	7,768	1.47
2010	26,885	16,500	10,385	6,561	1.58
2011	28,337	17,672	10,665	6,999	1.52
2012	29,263	18,588	10,675	6,862	1.56
2013	28,205	18,402	9,803	6,645	1.48
2014	30,080	18,785	11,295	6,378	1.77
2014	30,080	18,785	11,295	6,378	1.77
2015	31,620	19,612	12,008	6,367	1.81
2016	31,620	19,612	12,008	6,367	1.85

CITY OF KNOXVILLE, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2016
(unaudited - amounts expressed in thousands)

Governmental Unit	Net Direct Outstanding Debt [1]	Percentage Applicable to Knoxville[2]	Amount Applicable to Knoxville
Direct Debt:			
City of Knoxville	$ 59,414	100.00%	$ 59,414
Overlapping Debt:			
Knox County	422,583	41.35%	174,738
Knox County Schools	247,687	41.35%	102,419
Total Overlapping Debt	670,270		277,157
Total Direct and Overlapping Debt	$ 729,684		$ 336,571

Note:
(1) Net direct debt excludes proprietary fund general obligation bonds.
(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's assessed taxable value that is

CITY OF KNOXVILLE, TENNESSEE
DEMOGRAPHIC & ECONOMIC STATISTICS
Last 10 Fiscal Years
(Unaudited)

					Education Level - Population 25 & Over [1]					
Fiscal Year	Population[1]	Personal Income (In $1,000)[2] (MSA)	Per Capita Income[2] (MSA)	Median Age[1]	High School Graduate or higher	Some College or more	Bachelor's Degree or higher	Master's or Professional Degree	School Enrollment[3] (Knox County)	Average Unemployment Rate[4] (MSA)
2007	183,289	27,155,768	33,260	33.9	83.5%	55.0%	28.3%	10.9%	56,535	3.7%
2008	180,178	28,395,281	34,331	34.6	84.9%	55.7%	29.0%	9.7%	54,896	5.4%
2009	185,106	28,120,511	33,723	33.7	87.9%	60.2%	30.8%	10.4%	55,171	8.8%
2010	179,226	29,116,021	34,714	34.4	84.4%	58.8%	29.7%	10.4%	56,516	8.0%
2011	180,753	30,839,552	36,586	34.0	87.7%	59.7%	30.9%	12.9%	56,817	7.5%
2012	182,196	32,225,268	37,997	34.9	89.9%	62.4%	30.2%	11.2%	57,812	6.7%
2013	183,261	32,160,699	37,764	32.9	89.3%	60.9%	30.6%	11.7%	58,940	6.9%
2014	184,292	33,586,873	39,188	32.3	84.6%	54.4%	28.9%	10.4%	59,232	5.8%
2015	185,291	35,206,284	40,870	33.8	87.0%	55.5%	29.9%	11.4%	59,516	4.6%
2016(5)										

Data Sources

(1) U.S. Census Bureau - Fact Finder

(2) U.S. Department of Commerce; Bureau of Economic Analysis - Interactive Data - Regiona**(Metropolitan Statistical Area)**

(3) Tennessee Department of Education - Report Card**(Knox County)**

(4) U.S. Bureau of Labor Statistics **(Metropolitan Statistical Area)**

(5) Data not yet available at this time

CITY OF KNOXVILLE, TN
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago
(Unaudited)

Employer's Name	2016			2007		
	Number of Employees (1)	Rank	Percentage of Total Area Employment	Number of Employees	Rank	Percentage of Total Area Employment
U.S. Department of Energy (Oak Ridge/Y-12)	11,986	1	2.89%			
Covenant Health	10,304	2	2.49%	8,000	2	2.50%
Knox County Schools	7,241	3	1.75%			
The University of Tennessee, Knoxville	6,609	4	1.60%	9,317	1	2.92%
Wal-Mart Stores, Inc.	5,951	5	1.44%			
University of Tennessee Medical Center	4,941	6	1.19%	3,225	4	1.01%
Tennova Healthcare	3,997	8	0.97%			
K-VA-T Food Stores (Food City)	3,913	7	0.94%			
DENSO Manufacturing Tennessee, Inc.	3,800	9	0.92%			
State of Tennessee - Regional Offices	3,153	10	0.76%			
St. Mary's Health System (acquired by Tennova)	-		-	3,606	3	1.13%
Knox County Government	-		-	2,500	6	0.78%
City of Knoxville Government				2,820	5	0.88%
Clayton Homes				2,500	7	0.78%
Baptist Health Systems				2,347	8	0.73%
Aluminum Company of America (ALCOA)				2,300	9	0.72%
Sea Ray Boats, Inc.				1,450	10	0.45%
Total Knoxville MSA Laborforce (2)	414,100			319,558		

(1) Source: Knoxville Oak Ridge Innovation Valley, Major Employers in the Knoxville Area **(Metropolitan Statistical Area)**

(2) Source: U.S. Census Bureau, Employed workforce over 16 years of age **(Metropolitan Statistical Area)**

CITY OF KNOXVILLE, TENNESSEE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN YEARS
(Unaudited)

Department	Full-time Equivalent Employees as of June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration	24.5	25.0	26.5	26.5	26.0	30.5	30.5	30.5	31.5	33.5
Finance	54.5	52.5	52.5	51.0	51.0	51.5	48.5	49.0	49.0	49.0
Information Systems	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Public Works	-	-	-	-	-	2.0	2.0	1.0	1.0	1.0
Engineering	90.0	89.5	89.5	88.5	88.5	90.5	89.0	88.5	88.5	89.5
Fleet Services	57.0	56.0	56.0	55.0	55.0	54.0	54.0	54.0	54.0	57.0
Inspections	31.0	31.0	31.0	29.0	29.0	29.0	29.0	29.0	29.0	40.0
Public Services	307.0	307.0	305.0	305.0	305.0	305.0	305.0	305.0	305.0	292.0
Development Services	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	6.0	6.5
Community Development	19.5	21.5	21.5	21.5	19.5	19.5	19.5	15.5	15.5	12.5
Recreation	59.0	58.0	57.5	55.0	55.0	53.0	53.0	51.5	51.5	50.5
Law	13.0	13.0	14.0	13.0	13.0	12.5	13.0	13.0	13.0	13.0
Police										
Sworn	414.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0
Civilian	120.5	121.0	121.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0
Emergency Management	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Subtotal	537.5	540.0	540.0	539.0	539.0	539.0	539.0	539.0	539.0	539.0
Fire										
Sworn	328.0	328.0	328.0	327.0	327.0	327.0	327.0	327.0	327.0	327.0
Civilian	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Subtotal	338.0	338.0	338.0	337.0	337.0	337.0	337.0	337.0	337.0	337.0
Legislative	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
City Court	13.5	13.5	13.5	13.5	13.5	13.5	14.5	14.5	14.5	14.5
Civil Service	14.5	13.0	13.0	12.0	12.0	12.0	10.0	10.0	10.0	10.0
Public Assembly Facilities	35.5	35.5	35.5	36.0	35.5	36.0	36.0	34.5	34.5	34.5
GRAND TOTAL	1,636.0	1,635.0	1,635.0	1,623.5	1,620.5	1,626.5	1,621.5	1,614.5	1,616.5	1,617.0

CITY OF KNOXVILLE, TENNESSEE
OPERATING INDICATORS BY FUNCTION
LAST TEN YEARS
(Unaudited)

Department	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Public Safety										
Police										
Arrests	15,176	20,492	24,008	16,702	16,648	15,898	14,376	11,484	11,900	12,453
Citations	64,683	95,121	131,619	156,053	135,680	107,501	105,635	96,147	88,731	68,374
Fire										
Fire Inspections	4,957	3,742	4,051	3,481	3,692	3,518	4,547	4,144	3,968	3,162
Alarms Attended	19,432	20,174	21,131	20,214	20,463	20,688	21,227	21,644	20,788	22,346
First Responder Calls	9,146	10,272	11,349	10,032	10,442	10,954	10,816	10,546	9,214	10,307
Engineering										
Miles of Streets Resurfaced	9	84	44	38	42	48	55	46	43	40
Parks & Recreation										
Recreation Center Participants	338,510	372,110	537,486	596,748	620,469	551,101	527,224	495,231	472,613	480,993
Service										
Pothole Repairs (by tons of asphalt)	414	349	383	496	561	398	430	357	204	197

Sources: Various city departments

CITY OF KNOXVILLE, TENNESSEE
CAPITAL ASSET STATISTICS BY FUNCTION
Last 10 years
(Unaudited)

Department	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Public Safety										
Safety Building - Police	1	1	1	1	1	1	1	1	1	1
Fire Halls	18	18	18	18	18	18	19	19	19	19
Operations & Engineering										
Street Lights	29,440	29,506	29,801	29,649	29,569	29,711	30,145	30,211	30,232	30,250
Miles of Streets Maintained	1,264	1,274	1,274	1,277	1,277	1,277	1,278	1,178	1,179	1,179
Parks & Recreation										
Recreation Centers	14	13	13	13	12	12	12	12	12	14
Parks	79	81	81	80	81	81	82	82	81	81
Park Acerage	1,857	1,858	1,858	1,963	1,963	1,963	2,000	2,000	2,828	2,828
Swimming Pools	5	5	5	5	5	5	5	5	5	5
Tennis Courts	61	68	68	68	68	68	67	67	47	47
Miles of Greenway	42	42	43	44	66	66	85	86	86	86
Golf Courses	3	3	3	3	3	3	3	3	3	3
Pickleball Courts										10
Metro Parking										
Parking Garages	5	5	5	5	5	5	5	5	5	5
Parking Lots	5	5	5	5	7	8	8	8	8	8
Total Spaces	3,827	3,827	3,827	3,827	4,296	4,312	4,289	4,529	4,529	4,688
Fleet										
Garages	2	2	2	2	2	2	2	2	2	2
Number of Vehicles Maintained	1,537	1,418	1,496	1,527	1,630	1,515	1,532	1,538	1,552	1,562

Sources: Various City Departments

COMPLIANCE SECTION

CITY OF KNOXVILLE, TENNESSEE

SINGLE AUDIT REPORT AND FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

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CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2016

Grantor Agency	Program Title	CFDA #	Grant #	Receivable (Deferral) 6/30/2015	Cash Receipts	Expenditures	Receivable (Deferral) 6/30/2016
U.S. Department of Housing and Urban Development	**FEDERAL ASSISTANCE**						
Direct assistance							
	Community Development Block Grant	14.218	B-13-MC-47-0005	$ 119,188	$ 665,355	$ 546,167	$ -
	Community Development Block Grant	14.218	B-14-MC-47-0005	-	311,229	311,229	-
	Community Development Block Grant	14.218	B-15-MC-47-0005	-	789,562	1,063,119	273,557
	Community Development Block Grant/Section 108	14.218	B-15-MC-47-0005	-	840,408	614,283	(226,125)
		14.218		119,188	2,606,554	2,534,798	47,432
	Home Grant 2011	14.239	M11-MC-47-0201	-	340,175	340,175	-
	Home Grant 2012	14.239	M12-MC-47-0201	-	349,451	349,451	-
	Home Grant 2013	14.239	M13-MC-47-0201	-	178,924	178,924	-
	Home Grant 2014	14.239	M14-MC-47-0201	230,451	400,288	169,837	-
	Home Grant 2015	14.239	M15-MC-47-0201	-	859,112	701,226	(157,886)
		14.239		230,451	2,127,950	1,739,613	(157,886)
Passed through from							
Tennessee Housing Development Agency	Emergency Shelter (THDA)	14.231	ESG-14-08	14,786	151,222	177,464	41,028
	Emergency Shelter (THDA)	14.231	ESG-15-26	-	29,993	53,539	23,546
				14,786	181,215	231,003	64,574
	Emergency Shelter 2013	14.231	S-13-MC-47-005	4,496	4,496	-	-
		14.231		4,496	4,496	-	-
	Lead Hazard Control Grant	14.900	TNLHB0564-13	352,321	1,293,628	1,040,355	99,048
	Healthy Homes Grant	14.900	TNLHB0564-13(B)	663	86,118	115,408	29,953
		14.900		352,984	1,379,746	1,155,763	129,001
Total U.S. Department of Housing and Urban Development				721,905	6,299,961	5,661,177	83,121
U.S. Department of Justice							
Direct assistance							
	Knoxville's Enhanced Training & Svcs to End Abuse	16.528	2015-EW-AX-K009	-	-	31,526	31,526
	Grants to Encourage Arrests 2012 (OVW-Arrest)	16.590	2012-WE-AX-0025	78,717	60,409	109,488	127,796
	2010 Project Safe Neighborhoods	16.609	2010-GP-BX-0026	-	49,351	49,351	-
	2011 Project Safe Neighborhoods	16.609	2011-GP-BX-0061	40,488	51,182	10,694	-
				40,488	100,533	60,045	-
Passed through from							
Department of Finance and Administration:							
Office of Juvenile Justice and Delinquency Prevention	2010 ICAC Continuation Program	16.543	2010-MC-CX-K016	288,678	288,678	-	-
	2013 TN ICAC Task Force Grant	16.543	2013-MC-FX-K031	210,998	224,940	338,550	324,608
		16.543		499,676	513,618	338,550	324,608
	2013-2015 Knoxville Victim's Services (VOCA)	16.575	Contract 18853	21,296	20,224	(1,072)	-
	2016-2018 Knoxville Victim's Services (VOCA)	16.575	Contract 26743	-	43,611	62,565	18,954
				21,296	63,835	61,493	18,954
	2010 Byrne/Justice Assistance Grant Program	16.579	2010-DJ-BX-0769	32,123	32,123	-	-
	2011 Byrne/Justice Assistance Grant Program through Knox County	16.579	2011-H5094-TN-DJ	315	-	(315)	-
	2012 Byrne/Justice Assistance Grant Program	16.579	2012-DJ-BX-0080	54,405	56,491	2,086	-
	2013 Byrne/Justice Assistance Grant Program	16.579	2013-DJ-BX-0335	79,610	37,052	37,007	79,565
	2014 Byrne/Justice Assistance Grant Program	16.579	2014-DJ-BX-0564	78,360	-	8,707	87,067
		16.579		244,813	125,666	47,485	166,632
	Anti-Bullying Training and Multi-Media Program	16.738	2012-DJ-BX-0280	32,897	32,882	(15)	-
	JAG Family Justice Center TA Provider	16.738	Edison 22561	20,967	56,188	69,413	34,192
	Byrne Justice Assistance Grant - Knoxville TCCRP	16.738	Contract 27197	-	35,446	74,481	39,035
	2015 Knoxville Knox County JAG Grant	16.738	2015-DJ-BX-0591	-	-	97,387	97,387
				53,864	124,516	241,266	170,614
Total U.S. Department of Justice				938,854	988,577	889,853	840,130
U.S. Department of Agriculture - Forest Service							
Passed through from							
Tennessee Dept. of Agriculture, Forestry Division	Community Outreach/Trees & Their Benefits	10.675	14-DG-11083147-001	936	1,247	311	-

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2016

Grantor Agency	Program Title	CFDA #	Grant #	Receivable (Deferral) 06/30/15	Cash Receipts	Expenditures	Receivable (Deferral) 06/30/16
U.S. Department of Transportation							
Direct assistance							
Federal Transit Cluster	2010 STP Funding for the Transit Center	20.507	TN-95-X038	142	-	(142)	-
	2011 Formula Grant	20.507	TN-90-X335	40,809	55,482	14,673	-
	2011 CMAQ Grant	20.507	TN-95-X040-00	-	1,821	4,941	3,120
	2012 Formula Grant	20.507	TN-90-0350-00	20,005	82,795	320,929	258,139
	2013 Formula Grant	20.507	TN-90-X361-00	139,506	146,718	54,857	47,645
	2012 STP Funding	20.507	TN-95-X048-00	-	-	53,062	53,062
	2014 Formula Grant	20.507	TN-90-X0381	11	22,343	76,523	54,191
	2015 Formula Grant	20.507	TN-90-X2015	4,033,608	-	1,208,577	5,242,185
	2016 Formula Grant	20.507	TN-90-X2016	-	-	4,382,513	4,382,513
		20.507		4,234,081	309,159	6,115,933	10,040,855
	Knoxville Station Transit Center Project	20.500	TN-04-0022	-	20,867	313,597	292,730
	2013 5309 State of Good Repair Grant	20.500	TN-04-0073-00	-	-	365,569	365,569
	2010 5309 TDOT Discretionary Funding	20.500	TN-04-0045-02	-	-	177,112	177,112
		20.500		-	20,867	856,278	835,411
	2013 & 2014 5339 (MAP 21) Grant	20.526	TN-34-0005-00	-	67,584	91,298	23,714
Total Federal Transit Cluster				4,234,081	397,610	7,063,510	10,899,980
Passed through from							
Tennessee Department of Transportation	Jackson Avenue Ramps	20.205	BRZE-9109(103); Pin 106077.00	55,137	13,088	150,915	192,964
Tennessee Department of Transportation	Cumberland Avenue Streetscapes & Pedestrian Improvements	20.205	STP-M-9109(115); Pin 110692.00	1,364,751	1,846,276	6,456,830	5,975,305
Tennessee Department of Transportation	Upper Second Creek Greenway	20.205	State 060018; Pin 107380.00	75,323	-	94,131	169,454
Tennessee Department of Transportation	Access Improvements to I-275 Business Park	20.205	Contract 090268; Pin 110262.00	75,617	72,269	47,808	51,156
Tennessee Department of Transportation	Holbrook Bridge over Fountain Road	20.205	BRZE-9109(122); Pin 107700.00	322,060	510,576	1,356,022	1,167,506
Tennessee Department of Transportation	Knox-Blount Greenway Phase I	20.205	State 110043; Pin 115617.00	125,680	208,011	192,171	109,840
Tennessee Department of Transportation	N. Central Street Streetscape Improvements	20.205	47LPLM-F3-082; State 110195	70,813	-	139,318	210,131
Tennessee Department of Transportation	Park City Sidewalk Network Completion	20.205	CM-9109(148); State 110045	93,862	14,664	20,315	99,513
Tennessee Department of Transportation	Washington Pike and Millertown Pike Widening	20.205	STP-M-9109(64); State 070099	248,287	248,237	276,201	276,251
Tennessee Department of Transportation	Downtown Knoxville Wayfinding Project	20.205	STP-M-9109(151); State 110056	775,576	827,846	52,270	-
Tennessee Department of Transportation	COK Greenway Corridor Feasibility & Assessment	20.205	STP-M-9109(162); State 120271	16,329	16,156	50,144	50,317
Tennessee Department of Transportation	South Waterfront Enhancement Grant for the Riverwalk	20.205	STP-EN-9109(138); Pin 108784.02	18,677	-	(18,677)	-
Tennessee Department of Transportation	First Creek Greenway	20.205	STP-EN-9109(143)	30,768	-	48,348	79,116
Tennessee Department of Transportation	Advanced Traffic Management System - Traffic Control Upgrade	20.205	STP-M-9109(165); State 140161; PIN 1	7,663	7,448	253,260	253,475
Tennessee Department of Transportation	Widening of Pleasant Ridge Road, from City Limits to	20.205	STP-EN-9109(53)	4,344	-	18,881	23,225
Tennessee Department of Transportation	Liberty Street Multimodal Improvements	20.205	TAP-STP-M-9115(171); State 150169	-	-	566	566
Tennessee Department of Transportation	Transportation Planning Grant through MPC	20.205	Edison ID: 38616	2,645	-	-	2,645
		20.205		3,287,532	3,764,571	9,138,503	8,661,464
Federal Motor Carrier Safety Administration	2014 CVE - Conducting High Visibility CMV Enforcement	20.218	FM-MHP-0173-14-01-00	49,900	85,124	35,224	-
Highway Safety Cluster	14/15 GHSO - Knoxville's FY2015 Pedestrian Safety Grant	20.600	Z-15-GHS188	19,983	19,962	(21)	-
	16/17 GHSO - Knoxville's FY2016 Pedestrain Safety Grant	20.600	Z-16-GHS185	-	-	759	759
		20.600		19,983	19,962	738	759
	FY15 GHSO Nighttime Seaftbelt Demo Project	20.616	Z-15-GHS460	3,400	4,492	1,092	-
	FY16 GHSO Nighttime Seaftbelt Demo Project	20.616	Z-16-GHS184	-	-	1,377	1,377
		20.616		3,400	4,492	2,469	1,377
Total Highway Safety Cluster				23,383	24,454	3,207	2,136
Governor's Highway Safety	Knoxville's FY2014 DUI Enforcement Program	20.607	Z-15-GHS187	34,235	53,814	19,579	-
	Knoxville's FY16 DUI Enforcement (GHSO)	20.607	Z-16-GHS183	-	40,597	59,902	19,305
		20.607		34,235	94,411	79,481	19,305
Total U.S. Department of Transportation				7,629,131	4,366,170	16,319,925	19,582,885
U.S. Department of Environmental Protection							
Direct assistance	EPA Grant for Brownfields Assessment for the Downtown North	66.818	BF-95443509-1	100	-	(100)	-
Total U.S. Department of Environmental Protection		66.818		100	-	(100)	-
U.S. Department of Homeland Security							
Passed through from							
US Office of National Drug Control	Subricipient/Appalachia HIDTA Funding	95.001	G15AP0001A: 21-USC-1706	-	26,180	26,180	-
Tennessee Emergency Management Agency	Public Assistance/Disaster Grant for April 24, 2011 Hail Storm	97.036	FEMA-1974-DR-TN	176,230	195,782	19,552	-
	Public Assistance/Disaster Grant for June 22, 2011 Storm	97.036	FEMA-4005-DR-TN	38,487	-	-	38,487
	Public Assistance/Disaster Grant for February, 2015 Storm	97.036	FEMA-4211-DR-TN	-	76,316	76,316	-
		97.036		214,717	272,098	95,868	38,487
Tennessee Emergency Management Agency	2014 Emergency Management Performance Grant	97.042	34101-17788	-	-	150,000	150,000
Passed through Knox County	FY2013 Homeland Security Grant Program	97.067	EMW-2014-SS-00009	13,635	14,460	825	-
Total U.S. Department of Homeland Security				228,352	312,738	272,873	188,487
Total Federal Assistance				$ 9,519,278	$ 11,968,693	$ 23,144,039	$ 20,694,623

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2016

Grantor Agency	Program Title	CFDA #	Grant #	Receivable (Deferral) 6/30/2015	Cash Receipts	Expenditures	Receivable (Deferral) 6/30/2016
	STATE ASSISTANCE						
Tennessee Department of Environment and Conservation	FY2014-2015 Household Hazardous Waste		Edison 41442	$ 20,602	$ 20,602	$ -	$ -
	FY2015-2016 Household Hazardous Waste		Edison 41442	-	42,500	42,500	-
	Dept. of Environment and Conservation -Used Oil		32701-02231; Edison 44256	-	11,977	11,977	-
	Clean Tennessee Energy Grant Program		32701-02412; Edison 44177	-	-	228,488	228,488
Tennessee Emergency Management Agency	Public Assistance/Disaster Grant for April 24, 2011 Hail Storm		FEMA-1974-DR-TN	26,822	29,238	2,416	-
Tennessee Emergency Management Agency	Public Assistance/Disaster Grant for June 22, 2011 Storm		FEMA-4005-DR-TN	6,050	-	-	6,050
	Public Assistance/Disaster Grant for February, 2015 Storm		FEMA-4211-DR-TN	-	9,540	9,540	-
Criminal Justice Program	2015 State ICAC Grant		31701-06184; Edison 40916	123,671	123,671	-	-
Criminal Justice Program	2016 State ICAC Grant		31701-06205; Edison 45218	-	93,133	235,410	142,277
Tennessee Department of Transportation	Kingston Pike Multimodal Transportation Grant		47LPM-S3-120; PIN 121995.00	-	-	488	488
Tennessee Department of Transportation	2013-2014 State Operating Grant		47-UROP-S3-010	-	2,200,328	3,113,900	913,572
Tennessee Department of Transportation	FTA-TN-04-0022		GG-08-27785-00	-	-	39,200	39,200
Tennessee Department of Transportation	FTA-TN-90-X335		47-5307-S3-022 (47-5307-S3-014)	9,916	-	1,661	11,577
Tennessee Department of Transportation	FTA-TN-90-X350-00		GG-13-33857-00 (round one)	11,853	-	40,116	51,969
Tennessee Department of Transportation	FTA-TN-90-X361		475307-S3-018	634,083	633,957	6,857	6,983
Tennessee Department of Transportation	FTA-TN-90-X381		475307-S3-021	622,069	-	9,565	631,634
Tennessee Department of Transportation	FTA-TN-04-0073-00		475309-S3-023	-	-	45,696	45,696
Tennessee Department of Transportation	FTA-TN-04-0045-02		GG-15-42739-00	-	-	18,138	18,138
Tennessee Department of Transportation	FTA-TN-34-0005-00		475339-S3-002	-	-	11,412	11,412
Tennessee Department of Transportation	FTA-TN-90-X3		Contract Pending	504,202	-	151,072	655,274
Tennessee Department of Transportation	FTA-TN-90-		Contract Pending	-	-	547,815	547,815
Total State Assistance				$ 1,959,268	$ 3,164,946	$ 4,516,251	$ 3,310,573
Total Federal and State Assistance				$ 11,478,546	$ 15,133,639	$ 27,660,290	$ 24,005,196

See independent auditor's report.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of the City of Knoxville, Tennessee (the "City") for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance) and the State of Tennessee. The expenditures of federal and state awards relating to the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority which are reported as component units of the City as described in our report on the City's financial statements are not included in the City's schedule of expenditures of federal and state awards. These component units are separately audited and reported on in accordance with the Uniform Guidance, where applicable.

Expenditures reported on the schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 - Loans Outstanding

The City of Knoxville had the following loan funding balances and loan balances outstanding at June 30, 2016.

These 2016 loan funding balances are also included in the federal expenditures presented in the schedule.

Cluster / Program Title	CFDA Number	FY 16 Loan Funding	Outstanding Balance
Community Development Block Grants	14.218	$ 858,876	$ 3,078,608
Empowerment Zone	14.244	-	909,145
HOME Investment Partnerships Program	14.239	781,667	10,702,630
Total Loans		$1,640,543	$14,690,383

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City Mayor and City Council Members of the
City of Knoxville, Tennessee

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Knoxville, Tennessee (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated, December 20, 2016. Our report includes a reference to other auditors who audited the financial statements of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority, which are reported as component units of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
December 20, 2016

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance

City Mayor and City Council Members of the
City of Knoxville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Knoxville, Tennessee's ("the City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority, which are reported as component units, and which received $14,328,636 in federal awards which are not included in the schedule of expenditures of federal and state awards for the year ended June 30, 2016. Our audit, described below, did not include the operations of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority because these component units engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs. .

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Knoxville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A s*ignificant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
December 20, 2016

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes _x_ no
Significant deficiency(ies) identified? ___ yes _x_ none reported

Noncompliance material to financial statements noted? ___ yes _x_ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes _x_ no
Significant deficiency(ies) identified? ___ yes _x_ none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes _x_ no

Identification of major programs for the City of Knoxville for the fiscal year ended June 30, 2016 are:

CFDA Number	Name of Federal Program
14.239	Home Investment Partnerships Program
20.205	Highway Planning Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? _x_ yes ___ no

II. Findings related to the audit of the financial statements of the City of Knoxville

None reported.

III. Findings and questioned costs related to the audit of Federal awards

None reported.

CITY OF KNOXVILLE, TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Financial Statement Findings

Findings Number	Finding Title	Status
2015-1	Cash Reconciliation Process (original findings #2013-1)	Corrected

Financial Awards Findings and Questioned Costs

Findings Number	Finding Title	Status
2015-2	Match Reporting	Corrected

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Finding 2015-1: **Cash Reconciliation Process**

Criteria: The City's concentration bank account should be properly reconciled to the general ledger.

Condition: The reconciliation of the concentration bank account at June 30, 2015 to the general ledger was not fully completed and reviewed by the City on a timely basis. It was noted during the audit process that certain items remained unreconciled and the preliminary balance did not agree to the general ledger. Full reconciliation of the account was completed during the audit process by City personnel.

Context: The concentration account is the primary operating bank account for the City.

Effect: The account was fully reconciled by the City during the audit process.

Cause: The current reconciliation process for this account includes reconciling the Treasurer's report, an internally prepared management report, to the bank statement balance. The Treasurer's report is then reconciled to the general ledger, however there may be differences in certain balances and items between the Treasurer's report and the general ledger that are not always identified and adjusted on a timely basis.

Recommendation: The City should evaluate the current reconciliation process for the concentration account and consider and implement changes that would assure that a full and accurate reconciliation of the account to the general ledger is completed on a timely basis and supported by proper review.

Current Status: This was not a finding for the year ended June 30, 2016.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Finding 2015-2:	**Match Reporting**
Program:	Lead-Based Paint Hazard Control Grant Program (CFDA #14.900)
Criteria:	United States Department of Housing and Urban Development (HUD) requires that the recipients report in the quarterly SF 425 Federal Financial Report, include the total recipient share required, recipient share of expenditures and remaining recipient share to be provided.
Condition:	During the audit, we noted that the City did not report match information for this program as required by HUD.
Questioned Cost:	There are no questioned costs identified.
Context:	The required reporting of match information was not included on the quarterly SF 425 Federal Financial Report.
Effect:	The federal grantor agency could issue sanctions or disallowances related to noncompliance.
Cause:	Administrative oversight during the reporting process relating to recipient match information.
Recommendation:	We recommend that procedures be established to assure the City report match information as required by HUD.
Current Status:	This was not a finding for the year ended June 30, 2016.